



ENEA Group
CONDENSED
CONSOLIDATED
INTERIM FINANCIAL
STATEMENTS



for the period from 1 January
to 30 June 2020
in compliance with
EU IFRS

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Condensed consolidated interim financial statements for the period from 1 January to 30 June 2020

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

Members of the Management Board

**President of the
Management Board**

Paweł Szczeszek

.....

**Member of the
Management Board**

Tomasz Siwak

.....

**Member of the
Management Board**

Jarosław Ołowski

.....

**Member of the
Management Board**

Tomasz Szczegielniak

.....

Prepared by: Robert Kiereta

.....

Head of Consolidated Reporting

Poznań, 3 September 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six-month period ended 30 June 2020 (unaudited)	For the three-month period ended 30 June 2020 (unaudited)	For the six-month period ended 30 June 2019 restated* (unaudited)	For the three-month period ended 30 June 2019 restated* (unaudited)
Revenue from sales	7	8 974 914	4 369 832	7 622 604	3 594 649
Excise duty		(33 057)	(15 016)	(36 042)	(15 134)
Net revenue from sales		8 941 857	4 354 816	7 586 562	3 579 515
Compensations		-	-	430 401	430 401
Revenue from operating leases and subleases		7 598	2 557	2 613	50
Revenue from sales and other income		8 949 455	4 357 373	8 019 576	4 009 966
Other operating revenue		135 491	57 113	76 694	21 968
Change in provision for onerous contracts		39 305	14 958	41 004	19 448
Depreciation/amortisation		(770 968)	(389 884)	(744 203)	(382 480)
Employee benefit costs		(980 939)	(500 051)	(873 150)	(441 950)
Use of materials and raw materials and value of goods sold		(1 663 061)	(871 630)	(1 647 381)	(839 929)
Purchase of electricity and gas for sales purposes		(3 682 909)	(1 810 113)	(3 006 424)	(1 457 637)
Transmission services		(236 895)	(115 430)	(212 648)	(114 420)
Other third-party services		(400 716)	(195 705)	(435 417)	(227 052)
Taxes and fees		(221 227)	(89 510)	(226 696)	(105 276)
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets		(17 195)	(2 418)	(22 643)	(8 955)
(Recognition)/reversal of impairment loss on non-financial non-current assets	9	(521 772)	(521 772)	4 279	-
Other operating costs		(99 611)	(38 471)	(99 549)	(34 128)
Operating profit		528 958	(105 540)	873 442	439 555
Finance costs		(173 708)	(81 643)	(153 461)	(81 839)
Finance income		23 336	10 996	27 134	9 589
Impairment of financial assets at amortised cost	11	(138 737)	(137 695)	-	-
Dividend income		152	152	100	100
Share of results of associates and jointly controlled entities	11	(250 338)	(251 706)	(4 443)	2 582
Profit before tax		(10 337)	(565 436)	742 772	369 987
Income tax	8	(71 306)	24 746	(163 327)	(70 348)
Net profit for the reporting period		(81 643)	(540 690)	579 445	299 639
Other comprehensive income					
Subject to reclassification to profit or loss:					
- measurement of hedging instruments		(141 805)	(42 991)	(7 283)	(781)
- income tax	8	26 965	8 132	1 384	150
Not subject to reclassification to profit or loss:					
- restatement of defined benefit plan		(46 504)	(46 504)	(3 202)	(3 202)
- income tax	8	8 836	8 836	608	608
Net other comprehensive income		(152 508)	(72 527)	(8 493)	(3 225)
Comprehensive income for the reporting period		(234 151)	(613 217)	570 952	296 414
Including net profit:					
attributable to shareholders of the Parent		(99 218)	(543 815)	505 788	259 634
attributable to non-controlling interests		17 575	3 125	73 657	40 005
Including comprehensive income:					
attributable to shareholders of the Parent		(250 995)	(615 611)	497 510	256 624
attributable to non-controlling interests		16 844	2 394	73 442	39 790
Net profit attributable to shareholders of the parent		(99 218)	(543 815)	505 788	259 634
Weighted average number of ordinary shares		441 442 578	441 442 578	441 442 578	441 442 578
Net profit attributable to the Parent's shareholders, per share (in PLN per share)		(0.22)	(1.23)	1.15	0.59
Diluted profit per share (in PLN per share)		(0.22)	(1.23)	1.15	0.59

* the presentation restatement of data for the comparative period is presented in note 5 to these condensed consolidated interim financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2020 (unaudited)	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	9	21 336 180	21 470 804
Right-of-use assets		710 909	719 948
Intangible assets	10	374 590	379 024
Investment properties		22 436	23 109
Investments in associates and jointly controlled entities	11	342 078	373 016
Deferred income tax assets	8	595 294	569 369
Financial assets measured at fair value	20	42 600	40 172
Debt financial assets at amortised cost	21	4 000	48 649
Trade and other receivables		128 880	20 862
Costs related to the conclusion of agreements		13 322	12 749
Finance lease and sublease receivables		901	319
Funds in the Mine Decommissioning Fund		134 982	133 998
Total non-current assets		23 706 172	23 792 019
Current assets			
CO ₂ emission allowances		149 219	1 375 128
Inventories	12	1 382 541	1 376 295
Trade and other receivables		1 924 085	2 123 567
Costs related to the conclusion of agreements		12 377	12 646
Assets arising from contracts with customers	14	371 597	330 447
Finance lease and sublease receivables		145	950
Current income tax receivables		17 817	59 746
Financial assets measured at fair value	20	16 496	7 056
Debt financial assets at amortised cost	21	8 429	3 576
Other short-term investments		481	477
Cash and cash equivalents	15	3 645 287	3 761 947
Total current assets		7 528 474	9 051 835
TOTAL ASSETS		31 234 646	32 843 854

The consolidated statement of financial position should be analysed in conjunction with the additional information and explanations, which constitute an integral part of the condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2020 (unaudited)	As at 31 December 2019
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the parent			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Revaluation reserve - measurement of financial instruments		(16 267)	(16 295)
Revaluation reserve - measurement of hedging instruments		(132 196)	(17 356)
Retained earnings		10 132 727	10 268 882
Total equity attributable to shareholders of the parent		14 204 746	14 455 713
Non-controlling interests		1 040 902	1 024 058
Total equity		15 245 648	15 479 771
LIABILITIES			
Non-current liabilities			
Credit facilities, loans and debt securities	17	7 286 890	7 803 113
Trade and other payables		190 715	119 775
Liabilities arising from contracts with customers	14	7 115	5 023
Lease liabilities		490 136	504 324
Accounting for income from subsidies and road lighting modernisation services	19	237 133	227 413
Deferred income tax provision	8	435 157	413 392
Employee benefit liabilities		1 068 306	983 818
Financial liabilities measured at fair value		167 685	24 496
Provisions for other liabilities and other charges	18	818 464	774 065
Total non-current liabilities		10 701 601	10 855 419
Current liabilities			
Credit facilities, loans and debt securities	17	1 422 302	2 102 911
Trade and other payables		1 647 182	1 913 440
Liabilities arising from contracts with customers	14	142 056	110 678
Lease liabilities		23 061	27 939
Accounting for income from subsidies and road lighting modernisation services	19	13 289	12 804
Current income tax liabilities		2 603	121 703
Employee benefit liabilities		458 439	466 082
Liabilities concerning the equivalent for rights to free purchase of shares		281	281
Financial liabilities measured at fair value		2 000	36 438
Provisions for other liabilities and other charges	18	1 576 184	1 716 388
Total current liabilities		5 287 397	6 508 664
Total liabilities		15 988 998	17 364 083
TOTAL EQUITY AND LIABILITIES		31 234 646	32 843 854

The consolidated statement of financial position should be analysed in conjunction with the additional information and explanations, which constitute an integral part of the condensed consolidated interim financial statements.



ENEA Group

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2020

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(a) H1 2020 (unaudited)

	Equity attributable to shareholders of the parent								
	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Revaluation reserve - measurement of hedging instruments	Retained earnings	Non-controlling interests	Total equity
As at 01.01.2020	441 443	146 575	588 018	3 632 464	(16 295)	(17 356)	10 268 882	1 024 058	15 479 771
Net profit for the reporting period	-	-	-	-	-	-	(99 218)	17 575	(81 643)
Net other comprehensive income	-	-	-	-	-	(114 840)	(36 937)	(731)	(152 508)
Net comprehensive income recognised in the period	-	-	-	-	-	(114 840)	(136 155)	16 844	(234 151)
Other	-	-	-	-	28	-	-	-	28
As at 30.06.2020	441 443	146 575	588 018	3 632 464	(16 267)	(132 196)	10 132 727	1 040 902	15 245 648

(b) H1 2019 (unaudited)

	Equity attributable to shareholders of the parent								
	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Revaluation reserve - measurement of hedging instruments	Retained earnings	Non-controlling interests	Total equity
As at 01.01.2019	441 443	146 575	588 018	3 632 464	(16 295)	(16 024)	9 908 842	952 157	15 049 162
Net profit for the reporting period	-	-	-	-	-	-	505 788	73 657	579 445
Net other comprehensive income	-	-	-	-	-	(5 899)	(2 379)	(215)	(8 493)
Net comprehensive income recognised in the period	-	-	-	-	-	(5 899)	503 409	73 442	570 952
Dividends	-	-	-	-	-	-	-	(8 674)	(8 674)
Other	-	-	-	-	-	-	11 564	(11 564)	-
As at 30.06.2019	441 443	146 575	588 018	3 632 464	(16 295)	(21 923)	10 423 815	1 005 361	15 611 440

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the six-month period ended 30 June 2020 (unaudited)	30 June 2019 (unaudited)
Cash flows from operating activities			
Net profit for the reporting period		(81 643)	579 445
Adjustments:			
Income tax in profit or loss	8	71 306	163 327
Depreciation/amortisation		770 968	744 203
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets		17 195	22 643
Recognition/(reversal) of impairment loss on non-financial non-current assets		521 772	(4 279)
Loss on sale of financial assets		13 108	8 934
Interest income		(5 914)	(5 685)
Dividend income		(152)	(100)
Interest costs		121 545	121 743
(Gain)/loss on measurement of financial instruments		(47 429)	39 316
Impairment of financial assets at amortised cost		138 737	-
Share of profit of associates and jointly controlled entities		250 338	4 443
Other adjustments		(15 398)	(3 160)
Total adjustments		1 836 076	1 091 385
Paid income tax		(130 465)	(171 419)
Changes in working capital:			
CO ₂ emission allowances		1 225 909	533 390
Inventories		399	(79 094)
Trade and other receivables		115 439	(570 919)
Trade and other payables		(212 691)	581 320
Employee benefit liabilities		30 399	2 456
Accounting for income from subsidies and road lighting modernisation services		9 484	10 776
Provisions for other liabilities and charges		(334 522)	4 422
Total changes in working capital		834 417	482 351
Net cash flows from operating activities		2 458 385	1 981 762
Cash flows from investing activities			
Purchase of non-current property, plant and equipment and intangible assets and right-of-use assets		(1 212 782)	(1 070 020)
Proceeds from sale of non-current property, plant and equipment and intangible assets and right-of-use assets		8 238	7 972
Purchase of financial assets		(4 000)	(428)
Proceeds from sale of financial assets		-	67
Purchase of associates and jointly controlled entities		(696)	(181 269)
Inflows concerning funds at Mine Decommissioning Fund bank account		(984)	(979)
Received interest		2 498	2 107
Other inflows/(outflows) from investing activities		50	(159)
Net cash flows from investing activities		(1 207 676)	(1 242 709)
Cash flows from financing activities			
Credit and loans received		1 507	-
Bond issuance		-	1 000 000
Repayment of credit and loans		(88 315)	(76 189)
Bond buy-back		(1 106 255)	(78 055)
Repayment of lease liabilities		(29 185)	(15 671)
Expenditures concerning future bond issues		-	(195)
Interest paid		(142 833)	(113 825)
Other (outflows)/inflows from financing activities		(2 288)	554
Net cash flows from financing activities		(1 367 369)	716 619
Total net cash flows		(116 660)	1 455 672
Cash at the beginning of reporting period		3 761 947	2 650 838
Cash at the end of reporting period		3 645 287	4 106 510
including restricted cash		329 922	265 982

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

ADDITIONAL INFORMATION AND EXPLANATIONS

General information

1. General information on the Parent

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

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

As at 30 June 2020, the Parent's shareholding structure was as follows:

	Poland's State Treasury	Other shareholders	Total
As at 30.06.2020	51.50%	48.50%	100.00%

As at 30 June 2020, the Parent's highest-level controlling entity was the State Treasury.

As at 30 June 2020, ENE S.A.'s statutory share capital amounted to PLN 441 443 thousand (PLN 588 018 thousand after restatement to EU IFRS, taking into account hyperinflation and other adjustments) and was divided into 441 442 578 shares.

The Parent's duration is indefinite.

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

The Group's condensed consolidated interim financial statements cover the six-month period ended 30 June 2020 and contain comparative data for the six-month period ended 30 June 2019 and as at 31 December 2019.

2. Group composition

As at 30 June 2020, ENEA Group consisted of the parent - ENE S.A., 15 subsidiaries, 9 indirect subsidiaries, 2 associates and 2 jointly controlled entities.

ENE S.A.'s principal business activities are as follows:

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

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.

ENE A Group

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

Company name	Segment	Registered office	ENE A S.A.'s stake in total number of voting rights as at 30 June 2020	ENE A S.A.'s stake in total number of voting rights as at 31 December 2019
SUBSIDIARIES				
1. ENE A Operator Sp. z o.o.	distribution	Poznań	100%	100%
2. ENE A Wytwarzanie Sp. z o.o.	generation	Świerże Górne	100%	100%
3. ENE A Elektrownia Połaniec S.A.	generation	Połaniec	100%	100%
4. ENE A Oświetlenie Sp. z o.o.	other activity	Szczecin	100%	100%
5. ENE A Trading Sp. z o.o.	trade	Świerże Górne	100%	100%
6. ENE A Logistyka Sp. z o.o.	other activity	Poznań	100%	100%
7. ENE A Serwis Sp. z o.o.	distribution	Lipno	100%	100%
8. ENE A Centrum Sp. z o.o.	other activity	Poznań	100%	100%
9. ENE A Pomiary Sp. z o.o.	distribution	Poznań	100%	100%
10. ENERGO-TOUR Sp. z o.o. w likwidacji	other activity	Poznań	100% ⁵	100% ⁵
11. ENE A Innowacje Sp. z o.o.	other activity	Warsaw	100%	100%
12. Lubelski Węgiel BOGDANKA S.A.	mining	Bogdanka	65.99%	65.99%
13. Annacond Enterprises Sp. z o.o. w likwidacji	distribution	Warsaw	- ⁶	61%
14. ENE A Ciepło Sp. z o.o.	generation	Białystok	99.94%	99,94%
15. ENE A Ciepło Serwis Sp. z o.o.	generation	Białystok	100%	100%
16. ENE A Nowa Energia Sp. z o.o.	generation	Poznań	100%	100%
INDIRECT SUBSIDIARIES				
17. ENE A Bioenergia Sp. z o.o.	generation	Połaniec	100% ¹	100% ¹
18. ENE A Połaniec Serwis Sp. z o.o.	generation	Połaniec	100% ¹	100% ¹
19. Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.	generation	Oborniki	99.93% ²	99.93% ²
20. Miejska Energetyka Ciepła 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. ENE A Badania i Rozwój Sp. z o.o.	other activity	Świerże Górne	100% ⁴	100% ⁴
JOINTLY CONTROLLED ENTITIES				
26. Polska Grupa Górnicza S.A.	-	Katowice	7.66%	7.66%
27. Elektrownia Ostrołęka Sp. z o.o.	-	Ostrołęka	50%	50%
ASSOCIATES				
28. Polimex – Mostostal S.A.	-	Warsaw	16.48%	16.48%
29. ElectroMobility Poland S.A.	-	Warsaw	25%	25%

¹ – indirect subsidiary through stake in ENE A Elektrownia Połaniec S.A.

² – indirect subsidiary through stake in ENE A Wytwarzanie Sp. z o.o.

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

⁴ – indirect subsidiary through stake in ENE A Innowacje Sp. z o.o.

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

⁶ – on 24 February 2020 Annacond Enterprises Sp. z o.o. w likwidacji was removed from the National Court Register.

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.

3. Changes in composition of the Parent's Management Board and Supervisory Board

Management Board

	As at 30 June 2020	Appointment	As at 31 December 2019	Resignation
President of the Management Board	Paweł Szczeszek	30 June 2020	Mirosław Kowalik	5 June 2020
Member of the Management Board, responsible for finance	Jarosław Ołowski		Jarosław Ołowski	
Member of the Management Board, responsible for sales	Piotr Adamczak		Piotr Adamczak	10 August 2020
Member of the Management Board, responsible for corporate affairs	Zbigniew Piętka		Zbigniew Piętka	24 July 2020

Supervisory Board

	As at 30 June 2020	Appointment	As at 31 December 2019	Dismissal / resignation
Chairperson of the Supervisory Board	Izabela Felczak-Poturnicka	19 March 2020	Stanisław Hebda	6 February 2020
Deputy Chairperson of the Supervisory Board	Roman Stryjski		Mariusz Pliszka	
Secretary of the Supervisory Board	Michał Jaciubek		Michał Jaciubek	
Member of the Supervisory Board	Maciej Mazur		Maciej Mazur	
Member of the Supervisory Board	Piotr Mirkowski		Piotr Mirkowski	
Member of the Supervisory Board	Paweł Korobłowski		Paweł Korobłowski	
Member of the Supervisory Board	Ireneusz Kulka		Ireneusz Kulka	
Member of the Supervisory Board	Mariusz Pliszka		Roman Stryjski	
Member of the Supervisory Board	Mariusz Fistek	19 March 2020		

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

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

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

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

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

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

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

The following table presents the composition of the Management Board as at the date on which these consolidated financial statements were prepared:



ENE A Group

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2020
(unless stated otherwise, all amounts expressed in PLN 000s)

As at
3 September 2020

President of the Management Board	Paweł Szczeszek
Member of the Management Board for Finance	Jarosław Ołowski
Member of the Management Board for Trade	Tomasz Siwak
Member of the Management Board for Corporate Affairs	Tomasz Szczegielniak

4. Basis for preparing financial statements

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

The Parent's Management Board used its best knowledge as to the application of standards and interpretations as well as methods and rules for the measurement of items in ENEA Group's condensed consolidated interim financial statements in accordance with EU IFRS as at 30 June 2020. The presented tables and explanations are prepared with due diligence. These condensed consolidated interim financial statements have been reviewed by a statutory auditor. The accounting rules below are applied consistently across all of the presented periods unless stated otherwise.

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

These condensed consolidated interim financial statements should be read in conjunction with ENEA Group's consolidated financial statements for the financial year ended 31 December 2019.

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

These condensed consolidated interim financial statements are prepared in accordance with accounting rules that are consistent with those applied in preparing the most recent annual consolidated financial statements, for the financial year ended 31 December 2019.

Drafting condensed consolidated interim financial statements in accordance with IAS 34 requires the Management Board to adopt certain assumptions and make estimates that have an impact on the application of accounting rules and on amounts being presented in the condensed consolidated interim financial statements and explanatory notes to these statements. Such 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 estimates used in preparing these condensed consolidated interim financial statements are consistent with the estimates used in preparing the consolidated financial statements for the most recent financial year. The estimated values presented in previous financial years do not have a material impact on the present interim period.

Change in presentation of items in statement of comprehensive income

In these condensed consolidated interim financial statements, the Group changed the scope of presentation in its statement of comprehensive income for derivative transactions concerning CO₂ as well as electricity, gas and property rights, along with related currency forwards. Results of the measurement and performance of these transactions, presented previously as either finance income or finance costs, are now presented as operating revenue or operating costs. At the same time, the Group currently presents the net results of these transactions along with the results of other related derivative transactions, which were already being presented as other operating revenue/costs. According to the Group, this presentation more closely and consistently reflects the Group's financial results because these transactions are related to the Group's operating activities. Furthermore, the Group also separated in its statement of comprehensive income operating lease and sub-lease income, which in previous reporting periods were presented as revenue from sales.

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.

For the three-month period ended 31 March 2020			
	Approved data	Change in presentation of derivative transactions	Restated data
Revenue from sales	4 605 082		4 605 082
Excise duty	(18 041)		(18 041)
Net revenue from sales	4 587 041		4 587 041
Revenue from operating leases and subleases	5 041		5 041
Revenue from sales and other income	4 592 082		4 592 082
Other operating revenue	53 165	25 213	78 378
Change in provision for onerous contracts	24 347		24 347
Depreciation/amortisation	(381 084)		(381 084)
Employee benefit costs	(480 888)		(480 888)
Use of materials and raw materials and value of goods sold	(791 431)		(791 431)
Purchase of electricity and gas for sales purposes	(1 872 796)		(1 872 796)
Transmission services	(121 465)		(121 465)
Other third-party services	(205 011)		(205 011)
Taxes and fees	(131 717)		(131 717)
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets	(14 777)		(14 777)
Other operating costs	(138 549)	77 409	(61 140)
Operating profit	531 876	102 622	634 498
Finance costs	(108 377)	16 312	(92 065)
Finance income	131 274	(118 934)	12 340
Impairment of financial assets at amortised cost	(1 042)		(1 042)
Share of profit of associates and jointly controlled entities	1 368		1 368
Profit before tax	555 099		555 099
Income tax	(96 052)		(96 052)
Net profit for the reporting period	459 047		459 047



ENEA Group

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2020

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

	For the six-month period ended 30 June 2019			For the three-month period ended 30 June 2019				
	Approved data	Change in presentation of leases	Change in presentation of derivative transactions	Restated data	Approved data	Change in presentation of leases	Change in presentation of derivative transactions	Restated data
Revenue from sales	7 625 217	(2 613)		7 622 604	3 594 699	(50)		3 594 649
Excise duty	(36 042)			(36 042)	(15 134)			(15 134)
Net revenue from sales	7 589 175	(2 613)		7 586 562	3 579 565	(50)		3 579 515
Compensations	430 401			430 401	430 401			430 401
Revenue from operating leases and subleases	-	2 613		2 613	-	50		50
Revenue from sales and other income	8 019 576			8 019 576	4 009 966			4 009 966
Other operating revenue	116 147		(39 453)	76 694	54 323		(32 355)	21 968
Change in provision for onerous contracts	41 004			41 004	19 448			19 448
Depreciation/amortisation	(744 203)			(744 203)	(382 480)			(382 480)
Employee benefit costs	(873 150)			(873 150)	(441 950)			(441 950)
Use of materials and raw materials and value of goods sold	(1 647 381)			(1 647 381)	(839 929)			(839 929)
Purchase of electricity and gas for sales purposes	(3 006 424)			(3 006 424)	(1 457 637)			(1 457 637)
Transmission services	(212 648)			(212 648)	(114 420)			(114 420)
Other third-party services	(435 417)			(435 417)	(227 052)			(227 052)
Taxes and fees	(226 696)			(226 696)	(105 276)			(105 276)
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets	(22 643)			(22 643)	(8 955)			(8 955)
Reversal of impairment losses on non-financial non-current assets	4 279			4 279	-			-
Other operating costs	(86 551)		(12 998)	(99 549)	(21 485)		(12 643)	(34 128)
Operating profit	925 893		(52 451)	873 442	484 553		(44 998)	439 555
Finance costs	(205 948)		52 487	(153 461)	(126 471)		44 632	(81 839)
Finance income	27 170		(36)	27 134	9 223		366	9 589
Dividend income	100			100	100			100
Share of profit of associates and jointly controlled entities	(4 443)			(4 443)	2 582			2 582
Profit before tax	742 772			742 772	369 987			369 987
Income tax	(163 327)			(163 327)	(70 348)			(70 348)
Net profit for the reporting period	579 445			579 445	299 639			299 639

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.






6. Functional currency and presentation currency

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

The condensed consolidated interim financial statements are presented in PLN, which is the functional and presentation currency for all of the Group's entities. Items in financial statements are rounded to full thousands of zlotys (PLN 000s), unless otherwise stated.

Operating segments

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

	TRADE	Purchase and sale of electricity.
	DISTRIBUTION	Electricity distribution and transmission services.
	GENERATION	Generation of electricity from conventional and renewable sources, generation of industrial heat.
	MINING	Production and sale of coal, companies providing support services to mines.
AND		
	OTHER ACTIVITY	Maintenance and modernisation of road lighting equipment, transport services, repair and construction services.

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

Segment costs include the cost of sales to external customers and costs of transactions with other segments within

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.



ENEA Group

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2020

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

the Group that result from the operating activities of a given segment and can be directly attributed to the given segment.

Market prices are applied to inter-segment transactions, which makes it possible for units to generate margins sufficient to independently operate on the market.

In analysing segment results, the Group especially focuses on EBITDA. EBITDA is defined as operating profit (calculated as result before tax adjusted by the share of results of associates and jointly controlled entities, impairment of financial assets at amortised cost, finance income, dividend income and finance costs) plus amortisation and impairment of non-financial non-current assets.

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







ENEA Group

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

Segment results:

Segment results for the period from 1 January to 30 June 2020 are as follows:

							Total
	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	3 338 653	1 580 526	3 810 600	132 316	79 762	-	8 941 857
Inter-segment sales	660 509	12 128	294 933	711 880	222 354	(1 901 804)	-
Total net revenue from sales	3 999 162	1 592 654	4 105 533	844 196	302 116	(1 901 804)	8 941 857
Revenue from operating leases and sub-leases	-	-	273	4 816	2 534	(25)	7 598
Revenue from sales and other income	3 999 162	1 592 654	4 105 806	849 012	304 650	(1 901 829)	8 949 455
Total costs	(3 959 515)	(1 220 391)	(4 040 873)	(782 990)	(290 175)	1 910 633	(8 383 311)
Segment result	39 647	372 263	64 933	66 022	14 475	8 804	566 144
Depreciation/amortisation	(663)	(308 339)	(284 324)	(149 342)	(35 851)		
(Recognition)/reversal of impairment loss on non-financial non-current assets	-	-	(522 822)	1 050	-		
Segment result - EBITDA	40 310	680 602	872 079	214 314	50 326		
% of revenue from sales and other income	1.0%	42.7%	21.2%	25.2%	16.5%		
Unallocated costs at Group level (administration expenses)							(37 186)
Operating profit							528 958
Finance costs							(173 708)
Finance income							23 336
Dividend income							152
Impairment of financial assets at amortised cost							(138 737)
Share of profit of associates and jointly controlled entities							(250 338)
Income tax							(71 306)
Net profit							(81 643)
Share of profit attributable to non-controlling interests							17 575

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.







ENEA Group

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2020

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

Segment results:

Segment results for the period from 1 April to 30 June 2020 are as follows:

							Total
	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	1 576 306	793 133	1 881 783	63 150	40 444	-	4 354 816
Inter-segment sales	374 576	6 440	128 049	319 452	114 966	(943 483)	-
Total net revenue from sales	1 950 882	799 573	2 009 832	382 602	155 410	(943 483)	4 354 816
Revenue from operating leases and subleases	-	-	137	2 327	106	(13)	2 557
Revenue from sales and other income	1 950 882	799 573	2 009 969	384 929	155 516	(943 496)	4 357 373
Total costs	(2 021 229)	(584 955)	(2 276 324)	(372 127)	(146 391)	957 119	(4 443 907)
Segment result	(70 347)	214 618	(266 355)	12 802	9 125	13 623	(86 534)
Depreciation/amortisation	(344)	(158 714)	(143 354)	(73 177)	(17 792)	-	-
(Recognition)/reversal of impairment loss on non-financial non-current assets	-	-	(522 822)	1 050	-	-	-
Segment result - EBITDA	(70 003)	373 332	399 821	84 929	26 917	-	-
% of revenue from sales and other income	(3.6%)	46.7%	19.9%	22.1%	17.3%	-	-
Unallocated costs at Group level (administration expenses)							(19 006)
Operating profit							(105 540)
Finance costs							(81 643)
Finance income							10 996
Dividend income							152
Impairment of financial assets at amortised cost							(137 695)
Share of profit of associates and jointly controlled entities							(251 706)
Income tax							24 746
Net profit							(540 690)
Share of profit attributable to non-controlling interests							3 125

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.







ENEA Group

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2020

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

Segment results:

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

							Total
	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	3 498 431	1 386 729	2 446 985	163 580	90 837	-	7 586 562
Inter-segment sales	455 068	14 971	1 477 370	934 756	222 784	(3 104 949)	-
Total net revenue from sales	3 953 499	1 401 700	3 924 355	1 098 336	313 621	(3 104 949)	7 586 562
Compensations	430 401	-	-	-	-	-	430 401
Revenue from operating leases and sub-leases	-	-	97	-	2 551	(35)	2 613
Revenue from sales and other income	4 383 900	1 401 700	3 924 452	1 098 336	316 172	(3 104 984)	8 019 576
Total costs	(4 402 254)	(1 172 038)	(3 469 151)	(835 561)	(285 834)	3 051 922	(7 112 916)
Segment result	(18 354)	229 662	455 301	262 775	30 338	(53 062)	906 660
Depreciation/amortisation	(820)	(289 471)	(274 373)	(171 706)	(30 045)	-	-
Reversal of impairment losses on non-financial non-current assets	-	4 279	-	-	-	-	-
Segment result - EBITDA	(17 534)	514 854	729 674	434 481	60 383		
% of revenue from sales and other income	(0.4%)	36.7%	18.6%	39.6%	19.1%		
Unallocated costs at Group level (administration expenses)							(33 218)
Operating profit							873 442
Finance costs							(153 461)
Finance income							27 134
Dividend income							100
Share of profit of associates and jointly controlled entities							(4 443)
Income tax							(163 327)
Net profit							579 445
Share of profit attributable to non-controlling interests							73 657

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.







ENEA Group

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2020

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

Segment results:

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

							Total
	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	1 483 329	689 573	1 267 771	91 766	47 076	-	3 579 515
Inter-segment sales	230 714	7 625	727 222	465 752	111 374	(1 542 687)	-
Total net revenue from sales	1 714 043	697 198	1 994 993	557 518	158 450	(1 542 687)	3 579 515
Compensations	430 401	-	-	-	-	-	430 401
Revenue from operating leases and sub-leases	-	-	63	-	22	(35)	50
Revenue from sales and other income	2 144 444	697 198	1 995 056	557 518	158 472	(1 542 722)	4 009 966
Total costs	(2 144 291)	(579 262)	(1 802 324)	(433 577)	(141 049)	1 547 013	(3 553 490)
Segment result	153	117 936	192 732	123 941	17 423	4 291	456 476
Depreciation/amortisation	(585)	(148 084)	(137 175)	(91 124)	(16 530)		
Segment result - EBITDA	738	266 020	329 907	215 065	33 953		
% of revenue from sales and other income	0.0%	38.2%	16.5%	38.6%	21.4%		
Unallocated costs at Group level (administration expenses)							(16 921)
Operating profit							439 555
Finance costs							(81 839)
Finance income							9 589
Dividend income							100
Share of profit of associates and jointly controlled entities							2 582
Income tax							(70 348)
Net profit							299 639
Share of profit attributable to non-controlling interests							40 005







The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.

ENEA Group

Condensed consolidated interim financial statements for the period from 1 January to 30 June 2020

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

Other information concerning segments as at 30 June 2020 and for the six-month period ended on that date is as follows:

							
	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	14 584	9 482 356	8 831 240	3 128 131	360 813	(490 810)	21 326 314
Trade and other receivables	1 484 483	310 111	1 676 897	221 430	474 603	(2 116 043)	2 051 481
Costs related to the conclusion of agreements	25 699	-	-	-	-	-	25 699
Assets arising from contracts with customers	159 111	221 198	361	-	16 602	(25 675)	371 597
Total	1 683 877	10 013 665	10 508 498	3 349 561	852 018	(2 632 528)	23 775 091
ASSETS excluded from segments							7 459 555
- including property, plant and equipment							9 866
- including trade and other receivables							1 484
TOTAL ASSETS							31 234 646
Trade and other payables	124 520	673 278	629 733	293 265	378 180	(614 295)	1 484 681
Liabilities arising from contracts with customers	1 532 925	143 372	-	129	168	(1 527 423)	149 171
Total	1 657 445	816 650	629 733	293 394	378 348	(2 141 718)	1 633 852
Equity and liabilities excluded from segments							29 600 794
- including trade and other payables							353 216
TOTAL EQUITY AND LIABILITIES							31 234 646
for the 6-month period ending 30 June 2020							
Investment expenditures on property, plant and equipment and intangible assets	609	483 755	612 101	399 506	18 980	(21 302)	1 493 649
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							-
Depreciation/amortisation	663	308 339	284 324	149 342	35 851	(8 685)	769 834
Amortisation excluded from segments							1 134
Recognition/(reversal/use) of impairment losses on receivables	2 456	(9 081)	(9 649)	(1 791)	(185)	-	(18 250)
Recognition/(reversal) of impairment losses on non-financial non-current assets	-	-	522 822	(1 050)	-	-	521 772

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.

ENE A Group

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

Other information concerning segments as at 31 December 2019 and for the six-month period ended on 30 June 2019 is as follows:



	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	14 777	9 275 872	9 399 673	2 877 136	381 171	(487 292)	21 461 337
Trade and other receivables	1 276 901	290 507	1 068 321	245 030	120 946	(905 535)	2 096 170
Costs related to the conclusion of agreements	25 395	-	-	-	-	-	25 395
Assets arising from contracts with customers	119 665	214 946	388	-	503	(5 055)	330 447
Total	1 436 738	9 781 325	10 468 382	3 122 166	502 620	(1 397 882)	23 913 349
ASSETS excluded from segments							8 930 505
- including property, plant and equipment							9 467
- including trade and other receivables							48 259
TOTAL ASSETS							32 843 854
Trade and other payables	562 020	450 448	873 069	251 396	226 302	(410 608)	1 952 627
Liabilities arising from contracts with customers	512 613	101 221	-	444	1 405	(499 982)	115 701
Total	1 074 633	551 669	873 069	251 840	227 707	(910 590)	2 068 328
Equity and liabilities excluded from segments							30 775 526
- including trade and other payables							80 588
TOTAL EQUITY AND LIABILITIES							32 843 854
for the 6-month period ending 30 June 2019							
Investment expenditures on property, plant and equipment and intangible assets	6	456 490	261 423	167 049	17 273	(13 178)	889 063
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							-
Depreciation/amortisation	820	289 471	274 373	171 706	30 045	(23 260)	743 155
Amortisation excluded from segments							1 048
Recognition/(reversal/use) of impairment losses on receivables	328	1 210	128	214	(439)	-	1 441
Recognition/(reversal) of impairment losses on non-financial non-current assets	-	(4 279)	-	-	-	-	(4 279)

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.

Explanatory notes to the consolidated statement of comprehensive income
7. Revenue from sales
Net revenue from sales

	For the six-month period ended	
	30 June 2020	30 June 2019 restated*
Revenue from the sale of electricity	6 782 916	5 648 775
Revenue from the sale of distribution services	1 565 581	1 376 327
Revenue from the sale of goods and materials	42 744	52 378
Revenue from the sale of other products and services	84 199	90 708
Revenue from origin certificates	7 894	11 406
Revenue from the sale of CO ₂ emission allowances	-	-
Revenue from the sale of industrial heat	186 715	191 352
Revenue from the sale of coal	116 155	137 219
Revenue from the sale of gas	155 653	78 397
Total net revenue from sales	8 941 857	7 586 562

* the presentation restatement of data for the comparative period is presented in note 5 to these condensed consolidated interim financial statements.

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

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

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

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

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

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

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

	For the six-month period ended	
	30 June 2020	30 June 2019
Revenue from continuous services	8 504 150	7 103 499
Revenue from services provided at specified time	437 707	483 063
Total	8 941 857	7 586 562

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.

8. Tax
Deferred income tax

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

	As at	
	30 June 2020	31 December 2019
Net deferred income tax assets at the beginning of period, including:	155 977	119 665
- deferred income tax assets at the beginning of period	569 369	487 272
- deferred income tax provision at the beginning of period	413 392	367 607
(Charge)/addition to profit or loss	(31 641)	19 796
(Charge)/addition to other comprehensive income	35 801	16 516
Net deferred income tax assets at the end of period, including:	160 137	155 977
- deferred income tax assets at the end of period	595 294	569 369
- deferred income tax provision at the end of period	435 157	413 392

In the 6-month period ended 30 June 2020, the Group's profit before tax was charged as a result of a decrease in net deferred income tax assets by PLN 31 641 thousand (in the 6-month period ended 30 June 2019 the charge to the Group's profit before tax as a result of a decrease in net deferred income tax assets amounted to PLN 17 269 thousand).

Explanatory notes to the consolidated statement of financial position

9. Property, plant and equipment

In the 6-month period ending 30 June 2020 the Group purchased property, plant and equipment items for a total of PLN 1 469 920 thousand (in the 6-month period ending 30 June 2019: PLN 869 098 thousand). These amounts mainly concern the generation segment (PLN 607 224 thousand), mining (PLN 398 607 thousand) and distribution (PLN 460 765 thousand).

In the 6-month period ending 30 June 2020 the Group sold and liquidated property, plant and equipment items with total net book value of PLN 18 643 thousand (in the 6 months ended 30 June 2019: PLN 30 644 thousand).

In the 6-month period ended 30 June 2020, impairment losses on property, plant and equipment increased by PLN 518 687 thousand on a net basis (in the 6-month period ended 30 June 2019 impairment of property, plant and equipment decreased by PLN 4 620 thousand on a net basis).

As at 30 June 2020, total impairment of property, plant and equipment amounted to PLN 1 974 453 thousand (as at 31 December 2019: PLN 1 455 766 thousand).

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 1 150 649 thousand as at 30 June 2020 (as at 31 December 2019: PLN 1 306 454 thousand).

Impairment test on non-financial non-current assets of ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o. and ENEA Elektrownia Połaniec S.A.

As at 30 June 2020, based on information and analyses in our possession concerning changes in the market prices of CO₂ emission allowances, electricity, energy origin certificates as well as macroeconomic forecasts related to the COVID-19 pandemic caused by the SARS-COV-2 virus, and in connection with market capitalisation being below the net book value of assets, ENEA Group carried out an impairment test on the non-financial non-current assets of ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o. and ENEA Elektrownia Połaniec S.A.

Based on the analysis, impairment losses on non-financial non-current assets in the energy generation area at CGU Elektrownie Systemowe Kozienice worth a total of PLN 522 822 thousand were recognised, thus adjusting the book value of these assets to PLN 7 201 295 thousand. This impairment loss will reduce the Group's result by a total of PLN 423 486 thousand.

The value of each CGU's non-financial non-current assets was estimated on the basis of useful value using the discounted cash flows approach based on financial projections. The following changes in the adopted calculation assumptions took place in comparison to the tests presented in the financial statements for 2019 (changes in price parameters are expressed in 2020 fixed prices):

- wholesale base electricity price: lower prices for the comparative period 2021-2042 by an average of 10 PLN/MWh,
- 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; prices in the period 2021-2031 will be on average 1 PLN/MWh lower than the analyses for 2019,
- prices of CO₂ emission allowances: prices 4 EUR/t higher on average, comparing to the same period in 2021-2042,
- prices of biomass: during the entire period, down by an average of approx. 5.7 PLN/GJ in comparison to analyses for 2019,
- prices of coal: an average decline of approx. 0.30 PLN/GJ in comparison to analyses for 2019 is expected,
- nominal discount rate - 5.03% [discount rate before tax is 5.81%]. The Group used a 2% premium on cost of own capital for specific risk for the analysed CGUs. The discount rate taking into account the specific risk premium was 5.59% [discount rate taking into account the specific risk premium before tax was 6.37%],

Given the substantial decrease in interest rates and thus a lower discount rate used in the current analyses in comparison

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to the tests for 2019, a sensitivity analysis for this parameter was deemed necessary.

The following shows the sensitivity analysis for the discount parameters on the total useful value of assets (starting point) for each ENEA Wytwarzanie Sp. z o.o. CGU:

Impact of change in discount rate (starting point 5.59%)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	668 364	8 007 236	(566 062)
- CGU Elektrownie Systemowe Koźienice	610 622	7 201 295	(515 796)
- CGU Wind	22 623	485 182	(21 019)
- CGU Hydro	35 118	321 193	(29 246)
- CGU Biogas	1	(435)	(1)

Impairment test on LWB's non-financial non-current assets

The Group carried out a periodic assessment of indications of possible impairment of non-current assets in the Mining segment (LWB), in line with guidelines specified in IAS 36 Impairment of Assets. Given the on-going COVID-19 pandemic, which is forcing businesses to operate in variable, entirely unusual and previously unseen conditions, these indications should be analysed especially closely. In making this assessment for the purposes of the interim consolidated financial statements as at 30 June 2020 the Group, based on an analysis of the present economic and market situation, notes that the current market capitalisation of LWB remains at a level that is lower than the balance sheet value of net assets. It should be noted that this indication was already present at the end of the previous financial year and was the main reason for performing an impairment test as at 31 December 2019. And despite the fact that a full-scale pandemic occurred in 2020, this does not constitute the main indication of impairment of assets, rather an additional indication confirming the necessary to perform an impairment test.

In the first six months of 2020, (compared to the end of the previous financial year) a further decline in share price, and thus market capitalisation, took place, although on a smaller scale. According to LWB, this situation mainly stems from factors that are beyond its control such as political factors and the EU's climate policy and also in part because of low liquidity and low free float, along with the economic slowdown caused by COVID-19.

Given the above, despite the fact that non-current assets were fairly recently tested for impairment, LWB is obligated to perform an impairment test on the value of CGUs during the financial year, i.e. as at 30 June 2020.

Due to the inability to determine fair values for a very large group of assets for which there is no active market and no comparable transactions, the recoverable values of these assets were determined by estimating their useful values using the discounted cash flow approach based on the Group's financial projections from 2020 (for the year's second half) to 2051.

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

- given the links between the various divisions and the mine's organisational scheme, all of LWB's assets were considered as one CGU;
- the average annual volume of coal sales in 2021-2035 was set at 9.3 Mt;
- forecast period from 2020 (H2) to 2051 - was estimated on the basis of the company's extractable coal resources as at the balance sheet date (i.e. resources that are currently available using infrastructure existing as of the balance sheet date, which mainly concerns shafts), taking into account an average annual output of 9.3 Mt in 2021-2035 (in subsequent years, average annual output systematically decreases as a result of deposits in the "Bogdanka" field being depleted and the assumption that only currently existing infrastructure is used);
- the assumption pertaining to coal prices in H2 2020 and in 2021-2043 was adopted on the basis of studies prepared for the purposes of the entire Group; the average coal sale price in the period was estimated at 10.81 PLN/GJ, assuming a sideways trend in the range of +/-5%; from 2044 a fixed price was used at the 2043 level;
- the entire model is inflation-free;
- real wage growth is assumed for the entire forecast period at a level that reflects the company's best possible estimate as at the test date;
- the discount rate is the weighted average cost of capital (WACC) of 6.77% throughout the entire forecast period,

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estimated based on the latest economic data (using a risk-free rate of 1.98% and a beta coefficient of 1.07);

- an average annual level of investment expenditures in the entire forecast period of PLN 253 562 thousand, including on average PLN 338 253 thousand in 2021-2035.

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

CGU [PLN 000s] - as at 30.06.2020	Recoverable value	Book value
CGU Mining	2 827 861	2 773 884

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

Impact of change in discount rate (starting point 6.77%)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	130 582	2 827 861	(122 525)

Impact of changes in coal prices

Change in assumptions	-0.5%	Output value	+0.5%
Change in recoverable value	(68 486)	2 827 861	68 486

Impact of change in real wage growth

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	268 702	2 827 861	(268 702)

10. Intangible assets

In the 6-month period ending 30 June 2020 the Group purchased intangible assets worth PLN 23 729 thousand (in the 6-month period ended 30 June 2019 the Group purchased intangible assets worth PLN 19 965 thousand).

In the 6-month period ending 30 June 2020 the Group did not conduct significant sales or liquidations of intangible assets (in the 6-month period ended 30 June 2019 the Group also did not conduct significant sales or liquidations of intangible assets).

Future contract liabilities related to the purchase of property, plant and equipment incurred as at the reporting date but not yet recognised in the statement of financial position reached PLN 25 910 thousand as at 30 June 2020 (as at 31 December 2019: PLN 29 716 thousand).



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11. Investments in associates and jointly controlled entities

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

As at 30.06.2020	Elektrownia Ostrołęka Sp. z o.o.	Polimex - Mostostal S.A.	Polska Grupa Górnicza S.A.	ElectroMobility Poland S.A.	Total
Stake	50.00%	16.48%	7.66%	25%	
Current assets	56 833	1 084 728	1 709 039	22 244	2 872 844
Non-current assets	205 983	658 736	9 978 887	34 925	10 878 531
Total assets	262 816	1 743 464	11 687 926	57 169	13 751 375
Current liabilities	424 558	809 959	4 292 499	982	5 527 998
Non-current liabilities	10 287	286 989	4 667 932	18	4 965 226
Total liabilities	434 845	1 096 948	8 960 431	1 000	10 493 224
Net assets	(172 029)	646 516	2 727 495	56 169	3 258 151
Share in net assets	-	106 546	208 926	14 042	329 514
Goodwill	-	15 954	-	-	15 954
Elimination of unrealised gains/losses	-	(7 274)	3 884	-	(3 390)
Book value of equity-accounted investments at 30 June 2020	-	115 226	212 810	14 042	342 078

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

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As at 31.12.2019	Elektrownia Ostrołęka Sp. z o.o.	Polimex - Mostostal S.A.	Polska Grupa Górnicza S.A.	ElectroMobility Poland S.A.	Total
Stake	50.00%	16.48%	7.66%	25%	
Current assets	37 549	964 470	2 226 017	40 174	3 268 210
Non-current assets	65 419	718 259	9 794 651	17 542	10 595 871
Total assets	102 968	1 682 729	12 020 668	57 716	13 864 081
Current liabilities	86 271	779 861	4 040 084	1 297	4 907 513
Non-current liabilities	170 532	319 677	4 694 514	3	5 184 726
Total liabilities	256 803	1 099 538	8 734 598	1 300	10 092 239
Net assets	(153 835)	583 191	3 286 070	56 416	3 771 842
Share in net assets	-	96 110	251 713	14 104	361 927
Goodwill	7 080	15 954	52 697	-	75 731
Impairment	(7 080)	-	(52 697)	-	(59 777)
Goodwill after impairment	-	15 954	-	-	15 954
Elimination of unrealised gains/losses	-	(7 573)	2 708	-	(4 865)
Book value of equity-accounted investments at 31 December 2019	-	104 491	254 421	14 104	373 016

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.

Change in investments in subsidiaries, associates and jointly controlled entities

	As at	
	30 June 2020	31 December 2019
As at the beginning of period	373 016	734 268
Change in the change in net assets	(30 938)	(482 165)
Impairment of investments in jointly controlled entities	-	(59 777)
Purchase of investments	-	180 690
As at the reporting date	342 078	373 016

Implementation of project to build Elektrownia Ostrołęka C

As at 30 June 2020, ENEA S.A. held 9 124 821 shares of Elektrownia Ostrołęka Sp. z o.o., with a nominal value of PLN 50 each and total nominal value of PLN 456 241 thousand.

On 23 December 2019, ENEA S.A. and ENERGA S.A. executed a loan agreement with Elektrownia Ostrołęka Sp. z o.o. regarding a loan from ENERGA S.A. to Elektrownia Ostrołęka Sp. z o.o. of up to PLN 340 000 thousand until 26 February 2021. The agreement entails a conditional sale to ENEA S.A. (if the circumstances indicated in point 1.8 of the Agreement of 30 April 2019 between ENEA S.A. and ENERGA S.A. materialise) of half of ENERGA S.A.'s liability toward Elektrownia Ostrołęka Sp. z o.o., with a payment deadline of 31 January 2021, for a price equal to the nominal amount of the debt being sold, covering especially the principal and interest as at 31 January 2021. Under the loan agreement, ENEA S.A. will be required to pay the price for the debt being purchased on 31 January 2021. ENERGA S.A. paid out the first tranche of the loan to Elektrownia Ostrołęka Sp. z o.o., amounting to PLN 160 000 thousand, on 23 December 2019, the second tranche, amounting to PLN 17 000 thousand, on 13 January 2020, and the third tranche, amounting to PLN 163 000 thousand, on 22 April 2020. As of 30 June 2020, the condition referred to above was met for the second and third tranche of the loan (the condition for the first tranche had already been met in December 2019), amounting to PLN 180 000 thousand. In connection with this, as at 30 June 2020 ENEA S.A. recognised a future receivable concerning the two aforementioned tranches in a total amount of PLN 90 000 thousand, plus interest of PLN 1 299 thousand, and a liability toward ENERGA S.A. of the same amount.

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

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

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

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

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

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

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

On 19 May 2020, PKN Orlen, which held an 80% stake in ENERGA S.A.'s share capital and an 85% stake in its voting rights, published current report 31/2020, announcing that it had issued a statement to ENERGA in response to a question submitted by ENERGA S.A. to PKN Orlen regarding its intent to directly invest in the construction of a coal-based energy-generation unit, being implemented by Elektrownia Ostrołęka Sp. z o.o., based in Ostrołęka (Investment).

PKN Orlen declared preliminary readiness to directly invest in the Investment only if the Investment's technological assumptions were to be changed to gas-based technology. PKN Orlen also declared readiness to hold discussions with the company's shareholders, i.e. ENERGA S.A. and ENEA S.A., regarding the form, extent and means of investing in the aforementioned Investment.

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

On 19 May 2020, ENEA S.A. received an electronic copy of Resolution no. 39/2020 of the Management Board of Elektrownia Ostrołęka Sp. z o.o. of 19 May 2020 regarding recognition of impairment losses on the book value of the company's assets. As a result of an impairment test on non-current assets performed at Elektrownia Ostrołęka Sp. z o.o., which followed an update of business assumptions by Elektrownia Ostrołęka Sp. z o.o. regarding the construction of power plant Ostrołęka C based on coal technology, the consolidated financial statements for 2019 include ENEA S.A.'s share of the net loss generated by Elektrownia Ostrołęka Sp. z o.o. Given the fact that it was higher than the value of the stake in this company, it was reduced to zero. At 30 June 2020, ENEA S.A.'s stake in Elektrownia Ostrołęka Sp. z o.o. was worth PLN 0.

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

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

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

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

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

In connection with the above, as at 30 June 2020 the Group recognised an indication for an additional impairment of loans issued to Elektrownia Ostrołęka Sp. z o.o. (SPV):

- resulting from an agreement of 30 September 2019 assigning rights under a loan agreement of 17 July 2019, issued to the SPV by ENERGA S.A. of PLN 29 000 thousand, an impairment loss of PLN 12 070 thousand,

- resulting from an agreement executed on 23 December 2019 between ENERGA S.A., the SPV and ENEA S.A. of PLN 340 000 thousand, of which ENEA S.A. is required to buy half from ENERGA S.A., i.e. PLN 170 000 thousand, an impairment loss of PLN 124 583 thousand.

Impairment of loans issued to Elektrownia Ostrołęka Sp. z o.o. as at 30 June 2020 amounted to PLN 204 508 thousand, together with interest (the value of loans was written down to zero). The total impairment loss on the loans issued to Elektrownia Ostrołęka Sp. z o.o. recognised in the six-month period ended 30 June 2020 was PLN 138 737 thousand, and this amount was recognised in the consolidated statement of comprehensive income in the item "Impairment of financial assets at amortised cost."

Moreover, in connection with a settlement proposal presented by the General Contractor on 23 June regarding an investment consisting of the construction of the Ostrołęka C power plant based on coal, a provision of PLN 219 400 thousand was recognised (this amount was included in the consolidated statement of comprehensive income in the item "Share of results of associates and jointly controlled entities") for future investment liabilities toward Elektrownia Ostrołęka Sp. z o.o. and ENERGA S.A. The amount of this provision, because of a high level of uncertainty as to the final amounts of claims, is the best possible estimate, based on the General Contractors, among other things. The amount and justification for claims are currently being carefully analysed by Elektrownia Ostrołęka Sp. z o.o.

ENE A S.A.'s commitment to provide funding for Elektrownia Ostrołęka Sp. z o.o. resulting from the existing agreements (especially the agreements dated 28 December 2018 and 30 April 2019) that is still outstanding amounts to PLN 620 million. Having regard to the above, the Company does not have sufficient information on any potential additional contributions on top of those described above or their potential deadlines. The commitment resulting from these agreements (especially the agreements dated 28 December 2018 and 30 April 2019) can be fulfilled based on future arrangements resulting from the agreement dated 2 June 2020.

12. Inventories

Inventories

	As at	
	30 June 2020	31 December 2019
Materials	828 249	952 280
Semi-finished products and production in progress	2 125	772
Finished products	73 126	34 396
Energy origin certificates	505 706	436 118
Goods	15 026	11 569
Gross value of inventory	1 424 232	1 435 135
Impairment of inventory	(41 691)	(58 840)
Net value of inventory	1 382 541	1 376 295

In the 6-month period ended 30 June 2020, impairment losses on inventory decreased by PLN 17 149 thousand on a net basis (in the 6-month period ended 30 June 2019 impairment of inventory decreased by PLN 1 638 thousand on a net basis).

13. Energy origin certificates

Energy origin certificates

	As at	
	30 June 2020	31 December 2019
Net value at the beginning of period	430 571	516 133
Internal manufacture	150 940	263 460
Purchase	90 725	109 101
Depreciation	(161 675)	(426 905)
Sale	(11 009)	(24 529)
Change in impairment	60	(6 110)
Other changes	-	(579)
Net value at the reporting date	499 612	430 571

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14. Assets and liabilities arising from contracts with customers

Assets and liabilities arising from contracts with customers

	Assets arising from contracts with customers	Liabilities arising from contracts with customers
As at 01.01.2019	327 980	68 578
Change in non-invoiced receivables	2 395	-
Increase due to prepayments	-	34 492
Liabilities resulting from sales adjustments		12 631
Impairment	72	-
As at 31.12.2019	330 447	115 701
Change in non-invoiced receivables	41 176	-
Increase due to prepayments	-	40 600
Liabilities resulting from sales adjustments	-	(7 130)
Impairment	(26)	-
As at 30.06.2020	371 597	149 171

The balance of assets arising from contracts with customers mainly covers non-invoiced electricity sales, while the balance of liabilities arising from contracts with customers mainly covers advances received for connection fees as well as liabilities concerning sales adjustments related to the Act on amendment of the *Act on excise duty and certain other acts* (note 25.1).

15. Restricted cash

As at 30 June 2020, the Group's restricted cash amounted to PLN 329 922 thousand (as at 31 December 2019: PLN 477 382 thousand). This mainly included cash for deposits for electricity and CO₂ emission allowance transactions (mainly cash for collateral in settlements with clearinghouse IRGiT), funds in a VAT account (split payment), collateral paid to suppliers and cash withholding as collateral for proper performance of work.

16. Profit allocation

On 30 July 2020 an Ordinary General Meeting of ENEA S.A. adopted resolution no. 6 concerning the allocation of net profit for the financial year covering the period from 1 January 2019 to 31 December 2019, pursuant to which 100% of the 2019 net profit was transferred to reserve capital, intended to finance investments.

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

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17. Debt-related liabilities
Credit facilities, loans and debt securities

	30 June 2020	As at 31 December 2019
Bank credit	1 789 140	1 891 366
Loans	52 480	56 861
Bonds	5 445 270	5 854 886
Long-term	7 286 890	7 803 113
Bank credit	189 963	169 956
Loans	12 048	12 450
Bonds	1 220 291	1 920 505
Short-term	1 422 302	2 102 911
Total	8 709 192	9 906 024

In the 6-month period ended 30 June 2020, the book value of credit facilities, loans and debt securities decreased by PLN 1 196 832 thousand on a net basis (6-month period ended 30 June 2019: the book value of credit and loans increased by PLN 857 958 thousand).

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

Credit facilities and loans

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

No.	Company	Lender	Contract date	Total contract amount	Debt at 30 June 2020	Debt at 31 December 2019	Interest	Contract period
1.	ENE A S.A.	EIB	18 October 2012 (A) and 19 June 2013 (B)	1 425 000	1 076 250	1 138 956	Fixed interest rate or WIBOR 6M + margin	17 June 2030
2.	ENE A S.A.	EIB	29 May 2015 (C)	946 000	896 833	915 167	Fixed interest rate or WIBOR 6M + margin	15 September 2032
3.	ENE A S.A.	PKO BP	28 January 2014, Annex 2 of 4 December 2019	300 000	-	-	WIBOR 1M + margin	31 December 2022
4.	ENE A S.A.	Pekao S.A.	28 January 2014, Annex 2 of 4 December 2019	150 000	-	-	WIBOR 1M + margin	31 December 2022
5.	ENE A Ciepł o Sp. z o.o.	NFOŚiGW	22 December 2015	60 075	44 821	48 184	Interest based on WIBOR 3M, no less than 2%	20 December 2026
6.	Other	-	-	-	23 889	26 218	-	-
TOTAL				2 881 075	2 041 793	2 128 525		
Transaction costs and effect of measurement using effective interest rate					1 838	2 108		
TOTAL				2 881 075	2 043 631	2 130 633		

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

ENE A S.A.

ENE A 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 ENE A Operator Sp. z o.o.'s power network. Funds from Agreements A, B and C were fully used. Interest on credit facilities may be fixed or variable. In the 6-month period ended on 30 June 2020, ENE A S.A. did not execute new credit agreements.

ENE A Ciepło Sp. z o.o.

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

The total loan-related debt of ENE A Ciepło Sp. z o.o. as at 30 June 2020 amounted to PLN 44 821 thousand (at 31 December 2019: PLN 48 184 thousand).

Bond issue programmes

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

No.	Bond issue programme name	Programme start date	Programme amount	Value of outstanding bonds as at 30 June 2020	Value of outstanding bonds as at 31 December 2019	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	2 850 000	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	760 000	800 000	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	2 500 000	3 378 200	WIBOR 6M + margin	One-time buy-back of each series; PLN 878 million bought back in February 2020, next series in September 2021 and June 2024
4.	Bond issue programme agreement with BGK	3 December 2015	700 000	570 834	608 890	WIBOR 6M + margin	Buy-back in tranches, last tranche due in September 2027
TOTAL			9 700 000	6 680 834	7 787 090		
Transaction costs and effect of measurement using effective interest rate				(15 273)	(11 699)		
TOTAL			9 700 000	6 665 561	7 775 391		

In the 6-month period ended on 30 June 2020, ENE A S.A. did not execute new bond issue programme agreements.

Interest rate hedges and currency hedges

In the 6-month period ending 30 June 2020 ENE A S.A. executed an Interest Rate Swap for an exposure amounting to PLN 1 000 000 thousand. The total bond and credit exposure hedged with IRSs as at 30 June 2020 amounted to PLN 5 669 554 thousand. Moreover, ENE A S.A. has fixed-rate credit agreements totalling PLN 707 474 thousand. These

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transactions have material impact on the predictability of expense flows and finance costs. The Company presents the measurement of these instruments in the item: "Financial liabilities at fair value." Derivative instruments are treated as cash flow hedges, which is why they are recognised and accounted for using hedge accounting rules. As at 30 June 2020, financial liabilities at fair value concerning IRSs amounted to PLN 167 685 thousand (31 December 2019: PLN 23 802 thousand).

In the 6-month period ending 30 June 2020 the Company executed FX forward transactions for a total volume of EUR 1 071 thousand. The last transaction's settlement date is in December 2020. Measurement of these instruments as at 30 June 2020 was PLN 106 thousand (PLN 0 thousand as at 31 December 2019).

Financing terms - covenants

Financing agreements require ENEA S.A. and ENEA Group to maintain certain financial ratios. As at 30 June 2020 and the date on which these condensed consolidated interim financial statements were prepared and in the course of 2020 the Group did not breach any credit agreement provisions such as would require early re-payment of long-term debt.

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18. Provisions

In the 6-month period ended 30 June 2020, provisions for other liabilities and charges decreased on a net basis by PLN 95 805 thousand (6-month period ended 30 June 2019: increase by PLN 16 300 thousand).

Change in provisions for other liabilities and charges in the period ended 30 June 2020

	Provision for non-contractual use of land	Provision for other claims	Provision for landfill site reclamation	Provision for energy origin certificates	Provision for CO ₂ emission allowance purchases	Mine liquidation	Other	Total
As at 01.01.2020	210 087	230 706	91 280	197 555	1 233 325	162 972	364 528	2 490 453
Reversal of discount and change of discount rate	-	-	6 608	-	-	1 752	-	8 360
Increase in existing provisions	30 441	22 938	135	226 900	870 483	20 996	231 509	1 403 402
Use of provisions	(116)	(3 159)	-	(161 232)	(1 271 545)	-	(70 460)	(1 506 512)
Reversal of unused provision	(675)	(257)	(109)	-	-	-	(14)	(1 055)
As at 30.06.2020	239 737	250 228	97 914	263 223	832 263	185 720	525 563	2 394 648
<i>Long-term</i>								<i>818 464</i>
<i>Short-term</i>								<i>1 576 184</i>

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

	Provision for non-contractual use of land	Provision for other claims	Provision for landfill site reclamation	Provision for energy origin certificates	Provision for CO ₂ emission allowance purchases	Mine liquidation	Other	Total
As at 01.01.2019	182 738	166 663	66 119	306 918	557 713	112 566	570 992	1 963 709
Reversal of discount and change of discount rate	10 249	-	2 665	-	-	3 625	-	16 539
Increase in existing provisions	17 626	68 787	25 849	181 356	1 241 691	46 781	91 587	1 673 677
Use of provisions	(295)	(1 133)	-	(289 750)	(558 177)	-	(146 238)	(995 593)
Reversal of unused provision	(231)	(3 611)	(3 353)	(969)	(7 902)	-	(151 813)	(167 879)
As at 31.12.2019	210 087	230 706	91 280	197 555	1 233 325	162 972	364 528	2 490 453
<i>Long-term</i>								<i>774 065</i>
<i>Short-term</i>								<i>1 716 388</i>

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A description of material claims and conditional liabilities is presented in note 25.

Provision for other claims

In the 6-month period ending 30 June 2020 ENEA S.A. created a PLN 10 284 thousand provision for potential claims related to the termination by ENEA S.A. of agreements to purchase energy origin certificates for renewables, and the value of this provision as at 30 June 2020 was PLN 133 316 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 25.6).

Other provisions mainly concern:

- potential liabilities related to grid assets resulting from differences in the interpretation of regulations PLN 174 578 thousand (as at 31 December 2019: PLN 170 985 thousand); it is difficult to determine when this provision will be performed, however in these financial statements it is assumed that it will not happen within 12 months,
- costs to use forest land managed by State Forests PLN 76 725 thousand (as at 31 December 2019: PLN 96 278 thousand); it is difficult to determine when this provision will be performed, however in these financial statements it is assumed that it will not happen within 12 months,
- future investment-related liabilities toward Elektrownia Ostrołęka Sp. z o.o. and ENERGA S.A., amounting to PLN 219 400 thousand (as at 31 December 2019: PLN 0 thousand), detailed information on this provision is available in note 11,
- onerous contracts PLN 29 260 thousand (as at 31 December 2019: PLN 68 565 thousand); this provision will be performed in 2020 (note 25.1),
- property tax at Lubelski Węgiel Bogdanka S.A. PLN 10 608 thousand (as at 31 December 2019: PLN 10 306 thousand),
- rectification of mining damages PLN 2 026 thousand (as at 31 December 2019: PLN 2 149 thousand).

19. Accounting for subsidies and road lighting modernisation services

Accounting for income from subsidies and road lighting modernisation services

	As at	
	30 June 2020	31 December 2019
Long-term		
Accounting for deferred revenue - subsidies	152 784	147 268
Accounting for deferred revenue - road lighting modernisation services	84 349	80 145
Total non-current deferred revenue	237 133	227 413
Short-term		
Accounting for deferred revenue - subsidies	9 870	9 663
Accounting for deferred revenue - road lighting modernisation services	3 419	3 141
Total current deferred revenue	13 289	12 804

Schedule for accounting for deferred revenue

	As at	
	30 June 2020	31 December 2019
Up to one year	13 289	12 804
From one to five years	51 093	49 538
Over five years	186 040	177 875
Total deferred revenue	250 422	240 217

In the 6-month period ended 30 June 2020, the book value of accounting for grants and road lighting modernisation services increased by PLN 10 205 thousand on a net basis (in the 6-month period ended 30 June 2019, the book value of accounting for grants and road lighting modernisation services increased by a net amount of PLN 10 777 thousand).

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

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

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.

Financial instruments
20. Financial instruments and fair value

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

	As at 30 June 2020		As at 31 December 2019	
	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS				
Long-term	310 361	42 600	236 923	40 172
Financial assets measured at fair value	42 600	42 600	40 172	40 172
Debt financial assets at amortised cost	4 000	(*)	48 649	(*)
Trade and other receivables	127 878	(*)	13 785	(*)
Finance lease and sublease receivables	901	(*)	319	(*)
Funds in the Mine Decommissioning Fund	134 982	(*)	133 998	(*)
Short-term	5 677 405	16 496	5 652 186	7 056
Financial assets measured at fair value	16 496	16 496	7 056	7 056
Debt financial assets at amortised cost	8 429	(*)	3 576	(*)
Assets arising from contracts with customers	371 597	(*)	330 447	(*)
Other short-term investments	481	(*)	477	(*)
Trade and other receivables	1 634 970	(*)	1 547 733	(*)
Finance lease and sublease receivables	145	(*)	950	(*)
Cash and cash equivalents	3 645 287	(*)	3 761 947	(*)
TOTAL FINANCIAL ASSETS	5 987 766	59 096	5 889 109	47 228
FINANCIAL LIABILITIES				
Long-term	8 135 426	7 544 408	8 451 708	7 870 704
Credit facilities, loans and debt securities	7 286 890	7 376 723	7 803 113	7 846 208
Lease liabilities	490 136	(*)	504 324	(*)
Trade and other payables	190 715	(*)	119 775	(*)
Liabilities arising from contracts with customers	-	-	-	-
Financial liabilities measured at fair value	167 685	167 685	24 496	24 496
Short-term	2 864 139	1 424 302	3 659 422	2 139 349
Credit facilities, loans and debt securities	1 422 302	1 422 302	2 102 911	2 102 911
Lease liabilities	23 061	(*)	27 939	(*)
Trade and other payables	1 411 275	(*)	1 479 503	(*)
Liabilities arising from contracts with customers	5 501	(*)	12 631	(*)
Financial liabilities measured at fair value	2 000	2 000	36 438	36 438
TOTAL FINANCIAL LIABILITIES	10 999 565	8 968 710	12 111 130	10 010 053

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

Measurement of financial instruments at fair value by level in hierarchy

	As at 30 June 2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	15 900	26 250	16 946	59 096
Equity instruments at fair value through other comprehensive income	-	-	15 866	15 866
Derivative instruments used in hedge accounting	-	259	-	259
Call options (at fair value through profit or loss)	-	6 396	-	6 396
Other derivative instruments at fair value through profit or loss	-	19 595	-	19 595
Interests at fair value through profit or loss	15 900	-	1 080	16 980
Total	15 900	26 250	16 946	59 096
Financial liabilities measured at fair value	-	(169 685)	-	(169 685)
Derivative instruments at fair value through profit or loss	-	(2 000)	-	(2 000)
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(167 685)	-	(167 685)
Credit facilities, loans and debt securities	-	(8 799 025)	-	(8 799 025)
Total	-	(8 968 710)	-	(8 968 710)

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	17 800	12 482	16 946	47 228
Equity instruments at fair value through other comprehensive income	-	-	15 866	15 866
Call options (at fair value through profit or loss)	-	5 182	-	5 182
Other derivative instruments at fair value through profit or loss	-	7 300	-	7 300
Interests at fair value through profit or loss	17 800	-	1 080	18 880
Total	17 800	12 482	16 946	47 228
Financial liabilities measured at fair value	-	(60 934)	-	(60 934)
Derivative instruments at fair value through profit or loss	-	(37 132)	-	(37 132)
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(23 802)	-	(23 802)
Credit facilities, loans and debt securities	-	(9 949 119)	-	(9 949 119)
Total	-	(10 010 053)	-	(10 010 053)

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 Group decided to qualify these interests as financial instruments through other comprehensive income; in the course of 2020, no transactions were executed that would be recognised through profit or loss; in the event that interests in unrelated entities are quoted on the Warsaw Stock Exchange, their fair value is determined on the basis of stock market quotes;
- Polimex-Mostostal S.A. call options;
- derivative instruments, which include the measurement of interest rate swaps; the fair value of derivative instruments is established by calculating the net present value based on two yield curves, i.e. a curve to determine discount factors and a curve used to estimate future variable reference rates;
- forward contracts for the purchase of electricity and gas and property rights

Non-current debt financial assets at amortised cost cover loans maturing in over one year.

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

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

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

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

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

Level 3 - fair value is determined using various measurement techniques that are not, however, based on observable market data.

The Group recognises its stake in PGE EJ1 at level 3 (note 26).

No transfers between the levels were made in the 6-month period ended 30 June 2020.

As at 30 June 2020, financial assets at fair value included call options for Polimex-Mostostal S.A. shares, among other things. Pursuant to a call option agreement for Polimex-Mostostal S.A. shares of 18 January 2017, 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 October 2020 (in accordance with an annex dated 24 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 30 June 2020 was PLN 6 396 thousand (at 31 December 2019: PLN 5 182 thousand).

Moreover, the Group's financial assets at fair value include the measurement of derivative contracts for the purchase of electricity and gas and concerning property rights not used for the Group's own purposes worth PLN 19 595 thousand (as at 31 December 2019: PLN 7 300 thousand). The nominal value of contracts for the purchase and sale of electricity, gas and property rights maturing in 2020-2022, presented as financial assets and liabilities at fair value, amounts to PLN 2 212 058 thousand (PLN 1 043 050 thousand concerns procurement contracts and PLN 1 169 008 thousand concerns sales contracts).

21. Debt financial assets at amortised cost

Debt financial assets at amortised cost

	30 June 2020	As at 31 December 2019
Current debt financial assets at amortised cost		
Loans granted	8 429	3 576
Total current debt financial assets at amortised cost	8 429	3 576
Non-current debt financial assets at amortised cost		
Loans granted	4 000	48 649
Total non-current debt financial assets at amortised cost	4 000	48 649
TOTAL	12 429	52 225

Impairment of financial assets at amortised cost (concerns loans granted) as at 30 June 2020 amounted to PLN 204 807 thousand. The total impairment loss on loans recognised in the six-month period ended 30 June 2020 was PLN 138 737 thousand, and this amount was included in the consolidated statement of comprehensive income in the item "Impairment of financial assets at amortised cost."

22. Impairment of trade and other receivables
Impairment of trade and other receivables

	As at	
	30 June 2020	31 December 2019
Impairment at the beginning of period	157 844	162 104
Created	7 331	9 135
Reversed	(22 331)	(3 494)
Used	(3 250)	(9 901)
Impairment at the reporting date	139 594	157 844

In the 6-month period ended 30 June 2020, impairment of trade and other receivables decreased by PLN 18 250 thousand (in the 6-month period ended 30 June 2019 impairment grew by PLN 1 441 thousand).

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

As at 30 June 2020, the Company carried out an additional analysis of the COVID-19 pandemic's potential impact on the impairment of receivables. An individual approach was applied to a list of ENEA S.A.'s largest debtors, using assumptions for a model described in the Group's existing *Methodology for determining expected credit losses for non-current debt assets and similar items*. As regards the model's quantitative module - available reporting data from the debtors was used, while the qualitative module incorporated the existing (and predicted) situation in the national economy as well as the counterparty's market and financial position. Based on this overall evaluation, a rating was assigned and subsequently transposed onto the Probability of Default parameter (in accordance with the aforementioned Methodology). As regards the Loss Given Default parameter, a value equal to 10% was conservatively adopted (in reality far exceeding the actual levels of receivables losses recorded by the Company/Group). The above analysis generated an additional expected credit loss at a negligible level from a reporting viewpoint.

For current trade receivables, expected credit losses are calculated based on historic data in a way that is described in *Rules for creating and recording impairment losses on trade receivables and other financial items at ENEA Group companies*. Given the present situation, for receivables that are overdue by less than three months, analysis was performed using a different historic range from which data is derived. This analysis aimed at obtaining maximally credible data for future exposure periods for this type of receivables, taking into account the existing grouping criteria. As a result of the change in range, i.e. taking into account data to 30 June 2020 in the analysis, indicators for provisions matrices increased for receivables up to 3 months overdue, but this increase did not cause a material increase in expected credit losses.

Similar analyses will be performed in upcoming periods in order to monitor the materiality of potential additional impairment of receivables.

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

	As at 30 June 2020		
	Nominal value	Impairment	Book value
Trade and other receivables			
Current	1 594 501	(8 469)	1 586 032
Overdue	307 941	(131 125)	176 816
0-30 days	101 846	(343)	101 503
31-90 days	26 605	(2 421)	24 184
91-180 days	16 777	(3 782)	12 995
over 180 days	162 713	(124 579)	38 134
Total	1 902 442	(139 594)	1 762 848
Assets arising from contracts with customers	371 851	(254)	371 597

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

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.

Other explanatory notes
24. Related-party transactions

Group companies execute transactions with the following related parties:

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

Transactions with members of the Group's corporate authorities:

Item	For the six-month period ended			
	Company's Management Board		Company's Supervisory Board	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Remuneration under management contracts and consulting contracts	2 674*	1 608**	-	-
Remuneration under appointment to management or supervisory bodies	-	-	386	418
TOTAL	2 674	1 608	386	418

** this remuneration covers bonuses for 2018 of PLN 1 294 thousand.

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

In the 6-month period ended 30 June 2020, no loans were made to Supervisory Board members from the Company Social Benefit Fund (PLN 0 thousand for the 6-month period ended 30 June 2019).

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

Transactions with State Treasury related parties.

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

The subject of these transactions mainly is as follows:

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

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

In addition, the Group identified financial transactions with State Treasury's related parties, i.e. with banks serving as guarantors for bond issue programmes. These entities include: PKO BP S.A., Pekao S.A. and Bank Gospodarstwa Krajowego. Detailed information on bond issue programs is presented in note 17.

25. 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

25.1. Impact of tariff for electricity for tariff G customers

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

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

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

In H1 2020, the Group used the provision for onerous contracts in the amount of PLN 39 305 thousand.

25.2. Sureties and guarantees

The following table presents significant bank guarantees valid as of 30 June 2020 under an agreement between ENEA S.A. and PKO BP S.A. up to a limit specified in the agreement.

List of guarantees issued as at 30 June 2020

Guarantee issue date	Guarantee validity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
12 August 2018	16 May 2021	Górecka Projekt Sp. z o.o.	PKO BP S.A.	2 109
24 May 2019	30 July 2020	City of Bydgoszcz	PKO BP S.A.	1 207
30 June 2020	6 October 2020	Wrocław municipality	PKO BP S.A.	1 300
Total bank guarantees				4 616

The value of other guarantees issued by the Group as at 30 June 2020 was PLN 15 090 thousand.

25.3. On-going proceedings in courts of general competence

Proceedings initiated by the Group

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

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

At 30 June 2020, a total of 13 177 cases initiated by the Group were in progress before courts of general competence, worth in aggregate PLN 159 295 thousand (31 December 2019: 5 754 cases worth PLN 181 081 thousand).

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

Proceedings against the Group

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

There are also claims concerning terminated agreements for the purchase of property rights (note 25.6).

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

At 30 June 2020, a total of 2 373 cases against the Group were in progress before courts of general competence, worth in aggregate PLN 887 772 thousand (31 December 2019: 2 344 cases worth PLN 913 887 thousand). The outcome of individual cases is not significant from the viewpoint of the Group's financial result.

Provisions related to these court cases are presented in note 18.

25.4. Other court proceedings

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

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

The Management Board of ENEA S.A. filed in December 2018 a response to a lawsuit brought by the Company's shareholder, Fundacja "CLIENTEARTH Prawnicy dla ziemi," based in Warsaw, to cancel, determine the non-existence or repeal resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional approval to join the Construction Stage of the Ostrołęka C project, and demanded that the lawsuit be rejected in its entirety as unjustified, along with reimbursement of court representation costs. The first hearing in the case was held on 10 April 2019, with no witnesses called to the hearing. The Court requested that the Company provide the Investment Agreement within 14 days, at least as regards points 1 to 8 (especially point 8.6), subject to the trial consequences indicated in art. 233 § 2 of the Civil Procedure Code. ENEA's attorney filed a reservation to the protocol pursuant to art. 162 of the Civil Procedure Code. On 24 April 2019, the Company provided the Investment Agreement. The Court decided to postpone the hearing to 17 July 2019. On 31 July 2019, the District Court in Poznań allowed the main claim and declared the Resolution invalid. On 17 September 2018, an attorney for ENEA S.A. submitted an appeal against the ruling of 31 July 2019. The complainant submitted a response to the appeal, to which ENEA S.A.'s attorney replied. On 8 July 2020 the Appeals Court dismissed the Company's appeal against the District Court's ruling. As indicated in verbal major reasons for the ruling, the Appeals Court decided that the District Court's ruling complies with the law because the Resolution is invalid due to the fact that adopting the Resolution breached the division of competences between the organs of a commercial-law company. In consequence, the ruling by the District Court in Poznań invalidating the Resolution became final. The Group has assessed this event's impact on reported data as neutral.

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."

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

Risk associated with the legal status of properties used by the Group results from the fact that the Group does not have a legal title to use land for all of its facilities where its transmission grids and the associated equipment are located. In the future, the Group might be obligated to incur the costs of non-contractual use of property.

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

The loss of assets in this case is highly unlikely. Having an unclear legal status for properties where power equipment

The additional information and explanations presented on pages 10-50 constitute an integral part of these condensed consolidated interim financial statements.

is located does not constitute a risk for the Group of losing such assets, rather it gives rise to the threat of additional costs related to demands for compensation for the non-contractual use of land, rent, costs related to transmission easements and, exceptionally, in individual cases, demands related to a change in the object's location (return of land to original condition). The Group recognises adequate provisions.

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

As at 30 June 2020, the Group had a provision for claims concerning non-contractual use of land amounting to PLN 239 737 thousand.

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

ENE A S.A. is a party to 8 court proceedings concerning agreements for the purchase of property rights arising under certificates of origin for energy from renewable sources, which includes:

- 5 proceedings for payment against ENE A S.A. concerning remuneration, contractual penalties or compensation;
- 2 proceedings for the voidance of ENE A S.A.'s termination or withdrawal from agreements to sell property rights, which took place on 28 October 2016, including 1 proceeding in which claims for payment are being sought at the same time;
- 1 proceeding for payment, in which ENE A S.A. seeks a claim concerning a contractual penalty.

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

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

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

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

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

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

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

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

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

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

The Agreements were terminated with the intention for the Company to avoid losses constituting the difference between contractual and market prices of green certificates. Due to the changing legal conditions after termination of the Agreements in 2017, especially arising from the Act of 20 July 2017 on amendment of the act on renewable energy sources, the estimated value of future contract liabilities would have changed. In the current legal framework, this would be significantly lower in comparison to the amount estimated when the Agreements were being terminated, i.e. approx. PLN 1 187 million. This decline reflects a change in the way in which the substitute fee is calculated, which in accordance with the content of some of the Agreements constitutes the basis for calculating the contract price and indexing it to the market price. The Company created a PLN 133 316 thousand provision for potential claims resulting from the terminated Agreements in relation to submissions made by 30 June 2020 concerning transactions to sell property rights by the counterparties; the provision is presented in note 18.

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

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

With regard to the lawsuit brought by Golice Wind Farm Sp. z o.o. against ENEA S.A., the Court on 14 August 2020 issued a partial and preliminary ruling, in which it:

- dismissed a suit seeking the voidance of termination by ENEA S.A. of an agreement to sell property rights, which had taken place on 28 October 2016;
- considered as warranted a claim for the payment of remuneration for property rights and ruled the payment by ENEA S.A. of PLN 6 042 thousand together with interest;
- within the remaining scope, considered the claim for payment as generally justified.

The ruling is not final.

26. 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.

ENE A S.A.'s investment in the Project's preliminary phase (Development Stage) will not exceed approx. PLN 107 million. ENE A S.A.'s overall expenditures on purchasing shares and increasing the company's share capital amounted to PLN 32 544 thousand. The shareholders made loans to the company in order to provide PGE EJ 1 with funds. The amount of loans issued by ENE A S.A. to the company as at 30 June 2020 was approx. PLN 11.7 million.

As at 30 June 2020, 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.

27. Impact of COVID-19 pandemic

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

- At the date on which these consolidated financial statements were prepared, the Mining segment saw a decrease in demand for coal (approx. [26%] in comparison to H1 2019), which had to do with lower economic activity in the country and a decline in demand for electricity.
- In the Generation segment, lower hard coal-based electricity generation in H1 2020 was visible (approx. [21%] in comparison to H1 2019), which was offset by a marked increase in electricity sales in trade, which ultimately translated into higher revenue in this segment (approx. [5%] in comparison to H1 2019).
- In the Distribution segment, the Group recorded in H1 2020 a decline in distribution services sales to end customers by approx. 5% in comparison to the same period last year, however this did not translate into a decline in this segment's EBITDA.
- Swings on global markets in the first half of the year also caused substantial changes in the prices of electricity, CO₂ emission allowances, commodities, and major swings on capital markets. The Group analysed these trends in order to check whether it needs to revisit its assumptions applied in impairment tests and conducted impairment tests on the non-financial non-current assets of ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o., ENEA Elektrownia Połaniec S.A. and LWB. The results of these tests are presented in note 9.
- As at 30 June 2020, the Company carried out further analysis of the potential impact related to COVID-19 on receivables. This analysis resulted in an additional expected credit loss, however its amount is negligible from a reporting viewpoint. Nonetheless, the Group assesses that if restrictions related to COVID-19 are re-introduced and thus economic activity is reduced its receivables turnover ratio might deteriorate because of payment difficulties on the part of electricity customers.
- Due to work being re-organised and because of the enhanced safety measures mandated by the epidemic, scheduled repairs and modernisations of generation assets, including adaptations to BAT conclusions, may shift in time.

At the date on which these consolidated financial statements were prepared, it is difficult to predict how the situation will evolve and what the potential negative effects for the Parent's and the Group's operating and financing activities will be. A further spread of the virus may lead to the introduction of further restrictions and a decline in economic activity (currently numerous restrictions apply to: hotels, restaurants, coffee shops and shopping galleries), decline in electricity demand and in consequence lower electricity output, which might impact the Group's revenue from sales.

The Management Board of ENEA S.A. has appointed a crisis and coordination command for ENEA Group, tasked with preventing, counteracting and combating COVID-19, and all Group companies have appointed teams that coordinate tasks related to ensuring the continuity of ENEA Group companies' operations in the context of the coronavirus threat. The Management Board of ENEA S.A. is coordinating all activities in this area through the crisis coordination command.

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

At the date on which these condensed interim consolidated financial statements were prepared, the Group did not identify material uncertainty regarding going concern.

28. Events after the reporting period

On 26 August 2020, a Split-Up Plan was submitted to the Regional Court Lublin-Wschód in Lublin concerning ENEA Wytwarzanie Sp. z o.o., based in Świerże Górne, (Split-Up Company) and ENEA Nowa Energia Sp. z o.o., based in Radom, (Acquiring Company) as part of the reorganisation of ENEA Group's Renewable Energy Sources Segment. The planned split-up will take place pursuant to art. 529 par. 1 point 4 of the Polish Commercial Companies Code, i.e. by splitting-up the Renewables Segment from ENEA Wytwarzanie Sp. z o.o. to ENEA Nowa Energia Sp. z o.o.