ENEA S.A.

CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS

for the period from 1 January
to 31 March 2020
in compliance with
EU IFRS

TABLE OF CONTENTS

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

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

Members of the Management Board

Acting President of the Management Board	**Paweł Szczeszek**	....
Member of the Management Board	**Piotr Adamczak**	....
Member of the Management Board	**Jarosław Ołowski**	....
Member of the Management Board	**Zbigniew Piętka**	....

ENEA Centrum Sp. z o.o.

Entity responsible for maintaining accounting

books and preparing financial statements ……………………………………..

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

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

Poznań, 18 June 2020

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	Period 3 months ended 31 March 2020	3 months ended 31 March 2019
Revenue from sales		1 635 288	1 468 070
Excise duty		(18 016)	(20 861)
Net revenue from sales	**7**	**1 617 272**	**1 447 209**
Lease income		67	-
Revenue from sales and other income		**1 617 339**	**1 447 209**
Other operating revenue		3 565	787
Change in provision for onerous contracts		24 347	21 556
Depreciation/amortisation		(1 195)	(728)
Employee benefit costs		(19 976)	(17 943)
Use of materials and raw materials and value of goods sold		(586)	(448)
Purchase of electricity and gas for sales purposes		(1 558 940)	(1 419 089)
Transmission and distribution services		(1 466)	(774)
Other third-party services		(54 574)	(48 947)
Taxes and fees		(2 958)	(2 857)
Gain/(loss) on sale and liquidation of property, plant and equipment		-	221
Other operating costs		(21 418)	(18 963)
Operating loss		**(15 862)**	**(39 976)**
Finance costs		(84 049)	(64 165)
Finance income		64 793	62 248
(Impairment)/reversal of impairment of shares in subsidiaries, associates and jointly controlled entities		(397)	-
Impairment of financial assets at amortised cost		(1 042)	(149)
Loss before tax		**(36 557)**	**(42 042)**
Income tax		50 095	3 270
Net profit/(loss) for the reporting period		**13 538**	**(38 772)**
Other comprehensive income			
Subject to reclassification to profit or loss:			
- measurement of hedging instruments		(99 739)	(6 465)
- income tax		18 950	1 228
Net other comprehensive income		**(80 789)**	**(5 237)**
Comprehensive income for the reporting period		**(67 251)**	**(44 009)**
Net profit/(loss) attributable to the Company's shareholders		13 538	(38 772)
Weighted average number of ordinary shares		441 442 578	441 442 578
Net profit per share (in PLN per share)		**0.03**	**(0.09)**
Diluted profit per share (in PLN per share)		**0.03**	**(0.09)**

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

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

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2020	As at 31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	9	23 890	24 070
Right-of-use assets		32 353	33 249
Intangible assets	10	4 351	4 376
Investment properties		13 619	13 755
Investments in subsidiaries, associates and jointly controlled entities	11	12 892 612	12 892 612
Deferred income tax assets	8	98 752	95 395
Financial assets measured at fair value		27 966	38 848
Debt financial assets at amortised cost	19	5 583 773	4 567 870
Finance lease and sublease receivables		1 418	2 610
Costs related to the conclusion of contracts		12 887	12 749
Total non-current assets		**18 691 621**	**17 685 534**
Current assets			
Inventories	12	211 651	217 460
Trade and other receivables		1 244 341	962 730
Costs related to the conclusion of agreements		12 351	12 646
Assets arising from contracts with customers	13	287 156	215 223
Finance lease and sublease receivables		3 757	3 083
Current income tax receivables		-	30 680
Debt financial assets at amortised cost	19	1 543 832	2 801 067
Cash and cash equivalents	14	1 626 369	2 768 210
Total current assets		**4 929 457**	**7 011 099**
TOTAL ASSETS		**23 621 078**	**24 696 633**

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

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

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2020	As at 31 December 2019
EQUITY AND LIABILITIES			
Equity			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Revaluation reserve - measurement of financial instruments		(17 036)	(17 036)
Revaluation reserve - measurement of hedging instruments		(98 145)	(17 356)
Reserve capital		5 690 700	5 690 700
Retained earnings		2 715 718	2 702 180
Total equity		**13 506 928**	**13 574 179**
LIABILITIES			
Non-current liabilities			
Credit facilities, loans and debt securities	16	7 636 277	7 742 980
Other liabilities		-	80 123
Lease liabilities		29 127	30 970
Employee benefit liabilities		58 227	58 693
Financial liabilities measured at fair value		125 323	23 802
Total non-current liabilities		**7 848 954**	**7 936 568**
Current liabilities			
Credit facilities, loans and debt securities	16	1 249 097	2 088 642
Trade and other payables		562 973	567 409
Liabilities arising from contracts with customers	13	6 292	12 631
Lease liabilities		6 824	5 470
Current income tax liabilities		6 149	-
Employee benefit liabilities		28 678	28 872
Liabilities concerning the equivalent for rights to free purchase of shares		281	281
Other financial liabilities	22	-	52 599
Provisions for other liabilities and other charges	17	404 902	429 982
Total current liabilities		**2 265 196**	**3 185 886**
Total liabilities		**10 114 150**	**11 122 454**
TOTAL EQUITY AND LIABILITIES		**23 621 078**	**24 696 633**

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

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Revaluation reserve - measurement of hedging instruments	Reserve capital	Retained earnings	Total equity
As at 1 January 2019	**441 443**	**146 575**	**588 018**	**4 627 673**	**(17 036)**	**(15 986)**	**4 963 564**	**3 149 613**	**13 295 846**
Net profit for the reporting period	-	-	-	-	-	-	-	(38 772)	**(38 772)**
Net other comprehensive income	-	-	-	-	-	(5 237)	-	-	**(5 237)**
Net comprehensive income recognised in the period	-	-	-	-	-	**(5 237)**	-	**(38 772)**	**(44 009)**
As at 31 March 2019	**441 443**	**146 575**	**588 018**	**4 627 673**	**(17 036)**	**(21 223)**	**4 963 564**	**3 110 841**	**13 251 837**

	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Revaluation reserve - measurement of hedging instruments	Reserve capital	Retained earnings	Total equity
As at 1 January 2020	**441 443**	**146 575**	**588 018**	**4 627 673**	**(17 036)**	**(17 356)**	**5 690 700**	**2 702 180**	**13 574 179**
Net profit for the reporting period	-	-	-	-	-	-	-	13 538	**13 538**
Net other comprehensive income	-	-	-	-	-	(80 789)	-	-	**(80 789)**
Net comprehensive income recognised in the period	-	-	-	-	-	**(80 789)**	-	**13 538**	**(67 251)**
As at 31 March 2020	**441 443**	**146 575**	**588 018**	**4 627 673**	**(17 036)**	**(98 145)**	**5 690 700**	**2 715 718**	**13 506 928**

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

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

SEPARATE STATEMENT OF CASH FLOWS

	Note	Period	
		3 months ended 31 March 2020	3 months ended 31 March 2019*
Cash flows from operating activities			
Net profit for the reporting period		13 538	(38 772)
Adjustments:			
Income tax in profit or loss		(50 095)	(3 270)
Depreciation/amortisation		1 195	728
Gain on sale and liquidation of property, plant and equipment		-	(221)
Loss on sale of financial assets		13 576	1 304
Interest income		(50 565)	(49 715)
Interest costs		65 312	55 318
Impairment of interests		397	-
Impairment of financial assets at amortised cost		1 042	149
Total adjustments		**(19 138)**	**4 293**
Paid income tax		(2 788)	(43 836)
Flows resulting from settlements within tax group		-	36 173
Changes in working capital:			
Inventories		5 809	8 143
Trade and other receivables		(247 927)	(85 805)
Trade and other payables		(91 132)	(105 417)
Employee benefit liabilities		(660)	870
Provisions for other liabilities and other charges		(25 080)	(16 425)
Total changes in working capital		**(358 990)**	**(198 634)**
Net cash flows from operating activities		**(367 378)**	**(240 776)**
Cash flows from investing activities			
Purchase of non-current property, plant and equipment and intangible assets and right-of-use assets		-	221
Proceeds from sale of non-current property, plant and equipment and intangible assets and right-of-use assets		-	16 756
Purchase of financial assets		(1 100 000)	-
Proceeds from sale of financial assets		1 365 100	-
Purchase of subsidiaries		-	-
Purchase of associates and jointly controlled entities		(177)	(181 191)
Sale of subsidiary		-	-
Proceeds related to future purchase of financial assets		-	-
Received interest		30 079	28 109
Other inflows from financing activities		-	-
Net cash flows from investing activities		**295 002**	**(136 105)**
Cash flows from financing activities			
Bond issuance		-	-
Repayment of credit and loans		(11 894)	(11 894)
Bond buy-back		(956 255)	(78 055)
Expenditures concerning lease payments		(516)	(1 086)
Expenditures concerning future bond issues		-	(195)
Interest paid		(48 201)	(47 532)
Net cash flows from financing activities		**(1 016 866)**	**(138 762)**
Total net cash flows		**(1 089 242)**	**(515 643)**
Cash at the beginning of reporting period	14	2 715 611	999 193
Cash at the end of reporting period	**14**	**1 626 369**	**483 550**

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

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

ADDITIONAL INFORMATION AND EXPLANATIONS

General information

1. General information on ENEA S.A.

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

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

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

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

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

As at 31 March 2020, ENEA S.A.'s statutory share capital amounted to PLN 441 443 thousand (PLN 588 018 thousand after restatement to EU IFRS, taking into account hyperinflation and other adjustments) and was divided into 441 442 578 shares.

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

The Company's condensed separate interim financial statements cover the three-month period ended 31 March 2020 and contain comparative data for the three-month period ended 31 March 2019 and the year ended 31 December 2019.

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

2. Group composition

At 31 March 2020, ENEA Group consisted of the parent - ENEA S.A., 15 subsidiaries, 9 indirect subsidiaries, 2 associates and 2 jointly controlled entities.

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

	Company name	Activity	Registered office	ENEA S.A.'s stake in total number of voting rights as at 31 March 2020	ENEA S.A.'s stake in total number of voting rights as at 31 December 2019
SUBSIDIARIES					
1.	**ENEA Operator Sp. z o.o.**	distribution	Poznań	100%	100%
2.	**ENEA Wytwarzanie Sp. z o.o.**	generation	Świerże Górne	100%	100%
3.	**ENEA Elektrownia Połaniec S.A.**	generation	Połaniec	100%	100%
4.	**ENEA Oświetlenie Sp. z o.o.**	other activity	Szczecin	100%	100%
5.	**ENEA Trading Sp. z o.o.**	trade	Świerże Górne	100%	100%
6.	**ENEA Logistyka Sp. z o.o.**	other activity	Poznań	100%	100%
7.	**ENEA Serwis Sp. z o.o.**	distribution	Lipno	100%	100%
8.	**ENEA Centrum Sp. z o.o.**	other activity	Poznań	100%	100%
9.	**ENEA Pomiary Sp. z o.o.**	distribution	Poznań	100%	100%
10.	**ENERGO-TOUR Sp. z o.o. w likwidacji**	other activity	Poznań	100%[5]	100%[5]
11.	**ENEA 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.	**ENEA Ciepło Sp. z o.o.**	generation	Białystok	99.94%	99,94%
15.	**ENEA Ciepło Serwis Sp. z o.o.**	generation	Białystok	100%	100%
16.	**ENEA Nowa Energia Sp. z o.o.**	generation	Poznań	100%	100%
INDIRECT SUBSIDIARIES					
17.	**ENEA Bioenergia Sp. z o.o.**	generation	Połaniec	100%[1]	100%[1]
18.	**ENEA Połaniec Serwis Sp. z o.o.**	generation	Połaniec	100%[1]	100%[1]
19.	**Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.**	generation	Oborniki	99.93%[2]	99.93%[2]
20.	**Miejska Energetyka Cieplna Piła Sp. z o.o.**	generation	Piła	71.11%[2]	71.11%[2]
21.	**EkoTRANS Bogdanka Sp. z o.o.**	mining	Bogdanka	65.99%[3]	65.99%[3]
22.	**RG Bogdanka Sp. z o.o.**	mining	Bogdanka	65.99%[3]	65.99%[3]
23.	**MR Bogdanka Sp. z o.o.**	mining	Bogdanka	65.99%[3]	65.99%[3]
24.	**Łęczyńska Energetyka Sp. z o.o.**	mining	Bogdanka	58.53%[3]	58.53%[3]
25.	**ENEA Badania i Rozwój Sp. z o.o.**	other activity	Świerże Górne	100%[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%

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

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

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

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

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

[5] – 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.

3. Management Board and Supervisory Board composition

Management Board

	As at 31 March 2020	As at 31 December 2019	Appointment
President of the Management Board	Mirosław Kowalik	Mirosław Kowalik	
Member of the Management Board, responsible for finance	Jarosław Ołowski	Jarosław Ołowski	21 May 2019
Member of the Management Board, responsible for sales	Piotr Adamczak	Piotr Adamczak	
Member of the Management Board, responsible for corporate affairs	Zbigniew Piętka	Zbigniew Piętka	

Supervisory Board

	As at 31 March 2020	Appointment	As at 31 December 2019	End of term / resignation
Chairperson of the Supervisory Board	Izabela Felczak-Poturnicka	19 March 2020	Stanisław Hebda	6 February 2020
Deputy Chairperson of the Supervisory Board	Bartosz Nieścior	3 February 2020	Mariusz Pliszka	
Secretary of the Supervisory Board	Michał Jaciubek		Michał Jaciubek	
Member of the Supervisory Board	Maciej Mazur		Maciej Mazur	
Member of the Supervisory Board	Piotr Mirkowski		Piotr Mirkowski	
Member of the Supervisory Board	Paweł Koroblowski		Paweł Koroblowski	
Member of the Supervisory Board	Ireneusz Kulka		Ireneusz Kulka	
Member of the Supervisory Board	Roman Stryjski		Roman Stryjski	
Member of the Supervisory Board	Mariusz Pliszka			
Member of the Supervisory Board	Mariusz Fistek	19 March 2020		

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

On 4 June 2020, Mr. Mirosław Kowalik resigned as President of the Management Board of ENEA S.A. and as member of the Company's Management Board, effective from 5 June 2020. On the same day, the Company's Supervisory Board adopted a resolution to delegate, from 6 June 2020, Supervisory Board Member Mr. Paweł Szczeszek to temporarily serve as President of the Management Board of ENEA S.A. until a new Management Board President is appointed, however no later than three months from the date of delegation.

4. Basis for preparing financial statements

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

The Company's Management Board used its best knowledge as to the application of standards and interpretations as well as methods and rules for the measurement of items in ENEA S.A.'s condensed separate interim financial statements in accordance with EU IFRS as at 31 March 2020. The presented tables and explanations are prepared with due diligence. These condensed separate interim financial statements have not been reviewed by a statutory auditor. The accounting rules are applied consistently across all of the presented periods unless stated otherwise.

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

The Company prepares condensed consolidated interim financial statements for ENEA Group in accordance with IFRS EU as at and for the 3-month period ending 31 March 2020. In order to obtain full information on ENEA Group's financial situation and results, readers of ENEA S.A.'s condensed separate interim financial statements should read these in conjunction with ENEA Group's condensed consolidated interim financial statements and ENEA S.A.'s separate annual financial statements for the financial year ended on 31 December 2019.

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

These condensed separate interim financial statements are prepared using accounting rules that are consistent with the rules used in preparing the most recent annual separate financial statements for the financial year ended 31 December 2019.

Preparing condensed separate interim financial statements in accordance with EU IFRS requires the Management Board to adopt certain assumptions and make estimates that have an impact on the adopted accounting rules and the amounts shown in condensed separate interim financial statements and notes to financial statements. Assumptions and estimates are based on the Management Board's best knowledge regarding current and future events and activities. However, actual results may differ from forecasts. The estimates used in preparing these condensed separate interim financial statements are consistent with the estimates used in preparing the separate financial statements for the most recent financial year. The estimated values presented in previous financial years do not have a material impact on the present interim period.

6. Functional currency and presentation currency

Items in the Company's financial statements are measured in the currency of the main economic environment in which the Company operates (functional currency).

The condensed separate interim financial statements are presented in Polish zloty (PLN), which is the functional currency and presentation currency. Items in financial statements are rounded to full thousands of zlotys (PLN 000s), unless otherwise stated.

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

Explanatory notes to the separate statement of comprehensive income

7. Revenue from sales

Net revenue from sales

	Three-month period ended	
	31 March 2020	31 March 2019
Revenue from the sale of electricity	1 576 014	1 408 725
Revenue from the sale of gas	40 367	37 590
Revenue from the sale of other services	891	894
Total net revenue from sales	**1 617 272**	**1 447 209**

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

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

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

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

	Three-month period ended	
	31 March 2020	31 March 2019
Revenue from continuous services	1 616 381	1 446 315
Revenue from services provided at specified time	891	894
Total	**1 617 272**	**1 447 209**

8. Tax

Deferred income tax

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

	Three-month period ended 31 March 2020	Year ended 31 December 2019
As at the beginning of period	**95 395**	**98 432**
Adjustment due to implementation of IFRS 16	-	7 422
As at the beginning of period, adjusted	**95 395**	**105 854**
Change recognised in profit or loss	(15 593)	(11 632)
Change recognised in other comprehensive income	18 950	1 173
As at the end of period	**98 752**	**95 395**

In the 3-month period ended 31 March 2020, the Company's profit before tax was reduced by a decrease in deferred income tax assets of PLN 15 593 thousand (in the 3-month period ended 31 March 2019 the Company's profit before tax increased as a result of an increase in deferred income tax assets of PLN 3 023 thousand).

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

Explanatory notes to the separate statement of financial position

9. Property, plant and equipment

In the 3-month period ending 31 March 2020 the Company purchased property, plant and equipment items for a total of PLN 14 thousand net (in the 3-month period ending 31 March 2019: PLN 31 thousand net).

In the 3-month period ending 31 March 2020 the Company did not sell and/or liquidate property, plant and equipment items (in the 3-month period ending 31 March 2019: PLN 0 thousand net).

As at 31 March 2020, no indications for the impairment of property, plant and equipment were identified.

10. Intangible assets

In the 3-month period ending 31 March 2020 the Company did not purchase intangible assets (in the 3-month period ending 31 March 2019: PLN 0 thousand).

In the 3-month period ending 31 March 2020 the Company did not liquidate intangible assets (in the 3-month period ending 31 March 2019: PLN 0 thousand).

11. Investments in subsidiaries, associates and jointly controlled entities

Change in investments in subsidiaries, associates and jointly controlled entities

	Three-month period ended 31 March 2020	Year ended 31 December 2019
As at the beginning of period	**12 892 612**	**12 794 956**
Purchase of investments	397	391 743
Sale of investments	-	(79)
Change in impairment	(397)	(293 621)
Other changes	-	(387)
As at the end of period	**12 892 612**	**12 892 612**

Impairment of investments

	Three-month period ended 31 March 2020	Year ended 31 December 2019
As at the beginning of period	**1 373 264**	**1 079 643**
Created	397	532 384
Reversed	-	(238 763)
As at the end of period	**1 373 661**	**1 373 264**

Implementation of project to build Elektrownia Ostrołęka C

At 31 March 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 30 April 2020, PKN Orlen S.A. finished clearing all transactions to acquire ENERGA S.A. shares following a tender offer to subscribe for the sale of all outstanding ENERGA S.A. shares, announced by PKN Orlen S.A. on 5 December 2019. As a result of the tender offer, PKN Orlen S.A. purchased 331 313 082 shares in ENERGA S.A., which constitute 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 S.A. and the State Treasury in connection with the planned acquisition by PKN Orlen of equity control over ENERGA S.A. The parties to this agreement expected that ENERGA S.A.'s strategic investments will be continued once control over ENERGA S.A. is acquired by PKN Orlen. PKN Orlen declared that immediately after taking control over ENERGA S.A. it will verify the conditions for continuing these investments, especially the construction of Elektrownia Ostrołęka C.

On 7 May 2020, ENERGA S.A. announced that the analysis period within project Ostrołęka C had been extended. In accordance with the current report, it was assumed that analytical works would last approx. another month.

As part of analytical works under the agreement, ENEA S.A. and ENERGA S.A. worked on updating business and technical assumptions as well as assumptions concerning the financing structure within the business model. The results of these works on the part of ENERGA S.A. were delivered to Elektrownia Ostrołęka Sp. z o.o. on 14 May 2020, when the company received calculations regarding the Project's profitability if it were to be continued on the basis of coal fuel. These results were used to create a CGU test by the company. The CGU test carried out by the company shows that completing the Project would generate a negative value, meaning that there are no grounds for continuing the Project.

On 19 May 2020, PKN Orlen, the owner of an 80% stake in ENERGA S.A.'s share capital and 85% of voting rights at its general meeting, published current report 31/2020, announcing that it had informed ENERGA S.A. of its position in response to ENERGA S.A.'s question regarding its intent to directly invest in the construction of a coal-based power generation unit being carried out by Elektrownia Ostrołęka Sp. z o.o., based in Ostrołęka (Investment).

PKN Orlen declared preliminary readiness to directly provide funding for the Investment only in the event that the Investment's technological assumptions would be changed to technology based on gas fuel. PKN Orlen also declared its readiness to discuss with the company's shareholders, i.e. ENERGA S.A. and ENEA S.A., the form, scope and way of providing funding for the Investment, as mentioned above.

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, the majority shareholder in ENERGA S.A., a declaration on preliminary readiness to directly provide funding for an investment consisting of the construction of a power generation unit being carried out by Elektrownia Ostrołęka Sp. z o.o. This declaration was 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 technology based on gas fuel, which is one of the scenarios being contemplated as part of the analyses disclosed 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 39/2020 of the Management Board of Elektrownia Ostrołęka Sp. z o.o. of 19 May 2020 regarding the recognition of impairment losses on the book value of the company's assets. As a result of an impairment test performed on the non-current assets of Elektrownia Ostrołęka Sp. z o.o., which followed an update by Elektrownia Ostrołęka Sp. z o.o. of business assumptions concerning a project to build the coal-based Ostrołęka C power plant, the value of ENEA S.A.'s stake in Elektrownia Ostrołęka Sp. z o.o. in the separate financial statements for 2019 was covered with a 100% impairment loss amounting to PLN 445 348 thousand. As at 31 March 2020, the value of ENEA S.A.'s stake in Elektrownia Ostrołęka Sp. z o.o. amounted to PLN 0.

Impairment losses on loans issued to Elektrownia Ostrołęka Sp. z o.o. as of 31 March 2020 amounted to PLN 66 813 thousand.

On 2 June 2020, the Management Board of ENEA S.A. received a final report from analyses carried out in cooperation with ENERGA S.A. as regards the project's technical, technological, economic, organisational and legal aspects and further financing for the project. Conclusions drawn on the basis of these analyses do not justify continuing the project in its existing form, i.e. a project to build a power plant generating electricity in the process of hard coal combustion. This assessment was influenced by the following:

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

1) Regulatory changes at EU level and the credit policies of financial institutions, indicating substantially greater availability of financing for energy projects based on gas than coal-based projects; and
2) Acquisition of control over Energa by PKN Orlen, the strategy of which does not include investments in coal-based electricity generation.

At the same time, technical analysis confirmed that the power plant build project can be implemented if it were to be based on natural gas combustion ("Gas Project") at the existing location of the coal-based unit being built. As a consequence, the Parent's Management Board decided that it intended to continue to build a generating unit in Ostrołęka and change the source of fuel from coal to gas.

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

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

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

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

12. Inventories

Inventories

	As at	
	31 March 2020	31 December 2019
Energy origin certificates	210 670	216 449
Goods	981	1 011
Total	**211 651**	**217 460**

No collateral is established on inventory.

Energy origin certificates

	Three-month period ended 31 March 2020	Year ended 31 December 2019
Net value at the beginning of period	**216 449**	**332 360**
Purchase	122 600	310 378
Depreciation	(128 379)	(426 289)
Sale	-	-
Other changes	-	-
Net value at the end of period	**210 670**	**216 449**

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

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

13. 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 1 January 2019	**227 480**	**-**
Change in non-invoices receivables	(12 259)	-
Change in impairment	2	-
Other changes	-	12 631
As at 31 December 2019	**215 223**	**12 631**
Change in non-invoices receivables	71 946	-
Change in impairment	(13)	-
Other changes	-	(6 339)
As at 31 March 2020	**287 156**	**6 292**

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

14. Cash and cash equivalents

Significant judgements and estimates

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

Presentation of deposits at clearinghouse IRGiT

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

Cash and cash equivalents

	As at	
	31 March 2020	31 December 2019
Cash at bank account	**290 539**	**166 604**
including split payment	38 053	12 499
Other cash	**1 335 830**	**2 601 606**
- Deposits	720 668	2 577 963
- Cash pooling	611 866	20 446
- Other	3 296	3 197
Total cash and cash equivalents	**1 626 369**	**2 768 210**
Cash pooling	-	(52 599)
Cash recognised in the statement of cash flows	**1 626 369**	**2 715 611**

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

Restricted cash related to split payment - VAT as at 31 March 2020 was PLN 38 053 thousand (PLN 12 499 thousand as at 31 December 2019), and deposit at IRGiT as at 31 March 2020 was PLN 1 013 thousand (PLN 1 010 thousand as at 31 December 2019). No collateral is established on cash.

15. Profit allocation

A decision on the payment of a dividend for the financial year from 1 January 2019 to 31 December 2019 will be made by shareholders at the Ordinary General Meeting in 2020. The Management Board of ENEA S.A. has proposed to allocate 100% of the separate profit generated by ENEA S.A. in 2019 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.

16. Debt-related liabilities

Credit facilities, loans and debt securities

	As at	
	31 March 2020	31 December 2019
Bank credit	1 855 742	1 888 094
Bonds	5 780 535	5 854 886
Long-term	**7 636 277**	**7 742 980**
Bank credit	192 034	168 137
Bonds	1 057 063	1 920 505
Short-term	**1 249 097**	**2 088 642**
Total	**8 885 374**	**9 831 622**

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

Credit facilities and loans

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

No.	Company	Lender	Contract date	Total contract amount	Debt at 31 March 2020 (principal)	Debt at 31 December 2019 (principal)	Interest	Final repayment deadline
1.	ENEA S.A.	EIB	18 October 2012 (A) and 19 June 2013 (B)	1 425 000	1 131 229	1 138 956	Fixed interest rate or WIBOR 6M + margin	17 June 2030
2.	ENEA S.A.	EIB	29 May 2015 (C)	946 000	911 000	915 167	Fixed interest rate or WIBOR 6M + margin	15 September 2032
3.	ENEA S.A.	PKO BP S.A.	28 January 2014, Annex 2 of 4 December 2019	300 000	-	-	WIBOR 1M + margin	31 December 2022

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

4.	ENEA S.A.	Bank Pekao S.A.	28 January 2014, Annex 2 of 4 December 2019	150 000	-	-	WIBOR 1M + margin	31 December 2022
TOTAL				**2 821 000**	**2 042 229**	**2 054 123**		
Transaction costs and effect of measurement using effective interest rate					5 547	2 108		
TOTAL				**2 821 000**	**2 047 776**	**2 056 231**		

ENEA S.A. currently has credit agreements with the European Investment Bank (EIB) for a total amount of PLN 2 371 000 thousand (Agreement A PLN 950 000 thousand, Agreement B PLN 475 000 thousand and Agreement C PLN 946 000 thousand). Funds from the EIB were used to finance a multi-year investment plan aimed at modernising and expanding ENEA Operator Sp. z o.o.'s power network. Funds from Agreements A, B and C were fully used. Interest on credit facilities may be fixed or variable. In the 3-month period ended on 31 March 2020, ENEA S.A. did not execute new bond issue programme agreements.

Bond issue programmes

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

No.	Bond issue programme name	Programme start date	Programme amount	Value of outstanding bonds as at 31 March 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	3 000 000	3 000 000	WIBOR 6M + margin	One-off buy-back for each series from June 2020 to June 2022
2.	Bond issue programme agreement with BGK	15 May 2014	1 000 000	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**	**6 830 834**	**7 787 090**		
Transaction costs and effect of measurement using effective interest rate				6 764	(11 699)		
	TOTAL		**9 700 000**	**6 837 598**	**7 775 391**		

In the 3-month period ended on 31 March 2020, ENEA S.A. did not execute new bond issue programme agreements.

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

Interest rate hedges and currency hedges

In the 3-month period ending 31 March 2020 ENEA S.A. executed an Interest Rate Swap for an exposure amounting to PLN 1 000 000 thousand. The total bond and credit exposure hedged with IRSs as at 31 March 2020 amounted to PLN 3 928 749 thousand. Moreover, ENEA S.A. has fixed-rate credit agreements totalling PLN 642 207 thousand. These transactions have material impact on the predictability of expense flows and finance costs. The Company presents the measurement of these instruments in the item: "Financial liabilities at fair value." Derivative instruments are treated as cash flow hedges, which is why they are recognised and accounted for using hedge accounting rules. As at 31 March 2020, financial liabilities at fair value concerning IRSs amounted to PLN 125 323 thousand (31 December 2019: PLN 23 802 thousand).

In the 3-month period ending 31 March 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 31 March 2020 was PLN 290 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. And the date on which these condensed separate interim financial statements were prepared and in the course of 2020 the Company did not breach any credit agreement provisions such as would require early re-payment of long-term debt.

17. Provisions

In the 3-month period ended 31 March 2020, provisions for other liabilities and charges decreased by a net amount of PLN 25 080 thousand (in the 3-month period ended 31 March 2019, provisions for other liabilities and charges decreased by PLN 16 425 thousand net).

Change in provisions for other liabilities and charges in the period ended 31 March 2020:

	Provision for non-contractual use of land	Provision for other claims	Provision for energy origin certificates	Provision for onerous contracts	Total
As at 1 January 2020	**3 064**	**166 164**	**192 189**	**68 565**	**429 982**
Increase in existing provisions	-	11 124	120 092	-	131 216
Use of provisions	-	(3 066)	(128 379)	(24 347)	(155 792)
Reversal of unused provision	(397)	(107)	-	-	(504)
As at 31 March 2020	**2 667**	**174 115**	**183 902**	**44 218**	**404 902**
Short-term	*2 667*	*174 115*	*183 902*	*44 218*	*404 902*

A description of material claims and conditional liabilities is presented in note 24.

Provision for other claims

In the 3-month period ending 31 March 2020 ENEA S.A. created a PLN 3 776 thousand provision for potential claims related to the termination by ENEA S.A. of agreements to purchase energy origin certificates for renewables, and the value of this provision as at 31 March 2020 was PLN 126 808 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 24.6).

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

Financial instruments and financial risk management

18. Financial instruments and fair value

Financial instruments

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

	As at 31 March 2020		As at 31 December 2019	
	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS				
Long-term	**5 613 157**	**5 640 053**	**4 609 328**	**4 638 079**
Financial assets measured at fair value	27 966	27 966	38 848	38 848
Debt financial assets at amortised cost	5 583 773	5 612 087	4 567 870	4 599 231
Finance lease and sublease receivables	1 418	*	2 610	*
Short-term	**4 546 439**	**1 543 832**	**6 667 275**	**2 801 067**
Debt financial assets at amortised cost	1 543 832	1 543 832	2 801 067	2 801 067
Assets arising from contracts with customers	287 156	*	215 223	*
Trade receivables	1 085 379	*	879 692	*
Finance lease and sublease receivables	3 757	*	3 083	*
Cash and cash equivalents	1 626 369	*	2 768 210	*
TOTAL FINANCIAL ASSETS	**10 159 596**	**7 183 885**	**11 276 603**	**7 439 146**
FINANCIAL LIABILITIES				
Long-term	**7 790 727**	**7 800 846**	**7 877 875**	**7 809 877**
Credit facilities, loans and debt securities	7 636 277	7 675 523	7 742 980	7 786 075
Lease liabilities	29 127	*	30 970	*
Other liabilities	-	*	80 123	*
Financial liabilities measured at fair value	125 323	125 323	23 802	23 802
Short-term	**1 746 155**	**1 249 097**	**2 663 629**	**2 088 642**
Credit facilities, loans and debt securities	1 249 097	1 249 097	2 088 642	2 088 642
Lease liabilities	6 824	*	5 470	*
Trade and other payables	483 942	*	504 287	*
Liabilities arising from contracts with customers	6 292	*	12 631	*
Other financial liabilities	-	*	52 599	*
TOTAL FINANCIAL LIABILITIES	**9 536 882**	**9 049 943**	**10 541 504**	**9 898 519**

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

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

	As at 31 March 2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	**10 825**	**1 275**	**15 866**	**27 966**
Equity instruments at fair value through other comprehensive income	-	-	15 866	15 866
Derivative instruments used in hedge accounting	-	290	-	290
Call options (at fair value through profit or loss)	-	985	-	985
Interests at fair value through profit or loss	10 825	-	-	10 825
Debt financial assets at amortised cost	**-**	**7 155 919**	**-**	**7 155 919**
Total	**10 825**	**7 157 194**	**15 866**	**7 183 885**
Financial liabilities measured at fair value	**-**	**(125 323)**	**-**	**(125 323)**
Derivative instruments at fair value through profit or loss	-	-	-	-
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(125 323)	-	(125 323)
Credit facilities, loans and debt securities	**-**	**(8 924 620)**	**-**	**(8 924 620)**
Total	**-**	**(9 049 943)**	**-**	**(9 049 943)**

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

Financial assets at fair value include:

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

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

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

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

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

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

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

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

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

No transfers between the levels were made in the three-month period ended 31 March 2020.

As at 31 March 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. 31 July 2020, 30 July 2021 and 30 July 2022. Fair value measurement of the call options was conducted using the Black-Scholes model. The book value of these options as at 31 March 2020 was PLN 985 thousand (at 31 December 2019: PLN 5 182 thousand).

19. Debt financial assets at amortised cost

Debt financial assets at amortised cost

	As at	
	31 March 2020	31 December 2019
Current debt financial assets at amortised cost		
Intra-group bonds	1 481 554	2 794 586
Loans granted	62 278	6 481
Total current debt financial assets at amortised cost	**1 543 832**	**2 801 067**
Non-current debt financial assets at amortised cost		
Intra-group bonds	3 633 773	3 669 222
Loans granted	1 950 000	898 648
Total non-current debt financial assets at amortised cost	**5 583 773**	**4 567 870**
TOTAL	**7 127 605**	**7 368 937**

Intra-group financing

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

Intra-group bonds

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

No.	Bond issuer	Contract date	Amount granted	Amount used	Outstanding bonds as at 31 March 2020 (principal)	Outstanding bonds as at 31 December 2019 (principal)	Interest	Final buy-back deadline
1.	ENEA Wytwarzanie Sp. z o.o.	10 March 2011	26 000	26 000	18 000	18 000	WIBOR 6M + margin	31 March 2023
2.	ENEA Wytwarzanie Sp. z o.o.	8 September 2012 agreement for PLN 4 000 000 thousand decreased through Annex 2 of 21 January 2015 to PLN 3 000 000 thousand	3 000 000	2 650 000	2 650 000	2 650 000	Depending on the series: fixed interest rate or WIBOR 6M + margin	Depending on bond series' issue dates, however no later than by 15 June 2022

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

3.	ENEA Operator Sp. z o.o.	20 June 2013 amended through Annex 1 of 9 October 2014 and Annex 2 of 7 July 2015	1 425 000	1 425 000	1 131 229	1 138 956	Depending on the series: fixed interest rate or WIBOR 6M + margin	Depending on bond series' issue dates, however no later than by 17 June 2030
4.	ENEA Wytwarzanie Sp. z o.o.	17 November 2014	740 000	350 000	-	350 000	WIBOR 6M + margin	buy-back completed in March 2020
5.	ENEA Wytwarzanie Sp. z o.o.	17 February 2015 for PLN 760 000 thousand, increased through Annex 1 of 3 June 2015 to PLN 1 000 000 thousand.	1 000 000	1 000 000	-	1 000 000	WIBOR 6M + margin	buy-back completed in February 2020
6.	ENEA Operator Sp. z o.o.	7 July 2015 amended through Annex 1 of 28 March 2017	946 000	946 000	911 000	915 167	Depending on the series: fixed interest rate or WIBOR 6M + margin	Depending on bond series' issue dates, however no later than by 15 December 2032
7.	ENEA Ciepło Sp. z o.o.	30 October 2015	18 000	18 000	-	1 000	WIBOR 6M + margin	Buy-back in March 2020
8.	ENEA Operator Sp. z o.o.	20 July 2018	400 000	400 000	400 000	400 000	WIBOR 3M + margin	15 December 2020
	TOTAL				**5 110 229**	**6 473 123**		
Transaction costs and effect of measurement using effective interest rate					5 098	(9 315)		
	TOTAL				**5 115 327**	**6 463 808**		

In the 3-month period ending 31 March 2020 ENEA S.A. did not execute new intra-group bond issue programme agreements concerning financing for ENEA Group companies.

Loans

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

No.	Borrower	Contract date	Total contract amount	Debt at 31 March 2020	Debt at 31 December 2019	Interest	Final repayment deadline
1.	ENEA Oświetlenie Sp. z o.o.	19 January 2015	10 000	-	206	WIBOR 1M + margin	repaid in January 2020
2.	PGE EJ 1 Sp. z o.o.	8 November 2017	2 940	2 940	2 940	Fixed	8 November 2020
3.	PGE EJ 1 Sp. z o.o.	2 March 2018	4 800	4 800	4 800	Fixed	2 March 2021
4.	PEC Oborniki Sp. z o.o.	9 October 2018	2 000	-	2 000	WIBOR 1M + margin	31 December 2019 [repaid on 2 January 2020]
5.	KS „ENERGETYK”	19 May 2019	360	360	360	Fixed	31 January 2020, [the parties intend to execute an annex to this agreement]

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

6.	ENEA Operator Sp. z o.o.	11 July 2019	425 000	425 000	425 000	WIBOR 6M + margin	20 December 2021
7.	ENEA Centrum Sp. z o.o.	19 July 2019	40 000	-	-	WIBOR 3M + margin	30 June 2030
8.	Elektrownia Ostrołęka Sp. z o.o.	30 September 2019	29 000	29 000	29 000	Fixed	30 June 2020
9.	ENEA Operator Sp. z o.o.	13 December 2019	425 000	425 000	425 000	WIBOR 6M + margin	20 December 2021
10.	Elektrownia Ostrołęka Sp. z o.o.	23 December 2019	170 000	80 000	80 000	Fixed	26 February 2021
11.	ENEA Wytwarzanie Sp. z o.o.	30 January 2020	2 200 000	1 100 000	-	WIBOR 6M + margin	30 September 2024
12.	ENEA Elektrownia Połaniec S.A.	28 February 2020	500 000	-	-	WIBOR 6M + margin	20 December 2024
13.	ENEA Operator Sp. z o.o.	12 March 2020	950 000	-	-	WIBOR 6M + margin	20 December 2024
				2 067 100	**969 306**		
Transaction costs and effect of measurement using effective interest rate and impairment of loans				(54 822)	(64 177)		
TOTAL				**2 012 278**	**905 129**		

In the 3-month period ending 31 March 2020 ENEA S.A. executed three new loan agreements with ENEA Wytwarzanie Sp. z o.o. for PLN 2 200 000 thousand, with ENEA Elektrownia Połaniec S.A. for PLN 500 000 thousand and ENEA Operator Sp. z o.o. for PLN 950 000 thousand, intended to finance these companies' planned expenditures. The loans are available until 31 December 2020 and can be accessed in tranches.

In the 3-month period ending 31 March 2020 ENEA Wytwarzanie Sp. z o.o. accessed two tranches of the loan, amounting to PLN 1 100 000 thousand.
On 3 April 2020, ENEA Elektrownia Połaniec S.A. accessed the first tranche of the loan, amounting to PLN 200 000 thousand.

On 30 March 2020 ENEA S.A. executed with ENERGA S.A. and Elektrownia Ostrołęka Sp. z o.o. annex to a PLN 29 000 thousand loan agreement extending the one-off repayment deadline to 30 June 2020.

Impairment of financial assets measured at amortised cost (concerns loans granted) amounted to PLN 67 040 thousand as of 31 March 2020.

20. Impairment of trade and other receivables

Impairment of trade and other receivables:

	Three-month period ended 31 March 2020	Year ended 31 December 2019
Impairment of receivables at the beginning of period	**54 820**	**60 710**
Created	2 301	2 996
Used	(1 876)	(8 886)
Impairment of receivables at the end of period	**55 245**	**54 820**

In the 3-month period ended 31 March 2020, impairment of trade and other receivables increased by PLN 425 thousand (in the 3-month period ended 31 March 2019 impairment grew by PLN 367 thousand). Impairment losses are mainly recognised on trade receivables. Impairment of other receivables is negligible.

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

As at 31 March 2020, the Company carried out an additional analysis of the potential impact of COVID-19 with regard to impairment of receivables. Using an individual approach, applied to a list of ENEA S.A.'s largest debtors, with assumptions from a model described in the Company's *Methodology for determining expected credit losses for non-current debt assets and similar items*. As regards the model's quantitative module, the debtors' available reporting data was applied. As regards the qualitative module, the current (and expected) situation in the domestic economy and the counterparty's market and financial position were applied. Based on an overall score obtained this way, a rating was assigned to these entities, which was then transposed to the Probability of Default parameter (in accordance with the aforementioned Methodology). As regards the Loss Given Default parameter, the value of 10% was conservatively used (which substantially exceeded the actual loss levels for the Company's receivables). This analysis generated an additional expected credit loss that was negligible from a reporting viewpoint.

For current trade receivables, the calculation of expected credit losses is performed on the basis of 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 current situation, for receivables overdue by more than 3 months an attempt was made to change the historic period that data is derived in order to obtain maximally credible data for the future periods of exposure for this type of receivables, taking into account the existing grouping criteria. As a result of the change in period, i.e. including in the analysis data until 30 April 2020, indictors increased for the provisions matrix for receivables overdue by under 3 months, however this increase did not cause a material increase in expected credit loss.

Similar analyses will be performed in the coming periods in order to monitor the level of materiality of potential additional impairment losses on receivables.

21. 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 31 March 2020		
	Nominal value	Impairment	Book value
Trade and other receivables			
Current	978 932	(310)	978 622
Overdue	159 907	(53 150)	106 757
0-30 days	64 888	(124)	64 764
31-90 days	14 424	(1 106)	13 318
91-180 days	4 173	(796)	3 377
over 180 days	76 422	(51 124)	25 298
Total	**1 138 839**	**(53 460)**	**1 085 379**
Assets arising from contracts with customers	**287 213**	**(57)**	**287 156**

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

22. Other financial liabilities

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

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

At 31 March 2020, the balance of liabilities within cash pooling was PLN 0 thousand (PLN 52 599 thousand at 31 December 2019) and is presented in line: "Other financial liabilities."

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

Other explanatory notes

23. Related-party transactions

The Company executes transactions with the following related parties:

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

ENEA Group companies

	Three-month period ended	
	31 March 2020	31 March 2019
Purchase value, including:	**1 993 991**	**1 779 006**
purchase of materials	129	117
purchase of services	453 559	418 177
other (including electricity and gas)	1 540 303	1 360 712
Sale value, including:	**94 871**	**100 136**
sale of electricity	86 375	89 617
sale of services	403	323
other	8 093	10 196
Interest income, including:	**55 819**	**54 149**
on bonds	45 591	51 886
on loans	8 602	1 296
other	1 626	967

	As at	
	31 March 2020	31 December 2019
Receivables	934 695	317 779
Liabilities	434 096	579 935
Financial assets - bonds	5 115 327	6 463 808
Loans granted	1 959 302	852 905
Other financial liabilities	-	52 599

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

Transactions with members of the Group's corporate authorities

Item	Company's Management Board Three-month period ended		Company's Supervisory Board Three-month period ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Remuneration under management contracts and consulting contracts	1 984*	675	-	-
Remuneration under appointment to management or supervisory bodies	-	-	166	208
TOTAL	**1 984**	**675**	**166**	**208**

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

In the 9-month period ended 31 March 2020, no loans were made to Supervisory Board members from the Company Social Benefit Fund (PLN 0 thousand for the 3-month period ended 31 March 2019).

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

Transactions with State Treasury related parties.

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

The subject of these transactions mainly is as follows:

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

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

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

24. 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

24.1. 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 recognised as at 31 December 2019 a provision for onerous contracts of PLN 68 565 thousand.

In Q1 2020, the Group used the provision for onerous contracts, amounting to PLN 24 347 thousand.

24.2. Sureties and guarantees

In the first quarter of 2020, ENEA S.A. as Guarantor did not execute any surety agreements.

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

List of guarantees issued as at 31 March 2020

Guarantee issue date	Guarantee validity	Obliged entity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
13.06.2019	30.05.2021	ENEA Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PEKAO S.A.	50 000
12.08.2018	12.08.2020	ENEA Wytwarzanie Sp. z o.o.	Polskie Sieci Elektroenergetyczne	PKO BP S.A.	20 000

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

12.08.2018	12.08.2020	ENEA Elektrownia Połaniec	Polskie Sieci Elektroenergetyczne	PKO BP S.A.	15 000
12.08.2018	16.05.2021	ENEA S.A.	Górecka Projekt Sp. z o.o.	PKO BP S.A.	2 109
24.05.2019	30.07.2020	ENEA S.A.	City of Bydgoszcz	PKO BP S.A.	1 207
29.08.2018	15.07.2020	ENEA Logistyka Sp. z o.o.	ENEA Operator Sp. z o.o.	PKO BP S.A.	1 080
Total bank guarantees					**89 396**

The value of other guarantees issued by the Company as at 31 March 2020 was PLN 13 826 thousand. The total value of sureties and guarantees issued by ENEA S.A. as collateral for ENEA Group companies' liabilities at 31 March 2020 was PLN 160 166 thousand.

24.3. On-going proceedings in courts of general competence

Proceedings initiated by the Company

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

At 31 March 2020, a total of 7 112 cases initiated by the Company were in progress before courts of general competence, worth in aggregate PLN 46 878 thousand (31 December 2019: 5 014 cases worth PLN 45 394 thousand).

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

Proceedings against the Company

Proceedings against the Company are initiated by both natural persons and legal entities. They concern issues such as: compensation for electricity supply disruptions, compensation for the Company's use of properties on which power equipment is located as well as claims related to terminated contracts for the purchase of property rights (note 24.6).

At 31 March 2020, a total of 138 cases against the Company were in progress before courts of general competence, worth in aggregate PLN 534 457 thousand (31 December 2019: 145 cases worth PLN 561 828 thousand).

Provisions related to these court cases are presented in note 17.

24.4. Other court proceedings

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

The Management Board of ENEA S.A. filed in December 2018 a response to a lawsuit brought by Międzyzakładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA, based in Poznań, to cancel, determine the non-existence or repeal resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional approval to join the Construction Stage of the Ostrołęka C project, and demanded that the lawsuit be rejected in its entirety as unjustified, along with reimbursement of court representation costs. The hearing was scheduled for 8 May 2019.

That hearing, and others scheduled for 30 July 2019 and 1 October 2019, did not take place. A new hearing date has not yet been set. The hearing has been suspended until a final ruling is issued in a case instigated by a shareholder of the Company - Fundacja "CLIENTEARTH Prawnicy dla ziemi."

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

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

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

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

As at 31 March 2020, a provision for claims concerning non-contractual use of land amounted to PLN 2 667 thousand.

24.6. 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

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

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

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

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

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

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

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

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

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

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

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

The Agreements were terminated with the intention for the Company to avoid losses constituting the difference between contractual and market prices of green certificates. Due to the changing legal conditions after termination of the Agreements in 2017, especially arising from the Act of 20 July 2017 on amendment of the act on renewable energy sources, the estimated value of future contract liabilities would have changed. In the current legal framework, this would be significantly lower in comparison to the amount estimated when the Agreements were being terminated, i.e. approx. PLN 1 187 million. This decline reflects a change in the way in which the substitute fee is calculated, which in accordance with the content of some of the Agreements constitutes the basis for calculating the contract price and indexing it to the market price. The Company created a PLN 126 808 thousand provision for potential claims resulting from the terminated Agreements in relation to submissions made by 31 March 2020 concerning transactions to sell property rights by the counterparties; the provision is presented in note 17.

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 ENEA S.A. withdrew its appeal against the ruling of 29 November 2019; - the appeals proceeding was closed but the ruling on closure is yet to become final;
- in case ref. IX GC 1167/16, Megawind Polska Sp. z o.o. withdrew its lawsuit and rescinded its claims - the proceeding was closed, but the ruling on closure is yet to become final.

25. 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.

ENEA S.A.'s investment in the Project's preliminary phase (Development Stage) will not exceed approx. PLN 107 million. ENEA S.A.'s overall expenditures on purchasing shares and increasing the company's share capital amounted to PLN 32 544 thousand.

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

At 31 March 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.

26. Impact of COVID-19 pandemic

Information on the threat of coronavirus SARS-Cov-2, causing the COVID-19 disease ("coronavirus"), began coming out of China towards the end of 2019. COVID-19 reached Poland in mid-March. The virus and its consequences as well as actions taken by the state to combat the pandemic, and their effects, are influencing the domestic and global economy. The ENEA S.A.'s activities have been affected by this situation, too.

At the date on which these separate financial statements were prepared, it is difficult to predict how the situation will further develop and what the potential negative effects for the Company's operating and financing activities will be. A further spread of the virus may lead to a decline in economic activity (currently numerous restrictions apply to: hotels, restaurants, coffee shops and shopping galleries), reduced demand for electricity and in consequence lower electricity output, which might impact the Company's revenue from sales. According to the ENEA S.A., the receivables turnover ratio might deteriorate in connection with the difficult economic situation and reduced payment capabilities of electricity customers. Swings in global markets have recently caused considerable changes in the prices of electricity, CO_2 emission allowances, commodities, and major swings in equity markets.

The Management Board of ENEA S.A. has set up a crisis coordination command at ENEA Group for 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 safety measures that have been put in place to combat the spread of the coronavirus have an impact on the cost of operating activities, which together with lower revenue will ultimately have an impact on separate financial results.