ENEA S.A.

SEPARATE FINANCIAL STATEMENTS

for the financial year ended

31 December 2019

in compliance with

EU IFRS

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

Members of the Management Board

President of the Management Board	**Mirosław Kowalik**	....
Member of the Management Board	**Piotr Adamczak**	....
Member of the Management Board	**Jarosław Ołowski**	....
Member of the Management Board	**Zbigniew Piętka**	....

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, 4 June 2020

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2019	31 December 2018
Revenue from sales		5 171 385	4 953 852
Excise duty		(71 170)	(252 163)
Net revenue from sales	**8**	**5 100 215**	**4 701 689**
Compensations	8	597 163	-
Lease income		70	-
Revenue from sales and other income		**5 697 448**	**4 701 689**
Other operating revenue	10	16 591	35 016
Change in provision for onerous contracts		10 415	(78 981)
Depreciation/amortisation	9	(5 242)	(2 234)
Employee benefit costs	9	(74 078)	(63 285)
Use of materials and raw materials and value of goods sold	9	(2 437)	(2 981)
Purchase of electricity and gas for sales purposes	9	(5 462 752)	(4 461 790)
Transmission and distribution services	9	(6 331)	(1 973)
Other third-party services	9	(217 439)	(196 764)
Taxes and fees	9	(4 139)	(3 165)
Gain/(loss) on sale and liquidation of property, plant and equipment		431	109
Other operating costs	10	(66 298)	(70 218)
Operating loss		**(113 831)**	**(144 577)**
Finance costs	11	(285 835)	(258 714)
Finance income	11	264 845	259 951
Dividend income		781 507	645 293
(Impairment)/reversal of impairment of shares in subsidiaries, associates and jointly controlled entities	18	(293 621)	200 862
Impairment of financial assets at amortised cost	32	(65 771)	-
Profit before tax		**287 294**	**702 815**
Income tax	12	(3 963)	24 321
Net profit for the reporting period		**283 331**	**727 136**
Other comprehensive income			
Subject to reclassification to profit or loss:			
- measurement of hedging instruments		(1 692)	(51 793)
- income tax		322	9 840
Not subject to reclassification to profit or loss:			
- restatement of defined benefit plan		(4 479)	(2 457)
- measurement of financial instruments		-	(17 036)
- income tax		851	467
Net other comprehensive income		**(4 998)**	**(60 979)**
Comprehensive income for the reporting period		**278 333**	**666 157**
Net profit attributable to the Company's shareholders		283 331	727 136
Weighted average number of ordinary shares		441 442 578	441 442 578
Net profit per share (in PLN per share)	**13**	**0.64**	**1.65**
Diluted profit per share (in PLN per share)		**0.64**	**1.65**

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

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

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2019	As at 31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	14	24 070	25 791
Perpetual usufruct of land	16	-	1 504
Right-of-use assets	16	33 249	-
Intangible assets	15	4 376	4 501
Investment properties	17	13 755	14 305
Investments in subsidiaries, associates and jointly controlled entities	18	12 892 612	12 794 956
Deferred income tax assets	12	95 395	98 432
Financial assets measured at fair value	31	38 848	46 357
Debt financial assets at amortised cost	32	4 567 870	6 578 980
Trade and other receivables	20	-	1 103
Finance lease and sublease receivables		2 610	-
Costs related to the conclusion of agreements		12 749	12 905
Total non-current assets		**17 685 534**	**19 578 834**
Current assets			
Inventories	19	217 460	333 578
Trade and other receivables	20	962 730	970 657
Costs related to the conclusion of agreements		12 646	16 948
Assets arising from contracts with customers	22	215 223	227 480
Finance lease and sublease receivables		3 083	-
Current income tax receivables		30 680	77 098
Debt financial assets at amortised cost	32	2 801 067	593 221
Cash and cash equivalents	23	2 768 210	1 145 978
Total current assets		**7 011 099**	**3 364 960**
TOTAL ASSETS		**24 696 633**	**22 943 794**

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

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

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2019	As at 31 December 2018
EQUITY AND LIABILITIES			
Equity			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Revaluation reserve - measurement of financial instruments		(17 036)	(17 036)
Revaluation reserve - measurement of hedging instruments		(17 356)	(15 986)
Reserve capital		5 690 700	4 963 564
Retained earnings		2 702 180	3 149 613
Total equity	**24**	**13 574 179**	**13 295 846**
LIABILITIES			
Non-current liabilities			
Credit facilities, loans and debt securities	27	7 742 980	7 899 495
Other liabilities	28	80 123	-
Lease liabilities	27	30 970	763
Employee benefit liabilities	29	58 693	53 586
Financial liabilities measured at fair value	31	23 802	22 176
Total non-current liabilities		**7 936 568**	**7 976 020**
Current liabilities			
Credit facilities, loans and debt securities	27	2 088 642	341 475
Trade and other payables	28	567 409	646 660
Liabilities arising from contracts with customers	22	12 631	-
Lease liabilities	27	5 470	661
Employee benefit liabilities	29	28 872	23 143
Liabilities concerning the equivalent for rights to free purchase of shares		281	281
Other financial liabilities	31	52 599	146 785
Provisions for other liabilities and other charges	30	429 982	512 923
Total current liabilities		**3 185 886**	**1 671 928**
Total liabilities		**11 122 454**	**9 647 948**
TOTAL EQUITY AND LIABILITIES		**24 696 633**	**22 943 794**

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

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Revaluation reserve - measurement of hedging instruments	Reserve capital	Retained earnings	Total equity
As at 1 January 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 1 January 2018, adjusted	**441 443**	**146 575**	**588 018**	**4 627 673**	**-**	**25 967**	**3 150 240**	**4 237 791**	**12 629 689**
Net profit for the reporting period	-	-	-	-	-	-	-	727 136	**727 136**
Net other comprehensive income	-	-	-	-	(17 036)	(41 953)	-	(1 990)	**(60 979)**
Net comprehensive income recognised in the period	-	-	-	-	**(17 036)**	**(41 953)**	**-**	**725 146**	**666 157**
Allocation of net profit - transfer	-	-	-	-	-	-	1 813 324	(1 813 324)	**-**
As at 31 December 2018	**441 443**	**146 575**	**588 018**	**4 627 673**	**(17 036)**	**(15 986)**	**4 963 564**	**3 149 613**	**13 295 846**
Net profit for the reporting period	-	-	-	-	-	-	-	283 331	**283 331**
Net other comprehensive income	-	-	-	-	-	(1 370)	-	(3 628)	**(4 998)**
Net comprehensive income recognised in the period	**-**	**-**	**-**	**-**	**-**	**(1 370)**	**-**	**279 703**	**278 333**
Allocation of net profit - transfer	-	-	-	-	-	-	727 136	(727 136)	**-**
As at 31 December 2019	**441 443**	**146 575**	**588 018**	**4 627 673**	**(17 036)**	**(17 356)**	**5 690 700**	**2 702 180**	**13 574 179**

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

SEPARATE STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities			
Net profit for the reporting period		283 331	727 136
Adjustments:			
Income tax in profit or loss	12	3 963	(24 321)
Depreciation/amortisation	9	5 242	2 234
Gain on sale and liquidation of property, plant and equipment		(431)	(109)
Loss on sale of financial assets		10 816	18 313
Interest income		(203 300)	(213 324)
Dividend income		(781 507)	(645 293)
Interest costs		248 608	217 545
Impairment/reversal of impairment of interests		294 008	(200 862)
Impairment of financial assets at amortised cost		65 771	-
Other adjustments		(3 554)	(363)
Total adjustments		**(360 384)**	**(846 180)**
Income tax (paid)/refund		23 949	(36 970)
Flows resulting from settlements within tax group		(30 668)	42 714
Changes in working capital:			
Inventories		116 118	(116 420)
Trade and other receivables	37	26 442	(79 821)
Trade and other payables	37	(13 138)	(153 715)
Employee benefit liabilities	37	6 358	2 446
Provisions for other liabilities and other charges		(82 941)	152 077
Total changes in working capital		**52 839**	**(195 433)**
Net cash flows from operating activities		**(30 933)**	**(308 733)**
Cash flows from investing activities			
Purchase of non-current property, plant and equipment and intangible assets and right-of-use assets		(727)	(287)
Proceeds from sale of non-current property, plant and equipment and intangible assets and right-of-use assets		438	149
Purchase of financial assets		(879 360)	(468 280)
Proceeds from sale of financial assets		550 859	189 022
Purchase of subsidiaries		(48 144)	(93 178)
Purchase of associates and jointly controlled entities		(181 698)	(325 415)
Sale of subsidiary		79	-
Received dividends		781 507	645 293
Proceeds related to future purchase of financial assets		-	29
Received interest		202 797	195 152
Other inflows from financing activities		3 446	-
Net cash flows from investing activities		**429 197**	**142 485**
Cash flows from financing activities			
Bond issuance	37	2 000 000	550 000
Repayment of credit and loans	37	(152 080)	(96 971)
Bond buy-back	37	(277 910)	(95 000)
Expenditures concerning lease payments		(5 163)	(453)
Expenditures concerning future bond issues		(195)	(37)
Interest paid		(246 498)	(214 789)
Net cash flows from financing activities		**1 318 154**	**142 750**
Total net cash flows		**1 716 418**	**(23 498)**
Cash at the beginning of reporting period	23	999 193	1 022 691
Cash at the end of reporting period	**23**	**2 715 611**	**999 193**

* from 2019, cash-pooling liabilities are recognised as cash equivalent for the purposes of the statement of cash flows. Comparative data was amended accordingly.

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

ADDITIONAL INFORMATION AND EXPLANATIONS

General information

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

As at 31 December 2019, ENEA S.A.'s shareholding structure was as follows:

	Poland's State Treasury	Other shareholders	Total
As at 31 December 2019	51.50%	48.50%	**100.00%**

As at 31 December 2019, the Parent's highest-level controlling entity was the State Treasury.

As at 31 December 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 Company's duration is indefinite. Its activities are conducted on the basis of relevant concessions issued for the Company.

The Company's separate financial statements cover the year ended on 31 December 2019 and contain comparative data for the year ended on 31 December 2018.

2. Group composition

As at 31 December 2019, ENEA Group consisted of the parent - ENEA S.A., 16 subsidiaries, 9 indirect subsidiaries, 2 associates and 2 jointly controlled entities.

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

Accounting rules

Subsidiaries

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

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

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

Associates and jointly controlled entities

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

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

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

Mergers and acquisitions

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

Purchase of associates and jointly controlled entities

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

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

	Company name	Activity	Registered office	ENEA S.A.'s stake in total number of voting rights as at 31 December 2019	ENEA S.A.'s stake in total number of voting rights as at 31 December 2018
SUBSIDIARIES					
1.	**ENEA Operator Sp. z o.o.**	distribution	Poznań	100%	100%
2.	**ENEA Wytwarzanie Sp. z o.o.**	generation	Świerże Górne	100%	100%
3.	**ENEA Elektrownia Połaniec S.A.**	generation	Połaniec	100%	100%
4.	**ENEA Oświetlenie Sp. z o.o.**	other activity	Szczecin	100%	100%
5.	**ENEA Trading Sp. z o.o.**	trade	Świerże Górne	100%	100%
6.	**ENEA Logistyka Sp. z o.o.**	other activity	Poznań	100%	100%
7.	**ENEA Serwis Sp. z o.o.**	distribution	Lipno	100%	100%
8.	**ENEA Centrum Sp. z o.o.**	other activity	Poznań	100%[9]	100%
9.	**ENEA Pomiary Sp. z o.o.**	distribution	Poznań	100%	100%
10.	**ENERGO-TOUR Sp. z o.o. w likwidacji**	other activity	Poznań	100%[6]	100%[6]
11.	**ENEA Innowacje Sp. z o.o.**	other activity	Warsaw	100%[8,11]	100%
12.	**Lubelski Węgiel BOGDANKA S.A.**	mining	Bogdanka	65.99%	65.99%
13.	**Annacond Enterprises Sp. z o.o. w likwidacji**	distribution	Warsaw	61%[15]	61%
14.	**ENEA Ciepło Sp. z o.o.**	generation	Białystok	99.94%[10]	95.77%
15.	**ENEA Ciepło Serwis Sp. z o.o.**	generation	Białystok	100%	100%
16.	**ENEA Nowa Energia Sp. z o.o.**	generation	Poznań	100%[14]	-
INDIRECT SUBSIDIARIES					
17.	**ENEA Bioenergia Sp. z o.o.**	generation	Połaniec	100%[1]	100%[1]
18.	**ENEA Połaniec Serwis Sp. z o.o.**	generation	Połaniec	100%[1]	-
19.	**Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.**	generation	Oborniki	99.93%[2]	99.93%[2]
20.	**Miejska Energetyka Cieplna Piła Sp. z o.o.**	generation	Piła	71.11%[2]	71.11%[2]
21.	**EkoTRANS Bogdanka Sp. z o.o.**	mining	Bogdanka	65.99%[3]	65.99%[3]
22.	**RG Bogdanka Sp. z o.o.**	mining	Bogdanka	65.99%[3]	65.99%[3]
23.	**MR Bogdanka Sp. z o.o.**	mining	Bogdanka	65.99%[3]	65.99%[3]
24.	**Łęczyńska Energetyka Sp. z o.o.**	mining	Bogdanka	58.53%[3]	58.53%[3]
25.	**ENEA Badania i Rozwój Sp. z o.o.**	other activity	Świerże Górne	100%[5,12]	100%[2]
JOINTLY CONTROLLED ENTITIES					
26.	**Polska Grupa Górnicza S.A.**	-	Katowice	7.66%	7.66%
27.	**Elektrownia Ostrołęka Sp. z o.o.**	-	Ostrołęka	50%[7]	50%
28.	**Centralny System Wymiany Informacji Sp. z o.o. w likwidacji**	-	Poznań	-[13]	20%[4]
ASSOCIATES					
29.	**Polimex – Mostostal S.A.**	-	Warsaw	16.48%	16.48%
30.	**ElectroMobility Poland S.A.**	-	Warsaw	25%	25%

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

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

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

[4] – jointly controlled entity through stake in ENEA Operator Sp. z o.o.

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

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

[7] – on 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. 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.

[8] – on 12 June 2019, an Extraordinary General Meeting of ENEA Innowacje Sp. z o.o. adopted Resolution no. 1 regarding a cash increase of the company's share capital by PLN 5 400 thousand, i.e. from PLN 3 805 thousand to PLN 9 205 thousand, by issuing 54 000 new shares with a nominal value of PLN 100 each. The share capital increase was registered at the National Court Register on 19 July 2019.

[9] – on 10 September 2019 an Extraordinary General Meeting of ENEA Centrum Sp. z o.o. adopted a resolution to increase the company's share capital by PLN 100 000 thousand, i.e. from PLN 3 929 thousand to PLN 103 929 thousand by issuing 1 000 000 new shares with a nominal value of PLN 100 each. 10 September 2019 ENEA S.A. acquired the newly-issued shares and made a non-monetary contribution in the form of receivables totalling PLN 162 000 thousand due for ENEA S.A. from ENEA Centrum Sp. z o.o. for loans made under two loan agreements executed in 2014 and 2015. The amount of PLN 62 000 thousand constitutes a premium of the non-monetary contribution over the nominal value of the acquired shares and was transferred to ENEA Centrum Sp. z o.o.'s supplementary capital. The share capital increase was registered at the National Court Register on 8 November 2019.

[10] – on 4 September 2019 ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. executed an agreement to sell shares of ENEA Ciepło Sp. z o.o., pursuant to which ENEA S.A. purchased form ENEA Wytwarzanie Sp. z o.o. 126 083 shares in ENEA Ciepło Sp. z o.o. with a nominal value of PLN 6 304 thousand.

[11] – on 24 September 2019 an Extraordinary General Meeting of ENEA Innowacje Sp. z o.o. adopted Resolution no. 1 regarding a cash increase of the company's share capital by PLN 7 855 thousand, i.e. from PLN 9 205 thousand to PLN 17 060 thousand, by issuing 78 550 new shares with a nominal value of PLN 100 each. 27 September 2019 ENEA S.A. acquired these shares in the increased share capital of ENEA Innowacje Sp. z o.o. On 10 October 2019 ENEA S.A. provided its cash contribution. The share capital increase was registered at the National Court Register on 21 November 2019.

[12] – on 27 September 2019 ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. sold a 100% stake in ENEA Badania i Rozwój Sp. z o.o. to ENEA Innowacje Sp. z o.o.

[13] – on 1 October 2019 Centralny System Wymiany Informacji Sp. z o.o. w likwidacji was removed from the National Court Register.

[14] – on 5 November 2019 ENEA S.A. founded ENEA Nowa Energia Sp. z o.o. The company's share capital amounts to PLN 5 thousand and is divided into 100 shares with a nominal value of PLN 50 each. The company was registered at the National Court Register on 7 November 2019.

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

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

3. Management Board and Supervisory Board composition

Management Board

	As at 31 December 2019	Appointment	As at 31 December 2018	End of term
President of the Management Board	Mirosław Kowalik		Mirosław Kowalik	
Member of the Management Board, responsible for finance	Jarosław Ołowski	21 May 2019	Piotr Olejniczak	20 May 2019
Member of the Management Board, responsible for sales	Piotr Adamczak		Piotr Adamczak	
Member of the Management Board, responsible for corporate affairs	Zbigniew Piętka		Zbigniew Piętka	

Supervisory Board

	As at 31 December 2019	Appointment	As at 31 December 2018	End of term / resignation
Chairperson of the Supervisory Board	Stanisław Hebda		Stanisław Hebda	
Deputy Chairperson of the Supervisory Board	Mariusz Pliszka	21 May 2019	Paweł Jabłoński	2 December 2019
Secretary of the Supervisory Board	Michał Jaciubek	21 May 2019	Piotr Mirkowski	
Member of the Supervisory Board	Maciej Mazur	21 May 2019	Sławomir Brzeziński	20 May 2019
Member of the Supervisory Board	Piotr Mirkowski		Wojciech Klimowicz	20 May 2019
Member of the Supervisory Board	Paweł Koroblowski		Paweł Koroblowski	
Member of the Supervisory Board	Ireneusz Kulka		Ireneusz Kulka	
Member of the Supervisory Board			Tadeusz Mikłosz	20 May 2019
Member of the Supervisory Board	Roman Stryjski		Roman Stryjski	

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

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

On 19 March 2020, Mrs. Izabela Felczak-Poturnicka was appointed Chairperson of the Supervisory Board and Mr. Mariusz Fistek was appointed to the Supervisory Board.

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

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

	As at 4 June 2020
Chairperson of the Supervisory Board	Izabela Felczak-Poturnicka
Secretary of the Supervisory Board	Michał Jaciubek
Member of the Supervisory Board	Paweł Szczeszek
Member of the Supervisory Board	Maciej Mazur

Member of the Supervisory Board	Piotr Mirkowski
Member of the Supervisory Board	Paweł Koroblowski
Member of the Supervisory Board	Ireneusz Kulka
Member of the Supervisory Board	Mariusz Pliszka
Member of the Supervisory Board	Roman Stryjski
Member of the Supervisory Board	Mariusz Fistek

4. Basis for preparing financial statements

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

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

The Company's Management Board used its best knowledge as to the application of standards and interpretations as well as methods and rules for the measurement of items in ENEA S.A.'s separate financial statements in accordance with EU IFRS as at 31 December 2019. The presented tables and explanations are prepared with due diligence. These separate financial statements have been audited by a statutory auditor. The accounting rules are applied consistently across all of the presented periods unless stated otherwise.

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

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

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

ENEA S.A.'s separate financial statements should be read in conjunction with ENEA Group's consolidated financial statements for the period from 1 January to 31 December 2019 in order to obtain full information on the Group's financial situation and results.

These separate financial statements contain the financial information referred to in art. 44 sec. 2 of the Act of 10 April 1997 - Energy Law (Polish Journal of Laws of 2019 item 755, as amended), which is presented in note 35 ("regulatory financial information").

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

The key accounting rules applied in preparing these separate financial statements are presented as an element of specific explanatory notes to these separate financial statements. There rules were applied to all of the presented periods in a continuous manner, except accounting rules resulting from IFRS 16 *Leases*, which entered into force on 1 January 2019.

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

Notes describing significant estimates and assumptions

Notes describing significant estimates and assumptions	Note
Impairment of interests in subsidiaries, jointly controlled entities and associates	18
Tax	12
Property, plant and equipment	14
Intangible assets	15
Right-of-use assets	16
Investment properties	17

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

Inventories	19
Energy origin certificates	19
Trade and other receivables	20
Assets and liabilities arising from contracts with customers	22
Cash and cash equivalents	23
Employee benefit liabilities	29
Provisions	30
Financial instruments and fair value	31

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

New Standards, amendments to Standards and Interpretations that are approved by the European Union but are not yet in effect for annual periods ending on 31 December 2019:

Standard	Entry into force
IFRS 17 Insurance Contracts	1 January 2021
IFRS 3 Business Combinations	1 January 2020
IAS 1 Presentation of Financial Statements	1 January 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020

The Company intends to apply them for the periods for which they will be in force for the first time.

ENEA S.A. is currently analysing the impact of the New Standards, amendments of Standards and Interpretations on its financial statements. No significant changes have yet been identified in connection with the new standards being implemented.

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

Standard	Entry into force
IFRS 9 Financial Instruments - amendments concerning IBOR reform	1 January 2020
IAS 39 Financial Instruments: disclosure and measurement - amendments concerning IBOR reform	1 January 2020
IFRS 7 Financial Instruments: disclosure of information - changes related to IBOR reform	1 January 2020
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 10 Consolidated Financial Statements - amendments concerning the sale or contribution of assets between an investor and its associates or joint ventures	-
IAS 28 Investments in Associates and Joint Ventures - amendments concerning the sale or contribution of assets between an investor and its associates or joint ventures	-

Changes in applied accounting rules

The accounting rules (policy) applied in preparing these separate financial statements are consistent with those applied in preparing the Company's annual separate financial statements for the year ended 31 December 2018, except for the application of new standards, amendments to standards and interpretations as described below and amendments to the Company's accounting rules, as described in notes 16 and 21.

Application of new standards, amendments to standards and interpretations:

IFRS 16 *Leases*

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

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

Impact of introducing IFRS 16 on separate financial statements as at 1 January 2019

	As at 31 December 2018	Impact of IFRS 16	As at 1 January 2019
ASSETS			
Non-current assets			
Property, plant and equipment	25 791	(1 497)	24 294
Perpetual usufruct of land	1 504	(1 504)	-
Right-of-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)	-
Costs related to the conclusion of agreements	12 905	-	12 905
Finance lease and sublease receivables	-	4 963	4 963
Total non-current assets	**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
Finance lease and sublease 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
Total current assets	**3 364 960**	**2 010**	**3 366 970**
TOTAL ASSETS	**22 943 794**	**44 932**	**22 988 726**

	As at 31 December 2018	Impact of IFRS 16	As at 1 January 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	588 018	-	588 018
Share premium	4 627 673	-	4 627 673
Revaluation reserve - measurement of financial instruments	(17 036)	-	(17 036)
Revaluation reserve - measurement of hedging instruments	(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
Total non-current liabilities	**7 976 020**	**39 753**	**8 015 773**

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

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
Total current liabilities	**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**

The Company recognised a right-of-use asset and a corresponding lease liability on 1 January 2019 as regards paid and unpaid right to perpetual usufruct of land as well as rent and tenancy contracts and operating leases, as presented in the following table:

	As at 1 January 2019
Undiscounted cash flows as at 31 December 2018, i.e. future payments concerning right to perpetual usufruct of land, obtained for free or for a fee, tenancy agreements and operating leases	76 697
Effect of discount	(31 765)
Other, i.e. low-value or negligible contracts that were not moved to financial leases	-
Total lease liabilities as at 1 January 2019 resulting from IFRS 16 implementation	**44 932**
Financial lease liabilities as at 31 December 2018 recognised in the 2018 financial report	1 424
Total lease liabilities as at 1 January 2019	**46 356**

The weighted average marginal lending rate for the lessee applied in measuring lease liabilities on the balance sheet as of the first day on which IFRS 16 was used was 2.72% for perpetual usufruct of land rights, 2.72% for buildings and 9.66% for means of transport.

The implementation of IFRS 16 had an impact on the level of EBITDA and its comparability with the previous period due to the new standard's impact in the form of a decrease in the cost of third-party services and taxes and fees.

EBITDA is defined as operating profit (calculated as result before tax adjusted by finance income, dividend income, finance costs, impairment of interests in subsidiaries, associates and jointly controlled entities and impairment of financial assets at amortised cost) plus amortisation and impairment of non-financial non-current assets. In connection with the impact of IFRS 15 on EBITDA, a comparable indicator - EBITDAR - was calculated in accordance with the definition below.

The Company defines EBITDAR as profit/(loss) for the period, determined in accordance with IFRS, before amortisation, (recognised)/reversed impairment losses on property, plant and equipment, intangible assets and right-of-use assets, interest income, finance costs, gains/(losses) on exchange differences, income tax, costs related to leases not included in the measurement of lease liability (i.e. for IFRS 16: short-term leases, low-value assets, variable lease payments based on an indicator or index; for IAS 17: costs related to operating leases, gains/(losses) on termination of leases).

	Year ended 31 December 2019	Year ended 31 December 2018
Net profit for the reporting period	**283 331**	**727 136**
Depreciation/amortisation	5 242	2 234
Finance costs	285 835	258 714
Finance income	(264 845)	(259 951)
Dividend income	(781 507)	(645 293)
Impairment/(reversal of impairment) of interests in subsidiaries, associates and jointly controlled entities	293 621	(200 862)
Impairment of financial assets at amortised cost	65 771	-
Income tax	3 963	(24 321)
EBITDA	**(108 589)**	**(142 343)**
Other third-party services - rent and similar costs	354	2 732
Taxes and fees	-	780
EBITDAR	**(108 235)**	**(138 831)**

7. Functional currency and transactions in foreign currencies

Accounting rules

Functional currency and presentation currency

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

Transactions and balances

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

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

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

Explanatory notes to the separate statement of comprehensive income

8. Revenue from sales

Accounting rules

Revenue recognition

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

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

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

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

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

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

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

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

Costs related to the conclusion of agreements

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

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

Net revenue from sales

	Year ended	
	31 December 2019	31 December 2018
Revenue from the sale of electricity	4 970 321	4 601 143
Revenue from the sale of gas	124 922	94 751
Revenue from the sale of other services	4 972	4 345
Revenue from origin certificates	-	1 450
Total net revenue from sales	**5 100 215**	**4 701 689**

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

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

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

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

	Year ended	
	31 December 2019	31 December 2018
Revenue from continuous services	5 095 243	4 695 894
Revenue from services provided at specified time	4 972	5 795
Total	**5 100 215**	**4 701 689**

Compensations

In accordance with the Act of 28 December 2018 on amendment of the act on excise duty and certain other acts and the Ordinance of the Minister of Energy on the method for calculating the Price difference amount and Financial compensation and on determining reference prices, the Company submitted a request to Zarządca Rozliczeń S.A. for payment of the Price difference amount for H1 2019 and requests for payment of the Financial compensation for July-December 2019, worth in total PLN 597 163 thousand. The Price difference amount and the Financial compensations constitute the Company's revenue and are recognised under the line Compensations. As at 31 December 2019, the Company received PLN 545 026 thousand in payments of the Price difference amount and the Financial compensation. The remaining part of PLN 597 163 thousand, i.e. PLN 52 137 thousand, is recognised in the line Trade and other receivables in the statement of financial position.

9. Operating costs

Accounting rules

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

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

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

Costs by nature

	Year ended 31 December 2019	31 December 2018
Depreciation/amortisation	**(5 242)**	**(2 234)**
Employee benefit costs	**(74 078)**	**(63 285)**
- remuneration	(58 017)	(47 569)
- social insurance and other benefits	(16 061)	(15 716)
Use of materials and raw materials and value of goods and materials sold	**(2 437)**	**(2 981)**
Third-party services	**(223 770)**	**(198 737)**
- transmission and distribution services	(6 331)	(1 973)
- other third-party services	(217 439)	(196 764)
Taxes and fees	**(4 139)**	**(3 165)**
Value of purchased electricity and gas	**(5 462 752)**	**(4 461 790)**
Total	**(5 772 418)**	**(4 732 192)**

Employee benefit costs

	Year ended 31 December 2019	31 December 2018
Wage costs	**(58 017)**	**(47 569)**
- present wages	(55 954)	(46 526)
- longevity bonuses	(1 843)	(936)
- retirement and disability severance payments	(220)	(107)
Cost of social insurance and other benefits	**(16 061)**	**(15 716)**
- social security contributions (ZUS)	(8 518)	(7 454)
- contributions to Company Social Benefit Fund (ZFŚS)	(1 573)	(1 442)
- other social benefits	(5 970)	(6 820)
Total	**(74 078)**	**(63 285)**

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

Agreement with trade unions

In 2019, trade unions from over a dozen ENEA Group companies executed a social agreement. Essentially, this document addresses the issues of employment stability at those ENEA Group companies that signed the social agreement and makes it possible for employees to access additional benefits on equal terms. The agreement concerns issues such as: worker rates, instalment-based medical benefits, contributions towards the Company Social Benefits Fund, and industry days being treated as public holidays.

10. Other operating revenue and costs

Other operating revenue

	Year ended 31 December 2019	31 December 2018
Release of provision for compensation claims	-	31
Release of other provisions	-	7 262
Compensation, penalties, fines	3 738	4 020
Reversal of unused impairment losses	5 691	6 164
Other operating revenue	7 162	17 539
Total	**16 591**	**35 016**

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

Other operating costs

	Year ended 31 December 2019	Year ended 31 December 2018
Recognition of other provisions	(39 560)	(37 541)
Write-off of impaired receivables	(8 886)	(14 129)
Costs of court proceedings	(6 698)	(7 379)
Trade union costs	(24)	(56)
Other operating costs	(11 130)	(11 113)
Total	**(66 298)**	**(70 218)**

11. Finance income and finance costs

Accounting rules

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

Finance income

	Year ended 31 December 2019	Year ended 31 December 2018
Interest income	**245 465**	**244 357**
- bank accounts and deposits	32 390	22 491
- bonds	193 577	192 472
- other loans and receivables	19 030	29 394
- finance leases and subleases	468	-
Changes in fair value of financial instruments	**15 732**	**15 265**
Other finance income	**3 648**	**329**
Total	**264 845**	**259 951**

Finance costs

	Year ended 31 December 2019	Year ended 31 December 2018
Interest costs	**(257 562)**	**(223 432)**
- on bank credit	(49 891)	(52 326)
- on bonds	(186 458)	(158 042)
- on leases	(1 116)	(40)
- other interest	(20 097)	(13 024)
Cost of discount concerning employee benefit	**(1 725)**	**(1 702)**
Changes in fair value of financial instruments	**(26 548)**	**(33 580)**
Total	**(285 835)**	**(258 714)**

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

12. Tax

Accounting rules

Income tax (including deferred income tax)

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

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

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

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

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

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

Significant judgements and estimates

Recoverability of deferred income tax assets

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

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

Income tax

	Year ended 31 December 2019	Year ended 31 December 2018
Current tax	247	3 426
Deferred tax	(4 210)	20 895
Total	**(3 963)**	**24 321**

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

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

	Year ended 31 December 2019	Year ended 31 December 2018
Profit before tax	287 294	702 815
Tax calculated using the 19% rate	(54 586)	(133 535)
Non-deductible costs (permanent differences) at 19%	(97 863)	35 250
Dividends received at 19%	148 486	122 606
Decrease/(increase) of financial result due to income tax	**(3 963)**	**24 321**

Deferred income tax

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

	As at 31 December 2019	As at 31 December 2018
Deferred income tax assets	125 269	238 802
Offset of deferred income tax assets and provision	(29 874)	(140 370)
Deferred income tax assets after offset	**95 395**	**98 432**
Deferred income tax provision	29 874	140 370
Offset of deferred income tax assets and provision	(29 874)	(140 370)
Deferred income tax provision after offset	**-**	**-**

Deferred income tax assets as at 31 December 2019 to be realised within 12 months amounted to PLN 116 742 thousand, while those over 12 months PLN 8 527 thousand.

Deferred income tax provision as at 31 December 2019 to be realised within 12 months amounted to PLN 24 449 thousand, while those over 12 months PLN 5 425 thousand.

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

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

Deferred income tax assets:

	Impairment of receivables	Employee benefit liabilities	Provision for the cost of energy origin certificates	Taxable costs after end of settlement period	Leases	Measurement of interests	Provision for disputed claims	Provision for onerous contracts	Other	Total
As at 31 December 2017 using the 19% rate	**3 195**	**9 861**	**49 671**	**122 074**	**-**	**6 309**	**16 290**	**-**	**19 262**	**226 662**
Adjustment due to implementation of IFRS 9	537	-	-	-	-	-	-	-	-	537
As at 1 January 2018, adjusted	**3 732**	**9 861**	**49 671**	**122 074**	**-**	**6 309**	**16 290**	**-**	**19 262**	**227 199**
(Increase)/decrease of financial result due to change in temporary differences	(1 269)	458	8 141	(18 936)	-	-	3 566	15 007	(5 671)	1 296
Change recognised in other comprehensive income	-	467	-	-	-	-	-	-	9 840	10 307
As at 31 December 2018 using the 19% rate	**2 463**	**10 786**	**57 812**	**103 138**	**-**	**6 309**	**19 856**	**15 007**	**23 431**	**238 802**
Presentation adjustment	-	-	-	(103 138)	-	-	-	-	-	(103 138)
Adjustment due to implementation of IFRS 16	-	-	-	-	8 537	-	-	-	-	8 537
As at 1 January 2019, adjusted	**2 463**	**10 786**	**57 812**	**-**	**8 537**	**6 309**	**19 856**	**15 007**	**23 431**	**144 201**
(Increase)/decrease of financial result due to change in temporary differences	(1 079)	1 075	(21 296)	-	(1 613)	(6 309)	7 516	(1 980)	3 581	(20 105)
Change recognised in other comprehensive income	-	851	-	-	-	-	-	-	322	1 173
As at 31 December 2019 using the 19% rate	**1 384**	**12 712**	**36 516**	**-**	**6 924**	**-**	**27 372**	**13 027**	**27 334**	**125 269**

As at 31 December 2019, tax losses to be settled in future periods amounted to PLN 37 142 thousand.

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

Deferred income tax provision:

	Taxable income after end of settlement period	Recorded, uninvoiced sales	Fair value measurement of tangible assets	Leases	Other	Total
As at 1 January 2018	**137 726**	**24 742**	**(544)**	**-**	**(1 955)**	**159 969**
(Increase)/decrease of financial result due to change in temporary differences	(16 920)	451	(7)	-	(3 123)	(19 599)
As at 31 December 2018 using the 19% rate	**120 806**	**25 193**	**(551)**	**-**	**(5 078)**	**140 370**
Presentation adjustment	(103 138)	-	-	-	-	(103 138)
Adjustment due to implementation of IFRS 16	-	-	-	1 115	-	1 115
As at 1 January 2019, adjusted	**17 668**	**25 193**	**(551)**	**1 115**	**(5 078)**	**38 347**
(Increase)/decrease of financial result due to change in temporary differences	(2 278)	(858)	6 070	70	(11 477)	(8 473)
As at 31 December 2019 using the 19% rate	**15 390**	**24 335**	**5 519**	**1 185**	**(16 555)**	**29 874**

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

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

13. Profit per share

Accounting rules

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

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

Profit per share

	Year ended	
	31 December 2019	31 December 2018
Net profit attributable to the Company's shareholders	283 331	727 136
Weighted average number of ordinary shares	441 442 578	441 442 578
Net profit per share (in PLN per share)	**0.64**	**1.65**
Diluted profit per share (in PLN per share)	**0.64**	**1.65**

Explanatory notes to the separate statement of financial position

14. Property, plant and equipment

Accounting rules

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

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

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

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

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

External financing costs

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

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

Significant judgements and estimates

Economic life and residual value

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

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

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

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

Property, plant and equipment

For the financial year ended 31 December 2019:

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

No collateral was established on property, plant and equipment.

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

For the financial year ended 31 December 2018:

	Land	Buildings and structures	Technical equipment and machinery	Means of transport	Other tangible assets	Tangible assets under construction	Total
Gross value							
As at 1 January 2018	**677**	**37 586**	**20 229**	**7 685**	**3 962**	**3**	**70 142**
Purchase	-	-	-	1 371	292	-	1 663
Liquidation	-	-	(349)	(2 798)	(7)	-	(3 154)
Other	58	-	-	-	-	-	58
As at 31 December 2018	**735**	**37 586**	**19 880**	**6 258**	**4 247**	**3**	**68 709**
Accumulated depreciation							
As at 1 January 2018	**-**	**(14 425)**	**(19 755)**	**(6 321)**	**(3 736)**	**-**	**(44 237)**
Depreciation	-	(639)	(334)	(729)	(93)	-	(1 795)
Liquidation	-	-	348	2 759	7	-	3 114
As at 31 December 2018	**-**	**(15 064)**	**(19 741)**	**(4 291)**	**(3 822)**	**-**	**(42 918)**
Net value at 1 January 2018	**677**	**23 161**	**474**	**1 364**	**226**	**3**	**25 905**
Net value at 31 December 2018	**735**	**22 522**	**139**	**1 967**	**425**	**3**	**25 791**

No collateral was established on property, plant and equipment.

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

Future contract liabilities related to the purchase of property, plant and equipment incurred as at the reporting date but not yet recognised in the statement of financial position reached PLN 1 425 thousand as at 31 December 2019 (PLN 0 thousand as at 31 December 2018).

As lessee, the Company used the following property, plant and equipment under finance leases as at 31 December 2018. Starting on 1 January 2019, due to IFRS 16 being implemented, the Company presents the following items as right-of-use assets.

	As at 1 January 2019		
	Gross value	Depreciation	Net book value
Means of transport	2 143	(646)	1 497
Total	**2 143**	**(646)**	**1 497**

15. Intangible assets

Accounting rules

Intangible assets

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

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

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

Costs of R&D work

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

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

Capitalisation criteria:

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

Significant judgements and estimates

Economic life and residual value

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

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

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

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

Intangible assets

For the financial year ended 31 December 2019:

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

No collateral is established on intangible assets. No intangible assets were produced internally in 2019.

For the financial year ended 31 December 2018:

	Computer software, licences, concessions, patents
Gross value	
As at 1 January 2018	**11 689**
As at 31 December 2018	**11 689**
Accumulated amortisation	
As at 1 January 2018	**(7 023)**
Amortisation	(165)
As at 31 December 2018	**(7 188)**
Net value at 1 January 2018	**4 666**
Net value at 31 December 2018	**4 501**

No collateral was established on intangible assets.

16. Right-of-use assets

Accounting rules

Rules in effect from 1 January 2019:

A contract contains a lease if:

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

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

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

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

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

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

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

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

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

In the case of 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 applies a practical expedient and does not apply the lease model in reference to:

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

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

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

Rules in effect until 31 December 2018:

Right to perpetual usufruct of land

Lands constituting the property of the State Treasury, local government units or their associations may be used pursuant to perpetual usufruct. Perpetual usufruct is a specific property right entitling to: use of property, excluding other persons or management of this item (right).

Depending on the means of purchasing such rights, the Company classifies them as follows:

1. Right to perpetual usufruct of land obtained legally for free through a decision of voivodship marshal or local government - this is treated as an operating lease.
2. Right to perpetual usufruct of land obtained from third persons for a fee - this is recognised as assets under rights to perpetual usufruct of land, at purchase price less amortisation.
3. Right to perpetual usufruct of land obtained under an agreement on transfer of land for perpetual usufruct, executed with the State Treasury or local government units - this is defined as excess of the first payment over annual payment and is classified as an asset under rights to perpetual usufruct of land and is amortised.

Rights to perpetual usufruct of land are amortised over the period for which they are granted.

Leases

A lease in which generally all of the risk and benefits are for the Company is classified as a finance lease. Leases other than finance leases are considered as operating leases.

The object of a finance lease is recognised in assets on the date at which the lease starts at the lower of the following two amounts: fair value of the leased object or the present minimum lease payments. Under finance leases, each payment is divided into an amount that decreases the liability and an amount of finance costs so as to maintain a fixed interest rate for the outstanding part of the liability. The interest component of a lease payment is recognised as finance costs in the current-period profit or loss throughout the lease term so that a fixed interest rate is maintained for each period for the outstanding portion of the liability. Assets purchased under finance leases that are subject to depreciation are depreciated throughout their period of use.

Lease payments under operating leases (after subtracting any potential promotional deals received from the lessor) are recognised as costs on a straight-line basis throughout the lease term.

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

Right-of-use assets

For the financial year ended 31 December 2019:

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

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

Perpetual usufruct of land

	As at 31 December 2018
Gross value	
As at 1 January	**1 380**
Other	305
As at 31 December	**1 685**
Accumulated amortisation	
As at 1 January	**(165)**
Amortisation	(16)
As at 31 December	**(181)**
Net value at 1 January	**1 215**
Net value at 31 December	**1 504**

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

17. Investment properties

Accounting rules

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

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

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

Significant judgements and estimates

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

Investment properties

	As at 31 December 2019	As at 31 December 2018
Gross value		
As at 1 January	**19 322**	**19 322**
As at 31 December	**19 322**	**19 322**
Accumulated depreciation		
As at 1 January	**(5 017)**	**(4 467)**
Depreciation	(550)	(550)
As at 31 December	**(5 567)**	**(5 017)**
Net value		
As at 1 January	**14 305**	**14 855**
As at 31 December	**13 755**	**14 305**

No collateral was established on investment properties.

Presented below are revenue and costs related to investment properties:

	Year ended 31 December 2019	Year ended 31 December 2018
Income from investment properties	1 202	1 124
Operating costs related to income-generating investment properties	(771)	(876)

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

The ENEA S.A. headquarters was the most valuable investment property recognised in the Company's books at PLN 8 142 thousand. The Company estimates that the fair value is close to the value recognised in the books.

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

18. Investments in subsidiaries, associates and jointly controlled entities

Accounting rules

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

Impairment of non-financial assets

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

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

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

Significant judgements and estimates

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

Change in investments in subsidiaries, associates and jointly controlled entities

	Year ended	
	31 December 2019	31 December 2018
As at 1 January	**12 794 956**	**11 945 473**
Purchase of investments	391 743	648 621
Sale of investments	(79)	-
Change in impairment	(293 621)	200 862
Other changes	(387)	-
As at 31 December	**12 892 612**	**12 794 956**

Elektrownia Ostrołęka Sp. z o.o.

4 January 2019	The Company purchased 3 613 821 shares in Elektrownia Ostrołęka Sp. z o.o. with nominal value of PLN 50 each and total nominal value 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.	-

ENEA Innowacje Sp. z o.o.

12 June 2019	A resolution was adopted to increase the company's share capital by PLN 5 400 thousand, i.e. to PLN 9 205 thousand, by issuing 54 000 new shares with a nominal value of PLN 100.00 each.	Extraordinary General Meeting

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

24 September 2019	A resolution was adopted to increase the company's share capital by PLN 7 855 thousand, i.e. to PLN 17 060 thousand, by issuing 78 550 new shares with a nominal value of PLN 100.00 each.	Extraordinary General Meeting
ENEA Centrum Sp. z o.o.		
10 September 2019	A resolution was adopted to increase the company's share capital by PLN 100 000 thousand, i.e. from PLN 3 929 thousand to PLN 103 929 thousand, by issuing 1 000 000 new shares with a nominal value of PLN 100.00 each. ENEA S.A. acquired the newly-issued shares and made a non-monetary contribution in the form of receivables totalling PLN 162 000 thousand due for ENEA S.A. from ENEA Centrum Sp. z o.o. for loans made under two loan agreements executed in 2014 and 2015.	Extraordinary General Meeting
ENEA Ciepło Sp. z o.o.		
4 September 2019	ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. executed an agreement to sell shares of ENEA Ciepło Sp. z o.o., pursuant to which ENEA S.A. purchased form ENEA Wytwarzanie Sp. z o.o. 126 083 shares in ENEA Ciepło Sp. z o.o. for a total of PLN 34 539 thousand.	-
ENEA Badania i Rozwój Sp. z o.o.		
27 September 2019	ENEA S.A. sold 1 571 shares in ENEA Badania i Rozwój Sp. z o.o. with a nominal value of PLN 79 thousand.	Extraordinary General Meeting
ENEA Nowa Energia Sp. z o.o.		
On 5 November 2019	ENEA S.A. founded ENEA Nowa Energia Sp. z o.o. The company's share capital amounts to PLN 5 thousand and is divided into 100 shares with a nominal value of PLN 50 each.	-

Impairment of investments

	As at	
	31 December 2019	**31 December 2018**
As at 1 January	**1 079 643**	**1 280 505**
Created	532 384	6 608
Reversed	(238 763)	(207 470)
As at 31 December	**1 373 264**	**1 079 643**

Impairment tests at ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o., ENEA Elektrownia Połaniec S.A., Polska Grupa Górnicza S.A. and Elektrownia Ostrołęka Sp. z o.o.

As at 30 September 2019, in connection with information and analyses concerning changes in the market prices of CO_2 emission allowances, electricity, energy origin certificates and a change in Capacity Market conditions as well as forecasts for macroeconomic indicators, the Company carried out impairment tests for ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o., ENEA Elektrownia Połaniec S.A. and PGG S.A.

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

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

- at ENEA Wytwarzanie Sp. z o.o. PLN 4 600 439 thousand (book value: PLN 4 362 063 thousand, including impairment of PLN 649 155 thousand),
- at ENEA Ciepło Sp. z o.o. PLN 627 953 thousand (book value: PLN 656 776 thousand, including impairment of PLN 202 575 thousand),
- at ENEA Elektrownia Połaniec S.A. PLN 1 303 323 thousand (book value: PLN 1 268 087 thousand, including no impairment).

Taking into account growth in the recoverable amount for ENEA Wytwarzanie Sp. z o.o. in relation to its book value covered by impairment from previous years, impairment losses recognised in 2015-2016 were reversed by PLN 238 376 thousand. In the case of ENEA Ciepło Sp. z o.o., PLN 28 823 thousand in impairment losses was recognised.

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

Presented below are the key assumptions used in impairment tests:

- assets were tested in seven CGUs (CGU Elektrownie Systemowe Kozienice, CGU Białystok, CGU Wind, CGU Hydro, CGU Biogas, CGU Elektrownie Systemowe Połaniec, CGU Zielony Blok),
- the main price paths, based on forecasts prepared by ENEA Trading (a company operating as ENEA Group's competence centre for wholesale trade of electricity, emission allowances and fuels), taking into account the specific nature of products and knowledge about existing contracts:
  - wholesale "base" electricity prices: for years 2021-2042: increase in prices from 243.9 PLN/MWh in 2019 to 2022 at an annual average rate of 2%, followed by a down trend until 2026 of an annual average of 0.5%, and after 2026 conservative growth by 1% on average in the period 2027-2042 [fixed prices 2019],
  - prices of energy origin certificates (renewables and cogeneration): the support system for renewables until 2031 was taken into account, and specific renewables plants will use support within a 15-year period. From 2019, average growth of 3% is assumed, from the average level of 128 PLN/MWh until 2021. After 2021, prices will largely be in a downward sideways trend at an average of 2% per year until 2029, and in the final years they will drastically increase until the support system expiry [fixed prices 2019],
  - CO_2 emission allowance prices: dynamic increase forecast for CO_2 emission allowance prices from an average of 66.53 PLN/t in 2019 to 2021 at the annual average rate of 29%, and from 2022 increase in prices by an average 2% annually [fixed prices 2019],
  - coal prices: slight increase in coal prices is expected from 12.6 PLN/GJ until 2039. From 2039, a slow decline in coal prices is expected [fixed prices 2019],
  - biomass prices: biomass prices are expected to grow from the average of 26.2 PLN/GJ in 2019. After 2030 the price is expected to decline, and remain constant until 2042 as the existing green certificate support system ends [fixed prices 2019],
  - heat prices: heat prices are expected to grow by an annual average of 2% until 2042 from 62.9 PLN/GJ in 2019 [fixed prices 2019].
- quantity of CO_2 emission allowances received for free for years 2019-2021 in accordance with derogation application (pursuant to art. 10c sec. 5 of Directive 2003/87/EC of the European Parliament and of the Council),
- revenue related to maintaining generation capacities from 2021 pursuant to the Act on the Capacity Market, adopted in December 2017, based on auctions won in 2018 and 2019,
- inflation, taking into account the inflation target, at a maximum level of 2.5%,
- nominal discount rate - 6.12% [discount rate before tax is 7.04%]. The Company used a 2% premium for specific risk for the analysed CGUs. The discount rate taking into account the specific risk premium was 6.74% [discount rate taking into account the specific risk premium before tax was 7.66%],
- growth rate in residual period - 0%.

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

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

Impact of change in discount rate (starting point 6.74%)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**787 048**	**6 531 715**	**(684 813)**
- ENEA Wytwarzanie Sp. z o.o.	593 489	4 600 439	(520 364)
- ENEA Ciepło Sp. z o.o.	154 108	627 953	(126 756)
- ENEA Elektrownia Połaniec S.A.	39 451	1 303 323	(37 693)

Impact of changes in inflation from 2020 (starting point 2.6% for 2021 and 2.5% in subsequent years)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**(625 140)**	**6 531 715**	**676 010**
- ENEA Wytwarzanie Sp. z o.o.	(423 518)	4 600 439	456 929
- ENEA Ciepło Sp. z o.o.	(165 449)	627 953	182 574
- ENEA Elektrownia Połaniec S.A.	(36 173)	1 303 323	36 507

Impact of changes in electricity prices

Change in assumptions	-1.0%	Output value	+1.0%
Change in recoverable value	**(855 843)**	**6 531 715**	**834 222**
- ENEA Wytwarzanie Sp. z o.o.	(570 520)	4 600 439	561 428
- ENEA Ciepło Sp. z o.o.	(23 867)	627 953	23 859
- ENEA Elektrownia Połaniec S.A.	(261 456)	1 303 323	248 935

Impact of change in price of CO_2 emission allowances

Change in assumptions	-1.0%	Output value	+1.0%
Change in recoverable value	**270 401**	**6 531 715**	**(272 667)**
- ENEA Wytwarzanie Sp. z o.o.	199 392	4 600 439	(200 043)
- ENEA Ciepło Sp. z o.o.	3 688	627 953	(3 690)
- ENEA Elektrownia Połaniec S.A.	67 321	1 303 323	(68 934)

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

The impairment test found that the recoverable value of LWB S.A. shares is PLN 2 260 209 thousand and is higher than the book value (PLN 1 485 716 thousand) recognised in ENEA S.A.'s statement of financial position. Due to this, no need to recognise the test results in ENEA S.A.'s financial statements was identified.

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

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

- all LWB assets were considered as a single CGU,
- the average annual sales volume remained the same for years 2020-2035,
- coal price: for the period 2020-2041, prices from studies prepared for ENEA Group were used: the average coal sales price was estimated at a level close to the actual average coal sales price in 2019 (11.02 PLN/GJ), assuming a side-trend in the range +/-5%; from 2042, a constant price was used at the 2041 level,
- inflation: inflation-free model,
- discount rate: the pre-tax discount rate was the weighted average cost of capital (WACC) of 5.59% throughout the entire forecast period, estimated on the basis of the latest economic data (at a risk-free rate of 2.03% and beta of 0.83).

The sensitivity analysis shows that material factors for estimates of the recoverable value of CGUs include the discount rate and the price of coal for energy generation purposes. Results of the analysis of the model's sensitivity (change in recoverable value) on changes in key assumptions are presented below.

Impact of change in discount rate (base value 5.59%)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**160 890**	**2 260 209**	**(149 717)**

Impact of change in coal price

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**(84 061)**	**2 260 209**	**83 870**

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

In line with the prudence principle, the Company also created a PLN 47 683 thousand impairment loss on its interest in Polska Grupa Górnicza S.A. (PGG S.A.) down to the value of its share in the company's net assets, i.e. PLN 254 421 thousand. In accordance with information received from the Management Board of PGG S.A., its financial statements for 2019 were not yet approved by the General Meeting as of the date on which this report was prepared. As per information available at the date on which these financial statements were prepared, the Company is not expecting changes in the financial statements of PGG S.A. as at 31 December 2019 that would cause a change in the amount of the impairment loss. Events influencing the activities of PGG S.A. took place in 2020, including the situation with the COVID-19 pandemic and arrangements with trade unions concerning wage increases. The Company expects these events to be reflected in the financial statements of PGG S.A. for subsequent periods, after which the Company will consider whether they might have an impact on the measurement of the shares held by ENEA S.A.

As a result of an impairment test conducted at Elektrownia Ostrołęka Sp. z o.o., the recoverable value of this stake was determined at zero PLN, in connection with which ENEA S.A. recognised a PLN 455 348 thousand impairment loss. This was caused by an impairment test of non-current assets at Elektrownia Ostrołęka Sp. z o.o., which followed an update of that company's business assumptions with regard to the project to build Elektrownia Ostrołęka C based on coal technology.

Implementation of project to build Elektrownia Ostrołęka C

At 31 December 2019, ENEA S.A. held 9 124 821 shares of Elektrownia Ostrołęka Sp. z o.o., with a nominal value of PLN 50 each and total nominal value of PLN 456 241 thousand.

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

- execution by the Management Board of ENEA S.A. of a memorandum (Memorandum) with ENERGA S.A. and Elektrownia Ostrołęka Sp. z o.o. setting out rules for cooperation in the project to build power plant Ostrołęka C, including termination of the Investment Agreement of 8 December 2016, together with Annex 1/2018 of 26 March 2018, and limitation of ENEA S.A.'s financial commitment at the Construction Stage, i.e. not counting funds

already committed by ENEA S.A. at the earlier stages of the project to build Elektrownia Ostrołęka C, to PLN 1 billion,
- vote by an ENEA S.A. representative at the Extraordinary General Meeting of Elektrownia Ostrołęka Sp. z o.o. for a resolution on consent to issue an NTP, provided that this is preceded by all parties reaching an agreement.

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

The Memorandum specifies new rules for cooperation, including the Project's financing structure, where ENEA S.A. pledges financial involvement at the Construction Stage of PLN 1 billion, and 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 intended to:
- agree on the form, schedule and conditions for a financial investment by a financial investor and/or other investors,
- execute a new investment agreement,
- agree on rules for the company to secure credit facilities from borrowers necessary to complete the Construction Stage so that ENEA S.A. and ENERGA S.A. would not breach financial covenants.

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

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.

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 could lead to PGE's involvement in the Elektrownia Ostrołęka C project, which is currently being implemented by ENEA S.A. and ENERGA S.A. On 19 November 2019, PGE announced that it had withdrawn from these talks.

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

On 30 April 2019, 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. independently 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.

On 30 September 2019, in connection with an obligation arising from the Memorandum being met, ENEA S.A. executed an agreement with Energa S.A. to assign rights from a loan agreement concerning a loan issued to Elektrownia Ostrołęka Sp. z o.o. by Energa S.A. of 17 July 2019. On the same day, ENEA S.A. complied with an obligation arising from the Memorandum by reimbursing Energa S.A. for half of financing provided by Energa S.A. to the company during the period from the date on which the Memorandum was executed, i.e. PLN 29 000 thousand.

On 4 October 2019, an agreement was executed between Elektrownia Ostrołęka Sp. z o.o. and a consortium consisting of Torpol S.A. and Zakłady Automatyki "Kombud" S.A. for the performance of a project titled "Conversion of rail infrastructure system for Elektrownia Ostrołęka C."

On 23 December 2019 ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex 1 to the Loan agreement of 17 July 2019, extending the PLN 58 million loan repayment deadline from 31 December 2019 to 31 January 2020, along with the lenders' (ENERGA S.A. and ENEA S.A.) commitment to convert, by 31 January 2020, the loan receivable into share capital, subject to approval by the Supervisory Boards of ENERGA S.A. and ENEA S.A.

On 23 December 2019 ENEA S.A. and ENERGA S.A. executed a loan agreement with Elektrownia Ostrołęka Sp. z o.o., pursuant to which ENERGA S.A. issued a loan of up to PLN 340 million to Elektrownia Ostrołęka Sp. z o.o. until 26 February 2021. Under the agreement, if the circumstances indicated in point 1.8 of the Agreement materialise, ENERGA S.A. will sell to ENEA S.A. half of the debt that it will own based on a loan agreement with Elektrownia Ostrołęka Sp. z o.o., payable by 31 January 2021, for a price equal to the nominal value of the debt, covering especially principal and interest as of 31 January 2021. ENEA S.A. will be required to pay the price for the debt by 31 January 2021. ENERGA S.A. paid Elektrownia Ostrołęka Sp. z o.o. the first tranche of the loan on 23 December 2019, amounting to PLN 160 million, and the second tranche on 13 January 2020, amounting to PLN 17 million. As of 31 December 2019, the aforementioned condition was fulfilled for the first tranche of PLN 160 million. As at 31 December 2019, ENEA S.A. presents receivables concerning the aforementioned loan agreement of PLN 80 000 thousand plus PLN 123 thousand in interest, and a liability towards ENERGA S.A. of the same amount.

On 31 January 2020 ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex 2 to the Loan Agreement of 17 July 2019 extending the deadline for repaying the PLN 58 million loan specified in Annex 1 to the Loan Agreement (31 January 2020) to 31 March 2020, with both of the Lenders (ENERGA S.A. and ENEA S.A.) committing to take action intended to convert their respective parts of the debt into share capital, subject to approval by the Supervisory Boards of ENERGA S.A. and ENEA S.A., and with the stipulation that the final decision regarding this conversion would be made by each of the Lenders individually at their own discretion directly prior to the loan repayment deadline and taking into account the Project's development progress and status at that time. On 30 March 2020, ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex 3 to a Loan Agreement of 17 July 2019, in which they decided to move the repayment deadline for the PLN 58 000 thousand loan from the deadline specified in Annex 2 to the Loan Agreement (31 March 2020) to 30 June 2020.

On 5 December 2019 PKN Orlen S.A. announced a tender offer for all outstanding shares in ENERGA S.A. For the tender offer to go through, subscriptions must cover enough ENERGA S.A. shares to carry at least 66% of total votes. Subscriptions to sell ENERGA S.A. shares began on 31 January 2020 and are expected to end on 9 April 2020. On 26 March 2020, PKN Orlen S.A. announced that it extended the deadline for accepting subscriptions to 22 April 2020.

On 30 April 2020, PKN Orlen S.A. concluded the process of settling all transactions to purchase shares in ENERGA S.A. following a completed tender offer for the sale of all shares issued by ENERGA S.A., announced by PKN Orlen S.A. on 5 December 2019. As a result of the tender offer, PKN Orlen S.A. purchased 331 313 082 shares of ENERGA S.A., i.e. approx. 80% of ENERGA S.A.'s share capital and approx. 85% of votes at the general meeting of ENERGA S.A.

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

ENERGA S.A. and ENEA S.A. assumed that suspending financing for the project would result in the company having to suspend its contract executed on 12 July 2018 to build Elektrownia Ostrołęka C with capacity of approx. 1000 MW, along with a contract to convert rail infrastructure for Elektrownia Ostrołęka C of 4 October 2019. The agreement has no impact on the existing agreements in place, especially it has no impact on previous arrangements regarding project financing rules and formula for settlements between ENERGA S.A. and ENEA S.A., adopted based on previous arrangements of 28 December 2018 and 30 April 2019, and the arrangement dated 30 April 2019 will be applied in settling any potential additional costs that could arise if the project to build Elektrownia Ostrołęka Sp. z o.o. is suspended.

On 14 February 2020, Elektrownia Ostrołęka Sp. z o.o. issued to the General Contractor for the contract to build Elektrownia Ostrołęka C with capacity of approx. 1000 MW of 12 July 2018 a notice to suspend all works related to that contract, effective 14 February 2020. Until this notice was handed in to the General Contractor, works had been progressing as scheduled. A majority of the earthworks were completed, while cementing, reinforcing and assembly works were in progress. Moreover, on the same day Elektrownia Ostrołęka Sp. z o.o. issued a notice for the contractor in charge of converting rail infrastructure for Elektrownia Ostrołęka C to suspend the contract dated 4 October 2019, effective 14 February 2020. Until this notice was handed to the contractor, works had been progressing as scheduled. Works on an HV line (carried out by a different contractor) were nearly completed.

On 18 April 2020, an agreement was signed between PKN Orlen and the State Treasury regarding the planned acquisition of capital control over ENERGA S.A. by PKN Orlen. The parties to the agreement intended to continue ENERGA S.A.'s strategic investments after PKN Orlen acquired control over ENERGA S.A. PKN Orlen declared that immediately after obtaining control over ENERGA S.A. it would verify the conditions for continuing these investments, especially the construction of Elektrownia Ostrołęka C.

On 7 May 2020, ENERGA S.A. announced an extension of the period for analysis of the Ostrołęka C project. According to the current report, it was assumed that the analysis would last a further month.

As part of analytical work under the agreement, ENEA S.A. and ENERGA S.A. worked on updating business and technical assumptions as well as assumptions concerning the financing structure within the business model. The results of this work on ENERGA S.A.'s part were provided to Elektrownia Ostrołęka Sp. z o.o. on 14 May 2020, when the company received calculations regarding the Project's profitability if it were to be continued based on coal fuel. These results were used to create a test for the CGU by the company. The CGU test conducted by the company showed that finishing the Project would generate a negative value, meaning that continuing the Project would not be justified.

On 19 May 2020, PKN Orlen, holding an 80% stake in share capital and 85% of votes at the general meeting of ENERGA S.A., published current report 31/2020, in which it announced that it provided its position to ENERGA S.A. in connection with a question sent to PKN Orlen by ENERGA S.A. regarding intent to provide direct financial support for the investment, which covers the construction of a coal-based power generation unit, being implemented by Elektrownia Ostrołęka Sp. z o.o., based in Ostrołęka (Investment).

PKN Orlen declared initial readiness to provide direct financial support for the Investment only if the Investment's technological assumptions were changed to gas-based. PKN Orlen also declared readiness to talk with the company's shareholders, i.e. ENERGA S.A. and ENEA S.A., about the form, scope and ways of getting involved in the aforementioned Investment.

Moreover, on 19 May 2020 ENERGA S.A. published current report 41/2020, announcing that on 19 May 2020 it had received from PKN Orlen, a majority shareholder in ENERGA S.A., a declaration on initial readiness to provide direct financial support for the Investment, covering the construction of a power generation unit and being implemented by Elektrownia Ostrołęka Sp. z o.o. This declaration is a response to ENERGA S.A.'s question for PKN Orlen and was made only on the condition that the technological assumptions for the Investment were changed to a technology based on gas fuel, which is one of the scenarios considered in an analysis that ENERGA S.A. had announced in current reports 8/2020 of 13 February, 11/2020 of 23 February 2020 and 38/2020 of 7 May 2020.

On 19 May, ENEA S.A. received by email a company of Resolution 39/2020 of the Management Board of Elektrownia Ostrołęka Sp. z o.o. dated 19 May 2020 regarding the recognition of an impairment loss on the company's assets. Following an impairment test carried out at Elektrownia Ostrołęka Sp. z o.o., which is a consequence of updated business objectives by Elektrownia Ostrołęka Sp. z o.o. regarding the project to build Elektrownia Ostrołęka C based on coal technology, in these consolidated financial statements ENEA S.A. recognised its share in the net loss of Elektrownia Ostrołęka Sp. z o.o. Given that it is larger than the current value of the stake in this company, it was reduced to zero. Taking into account the circumstances and status of the project being implemented by Elektrownia Ostrołęka Sp. z o.o. as of 31 December 2019, this information was considered as an adjusting event as at the balance sheet date in accordance with IAS 10 point 8. In these separate financial statements, ENEA S.A.'s stake in Elektrownia Ostrołęka Sp. z o.o. was covered by a 100% impairment loss amounting to PLN 445 348 thousand.

Furthermore, in these separate financial statements loans issued to this company were revalued to recoverable value:

1) Short-term loan resulting from an agreement of 30 September 2019 regarding the assignment of rights to a loan agreement of 17 July 2019, issued to Elektrownia Ostrołęka by ENERGA S.A.: impairment of PLN 29 496 thousand,
2) Long-term loan resulting from an agreement executed on 23 December 2019 between ENERGA S.A., Elektrownia S.A. and ENEA S.A.: impairment of PLN 36 275 thousand.

On 2 June 2020, the Management Board of ENEA S.A. received a final report on analyses conducted in collaboration with ENERGA S.A. concerning the project's technical, technological, economic, organisational and legal aspects and further financing for the project. Conclusions from these analyses do not justify further implementation of the project in its present form, i.e. as a project to build a power plant generating electricity in a hard coal combustion process. The following factors have an impact on this assessment:

1) regulatory changes at EU level and the credit policies of financial institutions, which show a considerable increase in the availability of financing for energy projects based on gas combustion vs. coal projects, and
2) acquisition of control over Energa by PKN Orlen, the strategy of which does not include investments in electricity generation based on coal combustion.

At the same time, technical analysis confirmed the viability of a power plant generating electricity in a natural gas combustion process ("Gas Project") at the location of the coal unit currently being built. As a consequence of the above, the Company's Management Board has decided to change the fuel source from coal to gas.

A tri-partite agreement was executed on 2 June 2020 between the Company, ENERGA S.A. and PKN Orlen, specifying the following key cooperation rules for the Gas Project:

- subject to the stipulations below, cooperation between the Company and ENERGA S.A. will be continued as part of the existing special purpose vehicle, i.e. Elektrownia Ostrołęka Sp. z o.o., and settlements between the Company and ENERGA S.A. relating to costs concerning the Project as well as settlements with Project contractors will be made in accordance with the existing rules,
- PKN Orlen's potential role in the Gas Project as a new shareholder will be taken into account,
- ENEA S.A.'s participation in the Gas Project as minority shareholder will have a limit on the amount to be invested, as a consequence of which the Company will not be an entity jointly controlling Elektrownia Ostrołęka,
- subject to the requisite corporate approvals, a new shareholder agreement will be executed regarding the Gas Project, taking into account the aforementioned rules for cooperation,
- activities will be undertaken by ENERGA S.A. together with PKN Orlen to raise financing for the Gas Project.

As at 31 December 2019, ENEA S.A.'s outstanding commitment to provide financing to Elektrownia Ostrołęka Sp. z o.o., resulting from existing agreements (especially the agreements of 28 December 2018 and 30 April 2019), amounted to PLN 710 million. Taking this into account, the Company does not have sufficient information on any additional payments or their deadlines. The liability resulting from these agreements (especially the agreements of 28 December 2018 and 30 April 2019) can be performed on the basis of future arrangements resulting from the agreement of 2 June 2020.

At the date on which these financial statements were prepared, having assessed the aforementioned events as well as having analysed the above investment's status and the issue of transforming the existing project into the Gas Project, which took place after the balance sheet date and in respect of which final arrangements with the project's General Contractor have not yet been made, no need to create additional provisions for this liability was identified as of the balance sheet date.

19. Inventories

Accounting rules

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

Inventory distribution is determined using the specific identification method.

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

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

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

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

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

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

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

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

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

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

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

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

Significant judgements and estimates

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

Inventories

	As at	
	31 December 2019	31 December 2018
Energy origin certificates	216 449	332 360
Goods	1 011	1 218
Total	**217 460**	**333 578**

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

No collateral is established on inventory.

Energy origin certificates

	Year ended	
	31 December 2019	**31 December 2018**
Net value at the beginning of period	**332 360**	**216 494**
Purchase	310 378	494 125
Depreciation	(426 289)	(375 496)
Sale	-	(2 639)
Other changes	-	(124)
Net value at the end of period	**216 449**	**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.

20. Trade and other receivables

Accounting rules

Trade and other receivables

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

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

Significant judgements and estimates

Impairment of trade and other receivables

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

Trade and other receivables

	As at	
	31 December 2019	**31 December 2018**
Current trade and other receivables		
Finance lease receivables	-*	759
Trade receivables	932 723	991 194
Other receivables	84 029	37 585
Advances	798	1 829
Gross current trade and other receivables	**1 017 550**	**1 031 367**
Minus: impairment of receivables	(54 820)	(60 710)

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

Net current trade and other receivables	**962 730**	**970 657**

	As at 31 December 2019	31 December 2018
Non-current trade and other receivables		
Finance lease receivables	-*	1 103
Gross non-current trade and other receivables	**-**	**1 103**
Minus: impairment of receivables	-	-
Net non-current trade and other receivables	**-**	**1 103**

** The presentation change resulting from IFRS 16 is described in note 6.*

21. Company as finance or operating lessor / sublessor

Accounting rules

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

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

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

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

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

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

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

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

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

General information on ENEA S.A. as lessor

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

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

21.1. Company as finance lessor / sublessor

Reconciling undiscounted contract lease payments with net lease investment

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

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

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

Income from finance leases

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

21.2. Company as operating lessor / sublessor

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

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

Income from operating leases

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

22. Assets and liabilities arising from contracts with customers

Accounting rules

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

The Company recognised in its statement of financial position a contract liability consisting of an obligation for the

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

Company to provide goods or services to the customer in exchange for which the Company received remuneration (or is due to receive remuneration) from the customer.

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

Significant judgements and estimates

Uninvoiced revenue from sales at the end of financial period

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

Assets and liabilities arising from contracts with customers

	Assets arising from contracts with customers	Liabilities arising from contracts with customers
As at 1 January 2018, adjusted	**221 714**	**-**
Change in non-invoices receivables	5 656	-
Change in impairment	110	-
As at 31 December 2018	**227 480**	**-**
Change in non-invoices receivables	(12 259)	-
Change in impairment	2	-
Other changes	-	12 631
As at 31 December 2019	**215 223**	**12 631**

The balance of assets arising from contracts with customers mainly covers uninvoiced electricity sales, while the balance of liabilities arising from contracts with customers covers liabilities concerning sales adjustments related to the Act on amendment of the act on excise duty and certain other acts (note 40.1).

23. Cash and cash equivalents

Accounting rules

Cash and cash equivalents

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

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

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

Significant judgements and estimates

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

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

Presentation of deposits at clearinghouse IRGiT

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

Cash and cash equivalents

	As at	
	31 December 2019	31 December 2018
Cash at bank account	**166 604**	**142 210**
including split payment	12 499	7 766
Other cash	**2 601 606**	**1 003 768**
- Deposits	2 577 963	973 678
- Cash pooling	20 446	26 907
- Other	3 197	3 183
Total cash and cash equivalents	**2 768 210**	**1 145 978**
Cash pooling	(52 599)	(146 785)
Cash recognised in the statement of cash flows	**2 715 611**	**999 193**

Restricted cash related to split payment - VAT as at 31 December 2019 was PLN 12 499 thousand (PLN 7 766 thousand as at 31 December 2018), and deposit at IRGiT as at 31 December 2019 was PLN 1 010 thousand (PLN 930 thousand as at 31 December 2018). No collateral is established on cash.

24. Equity

Accounting rules

Share capital

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

Equity

As at 31 December 2019			
Share series	**Number of shares**	**Nominal value per share (in PLN)**	**Book value**
Series A	295 987 473	1	295 988
Series B	41 638 955	1	41 639
Series C	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Total share capital			**441 443**
Share capital (nominal amount)*			441 443
Capital from settlement of merger			38 810
Share capital from restatement of hyperinflation			107 765
Total share capital			**588 018**

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

As at 31 December 2018

Share series	Number of shares	Nominal value per share (in PLN)	Book value
Series A	295 987 473	1	295 988
Series B	41 638 955	1	41 639
Series C	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Total share capital			**441 443**

Share capital (nominal amount)*	441 443
Capital from settlement of merger	38 810
Share capital from restatement of hyperinflation	107 765
Total share capital	**588 018**

**Share capital fully paid-up.*

25. Dividends

Accounting rules

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

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

A decision on the dividend payment for the present financial year will be made by shareholders at the 2020 Ordinary General Meeting. The Management Board of ENEA S.A. will provide its recommendation on the 2019 profit allocation by the end of H1 2020.

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.

26. Capital management policy

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

27. Debt-related liabilities

Accounting rules

Financial liabilities, including credit facilities, loans and debt securities

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

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

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

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

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

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

Credit facilities, loans and debt securities

	As at 31 December 2019	As at 31 December 2018
Bank credit	1 888 094	2 049 374
Bonds	5 854 886	5 850 121
Long-term	**7 742 980**	**7 899 495**
Bank credit	168 137	158 319
Bonds	1 920 505	183 156
Short-term	**2 088 642**	**341 475**
Total	**9 831 622**	**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 and loans

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

No.	Company	Lender	Contract date	Total contract amount	Debt at 31 December 2019 (principal)	Debt at 31 December 2018 (principal)	Interest	Final repayment deadline
1.	ENEA S.A.	EIB	18 October 2012 (A) and 19 June 2013 (B)	1 425 000	1 138 956	1 264 369	Fixed interest rate or WIBOR 6M + margin	17 June 2030
2.	ENEA S.A.	EIB	29 May 2015 (C)	946 000	915 167	941 833	Fixed interest rate or WIBOR 6M + margin	15 September 2032
3.	ENEA S.A.	PKO BP S.A.	28 January 2014, Annex 1 of 25 January 2017	300 000	-	-	WIBOR 1M + margin	31 December 2019
4.	ENEA S.A.	Bank Pekao S.A.	28 January 2014, Annex 1 of 25 January 2017	150 000	-	-	WIBOR 1M + margin	31 December 2019

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

TOTAL	**2 821 000**	**2 054 123**	**2 206 202**
Transaction costs and effect of measurement using effective interest rate		2 108	1 491
TOTAL	**2 821 000**	**2 056 231**	**2 207 693**

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

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 as at 31 December 2019	Value of outstanding bonds as at 31 December 2018	Interest	Buy-back deadline
1.	Bond issue programme agreement with PKO BP S.A., Bank Pekao S.A., Santander BP S.A., Citi BH S.A.	21 June 2012	3 000 000	3 000 000	3 000 000	WIBOR 6M + margin	One-off buy-back for each series from June 2020 to June 2022
2.	Bond issue programme agreement with BGK	15 May 2014	1 000 000	800 000	880 000	WIBOR 6M + margin	Buy-back in tranches, last tranche due in December 2026
3.	Bond issue programme agreement with PKO BP S.A., Bank Pekao S.A. and mBank S.A.	30 June 2014	5 000 000	3 378 200	1 500 000	WIBOR 6M + margin	One-off buy-back of each series February 2020 September 2021 June 2024
4.	Bond issue programme agreement with BGK	3 December 2015	700 000	608 890	685 000	WIBOR 6M + margin	Buy-back in tranches, last tranche due in September 2027
	TOTAL		**9 700 000**	**7 787 090**	**6 065 000**		
	Transaction costs and effect of measurement using effective interest rate			(11 699)	(31 723)		
	TOTAL		**9 700 000**	**7 775 391**	**6 033 277**		

In the 12-month period ended on 31 December 2019, ENEA S.A. did not execute new bond issue programme agreements.

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

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

On 26 June 2019 ENEA S.A. as part of the "Programme Agreement regarding a bond issue program up to PLN 5 000 000 thousand of 30 June 2014" issued 10 000 bearer bonds with a total nominal value of PLN 1 000 000 thousand. The issue was intended to re-finance ENEA S.A.'s debt arising from the ENEA0220 series bonds. On 17 September 2019, series ENEA0624 bonds were introduced to the alternative trading system Catalyst pursuant to resolution 928/2019 by the Management Board of Giełda Papierów Wartościowych S.A.

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

On 14 October 2019 ENEA S.A. completed an early buy-back of ENEA0220 series bonds issued as part of the "Programme Agreement regarding a bond issue program up to PLN 5 000 000 thousand of 30 June 2014." The bonds were purchased for redemption pursuant to art. 76 sec. 1 of the Act on Bonds of 15 January 2015. Given the above, on 15 October 2019 the Management Board of ENEA S.A. decided to adopt a resolution to buy back 1 218 thousand series ENEA0220 shares with a total nominal value of PLN 121 800 thousand. The remaining portion of the series ENEA0220 shares are held by bondholders and will continue being traded on an alternative trade system organised by BondSpot S.A. Their maturities are set at 10 February 2020.

On 2 December 2019, as part of the "Programme Agreement regarding a bond issue program up to PLN 5 000 000 thousand of 30 June 2014" ENEA S.A. carried out a series of allocations to a sole entity series ENEB0624, totalling 10 000 thousand to ENEB0624 with a total nominal value of PLN. The bonds were offered in a past cycle pursuant to art. 33 point 2 of the Act on Bonds.

Interest rate hedges and currency hedges

These transactions are described in notes 34.4 and 34.5.

Financing terms - covenants

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

Lease liabilities

	As at 31 December 2019			As at 31 December 2018		
	Lease liabilities	Interest	Total	Finance lease liabilities	Interest	Total
Under one year	5 470	1 044	6 514	661	121	782
From one to five years	8 520	3 463	11 983	763	92	855
Over five years	22 450	26 738	49 188	-	-	-
Total	**36 440**	**31 245**	**67 685**	**1 424**	**213**	**1 637**

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

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

In most of its leases, the Company uses a lease period in line with the contractual period. For leases executed for an indefinite period, the Company determines the minimum contractual period for both of the parties. If the Company is unable to determine how long it intends to use the asset and such an estimate could be treated as a lease term in the case of contracts with an indefinite period, the Company assumes that the irrevocable contractual period will be the termination period for that contract. In the case of rights to the perpetual usufruct of land, the Company sets the lease term in line with the period for which such rights are granted. In 2019, leases also included the renting of parking spots.

Financial leases in 2018 included passenger vehicles.

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

Finance lease costs

	Year ended 31 December 2019
Interest cost on lease liabilities	(1 116)
Cost of short-term leases for which a practical expedient was applied	-
Cost of low-value asset leases for which a practical expedient was applied	-
Cost of variable lease payments not recognised in measurement of lease liabilities	-
Gain on change in or liquidation of right-of-use assets	-

The present value of future lease payments is calculated using the interest rate implicit in the lease. If the interest rate implicit in the lease is unknown, the Company applies a residual interest rate, i.e. a rate that it would be required to pay based on a similar lease or, if not possible to determine, an interest rate at the commencement date that ENEA S.A. would have to use to make a loan necessary to purchase the given asset for a similar period and with similar collateral.

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

a) short-term leases (contracts with a term of up to 12 months and without the right to purchase the asset),
b) the leasing of low-value assets, the initial value of which does not exceed PLN 10 thousand (even if the value of such assets is significant after aggregation).

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

General information on the Company as lessee

The Company does not have significant future cash outflows that are not included in measurement of a finance liability and covenants imposed by lessors. ENEA S.A. was not a party to any leasebacks in 2019.

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

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

Future liabilities concerning right to perpetual usufruct of land, obtained for free or for a fee, as well as rent and tenancy agreements and operating leases concerns 2018.

Future liabilities concerning the right to perpetual usufruct of land (according to 2018 fees) apply to a period in which land-use agreements remain in force, which is between 40 and 99 years.

	As at 31 December 2018
Under one year	5 314
From one to five years	13 349
Over five years	58 034
Value of future liabilities concerning rights to perpetual usufruct of land	**76 697**

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

28. Trade and other payables

Accounting rules

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

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

	As at 31 December 2019	As at 31 December 2018
Other non-current liabilities, including:	**80 123**	**-**
Liability arising from assignment of loan agreement	80 123	-
Current trade and other payables, including:	**567 409**	**646 660**
Trade payables	504 230	524 828
Current tax liabilities (excluding income tax)	60 293	65 042
Liabilities concerning purchase of tangible and intangible assets	57	148
Other	2 829	56 642
Total	**647 532**	**646 660**

29. Employee benefit liabilities

Accounting rules

Short-term employee benefits

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

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

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

Long-term employee benefits

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

Defined benefit plans

The Company classifies the following as defined benefit plans:

1) Retirement and disability severance payments

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

2) Post-mortem payments

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

3) Right to rebates in purchasing energy after retirement

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

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

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

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

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

Longevity bonus

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

Defined contribution plans

1) Social insurance contributions

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

2) Employee Pension Programme

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

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

Employees join the Employee Pension Programme on the following terms:

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

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

Significant judgements and estimates

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

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

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

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

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

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

Actuarial assumptions used in calculating these estimates are presented below.

Employee benefit liabilities

	As at 31 December 2019	31 December 2018
Remuneration and other liabilities	24 263	18 326
Retirement severance payments	2 338	1 608
Right to rebates in purchasing energy after retirement	44 556	43 802
Contribution to Company Social Benefits Fund for retired employees	7 555	6 283
Post-mortem payments	448	328
Longevity bonus	8 405	6 382
Total employee benefit liabilities	**87 565**	**76 729**
Long-term	*58 693*	*53 586*
Short-term	*28 872*	*23 143*

Changes in the 12 months to 31 December 2019

	Retirement and disability severance payments	Right to rebates in purchasing energy after retirement	Contribution to Company Social Benefits Fund for retired employees	Post-mortem payments	Longevity bonus	Total
As at 1 January 2019	**1 608**	**43 802**	**6 283**	**328**	**6 382**	**58 403**
Costs recognised in profit or loss, including:	**265**	**1 504**	**264**	**55**	**2 623**	**4 711**
cost of present employment	220	205	73	45	975	1 518
cost of interest	45	1 299	191	10	180	1 725
net actuarial gains/losses arising from ex-post adjustment of assumptions	-	-	-	-	706	706
net actuarial gains/losses arising from adjustment of demographic assumptions	-	-	-	-	(156)	(156)
net actuarial gains/losses arising from change in financial assumptions	-	-	-	-	918	918
Costs recognised in other comprehensive income, including:	**465**	**2 566**	**1 383**	**65**	**-**	**4 479**
net actuarial gains/losses arising from ex-post adjustment of assumptions	376	5 594	1 372	61	-	7 403

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

net actuarial gains/losses arising from adjustment of demographic assumptions	(56)	(227)	(187)	(8)	-	(478)
net actuarial gains/losses arising from change in financial assumptions	145	(2 801)	198	12	-	(2 446)
Reduced liabilities concerning payout of benefits (negative value)	**-**	**(3 316)**	**(375)**	**-**	**(600)**	**(4 291)**
Total changes	**730**	**754**	**1 272**	**120**	**2 023**	**4 899**
As at 31 December 2019	**2 338**	**44 556**	**7 555**	**448**	**8 405**	**63 302**
Long-term	*2 036*	*41 495*	*7 108*	*422*	*7 632*	*58 693*
Short-term	*302*	*3 061*	*447*	*26*	*773*	*4 609*

Changes in the 12 months to 31 December 2018

	Retirement and disability severance payments	Right to rebates in purchasing energy after retirement	Contribution to Company Social Benefits Fund for retired employees	Post-mortem payments	Longevity bonus	Total
As at 1 January 2018	**1 466**	**43 200**	**6 560**	**-**	**5 284**	**56 510**
Costs recognised in profit or loss, including:	**243**	**1 456**	**265**	**51**	**1 454**	**3 469**
cost of present employment	204	165	64	42	889	1 364
cost of future employment	-	-	-	-	-	-
cost of interest	39	1 291	201	9	162	1 702
net actuarial gains/losses arising from change in financial assumptions	-	-	-	-	39	39
net actuarial gains/losses arising from adjustment of demographic assumptions	-	-	-	-	(203)	(203)
net actuarial gains/losses arising from ex-post adjustment of assumptions	-	-	-	-	567	567
Costs recognised in other comprehensive income, including:	**(4)**	**2 643**	**(165)**	**(17)**	**-**	**2 457**
net actuarial gains/losses arising from change in financial assumptions	48	(174)	(74)	(1)	-	(201)
net actuarial gains/losses arising from adjustment of demographic assumptions	(65)	(348)	(71)	(18)	-	(502)
net actuarial gains/losses arising from ex-post adjustment of assumptions	13	3 165	(20)	2	-	3 160
Reduced liabilities concerning payout of benefits (negative value)	**(97)**	**(3 497)**	**(377)**	**-**	**(356)**	**(4 327)**
Other changes	**-**	**-**	**-**	**294**	**-**	**294**
Total changes	**142**	**602**	**(277)**	**328**	**1 098**	**1 893**
As at 31 December 2018	**1 608**	**43 802**	**6 283**	**328**	**6 382**	**58 403**
Long-term	*1 408*	*40 364*	*5 929*	*306*	*5 579*	*53 586*
Short-term	*200*	*3 438*	*354*	*22*	*803*	*4 817*

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

Actuarial assumptions

Assumptions	31 December 2019	31 December 2018
Estimated long-term annual growth in remuneration	2.7%	2.5%
Estimated growth in value of contribution to Company Social Benefits Fund	13.95% in 2021, 5.7% in 2022-2026, 5.6% in 2027-2029, 5.2% in the forecast's remaining years.	30.9% in 2020, 5.4% in 2021, 5.4% in 2022, 5.4% in 2023, 5.6% in 2024-2028, 5.5% in 2029 and 5.2% in the remaining forecast years.
Discount rate	2.15%	3.22%
Value of cash equivalent for subsidised energy purchases	PLN 1 330.25	PLN 1 412.76
Growth in the value of cash equivalent for subsidised electricity purchases	in 2020: 23.18%, 2021: -4.0%, 2022-2026: 5.0%, in subsequent years: 2.5%	0.6% in 2019, 2.4% in 2020, 6.4% in 2021, 6.5% in 2022, 6.6% in 2023, 6.7% in 2024, 6.8% in 2025, 6.9% in 2026 and 2.5% in subsequent years
Average monthly remuneration used to calculate Company Social Benefit Fund liability	PLN 4 134.02	PLN 3 278.14

Sensitivity analysis for defined benefit plans

Defined benefit plans:	Impact of changes in actuarial assumptions on level of defined benefit plan liabilities	
	+1pp	-1pp
Discount rate	(5 208)	6 318
Expected remuneration growth rate	1 325	(1 095)
Average growth in the value of cash equivalent for subsidised electricity purchases	4 415	(3 752)

Maturity of defined benefit plan liabilities

Weighted average period of defined benefit programme liabilities (in years)	As at 31 December 2019	31 December 2018
Retirement and disability severance payments	20.2	20.0
Post-mortem payments	13.0	13.4
Right to rebates in purchasing energy after retirement	10.2	9.9
Contribution to Company Social Benefits Fund for retired employees	12.2	11.4

30. Provisions

Accounting rules

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

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

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

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

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

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

Provision for energy origin certificates and energy efficiency certificates

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

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

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

Provisions are measured as follows:

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

The provision for origin certificates will be performed in Q1-Q2 2020.

Significant judgements and estimates

Provision for non-contractual use of property

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

Provision for other claims

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

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

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

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

Change in provisions for liabilities and other charges

For the financial year ended 31 December 2019:

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

For the financial year ended 31 December 2018:

	Provision for non-contractual use of land	Provision for other claims	Provision for energy origin certificates	Provision for onerous contracts	Total
As at 1 January 2018	**2 934**	**96 485**	**261 427**	**-**	**360 846**
Increase in existing provisions	394	33 888	295 493	78 981	408 756
Use of provisions	(64)	(1 084)	(252 646)	-	(253 794)
Reversal of unused provision	(470)	(2 415)	-	-	(2 885)
As at 31 December 2018	**2 794**	**126 874**	**304 274**	**78 981**	**512 923**
Short-term	*2 794*	*126 874*	*304 274*	*78 981*	*512 923*

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

Provision for other claims

In 2019, ENEA S.A. created a PLN 18 687 thousand provision for potential claims related to the termination by ENEA S.A. of agreements to purchase energy origin certificates for renewables, and the value of this provision as at 31 December 2019 was PLN 123 032 thousand (this provision is included in the table above in the column "Provision for other claims" and detailed information on this provision are presented in note 40.7).

Financial instruments and financial risk management

31. Financial instruments and fair value

Accounting rules

Financial assets

The Company classifies its financial instruments in the following categories:

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

a) Financial assets at fair value through profit or loss include:
  – financial assets held for trading (including derivative instruments for which no hedging policy is designated),
  – financial assets voluntarily assigned to this category,

- financial assets that do not meet the definition of basic lending arrangement, including equity instruments such as shares, except instruments designated as equity instruments measured through other comprehensive income,
- financial assets that meet the definition of basic lending arrangement and are not held in accordance with a business model for the purpose of obtaining cash flows or in order to obtain cash flows and for sale.

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

b) Financial assets at amortised cost

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

c) Financial assets at fair value through other comprehensive income

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

d) Equity instruments through other comprehensive income

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

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

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

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

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

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

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

Financial liabilities, including credit facilities, loans and debt securities

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

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

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

Financial liabilities at fair value through profit or loss include:

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

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

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

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

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

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

Significant judgements and estimates

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

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

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

Financial instruments

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

	As at 31 December 2019		As at 31 December 2018	
	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS				
Long-term	**4 609 328**	**4 638 079**	**6 626 440**	**6 699 231**
Financial assets measured at fair value	38 848	38 848	46 357	46 357
Debt financial assets at amortised cost	4 567 870	4 599 231	6 578 980	6 652 874
Trade receivables	-	-	1 103	(*)
Finance lease and sublease receivables	2 610	*	(**)	(**)
Short-term	**6 667 275**	**2 801 067**	**2 900 055**	**593 221**
Debt financial assets at amortised cost	2 801 067	2 801 067	593 221	593 221
Assets arising from contracts with customers	215 223	*	227 480	(*)
Trade receivables	879 692	*	933 376	(*)
Finance lease and sublease receivables	3 083	*	(**)	(**)
Cash and cash equivalents	2 768 210	*	1 145 978	(*)
TOTAL FINANCIAL ASSETS	**11 276 603**	**7 439 146**	**9 526 495**	**7 292 452**
FINANCIAL LIABILITIES				
Long-term	**7 877 875**	**7 809 877**	**7 922 434**	**7 993 056**
Credit facilities, loans and debt securities	7 742 980	7 786 075	7 899 495	7 970 880
Lease liabilities	30 970	*	763	*
Other liabilities	80 123	*	-	-
Financial liabilities measured at fair value	23 802	23 802	22 176	22 176
Short-term	**2 663 629**	**2 088 642**	**1 013 897**	**341 475**
Credit facilities, loans and debt securities	2 088 642	2 088 642	341 475	341 475
Lease liabilities	5 470	*	661	*
Trade and other payables	504 287	*	524 976	*
Liabilities arising from contracts with customers	12 631	*	-	-
Other financial liabilities	52 599	*	146 785	*
TOTAL FINANCIAL LIABILITIES	**10 541 504**	**9 898 519**	**8 936 331**	**8 334 531**

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

(**) As at 31 December 2018, finance lease receivables were recorded in the line "Trade and other receivables;" the data restatement is presented in note 6.

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

	As at 31 December 2018	Adjustment due to implementation of IFRS 16	As at 1 January 2019	Gains/losses recognised in financial result due to balance sheet measurement or modification	Interest income/ costs	Impairment - expected credit losses	Gain on disposal or derecognition	Other comprehensive income	Change	As at 31 December 2019
Financial assets at fair value through profit or loss:	**30 491**	**-**	**30 491**	**(7 509)**	**-**	**-**	**-**	**-**	**-**	**22 982**
- financial assets mandatorily measured at fair value through profit or loss	12 116	-	12 116	(6 934)	-	-	-	-	-	5 182
- financial assets voluntarily measured at fair value through profit or loss	18 375	-	18 375	(575)	-	-	-	-	-	17 800
Equity instruments at fair value through other comprehensive income	**15 866**	**-**	**15 866**	**-**	**-**	**-**	**-**	**-**	**-**	**15 866**
Derivative instruments used in hedge accounting	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at amortised cost:	**9 480 138**	**(1 862)**	**9 478 276**	**14 494**	**5 402**	**(65 568)**	**521**	**-**	**1 798 937**	**11 232 062**
- debt financial assets at amortised cost	7 172 201	-	7 172 201	14 494	666	(65 570)	521	-	246 625	7 360 937
- trade receivables	934 479	(1 862)	932 617	-	-	-	-	-	(52 925)	879 692
- assets arising from contracts with customers	227 480	-	227 480	-	-	2	-	-	(12 259)	215 223
- cash and cash equivalents	1 145 978	-	1 145 978	-	4 736	-	-	-	1 617 496	2 768 210
Finance lease and sublease receivables	**-**	**7 732**	**7 732**	**-**	**-**	**-**	**-**	**-**	**(2 039)**	**5 693**
Financial liabilities at fair value through profit or loss:	**(1 997)**	**-**	**(1 997)**	**-**	**-**	**-**	**-**	**-**	**1 960**	**(37)**
- financial liabilities measured at fair value through profit or loss	(1 997)	-	(1 997)	-	-	-	-	-	1 960	(37)
Derivative instruments used in hedge accounting	**(20 179)**	**-**	**(20 179)**	**(1 894)**	**-**	**-**	**-**	**(1 692)**	**-**	**(23 765)**
Financial liabilities at amortised cost:	**(8 765 946)**	**-**	**(8 765 946)**	**102 041**	**(2 120)**	**-**	**1 236**	**-**	**(1 763 874)**	**(10 428 663)**
- credit facilities, loans and debt securities	(8 240 970)	-	(8 240 970)	102 041	(2 120)	-	1 236	-	(1 691 809)	(9 831 622)
- liabilities arising from contracts with customers	-	-	-	-	-	-	-	-	(12 631)	(12 631)
- trade and other payables	(524 976)	-	(524 976)	-	-	-	-	-	(59 434)	(584 410)
Other financial liabilities	**(146 785)**	**-**	**(146 785)**	**-**	**-**	**-**	**-**	**-**	**94 186**	**(52 599)**
Lease liabilities	**(1 424)**	**(44 932)**	**(46 356)**	**-**	**-**	**-**	**-**	**-**	**9 916**	**(36 440)**
Total	**590 164**	**(39 062)**	**551 102**	**107 132**	**3 282**	**(65 568)**	**1 757**	**(1 692)**	**139 086**	**735 099**

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

	As at 1 January 2018	Gains/losses recognised in financial result due to balance sheet measurement or modification	Interest income/cost	Impairment - expected credit losses	Gain on disposal or derecognition	Other comprehensive income	Change	As at 31 December 2018
Financial assets at fair value through profit or loss:	**36 241**	**(15 750)**	**-**	**-**	**-**	**-**	**10 000**	**30 491**
- financial assets mandatorily measured at fair value through profit or loss	23 836	(11 720)	-	-	-	-	-	12 116
- financial assets voluntarily measured at fair value through profit or loss	12 405	(4 030)	-	-	-	-	10 000	18 375
Equity instruments at fair value through other comprehensive income	**26 902**	**-**	**-**	**-**	**-**	**(17 036)**	**6 000**	**15 866**
Derivative instruments used in hedge accounting	**29 553**	**-**	**(7 289)**	**-**	**-**	**(22 264)**	**-**	**-**
Financial assets at amortised cost:	**9 892 875**	**29 781**	**2 961**	**(66)**	**697**	**-**	**(446 110)**	**9 480 138**
- debt financial assets at amortised cost	7 106 140	29 781	1 302	(176)	697	-	34 457	7 172 201
- trade receivables	818 595	-	-	-	-	-	115 884	934 479
- assets arising from contracts with customers	221 714	-	-	110	-	-	5 656	227 480
- cash and cash equivalents	1 746 426	-	1 659	-	-	-	(602 107)	1 145 978
Financial liabilities at fair value through profit or loss:	**-**	**361**	**-**	**-**	**-**	**-**	**(2 358)**	**(1 997)**
- financial liabilities measured at fair value through profit or loss	-	361	-	-	-	-	(2 358)	(1 997)
Derivative instruments used in hedge accounting	**-**	**(297)**	**-**	**-**	**-**	**(19 688)**	**(194)**	**(20 179)**
Financial liabilities at amortised cost:	**(8 481 344)**	**(17 894)**	**(2 756)**	**-**	**-**	**-**	**(263 952)**	**(8 765 946)**
- credit facilities, loans and debt securities	(7 866 181)	(17 894)	(2 756)	-	-	-	(354 139)	(8 240 970)
- trade and other payables	(615 163)	-	-	-	-	-	90 187	(524 976)
Other financial liabilities	**(723 735)**	**-**	**-**	**-**	**-**	**-**	**576 950**	**(146 785)**
Finance lease liabilities	**(506)**	**-**	**-**	**-**	**-**	**-**	**(918)**	**(1 424)**
Total	**779 986**	**(3 799)**	**(7 084)**	**(66)**	**697**	**(58 988)**	**(120 582)**	**590 164**

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

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

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	**18 375**	**12 116**	**15 866**	**46 357**
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
Interests at fair value through profit or loss	18 375	-	-	18 375
Debt financial assets at amortised cost	**-**	**7 246 095**	**-**	**7 246 095**
Total	**18 375**	**7 258 211**	**15 866**	**7 292 452**
Financial liabilities measured at fair value	**-**	**(22 176)**	**-**	**(22 176)**
Derivative instruments at fair value through profit or loss	-	(1 997)	-	(1 997)
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(20 179)	-	(20 179)
Credit facilities, loans and debt securities	**-**	**(8 312 355)**	**-**	**(8 312 355)**
Total	**-**	**(8 334 531)**	**-**	**(8 334 531)**

Financial assets at fair value include:

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

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

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

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

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

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

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 mainly presents its stake in PGE EJ1 in Level 3 (note 41).

No transfers between the levels were made in 2019.

As at 31 December 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 a nominal value of PLN 2 per share within specified deadlines, i.e. 30 July 2020, 30 July 2021 and 30 July 2022. Fair value measurement of the call options was conducted using the Black-Scholes model. The book value of these options as at 31 December 2019 was PLN 5 182 thousand (at 31 December 2018: PLN 12 116 thousand).

32. Debt financial assets at amortised cost

Debt financial assets at amortised cost

	As at 31 December 2019	As at 31 December 2018
Current debt financial assets at amortised cost		
Intra-group bonds	2 794 586	558 201
Loans granted	6 481	35 020
Total current debt financial assets at amortised cost	**2 801 067**	**593 221**
Non-current debt financial assets at amortised cost		
Intra-group bonds	3 669 222	6 423 891
Loans granted	898 648	155 089
Total non-current debt financial assets at amortised cost	**4 567 870**	**6 578 980**
TOTAL	**7 368 937**	**7 172 201**

Intra-group financing

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

Intra-group bonds

The following table presents on-going intra-group bond issue programmes as at 31 December 2019 and 31 December 2018:

No.	Bond issuer	Contract date	Amount granted	Amount used	Outstanding bonds as at 31 December 2019(principal)	Outstanding bonds as at 31 December 2018 (principal)	Interest	Final buy-back deadline
1.	ENEA Wytwarzanie Sp. z o.o.	10 March 2011	26 000	26 000	18 000	26 000	WIBOR 6M + margin	31 March 2023
2.	ENEA Wytwarzanie Sp. z o.o.	29 September 2011	14 500	14 500	-	6 000	WIBOR 6M + margin	29 September 2019

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

3.	ENEA Ciepło Sp. z o.o.	23 July 2012	158 500	158 500	-	13 450	WIBOR 6M + margin	22 July 2019
4.	ENEA Wytwarzanie Sp. z o.o.	8 September 2012 agreement for PLN 4 000 000 thousand decreased through Annex 2 of 21 January 2015 to PLN 3 000 000 thousand	3 000 000	2 650 000	2 650 000	2 650 000	Depending on the series: fixed interest rate or WIBOR 6M + margin	Depending on bond series' issue dates, however no later than by 15 June 2022
5.	ENEA Operator Sp. z o.o.	20 June 2013 amended through Annex 1 of 9 October 2014 and Annex 2 of 7 July 2015	1 425 000	1 425 000	1 138 956	1 264 369	Depending on the series: fixed interest rate or WIBOR 6M + margin	Depending on bond series' issue dates, however no later than by 17 June 2030
6.	ENEA Wytwarzanie Sp. z o.o.	17 November 2014	740 000	350 000	350 000	350 000	WIBOR 6M + margin	31 March 2020
7.	ENEA Wytwarzanie Sp. z o.o.	17 February 2015 for PLN 760 000 thousand, increased through Annex 1 of 3 June 2015 to PLN 1 000 000 thousand.	1 000 000	1 000 000	1 000 000	1 000 000	WIBOR 6M + margin	10 February 2020
8.	ENEA Operator Sp. z o.o.	7 July 2015 amended through Annex 1 of 28 March 2017	946 000	946 000	915 167	941 833	Depending on the series: fixed interest rate or WIBOR 6M + margin	Depending on bond series' issue dates, however no later than by 15 September 2032
10.	ENEA Ciepło Sp. z o.o.	30 October 2015	18 000	18 000	1 000	5 000	WIBOR 6M + margin	Buy-back in tranches - final buy-back deadline 31 March 2020
11.	ENEA Operator Sp. z o.o.	20 September 2017	350 000	350 000	-	350 000	WIBOR 3M + margin	15 December 2019
12.	ENEA Operator Sp. z o.o.	20 July 2018	400 000	400 000	400 000	400 000	WIBOR 3M + margin	15 December 2020
	TOTAL				**6 473 123**	**7 006 652**		
	Transaction costs and effect of measurement using effective interest rate				(9 315)	(24 560)		
	TOTAL				**6 463 808**	**6 982 092**		

In the 12-month period ending 31 December 2019 ENEA S.A. did not execute new intra-group bond issue programme agreements concerning financing for ENEA Group companies.

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

Loans

The following table presents loans issued by ENEA S.A. as at 31 December 2019 and 31 December 2018:

No.	Borrower	Contract date	Total contract amount	Debt at 31 December 2019	Debt at 31 December 2018	Interest	Final repayment deadline
1.	ENEA Centrum Sp. z o.o.	21 May 2014	80 000	-	34 857	WIBOR 1M + margin	31 December 2022
2.	ENEA Oświetlenie Sp. z o.o.	19 January 2015	10 000	206	2 198	WIBOR 1M + margin	31 January 2020
3.	ENEA Centrum Sp. z o.o.	22 December 2015	165 000	-	143 000	WIBOR 1M + margin	30 June 2025
4.	PGE EJ 1 Sp. z o.o.	8 November 2017	2 940	2 940	2 940	Fixed	8 November 2020
5.	PGE EJ 1 Sp. z o.o.	2 March 2018	4 800	4 800	4 800	Fixed	2 March 2021
6.	Annacond Enterprises Sp. z o.o. w likwidacji	10 April 2018	480	-	480	Fixed	28 February 2019
7.	PEC Oborniki Sp. z o.o.	9 October 2018	2 000	2 000	2 000	WIBOR 1M + margin	31 December 2019
8.	KS „ENERGETYK”	19 May 2019	360	360	-	Fixed	31 January 2020
9.	ENEA Operator Sp. z o.o.	11 July 2019	425 000	425 000	-	WIBOR 6M + margin	20 December 2021
10.	ENEA Centrum Sp. z o.o.	19 July 2019	40 000	-	-	WIBOR 3M + margin	30 June 2030
11.	Elektrownia Ostrołęka Sp. z o.o.	30 September 2019	29 000	29 000	-	Fixed	31 January 2020
12.	ENEA Operator Sp. z o.o.	13 December 2019	425 000	425 000	-	WIBOR 6M + margin	20 December 2021
13.	Elektrownia Ostrołęka Sp. z o.o.	23 December 2019	170 000	80 000	-	Fixed	26 February 2021
				969 306	**190 275**		
Transaction costs and effect of measurement using effective interest rate and impairment of loans				(64 177)	(166)		
	TOTAL			**905 129**	**190 109**		

On 11 July 2019 ENEA S.A. and ENEA Operator Sp. z o.o. executed a PLN 425 000 thousand loan agreement intended to finance the investments and on-going operations of ENEA Operator Sp. z o.o. The entire amount was launched on 29 July 2019.

On 19 July 2019 ENEA S.A. and ENEA Centrum Sp. z o.o. executed a PLN 40 000 thousand loan agreement intended to finance ENEA Centrum Sp. z o.o.'s investment activities. The availability period ends on 30 June 2020. The loan will be repaid between 30 September 2020 and 30 June 2030.

On 10 September 2019 an Extraordinary General Meeting of ENEA Centrum Sp. z o.o. adopted a resolution to increase the company's share capital and amend its founding agreement; the newly-issued shares were on 10 September 2019 acquired by its sole shareholder, ENEA S.A., in exchange for a non-monetary contribution in the form of receivables totalling PLN 162 000 thousand due for ENEA S.A. from ENEA Centrum Sp. z o.o. for loans made under two loan agreements executed in 2014 and 2015.

On 30 September 2019, in connection with an obligation arising from the Memorandum being met, ENEA S.A. executed an agreement with Energa S.A. to assign rights from a loan agreement concerning a loan issued to Elektrownia Ostrołęka Sp. z o.o. by Energa S.A. of 17 July 2019. On the same day, ENEA S.A. complied with an obligation arising from the memorandum by reimbursing Energa S.A. for half of financing provided by Energa S.A. to the company during the period from the date on which the Memorandum was executed, i.e. PLN 29 000 thousand.

On 20 November 2019 ENEA S.A. and ENEA Operator Sp. z o.o. executed a PLN 425 000 thousand loan agreement intended to finance the investments and on-going operations of ENEA Operator Sp. z o.o. The entire amount was launched on 29 July 2019.

A loan issued by ENEA S.A. to PEC Oborniki Sp. z o.o. was repaid on 2 January 2020, hence the balance of ENEA S.A.'s receivables concerning this loan as at 31 December 2019 was PLN 2 000 thousand.

On 23 December 2019 ENEA S.A. and ENERGA S.A. executed a loan agreement with Elektrownia Ostrołęka Sp. z o.o., pursuant to which ENERGA S.A. issued a loan of up to PLN 340 million to Elektrownia Ostrołęka Sp. z o.o. until 26 February 2021. Under the agreement, if the circumstances indicated in point 1.8 of the Agreement materialise, ENERGA S.A. will sell to ENEA S.A. half of the debt that it will own based on a loan agreement with Elektrownia Ostrołęka Sp. z o.o., payable by 31 January 2021, for a price equal to the nominal value of the debt, covering especially principal and interest as of 31 January 2021. ENEA S.A. will be required to pay the price for the debt by 31 January 2021. ENERGA S.A. paid Elektrownia Ostrołęka Sp. z o.o. the first tranche of the loan on 23 December 2019, amounting to PLN 160 million, and the second tranche on 13 January 2020, amounting to PLN 17 million. As of 31 December 2019, the aforementioned condition was fulfilled for the first tranche of PLN 160 million. As at 31 December 2019, ENEA S.A. presents receivables concerning the aforementioned loan agreement of PLN 80 000 thousand plus PLN 123 thousand in interest, and a liability towards ENERGA S.A. of the same amount.

As a result of an impairment test of non-current assets conducted at Elektrownia Ostrołęka Sp. z o.o., which followed an update by Elektrownia Ostrołęka of business assumptions regarding the project to build Elektrownia Ostrołęka C based on coal technology, these separate financial statements include an impairment loss on loans issued to that company to recoverable value. At 31 December 2019, this impairment loss amounted to PLN 65 771 thousand (note 18).

33. Hedge accounting

Accounting rules

Hedge accounting and derivative instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash flow hedging

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

	Year ended	
	31 December 2019	**31 December 2018**
Accumulated other comprehensive income related to the effective part of cash flow hedges as at 1 January, recognised in hedging reserve	**(15 986)**	**25 967**
- related to interest rate hedges	(15 986)	25 967
Measurement of hedging instruments as at balance sheet date, in part considered as effective hedge	**(1 370)**	**(41 953)**
- related to interest rate hedges	(1 370)	(41 953)
Accumulated other comprehensive income related to the effective part of cash flow hedges as at 31 December, recognised in hedging reserve	**(17 356)**	**(15 986)**
- related to interest rate hedges	(17 356)	(15 986)

ENEA S.A. executed IRS transactions to hedge cash flows against interest rate risk. Their value in accordance with the hedge accounting policy at the end of 2019 was PLN 6 079 316 thousand, up by PLN 1 235 276 from 2018. This change resulted from settlements related to the expiry of a derivative instrument and regular payments for hedged exposure as well as new IRS transactions. Maturities are different depending on the derivative, from 10 February 2020 to 16 September 2024. Their balance sheet value as of 31 December 2019 was PLN 23 765 thousand, with PLN 17 356 thousand recognised in other comprehensive income and the ineffective part of the hedge recognised in the 2019 financial result being PLN 1 619 thousand. Bonds issued by ENEA S.A. and credit facilities from EIB are hedged with IRSs.

34. Financial risk management

Financial risk management rules

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

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

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

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

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

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

34.1. Credit risk

Exposure to credit risk	Risk management
Credit risk is risk associated with the Company incurring financial losses as a result of a client or counterparty that is a party to a financial instrument failing to meet its contractual obligations. Credit risk is associated with a potential inability to collect receivables from counterparties. **Key factors having impact on the Company's credit risk:** – a large number of clients, which has an impact on the operational complexity of the risk mitigation process (assessment of counterparties' credit-worthiness) and the high cost of controlling the in-flow and recovery of receivables, – legal conditions for doing business, which specify rules for shutting down electricity supplies as a result of non-payment or the obligation to connect entities to ENEA Operator's relevant distribution area, as well as the reserve seller or ex-officio seller functions.	The Management Board implements a credit risk management policy, pursuant to which exposure to credit risk is monitored on an on-going basis and activities intended to minimise it are undertaken. The key tool for managing credit risk is analysis of the credit-worthiness of ENEA S.A.'s most important counterparties, pursuant to which contractual terms with the counterparties are appropriately structured (payment terms, potential collateral, etc.).

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

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

	Maximum exposure to credit risk* as at	
	31 December 2019	31 December 2018
Financial assets measured at fair value (without shares and equity instruments through other comprehensive income)	22 982	30 491
Debt financial assets at amortised cost	7 368 937	7 172 201
Assets arising from contracts with customers	215 223	227 480
Trade receivables	879 692	934 479
Finance lease and sublease receivables	5 693	-**
Cash and cash equivalents	2 768 210	1 145 978
Credit risk	**11 260 737**	**9 510 629**

** These values correspond to book values.*
*** As at 31 December 2018, finance lease receivables were recorded in the line "Trade and other receivables;" the data restatement is presented in note 6.*

Credit risk associated with trade receivables

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

Failure to perform an obligation is understood as the occurrence of at least one of the following events or circumstances:
- debtor is more than 90 days late on a significant payment;
- the Company considers is as unlikely that the debtor will pay off its debt entirely (without taking into account amounts received from collateral or similar actions);

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

Impairment of trade and other receivables:

	Year ended	
	31 December 2019	31 December 2018
Impairment as of 1 January	**60 710**	**64 622**
Adjustment due to implementation of IFRS 9	-	2 572
Impairment as of 1 January, adjusted	**60 710**	**67 194**
Created	2 996	7 645
Used	(8 886)	(14 129)
Impairment as of 31 December	**54 820**	**60 710**

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

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

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

	As at 31 December 2019		
	Nominal value	Impairment	Book value
Trade and other receivables			
Current	786 936	(281)	786 655
Overdue	145 787	(52 750)	93 037
0-30 days	56 891	(75)	56 816
31-90 days	8 504	(569)	7 935
91-180 days	3 849	(900)	2 949
over 180 days	76 543	(51 206)	25 337
Total	**932 723**	**(53 031)**	**879 692**
Assets arising from contracts with customers	**215 267**	**(44)**	**215 223**

	As at 31 December 2018		
	Nominal value	Impairment	Book value
Trade and other receivables			
Current	840 754	(210)	840 544
Overdue	152 302	(58 367)	93 935
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	**993 056**	**(58 577)**	**934 479**
Assets arising from contracts with customers	**227 526**	**(46)**	**227 480**

Credit risk associated with trade receivables by market segment

Sale of electricity to retail clients	There is a substantial amount of overdue receivables in this segment. Although these do not constitute a significant threat to the Company's finances, activities aimed at reducing this are undertaken. Activities intended to streamline the debt recovery process are successively being undertaken and consist of new and updated instructions and rules for debt recovery as well as cooperation with specialised entities. Debt collection begins 20-25 days after the payment deadline. Introducing harmonised debt collection rules, including soft debt recovery, makes it possible to shorten the cash recovery time and avoid long-term and often ineffective hard debt recovery, i.e. court enforcement. Cases that exceed a debt recovery limit are referred for court and enforcement proceedings;
Sale of electricity to business, key and strategic clients	The amounts of overdue receivables in this segment are much lower than in the case of individual customers. Given the above and due to a much smaller number of clients in these segments, debt collection rules are largely based on soft collection. Soft debt collection activities are undertaken no later than six working days after the payment deadline and generally do not last longer than 30 working days after the payment deadline.
Other	The amounts of overdue receivables are negligible.

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

Credit risk associated with cash and derivative instruments

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

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

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

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

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

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

ENEA S.A. diversifies credit risk concerning cash. As at 31 December 2019, cash was allocated as follows at the three banks with the largest balances: bank A 32.5%, bank B 25.4%, bank C 14%.

Credit risk associated with other financial assets

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

The Company identifies a deterioration in credit risk if:

- counterparty is more than 30 days late on a significant payment;
- at the balance sheet date, a move down by at least two levels was identified in the case of non-investment-grade (as compared to the initial recognition of the given instrument), or
- at the balance sheet date, a move down by one level was identified in the case of junk grade (as compared to initial recognition of the given instrument) or a move from non-investment grade to junk grade.

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

The above-mentioned aspects of non-current receivables are regulated by the Company's "Methodology for determining expected credit losses for non-current debt assets and similar items."

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

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

	As at	
	31 December 2019 12-month ECL	31 December 2018 12-month ECL
Cash and cash equivalents	**2 768 210**	**1 145 978**
from AAA to BBB- (investment grade)	2 768 210	1 145 978
Unquoted bonds	**6 463 808**	**6 982 092**
from AAA to BBB- (investment grade)	2 459 194	2 977 851
from BB+ to B- (investment grade)	4 004 614	4 004 241
Loans granted	**971 127**	**190 537**
from AAA to BBB- (investment grade)	861 148	12 176
from BB+ to B- (investment grade)	-	178 361
from CCC to D (investment grade)	109 979	-
Total gross value	**10 203 145**	**8 318 607**
Loans granted	(65 998)	(428)
Total impairment for expected credit losses	**(65 998)**	**(428)**
Cash and cash equivalents	2 768 210	1 145 978
Unquoted bonds	6 463 808	6 982 092
Loans granted	905 129	190 109
Total balance sheet value	**10 137 147**	**8 318 179**

34.2. Financial liquidity risk

Exposure to financial liquidity risk	Risk management
Financial liquidity risk is perceived as the risk that ENEA S.A. would have no ability to meet its payment obligations at maturity. The aim of these activities is to reduce the likelihood of financial liquidity risk materialising by optimally using financial resources and available financing instruments.	In its business, ENEA S.A. strives to ensure a stable availability of cash allowing it to meet its payment liabilities on time. Activities addressed in "ENEA Group's liquidity and liquidity risk management policy" also include securing the ability to effectively respond to liquidity crises, i.e. periods of increased demand for cash. These activities allow for uninterrupted operations in liquidity crises for a period of time that is necessary to launch emergency financing plans, aiming to supplement any funding shortages. In the financial liquidity management process, the Company focuses on activities centred around an analysis of cash flows in current and strategic dimensions, optimisation of working capital components and monitoring the concentration of bank account balances. In order to ensure an appropriate level of security in unpredictable situations, the Company carries out cyclical scenario analyses and develops emergency financing plans intended to ensure the capacity to supplement cash shortages. The Company centrally manages financial surpluses. Allocating surpluses is mainly done with the use of term deposits. With a view toward limiting concentration risk, investments of excess cash are diversified in terms of financial institutions. Investment performance is monitored on an on-going basis. Activities related to financial liquidity and liquidity risk management are coordinated by ENEA S.A. In order to secure funding for on-going operations and optimise the financial surplus management process, ENEA S.A. and ENEA Group companies use cash pooling. ENEA S.A. serves as Pool Leader. Additional instruments for the

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

financing of on-going operations that secure funding for cash pooling system participants are ENEA S.A.'s overdraft facilities.

Instruments for the financing of on-going operations also include the Group's central mechanism for raising external funding by ENEA S.A., which is subsequently distributed by ENEA S.A. within the Group.

Continuous risk management in the aforementioned areas and the Company's market and financial position show that financial liquidity risk is at a minimal level.

The Company manages liquidity risk also by maintaining open and unused credit lines, which amounted to PLN 450 000 thousand as at 31 December 2019.

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

As at 31 December 2019

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

As at 31 December 2018

	Trade and other payables	Finance lease liabilities	Bank credit and bonds	Other financial liabilities	Financial liabilities at fair value	Total
Book value	**524 976**	**1 424**	**8 240 970**	**146 785**	**22 176**	**8 936 331**
Non-discounted contractual cash flows	**(524 976)**	**(1 637)**	**(9 141 486)**	**(146 960)**	**(29 637)**	**(9 844 696)**
up to 6 months	(524 976)	(405)	(255 878)	(146 960)	(5 673)	(933 892)
6-12 months	-	(377)	(268 804)	-	(5 586)	(274 767)
1-2 years	-	(521)	(2 375 014)	-	(8 938)	(2 384 473)
2-5 years	-	(334)	(4 014 422)	-	(9 440)	(4 024 196)
over 5 years	-	-	(2 227 368)	-	-	(2 227 368)

34.3. Commodity risk

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

34.4. Currency risk

Exposure to currency risk	Risk management
Currency risk is associated with potential changes in exchange rates that may in turn lead to changes in the Company's cash flows.	During the reporting period, ENEA S.A. was not exposed to currency risk due to no exposure to foreign currencies.

FX forwards

In the 12-month period ending 31 December 2019 ENEA S.A. did not execute FX forward transactions. Measurement of these instruments as at 31 December 2019 was PLN 0 thousand (PLN 0 thousand as at 31 December 2018).

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

34.5. Interest rate risk

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

As at 31 December 2019, the Company had credit and bond liabilities of PLN 9 831 622 thousand. As at 31 December 2019, variable-rate financial liabilities largely consisted of bank credit and issued bonds, which were 52.9% hedged with IRSs.

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

	As at	
	31 December 2019	**31 December 2018**
Fixed-rate instruments		
Financial assets	7 499 091	5 815 261
Financial liabilities	(1 271 293)	(772 359)
Impact of IRS hedge	(5 201 117)	(5 315 000)
Total	**1 026 681**	**(272 098)**
Variable-rate instruments		
Financial assets	3 738 664	3 664 877
Financial liabilities	(9 233 778)	(8 141 796)
Impact of IRS hedge	5 201 117	5 315 000
Total	**(293 997)**	**838 081**

The Company's fixed-rate financial assets include cash invested in bank deposits. Fixed-rate financial assets include trade receivables that are based on a fixed rate of penalty interest in case of overdue payment.

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

Interest rate swaps

In the 12-month period ending 31 December 2019 ENEA S.A. executed an Interest Rate Swap for an exposure amounting to PLN 1 488 890 thousand. The total bond and credit exposure hedged with IRSs as at 31 December 2019 amounted to PLN 5 201 117 thousand. Moreover, ENEA S.A. has fixed-rate credit agreements totalling PLN 649 934 thousand. These transactions have material impact on the predictability of expense flows and finance costs. The measurement of these instruments is presented in the item: "Financial liabilities at fair value." Derivative instruments are treated as cash flow hedges, which is why they are recognised and accounted for using hedge accounting rules.

As at 31 December 2019, financial liabilities at fair value concerning IRSs amounted to PLN 23 802 thousand (31 December 2018: PLN 22 176 thousand).

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

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

	As at 31 December 2019			As at 31 December 2018		
	Book value	Impact of interest rate risk on financial result (12-month period)		Book value	Impact of interest rate risk on financial result (12-month period)	
		+1pp	-1pp		+1pp	-1pp
Financial assets						
Debt financial assets at amortised cost	3 718 218	37 182	(37 182)	3 637 970	36 379	(36 379)
Cash and cash equivalents	20 446	204	(204)	26 907	269	(269)
Impact on result before tax		**37 386**	**(37 386)**		**36 648**	**(36 648)**
19% tax		(7 103)	7 103		(6 963)	6 963
Impact on result after tax		**30 283**	**(30 283)**		**29 685**	**(29 685)**
Financial liabilities						
Credit facilities, loans and debt securities	(9 181 179)	(91 812)	91 812	(7 995 011)	(79 950)	79 950
Financial liabilities measured at fair value	(23 802)	-	-	(22 176)	-	-
Other financial liabilities	(52 599)	(526)	526	(146 785)	(1 468)	1 468
Impact on result before tax		**(92 338)**	**92 338**		**(81 418)**	**81 418**
19% tax		17 544	(17 544)		15 469	(15 469)
Impact on result after tax		**(74 794)**	**74 794**		**(65 949)**	**65 949**
Total		**(44 511)**	**44 511**		**(36 264)**	**36 264**

Regulatory report

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

General rules for preparing regulatory financial information

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

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

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

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

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

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

Definitions of types of activity

The Company reports the following types of activity:

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

Allocation rules

Allocation of items in the statement of comprehensive income

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

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

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

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

Allocation of items in the statement of financial position

Item in the statement of financial position	Allocation key
Property, plant and equipment	depreciation cost structure
Perpetual usufruct of land	depreciation cost structure
Right-of-use assets	depreciation cost structure
Intangible assets	depreciation cost structure
Investment properties	directly to other activity
Investments in subsidiaries, associates and jointly controlled entities	directly to other activity
Deferred income tax assets	excluded from division
Financial assets measured at fair value	directly to other activity
Debt financial assets at amortised cost	directly to other activity
Costs related to the conclusion of agreements	directly to other activity

Available-for-sale financial assets	directly to other activity
Intra-group bonds	directly to other activity
Financial assets at fair value through profit or loss	directly to other activity
Derivative instruments	excluded from division
Trade and other receivables, including:	specific identification method
- accrued expenses, settlements concerning property insurance and other receivables	directly to other activity
- settlements concerning income tax with other entities within tax group	excluded from division
Inventory (energy origin certificates)	directly to other activity
Assets arising from contracts with customers	specific identification method
Current income tax receivables	excluded from division
Cash and cash equivalents	attributed directly to other activity
Equity	excluded from division - element of employed capital
Credit, loans and debt securities (long-term instruments)	excluded from division - element of employed capital
Finance lease liabilities (long-term contracts)	excluded from division - element of employed capital
Employee benefit liabilities	wage cost structure
Financial liabilities measured at fair value	excluded from division
Trade and other payables, including:	specific identification method
- other liabilities	wage cost structure
- excise duty liabilities	excise duty cost structure
- VAT liabilities	trade receivables and payables structures within specific activities
Liabilities concerning the equivalent for rights to free purchase of shares	directly to other activity
Other financial liabilities	directly to other activity
Provisions for other liabilities and other charges	specific identification method

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

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

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

Statement of comprehensive income for the period from 1 January 2018 to 31 December 2018

	Trade of gas fuels	Other activity	Excluded from division	TOTAL
Revenue from sales	97 071	4 856 781	-	4 953 852
Excise duty	(2 319)	(249 844)	-	(252 163)
Net revenue from sales	**94 752**	**4 606 937**	**-**	**4 701 689**
Other operating revenue	-	35 016	-	35 016
Change in provision for onerous contracts	-	(78 981)	-	(78 981)
Depreciation/amortisation	(39)	(2 195)	-	(2 234)
Employee benefit costs	(1 503)	(61 782)	-	(63 285)
Use of materials and raw materials and value of goods sold	(80)	(2 901)	-	(2 981)
Purchase of electricity and gas for sales purposes	(96 635)	(4 365 155)	-	(4 461 790)
Transmission services	-	(1 973)	-	(1 973)
Other third-party services	(4 399)	(192 365)	-	(196 764)
Taxes and fees	(74)	(3 091)	-	(3 165)
Gain on sale and liquidation of property, plant and equipment	-	109	-	109
Other operating costs	(92)	(70 126)	-	(70 218)
Operating loss	**(8 070)**	**(136 507)**	**-**	**(144 577)**
Finance costs	(8)	(19 301)	(239 405)	(258 714)
Finance income	327	259 624	-	259 951
Dividend income	-	645 293	-	645 293
Impairment of interests in subsidiaries, associates and jointly controlled entities	-	200 862	-	200 862
(Loss)/profit before tax	**(7 751)**	**949 971**	**(239 405)**	**702 815**
Income tax			24 321	24 321
Net (loss)/profit for the reporting period			**(215 084)**	**727 136**
Other comprehensive income			(60 979)	(60 979)
Comprehensive income for the reporting period			**(276 063)**	**666 157**

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

Statement of financial position as at 31 December 2019

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

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

Statement of financial position as at 31 December 2018

	Trade of gas fuels	Other activity	Excluded from division	TOTAL
Non-current assets	**572**	**19 479 830**	**98 432**	**19 578 834**
Property, plant and equipment	464	25 327	-	25 791
Perpetual usufruct of land	27	1 477	-	1 504
Intangible assets	81	4 420	-	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
Costs related to the conclusion of agreements	-	12 905	-	12 905
Current assets	**28 084**	**3 259 778**	**77 098**	**3 364 960**
Inventories	-	333 578	-	333 578
Trade and other receivables	28 084	942 573	-	970 657
Costs related to the conclusion of agreements	-	16 948	-	16 948
Assets arising from contracts with customers	-	227 480	-	227 480
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
ASSETS				**22 943 794**
Non-current liabilities	**1 275**	**52 311**	**22 176**	**75 762**
Employee benefit liabilities	1 275	52 311	-	53 586
Financial liabilities measured at fair value	-	-	22 176	22 176
Current liabilities	**16 565**	**1 259 881**	**53 346**	**1 329 792**
Trade and other payables	15 629	577 685	53 346	646 660
Employee benefit liabilities	551	22 592	-	23 143
Liabilities concerning the equivalent for rights to free purchase c shares	-	281	-	281
Other financial liabilities	-	146 785	-	146 785
Provisions for other liabilities and other charges	385	512 538	-	512 923
Employed capital	**10 816**	**21 427 416**	**(21 438 232)**	**-**
Equity	-	-	13 295 846	13 295 846
Credit facilities, loans and debt securities	-	-	8 240 970	8 240 970
Finance lease liabilities	-	-	1 424	1 424
EQUITY AND LIABILITIES				**22 943 794**

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

Other explanatory notes

36. Related-party transactions

ENEA Group companies

	Year ended	
	31 December 2019	31 December 2018
Purchase value, including:	**6 773 240**	**6 077 811**
purchase of materials	518	561
purchase of services	1 628 143	1 707 491
other (including electricity and gas)	5 144 579	4 369 759
Sale value, including:	**390 533**	**424 237**
sale of electricity	353 104	384 294
sale of services	2 981	2 649
other	34 448	37 294
Interest income, including:	**221 219**	**214 449**
on bonds	209 190	207 921
on loans	9 049	5 483
other	2 980	1 045
Dividend income	**781 507**	**645 293**

	As at	
	31 December 2019	31 December 2018
Receivables	317 779	287 457
Liabilities	579 935	642 657
Financial assets - bonds	6 463 808	6 982 092
Loans granted	852 905	182 562
Other financial liabilities	52 599	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.

Transactions with members of the Group's corporate authorities

The Company executes transactions with the following related parties:

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

Item	Year ended			
	Company's Management Board		Company's Supervisory Board	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Remuneration under management contracts and consulting contracts	4 023*	3 310**	-	-
Remuneration under appointment to management or supervisory bodies	-	-	774	790
TOTAL	**4 023**	**3 310**	**774**	**790**

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

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

*** This remuneration includes a non-compete clause and bonuses for 2017 for former Management Board members, amounting to PLN 610 thousand.*

As at 31 December 2019, liabilities related to management contracts and consultancy contracts towards Management Board members amount to PLN 164 thousand (PLN 158 thousand as at 31 December 2018). As at 31 December 2019, a provision for Management Board bonuses amounted to PLN 3 510 thousand (PLN 2 652 thousand as at 31 December 2018); the amount of this provision is not included in the above table.

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

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

** of which PLN 2 thousand concerns expiry of term of Supervisory Board Members*

Organ	As at 1 January 2018	Granted from	Repayment until	As at 31 December 2018
Company's Supervisory Board	11	-	(6)	5
TOTAL	**11**	**-**	**(6)**	**5**

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

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

Transactions with State Treasury related parties

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

The subject of these transactions mainly is as follows:

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

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

In addition, the Company identified financial transactions with State Treasury's related parties, i.e. with banks serving as guarantors for bond issue programmes. These entities include: PKO BP S.A., Pekao S.A. and Bank Gospodarstwa Krajowego. Detailed information on bond issue programmes is presented in note 27.

Among State Treasury subsidiaries, ENEA S.A.'s largest counterparty-customer by far is Grupa Azoty, with net sales in 2019 reaching PLN 152 067 thousand (PLN 167 262 thousand in net sales to KGHM Polska Miedź S.A. in 2018). The largest counterparty-supplier is Polskie Sieci Elektroenergetyczne S.A., with net purchases in 2019 worth PLN 52 590 thousand (in 2018, PGE Polska Grupa Energetyczna S.A. with PLN 14 150 thousand).

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

Transactions with jointly controlled entities and associates

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

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

	Year ended 31 December 2018		As at 31 December 2018	
	Sale	Purchases	Receivables	Liabilities
Jointly controlled entities	109 668	-	44 122	-
Associates	162	-	7	-

The value of loans issued to jointly controlled entity Elektrownia Ostrołęka Sp. z o.o. is PLN 109 619 thousand gross and PLN 43 848 thousand net (note 18).

37. Explanatory notes to the separate statement of cash flows

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

	Year ended	
	31 December 2019	31 December 2018
Change in trade and other receivables on balance sheet	**20 052**	**44 130**
- PGK	-	46 920
- Expenditures concerning future bond issues	195	37
- IFRS amendment	5 870	(170 689)
- Other	325	(219)
Change in trade and other receivables *in cash flow statement*	**26 442**	**(79 821)**
Change in trade and other payables on balance sheet	**(66 620)**	**(150 909)**
- Acquisition income/costs	-	(2 874)
- Proceeds related to future purchase of financial assets	-	(29)
- PGK	53 383	-
- Other	99	97
Change in trade and other payables in cash flow statement	**(13 138)**	**(153 715)**
Change in employee benefit liabilities on balance sheet	**10 836**	**4 903**
- Actuarial gains/losses recognised in other comprehensive income	(4 478)	(2 457)
Change in employee benefit liabilities in cash flow statement	**6 358**	**2 446**

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

Reconciliation of bank credit and loans

	Year ended	
	31 December 2019	31 December 2018
As at 1 January	**2 207 693**	**2 300 978**
Credit and loans received		-
Repayment of credit and loans	(152 080)	(96 971)
Measurement and transaction costs	618	3 686
As at 31 December	**2 056 231**	**2 207 693**

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

Reconciliation of bonds

	Year ended 31 December 2019	31 December 2018
As at 1 January	**6 033 277**	**5 565 203**
Bond buy-back	(277 910)	(95 000)
Bond issuance	2 000 000	550 000
Measurement and transaction costs	20 024	13 074
As at 31 December	**7 775 391**	**6 033 277**

38. Concession agreements for provision of public services

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

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

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

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

In 2019, ENEA S.A. applied the following URE President-approved tariffs:

– "Tariff for electricity for customers from tariff group G," in effect from 1 January 2018
– "Tariff for high-methane natural gas," in effect from 1 June 2018, and "Tariff for high-methane natural gas," in effect from 4 July 2019.

39. Employment

	As at 31 December 2019	31 December 2018
White collar jobs	393	382
TOTAL	**393**	**382**

The data contained in the table presents the number of persons employed. Management positions are classified as white collar jobs.

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

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

40.1. Impact of tariff for electricity for tariff G customers

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

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

Considering the above and acting pursuant to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Group identified the necessity to recognise in Q4 2019 a provision for onerous contracts.

Determining the size of provision for onerous contracts

As a result of the Tariff being approved effective from 14 January 2020, the Company analysed this issue in terms of updating provisions and recognising potential returns in the context of IAS 37. According to reporting regulations, if a given contract or group of contracts generate a loss, then the company should recognise an appropriate provision in the period in which the loss became unavoidable unless it is unable to reliably determine the amount of this provision and returns-related assets are recognised when they are certain in an amount not higher than the recognised provisions. In reference to determining the costs of performance in the meaning of IAS 37, only direct costs were taken into account (the cost to purchase energy, property rights, along with the current excise duty rate), while indirect costs were not included (own costs and profit). The issue of which costs should be taken into account in estimating the provision for onerous contracts was deliberated by the IASB in 2017. The issue was not resolved unequivocally, and selecting a solution is a matter of judgement.

Using prices in effect in Q1 2020 for tariff G clients, with a tariff regulated by the URE President, the Company estimated a loss on the contract. This loss results from using a cost model for purchasing electricity in 2020 (costs of electricity and property rights and an excise duty rate deemed as justified on market terms by the Company in the tariff process for 2020) and the simultaneous application of sales prices approved by the URE President in the Tariff for the first quarter of 2020 until the end of 2020. The following was furthermore taken into account:

- sales prices from 2019, in effect during the first 13 days of 2020 (de facto prices from 2018),
- sales volume resulting from the planned sales to Tariff G customers in 2020.

As at 31 December 2019, ENEA S.A. estimated the provision for onerous contracts at PLN 68 565 thousand.

In 2019, the Company estimated the provision for onerous contracts at PLN 78 981 thousand and created it as at 31 December 2018.

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

40.2. Sureties and guarantees

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

List of sureties issued as at 31 December 2019

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

List of sureties issued as at 31 December 2018

Name of entity for which surety was issued	Total amount of liabilities covered by surety	Purpose of amounts covered by surety	Period for which surety was issued	Nature of links between the Company and entity incurring the liability
ENEA Trading Sp. z o.o.	PLN 1 075 thousand (EUR 250 thousand)	collateral for ENEA Trading's liabilities towards Shell Energy Europe Limited	30.11.2021	subsidiary
ENEA Wytwarzanie Sp. z o.o.	PLN 50 000 thousand	collateral for payment of price for stake in subsidiary by ENEA Wytwarzanie Sp. z o.o.	purchase proposal validity period	subsidiary
Miejska Energetyka Cieplna Piła Sp. z o.o.	PLN 11 806 thousand	collateral for liabilities incurred by MEC Piła Sp. z o.o.	30.06.2020	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards EDF Trading Limited	30.10.2020	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards ČEZ a.s.	10.08.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards ZE Pątnów Adamów Konin S.A.	25.10.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards PGE Polska Grupa Energetyczna S.A.	26.10.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 5 000 thousand	collateral for ENEA Trading's liabilities towards Polenergia Obrót S.A.	30.06.2019	subsidiary
ENEA Trading Sp. z o.o.	PLN 2 000 thousand	collateral for ENEA Trading's liabilities towards Polski Koncern Naftowy ORLEN S.A.	15.07.2021	subsidiary

List of guarantees issued as at 31 December 2019

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

List of guarantees issued as at 31 December 2018

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.	150 000
12.08.2018	12.08.2020	ENEA Elektrownia Połaniec	Izba Rozliczeniowa Giełd Towarowych S.A.	PKO BP S.A.	60 000
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 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.	1 944
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 bank guarantees					**292 486**

The value of other guarantees issued by the Company as at 31 December 2019 was PLN 17 614 thousand (PLN 7 793 thousand as at 31 December 2018).

40.3. On-going proceedings in courts of general competence

Proceedings initiated by the Company

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

At 31 December 2019, a total of 5 014 cases initiated by the Company were in progress before courts of general competence, worth in aggregate PLN 45 394 thousand (31 December 2018: 8 982 cases worth PLN 45 379 thousand).

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

Proceedings against the Company

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

At 31 December 2019, a total of 145 cases instigated against by the Company were in progress before courts of general competence, worth in aggregate PLN 561 828 thousand (31 December 2018: 150 cases worth PLN 519 317 thousand).

Provisions related to these court cases are presented in note 30.

40.4. Other court proceedings

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

On 14 August 2018 the District Court in Białystok (first instance) ruled in favour of the lawsuit brought by the Municipality of Białystok in its entirety. On 10 September 2018 ENEA Wytwarzanie Sp. z o.o. appealed the ruling. On 8 January 2019 the Appeals Court in Białystok referred the motion to exclude judges from the Appeals Court in Białystok to the Supreme Court. On 9 March 2019, the Supreme Court decided to reject and in part cancel ENEA Wytwarzanie Sp. z o.o.'s request to exclude judges from the Appeals Court in Białystok (file no. SN IV Co 9/19). The hearing at the Appeals Court in Białystok was held on 19 June 2019. Following the hearing, the Appeals Court in Białystok ruled to reject the company's appeal. ENEA Wytwarzanie Sp. z o.o. requested to receive the ruling together with justification. This ruling is final. On 8 October 2019, the company filed a cassation appeal with the Supreme Court against a ruling from the second-instance court, with the intermediation of the Appeals Court in Białystok. Through a letter dated 21 November 2019 the Municipality of Białystok submitted its response to the cassation appeal. The cassation appeal was transferred to the Supreme Court.

On 15 July 2019, ENEA Wytwarzanie Sp. z o.o. paid PLN 34 539 thousand to the Municipality of Białystok (principal plus statutory late interest from 25 January 2017 to the payment date) for the purchase of 126 083 shares in Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Białystok, along with PLN 144 thousand as reimbursement of first- and second-instance litigation costs.

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

On 29 August 2019, the Supervisory Board of ENEA S.A. authorised the Management Board of ENEA S.A. to purchase 126 083 shares in ENEA Ciepło Sp. z o.o., with a nominal value of PLN 50 each and total nominal value of PLN 6 304 thousand, for PLN 34 539 thousand.

On 4 September 2019 ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. executed a sale agreement concerning 126 083 shares in ENEA Ciepło Sp. z o.o., with a nominal value of PLN 50 each and total nominal value of PLN 6 304 thousand, for PLN 34 539 thousand, pursuant to which ownership of the shares was to be transferred from ENEA Wytwarzanie Sp. z o.o. to ENEA S.A. on the day on which ENEA S.A. paid the share purchase price to ENEA Wytwarzanie Sp. z o.o. ENEA S.A.'s payment to ENEA Wytwarzanie Sp. z o.o. was made on 11 September 2019.

Given the above, from 11 September 2019 ENEA S.A. holds 3 019 288 shares in the share capital of ENEA Ciepło Sp. z o.o., which constitutes a nearly 99.94% stake in this company's share capital. The remaining shares are held by the company's employees.

The Management Board of ENEA S.A. filed in December 2018 a response to a lawsuit brought by a Company shareholder, Fundacja "CLIENTEARTH Prawnicy dla ziemi," based in Warsaw, to cancel, determine the non-existence or repeal resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional approval to join the Construction Stage of the Ostrołęka C project, and demanded that the lawsuit be rejected in its entirety as unjustified, along with reimbursement of court representation costs. The first hearing in the case was held on 10 April 2019, with no witnesses called to the hearing. The Court requested that the Company provide the Investment Agreement within 14 days, at least as regards points 1 to 8 (especially point 8.6), subject to the trial consequences indicated in art. 233 § 2 of the Civil Procedure Code. ENEA's attorney filed a reservation to the protocol pursuant to art. 162 of the Civil Procedure Code. On 24 April 2019, the Company provided the Investment Agreement. The Court decided to postpone the hearing to 17 July 2019. On 31 July 2019, the District Court in Poznań allowed the main claim and declared the Resolution invalid. On 17 September 2019, an attorney for ENEA S.A. submitted an appeal against the ruling of 31 July 2019. The complainant submitted a response to the appeal, to which ENEA S.A.'s attorney replied. The Appeals Court in Poznań scheduled the appeals hearing for 6 May 2020; that hearing was cancelled and a new one has been scheduled for 8 July 2020.

The Management Board of ENEA S.A. filed in December 2018 a response to a lawsuit brought by Międzyzakładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA, based in Poznań, to cancel, determine the non-existence or repeal resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional approval to join the Construction Stage of the Ostrołęka C project, and demanded that the lawsuit be rejected in its entirety as unjustified, along with reimbursement of court representation costs. The hearing was scheduled for 8 May 2019. That hearing, and others scheduled for 30 July 2019 and 1 October 2019, did not take place. A new hearing date has not yet been set. The hearing has been suspended until a final ruling is issued in a case instigated by a shareholder of the Company - Fundacja "CLIENTEARTH Prawnicy dla ziemi."

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

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

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

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

As at 31 December 2019, the Company had a provision for claims concerning non-contractual use of land amounting to PLN 3 064 thousand.

40.6. Cases concerning 2012 non-balancing

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

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

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

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

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

The aforementioned disputes have not been resolved.

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

ENEA S.A. is a party to 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
- 2 proceedings for the voidance of ENEA S.A.'s termination of agreements to sell property rights, which took place on 28 October 2016, including 1 proceeding in which claims for payment are being sought at the same time;
- 1 proceeding for payment, in which ENEA S.A. seeks a claim concerning a contractual penalty.

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

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

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

- Farma Wiatrowa Krzęcin Sp. z o.o., based in Warsaw;
- Megawind Polska Sp. z o.o., based in Szczecin;
- PGE Górnictwo i Energetyka Konwencjonalna S.A., based in Bełchatów;
- PGE Energia Odnawialna S.A., based in Warsaw;
- PGE Energia Natury PEW Sp. z o.o., based in Warsaw (currently PGE Energia Odnawialna S.A., based in Warsaw);
- "PSW" Sp. z o.o., based in Warsaw;
- in.ventus Sp. z o.o. EW Śniatowo sp.k., based in Poznań (currently TEC1 Sp. z o.o. EW Śniatowo Sp. k., based in Katowice);
- Golice Wind Farm Sp. z o.o., based in Warsaw.

As a rule, the Agreements were terminated by the end of November 2016. The dates on which the respective Agreements were terminated depended on contractual provisions.

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

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

- ordinance of the Minister of Economy of 18 October 2012 on a detailed scope of obligations to obtain and present for redemption origin certificates, pay substitute fees, purchase electricity and industrial heat generated from renewable sources and the obligation to validate data concerning the quantity of electricity generated from renewable sources (Polish Journal of Laws of 2012, item 1229);
- Act on renewable energy sources of 20 February 2015 (Polish Journal of Laws of 2015, item 478) and associated further legal changes and announced drafts of legal changes, including especially:
  - Act on amendment of the act on renewable energy sources and certain other acts dated 22 June 2016 (Polish Journal of Laws of 2016, item 925); and
  - draft of the Ordinance of the Minister of Energy concerning changes in the share of electricity resulting from redeemed origin certificates confirming production of electricity from renewable sources, which is to be issued based on an authorisation under art. 12 sec. 5 of the Act on amendment of the act on renewable energy sources and certain other acts dated 22 June 2016 and certain other acts,

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

The Agreements were terminated with the intention for the Company to avoid losses constituting the difference between contractual and market prices of green certificates. Due to the changing legal conditions after termination of the Agreements in 2017, especially arising from the Act of 20 July 2017 on amendment of the act on renewable energy sources, the estimated value of future contract liabilities would have changed. In the current legal framework, this would be significantly lower in comparison to the amount estimated when the Agreements were being terminated, i.e. approx. PLN 1 187 million. This decline reflects a change in the way in which the substitute fee is calculated, which in accordance with the content of some of the Agreements constitutes the basis for calculating the contract price and indexing it to the market price. The Company created a PLN 123 032 thousand provision for potential claims resulting from the terminated Agreements in relation to submissions made by 31 December 2019 concerning transactions to sell property rights by the counterparties; the provision is presented in note 30.

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

- case IX GC 64/17 ended with a final court settlement;
- in case IX GC 996/16 ENEA S.A. rescinded its appeal against the ruling of 29 November 2019; the appeals proceeding was cancelled, but the cancellation ruling is yet to become final;
- in case IX GC 1167/16 Megawind Polska Sp. z o.o. withdrew its lawsuit and the case was cancelled, however the ruling is yet to be finalised.

The amount agreed upon in the settlement is covered by previously created provisions for on-going court proceedings.

41. Participation in nuclear power plant build programme

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

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

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

As at 31 December 2019 and at the date on which these financial statements were prepared, ENEA S.A. held 263 020 shares in the capital of PGE EJ 1 Sp. z o.o., with a total nominal value of approx. PLN 37 086 thousand, representing 10% of shares/votes.

42. Tax group

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

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

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

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

The tax group is represented by ENEA S.A.

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

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

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

43. Events after the reporting period

Changes in the composition of the Supervisory Board taking place after 31 December 2019 are presented in note 3.

On 30 January 2020, ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. executed a PLN 2 200 000 thousand loan agreement. The interest is variable, based on WIBOR for 6-month deposits, plus margin. The loan can be released in tranches and is available until 31 December 2020. The first tranche, amounting to PLN 600 000 thousand, was released on 10 February 2020 and the second tranche, amounting to PLN 500 000 thousand, was released on 30 March 2020. The loan will be re-paid on a one-off basis on 30 September 2024.

Events after the reporting period concerning the investment in Elektrownia Ostrołęka Sp. z o.o. are presented in note 18.

On 21 February 2020, ENEA Wytwarzanie Sp. z o.o. reached an out-of-court settlement with Fen Wind Farm B.V., based in Amsterdam, and Wento Holdings S.à.r.l., based in Luxembourg, concerning a court dispute relating to the purchase by Enea Wytwarzanie Sp. z o.o. of shares in Eco-Power Sp. z o.o., which is the owner of wind farm Skoczykłody. As a result of the settlement, ENEA Wytwarzanie Sp. z o.o. as at 31 December 2019 released a PLN 129 000 thousand provision, which had an impact on the amount of a reversed impairment loss on interests in this company by ENEA S.A. as of 31 December 2019.

On 28 February 2020, ENEA S.A. and ENEA Połaniec Sp. z o.o. executed a PLN 500 000 thousand loan agreement. The interest is variable, based on WIBOR for 6-month deposits, plus margin. The loan can be released in tranches and is available until 30 December 2020. The first tranche, amounting to PLN 200 000 thousand, was released on 3 April 2020, and repayment will take place on a one-off basis in December 2024.

On 12 March 2020, ENEA S.A. and ENEA Operator Sp. z o.o. executed a PLN 950 000 thousand loan agreement. The interest is variable, based on WIBOR for 6-month deposits, plus margin. The loan can be released in tranches and is available until 31 December 2020. The loan will be re-paid on a one-off basis in December 2024. The loan has not yet been released.

Information regarding the coronavirus SARS-Cov-2 threat, which causes the COVID-19 disease ("coronavirus"), began appearing out of China towards the end of 2019. As at 31 December 2019, the virus was limited territorially, however in the first months of 2020 the situation drastically developed and coronavirus spread on a global scale (reaching Poland at the beginning of March 2020), thus magnifying the adverse effects on human life and the global economy. Currently, the Company's activities are not materially affected by virus-related threats, nonetheless the Management Board of ENEA S.A. is closely monitoring the situation and threat levels, at the same time undertaking numerous activities intended to minimise the virus threat and any potential negative impact caused by it. These activities include a temporary reduction in business travel and meetings, greater availability and scope of use of cleaning agents, disinfectants and protective equipment, introduction of appropriate workplace procedures as well as the monitoring of employees' travel directions, with emphasis on high-risk countries. In terms of re-organising work, remote and rotational work was introduced in all areas where this was possible without disrupting critical processes. The key activities also include adapting the Company's procedures to the requirements stemming from the Act of 2 March 2020 on specific solutions related to preventing, counteracting and combating COVID-19, which was adopted by the Polish parliament.

The Management Board of ENEA S.A. has designated a crisis coordination centre for ENEA Group dedicated to preventing, counteracting and combating COVID-19. Following this resolution, all ENEA Group companies designated teams that coordinate tasks related to maintaining the continuity of ENEA Group companies' operations in the context of the coronavirus threat. This entire effort is being coordinated by the Management Board of ENEA S.A., through the aforementioned crisis coordination centre.

At the date on which these separate financial statements were prepared, it is difficult to predict how the situation will develop, just as it is difficult to predict the potential negative impact on the operating and financing activities of the Company. A further spread of the virus may result in a decrease in economic activity (currently, numerous restrictions are applicable to: hotels, restaurants, coffee shops, shopping galleries), a decline in demand for electricity, which could have an adverse impact on the Company's revenue from sales. It cannot be ruled out that the turnover of receivables will deteriorate given the difficult economic situation and limited paying ability of electricity customers. Swings on global markets recently also caused substantial changes in the prices of electricity, CO2 emission allowances, commodities as well as substantial swings on equity markets, which if they turn out to be more of a long-term trend may cause changes in assumptions used in impairment tests on the Company's interests in subsidiaries.

In connection with the events described above, after the reporting period the Management Board of ENEA S.A. analysed the key assumptions pertaining to estimates in the financial statements and declared that they remain valid in the long term as of the date on which these financial statements were prepared. Due to the uncertainty caused by SARS-CoV-2, the Management Board of ENEA S.A. is constantly analysing its impact on the key assumptions and estimates that might have an impact on ENEA S.A.'s situation.

Substantial volatility on commodity exchanges means that it is necessary to deploy additional funds as collateral for transactions.

According to the Management Board of ENEA S.A., the above events are non-adjusting events after the reporting period.

During the period between the balance sheet date and the date on which these separate financial statements were prepared, the Company's share price declined from approx. PLN 8/share to approx. PLN 7/share, which according to the Management Board of ENEA S.A. is mainly caused by the unfavourable situation on global markets and uncertainties surrounding the COVID-19 epidemic, as described above. Given the above, the Management Board of ENEA S.A. has analysed the soundness and validity of key assumptions, mainly related to impairment tests. Based on this analysis, the Management Board of ENEA S.A. did not identify the need to modify the key assumptions in impairment tests or other estimates that could have a material impact on these separate financial statements.