ENEA Group

ENEA GROUP CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the period from 1 January to 31 March 2020

in compliance with EU IFRS

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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

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**	....

Prepared by: Robert Kiereta ....

Head of Consolidated Reporting

Poznań, 18 June 2020

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the three-month period ended 31 March 2020	31 March 2019*
Revenue from sales	7	4 605 082	4 027 955
Excise duty		(18 041)	(20 908)
Net revenue from sales		**4 587 041**	**4 007 047**
Revenue from operating leases and sub-leases		5 041	2 563
Revenue from sales and other income		**4 592 082**	**4 009 610**
Other operating revenue		53 165	61 824
Change in provision for onerous contracts		24 347	21 556
Depreciation/amortisation		(381 084)	(361 723)
Employee benefit costs		(480 888)	(431 200)
Use of materials and raw materials and value of goods sold		(791 431)	(807 452)
Purchase of electricity and gas for sales purposes		(1 872 796)	(1 548 787)
Transmission services		(121 465)	(98 228)
Other third-party services		(205 011)	(208 365)
Taxes and fees		(131 717)	(121 420)
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets		(14 777)	(13 688)
Reversal of impairment losses on non-financial non-current assets		-	4 279
Other operating costs		(138 549)	(65 066)
Operating profit		**531 876**	**441 340**
Finance costs		(108 377)	(79 477)
Finance income		131 274	17 947
Impairment of financial assets measured at amortised cost		(1 042)	-
Share of results of associates and jointly controlled entities		1 368	(7 025)
Profit before tax		**555 099**	**372 785**
Income tax	8	(96 052)	(92 979)
Net profit for the reporting period		**459 047**	**279 806**
Other comprehensive income			
Subject to reclassification to profit or loss:			
- measurement of hedging instruments		(98 814)	(6 502)
- income tax	8	18 833	1 234
Net other comprehensive income		**(79 981)**	**(5 268)**
Comprehensive income for the reporting period		**379 066**	**274 538**
Including net profit:			
attributable to shareholders of the Parent		444 597	246 154
attributable to non-controlling interests		14 450	33 652
Including comprehensive income:			
attributable to shareholders of the Parent		364 616	240 886
attributable to non-controlling interests		14 450	33 652
Net profit attributable to shareholders of the parent		444 597	246 154
Weighted average number of ordinary shares		441 442 578	441 442 578
Net profit attributable to the Parent's shareholders, per share (in PLN per share)		**1.01**	**0.56**
Diluted profit per share (in PLN per share)		**1.01**	**0.56**

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2020	As at 31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	9	21 633 061	21 470 804
Right-of-use assets		719 829	719 948
Intangible assets	10	373 054	379 024
Investment properties		22 828	23 109
Investments in associates and jointly controlled entities	11	374 384	373 016
Deferred income tax assets	8	566 524	569 369
Financial assets measured at fair value	20	44 774	40 172
Debt financial assets at amortised cost	21	-	48 649
Trade and other receivables		217 552	20 862
Costs related to the conclusion of agreements		12 887	12 749
Finance lease and sublease receivables		213	319
Funds in the Mine Decommissioning Fund		134 010	133 998
Total non-current assets		**24 099 116**	**23 792 019**
Current assets			
CO_2 emission allowances		1 011 664	1 375 128
Inventories	12	1 381 644	1 376 295
Trade and other receivables		2 802 769	2 123 567
Costs related to the conclusion of agreements		12 351	12 646
Assets arising from contracts with customers	14	428 685	330 447
Finance lease and sublease receivables		1 037	950
Current income tax receivables		30 908	59 746
Financial assets measured at fair value	20	52 900	7 056
Debt financial assets at amortised cost	21	52 976	3 576
Other short-term investments		482	477
Cash and cash equivalents	15	2 020 487	3 761 947
Total current assets		**7 795 903**	**9 051 835**
TOTAL ASSETS		**31 895 019**	**32 843 854**

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2020	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		(15 848)	(16 295)
Revaluation reserve - measurement of hedging instruments		(97 646)	(17 356)
Retained earnings		10 713 479	10 268 882
Total equity attributable to shareholders of the parent		**14 820 467**	**14 455 713**
Non-controlling interests		1 038 508	1 024 058
Total equity		**15 858 975**	**15 479 771**
LIABILITIES			
Non-current liabilities			
Credit facilities, loans and debt securities	17	7 693 170	7 803 113
Trade and other payables		19 607	119 775
Liabilities arising from contracts with customers	14	5 787	5 023
Lease liabilities		517 016	504 324
Accounting for income from subsidies and road lighting modernisation services	19	230 642	227 413
Deferred income tax provision	8	436 595	413 392
Employee benefit liabilities		992 768	983 818
Financial liabilities measured at fair value		125 468	24 496
Provisions for other liabilities and charges	18	776 441	774 065
Total non-current liabilities		**10 797 494**	**10 855 419**
Current liabilities			
Credit facilities, loans and debt securities	17	1 263 051	2 102 911
Trade and other payables		1 555 127	1 913 440
Liabilities arising from contracts with customers	14	117 770	110 678
Lease liabilities		11 950	27 939
Accounting for income from subsidies and road lighting modernisation services	19	12 923	12 804
Current income tax liabilities		120 238	121 703
Employee benefit liabilities		401 914	466 082
Liabilities concerning the equivalent for rights to free purchase of shares		281	281
Financial liabilities measured at fair value		5 259	36 438
Provisions for other liabilities and charges	18	1 750 037	1 716 388
Total current liabilities		**5 238 550**	**6 508 664**
Total liabilities		**16 036 044**	**17 364 083**
TOTAL EQUITY AND LIABILITIES		**31 895 019**	**32 843 854**

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(a) Q1 2020

	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 1 January 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	-	-	-	-	-	-	444 597	14 450	459 047
Net other comprehensive income	-	-	-	-	309	(80 290)	-	-	(79 981)
Net comprehensive income recognised in the period	**-**	**-**	**-**	**-**	**309**	**(80 290)**	**444 597**	**14 450**	**379 066**
Other	-	-	-	-	138	-	-	-	138
As at 31 March 2020	441 443	146 575	**588 018**	**3 632 464**	**(15 848)**	**(97 646)**	**10 713 479**	**1 038 508**	**15 858 975**

(b) Q1 2019

	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 1 January 2019	441 443	146 575	**588 018**	**3 632 464**	**(16 295)**	**(16 024)**	**9 908 842**	**952 157**	**15 049 162**
Net profit for the reporting period	-	-	-	-	-	-	246 154	33 652	279 806
Net other comprehensive income	-	-	-	-		(5 268)		-	(5 268)
Net comprehensive income recognised in the period	**-**	**-**	**-**	**-**		**(5 268)**	**246 154**	**33 652**	**274 538**
As at 31 March 2019	441 443	146 575	**588 018**	**3 632 464**	**(16 295)**	**(21 292)**	**10 154 996**	**985 809**	**15 323 700**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the three-month period ended 31 March 2020	31 March 2019
Cash flows from operating activities			
Net profit for the reporting period		459 047	279 806
Adjustments:			
Income tax in profit or loss	8	96 052	92 979
Depreciation/amortisation		381 084	361 723
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets		14 777	13 688
Reversal of impairment losses on non-financial non-current assets		-	(4 279)
Loss on sale of financial assets		17 704	4 868
Interest income		(2 656)	(2 056)
Interest costs		59 946	51 543
(Gain)/loss on measurement of financial instruments		(91 994)	7 170
Impairment of financial assets measured at amortised cost		1 042	-
Share of profit of associates and jointly controlled entities		(1 368)	7 025
Other adjustments		(10 235)	(1 117)
Total adjustments		**464 352**	**531 544**
Paid income tax		(25 782)	(85 884)
Changes in working capital:			
CO_2 emission allowances		363 464	(7 869)
Inventories		194	(99 399)
Trade and other receivables		(1 008 361)	(90 869)
Trade and other payables		(323 787)	(322 609)
Employee benefit liabilities		(55 160)	(52 536)
Accounting for income from subsidies and road lighting modernisation services		2 940	7 218
Provisions for other liabilities and charges		37 152	294 188
Total changes in working capital		**(983 558)**	**(271 876)**
Net cash flows from operating activities		**(85 941)**	**453 590**
Cash flows from investing activities			
Purchase of non-current property, plant and equipment and intangible assets and right-of-use assets		(639 403)	(658 652)
Proceeds from sale of non-current property, plant and equipment and intangible assets and right-of-use assets		8 118	6 994
Purchase of financial assets		-	(68)
Proceeds from sale of financial assets		-	67
Purchase of associates and jointly controlled entities		(177)	(181 191)
Inflows concerning funds at Mine Decommissioning Fund bank account		(12)	(1)
Received interest		1 244	359
Other inflows from investing activities		50	-
Net cash flows from investing activities		**(630 180)**	**(832 492)**
Cash flows from financing activities			
Repayment of credit and loans		(15 527)	(13 604)
Bond buy-back		(956 255)	(78 055)
Repayment of lease liabilities		(4 871)	(7 833)
Expenditures concerning future bond issues		-	(195)
Interest paid		(48 880)	(48 071)
Other inflows/(outflows) from financing activities		194	(90)
Net cash flows from financing activities		**(1 025 339)**	**(147 848)**
Total net cash flows		**(1 741 460)**	**(526 750)**
Cash at the beginning of reporting period		3 761 947	2 650 838
Cash at the end of reporting period		**2 020 487**	**2 124 088**
including restricted cash		552 967	314 909

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

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

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

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

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

The Parent's duration is indefinite.

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

The Group's condensed consolidated 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.

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.

ENEA Group's principal business activities are as follows:

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

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

- distribution of electricity (ENEA Operator Sp. z o.o.);
- distribution of heat (Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. w Obornikach, Miejska Energetyka Cieplna 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	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. Changes in composition of the Parent's Management Board and Supervisory Board

Management Board

	As at 31 March 2020	As at 31 December 2019	Appointment
President of the Management Board	Mirosław Kowalik	Mirosław Kowalik	21 May 2019
Member of the Management Board, responsible for finance	Jarosław Ołowski	Jarosław Ołowski	
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 Minister for State Assets, of the same date, on exercise of his right to appoint and dismiss, based on § 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 Mr. Bartosz Nieścior from the Company's Supervisory Board, effective from 27 May 2020, and at the same time appointed 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.

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

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 31 March 2020. The presented tables and explanations are prepared with due diligence. These condensed consolidated interim financial statements have not been reviewed by a statutory auditor. The accounting rules below are applied consistently across all of the presented periods unless stated otherwise.

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 made a change concerning the presentation of revenue from operating leases and sub-leases.

	For the three-month period ended 31 March 2019		
	Approved data	**Adjustment**	**Restated data**
Revenue from sales	4 030 518	(2 563)	4 027 955
Excise duty	(20 908)	-	(20 908)
Net revenue from sales	**4 009 610**	**(2 563)**	**4 007 047**
Revenue from operating leases and subleases	-	2 563	2 563
Revenue from sales and other income	**4 009 610**	**-**	**4 009 610**

The Group also changed the presentation of onerous contracts.

	For the 3-month period ended 31 March 2019		
	Approved data	Adjustment	Restated data
Change in provision for onerous contracts	-	21 556	21 556
Other operating costs	(43 510)	(21 556)	(65 066)

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 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 measured 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.

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

Segment results:

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

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	1 762 347	787 393	1 928 817	69 166	39 318	-	4 587 041
Inter-segment sales	285 933	5 688	166 884	392 428	107 388	(958 321)	-
Total net revenue from sales	**2 048 280**	**793 081**	**2 095 701**	**461 594**	**146 706**	**(958 321)**	**4 587 041**
Revenue from operating leases and subleases	-	-	136	2 489	2 428	(12)	5 041
Revenue from sales and other income	**2 048 280**	**793 081**	**2 095 837**	**464 083**	**149 134**	**(958 333)**	**4 592 082**
Total costs	(2 040 908)	(635 436)	(1 764 549)	(410 863)	(143 784)	953 514	(4 042 026)
Segment result	**7 371**	**157 645**	**331 288**	**53 220**	**5 351**	**(4 819)**	**550 056**
Depreciation/amortisation	(319)	(149 625)	(140 970)	(76 165)	(18 059)		
Segment result - EBITDA	**7 690**	**307 270**	**472 258**	**129 385**	**23 410**		
% of revenue from sales and other income	**0.4%**	**38.7%**	**22.5%**	**27.9%**	**15.7%**		
Unallocated costs at Group level (administration expenses)							(18 180)
Operating profit							**531 876**
Finance costs							(108 377)
Finance income							131 274
Impairment of financial assets measured at amortised cost							(1 042)
Share of profit of associates and jointly controlled entities							1 368
Income tax							(96 052)
Net profit							**459 047**
Share of profit attributable to non-controlling interests							14 450

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

Segment results:

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

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	2 015 102	697 156	1 179 214	71 814	43 761	-	4 007 047
Inter-segment sales	224 354	7 346	750 148	469 004	111 410	(1 562 262)	-
Total net revenue from sales	**2 239 456**	**704 502**	**1 929 362**	**540 818**	**155 171**	**(1 562 262)**	**4 007 047**
Revenue from operating leases and subleases	-	-	34	-	2 529	-	2 563
Revenue from sales and other income	**2 239 456**	**704 502**	**1 929 396**	**540 818**	**157 700**	**(1 562 262)**	**4 009 610**
Total costs	(2 250 510)	(592 776)	(1 666 827)	(401 984)	(144 785)	1 504 909	(3 551 973)
Segment result	**(11 054)**	**111 726**	**262 569**	**138 834**	**12 915**	**(57 353)**	**457 637**
Depreciation/amortisation	(235)	(141 387)	(137 198)	(80 582)	(13 515)		
Reversal of impairment losses on non-financial non-current assets	-	4 279	-	-	-		
Segment result - EBITDA	**(10 819)**	**248 834**	**399 767**	**219 416**	**26 430**		
% of revenue from sales and other income	**(0.5%)**	**35.3%**	**20.7%**	**40.6%**	**16.8%**		
Unallocated costs at Group level (administration expenses)							(16 297)
Operating profit							**441 340**
Finance costs							(79 477)
Finance income							17 947
Share of profit of associates and jointly controlled entities							(7 025)
Income tax							(92 979)
Net profit							**279 806**
Share of profit attributable to non-controlling interests							33 652

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

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

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	14 681	9 312 895	9 364 398	3 048 016	367 970	(484 242)	21 623 718
Trade and other receivables	1 459 306	320 115	1 884 707	279 520	124 734	(1 816 843)	2 251 539
Costs related to the conclusion of agreements	25 238	-	-	-	-	-	25 238
Assets arising from contracts with customers	196 830	236 373	806	-	1 463	(6 787)	428 685
Total	**1 696 055**	**9 869 383**	**11 249 911**	**3 327 536**	**494 167**	**(2 307 872)**	**24 329 180**
ASSETS excluded from segments							7 565 839
- including property, plant and equipment							9 343
- including trade and other receivables							768 782
TOTAL ASSETS							**31 895 019**
Trade and other payables	340 350	383 484	581 883	326 759	210 133	(296 207)	1 546 402
Liabilities arising from contracts with customers	1 533 716	117 070	-	167	27	(1 527 423)	123 557
Total	**1 874 066**	**500 554**	**581 883**	**326 926**	**210 160**	**(1 823 630)**	**1 669 959**
Equity and liabilities excluded from segments							30 225 060
- including trade and other payables							28 332
TOTAL EQUITY AND LIABILITIES							**31 895 019**
for the three-month period ended 31 March 2020							
Investment expenditures on property, plant and equipment and intangible assets	5	171 632	161 090	266 309	6 677	(10 549)	595 164
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							-
Depreciation/amortisation	319	149 625	140 970	76 165	18 059	(4 592)	380 546
Amortisation excluded from segments							538
Recognition/(reversal/use) of impairment losses on receivables	419	(1 499)	313	(1 745)	6	-	(2 506)

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

Other information concerning segments as at 31 December 2019 and for the three-month period ended on 31 March 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 three-month period ended 31 March 2019							
Investment expenditures on property, plant and equipment and intangible assets	6	197 361	123 484	80 027	8 737	(3 431)	406 184
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							-
Depreciation/amortisation	235	141 387	137 198	80 582	13 515	(11 551)	361 366
Amortisation excluded from segments							357
Recognition/(reversal/use) of impairment losses on receivables	504	1 224	(139)	227	(477)	-	1 339
Recognition/(reversal) of impairment losses on non-financial non-current assets	-	(4 279)	-	-	-	-	(4 279)

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

Explanatory notes to the consolidated statement of comprehensive income

7. Revenue from sales

Net revenue from sales

	For the three-month period ended	
	31 March 2020	31 March 2019*
Revenue from the sale of electricity	3 463 500	3 017 800
Revenue from the sale of distribution services	780 168	693 115
Revenue from the sale of goods and materials	19 697	25 460
Revenue from the sale of other products and services	43 165	43 822
Revenue from origin certificates	2 406	3 022
Revenue from the sale of CO_2 emission allowances	-	-
Revenue from the sale of industrial heat	117 403	124 544
Revenue from the sale of coal	59 659	57 304
Revenue from the sale of gas	101 043	41 980
Total net revenue from sales	**4 587 041**	**4 007 047**

* the presentation restatement of data for the comparative period is described 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 (ENEA S.A., ENEA Wytwarzanie, ENEA Trading and ENEA Elektrownia Połaniec) and revenue from the sale of distribution services (ENEA Operator).

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

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

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

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

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

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 three-month period ended	
	31 March 2020	31 March 2019
Revenue from continuous services	4 344 711	3 752 895
Revenue from services provided at specified time	242 330	254 152
Total	**4 587 041**	**4 007 047**

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

8. Tax

Deferred income tax

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

	As at	
	31 March 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	(44 881)	19 796
(Charge)/addition to other comprehensive income	18 833	16 516
Net deferred income tax assets at the end of period, including:	**129 929**	**155 977**
- deferred income tax assets at the end of period	**566 524**	**569 369**
- deferred income tax provision at the end of period	**436 595**	**413 392**

In the 3-month period ended 31 March 2020, the charge to the Group's profit before tax as a result of a decrease in net deferred income tax assets amounted to PLN 44 881 thousand (in the 3-month period ended 31 March 2019, the Group's profit before tax was credited as a result of an increase in net deferred income tax assets by PLN 31 508 thousand).

Explanatory notes to the consolidated statement of financial position

9. Property, plant and equipment

In the 3-month period ending 31 March 2020 the Group purchased property, plant and equipment items for a total of PLN 587 815 thousand (in the 3-month period ending 31 March 2019: PLN 401 135 thousand). These amounts mainly concern the generation segment (PLN 159 106 thousand), mining (PLN 265 764 thousand) and distribution (PLN 161 306 thousand).

In the 3-month period ending 31 March 2020 the Group sold and liquidated property, plant and equipment items with total net book value of PLN 15 500 thousand (in the 3 months ended 31 March 2019: PLN 19 684 thousand).

In the 3-month period ended 31 March 2020, impairment losses on property, plant and equipment decreased by PLN 154 thousand on a net basis (in the 3-month period ended 31 March 2019 impairment of property, plant and equipment decreased by PLN 4 513 thousand on a net basis).

As at 31 March 2020, total impairment of property, plant and equipment amounted to PLN 1 455 612 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 1 169 460 thousand as at 31 March 2020 (as at 31 December 2019: PLN 1 306 454 thousand).

10. Intangible assets

In the 3-month period ending 31 March 2020 the Group purchased intangible assets worth PLN 7 349 thousand (in the 3-month period ended 31 March 2019 the Group purchased intangible assets worth PLN 5 049 thousand).

In the 3-month period ending 31 March 2020 the Group did not conduct significant sales or liquidations of intangible assets (in the 3-month period ended 31 March 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 37 950 thousand as at 31 March 2020 (as at 31 December 2019: PLN 29 716 thousand).

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

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 31 March 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	38 918	1 062 944	2 042 654	40 519	3 185 035
Non-current assets	231 780	657 406	9 977 674	23 104	10 889 964
Total assets	**270 698**	**1 720 350**	**12 020 328**	**63 623**	**14 074 999**
Current liabilities	419 214	801 096	4 217 281	5 608	5 443 199
Non-current liabilities	10 287	270 105	4 643 834	361	4 924 587
Total liabilities	**429 501**	**1 071 201**	**8 861 115**	**5 969**	**10 367 786**
Net assets	**(158 803)**	**649 149**	**3 159 213**	**57 654**	**3 707 213**
Share in net assets	**-**	**106 980**	**241 996**	**14 414**	**363 390**
Goodwill	-	15 954	-	-	15 954
Elimination of unrealised gains/losses	-	(7 426)	2 466	-	(4 960)
Book value of equity-accounted investments at 31 March 2020	**-**	**115 508**	**244 462**	**14 414**	**374 384**

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.

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

As at 31 December 2019	Elektrownia Ostrołęka Sp. z o.o.	Polimex - Mostostal S.A.	Polska Grupa Górnicza S.A.	ElectroMobility Poland S.A.	Total
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**	**3 754 535**
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**

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

Change in investments in subsidiaries, associates and jointly controlled entities

	As at	
	31 March 2020	31 December 2019
As at the beginning of period	**373 016**	**734 268**
Change in the change in net assets	1 368	(482 165)
Impairment of investments in jointly controlled entities	-	(59 777)
Purchase of investments	-	180 690
As at the reporting date	**374 384**	**373 016**

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, ENEA S.A.'s share of the net loss of Elektrownia Ostrołęka Sp. z o.o. was recognised in the consolidated financial statements for 2019. Due to the net loss being higher than the value of the stake in that company, the stake was reduced to zero. 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:

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 2020, 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 consolidated 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.

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

12. Inventories

Inventories

	As at	
	31 March 2020	31 December 2019
Materials	909 097	952 280
Semi-finished products and production in progress	1 039	772
Finished products	64 928	34 396
Energy origin certificates	431 736	436 118
Goods	33 693	11 569
Gross value of inventory	**1 440 493**	**1 435 135**
Impairment of inventory	(58 849)	(58 840)
Net value of inventory	**1 381 644**	**1 376 295**

In the 3-month period ended 31 March 2020, impairment losses on inventory increased by PLN 9 thousand (in the 3-month period ended 31 March 2019 impairment of inventory decreased by PLN 136 thousand).

13. Energy origin certificates

Energy origin certificates

	As at	
	31 March 2020	31 December 2019
Net value at the beginning of period	**430 571**	**516 133**
Internal manufacture	82 289	263 460
Purchase	46 644	109 101
Depreciation	(128 432)	(426 905)
Sale	(5 490)	(24 529)
Change in impairment	-	(6 110)
Other changes	-	(579)
Net value at the reporting date	**425 582**	**430 571**

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 1 January 2019	**327 980**	**68 578**
Revenue recognised in a period that was taken into account in the opening balance for liabilities arising from contracts with customers	-	-
Non-invoiced receivables	2 395	-
Increase due to prepayments	-	34 492
Transfer from contract assets to receivables	-	-
Liabilities resulting from sales adjustments		12 631
Impairment	72	-
As at 31 December 2019	**330 447**	**115 701**
Non-invoiced receivables	98 276	-
Increase due to prepayments	-	14 195
Liabilities resulting from sales adjustments	-	(6 339)
Impairment	(38)	-
As at 31 March 2020	**428 685**	**123 557**

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

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

15. Restricted cash

As at 31 March 2020, the Group's restricted cash amounted to PLN 552 967 thousand (as at 31 December 2019: PLN 477 382 thousand). This mainly included cash for deposits for electricity and CO_2 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

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.

17. Debt-related liabilities

Credit facilities, loans and debt securities

	As at	
	31 March 2020	31 December 2019
Bank credit	1 858 559	1 891 366
Loans	54 076	56 861
Bonds	5 780 535	5 854 886
Long-term	**7 693 170**	**7 803 113**
Bank credit	193 853	169 956
Loans	12 135	12 450
Bonds	1 057 063	1 920 505
Short-term	**1 263 051**	**2 102 911**
Total	**8 956 221**	**9 906 024**

In the 3-month period ended 31 March 2020, the book value of credit facilities, loans and debt securities decreased by PLN 949 803 thousand on a net basis (3-month period ended 31 March 2019: down by PLN 79 032 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.

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

Credit facilities and loans

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

No.	Company	Lender	Contract date	Total contract amount	Debt at 31 March 2020	Debt at 31 December 2019	Interest	Contract period
1.	ENEA S.A.	EIB	18 October 2012 (A) and 19 June 2013 (B)	1 425 000	1 131 229	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	28 January 2014, Annex 2 of 4 December 2019	300 000	-	-	WIBOR 1M + margin	31 December 2022
4.	ENEA S.A.	Pekao S.A.	28 January 2014, Annex 2 of 4 December 2019	150 000	-	-	WIBOR 1M + margin	31 December 2022
5.	ENEA Ciepło Sp. z o.o.	NFOŚiGW	22 December 2015	60 075	46 506	48 184	Interest based on WIBOR 3M, no less than 2%	20 December 2026
7.	Other	-	-	-	24 341	26 218	-	-
	TOTAL			**2 881 075**	**2 113 076**	**2 128 525**		
Transaction costs and effect of measurement using effective interest rate					5 547	2 108		
	TOTAL			**2 881 075**	**2 118 623**	**2 130 633**		

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

ENEA S.A.

ENEA S.A. currently has credit agreements with the 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.

ENEA Ciepło Sp. z o.o.

Loan from 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 ENEA Wytwarzanie Sp. z o.o. to ENEA Ciepło Sp. z o.o. on 30 November 2018.

The total loan-related debt of ENEA Ciepło Sp. z o.o. as at 31 March 2020 amounted to PLN 46 506 thousand (at 31 December 2019: PLN 48 184 thousand).

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

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.

Interest rate swaps

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. As at 31 March 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.

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

18. Provisions

In the 3-month period ended 31 March 2020, provisions for other liabilities and charges increased by a net amount of PLN 36 025 thousand (in the 3-month period ended 31 March 2019, provisions for other liabilities and charges increased by PLN 293 887 thousand).

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 landfill site reclamation	Provision for energy origin certificates	Provision for CO_2 emission allowance purchases	Mine liquidation	Other	Total
As at 1 January 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	-	-	-	-	-	876	-	876
Increase in existing provisions	11 002	6 237	68	120 211	467 305	-	3 175	607 998
Use of provisions	-	(3 066)	-	(128 435)	(411 162)	-	(29 135)	(571 798)
Reversal of unused provision	(397)	(131)	(54)	-	-	(464)	(5)	(1 051)
As at 31 March 2020	**220 692**	**233 746**	**91 294**	**189 331**	**1 289 468**	**163 384**	**338 563**	**2 526 478**
Long-term								*776 441*
Short-term								*1 750 037*

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 1 January 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 December 2019	**210 087**	**230 706**	**91 280**	**197 555**	**1 233 325**	**162 972**	**364 528**	**2 490 453**
Long-term								*774 065*
Short-term								*1 716 388*

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

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

Provision for other claims

In the first three months of 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 25.6).

Other provisions mainly concern:

- potential liabilities related to grid assets resulting from differences in the interpretation of regulations PLN 172 782 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 89 930 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,
- onerous contracts PLN 44 218 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 10 457 thousand (as at 31 December 2019: PLN 10 306 thousand),
- rectification of mining damages PLN 2 104 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 31 March 2020	As at 31 December 2019
Long-term		
Accounting for deferred revenue - subsidies	148 602	147 268
Accounting for deferred revenue - road lighting modernisation services	82 040	80 145
Total non-current deferred revenue	**230 642**	**227 413**
Short-term		
Accounting for deferred revenue - subsidies	9 616	9 663
Accounting for deferred revenue - road lighting modernisation services	3 307	3 141
Total current deferred revenue	**12 923**	**12 804**

Schedule for accounting for deferred revenue

	As at 31 March 2020	As at 31 December 2019
Up to one year	12 923	12 804
From one to five years	49 324	49 538
Over five years	181 318	177 875
Total deferred revenue	**243 565**	**240 217**

In the 3-month period ended 31 March 2020, the book value of accounting for grants and road lighting modernisation services increased by PLN 3 348 thousand on a net basis (in the 3-month period ended 31 March 2019, the book value of accounting for grants and road lighting modernisation services increased by a net amount of PLN 7 218 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.

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

Financial instruments

20. Financial instruments and fair value

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	**391 104**	**44 774**	**236 923**	**40 172**
Financial assets measured at fair value	44 774	44 774	40 172	40 172
Debt financial assets at amortised cost	-	(*)	48 649	(*)
Trade and other receivables	212 107	(*)	13 785	(*)
Finance lease and sublease receivables	213	(*)	319	(*)
Funds in the Mine Decommissioning Fund	134 010	(*)	133 998	(*)
Short-term	**4 851 141**	**52 900**	**5 652 186**	**7 056**
Financial assets measured at fair value	52 900	52 900	7 056	7 056
Debt financial assets at amortised cost	52 976	(*)	3 576	(*)
Assets arising from contracts with customers	428 685	(*)	330 447	(*)
Other short-term investments	482	(*)	477	(*)
Trade and other receivables	2 294 574	(*)	1 547 733	(*)
Finance lease and sublease receivables	1 037	(*)	950	(*)
Cash and cash equivalents	2 020 487	(*)	3 761 947	(*)
TOTAL FINANCIAL ASSETS	**5 242 245**	**97 674**	**5 889 109**	**47 228**
FINANCIAL LIABILITIES				
Long-term	**8 355 261**	**7 857 884**	**8 451 708**	**7 870 704**
Credit facilities, loans and debt securities	7 693 170	7 732 416	7 803 113	7 846 208
Lease liabilities	517 016	(*)	504 324	(*)
Trade and other payables	19 607	(*)	119 775	(*)
Liabilities arising from contracts with customers	-	-	-	-
Financial liabilities measured at fair value	125 468	125 468	24 496	24 496
Short-term	**2 430 216**	**1 268 310**	**3 659 422**	**2 139 349**
Credit facilities, loans and debt securities	1 263 051	1 263 051	2 102 911	2 102 911
Lease liabilities	11 950	(*)	27 939	(*)
Trade and other payables	1 143 664	(*)	1 479 503	(*)
Liabilities arising from contracts with customers	6 292	(*)	12 631	(*)
Financial liabilities measured at fair value	5 259	5 259	36 438	36 438
TOTAL FINANCIAL LIABILITIES	**10 785 477**	**9 126 194**	**12 111 130**	**10 010 053**

(*) book value is close to fair value measured in accordance with level 2 in the following 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**	**69 903**	**16 946**	**97 674**
Equity instruments at fair value through other comprehensive income	-	-	15 866	15 866
Derivative instruments used in hedge accounting	-	1 352	-	1 352
Call options (at fair value through profit or loss)	-	985	-	985
Other derivative instruments at fair value through profit or loss	-	67 566	-	67 566
Interests at fair value through profit or loss	10 825	-	1 080	11 905
Total	**10 825**	**69 903**	**16 946**	**97 674**
Financial liabilities measured at fair value	**-**	**(130 727)**	**-**	**(130 727)**
Derivative instruments at fair value through profit or loss	-	(5 404)	-	(5 404)
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(125 323)	-	(125 323)
Credit facilities, loans and debt securities	**-**	**(8 995 467)**	**-**	**(8 995 467)**
Total	**-**	**(9 126 194)**	**-**	**(9 126 194)**

	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.

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

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).

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 67 566 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 1 820 059 thousand (PLN 874 195 thousand concerns procurement contracts and PLN 945 864 thousand concerns sales contracts).

21. 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		
Loans granted	52 976	3 576
Total current debt financial assets at amortised cost	**52 976**	**3 576**
Non-current debt financial assets at amortised cost		
Loans granted	-	48 649
Total non-current debt financial assets at amortised cost	**-**	**48 649**
TOTAL	**52 976**	**52 225**

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

22. Impairment of trade and other receivables

Impairment of trade and other receivables

	As at	
	31 March 2020	31 December 2019
Impairment at the beginning of period	**157 844**	**162 104**
Created	2 571	9 135
Reversed	(2 628)	(3 494)
Used	(2 449)	(9 901)
Impairment at the reporting date	**155 338**	**157 844**

In the 3-month period ended 31 March 2020, impairment of trade and other receivables decreased by PLN 2 506 thousand (in the 3-month period ended 31 March 2019 impairment grew by PLN 1 339 thousand).

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

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

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 Group'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/Group'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 analysis was performed in which the historic period that data is derived from was changed. This analysis aimed at obtaining 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.

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 31 March 2020		
	Nominal value	Impairment	Book value
Trade and other receivables			
Current	2 344 654	(8 337)	2 336 317
Overdue	317 365	(147 001)	170 364
0-30 days	109 008	(381)	108 627
31-90 days	20 663	(1 935)	18 728
91-180 days	9 426	(3 061)	6 365
over 180 days	178 268	(141 624)	36 644
Total	**2 662 019**	**(155 338)**	**2 506 681**
Assets arising from contracts with customers	**428 951**	**(266)**	**428 685**

	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**

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

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 three-month period ended			
	Company's Management Board		Company's Supervisory Board	
	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 3-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 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 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.

25.2. Sureties and guarantees

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

List of guarantees issued as at 31 March 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
Total bank guarantees				**3 316**

The value of other guarantees issued by the Group as at 31 March 2020 was PLN 13 826 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 31 March 2020, a total of 7 813 cases initiated by the Group were in progress before courts of general competence, worth in aggregate PLN 162 074 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 31 March 2020, a total of 2 240 cases against the Group were in progress before courts of general competence, worth in aggregate PLN 866 199 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. 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."

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 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.

At 31 March 2020, the Group had a provision for claims concerning non-contractual use of land amounting to PLN 220 692 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

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;
- 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 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 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.

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.

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.

27. 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 Group’s activities have been affected by this situation, too.

At the date on which these consolidated 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 and the Group'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 Group's revenue from sales. Due to work being re-organised and stricter safety measures being put in place due to the state of epidemic, planned repairs and modernisations of generating assets, including adaptations to BAT conclusions, may shift in time. According to the Group, 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, CO2 emission allowances, commodities, and major swings in equity markets. The Group is currently analysing these trends to verify whether the assumptions used in impairment testing for the Group’s assets need to be re-visited.

At the date on which these consolidated financial statements were prepared, the Mining segment was experiencing noticeably lower demand for coal (approx. 19% in comparison with the first quarter of 2019) due to reduced economic activity in the country and a decline in demand for electric energy. In the Generation segment, lower hard coal-based electricity production is thus noticeable in this year's first quarter (approx. 15% in comparison with the first quarter of 2019), while on the other hand electricity sales are up in the trade area, which overall translates into higher revenue (approx. 9% in comparison with the first quarter of 2019).

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 consolidated financial results.