



**Extended consolidated quarterly report
of the Enea Group
for the third quarter of 2017**

Poznań, 21 November 2017

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Selected consolidated financial data of Enea Group

	in PLN '000		in EUR '000	
	9 months ended 30.09.2017	9 months ended 30.09.2016	9 months ended 30.09.2017	9 months ended 30.09.2016
Net sales revenue	8 398 162	8 303 944	1 972 974	1 900 738
Operating profit	1 069 855	949 142	251 340	217 255
Profit before tax	1 036 030	897 585	243 394	205 453
Net profit for the reporting period	837 949	720 655	196 859	164 955
Net cash flows from operating activities	2 234 993	1 822 395	525 065	417 139
Net cash flows from investing activities	(2 828 149)	(1 990 244)	(664 415)	(455 559)
Net cash flows from financing activities	(67 845)	328 782	(15 939)	75 257
Total net cash flows	(661 001)	160 933	(155 288)	36 837
Weighted average number of shares	441 442 578	441 442 578	441 442 578	441 442 578
Net earnings per share (in PLN/EUR per share)	1.78	1.53	0.42	0.35
Diluted earnings per share (in PLN/EUR per share)	1.78	1.53	0.42	0.35
	Balance as at 30.09.2017	Balance as at 31.12.2016	Balance as at 30.09.2017	Balance as at 31.12.2016
Total assets	25 756 216	24 536 519	5 977 168	5 546 229
Total liabilities	12 069 615	11 524 790	2 800 960	2 605 061
Non-current liabilities	8 975 463	8 606 757	2 082 909	1 945 469
Current liabilities	3 094 152	2 918 033	718 051	659 592
Equity	13 686 601	13 011 729	3 176 209	2 941 168
Share capital	588 018	588 018	136 460	132 915
Book value per share (in PLN/EUR per share)	31.00	29.48	7.20	6.66
Diluted book value per share (in PLN/EUR per share)	31.00	29.48	7.20	6.66

The above financial data for 3rd quarter of 2017 and 2016 were translated into EUR in line with the following principles:

- individual assets and liabilities – at the average exchange rate as of 30 September 2017 – PLN/EUR 4.3091 (as at 31 December 2016 – PLN/EUR 4.4240),
- individual items from the statement of profit or loss and other comprehensive income and the statement of cash flows – as per the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the financial period from 1 January to 30 September 2017 – PLN/EUR 4.2566 (for the period from 1 January to 30 September 2016 – PLN/EUR 4.3688).



**Condensed interim consolidated financial statements
of the Enea Group
for the period
from 1 January to 30 September 2017**

Poznań, 21 November 2017

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Enea Group

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2017

(all amounts in PLN'000, unless specified otherwise)

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*, as endorsed by the European Union (EU), and approved by the Management Board of Enea S.A.

Members of the Management Board

President of the Management Board **Mirosław Kowalik**

Member of the Management Board **Piotr Adamczak**

Member of the Management Board **Piotr Olejniczak**

Member of the Management Board **Zbigniew Piętka**

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 Manager of Consolidated Financial Reporting Department

Poznań, 21 November 2017

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2017

*(all amounts in PLN'000, unless specified otherwise)***Consolidated statement of financial position**

		Balance as at	
	Note	30.09.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	19 728 566	18 382 498
Perpetual usufruct of land		105 723	74 899
Intangible assets	8	405 323	370 638
Investment properties		27 243	28 020
Investments in subsidiaries, associates and jointly-controlled entities	9	357 123	2 518
Deferred tax assets	19	497 300	403 257
Financial assets available for sale		43 304	42 482
Financial assets measured at fair value through profit or loss	15	38 960	112
Derivatives	16	29 558	40 267
Trade and other receivables		62 075	30 690
Cash deposits at Mine Closure Fund		112 639	111 218
		21 407 814	19 486 599
Current assets			
CO2 emission rights		117 956	417 073
Inventories	12	717 480	448 941
Trade and other receivables		1 704 565	1 824 488
Current income tax assets		113 775	9 541
Financial assets held to maturity		477	478
Financial assets measured at fair value through profit or loss	15	14 933	4 852
Cash and cash equivalents	14	1 679 216	2 340 217
Non-current assets classified as held for sale	10	-	4 330
		4 348 402	5 049 920
Total assets		25 756 216	24 536 519

The consolidated statement of financial position should be analyzed together with the notes, which constitute an integral part of the condensed interim consolidated financial statements.

		Balance as at	
	Note	30.09.2017	31.12.2016
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the Parent Company			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Financial instruments revaluation reserve		763	744
Other capital		(27 101)	(25 652)
Reserve capital from valuation of hedging instruments		25 405	33 826
Retained earnings		8 588 894	7 946 612
		12 808 443	12 176 012
Non-controlling interests		878 158	835 717
Total equity		13 686 601	13 011 729
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	16	6 467 291	6 275 644
Trade and other liabilities		131 584	48 373
Finance lease liabilities		2 089	2 997
Deferred income due to subsidies, connection fees and other	18	641 962	660 032
Deferred tax liability	19	201 034	191 798
Liabilities due to employee benefits		864 672	792 156
Financial liabilities measured at fair value through profit or loss		3 420	269
Provisions for other liabilities and charges	20	663 411	635 488
		8 975 463	8 606 757
Current liabilities			
Loans, borrowings and debt securities	16	458 308	448 902
Trade and other liabilities		1 226 663	1 141 600
Finance lease liabilities		1 995	2 141
Deferred income due to subsidies, connection fees and other	18	86 164	84 150
Current income tax liabilities		1 419	32 071
Liabilities due to employee benefits		403 899	416 937
Liabilities due to an equivalent of the right to acquire shares free of charge		281	281
Financial liabilities measured at fair value through profit or loss		13 365	2 233
Derivatives		1	-
Provisions for other liabilities and charges	20	902 057	789 718
		3 094 152	2 918 033
Total liabilities		12 069 615	11 524 790
Total equity and liabilities		25 756 216	24 536 519

Consolidated statement of profit or loss and other comprehensive income

	9 months ended	3 months ended	9 months ended	3 months ended
Note	30.09.2017	30.09.2017	30.09.2016	30.09.2016
Sales revenue	8 588 745	2 892 307	8 489 964	2 765 243
Excise tax	(190 583)	(60 919)	(186 020)	(60 731)
Net sales revenue	8 398 162	2 831 388	8 303 944	2 704 512
Other operating revenue	77 036	17 705	98 680	41 982
Depreciation	(877 400)	(300 586)	(830 085)	(276 134)
Costs of employee benefits	(1 142 215)	(370 736)	(1 074 547)	(366 053)
Consumption of materials and supplies and costs of goods sold	(1 257 840)	(548 072)	(1 014 474)	(308 243)
Energy and gas purchase for sale	(2 325 124)	(751 702)	(3 046 927)	(970 692)
Transmission services	(788 274)	(260 836)	(634 732)	(216 654)
Other external services	(545 389)	(188 376)	(449 465)	(158 236)
Taxes and charges	(286 099)	(88 532)	(246 004)	(75 105)
Loss on sale and liquidation of property, plant and equipment	(11 062)	(3 025)	(19 452)	(8 869)
Impairment loss of non-financial non-current assets	-	-	(49 352)	(7 352)
Other operating expenses	(171 940)	(48 994)	(88 444)	(20 585)
Operating profit	1 069 855	288 234	949 142	338 571
Financial expenses	(102 756)	(20 814)	(99 594)	(34 426)
Financial revenue	61 003	(1 516)	47 889	5 607
Dividend income	526	-	148	-
Share in results of associates and jointly controlled entities	7 402	1 471	-	-
Profit before tax	1 036 030	267 375	897 585	309 752
Income tax	19 (198 081)	(53 257)	(176 930)	(60 323)
Net profit for the reporting period	837 949	214 118	720 655	249 429
Other comprehensive income				
Items that are or may be reclassified to profit or loss:				
- valuation of hedging instruments	(10 396)	2 496	(8 614)	20 480
- other	20	30	(224)	(290)
- income tax	19 1 976	(474)	1 637	(3 891)
Items that will not be reclassified to profit or loss:				
- remeasurement of defined benefit plan	(37 302)	(1 730)	(1 297)	-
- income tax	6 757	(1)	247	-
Net other comprehensive income	(38 945)	321	(8 251)	16 299
Total comprehensive income for the reporting period	799 004	214 439	712 404	265 728
Including net profit:				
attributable to Parent's shareholders	785 532	204 370	675 888	233 099
attributable to non-controlling interests	52 417	9 748	44 767	16 330
Including comprehensive income:				
attributable to Parent's shareholders	755 806	204 691	670 292	249 398
attributable to non-controlling interests	43 198	9 748	42 112	16 330
Net profit attributable to shareholders of the Parent	785 532	204 370	675 888	233 099
Weighted average number of ordinary shares	441 442 578	441 442 578	441 442 578	441 442 578
Basic earnings per share (in PLN per share)	1.78	0.46	1.53	0.53
Diluted earnings per share (in PLN per share)	1.78	0.46	1.53	0.53



Enea Group

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2017

(all amounts in PLN'000, unless specified otherwise)

Consolidated statement of changes in equity

(a) 3rd quarter of 2017

	Note	Share capital (nominal value)	Revaluation of share capital	Total share capital	Share premium	Financial instruments revaluation reserve	Other capital	Reserve capital from valuation of hedging instruments	Retained earnings	Capital attributable to non-controlling interests	Total equity
Balance as at 01.01.2017		441 443	146 575	588 018	3 632 464	744	(25 652)	33 826	7 946 612	835 717	13 011 729
Net profit for the reporting period									785 532	52 417	837 949
Net other comprehensive income						19		(8 421)	(21 324)	(9 219)	(38 945)
Total comprehensive income for the period						19		(8 421)	764 208	43 198	799 004
Dividends	25								(121 926)	(456)	(122 382)
Redemption of non-controlling interests in subsidiaries							(1 449)			(301)	(1 750)
Balance as at 30.09.2017		441 443	146 575	588 018	3 632 464	763	(27 101)	25 405	8 588 894	878 158	13 686 601

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



Enea Group

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2017

(all amounts in PLN'000, unless specified otherwise)

(b) 3rd quarter of 2016

	Share capital (nominal value)	Revaluation of share capital	Total share capital	Share premium	Financial instruments revaluation reserve	Other capital	Reserve capital from valuation of hedging instruments	Retained earnings	Capital attributable to non-controlling interests	Total equity
Balance as at 01.01.2016	441 443	146 575	588 018	3 632 464	814	(45 883)	3 980	7 158 352	784 858	12 122 603
Net profit for the reporting period								675 888	44 767	720 655
Net other comprehensive income					(224)		(6 977)	(1 050)		(8 251)
Total comprehensive income for the period					(224)		(6 977)	674 838	44 767	712 404
Other								(5 913)		(5 913)
Balance as at 30.09.2016	441 443	146 575	588 018	3 632 464	590	(45 883)	(2 997)	7 827 277	829 625	12 829 094

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

Enea Group

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2017

(all amounts in PLN'000, unless specified otherwise)
Consolidated statement of cash flows

	9 months ended 30.09.2017	9 months ended 30.09.2016
Cash flows from operating activities		
Net profit for the reporting period	837 949	720 655
Adjustments:		
Income tax in profit or loss	198 081	176 930
Depreciation	877 400	830 085
Loss on sale and liquidation of property, plant and equipment	11 062	19 452
Impairment loss of non-financial non-current assets	-	49 352
Gain on bargain purchase	(11 953)	-
Gain on disposal of financial assets	(20 048)	(2 420)
Interest income	(7 679)	(8 323)
Dividend income	(526)	(148)
Interest expense	61 429	66 825
Loss on measurement of financial instruments	119 435	-
Share in results of associates and jointly-controlled entities	(7 402)	-
Other adjustments	(6 986)	(21 455)
	1 212 813	1 110 298
Income tax paid	(278 473)	(218 715)
Changes in working capital:		
CO2 emission rights	292 407	222 338
Inventories	(41 659)	(21 009)
Trade and other receivables	5 050	(98 754)
Trade and other liabilities	141 467	(13 975)
Liabilities due to employee benefits	(5 575)	(42 955)
Deferred income due to subsidies, connection fees and other	(16 098)	(14 245)
Non-current assets held for sale and related liabilities	-	(855)
Provisions for other liabilities and charges	87 112	179 612
	462 704	210 157
Net cash flows from operating activities	2 234 993	1 822 395
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(1 422 581)	(1 971 079)
Proceeds from disposal of property, plant and equipment and intangible assets	1 463	5 071
Acquisition of financial assets	(6 500)	(20 406)
Proceeds from disposal of financial assets	2 254	1 263
Acquisition of subsidiaries, associates and jointly-controlled entities adjusted by acquired cash	(1 415 186)	(3 020)
Dividends received	526	148
Outflows related to cash deposits at Mine Closure Fund	(1 421)	(10 488)
Interest received	8 132	8 183
Other proceeds from investing activities	5 164	84
	(2 828 149)	(1 990 244)
Cash flows from financing activities		
Proceeds from loans and borrowings	284 638	117 273
Proceeds from bond issue	290 000	450 000
Loans and borrowings repaid	(43 298)	(10 117)
Repurchase of bonds	(340 000)	(100 000)
Dividends paid	(122 382)	(1 054)
Payment of finance lease liabilities	(1 739)	(1 003)
Interest paid	(127 486)	(111 033)
Expenses related to future issue of bonds	(2 528)	(2 929)
Other payments from financing activities	(5 050)	(12 355)
	(67 845)	328 782
Net cash flows	(661 001)	160 933
Balance at the beginning of the reporting period	2 340 217	1 822 094
Balance at the end of the reporting period	1 679 216	1 983 027

The consolidated statement of cash flows should be analyzed together with the notes, which constitute an integral part of the condensed interim consolidated financial statements.

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2017

*(all amounts in PLN'000, unless specified otherwise)***Explanatory notes to the condensed interim consolidated financial statements****1. General information about Enea S.A. and the Enea Group**

Name (business name):	Enea Spółka Akcyjna
Legal form:	joint-stock company
Country:	Poland
Registered office:	Poznań
Address:	1 Górecka Street, 60-201 Poznań
National Court Register – District Court in Poznań	KRS 0000012483
Telephone:	(+48 61) 884 55 44
Fax:	(+48 61) 884 59 59
E-mail:	enea@enea.pl
Website:	www.enea.pl
Statistical number (REGON):	630139960
Tax identification number (NIP):	777-00-20-640

The main activities of the Enea Group (“Group”, “Capital Group”) are:

- production of electricity and heat (Enea Wytwarzanie Sp. z o.o., Enea Elektrownia Połaniec S.A., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki, Miejska Energetyka Ciepła Piła Sp. z o.o., Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Białystok);
- electricity trade (Enea S.A., Enea Trading Sp. z o.o.);
- distribution of electricity (Enea Operator Sp. z o.o.);
- distribution of heat (Enea Wytwarzanie Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki, Miejska Energetyka Ciepła Piła Sp. z o.o., Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Białystok);
- mining and agglomeration of hard coal (Lubelski Węgiel “Bogdanka” S.A. Group).

As at 30 September 2017 the shareholding structure of Enea S.A. was the following: the State Treasury of the Republic of Poland 51.5% of shares, PZU TFI 9.96%, other shareholders 38.54%.

As at 30 September 2017 the statutory share capital of Enea S.A. equaled PLN 441,443 thousand (PLN 588,018 thousand upon adoption of IFRS-EU and considering hyperinflation and other adjustments) and was divided into 441,442,578 shares.

As at 30 September 2017 the Group consisted of the parent company Enea S.A. (“the Company”, “Parent Entity”), 13 subsidiaries, 10 indirect subsidiaries, 2 associates and 3 jointly controlled entities.

Enea Group

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2017

(all amounts in PLN'000, unless specified otherwise)

These condensed interim consolidated financial statements should be read together with consolidated financial statements of Enea Group for the financial year ended at 31 December 2016.

The condensed interim consolidated financial statements have been prepared on the going concern basis in the foreseeable future. There are no circumstances indicating that the ability of Enea Group to continue as going concern might be at risk.

2. Statement of compliance

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

The Management Board of the Parent Company has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the consolidated financial statements of the Enea Group in accordance with IFRS-EU as at 30 September 2017. The presented statements and explanations have been prepared using due diligence. These condensed interim consolidated financial statements have not been reviewed by a certified auditor.

3. Accounting principles

These condensed interim consolidated financial statements have been prepared in accordance with accounting policies consistent with those applied during the preparation of the most recent annual consolidated financial statements for the financial year ended 31 December 2016.

The Polish zloty has been used as the reporting currency of these condensed interim consolidated financial statements. The data in the condensed interim consolidated financial statements have been presented in PLN thousand (PLN '000), unless stated otherwise.

4. Material estimates and assumptions

The preparation of these condensed interim consolidated financial statements in accordance with IAS 34 requires that the Management Board makes certain estimates and assumptions that affect the adopted accounting policies and the amounts disclosed in the condensed interim consolidated financial statements and notes thereto. The adopted assumptions and estimates are based on the Management Board's best knowledge of the current and future activities and events. The actual figures, however, can be different from those assumed. The estimates adopted for the needs of preparation of these condensed interim consolidated financial statements are consistent with the estimates adopted during preparation of the consolidated financial statements for the previous financial year. The estimates presented in the previous financial years do not exert any significant influence on the current period.

Enea Group

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2017

(all amounts in PLN'000, unless specified otherwise)
5. Composition of the Group – list of subsidiaries, associates and jointly controlled entities

	Name and address of the Company	Share Enea S.A. in the total number of votes in % 30.09.2017	Share Enea S.A. in the total number of votes in % 31.12.2016
1.	Enea Operator Sp. z o.o. Poznań, Strzeszyńska 58	100	100
2.	Enea Wytwarzanie Sp. z o.o. Świerże Górne, commune Kozienice, Kozienice 1	100	100
3.	Enea Elektrownia Połaniec S.A. ⁶ Połaniec, Zawada 26	100	-
4.	Enea Oświetlenie Sp. z o.o. Szczecin, Ku Słońcu 34	100	100
5.	Enea Trading Sp. z o.o. Świerże Górne, commune Kozienice, Kozienice 1	100	100
6.	Enea Logistyka Sp. z o.o. Poznań, Strzeszyńska 58	100	100
7.	Enea Serwis Sp. z o.o. Lipno, Gronówko 30	100	100
8.	Enea Centrum Sp. z o.o. Poznań, Górecka 1	100	100
9.	Enea Pomiary Sp. z o.o. Poznań, Strzeszyńska 58	100	100
10.	ENERGO-TOUR Sp. z o.o. in liquidation Poznań, Strzeszyńska 58	100 ⁵	100 ⁵
11.	Enea Innovation Sp. z o.o. Warszawa, Jana Pawła II 25	100 ⁹	100
12.	Lubelski Węgiel BOGDANKA S. A. Bogdanka, Puchaczów	65.99	65.99
13.	Annacond Enterprises Sp. z o.o. Warszawa, Jana Pawła II 25	61	61
14.	Polimex – Mostostal S.A. Warszawa, Jana Pawła II 12	16.48	-
15.	Polska Grupa Górnicza Sp. z o.o. Katowice, Powstańców 30	5.81 ⁸	-
16.	Elektrownia Ostrotęka S.A. Ostrotęka, Elektryczna 5	23.79 ⁷	-
17.	ENGIE Bioenergia Sp. z o.o. Połaniec, Zawada 26	100 ⁴	-
18.	Przedsiębiorstwo Energetyki Ciepłej Zachód Sp. z o.o. Białystok, Starosielce 2/1	100 ¹	100 ¹
19.	Centralny System Wymiany Informacji Sp. z o.o. Poznań, Strzeszyńska 58	20 ³	100 ³
20.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Oborniki, Wybudowanie 56	99.93 ¹	99.93 ¹
21.	Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Białystok, Warszawska 27	91.14 ¹	91.02 ¹
22.	Miejska Energetyka Ciepła Piła Sp. z o.o. Piła, Kaczorska 20	71.11 ¹	71.11 ¹
23.	EkoTRANS Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
24.	RG Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
25.	MR Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
26.	Łęczyńska Energetyka Sp. z o.o. Bogdanka, Puchaczów	58.53 ²	58.53 ²
27.	ElectroMobility Poland S.A. Warszawa, Mysia 2	25	25
28.	Enea Badanie i Rozwój Sp. z o.o. Świerże Górne, commune Kozienice, Kozienice 1	100 ¹	-

¹ – an indirect subsidiary held through shares in Enea Wytwarzanie Sp. z o.o.

On 17 September 2015, by Resolution no. 547/2015 adopted by the Management Board of Enea Wytwarzanie Sp. z o.o., a project titled "Purchase of employee shares of MPEC sp. z o.o. in Białystok" was launched. On 17 November 2015, by Resolution no. 661/2015, powers of attorney were granted in terms of concluding of the preliminary contracts and final agreements. The number of shares available for purchase is 75 thousand. The concluding of the Preliminary Agreements was planned for the period between 7 December 2015 and 27 January 2016. The Final Contracts shall be concluded after 16 September 2016. By the end of December 2015, Preliminary Agreements on Sale of shares worth in total PLN 747 thousand were concluded. In 2016, Enea Wytwarzanie Sp. z o.o. purchased 67,209 shares of MPEC Sp. z o.o. in Białystok for the amount of PLN 7,688 thousand, and as at the end of the year it owned 91.02% of shares in share capital. In the nine-month period ended 30 September 2017, Enea Wytwarzanie Sp. z o.o. purchased 1,749 shares of MPEC sp. z o.o. in Białystok for the amount of PLN 217 thousand and on 30 September 2017 it owned 91.14% of shares in share capital.

On 4 August 2017, Enea Wytwarzanie Sp. z o.o. and Enea S.A. formed a company Enea Badanie i Rozwój Sp. z o.o. Enea Wytwarzanie Sp. z o.o. owns 99 shares, and Enea S.A. owns 1 share. On 28 September 2017, the company was registered in the National Court Register.

² – an indirect subsidiary held through shares in Lubelski Węgiel BOGDANKA S.A.

³ – an indirect subsidiary held through shares in Enea Operator Sp. z o.o., 30 June Enea Operator Sp. z o.o. completed the sale of 16 shares in price PLN 2.500 each worth in total amount of PLN 40 thousand.

⁴ – an indirect subsidiary held through shares in Enea Elektrownia Połaniec S.A. On 16 March 2017, the Extraordinary General Meeting of Shareholders of the ENGIE Bioenergia Sp. z o.o. adopted a resolution concerning Change of Company Agreement by changing company's name to Enea Bioenergia Sp. z o.o. On 26 April 2017 the change of Company's Agreement was registered in the National Court Register.

⁵ – On 30 March 2015, the Extraordinary General Meeting of Shareholders of the company adopted a resolution concerning the dissolution of the company, after conducting a liquidation proceeding. The resolution entered into force on 1 April 2015. An application for removing the company from the register was submitted to the National Court Register on 5 November 2015. As of the date of these condensed interim consolidated financial statements procedural steps relating to the deletion of the company from the National Court Register are ongoing.

⁶ – On 10 April 2017, the company's name was changed from ENGIE Energia Polska S.A. to Enea Elektrownia Połaniec S.A. in the National Court Register.

⁷ – On 1 February 2017 Enea S.A. concluded with Energa S.A. an Agreement for the Purchase of 24,980,926 Shares in Elektrownia Ostrołęka S.A. and thereby acquiring an 11.89 % interest in the Company's share capital. On 13 April 2017, the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka S.A. adopted a resolution on increasing the Company's share capital in the private subscription way from PLN 210,100 thousand to PLN 229,100 thousand i.e. by amount PLN 19 000 thousand by issuing new D series shares with a nominal value PLN 1 each. Shares issued in the private subscription were directed to Enea S.A. and ENERGA S.A. On the 27 April 2017 Enea S.A. signed a contract with Elektrownia Ostrołęka S.A. concerning coverage 9,500,000 shares. Increase of the company's share capital was registered in the National Court Register on 30 May 2017. On 27 June 2017 Enea S.A. concluded an Agreement on the Purchase of 20,017,269 Shares in Elektrownia Ostrołęka S.A. and thereby acquiring an 23.79 % shares in the Company's share capital.

⁸ – On 3 April 2017 Enea S.A. acquired 1,500,000 new shares with nominal value of PLN 100 each and total value of PLN 150,000 thousand in Polska Grupa Górnicza Sp. z o.o. On 14 June, the Extraordinary General Meeting of Shareholders of Polska Grupa Górnicza Sp. z o.o. adopted a resolution on increasing the Company's share capital by amount PLN 200,000 thousand, from PLN 3,416,718 thousand to PLN 3,616,718 thousand issuing 2,000,000 new shares with a nominal value of PLN 100 each. As a result Enea S.A. acquired 600,000 shares with total nominal value of PLN 60,000 thousand. The increase in the Company's share capital was registered in the National Court Register on 7 July 2017.

⁹ – On 2 August 2017, the Extraordinary General Meeting of Shareholders of Enea Innovation Sp. z o.o. adopted a resolution no. 1 on increasing the Company's share capital by amount of PLN 300 thousand, from PLN 5 thousand to PLN 305 thousand issuing 3,000 new shares with a nominal value of PLN 100 each.

6. Segment reporting

The management of the Group's activities is conducted by division of operations into segments, which are separated based on types of products and services offered. The Group has five operating segments:

- trade – purchase and sale of electricity and gas,
- distribution – electricity transmission services,
- production – electricity and heat production,
- mining - production and sale of coal, companies supporting the activities of the mine,
- other activities - maintenance and modernization of road lighting equipment, transport, construction services,



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travel services, health care services.

Segment revenue is generated from sales to external clients and transactions with other segments, which are directly attributable to a given segment.

Segment costs include costs of goods sold to external clients and costs of transactions with other Group segments, which result from operations of a given segment and may be directly allocated to them.

The Group measures operating segment's financial results and assesses segment performance with EBIDTA which is operating result adjusted for depreciation and amortization.

Market prices are used in inter-segment transactions, which allow individual units to earn a margin sufficient to carry out independent operations in the market.



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Financial results by segments:

(a) Segment reporting for the period from 1 January to 30 September 2017:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Net sales revenue	3 860 384	2 402 970	1 684 376	342 189	108 243	-	8 398 162
Inter-segment sales	343 020	23 988	1 695 425	964 941	309 804	(3 337 178)	-
Total net sales revenue	4 203 404	2 426 958	3 379 801	1 307 130	418 047	(3 337 178)	8 398 162
Total expenses	(4 073 146)	(2 000 540)	(2 992 515)	(1 115 694)	(407 240)	3 282 873	(7 306 262)
Segment profit/loss	130 258	426 418	387 286	191 436	10 807	(54 305)	1 091 900
Depreciation	(713)	(371 413)	(222 295)	(259 632)	(31 201)		
EBITDA	130 971	797 831	609 581	451 068	42 008		
% of net sales revenue	3.1%	32.9%	18.0%	34.5%	10.0%		
Gain on bargain purchase							11 953
Unassigned Group costs (general and administrative expenses)							(33 998)
Operating profit							1 069 855
Finance cost							(102 756)
Finance income							61 003
Dividend income							526
Shares in results of associates and jointly-controlled entities							7 402
Income tax							(198 081)
Net profit							837 949
Share of non-controlling interests							52 417

The notes presented on pages 13-47 constitute an integral part of the condensed interim consolidated financial statements.



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(b) Segment reporting for the period from 1 July to 30 September 2017:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Net sales revenue	1 289 326	789 061	630 772	82 636	39 593	-	2 831 388
Inter-segment sales	115 043	9 237	601 988	322 377	114 026	(1 162 671)	-
Total net sales revenue	1 404 369	798 298	1 232 760	405 013	153 619	(1 162 671)	2 831 388
Total expenses	(1 378 708)	(645 732)	(1 128 476)	(360 751)	(145 634)	1 129 821	(2 529 480)
Segment profit/loss	25 661	152 566	104 284	44 262	7 985	(32 850)	301 908
Depreciation	(258)	(128 454)	(78 017)	(85 572)	(10 968)		
EBITDA	25 919	281 020	182 301	129 834	18 953		
% of net sales revenue	1.8%	35.2%	14.8%	32.1%	12.3%		
Unassigned Group costs (general and administrative expenses)							(13 674)
Operating profit							288 234
Finance cost							(20 814)
Finance income							(1 516)
Shares in results of associates and jointly controlled entities							1 471
Income tax							(53 257)
Net profit							214 118
Share of non-controlling interests							9 748

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(c) Segment reporting for the period from 1 January to 30 September 2016:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Net sales revenue	4 657 064	2 239 666	607 166	679 287	120 761	-	8 303 944
Inter-segment sales	443 898	33 879	1 850 621	634 816	274 228	(3 237 442)	-
Total net sales revenue	5 100 962	2 273 545	2 457 787	1 314 103	394 989	(3 237 442)	8 303 944
Total expenses	(4 983 822)	(1 777 414)	(2 218 826)	(1 155 164)	(382 538)	3 200 662	(7 317 102)
Segment profit/loss	117 140	496 131	238 961	158 939	12 451	(36 780)	986 842
Depreciation	(550)	(361 338)	(184 150)	(270 766)	(19 928)		
Impairment loss of non-financial non-current assets	-	-	(42 000)	(7 352)	-		
EBITDA	117 690	857 469	465 111	437 057	32 379		
% of net sales revenue	2.3%	37.7%	18.9%	33.3%	8.2%		
Unassigned Group costs (general and administrative expenses)							(37 700)
Operating profit							949 142
Finance cost							(99 594)
Finance income							47 889
Dividend income							148
Income tax							(176 930)
Net profit							720 655
Share of non-controlling interests							44 767

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(d) Segment reporting for the period from 1 July to 30 September 2016:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Net sales revenue	1 517 972	732 741	175 550	238 722	39 527	-	2 704 512
Inter-segment sales	136 313	9 543	592 978	226 719	86 914	(1 052 467)	-
Total net sales revenue	1 654 285	742 284	768 528	465 441	126 441	(1 052 467)	2 704 512
Total expenses	(1 587 371)	(574 900)	(698 132)	(406 859)	(129 803)	1 045 730	(2 351 335)
Segment profit/loss	66 914	167 384	70 396	58 582	(3 362)	(6 737)	353 177
Depreciation	(216)	(119 400)	(63 222)	(88 232)	(7 246)		
Impairment loss of non-financial non-current assets	-	-	-	(7 352)	-		
EBITDA	67 130	286 784	133 618	154 166	3 884		
% of net sales revenue	4.1%	38.6%	17.4%	33.1%	3.1%		
Unassigned Group costs (general and administrative expenses)							(14 606)
Operating profit							338 571
Finance cost							(34 426)
Finance income							5 607
Income tax							(60 323)
Net profit							249 429
Share of non-controlling interests							16 330

The notes presented on pages 13-47 constitute an integral part of the condensed interim consolidated financial statements.



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Financial results by segments (continued)

(a) Other segment reporting information as at 30 September 2017:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Property, plant and equipment	15 632	8 096 623	8 976 799	2 743 084	319 709	(435 502)	19 716 345
Trade and other receivables	869 601	479 613	601 228	351 949	165 465	(736 542)	1 731 314
Total	885 233	8 576 236	9 578 027	3 095 033	485 174	(1 172 044)	21 447 659
ASSETS excluded from segmentation							4 308 557
- including property, plant and equipment							12 221
- including trade and other receivables							35 326
TOTAL: ASSETS							25 756 216
Trade and other liabilities	344 368	352 791	625 890	256 430	288 107	(706 283)	1 161 303
Equity and liabilities excluded from segmentation							24 594 913
- including trade and other liabilities							196 944
TOTAL: EQUITY AND LIABILITIES							25 756 216

for the 9-month period ended 30 September 2017

Capital expenditure for property, plant and equipment and intangible assets	205	593 396	631 749	254 440	12 689	(34 796)	1 457 683
Capital expenditure for property, plant and equipment and intangible assets excluded from segmentation							-
Depreciation and amortization	713	371 413	222 295	259 632	31 201	(8 995)	876 259
Depreciation and amortization excluded from segmentation							1 141
Recognition/(derecognition/utilization) of receivables allowance	6 967	11 349	4 544	226	(1 444)	-	21 642

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(b) Other segment reporting information as at 31 December 2016:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Distribution
Property, plant and equipment	15 762	7 886 676	7 802 643	2 760 196	313 404	(409 966)	18 368 715
Trade and other receivables	983 072	505 957	486 950	242 258	115 628	(548 538)	1 785 327
Total	998 834	8 392 633	8 289 593	3 002 454	429 032	(958 504)	20 154 042
ASSETS excluded from segmentation							4 382 477
- including property, plant and equipment							13 783
- including trade and other receivables							69 851
TOTAL: ASSETS							24 536 519
Trade and other liabilities	390 417	347 056	346 744	273 016	206 956	(458 739)	1 105 450
Equity and liabilities excluded from segmentation							23 431 069
- including trade and other liabilities							84 523
TOTAL: EQUITY AND LIABILITIES							24 536 519
for the 9-month period ended 30 September 2016							
Capital expenditure for property, plant and equipment and intangible assets	226	668 787	938 331	214 835	56 052	(44 841)	1 833 390
Capital expenditure for property, plant and equipment and intangible assets excluded from segmentation							-
Depreciation and amortization	550	361 338	184 150	270 766	19 928	(8 063)	828 669
Depreciation and amortization excluded from segmentation							1 416
Recognition/(derecognition/utilization) of receivables allowance	2 369	3 036	1 846	2 774	(258)	745	10 512

The notes presented on pages 13-47 constitute an integral part of the condensed interim consolidated financial statements.

7. Property, plant and equipment

During the 9-month period ended 30 September 2017 the Group acquired property, plant and equipment for the total amount of PLN 1,433,401 thousand (during the period of 9 months ended 30 September 2016 it was PLN 1,746,139 thousand). The above mentioned amount relates mainly to the production segment (PLN 628,418 thousand) and distribution segment (PLN 540,296 thousand). Expenditures in the production segment relate primarily to the construction of a new power unit. As a result of the acquisition of the ENGIE Group the amount of property, plant and equipment increased by PLN 744,700 thousand.

During the 9-month period ended 30 September 2017 the Group completed the sale and liquidation of property, plant and equipment in the total net book value of PLN 13,483 thousand (during the 9 months ended 30 September 2016 respectively: PLN 24,501 thousand).

During the 9-month period ended 30 September 2017 impairment loss on the book amount of property, plant and equipment decreased by net amount of PLN 2,822 thousand (during 9 months ended 30 September 2016 the impairment loss on the book amount of property, plant and equipment increased by net amount of PLN 48,481 thousand).

As at 30 September 2017 the total allowance on the carrying amount of property, plant and equipment amounted to PLN 1,627,205 thousand (as at 31 December 2016 respectively: PLN 1,630,027 thousand).

As at 30 September 2017 there were no indicators of impairment of property, plant and equipment identified.

8. Intangible assets

During the 9-month period ended 30 September 2017 the Group acquired intangible assets for the total amount of PLN 24,282 thousand (during the period of 9 months ended 30 September 2016 it was PLN 87,251 thousand).

During the 9-month period ended 30 September 2017 the Group has brought into use intangible assets from intangible assets under construction in the amount of PLN 17,818 thousand (during the period of 9 months ended 30 September 2016 respectively: PLN 4,281 thousand).

During the 9-month period ended 30 September 2017 the Group did not complete significant sales and liquidations of intangible assets (neither during the period of 9 months ended 30 September 2016).

9. Acquisition of subsidiaries, associates and jointly controlled entities

	30.09.2017	31.12.2016
Opening balance	2 518	748
Share in net asset change	7 402	-
Acquisition of investments	348 413	1 770
Other changes	(1 210)	-
Closing balance	357 123	2 518

9.1. Acquisition of shares of ENGIE Energia Polska S.A. (currently Enea Elektrownia Połaniec S.A.)

On 30 September 2016 Enea S.A. submitted an offer for the purchase of 100% of shares in ENGIE Energia Polska S.A. (EEP, currently Enea Elektrownia Połaniec S.A.). The offer was submitted according to the description in the process initiated by ENGIE, the owner of 100% of the shares in EEP. On 2 December 2016 the Company obtained exclusivity rights to further negotiations of the purchase of 100% of shares in EEP. On 23 December 2016, the Company signed with ENGIE International Holdings B.V. a conditional agreement on sale of 100% of shares of EEP (Agreement), and indirectly also on sale of 100% of shares of ENGIE Bioenergia Sp. z o.o.

The closure of the transaction was subject to the fulfilment of the following significant conditions precedent:

- obtaining consent of the Minister of Energy, pursuant to the Act on Control of Certain Investments,
- obtaining consent of the President of UOKiK for the concentration,
- waiving of the pre-emption right by the President of the Agricultural Market Agency, and
- performing the conversion of debt of EEP towards entities of the ENGIE group into equity in EEP.

On 28 February 2017, the Company received the information on the satisfaction of the last of the said conditions, which means that all the conditions precedent have been satisfied. On 2 March 2017 the Company received the calculation of the initial selling price of 100% of shares in EEP in the amount of PLN 1,264,159,355 from ENGIE International Holdings B.V.

On 14 March 2017 Enea S.A. acquired 100% of shares in EEP i.e. 7,135,000 shares entitled to the same amount of votes for the initial price of PLN 1,264,159,355. The estimated costs related to the purchase of the shares amounted to PLN 3.9 million. Transaction is consistent with Enea Capital Group's Development Strategy until 2030 approved in September 2016. With this transaction the Company will increase its share in domestic electricity production and will be vice-leader of Polish market of electricity producers. In this condensed interim consolidated financial statements the Company recognizes the allocation of the purchase price to the identifiable net assets acquired.

The following table summarizes fair values of the identifiable assets and liabilities assumed as at the acquisition date:

	<u>14.03.2017</u>
Price paid for shares	1 264 159
Property, plant and equipment	788 858
Intangible assets	18 764
Deferred tax assets	213 553
Cash and cash equivalents	230 065
Trade and other receivables	162 171
Inventories	394 373
Other assets	557
Liabilities	<u>(532 229)</u>
Net assets	<u>1 276 112</u>
Gain on bargain purchase	<u>11 953</u>

In the period from 14 March to 30 September 2017, the EEP Group generated net sales revenue in the amount of PLN 1,147,213 thousand and realized net profit of PLN 101,401 thousand. The Management Board estimates that if the acquisition had occurred on 1 January 2017 the consolidated net sales revenues for the nine months ended 30 September 2017 would have been PLN 8,741,658 thousand and consolidated net profit would be PLN 849,640 thousand.

There were no contingent liabilities that should be recognized as of the acquisition date.

9.2. Acquisition of shares of Polimex-Mostostal S.A.

On 6 December 2016, negotiations were commenced between Enea S.A. and the following companies: Energa S.A., PGE Polska Grupa Energetyczna S.A., PGNiG S.A. (Investors) and between the Investors and Polimex-Mostostal S.A. (Polimex). The aim of the negotiations was to develop the structure of a possible capital involvement of the Investor in Polimex (Investment) and develop a possible model of co-operation between the Investors when carrying out the Investment.

On 27 December 2016, Enea S.A. concluded a letter of intent with the Investors and Polimex, in which the Investors expressed their intention to consider a possible investment in Polimex and based on which they commenced talks with Polimex, aimed at developing detailed parameters of the transaction. At the same time, on that day, the Company along with the Investors submitted a request to the Office of Competition and Consumer Protection (UOKiK) for the consent of the President of the UOKiK to concentration consisting in the acquisition, by the Investors, of joint control of Polimex. The consent was issued on 18 January 2017.

At the same time, also on 18 January 2017, the Company entered into an investment agreement with the Investors and Polimex, under which the Investors undertook to invest in Polimex. The investment consisted in the Investors' subscribing, in total, for 150 million shares issued by Polimex. The Company undertook to subscribe for 37.5 million shares of the new issue for the total issue price of PLN 75 million. The agreement was concluded under conditions precedent described in detail in Current Report 2/2017. Along with the above mentioned agreement, agreements specifying the principles of co-operation as well as mutual rights and obligations of the Investors when carrying out the above mentioned investment were concluded, as well as additional agreements related to the implementation of the investments, concluded with the creditors and hitherto shareholders of Polimex.

On 20 January 2017, due to the fulfilment of the conditions precedent contained in the investment agreement referred to above the Company accepted the offer, submitted by the management board of Polimex, of private subscription for 37.5 million shares at the issue price of PLN 2 per share, i.e. for the total issue price of PLN 75 million. In addition, as a result under one of the above additional agreements, on 20 January 2017, the Company acquired 1.5 million shares of Polimex from its hitherto shareholder. The purchase price of all shares amounted of PLN 80.6 million. Enea S.A. taken up a 16.48% interest in the company's share capital.

The investment agreement enables Investors to affect the financial and operating policies of Polimex. These rights are exercised by the Supervisory Board. Moreover, the Investors have signed an agreement concerning investments in Polimex ("the Arrangement"). The aim of the conclusion of the Arrangement is to ensure increased control over Polimex for the Investors which collectively hold the majority of the votes at the Shareholders' Meeting of Polimex. The Arrangement provides, among other things, for adopting, by way of voting, a common position when making key decisions to be taken by the Shareholders' Meeting and the Supervisory Board of Polimex, including determining the composition of the Management Board of Polimex. Due to the aforementioned rights of the Investors, which translate into having a significant effect, the share in Polimex has been classified as an associate recognized under the equity accounting method.

Polimex is an engineering and construction company which offers a wide range of services provided on a general contracting basis. Polimex is a company listed on the Warsaw Stock Exchange.

The Group is currently working on purchase price allocation of Polimex.

On 21 March 2017 Investors announced a tender offer for shares of Polimex as a result of exceeding the 33% threshold of the total number of votes at the general meeting of Polimex. Tender offer was of secondary nature and Investors intended to acquire in tender offer shares in excess of number of shares currently held by Investors (i.e. in total 65.93% of the total number of votes in Polimex) and get no more than 66% of total votes at the general meeting of Polimex. As a result of tender offer each of Investors (including Enea) intended to get no more than approximately 0.018% of total votes at the general meeting of Polimex. The call was settled on 28 April 2017 and, as a result, each Investor purchased 24 shares in Polimex. At present, the Company holds 39,000,024 shares in Polimex, representing a 16.48% interest in the share capital of Polimex. In total, the Investors hold 156,000,097 shares, representing a 65.9% interest in the share capital of Polimex.

On 27 July 2017, Investors approved Polimex request to extend the date for admission of the T series shares to public trading on the Warsaw Stock Exchange till 31 October 2017.

On 20 October 2017, the Polish Financial Supervision Authority approved Polimex prospectus prepared in connection with the issue of 150,000,000 T series ordinary shares.

9.3. Realization of the Investment Agreement with Energa S.A. and Elektrownia Ostrołęka S.A. on the construction and operation of a power unit in Ostrołęka Power Plant

On 19 September 2016 Enea S.A. signed a letter of intent with Energa S.A. on engaging in cooperation in preparing, completing and utilizing a modern 1,000 MW coal-fired unit in Elektrownia Ostrołęka (the Investment, Ostrołęka C).

The Parties' intention is to jointly develop an effective business model for Ostrołęka C, verify its documentation and optimize the technical and economic parameters of the new power generation unit. Cooperation also includes conducting a tender to appoint a general contractor for the Project.

The Parties have agreed that the completion of the Project will have a positive impact on Poland's energy security, will meet the highest environmental standards and will ensure yet another stable, highly efficient and low-emission source of energy within the National Grid.

On 8 December 2016, the Company concluded the Investment Agreement on the implementation of the project Ostrołęka C. The subject of the Agreement is to prepare, construct, and operate the power unit referred to above. Pursuant to the Agreement signed, the co-operation will proceed, as a rule, as part of three stages: Development Stage – until the general contractor is instructed to commence the work; Construction Stage – until Ostrołęka C is commissioned for the purposes of commercial operation, and Operation Stage – commercial operation of Ostrołęka C. After the Development Stage is completed, Enea S.A. is obliged to participate in the Construction Stage, provided, however, that the condition of profitability of the Project is met, and financing the Project does not infringe bank covenants of the Company. It is estimated that the total investment outlays of Enea S.A. until the completion of the Development Stage will total approx. PLN 128 million. For the purposes of the implementation of the investment, Energa S.A. shall dispose of shares of Elektrownia Ostrołęka S.A., constituting 50% in the share capital, in favour of Enea S.A., in price PLN 101 million. The condition precedent for the entry into force of the Investment Agreement was obtaining the consent of the President of UOKiK for the concentration consisting in the acquisition of shares of the special purpose vehicle established to implement the Project. The condition was fulfilled on 11 January 2017.

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On 19 December 2016, the special purpose vehicle announced a tender procedure to select the general contractor for the construction of the Ostrołęka C power plant with capacity of approx. 1,000 MW and net fuel efficiency of at least 45 per cent, operating on supercritical steam parameters. Elektrownia Ostrołęka S.A., if certain assumptions are implemented (including an adequate share of Enea S.A., Energa S.A. and possible Financial Investors), and assuming that Capacity Market or other assistance mechanisms are introduced, will be able to undertake the comprehensive implementation of the Project.

On 1 February 2017, Enea S.A. concluded an Agreement on the Purchase of 24,980,926 Shares in Elektrownia Ostrołęka S.A. with ENERGA S.A. for a total of PLN 24 million and thereby acquiring an 11.89% interest in the Company's share capital.

Under the above agreements ENERGA S.A. and Enea S.A. assumed joint control over Elektrownia Ostrołęka SA, with its registered office in Ostrołęka, whose activities are aimed at constructing and operating a new coal unit. Both parties will hold 50% of shares in Elektrownia Ostrołęka S.A. each and the same number of votes at the General Meeting. The Management Board and the Supervisory Board will consist of the same number of representatives of both investors. Decisions concerning important activities will require the unanimous consent of both shareholders which have rights to the net assets of Elektrownia Ostrołęka S.A. Bearing the above in mind, the investment has been classified as a joint venture and is recognized under the equity accounting method.

Elektrownia Ostrołęka S.A. is a non-public company. Therefore, there are no listed market prices for its shares.

On 13 April 2017, the Extraordinary General Shareholders' Meeting of Elektrownia Ostrołęka S.A. adopted a resolution on increasing the company's share capital from PLN 210,100 thousand to PLN 229,100 thousand by issuing new shares. In a private subscription, Enea S.A. acquired 9,500,000 shares in consideration for the contribution in cash which was made on 28 April 2017. After taking up new issued shares, Enea increased its share in the share capital of Elektrownia Ostrołęka S.A. to 15.1%. On 27 June 2017 Enea S.A. with Energa S.A. concluded an Agreement on the Purchase of 20,017,269 shares in Elektrownia Ostrołęka S.A. for a total of PLN 19.2 million and increasing its share in the share capital in Elektrownia Ostrołęka S.A. to 23.79%.

9.4. Recapitalization in Polska Grupa Górnicza Sp. z o.o.

In relation to the process of acquiring capital investors by Katowicki Holding Węglowy S.A., in July 2016 Enea S.A. started talks with possible investors on the possibility of implementation of the Investment and its possible parameters. On 28 October 2016, Enea S.A. signed with Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o. (Investors) a letter of intent expressing preliminary interest in financial involvement in Katowicki Holding Węglowy S.A. or KHW's assets.

Due to the interest of Polska Grupa Górnicza Sp. z o.o. (PGG) in acquiring selected assets of Katowicki Holding Węglowy S.A. and the commencement of the process of recapitalization in PGG, Enea S.A. conducted the necessary analyses of the Business Plan presented by PGG with the existing PGG Shareholders and expressed its interest in capital commitment in Polska Grupa Górnicza Sp. z o.o.

On 30 March 2017, the Supervisory Board of Enea S.A. approved the Company's entering into Polska Grupa Górnicza Sp. z o.o. and taking up new shares in PGG's capital with a nominal value of PLN 300 million in consideration for the contribution in cash of PLN 300 million.



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On 31 March 2017, the Company concluded:

- an investment agreement specifying the conditions for the financial investment in PGG (Investment Agreement),
- an arrangement relating to the exercise of a joint control over PGG (the Investors' Arrangement).

Investment Agreement

The Parties to the Investment Agreements are: Enea S.A., ENERGA Kogeneracja Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A., Węglokoks S.A., Towarzystwo Finansowe Silesia Sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych) (the Investors) and PGG. The Investment Agreement provided that PGG would acquire selected mining assets from Katowicki Holding Węglowy S.A. on the basis of the final agreement which was concluded on 1 April 2017.

The Investment Agreement regulates the course of the Investment and the Company's entering into PGG, principles of operation of PGG and its authorities, and also the terms under which the parties may exit from the investment in PGG.

As part of PGG recapitalisation the Company undertook to subscribe for new shares in PGG with the total nominal value of PLN 300 million in consideration for the contribution in cash amounting to PLN 300 million, in three stages:

- a) as the first stage the Company subscribed for the new shares in PGG totalling to PLN 150 million in consideration for the contribution in cash amounting to PLN 150 million. After taking up the shares the Company holds a 4.39% share in PGG's share capital. The first recapitalisation was performed in April 2017,
- b) as the second stage the Company subscribed for the new shares in PGG totalling to the PLN 60 million in consideration for the contribution in cash amounting to 60 million. After taking up the shares the Company holds 5.81% share in PGG's share capital. The second recapitalisation was performed in June 2017,
- c) as the third stage the Company will subscribe for the new shares in PGG totalling to PLN 90 million in consideration for the contribution in cash amounting to PLN 90 million. After taking up the shares the Company will hold a 7.66% share in PGG's share capital. The third recapitalisation is to be performed in the first quarter of 2018.

The Agreement regulates the principles of appointing members of the Supervisory Board, according to which each of the Investors and the State Treasury will be entitled to nominate one member of the Supervisory Board composed of eight members maximally.

The Investment is in line with Enea Capital Group's Development Strategy whose one element is securing the base of commodities for the conventional power engineering.

Investors' Arrangement

According to the Investors' Arrangement, the Company together with ENERGA Kogeneracja Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (the Controlling Shareholders) took over control over PGG. The Investors' Arrangement regulates the principles of determining a common position of the Controlling Shareholders as regards the decisions relating to PGG.

Furthermore, on 31 March 2017 a letter of intent signed on 16 October 2016 by Enea S.A., Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o., concerning the previously analysed capital investment in Katowicki Holding Węglowy S.A. was terminated.

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10. Non-current assets held for sale

	30.09.2017	31.12.2016
Property, plant and equipment	-	4 330
Total non-current assets held for sale	-	4 330

11. Allowance on trade and other receivables

	30.09.2017	31.12.2016
Opening balance of receivables allowance	129 483	116 161
Acquisition of subsidiaries	5 537	-
Addition	31 841	25 977
Reversed	(4 232)	(1 744)
Utilized	(11 504)	(10 911)
Closing balance of receivables allowance	151 125	129 483

During the 9-month period ended 30 September 2017 the allowance on the carrying amount of trade and other receivables increased by PLN 21,642 thousand (during the period of 9 months ended 30 September 2016 the impairment allowance increased by PLN 10,512 thousand).

12. Inventories

	30.09.2017	31.12.2016
Raw materials	443 387	262 506
Semi-finished products and work in progress	692	245
Finished products	22 957	22 374
Certificates of origin	245 098	163 801
Merchandise	12 911	9 042
Gross carrying amount	725 045	457 968
Inventory allowances	(7 565)	(9 027)
Net carrying amount	717 480	448 941

During the 9-month period ended 30 September 2017 the inventory allowance decreased by PLN 1,462 thousand (during the period of 9 months ended 30 September 2016 the inventory allowance increased by PLN 5,544 thousand).

13. Certificates of origin

	30.09.2017	31.12.2016
Net carrying amount opening balance	161 459	196 077
Acquisition of subsidiaries	48 672	-
Self-production	91 999	57 307
Acquisition	100 594	308 543
Redemption of emission rights	(128 430)	(397 934)
Sale	(31 538)	-
Change of impairment loss	1 853	(2 534)
Net carrying amount closing balance	244 609	161 459

14. Restricted cash

As at 30 September 2017 the restricted cash amounted to PLN 115,531 thousand. The restricted cash of the Group comprised transaction deposits and related to trading in energy and CO₂ emission rights, deposits received from suppliers, and blockade of cash to secure proper execution of works.

As at 31 December 2016 the restricted cash amounted to PLN 50,668 thousand.

15. Financial assets measured at fair value through profit or loss

As at 30 September 2017, in "Financial assets measured at fair value through profit or loss" the Company presented call options on shares in Polimex-Mostostal S.A. On the basis of the call options contract dated 18 January 2017, Enea S.A. acquired call options from Towarzystwo Finansowe Silesia Sp. z o.o. This contract provides for the purchase (in three tranches) of total 9,125 thousand of shares, at a nominal price of PLN 2 per share, on specific dates, i.e.: 30 July 2020, 30 July 2021 and 30 July 2022. The call options were measured at fair value using the Black-Scholes model. The book value of the options amounted to PLN 34,561 thousand as at 30 September 2017.

Moreover, in financial assets measured at fair value through profit or loss the Group recognizes the valuation of forward contracts for the purchase of CO₂ emission rights and related to property rights of PLN 19,332 thousand (as at 31 December 2016: PLN 4,964 thousand).

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(all amounts in PLN'000, unless specified otherwise)
16. Loans, borrowings and debt securities

	30.09.2017	31.12.2016
Bank loans	1 755 979	1 561 382
Borrowings	73 627	48 594
Bonds	4 637 685	4 665 668
Long-term	6 467 291	6 275 644
Bank loans	100 208	72 586
Borrowings	12 180	10 797
Bonds	345 920	365 519
Short-term	458 308	448 902
Total	6 925 599	6 724 546

During the 9-month period ended 30 September 2017 the carrying amount of loans, borrowings and debt securities increased by net amount of PLN 201,053 thousand (during the period of 9 months ended 30 September 2016 the carrying amount of loans, borrowings and debt securities increased by PLN 450,142 thousand).

Loans and borrowings

A brief description of significant loan agreements and borrowings of Enea Group is presented below:

Enea S.A.

At present Enea S.A. has loan agreements concluded with EIB for a total amount of PLN 2,371,000 thousand (agreement A for PLN 950,000 thousand, agreement B for PLN 475,000 thousand and agreement C for PLN 946,000 thousand).

The funds from EIB are designated for financing of long-term investment plan for the modernization and extension of the power grids of Enea Operator Sp. z o.o. Funds from Agreement A and B are fully utilized. The availability period for Agreement C expired is December 2017 (Enea S.A. obtained the consent of the EIB to extend the availability period concluded an appropriate annex). Interest rate on loans can be fixed or floating.

In January 2017 Enea S.A. has drawn third tranche from EIB under agreement C in the amount of PLN 250,000 thousand. The loan is denominated in PLN, with a floating rate based on WIBOR 6-month plus the Bank's margin. Tranche will be repaid in equal instalments, and the final loan repayment is planned for December 2031.

Enea Wytwarzanie Sp. z o.o.

Investment loan from NFOŚiGW - the loan agreement concluded with NFOŚiGW on 6 June 2012 for the period from 1 October 2013 to 30 September 2018. The amount of used loan is PLN 17,850 thousand. The annual interest rate of the loan is WIBOR 3M+50 bps.

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Investment loan from NFOŚiGW - the loan agreement concluded with NFOŚiGW on 22 December 2015 for the period from 1 April 2016 to 20 December 2026 with limit of PLN 60,075 thousand. The amount of used loan bears interest rate on the basis of WIBOR 3M - but not less than 2% per annum. The grace period ends on 29 September 2018.

The total loans of Enea Wytwarzanie Sp. z o.o. at 30 September 2017 amount to PLN 58,263 thousand (31 December 2016: PLN 27,375 thousand).

Lubelski Węgiel Bogdanka S.A.

On 16 December 2016 the company concluded with mBank loan agreement in the current account up to the amount of PLN 100,000 thousand. It bears interest at a variable rate. The maturity date is on 30 November 2018. As at the reporting date the company did not use the limit.

The table of loans and borrowings of Enea Group is presented below.

No.	Entity	Lender	Date of agreement	Total amount	Outstanding as at 30.09.2017	Outstanding as at 31.12.2016	Term of the agreement
1.	Enea S.A.	EIB	18 October 2012 and 19 June 2013 (A and B)	1 425 000	1 391 087	1 425 000	31 December 2030
2.	Enea S.A.	EIB	29 May 2015 (C)	946 000	450 000	200 000	31 March 2032
3.	Enea S.A.	PKO BP	28 January 2014, Annex no 1 from 25 January 2017	300 000	-	-	31 December 2019
4.	Enea S.A.	Pekao S.A.	28 January 2014, Annex no 1 from 25 January 2017	150 000	-	-	31 December 2019
5.	Enea Wytwarzanie Sp. z o.o.	NFOŚiGW	6 June 2012	17 850	4 738	8 269	30 September 2018
6.	Enea Wytwarzanie Sp. z o.o.	NFOŚiGW	22 December 2015	60 075	53 525	19 106	20 December 2026
7.	LWB	mBank	16 December 2016	100 000	-	-	30 November 2018
8.	Other	-	-	-	36 727	42 563	-
TOTAL				2 998 925	1 936 077	1 694 938	
Transaction costs and the valuation effect according to the effective interest rate					5 917	(1 579)	
TOTAL				2 998 925	1 941 994	1 693 359	

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(all amounts in PLN'000, unless specified otherwise)
Bond issue programmes

Enea S.A. concludes agreements for the bond issue programmes to finance current operations and investments needs of Enea S.A. and its subsidiaries.

The summary of the bonds issued by Enea S.A. and Lubelski Węgiel Bogdanka S.A. is presented below.

No.	Name of bonds issue programme	Date of the conclusion of programme	Amount of the programme	Amount of issued unredeemed bonds as at 30.09.2017	Amount of issued bonds as at 31.12.2016	Redemption date
1.	Bonds Issue Programme Agreement with PKO BP S.A., Bank Pekao S.A., BZ WBK S.A. and Bank Handlowy w Warszawie S.A. (Enea S.A.)	21 June 2012	3 000 000	2 091 000	1 951 000	Redemption from June 2020 till June 2022.
2.	Bonds Issue Programme Agreement with Bank Gospodarstwa Krajowego (Enea S.A.)	15 May 2014	1 000 000	960 000	1 000 000	Redemption in installments, final maturity is December 2026.
3.	Bonds Issue Programme Agreement with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A. (Enea S.A.)	30 June 2014	5 000 000	1 500 000	1 500 000	Redemption of a given series in February 2020 and September 2021.
4.	Bonds Issue Programme Agreement with Bank Gospodarstwa Krajowego (Enea S.A.)	3 December 2015	700 000	150 000	-	Redemption in installments, final maturity is September 2027.
5.	Bonds Issue Programme Agreement with Bank PEKAO S.A. (LWB)	23 September 2013	300 000	301 911	300 041	Redemption in installments, final maturity is December 2018.
6.	Bonds Issue Programme Agreement with Bank PEKAO S.A. and Bank Gospodarstwa Krajowego (LWB)	30 June 2014	300 000	-	300 039	Redemption in March 2017.
TOTAL			10 300 000	5 002 911	5 051 080	
Transaction costs and the valuation effect according to the effective interest rate				(19 306)	(19 893)	
TOTAL			10 300 000	4 983 605	5 031 187	

The notes presented on pages 13-47 constitute an integral part of the condensed interim consolidated financial statements.

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During the 9-month period ended 30 September 2017, Enea S.A. did not change the Programme Agreements, neither concluded any new agreements. On 15 September 2017, Enea S.A. redeemed bonds in instalments in total amount of PLN 40,000 thousand under the Bonds Issue Programme Agreement up to PLN 1,000,000,000 as of 15 May 2014 concluded between Enea S.A. and BGK.

Bonds Issue Programme Agreement up to PLN 700,000 thousand

In March 2017 Enea S.A. issued first tranche of bonds of PLN 150 000 thousand under the Programme.

Bonds Issue Programme Agreement up to PLN 3,000,000 thousand

In April 2017 Enea S.A. under the Programme issued IX series of bonds of PLN 140,000 thousand. Bonds interest rate is based on a variable interest rate, and the bond redemption date is 15 June 2022.

Lubelski Węgiel Bogdanka S.A. - financial obligations arising from bonds issued by LWB concern currently one programme agreement. Under the Programme Agreement, concluded by the company on 23 September 2013 with Bank Polska Kasa Opieki S.A., 3,000 bonds of total value of PLN 300,000 thousand with maturity till 31 December 2018 were issued. The maturity date of the portion of the bonds worth PLN 75,000 thousand is 30 March 2018, the maturity date of another portion of the bonds worth PLN 75,000 thousand is 30 June 2018, the maturity date of another portion of the bonds worth PLN 75,000 thousand is 30 September 2018 and the maturity date of the remaining bonds worth PLN 75,000 thousand is 30 December 2018. Bonds interest rate is based on WIBOR 3M increased by fixed margin.

Until 30 March 2017 LWB held bonds under the second Programme Agreement concluded on 30 June 2014 with Bank Polska Kasa Opieki S.A. and Bank Gospodarstwa Krajowego. On 10 March 2017, the Management Board of LWB concluded an annex to this agreement with Bank Polska Kasa Opieki S.A. and Bank Gospodarstwa Krajowego. According to the provisions of the annex, the expiry date of the Programme for Tranche 1 was changed from 31 December 2019 to 30 March 2017. Therefore, on 30 March 2017 LWB repurchased the registered LWB01C300617 series bonds. The repurchased Tranche 1 comprised 300 bonds with a nominal value of PLN 1,000 thousand each and with a total nominal value of PLN 300,000 thousand. Consequently, the Programme Agreement expired.

Transactions hedging interest rate risk

During the 9-month period ended 30 September 2017 Enea S.A. did not conclude transactions to hedge interest rate risk (Interest Rate Swap). As at 30 September 2017, the total value of the IRS transactions amounted to PLN 4,435,000 thousand. Concluded transactions will substantially affect the predictability of cash flows and financial costs. The valuation of these financial instruments is presented in "Derivatives". As at 30 September 2017 the valuation of derivatives amounted to PLN 29,558 thousand (as at 31 December 2016: PLN 40,267 thousand).

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Transactions hedging currency risk

During the 9-month period ended 30 September 2017 the Company entered into FX FORWARD transactions for the total volume EUR 497 thousands. Settlement date of the last transaction falls on December 2017. As at 30 September 2017 the valuation of instruments amounted to PLN 1 thousand (as at 31 December 2016: PLN 0 thousand).

Financing conditions – covenants

Financing agreements assume compliance by the Group and the Group with certain financial ratios. As at 30 September 2017 and the date of these condensed interim consolidated financial statements, the Group did not breach the regulations of loan agreements, on the basis of which the Group would be required to early repayment of long-term debt.

17. Financial instruments

The table below presents fair values as compared to carrying amounts:

	30.09.2017		31.12.2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets available for sale (shares in unrelated parties)	43 304	43 304	42 482	42 482
Non-current financial assets measured at fair value through profit or loss	38 960	38 960	112	112
Derivatives	29 558	29 558	40 267	40 267
Current financial assets held to maturity	477	477	478	478
Current financial assets measured at fair value through profit or loss	14 933	14 933	4 852	4 852
Trade and other receivables	1 415 703	(*)	1 435 353	(*)
Cash and cash equivalents	1 679 216	1 679 216	2 340 217	2 340 217
Cash deposits at Mine Closure Fund	112 639	112 639	111 218	111 218
Loans, borrowings and debt securities	6 925 599	6 974 025	6 724 546	6 778 513
Derivatives	1	1	-	-
Finance lease liabilities	4 084	4 084	5 138	5 138
Trade and other liabilities	1 039 330	(*)	985 504	(*)
Financial liabilities measured at fair value through profit or loss	16 785	16 785	2 502	2 502

(*)The carrying amounts of trade and other receivables, trade and other liabilities approximates their fair value.

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Financial assets available for sale include shares in unrelated parties for which the ratio of interest in equity is lower than 20%. The positions comprises also shares in PGE EJ1 Sp. o.o. in the amount of PLN 26,902 thousand for which there is no quoted market price in an active market and whose fair value - because of the initial phase of the company's activity - is based on incurred cost.

Derivatives comprise the valuation of interest rate hedging transactions (Interest Rate Swap) and valuation of currency exchange rate hedging transaction (forward). The fair value of derivatives is determined by calculating the net present value based on two yield curves, i.e. the curve to determine the discount factor and curve used to estimate future rates of variable reference rates.

Non-current financial assets measured at fair value through profit or loss is share call options of company Polimex-Mostostal S.A.

The table below presents the analysis of financial instruments measured at fair value and classified into the following three levels:

Level 1 – fair value based on stock exchange prices (unadjusted) offered for identical assets or liabilities in active markets,

Level 2 – fair value determined based on market observations instead of market quotations (e.g. direct or indirect reference to similar instruments traded in the market),

Level 3 – fair value determined using various valuation methods, but not based on observable market information.

	30.09.2017			
	Level 1	Level 2	Level 3	Total
Derivatives				
Interest Rate Swap used for hedging	-	29 558	-	29 558
Financial assets measured at fair value through profit or loss				
Forward contracts	-	19 332	-	19 332
Call options	-	34 561	-	34 561
Financial assets available for sale				
Not listed equity instruments	-	-	1 402	1 402
Total	-	83 451	1 402	84 853
Financial liabilities measured at fair value through profit or loss				
Forward contracts	-	(16 785)	-	(16 785)
Hedging foreign exchange rate risk	-	(1)	-	(1)
Total	-	(16 786)	-	(16 786)

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	31.12.2016			Total
	Level 1	Level 2	Level 3	
Derivatives				
Interest Rate Swap used for hedging	-	40 267	-	40 267
Financial assets measured at fair value through profit or loss				
Forward contracts	-	4 964	-	4 964
Financial assets available for sale				
Not listed equity instruments	-	-	580	580
Total	-	45 231	580	45 811
Financial liabilities measured at fair value through profit or loss				
Forward contracts	-	(2 502)	-	(2 502)
Total	-	(2 502)	-	(2 502)

18. Deferred income due to subsidies, connection fees and other

	30.09.2017	31.12.2016
Long-term		
Deferred income due to subsidies	194 270	206 198
Deferred income due to connection fees	404 547	416 906
Deferred income due to street lighting modernization services	43 145	36 928
	641 962	660 032
Short-term		
Deferred income due to subsidies	15 589	15 115
Deferred income due to connection fees	69 016	67 879
Deferred income due to street lighting modernization services	1 112	1 033
Valuation of building contracts	447	123
	86 164	84 150
Deferred income schedule		
	30.09.2017	31.12.2016
Up to 1 year	86 164	84 150
1 to 5 years	135 844	142 411
Over 5 years	506 118	517 621
	728 126	744 182

During the 9-month period ended 30 September 2017 the carrying amount of deferred income from subsidies, connection fees and other decreased by the net amount of PLN 16,056 thousand (during the period of 9 months ended 30 September 2016 the carrying amount of deferred income from subsidies, connection fees and other decreased by PLN 14,009 thousand).

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19. Deferred income tax

Changes in deferred income tax assets and liabilities (considering the net-off of the asset and liability) are as follows:

	30.09.2017	31.12.2016
Deferred tax asset – opening balance	403 257	616 795
Deferred tax liability – opening balance	191 798	388 117
Net deferred tax asset -opening balance	(211 459)	(228 678)
Acquisition of subsidiaries	(142 825)	-
Change recognized in profit or loss	66 751	8 425
Change recognized in other comprehensive income	(8 733)	8 794
Net deferred tax asset - closing balance, including:	(296 266)	(211 459)
Deferred tax asset – closing balance	497 300	403 257
Deferred tax liability – closing balance	201 034	191 798

During the 9-month period ended 30 September 2017, the Group's profit before tax was debited with PLN 66,751 thousand as a result of the decrease in net deferred tax asset (during the period of 9 months ended 30 September 2016 the Group's profit before tax was credited with PLN 2,266 thousand as a result of the increase in net deferred tax asset).

20. Provisions for other liabilities and charges
Provision for other liabilities and charges divided into current and non-current position

	30.09.2017	31.12.2016
Non-current	663 411	635 488
Current	902 057	789 718
Total	1 565 468	1 425 206

During the 9-month period ended 30 September 2017 the provisions for other liabilities and charges increased by the net amount of PLN 140,262 thousand (during the period of 9 months ended 30 September 2016 the provisions for other liabilities and charges increased by the net amount of PLN 167,794 thousand).

Change in provisions for other liabilities and charges
for the period ended 30.09.2017

	Provision for non-contractual use of land	Provision for other claims	Provision for land reclamation	Provision for certificates of origin	Provision for CO2 emissions rights	Mine liquidation	Other	Total
Opening balance	203 291	41 347	49 893	275 162	285 184	110 188	460 141	1 425 206
Acquisition of subsidiaries	-	-	623	1 937	157 392	-	12 232	172 184
Unwinding of discount and discount rate change	-	-	-	-	-	2 645	151	2 796
Increase in provisions	10 487	77 313	776	214 362	308 315	-	21 551	632 804
Provisions used	(84)	(642)	-	(243 366)	(399 308)	-	(1 630)	(645 030)
Provision reversed	(7 335)	(800)	-	(9)	(3 260)	(3 032)	(8 056)	(22 492)
Closing balance	206 359	117 218	51 292	248 086	348 323	109 801	484 389	1 565 468

In the period of 9-month ended 30 September 2017, Enea S.A. recognized provision in the amount of PLN 68,734 thousand for potential claims related to the termination by Enea S.A. contracts for the purchase of certificates of energy origin from renewable energy sources.

Other provisions relate mainly to:

- wind farm Skoczyloty - PLN 129,000 thousand (as at 31 December 2016 PLN 129,000 thousand),
- potential liabilities related with electricity infrastructure and resulting from differences in interpretation of laws and regulations - PLN 161,820 thousand (as at 31 December 2016 PLN 148,259 thousand),
- costs of using forest lands managed by State Forests - PLN 107,518 thousand (as at 31 December 2016 PLN 108,245 thousand),
- real property tax in Lubelski Węgiel Bogdanka S.A. - PLN 39,939 thousand (as at 31 December 2016 PLN 32,456 thousand),
- ZUS claims arising from accident contribution in Lubelski Węgiel Bogdanka S.A. - PLN 21,015 thousand (as at 31 December 2016 PLN 20,042 thousand),
- restoration of mining damages - PLN 3,612 thousand (as at 31 December 2016 PLN 4,440 thousand).

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A description of material claims and contingent liabilities has been presented in note 23.

21. Related party transactions

The Group companies conclude transactions with the following related parties:

- the Group's constituent entities – transactions are eliminated at the consolidation stage;
- transactions concluded between the Group and Members of its governing bodies fall within two categories:
 - those resulting from appointment of Members of the Supervisory Boards,
 - resulting from other agreements under civil law;
- transactions with entities whose shares are held by the State Treasury of the Republic of Poland.

Transactions with members of the Group's governing bodies:

Item	Management Board of the Company		Supervisory Board of the Company	
	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
Remuneration under managerial contracts and consultancy agreements	4 082**	11 565*	-	-
Remuneration relating to appointment of members of supervisory bodies	-	-	626	347
TOTAL	4 082	11 565	626	347

* Remuneration includes bonuses for 2015 and compensation resulting from non – competition agreements for former members of the Management Board in the amount of PLN 7,105 thousand,

** Remuneration includes bonuses for 2016 in the amount of PLN 1,749 thousand and severance payment and compensation resulting from non-competition agreements for former members of the Management Board in the amount of PLN 440 thousand

During the 9-month period ended 30 September 2017 there were no loans granted from the Company's Social Benefits Fund to the members of the Supervisory Board (PLN 0 thousand during the 9-month period ended 30 September 2016). During this period repayments of the loans amounted to PLN 4 thousand (PLN 9 thousand during the 9-month period ended 30 September 2016).

Other transactions resulting from agreements under civil law concluded between Enea S.A. and Members of the Parent's Bodies relate only to private use of Company's cars by Members of the Management Board of Enea S.A.

The Group also concludes business transactions with entities of the central and local administration and entities controlled by the State Treasury of the Republic of Poland.

The transactions concern mainly:

- purchase of coal, electricity, property rights resulting from certificates of origin as regards renewable energy and energy cogenerated with heat and transmission and distribution services from companies controlled by the State Treasury,

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(all amounts in PLN'000, unless specified otherwise)

- sale of electricity, distribution services, connection to the grid as well as other related fees and coal, provided by the Group both to central and local administration bodies (sale to end users) and entities controlled by the State Treasury (wholesale and retail sale to end users).

Such transactions are concluded under arm's length terms and their conditions do not differ from those applied in transactions with other entities. The Group does not keep a register which would allow to aggregate the values of all transactions with state institutions and entities controlled by the State Treasury.

22. Future liabilities under contracts as at the end of the reporting period

Contractual obligations related to the acquisition of property, plant and equipment, intangible assets assumed as at the end of the reporting period, not yet recognized in the statement of financial position:

	30.09.2017	31.12.2016
Acquisition of property, plant and equipment	1 681 018	1 644 896
Acquisition of intangible assets	32 559	38 134
	1 713 577	1 683 030

23. Contingent liabilities and proceeding before courts, arbitration or public administration bodies

23.1. Sureties and guarantees

The table below presents actual relevant bank guarantees under the agreements concluded with BZ WBK S.A. as at 30 September 2017 to the limits specified therein.

Guarantee date	Guarantee period	Guarantee for	Bank - issuer	Guarantee value in PLN thousand
01.01.2016	11.08.2018	Górecka Projekt Sp. z o.o.	BZ WBK S.A.	1 662
21.12.2016	30.01.2018	Urząd Marszałkowski Województwa Zachodniopomorskiego w Szczecinie	BZ WBK S.A.	1 325
05.07.2017	16.10.2017	PKP Polskie Linie Kolejowe S.A.	BZ WBK S.A.	2 100
25.09.2017	30.11.2017	Zakład Wodociągów i Kanalizacji Sp. z o.o.	BZ WBK S.A.	1 000
Total				6 087

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*(all amounts in PLN'000, unless specified otherwise)***23.2. Pending proceedings before courts of general jurisdiction**Actions brought by the Group

Actions which Enea S.A. and Enea Operator Sp. z o.o. brought to courts of general jurisdiction refer to claims for receivables due to provision of electricity (the so-called electricity cases) and claims for other receivables – illegal consumption of electricity, connections to the grid and other specialized services (the so-called non-electricity cases).

Actions brought to courts of general jurisdiction by Enea Wytwarzanie Sp. z o.o. are connected mainly with claims for outstanding invoice payments and contractual penalties from the Company's contractors.

As at 30 September 2017, the total of 18,666 cases brought by the Group were pending before common courts for the total amount of PLN 248,080 thousand (16,487 cases for the total amount of PLN 161,308 thousand as at 31 December 2016).

None of the cases can significantly affect the Group's net result.

Actions brought against the Group

Actions against the Group are brought both by natural and legal entities. They mainly refer to issues such as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for use by the Group of real property where electrical devices are located. The Group considers actions concerning noncontractual use of real property not owned by the Group as particularly important.

Actions brought to courts of general jurisdiction against Enea Wytwarzanie Sp. z o.o. are connected mainly with compensations and contractual penalties.

As at 30 September 2017 there were 2,491 cases pending before common courts which have been brought against the Group for the total amount of PLN 469,047 thousand (2,314 cases for the total amount of PLN 368,702 thousand as at 31 December 2016). Provisions related to the court cases are presented in note 20.

23.3. Motions for settlement of not balanced energy trading in 2012

On 30 and 31 December 2014 Enea S.A. submitted motions for settlement to:

	Claimed amounts in PLN thousand
PGE Polska Grupa Energetyczna S.A.	7 410
PKP Energetyka S.A.	1 272
TAURON Polska Energia S.A.	17 086
TAURON Sprzedaż GZE Sp. z o.o.	1 826
FITEN S.A.	207
Total	27 801

The subject of motions was claim for the payment for electric energy incorrectly settled under the system of energy balancing in 2012. Claimed companies earned unjustified benefits by refusing Enea S.A. to issue invoice corrections for 2012.

In the absence of amicable settlement of the above case, Enea S.A. filed the following lawsuits against above mentioned entities:

- FITEN S.A. - lawsuit of 24 November 2015,
- TAURON Polska Energia S.A. – lawsuit of 10 December 2015,
- TAURON Sprzedaż GZE Sp. z o. o. – lawsuit of 10 December 2015,
- PKP Energetyka S.A. – lawsuit of 28 December 2015,
- PGE Polska Grupa Energetyczna S.A. – lawsuit of 29 December 2015.

In the case against FITEN S.A. Enea S.A. filed a cassation complaint with the Supreme Court. In other proceedings, there have been no settlement of disputes.

23.4. Dispute concerning energy origin certificate prices

Before the District Court in Poznań the proceeding brought by PGE Górnictwo i Energetyka Konwencjonalna S.A. is pending against Enea S.A. for the payment of PLN 42,351 thousand concerning purchased certificates of origin. Enea S.A. made a deduction from the payment for certificates of origin (by offsetting with invoices for certificates of origin) in respect of a damage caused by PGE GiEK S.A. to Enea S.A. The damage resulted from the fact that PGE GiEK S.A. did not fulfill the contractual obligation to accede to renegotiate long-term contracts for certificates of origin in accordance with the adaptive clause applicable to both Parties.

A reply to the action brought by PGE GiEK S.A. was made on 11 August 2016. In response Enea S.A. filed to dismiss the lawsuit. The parties participated in the mediation proceeding, however no agreement had been concluded. The date of the first hearing was set at 12 December 2017.

There are three another similar cases proceeded by the District Court in Poznań. Furthermore, there are two cases proceeded by the District Court in Poznań to determine the ineffectiveness of termination (withdrawal) by Enea S.A. from the sale of property rights.

24. The participation in the construction of the atomic power plant programme

On 3 September 2014, a Shareholders' Agreement was concluded by and between PGE Polska Grupa Energetyczna, Tauron Polska Energia, Enea and KGHM Polska Miedź (the Business Partners). On 15 April 2015, in accordance with the Shareholders' Agreement, an agreement on the sale of shares in PGE EJ 1 Sp. z o.o. (PGE EJ), was concluded, as a result of which each Business Partner purchased 10% of shares in PGE EJ 1. As a result of the sale of the shares in PGE EJ 1 by PGE Polska Grupa Energetyczna to the Business Partners, PGE Polska Grupa Energetyczna holds a 70% interest in the share capital of PGE EJ 1, and the other Business Partners (Tauron Polska Energia, Enea and KGHM Polska Miedź) hold 30% thereof, i.e. each of them holds 10%.

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(all amounts in PLN'000, unless specified otherwise)

According to the assumptions, PGE Polska Grupa Energetyczna performs the role of the leader of the project to construct and operate the first Polish atomic power plant, and PGE EJ 1 is to perform the function of the operator of the power plant in the future.

According to the Shareholders' Agreement, the Parties undertake to finance the activities as part of the initial phase of the Project (the Development Stage) jointly, in proportion to the interests they hold. Enea's financial commitment during the Development Stage will not exceed approx. PLN 107 million.

During the third quarter of 2017, PGE EJ 1 continued their work on the preparation to the construction of the atomic power plant in Poland project.

The Shareholders Agreement parties predict that subsequent decision on declaration of further participation of the Parties in the next phase of the project will be taken after the completion of the Initial Phase.

25. Dividend

On 26 June 2017 the General Shareholders' Meeting of Enea S.A. adopted resolution no. 6 concerning net profit distribution for the financial period from 1 January 2016 to 31 December 2016 under which the dividend for the shareholders amounted to PLN 110,361 thousand. Dividend per share amounted to PLN 0.25. Till the reporting date the dividend was paid to shareholders.

The Company did not pay out the dividend for the financial year from 1 January 2015 to 31 December 2015 due to the net loss incurred in that period. On 27 June 2016, the Extraordinary General Meeting of Shareholders of Enea S.A. adopted Resolution no. 7 on the coverage of the net loss of PLN 1,116,888 thousand for the financial year from 1 January 2015 to 31 December 2015 from retained earnings.

26. Agreement for the purchase of the company Eco-Power Sp. z o.o.

Fen Wind Farm B.V. with its registered office in Amsterdam and Wento Holdings S.à r.l. with its registered office in Luxembourg ("Claimants") sued Enea Wytwarzanie Sp. z o.o. for concluding an agreement for the sale of shares in Eco-Power Sp. z o.o. for a price which included the base amount of PLN 286,500,000.00.

Enea Wytwarzanie Sp. z o.o. did not acknowledge the grounds for the above claim and in its response to the claim (and in other pleadings and in the preparatory document dated 7 January 2017) it filed a motion to dismiss the claim in its entirety and for adjudging the costs of the proceedings from the Claimants on its behalf. According to valuation of the shares of Eco-Power Sp. z o.o., the Group created provision in the amount of PLN 129,000 thousand, which results from the difference between agreement price considering base amount PLN 286,500,000.00 and the value calculated according to the Enea S.A. model.

27. Initial offer for acquisition of EDF's assets in Poland

On 16 September 2016 Enea S.A. and PGE S.A., Energa S.A. and PGNiG Termika S.A. ("Business Partners") jointly submitted a preliminary, nonbinding offer to EDF International SAS ("EDF") for the purchase of shares in companies belonging to EDF in Poland, holding conventional generating assets and pursuing a service activity.

On 30 November 2016 the Company and Business Partners submitted a new offer to EDF for the purchase of shares in companies belonging to EDF in Poland, holding conventional generating assets and pursuing a service activity. The submission of the new offer by Business Partners was made in relation to the upcoming expiry of the offer submitted on 16 September 2016.

On 27 January 2017, the Company and Business Partners signed an agreement with EDF Investment SAS on negotiations related to the purchase of EDF assets in Poland as well as due diligence process in this scope. The Transaction includes acquisition of all EDF shares in EDF Polska S.A., which, in particular, is the owner of 4 combined heat and power plants, namely Kraków, Gdańsk, Gdynia and Toruń and heat distribution networks in Toruń, Rybnik Power Plant, and acquisition of all EDF shares in ZEC "Kogeneracja" S.A., which is the owner of 4 combined heat and power plants, namely Wrocław, Zielona Góra, Czechnica and Zawidawie and heat distribution networks in Zielona Góra, Siechnice and Zawidawie.

On 15 March 2017 Business Partners amended the structure of the transaction in the following way:

- withdrawal of PGNiG Termika S.A. from the transaction,
- takeover of the so far declared share of PGNiG Termika S.A. in the transaction by PGE S.A., which results in the growth in PGE S.A.'s share in the transaction to 60%,
- maintaining the shares of Enea S.A. and Energa S.A. in the transaction on the same level of 20% for each of the Companies.

The aforementioned amendments in the Transaction structure require confirmation of filing no objections by EDF.

On 11 May 2017 the Management Board of Enea S.A. adopted a resolution regarding the Company's resignation from participation in the transaction of acquiring Polish assets belonging to EDF International SAS and EDF Investment II B.V.

28. Changes in the composition of the Management Board

On 24 August 2017 the Supervisory Board of Enea S.A. adopted resolutions to dismiss Mr Wiesław Piosik from the position of the Member of the Management Board responsible for Corporate Affairs and Mr Mikołaj Franzkowiak from the position of the Member of the Management Board responsible for Financial Affairs. Resolutions came into force on the day they were taken. The Supervisory Board also delegated, effective immediately, Mr Rafał Szymański – the Member of the Supervisory Board to temporarily perform duties of the Member of the Management Board responsible for Corporate Affairs of Enea S.A. for the period no longer than 3 months, till appointment of the Member of the Management Board responsible for Corporate Affairs.

On 22 September 2017 the Company's Supervisory Board adopted a resolution on the nomination of Mr Piotr Olejniczak to the position of the Member of the Management Board for Financial Affairs as of 1 October 2017.

On 29 September 2017 the Company received the statement of the same date of Mr Rafał Szymański delegated by the Supervisory Board of the Company to temporarily hold the position of the Member of the Management Board of Enea S.A. for Corporate Affairs regarding the resignation from the delegation to hold the above mentioned position effective as of 1 October 2017.

On 5 October 2017 the Company's Supervisory Board adopted a resolution on the nomination of Mr Zbigniew Piętka to the position of the Member of the Management Board for Corporate Affairs as of 10 October 2017.

29. Changes in the regulatory environment

In the nine-month period ended 30 September 2017, there were a number of regulatory changes, which could have impact on future performance of the Group. The most important changes are as follows:

- on 14 August 2017, the President of Poland signed the amendment to the Act on Renewable Energy Sources („RES Act”). The objective of the amendment is to implement a solution that would enable balanced development of renewable energy sources sector by changing the way in which the substitution fee is calculated, which is an element facilitating flexibility of green certificates of origin market and - in long term perspective – decrease of unbalanced supply of certificates on the market. The abovementioned goal is to be achieved by more competitive level of substitution fee.

As a result of the amendment the substitution fee is no longer fixed and instead is dependent on market prices of certificates of origin. Moreover, the amendment also changed the determination of fee for registration of certificates of origin.

- on 2 August 2017, the President of Poland signed the Act on Water Law („Water Law”). The Act replaces the previous Act from 2001, which regulates water management, including shaping and protection of water resources, use and management of water resources, ownership of water and lands covered by waters, as well as management of these elements in relation to State Treasury’s property. The change of the Act is an effect of implementation of European Parliament’s Directive on common activities in relation to water resources policy. Water Law cancels exemptions from fees for economic use of water for energetic purposes, as well as introduces additional fees in this area starting from 2018.

30. Subsequent events

On 17 October 2017 the Management of LWB signed with the unions operating in LWB the agreement changing the terms of Corporate Collective Labour Agreement in terms of the coal allowance paid to pensioners of LWB. As a result of the new agreement the pensioners, for whom LWB was the last employer, lost their right to coal free of charge. Simultaneously, as a result of entry into force of the Act of 12 October 2017 concerning compensation for coal free of charge, the pensioners may receive the one-off compensation in the amount of PLN 10 thousand. As a result of the agreement, also the current employees of LWB, who will become pensioners, lost their right to coal free of charge but in exchange of the one-off, additional retirement benefit.

Due to the abovementioned agreement the amount of LWB liabilities due to employee benefits changed, in the area of coal allowance and retirement benefits, which will substantially influence the Group operational profit for the fourth quarter of 2017. The Group estimates, that the operational profit will increase by about PLN 110 million, as a result of the abovementioned changes.

Selected separate Financial data of Enea S.A.

	In PLN '000		In EUR '000	
	9 months ended 30.09.2017	9 months ended 30.09.2016	9 months ended 30.09.2017	9 months ended 30.09.2016
Net sales revenue	4 174 851	4 025 329	980 795	921 381
Operating profit	85 252	74 970	20 028	17 160
Profit before tax	930 311	605 999	218 557	138 711
Net profit for the reporting period	910 620	585 535	213 931	134 027
Net cash flows from operating activities	330 597	67 590	77 667	15 471
Net cash flows from investing activities	(1 403 303)	(507 885)	(329 677)	(116 253)
Net cash flows from financing activities	226 646	437 446	53 246	100 130
Total net cash flows	(846 060)	(2 849)	(198 764)	(652)
Weighted average number of shares	441 442 578	441 442 578	441 442 578	441 442 578
Net earnings per share (in PLN/EUR)	2.06	1.33	0.48	0.30
Diluted earnings per share (in PLN/EUR)	2.06	1.33	0.48	0.30
	Balance as at 30.09.2017	Balance as at 31.12.2016	Balance as at 30.09.2017	Balance as at 31.12.2016
Total assets	19 841 019	18 217 925	4 604 446	4 117 976
Total liabilities	8 110 937	7 277 446	1 882 281	1 644 992
Non-current liabilities	6 362 395	5 972 038	1 476 502	1 349 918
Current liabilities	1 748 542	1 305 408	405 779	295 074
Equity	11 730 082	10 940 479	2 722 165	2 472 983
Share capital	588 018	588 018	136 460	132 915
Book value per share (in PLN/EUR)	26.57	24.78	6.17	5.60
Diluted book value per share (in PLN/EUR)	26.57	24.78	6.17	5.60

The above financial data for third quarter of 2017 and 2016 were translated into EUR in line with the following principles:

- individual assets and liabilities – at the average exchange rate as of 30 September 2017 – 4.3091 PLN/EUR (as at 31 December 2016 – 4.4240 PLN/EUR),
- individual items from the statement of profit or loss and other comprehensive income and the statement of cash flows – as per the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the financial period from 1 January to 30 September 2017 – 4.2566 PLN/EUR (for the period from 1 January to 30 September 2016 – 4.3688 PLN/EUR).



**Condensed interim separate
financial statements
of Enea S.A.
for the period from 1 January to 30 September 2017**

Poznań, 21 November 2017

*(all amounts in PLN '000, unless specified otherwise)***Index to the condensed interim separate financial statements**

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(all amounts in PLN '000, unless specified otherwise)

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

Members of the Management Board

President of the Management Board **Mirosław Kowalik**

Member of the Management Board **Piotr Adamczak**

Member of the Management Board **Piotr Olejniczak**

Member of the Management Board **Zbigniew Piętko**

Enea Centrum Sp. z o.o.

The entity responsible for keeping the accounting records
and the preparation of financial statements

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

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

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Poznań, 21 November 2017

(all amounts in PLN '000, unless specified otherwise)

Separate statement of financial position

	Note	Balance as at	
		30.09.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	27 333	29 063
Perpetual usufruct of land		1 949	1 970
Intangible assets	7	4 711	4 814
Investment properties		14 994	15 405
Investments in subsidiaries, associates and jointly-controlled entities	8	11 061 129	9 448 433
Deferred tax assets	17	56 542	48 562
Financial assets available for sale		41 902	41 902
Intercompany bonds	9	5 782 669	5 136 547
Financial assets measured at fair value through profit or loss	13	34 561	-
Derivatives		29 558	40 267
Trade and other receivables		150 507	145 111
		17 205 855	14 912 074
Current assets			
Inventories	11	165 711	84 984
Trade and other receivables		1 053 813	1 119 479
Current income tax receivables		110 433	-
Intercompany bonds	9	536 445	486 566
Cash and cash equivalents	12	768 762	1 614 822
		2 635 164	3 305 851
TOTAL ASSETS		19 841 019	18 217 925

(all amounts in PLN '000, unless specified otherwise)

	Note	Balance as at	
		30.09.2017	31.12.2016
EQUITY AND LIABILITIES			
EQUITY			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Reserve capital from valuation of hedging instruments		25 405	33 826
Reserve capital		3 150 240	2 640 358
Retained earnings		3 338 746	3 050 604
Total equity		11 730 082	10 940 479
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	15	6 311 300	5 918 322
Finance lease liabilities		313	510
Liabilities due to employee benefits		50 750	49 060
Provisions for other liabilities and charges	18	32	4 146
		6 362 395	5 972 038
Current liabilities			
Loans, borrowings and debt securities	15	217 398	136 206
Trade and other liabilities		727 942	667 226
Finance lease liabilities		255	262
Current income tax liabilities		-	31 564
Liabilities due to employee benefits		15 810	20 050
Liabilities due to an equivalent of the right to acquire shares free of charge		281	281
Derivatives		1	-
Other financial liabilities	16	457 677	166 653
Provisions for other liabilities and charges	18	329 178	283 166
		1 748 542	1 305 408
Total liabilities		8 110 937	7 277 446
TOTAL EQUITY AND LIABILITIES		19 841 019	18 217 925

(all amounts in PLN '000, unless specified otherwise)

Separate statement of profit or loss and other comprehensive income

	For the period			
	9 months ended 30.09.2017	3 months ended 30.09.2017	9 months ended 30.09.2016	3 months ended 30.09.2016
Sales revenue	4 365 020	1 410 119	4 211 167	1 350 386
Excise tax	(190 169)	(60 781)	(185 838)	(60 669)
Net sales revenue	4 174 851	1 349 338	4 025 329	1 289 717
Other operating revenue	13 369	3 193	22 027	14 388
Depreciation	(2 073)	(651)	(2 660)	(876)
Costs of employee benefits	(37 967)	(13 028)	(40 792)	(13 658)
Consumption of materials and supplies and costs of goods sold	(1 625)	(394)	(1 643)	(671)
Energy and gas purchase for sale	(2 632 975)	(866 074)	(2 675 254)	(832 841)
Transmission and distribution services	(1 183 216)	(377 911)	(1 112 260)	(359 232)
Other external services	(133 110)	(45 252)	(117 069)	(38 297)
Taxes and charges	(2 749)	(660)	(2 573)	(561)
Profit/(Loss) on sale and liquidation of property, plant and equipment	255	6	(8)	-
Other operating expenses	(109 508)	(42 066)	(20 127)	(4 665)
Operating profit	85 252	6 501	74 970	53 304
Financial expenses	(141 822)	(47 864)	(157 582)	(41 531)
Financial revenue	176 347	38 112	139 737	44 816
Dividend income	810 534	12 807	548 874	-
Profit before tax	930 311	9 556	605 999	56 589
Income tax	(19 691)	1 330	(20 464)	(9 796)
Net profit for the reporting period	910 620	10 886	585 535	46 793
Items that are or may be reclassified to profit or loss				
- valuation of hedging instruments	(10 397)	2 495	(8 614)	20 480
- income tax	1 976	(474)	1 637	(3 891)
Items that will not be reclassified to profit or loss				
- remeasurement of defined benefit plan	(2 759)	-	2 415	-
- income tax	524	-	(459)	-
Net other comprehensive income	(10 656)	2 021	(5 021)	16 589
Total comprehensive income for the reporting period	899 964	12 907	580 514	63 382
Earnings attributable to the Company's shareholders	910 620	10 886	585 535	46 793
Weighted average number of ordinary shares	441 442 578	441 442 578	441 442 578	441 442 578
Net earnings per share (in PLN per share)	2.06	0.02	1.33	0.11
Diluted earnings per share (in PLN per share)	2.06	0.02	1.33	0.11

The separate statement of profit or loss and other comprehensive income should be analyzed together with the notes which constitute and integral part of these condensed interim separate financial statements.

Separate statement of changes in equity

Note	Share capital (nominal value)	Revaluation of share capital	Total share capital	Share premium	Reserve capital from valuation of hedging instruments	Reserve capital	Retained earnings	Total equity
Balance as at 01.01.2017	441 443	146 575	588 018	4 627 673	33 826	2 640 358	3 050 604	10 940 479
Net profit							910 620	910 620
Net other comprehensive income					(8 421)		(2 235)	(10 656)
Total comprehensive income					(8 421)		908 385	899 964
Distribution of the net profit						509 882	(509 882)	-
Dividends							(110 361)	(110 361)
Balance as at 30.09.2017	441 443	146 575	588 018	4 627 673	25 405	3 150 240	3 338 746	11 730 082
	Share capital (nominal value)	Revaluation of share capital	Total share capital	Share premium	Reserve capital from valuation of hedging instruments	Reserve capital	Retained earnings	Total equity
Balance as at 01.01.2016	441 443	146 575	588 018	4 627 673	3 980	2 640 358	2 427 976	10 288 005
Net profit							585 535	585 535
Net other comprehensive income					(6 977)		1 956	(5 021)
Total comprehensive income					(6 977)		587 491	580 514
Balance as at 30.09.2016	441 443	146 575	588 018	4 627 673	(2 997)	2 640 358	3 015 467	10 868 519

The separate statement of changes in equity should be analyzed together with the notes which constitute an integral part of these condensed interim separate financial statements.

(all amounts in PLN '000, unless specified otherwise)

Separate statement of cash flows

	9 months ended 30.09.2017	9 months ended 30.09.2016
Separate statement of cash flows		
Net profit for the reporting period	910 620	585 535
Adjustments:		
Income tax disclosed in the profit and loss	19 691	20 464
Depreciation	2 073	2 660
(Gain)/loss on sale and liquidation of property, plant and equipment	(255)	8
(Gain)/loss on disposal of financial assets	(27 686)	(2 420)
Interest income	(120 296)	(112 463)
Dividend income	(810 534)	(548 874)
Interest expense	132 473	110 912
Impairment loss on shares	-	42 000
	(804 534)	(487 713)
Income tax paid	(254 675)	(198 039)
Inflows due to settlements within Tax Group	198 087	176 359
Changes in working capital		
Inventories	(80 727)	(122 524)
Trade and other receivables	(29 424)	82 561
Trade and other liabilities	354 661	(109 326)
Liabilities due to employee benefits	(5 309)	(5 000)
Provisions for other liabilities and charges	41 898	145 737
	281 099	(8 552)
Net cash flows from operating activities	330 597	67 590
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(203)	(2 390)
Proceeds from disposal of property, plant and equipment and intangible assets	260	9
Proceeds from disposal of financial assets	72 229	29 082
Acquisition of financial assets	(776 500)	(990 406)
Acquisition of subsidiaries, associates and jointly-controlled entities	(1 613 320)	-
Additional paid-in capital (redistributable) to the share capital of the subsidiary	(387)	(199 899)
Dividends received	810 534	548 874
Proceeds related to the acquisition of financial assets	1 579	2 505
Interests received	102 505	104 340
Net cash flows from investing activities	(1 403 303)	(507 885)
Cash flows from financing activities		
Loans and borrowings received	250 000	100 000
Bonds issue	290 000	450 000
Repayment of loans and borrowing	(33 913)	-
Redemption of bonds	(40 000)	-
Payment of finance lease liabilities	(204)	(101)
Expenses related to future issue of bonds	(2 528)	(2 929)
Dividends paid	(110 361)	-
Interests paid	(126 348)	(109 524)
Net cash flows from financing activities	226 646	437 446
Net increase/ (decrease) in cash	(846 060)	(2 849)
Opening balance of cash	1 614 822	1 397 632
Closing balance of cash	768 762	1 394 783

The separate statement of cash flows should be analyzed together with the notes which constitute an integral part of these condensed interim separate financial statements.

(all amounts in PLN '000, unless specified otherwise)

1. General information about Enea S.A.

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

Enea S.A., operating previously under the company name Energetyka Poznańska S.A., was registered in the National Court Register at the District Court in Poznań under KRS number 0000012483 on 21 May 2001.

As at 30 September 2017 the shareholding structure of Enea S.A. was as follows: the State Treasury of the Republic of Poland - 51.5% of shares, PZU TFI 9.96% of shares and other shareholders – 38.54%.

As at 30 September 2017 the statutory share capital of Enea S.A. equaled to PLN 441,443 thousand (PLN 588,018 thousand upon adoption of IFRS-EU and considering hyperinflation and other adjustments) and was divided into 441,442,578 shares.

Trade in electricity is the core business of Enea S.A. (Enea, the Company).

Enea S.A. is the parent company in the Enea Group (the Group). As at 30 September 2017 the Group comprised of 13 subsidiaries, 10 indirect subsidiaries, 2 associates and 3 jointly controlled entities.

These condensed interim separate financial statements have been prepared on the going concern basis for foreseeable future. There are no circumstances indicating that the ability of Enea S.A. to continue as a going concern might be at risk.

2. Statement of compliance

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

The Management Board of the Company has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to individual items of the condensed interim

(all amounts in PLN '000, unless specified otherwise)

separate financial statements of ENEA S.A. in accordance with IFRS-EU as of 30 September 2017. The presented statements and explanations have been prepared using due diligence. These condensed interim separate financial statements have not been reviewed by a certified auditor.

The Company prepares condensed interim consolidated financial statements of ENEA Group in accordance with IFRS EU as at 30 September 2017 and for the nine-month period then ended. These condensed interim separate financial statements ought to be read together with those condensed interim consolidated financial statements and with the separate financial statements of ENEA S.A. for the financial year ended 31 December 2016.

3. Accounting principles

These condensed interim separate financial statements have been prepared in accordance with accounting principles consistent with those applied during the preparation of the most recent annual separate financial statements for the year ended 31 December 2016.

Polish zloty has been used as a reporting currency of these condensed interim separate financial statements. The data in the condensed interim separate financial statements have been presented in PLN thousand (PLN '000), unless specified otherwise.

4. Material estimates and assumptions

The preparation of these condensed interim separate financial statements in accordance with IAS 34 requires that the Management Board makes certain estimates and assumptions that affect the adopted accounting policies and the amounts disclosed in the condensed interim separate financial statements and notes thereto. The adopted assumptions and estimates are based on the Management Board's best knowledge of the current and future activities and events. The actual figures, however, can be different from those assumed. The estimates adopted for the needs of preparation of these condensed interim separate financial statements are consistent with the estimates adopted during preparation of the separate financial statements for the previous financial year. The estimates presented in the previous financial years do not exert any significant influence on the current interim period.

(all amounts in PLN '000, unless specified otherwise)

5. Composition of the Group - list of subsidiaries, associates and jointly-controlled entities

	Name and address of the Company	Share of Enea S.A. in the total number of votes in% 30.09.2017	Share of Enea S.A. in the total number of votes in % 31.12.2016
1.	Enea Operator Sp. z o.o. Poznań, Strzeszyńska 58	100	100
2.	Enea Wytwarzanie Sp. z o.o. Świerże Górne, commune Kozienice, Kozienice 1	100	100
3.	Enea Elektrownia Połaniec S.A. ⁶ Połaniec, Zawada 26	100	-
4.	Enea Oświetlenie Sp. z o.o. Szczecin, Ku Stońcu 34	100	100
5.	Enea Trading Sp. z o.o. Świerże Górne, commune Kozienice, Kozienice 1	100	100
6.	Enea Logistyka Sp. z o.o. Poznań, Strzeszyńska 58	100	100
7.	Enea Serwis Sp. z o.o. Lipno, Gronówko 30	100	100
8.	Enea Centrum Sp. z o.o. Poznań, Górecka 1	100	100
9.	Enea Pomiary Sp. z o.o. Poznań, Strzeszyńska 58	100	100
10.	ENERGO-TOUR Sp. z o.o. w likwidacji Poznań, Marcinkowskiego 27	100 ⁵	100 ⁵
11.	Enea Innovation Sp. z o.o. Warszawa, Aleja Jana Pawła II 25	100 ⁹	100
12.	Lubelski Węgiel BOGDANKA S. A. Bogdanka, Puchaczów	65.99	65.99
13.	Annacond Enterprises Sp. z o.o. Warszawa, Jana Pawła II 25	61	61
14.	ElectroMobility Poland S.A. Warszawa, Mysia 2	25	25
15.	Elektrownia Ostrołęka S.A. Ostrołęka, Elektryczna 5	23.79 ⁷	-
16.	Polimex – Mostostal S.A. Warszawa, Jana Pawła II 12	16.48	-
17.	Polska Grupa Górnicza Sp. z o.o. Katowice, Powstańców 30	5.81 ⁸	-
18.	Enea Bioenergia Sp. z o.o. Połaniec, Zawada 26	100 ⁴	-
19.	Przedsiębiorstwo Energetyki Ciepłej Zachód Sp. z o.o. Białystok, Starosielce 2/1	100 ¹	100 ¹
20.	Enea Badanie i Rozwój Sp. z o.o. Świerże Górne, commune Kozienice, Kozienice 1	100 ¹	-
21.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Oborniki, Wybudowanie 56	99.93 ¹	99.93 ¹
22.	Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Białystok, Warszawska 27	91.14 ¹	91.02 ¹
23.	Miejska Energetyka Ciepła Piła Sp. z o.o. Piła, Kaczorska 20	71.11 ¹	71.11 ¹
24.	EkoTRANS Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
25.	RG Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
26.	MR Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
27.	Łęczyńska Energetyka Sp. z o.o. Bogdanka, Puchaczów	58.53 ²	58.53 ²
28.	Centralny System Wymiany Informacji Sp. z o.o. Poznań, Strzeszyńska 58	20 ³	100 ³

(all amounts in PLN '000, unless specified otherwise)

- ¹ – an indirect subsidiary held through shares in Enea Wytwarzanie Sp. z o.o.
On 17 September 2015, by Resolution no. 547/2015 adopted by the Management Board of Enea Wytwarzanie Sp. z o.o., a project titled “Purchase of employee shares of MPEC sp. z o.o. in Białystok” was launched. On 17 November 2015, by Resolution no. 661/2015, powers of attorney were granted in terms of concluding of the preliminary contracts and final agreements. The number of shares available for purchase is 75 thousand. The concluding of the Preliminary Agreements was planned for the period between 7 December 2015 and 27 January 2016. The Final Contracts shall be concluded after 16 September 2016. By the end of December 2015, Preliminary Agreements on Sale of shares worth in total PLN 747 thousand were concluded. In 2016, Enea Wytwarzanie Sp. z o.o. purchased 67,209 shares of MPEC Sp. z o.o. in Białystok for the amount of PLN 7,688 thousand, and as at the end of the year it owned 91.02% of shares in share capital. In the nine-month period ended 30 September 2017, Enea Wytwarzanie Sp. z o.o. purchased 1,749 shares of MPEC sp. z o.o. in Białystok for the amount of PLN 217 thousand and on 30 September 2017 it owned 91.14% of shares in share capital.
On 4 August 2017, Enea Wytwarzanie Sp. z o.o. and Enea S.A. formed a company Enea Badanie i Rozwój Sp. z o.o. Enea Wytwarzanie Sp. z o.o. owns 99 shares, and Enea S.A. owns 1 share. On 28 September 2017, the company was registered in the National Court Register.
- ² – an indirect subsidiary held through shares in Lubelski Węgiel BOGDANKA S.A.
- ³ – an indirect subsidiary held through shares in Enea Operator Sp. z o.o., 30 June Enea Operator Sp. z o.o. completed the sale of 16 shares in price PLN 2,500 each worth in total PLN 40 thousand.
- ⁴ – an indirect subsidiary held through shares in Enea Elektrownia Połaniec S.A. On 16 March 2017, the Extraordinary General Meeting of Shareholders of the ENGIE Bioenergia Sp. z o.o. company adopted a resolution concerning Change of Company's Agreement by changing company's name to Enea Bioenergia Sp. z o.o. On 26 April 2017 the change of Company's Agreement was registered in the National Court Register.
- ⁵ – On 30 March 2015, the Extraordinary General Meeting of Shareholders of the company adopted a resolution concerning the dissolution of the company, after conducting a liquidation proceeding. The resolution entered into force on 1 April 2015. An application for removing the company from the register was submitted to the National Court Register on 5 November 2015. As of the date of these condensed interim separate financial statements procedural steps relating to the deletion of the company from the National Court Register are ongoing.
- ⁶ – On 10 April 2017, the company's name was changed from ENGIE Energia Polska S.A. to Enea Elektrownia Połaniec S.A. in the National Court Register.
- ⁷ – On 1 February 2017 Enea S.A. concluded with Energa S.A. an Agreement for the Purchase of 24,980,926 Shares in Elektrownia Ostrołęka S.A. and thereby acquiring an 11.89 % interest in the Company's share capital. On 13 April 2017, the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka S.A. adopted a resolution on increasing the Company's share capital in the private subscription way from PLN 210,100 thousand to PLN 229,100 thousand i.e. by amount PLN 19 000 thousand by issuing new D series shares with a nominal value PLN 1 each. Shares issued in the private subscription were directed to Enea S.A. and ENERGA S.A. On the 27 April 2017 Enea S.A. signed a contract with Elektrownia Ostrołęka S.A. concerning coverage 9,500,000 shares. Increase of the company's share capital was registered in the National Court Register on 30 May 2017. On 27 June 2017 Enea S.A. concluded an Agreement on the Purchase of 20,017,269 Shares in Elektrownia Ostrołęka S.A. and thereby acquiring an 23.79 % shares in the Company's share capital.
- ⁸ – On 3 April 2017 Enea S.A. acquired 1,500,000 new shares with nominal value of PLN 100 each and total value of PLN 150,000 thousand in Polska Grupa Górnicza Sp. z o.o. On 14 June, the Extraordinary General Meeting of Shareholders of Polska Grupa Górnicza Sp. z o.o. adopted a resolution on increasing the Company's share capital by amount PLN 200,000 thousand, from PLN 3,416,718 thousand to PLN 3,616,718 thousand issuing 2,000,000 new shares with a nominal value of PLN 100 each. As a result Enea S.A. acquired 600,000 shares with total nominal value of PLN 60,000 thousand. The increase in the Company's share capital was registered in the National Court Register on 7 July 2017.
- ⁹ – On 2 August 2017, the Extraordinary General Meeting of Shareholders of Enea Innovation Sp. z o.o. adopted a resolution no. 1 on increasing the Company's share capital by amount PLN 300 thousand, from PLN 5 thousand to PLN 305 thousand issuing 3,000 new shares with a nominal value of PLN 100 each.

6. Property, plant and equipment

During the 9-month period ended 30 September 2017, the Company did not acquire any property, plant and equipment (during the period of 9 months ended 30 September 2016 respectively: PLN 187 thousand).

During the 9-month period ended 30 September 2017, the Company completed the sale and liquidation of property, plant and equipment in the total net book value of PLN 5 thousand (during the period of 9 months ended 30 September 2016 respectively: PLN 16 thousand).

As at 30 September 2017 there were no indicators of impairment of property, plant and equipment identified.

(all amounts in PLN '000, unless specified otherwise)

7. Intangible assets

During the 9-month period ended 30 September 2017, the Company acquired intangible assets for the total amount of PLN 95 thousand (during the period of 9 months ended 30 September 2016 respectively: PLN 982 thousand).

During the 9-month period ended 30 September 2017, the Company did not complete significant liquidations of intangible assets (during the period of 9 months ended 30 September 2016 respectively: PLN 0 thousand).

8. Investments in subsidiaries, associates and jointly-controlled entities

	30.09.2017	31.12.2016
Opening balance	9 448 433	8 323 493
Acquisition of investments	1 610 253	9 412
Additional paid-in capital to a subsidiary's share capital	387	1 138 227
Other	3 612	19 301
Abandoned investment	(1 556)	-
Change in impairment loss	-	(42 000)
Closing balance	11 061 129	9 448 433

Impairment loss on investments

	30.09.2017	31.12.2016
Opening balance	2 159 775	2 117 775
Addition	-	42 000
Closing balance	2 159 775	2 159 775

On 20 January 2017, Enea S.A. accepted the offer submitted by Polimex-Mostostal S.A. of private subscription for 37,500,000 shares at the issue price of PLN 2 per share, i.e. for the total issue price of PLN 75,000 thousand and acquired 1,500,000 shares in Polimex-Mostostal S.A. from its existing shareholder. The purchase price of all shares amounted to PLN 80,640 thousand. Having taken up the shares Enea S.A. holds a 16.48% interest in the company's share capital.

On 1 February 2017, Enea S.A. acquired 24,980,926 shares in Elektrownia Ostrołęka S.A. from ENERGA S.A. The purchase price of all shares amounted to PLN 24,000 thousand. On 28 April 2017, the Company acquired 9,500,000 shares with nominal value PLN 1 each issued on the private subscription. On 27 June 2017 Enea S.A. concluded an Agreement on the Purchase of 20,017,269 shares in Elektrownia Ostrołęka S.A., the purchase price of all shares amounted to PLN 19,231 thousand.

Having taken up the shares Enea S.A. holds an 23.79% interest in the company's share capital.

On 14 March 2017, Enea S.A. acquired 100% of shares in ENGIE Energia Polska S.A. from ENGIE International Holdings B.V., i.e. 7,135,000 shares for a total price of PLN 1,264,159 thousand.

On 3 April 2017 Enea S.A. acquired 1,500,000 new shares with nominal value of PLN 100 each and total value of PLN 150,000 thousand in Polska Grupa Górnicza Sp. z o.o. On 14 June, the Extraordinary General Meeting of Shareholders of

(all amounts in PLN '000, unless specified otherwise)

Polska Grupa Górnicza Sp. z o.o. adopted a resolution on increasing the Company's share capital. As a result Enea S.A. acquired 600,000 shares with total nominal value of PLN 60,000 thousand.

On 11 May 2017 the Management Board of Enea S.A. adopted a resolution regarding the Company's resignation from participation in the transaction of acquiring Polish assets belonging to EDF International SAS and EDF Investment II B.V.

On 2 August 2017, the Extraordinary General Meeting of Shareholders of Enea Innovation Sp. z o.o. adopted a resolution no. 1 on increasing the Company's share capital. As a result, Enea S.A. acquired 3,000 shares with total nominal value of PLN 300 thousand.

9. Intercompany bonds

Enea Group adopted a model of intra-group financing of investments conducted by subsidiaries. Enea S.A. raises on a financial market long-term funds through borrowing or issuing bonds, and then distributes them within the Group. The table below presents currently ongoing programs of intra-group bonds issue pending as at 30 September 2017 and as at 31 December 2016:

(all amounts in PLN '000, unless specified otherwise)

Date of contracts	Issuer	Final redemption	Credit limit	Amount used in	Bonds issued as at 30.09.2017 (principal)	Bonds issued as at 31.12.2016 (principal)
			PLN '000	PLN '000	PLN '000	PLN '000
10 March 2011	Enea Wytwarzanie Sp. z o.o.	31 March 2023	26 000	26 000	26 000	26 000
29 September 2011	Enea Wytwarzanie Sp. z o.o.	29 September 2019	14 500	14 500	6 000	6 000
23 July 2012	Enea Wytwarzanie Sp. z o.o.	22 July 2019	158 500	158 500	41 200	57 850
8 September 2012, agreement for the amount of PLN 4 000 000 thousand reduced by annex No. 2 dated 21 January 2015 to the amount of PLN 3 000 000 thousand	Enea Wytwarzanie Sp. z o.o.	From 15 June 2020 to 15 December 2020 depending on dates of bond series issue, the remaining amounts at the latest 15 June 2022	3 000 000	2 091 000	2 091 000	1 951 000
20 June 2013 as amended by Annex No. 1 dated 9 October 2014 and Annex No.2 dated 7 July 2015	Enea Operator Sp. z o.o.	Depending on dates of bond series issue, but not later than 17 June 2030	1 425 000	1 425 000	1 391 087	1 425 000
12 August 2014 in the amount of PLN 260 000 thousand, increased to PLN 1 000 000 thousand by Annex No. 1 dated 11 February 2015 and reduced by Annex No. 2 dated 30 December 2015 to the amount of PLN 260 000 thousand	Enea Wytwarzanie Sp. z o.o.	Redemption in installments – final maturity 15 December 2026	260 000	260 000	249 600	260 000
17 November 2014	Enea Wytwarzanie Sp. z o.o.	31 March 2020	740 000	350 000	350 000	350 000
17 February 2015 in the amount of PLN 760 000 thousand, increased by Annex No. 1 dated 3 June 2015 to amount of PLN 1 000 000 thousand.	Enea Wytwarzanie Sp. z o.o.	10 February 2020	1 000 000	1 000 000	1 000 000	1 000 000
7 July 2015 amended by annexes no. 1 from 28 March 2017	Enea Operator Sp. z o.o.	Depending on dates of bond series issue, but not later than 15 December 2031	946 000	450 000	450 000	200 000
30 October 2015	Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.	Redemption in installments – final maturity 31 March 2020	18 000	18 000	10 000	13 000
18 July 2016	Enea Operator Sp. z o.o.	Final maturity December 2017	360 000	360 000	360 000	360 000
20 September 2017	Enea Operator Sp. z o.o.	Final maturity December 2019	350 000	350 000	350 000	-
Total					6 324 887	5 648 850
Transaction costs and the result of the effective interest rate measurement					(5 773)	(25 737)
Total					6 319 114	5 623 113

(all amounts in PLN '000, unless specified otherwise)

In January 2017 Enea S.A. acquired the series III of bonds amounting to PLN 250,000 thousand issued by Enea Operator Sp. z o.o. under the Bond Issue Programme Agreement as of 7 July 2015. The interest of the bonds is based on a floating interest rate plus margin. The bonds will be redeemed in equal installments, and the final date of redemption is planned for December 2031.

In April 2017 Enea S.A. acquired the series IX of bonds amounting PLN 140,000 thousand issued by Enea Wytwarzanie Sp. z o.o. under the Bond Issue Programme Agreement as of 8 September 2012. The interest of the bonds is based on floating interest rate, and the bond redemption date is 15 June 2022.

In September 2017 Enea S.A. acquired bonds amounting PLN 350,000 thousand issued by Enea Operator Sp. z o.o. under the Bond Issue Programme Agreement as of 20 September 2017. The interest of the bonds is based on floating interest rate, and the bond redemption date is 15 December 2019.

10. Allowance on trade and other receivables

	30.09.2017	31.12.2016
Opening balance of receivables allowance	56 111	52 697
Addition	16 148	13 353
Utilization	(10 261)	(9 939)
Closing balance of receivables allowance	61 998	56 111

During the 9-month period ended 30 September 2017 the allowance on the carrying amount of trade and other receivables increased by PLN 5,887 thousand (during the period of 9 months ended 30 September 2016 the impairment allowance increased by PLN 2,178 thousand).

11. Inventories

Certificates of energy origin:

	30.09.2017	31.12.2016
Opening balance	84 984	152 318
Acquisition	208 877	330 497
Redemption	(126 691)	(397 544)
Sale	(1 459)	(287)
Closing balance	165 711	84 984

The costs of certificates of energy origin' redemption are presented in profit or loss in energy and gas purchase for sale.

12. Cash and cash equivalents

	30.09.2017	31.12.2016
Cash at bank	26 983	56 020
Other cash	741 779	1 558 802
- bank deposits	739 654	1 554 631
- other	2 125	4 171
Total cash and cash equivalents	768 762	1 614 822
Cash disclosed in the statement of cash flows	768 762	1 614 822

(all amounts in PLN '000, unless specified otherwise)

As at 30 September 2017 and as at 31 December 2016 Enea S.A. had no restricted cash.

13. Financial assets measured at fair value through profit or loss

As at 30 September 2017, in *Financial assets measured at fair value through profit or loss* the Company presented call options on shares in Polimex-Mostostal S.A. On the basis of the call options contract dated 18 January 2017, Enea S.A. acquired call options from Towarzystwo Finansowe Silesia Sp. z o.o. This contract provides for the purchase (in three tranches) of total 9,125 thousand of shares, at a nominal price of PLN 2 per share, on specific dates, i.e.: 30 July 2020, 30 July 2021 and 30 July 2022. The call options were measured at fair value using the Black-Scholes model. The book value of the options amounted to PLN 34,561 thousand as at 30 September 2017.

14. Financial instruments

The table below presents the fair values as compared to carrying amounts:

	30.09.2017		31.12.2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets available for sale	41 902	41 902	41 902	41 902
Long-term intercompany bonds	5 782 669	5 688 741	5 136 547	5 206 010
Non-current financial assets measured at fair value through profit or loss	34 561	34 561	-	-
Derivatives	29 558	29 558	40 267	40 267
Short-term intercompany bonds	536 445	536 445	486 566	486 566
Trade and others receivables	1 090 124	(*)	1 143 424	(*)
Cash and cash equivalents	768 762	768 762	1 614 822	1 614 822
Long-term bank loans, borrowings and debt securities	6 311 300	6 359 726	5 918 322	5 972 289
Derivatives	1	1	-	-
Short-term bank loans, borrowings and debt securities	217 398	217 398	136 206	136 206
Finance lease liabilities	568	568	772	772
Other financial liabilities	457 677	457 677	166 653	166 653
Trade and other liabilities	524 554	(*)	521 535	(*)

(*) - the carrying amounts of trade and other receivables, trade and other liabilities approximates their fair values

Financial assets available for sale include shares in unrelated parties for which the ratio of interest in equity is lower than 20%. The positions comprises also shares in PGE EJ1 Sp. o.o. in the amount of PLN 26,902 thousand for which there is no quoted market price in an active market and whose fair value - because of the initial phase of the company's activity - is based on incurred cost.

Long-term intercompany bonds include acquired debt instruments – bonds with an original maturity exceeding 1 year.

Non-current financial assets measured at fair value through profit or loss is share call options of the Polimex-Mostostal S.A.

Derivatives comprise the valuation of interest rate hedging transactions (Interest Rate Swap) and valuation of currency risk hedging transactions (forward).

(all amounts in PLN '000, unless specified otherwise)

The fair value of derivatives is determined by calculating the net present value based on two yield curves, i.e. the curve to determine the discount factor and curve used to estimate future rates of variable reference rates.

Short-term intercompany bonds include acquired debt instruments – bonds with an original maturity not exceeding 1 year.

The table below presents the analysis of financial instruments measured at fair value and classified into the following three levels:

Level 1 – fair value based on stock exchange prices (unadjusted) offered for identical assets or liabilities in active markets,

Level 2 – fair value determined based on market observations instead of market quotations (e.g. direct or indirect reference to similar instruments traded in the market),

Level 3 – fair value determined using various valuation methods, but not based on any observable market information.

	30.09.2017			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Call option	-	34 561	-	34 561
Interest Rate Swap used for hedging	-	29 558	-	29 558
Total	-	64 119	-	64 119
Financial liabilities measured at fair value through profit or loss				
Hedging foreign exchange rate risk	-	1	-	1
Total	-	1	-	1

	31.12.2016			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Interest Rate Swap used for hedging	-	40 267	-	40 267
Total	-	40 267	-	40 267

15. Loans, borrowings and debt securities

	30.09.2017	31.12.2016
Long-term		
Bank loans	1 748 615	1 552 654
Bonds	4 562 685	4 365 668
Total	6 311 300	5 918 322
Short-term		
Bank loans	98 389	70 767
Bonds	119 009	65 439
Total	217 398	136 206
Total loans, borrowings and debt securities	6 528 698	6 054 528

(all amounts in PLN '000, unless specified otherwise)

Loans

At present Enea S.A. has loan agreements concluded with EIB for a total amount of PLN 2,371,000 thousand (agreement A for PLN 950,000 thousand, agreement B for PLN 475,000 thousand and agreement C for PLN 946,000 thousand).

The funds from EIB are designated for financing of long-term investment plan for the modernization and extension of the power grids of Enea Operator Sp. z o.o. Funds from Agreement A and B are fully utilized and the availability period for Agreement C is December 2017 (Enea S.A. obtained the consent of the EIB to extend the availability period till the end of 2017). Interest rate on loans can be fixed or floating.

In January 2017, Enea S.A. drawn the third tranche of a loan within C Agreement with the European Investment Bank in the amount of PLN 250,000 thousand. The loan is denominated in PLN with a floating interest rate based on the WIBOR 6-month plus the Bank's margin. The tranche will be repaid in installments, and the final loan repayment is planned for December 2031.

No.	Lender	Date of agreement	Total amount	Outstanding as 30.09.2017	Outstanding as 31.12.2016	Term of agreement
1.	Europejski Bank Inwestycyjny	18 October 2012 and 19 June 2013 r. (A and B)	1 425 000	1 391 087	1 425 000	31 December 2030
2.	Europejski Bank Inwestycyjny	29 May 2015 r. (C)	946 000	450 000	200 000	31 March 2032
3.	Bank PKO BP S.A.	28 January 2014, Annex no. 1 from 25 January 2017	300 000	-	-	31 December 2019
4.	Bank PEKAO S.A.	28 January 2014, Annex no. 1 from 25 January 2017	150 000	-	-	31 December 2019
TOTAL			2 821 000	1 841 087	1 625 000	
Transaction costs and the valuation effect according to the effective interest rate				5 917	(1 579)	
TOTAL			2 821 000	1 847 004	1 623 421	

Bond issue programmes

Enea S.A. concludes agreements for bonds issue programs to finance current operations and investments of Enea S.A. and its subsidiaries.

(all amounts in PLN '000, unless specified otherwise)

No.	Name of bonds issue programme	Date of the conclusion of programme	Amount of the programme	Amount of issued bonds as at 30.09.2017	Unredeemed bonds as at 30.09.2017 (principal)	Unredeemed bonds as at 31.12.2016 (principal)	Redemption date
1.	Bonds Issue Programme Agreement with PKO BP S.A., Bank Pekao S.A., BZ WBK S.A. and Bank Handlowy w Warszawie S.A.	21 June 2012	3 000 000	2 091 000	2 091 000	1 951 000	Redemption from June 2020 till June 2022
2.	Bonds Issue Programme Agreements with Bank Gospodarstwa Krajowego	15 May 2014	1 000 000	1 000 000	960 000	1 000 000	Redemption in installments, final maturity is December 2026
3.	Bonds Issue Programme Agreements with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A.	30 June 2014	5 000 000	1 500 000	1 500 000	1 500 000	Redemption of a given series in February 2020 and September 2021
4.	Bonds Issue Programme Agreement with Bank Gospodarstwa Krajowego	3 December 2015	700 000	150 000	150 000	-	Redemption in installments, final maturity is September 2027
TOTAL			9 700 000	4 741 000	4 701 000	4 451 000	
Transaction costs and the result of the effective interest rate measurement					(19 306)	(19 893)	
TOTAL			9 700 000	4 741 000	4 681 694	4 431 107	

In the nine-month period ended 30 September 2017, Enea S.A. did not amend the program agreements, and did not enter into new agreements.

Bonds Issue Programme Agreements up to PLN 700,000 thousand

In March 2017 Enea S.A. issued first tranche of bonds of PLN 150,000 thousand under this Programme.

Bonds Issue Programme Agreements up to PLN 3,000,000 thousand

In April 2017 under the Programme Enea S.A. issued IX series of bonds of PLN 140,000 thousand. Bonds interest rate is based on a variable interest rate, and the bond redemption date is 15 June 2022.

Transactions hedging interest rate risk

During the 9-month period ended 30 September 2017 Enea S.A. did not conclude transactions to hedge interest rate risk (Interest Rate Swap). As at 30 September 2017, the total value of the IRS transactions amounted to PLN 4,435,000 thousand. Concluded transactions will substantially affect the predictability of cash flows and financial costs. The valuation of these financial instruments is presented in "Derivatives".

As at 30 September 2017 the valuation of derivatives amounted to PLN 29,558 thousand (as at 31 December 2016: PLN 40,267 thousand).

(all amounts in PLN '000, unless specified otherwise)

Transactions hedging currency risk

During the 9-month period ended 30 September 2017 the Company entered into FX FORWARD transactions for the total volume EUR 497 thousands. Settlement date of the last transaction falls on December 2017. As at 30 September 2017 the valuation of instruments amounted PLN 1 thousand (as at 31 December 2016 PLN 0 thousand).

Financing conditions – covenants

Financing agreements assume compliance by the Company and the Group with certain financial ratios. As at 30 September 2017 and the date of these condensed interim separate financial statements, the Company did not breach the regulations of loan agreements, on the basis of which the Company would be required to early repayment of long-term debt.

16. Other financial liabilities

Cash management in Enea Group is performed by Enea S.A., allowing efficient cash surplus management (economies of scale) and reduction of external financing costs. Cash management covers subsidiaries which constitute Enea Tax Group and is based on “Cash management system between groups of bank accounts” – cash pooling.

Under this service at the end of each day cash surplus from a bank accounts of a participant is transferred to a bank account of the Pool Leader – Enea S.A. On the next day account balances are reversed and cash transferred back to the bank account of the participant.

17. Deferred income tax

Changes in the deferred tax asset (after the net-off of the asset and liability):

	30.09.2017	31.12.2016
Opening balance	48 562	63 316
Change recognized in profit or loss	5 480	(7 193)
Change recognized in other comprehensive income	2 500	(7 561)
Closing balance	56 542	48 562

During 9-month period ended 30 September 2017 , the Company’s profit before tax was credited with PLN 5,480 thousand as a result of increase in net deferred tax asset (during the period of 9 months ended 30 September 2016, the Company’s profit before tax was credited with PLN 15,072 thousand as a result of increase in net deferred tax asset).

18. Provisions for liabilities and other charges

Non-current and current provisions for liabilities and other charges:

	30.09.2017	31.12.2016
Non-current	32	4 146
Current	329 178	283 166
Total	329 210	287 312

(all amounts in PLN '000, unless specified otherwise)

	Provision for non- contractual use of property	Provision for other lodged claims	Provisions for certificates of origins	Total
Balance as at 01.01.2017	9 220	6 872	271 220	287 312
Provisions applied	351	75 636	212 194	288 181
Provisions used	(16)	(561)	(238 389)	(238 966)
Reversal of provisions	(6 585)	(732)	-	(7 317)
Balance as at 30.09.2017	2 970	81 215	245 025	329 210

A description of material claims and contingent liabilities has been presented in note 22.2.

During the 9-month period ended 30 September 2017 the provision for other liabilities and charges increased by the net amount of PLN 41,898 thousand, mainly due to not fulfilling the obligation related to sale to end users of electricity generated in a renewable source or in cogeneration – the lack of a decision of the President of the Energy Regulatory office regarding the obligation for 2017 (in the period of 9-months ended 30 September 2016, the provisions for other liabilities and charges increased by PLN 145,737 thousand).

In the nine-month period ended 30 September 2017, Enea S.A. recognized provision in the amount of PLN 68,734 thousand for potential claims related to the termination by Enea S.A. contracts for the purchase of certificates of origin energy from renewable sources.

19. Dividend

On 26 June 2017 the General Shareholders' Meeting of Enea S.A. adopted resolution no. 6 concerning net profit distribution for the financial period from 1 January 2016 to 31 December 2016 under which the dividend for the shareholders amounted to PLN 110,361 thousand. Dividend per share amounted to PLN 0.25. Till the reporting date the dividend was paid to shareholders.

The Company did not pay out the dividend for the financial year from 1 January 2015 to 31 December 2015 due to the net loss incurred in that period. On 27 June 2016, the Extraordinary General Meeting of Shareholders of ENEA S.A. adopted Resolution no. 7 on the coverage of the net loss of PLN 1,116,888 thousand for the financial year from 1 January 2015 to 31 December 2015 from retained earnings.

20. Related party transactions

The Company concludes transactions with the following related parties:

1. Companies of the Enea Group

	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
Purchases, including:	3 505 020	3 193 531
materials	426	321
services	1 254 223	1 163 185
other (including energy and gas)	2 250 371	2 030 025
Sales, including:	221 065	196 618

(all amounts in PLN '000, unless specified otherwise)

energy	201 933	178 083
services	1 310	1 103
other	17 822	17 432
Interest income, including:	127 942	109 076
bonds	127 818	108 919
loans	124	157
Dividend income	810 534	548 874

	30.09.2017	31.12.2016
Receivables	84 640	201 837
Financial assets - bonds	6 319 114	5 623 113
Loans granted	172 794	150 827
Liabilities	558 427	505 681
Other financial liabilities	457 677	166 653

In accordance with Corporate Income Tax Act regulations concerning conclusion on transactions under arm's length do not apply to legal entities comprising tax group. Transactions with group entities which are not part of the Tax Group are concluded under arm's length terms and their conditions do not differ from those applied in transactions with other entities.

2. Transactions concluded between the Company and members of its governing bodies fall within two categories

- those related to the appointment of Members of Supervisory Boards,
- resulting from other civil law agreements.

The value of the above transactions has been presented below:

Item	Management Board of the Company		Supervisory Board of the Company	
	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016	01.01.2017 - 30.09.2017	01.01.2016 - 30.09.2016
Remuneration under managerial and consultancy agreements	4 082**	11 565*	-	-
Remuneration relating to appointment of members of management or supervisory bodies	-	-	626	347
TOTAL	4 082	11 565	626	347

* Remuneration includes bonuses for 2015 and compensation resulting from non - competition agreements for former members of the Management Board in the amount of PLN 7,105 thousand

** Remuneration includes bonuses for 2016 in the amount of PLN 1,749 thousand and severance payment and non - competition agreements for former members of the Management Board in the amount of PLN 440 thousand

During the 9-month period ended 30 September 2017 there were no loans granted from the Company's Social Benefits Fund to the members of the Supervisory Board (PLN 0 thousand during the 9-month period ended 30 September 2016). During this period repayments of these loans amounted to PLN 4 thousand (PLN 9 thousand during the 9-month period ended 30 September 2016).

Other transactions resulting from civil law agreements concluded between the Company and Members of its governing bodies relate only to private use of company cars by Members of the Company's Management Board.

(all amounts in PLN '000, unless specified otherwise)

3. Transactions with entities controlled by the State Treasury

Enea S.A. also concludes business transactions with entities of the central and local administration and entities whose shares are held by the State Treasury of the Republic of Poland.

The transactions concern mainly:

- purchase of electricity and property rights resulting from certificates of origin as regards renewable energy and energy cogenerated with heat from companies whose shares are held by the State Treasury and;
- sale of electricity, distribution services and other related fees, provided by the Company both to central and local administration bodies (sale to end users) and entities whose shares are held by the State Treasury (wholesale and retail sale to end users).

Such transactions are concluded under arm's length terms and their conditions do not differ from those applied in transactions with other entities. As the Company does not keep a record of the aggregate value of all transactions concluded with all state institutions and entities controlled by the State Treasury, the turnover and balances of transactions with related parties disclosed in these condensed interim separate financial statements do not include data related to transactions with entities controlled by the State Treasury.

21. Future liabilities under contract concluded at the end of the reporting period

On 30 September 2017 and 31 December 2016, the company did not have any contractual obligations related to the acquisition of property, plant and equipment and intangible assets, which were not recognized in the statement of financial position.

22. Contingent liabilities and proceedings before court, bodies competent to conduct arbitration proceedings or public administration bodies

22.1. Sureties and guarantees

In the nine-month period ended 30 September 2017, Enea S.A did not conclude any surety agreement as the Guarantor.

The table below presents actual relevant bank guarantees issued by Enea S.A. under the agreements concluded with BZ WBK S.A. to the limit specified therein as at 30 September 2017.

(all amounts in PLN '000, unless specified otherwise)

Date of guarantee	Guarantee period	Company from Enea Group	Guarantee for	Bank - issuer	Guarantee value in PLN thousand
12.06.2015	31.05.2018	Enea Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	7 000
29.06.2015	31.05.2018	Enea Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	15 000
01.01.2016	11.08.2018	Enea S.A.	Górecka Projekt Sp. z o.o.	BZ WBK S.A.	1 662
21.12.2016	30.01.2018	Enea S.A.	Urząd Marszałkowski Województwa Zachodniopomorskiego w Szczecinie	BZ WBK S.A.	1 325
05.07.2017	16.10.2017	Enea S.A.	PKP Polskie Linie Kolejowe S.A.	BZ WBK S.A.	2 100
07.07.2017	11.08.2018	Enea Elektrownia Połaniec S.A.	Polskie Sieci Elektroenergetyczne S.A.	BZ WBK S.A.	15 000
25.09.2017	30.11.2017	Enea S.A.	Zakład Wodociągów i Kanalizacji Sp. z o.o.	BZ WBK S.A.	1 000
Total					43 087

The value of remaining guarantees granted by Enea S.A. as at 30 September 2017 amounted to PLN 5,083 thousand. The total value of guarantees granted by ENEA S.A. to secure liabilities of ENEA Capital Group companies as at 30 September 2017 amounted to PLN 231,058 thousand.

(all amounts in PLN '000, unless specified otherwise)

22.2. Pending proceedings before courts of general jurisdiction

Pending proceedings before courts of general jurisdiction

Actions which Enea S.A. brought to common courts of law refer to claims for receivables due to supply of electricity and claims for other receivables – illegal consumption of electricity, connections to the power grid and other specialist services rendered by the Company.

As at 30 September 2017, the total of 14,709 cases brought by the Company were pending before common courts for the total amount of 57,231 thousand (12,350 cases for the total amount of PLN 55,196 thousand as at 31 December 2016). Provisions related to the court cases are presented in note 18.

None of these cases can significantly affect the Company's net profit.

Actions brought against the Company

Actions against the Company are brought both by natural and legal persons. They mainly refer to such issues as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for the Company's use of real property where electrical devices are located. The Company considers actions concerning non-contractual use of real property not owned by the Company as particularly important.

As at 30 September 2017, the total of 184 cases against the Company were pending before common courts for the total amount of PLN 185,447 thousand (190 cases for the total amount of PLN 54,218 thousand as at 31 December 2016).

None of these cases can significantly affect the Company's net profit.

22.3. Motions for settlement of not balanced energy trading in 2012

On 30 and 31 December 2014 Enea S.A. submitted motions for settlement to:

	Claimed amounts in PLN thousand
PGE Polska Grupa Energetyczna S.A.	7 410
PKP Energetyka S.A.	1 272
TAURON Polska Energia S.A.	17 086
TAURON Sprzedaż GZE Sp. z o.o.	1 826
FITEN S.A.	207
Total	27 801

The subject of motions was claim for the payment of electric energy consumed under the system of energy balancing in 2012. Claimed companies earned unjustified benefits by refusing Enea S.A. to issue invoice corrections for 2012. Till the reporting date some proceedings were conducted but claims of Enea S.A. were not accepted.

(all amounts in PLN '000, unless specified otherwise)

In the absence of amicable settlement of the above case, Enea S.A. filed the following lawsuits against entities mentioned above:

- FITEN S.A. - lawsuit of 24 November 2015,
- TAURON Polska Energia S.A. – lawsuit of 10 December 2015,
- TAURON Sprzedaż GZE Sp. z o. o. – lawsuit of 10 December 2015,
- PKP Energetyka S.A. – lawsuit of 28 December 2015,
- PGE Polska Grupa Energetyczna S.A. – lawsuit of 29 December 2015.

In the case against FITEN S.A. Enea S.A. filed a cassation complaint with the Supreme Court. In other proceedings, there have been no settlement of disputes.

22.4. Dispute concerning energy origin certificate prices

Before the District Court in Poznań the proceeding brought by PGE Górnictwo i Energetyka Konwencjonalna S.A. is pending against the Company for the payment of PLN 42,351 thousand concerning the payment for purchased certificates of origin (lawsuit of 30 May 2016). Enea S.A. made a deduction from the payment part of liabilities for certificates of origin (resulting from invoices for certificates of origin) in respect of a damage caused by PGE GiEK S.A. to Enea S.A. The damage resulted from the fact that PGE GiEK S.A. did not fulfill the contractual obligation to accede to renegotiate long-term contracts for certificates of origin in accordance with the adaptive clause applicable to both Parties.

A reply to the action brought by PGE GiEK S.A. was made on 11 August 2016. In response Enea S.A. filed to dismiss the lawsuit. The parties participated in mediation proceedings, however no agreement had been concluded. The date of the first hearing was set at 12 December 2017.

Before the District Court in Poznan, roll three more cases of identical nature. Furthermore, there are two cases proceeded by the District Court in Poznan to determine the ineffectiveness of termination (withdrawal) by Enea S.A. of contracts of sale of property rights.

23. The participation in the construction of the atomic power plant programme

On 3 September 2014, a Shareholders' Agreement was concluded by and between PGE Polska Grupa Energetyczna, Tauron Polska Energia, Enea and KGHM Polska Miedź (the Business Partners). On 15 April 2015, in accordance with the Shareholders' Agreement, an agreement on the sale of shares in PGE EJ 1 Sp. z o.o. (PGE EJ 1), was concluded, as a result of which each Business Partner purchased 10% of shares in PGE EJ 1. As a result of the sale of the shares in PGE EJ 1 by PGE Polska Grupa Energetyczna to the Business Partners, PGE Polska Grupa Energetyczna holds a 70% interest in the share capital of PGE EJ 1, and the other Business Partners (Tauron Polska Energia, Enea and KGHM Polska Miedź) hold 30% thereof, i.e. each of them holds 10%.

According to the assumptions, PGE Polska Grupa Energetyczna performs the role of the leader of the project to construct and operate the first Polish atomic power plant, and PGE EJ 1 is to perform the function of the operator of the power plant in the future.

(all amounts in PLN '000, unless specified otherwise)

According to the Shareholders' Agreement, the Parties undertake to finance the activities as part of the initial phase of the Project (the Development Stage) jointly, in proportion to the interests they hold. Enea's financial commitment during the Development Stage will not exceed approx. PLN 107 million.

During the third quarter of 2017, PGE EJ 1 continued their work on the preparation to the construction of the atomic power plant in Poland project.

The Shareholders Agreement parties predict that subsequent decision on the declaration of further participation of the Parties in the next phase of the project will be taken after the completion of the Initial Phase.

24. Acquisition of shares of Polimex–Mostostal S.A.

On 6 December 2016, negotiations were commenced between Enea S.A. and the following companies: Energa S.A., PGE Polska Grupa Energetyczna S.A., PGNiG S.A. (Investors) and between the Investors and Polimex-Mostostal S.A. (Polimex). The aim of the negotiations was to develop the structure of a possible capital involvement of the Investor in Polimex (Investment) and develop a possible model of co-operation between the Investors when carrying out the Investment.

On 27 December 2016, Enea S.A. concluded a letter of intent with the Investors and Polimex, in which the Investors expressed their intention to consider a possible investment in Polimex and based on which they commenced talks with Polimex, aimed at developing detailed parameters of the transaction.

At the same time, on that day, the Company along with the Investors submitted a request to the Office of Competition and Consumer Protection (UOKiK) for the consent of the President of the UOKiK to concentration consisting in the acquisition, by the Investors, of joint control of Polimex. The consent to the concentration consisting in the acquisition, by the Investors, of the joint control of Polimex referred to above was issued on 18 January 2017.

At the same time, also on 18 January 2017, the Company entered into an investment agreement with the Investors and Polimex, under which the Investors undertook to invest in Polimex. The investment shall consist in the Investors' subscribing, in total, for 150 million shares issued by Polimex. The company undertook to subscribe for 37.5 million shares of the new issue for the total issue price of PLN 75 million. The agreement was concluded under conditions precedent described in detail in Current Report 2/2017. Along with the above mentioned agreement, agreements specifying the principles of co-operation as well as mutual rights and obligations of the Investors when carrying out the above mentioned investment were concluded, as well as additional agreements related to the implementation of the investments, concluded with the creditors and hitherto shareholders of Polimex.

On 20 January 2017, due to the fulfilment of the conditions precedent contained in the investment agreement referred to above the Company accepted the offer, submitted by the management board of Polimex, of private subscription for 37.5 million shares at the issue price of PLN 2 per share, i.e. for the total issue price of PLN 75 million. In addition, under one of the above additional agreements, on 20 January 2017, the Company acquired 1.5 million shares of Polimex from its hitherto shareholder. The purchase price of all shares amounted of PLN 80.6 million. Enea S.A. acquired 16.48 % stake in share capital of the company.

On 21 March 2017 Investors announced a tender offer for shares of Polimex as a result of exceeding the 33% threshold of the total number of votes at the general meeting of Polimex. Tender offer is of secondary nature and Investors intend to acquire in tender offer shares in excess of number of shares currently held by Investors (i.e. in total 65.93% of the

(all amounts in PLN '000, unless specified otherwise)

total number of votes in Polimex) and get no more than 66% of total votes at the general meeting of Polimex. As a result of tender offer each of Investors (including Enea) intends to get no more than approximately 0.018% of total votes at the general meeting of Polimex. The call was settled on 28 April 2017 and, as a result, each Investor purchased 24 shares in Polimex. At present, the Company holds 39,000,024 shares in Polimex, representing a 16.48% interest in the share capital of Polimex.

On 27 July 2017, Investors approved Polimex request to extend the date for admission of the T series shares to public trading on the Warsaw Stock Exchange till 31 October 2017.

On 20 October 2017, the Polish Financial Supervision Authority approved Polimex prospectus prepared in connection with the issue of 150,000,000 T series ordinary shares.

25. Acquisition of shares of ENGIE Energia Polska S.A. (currently Enea Elektrownia Połaniec S.A.)

On 30 September 2016 Enea S.A. submitted an offer for the purchase of 100% of shares in ENGIE Energia Polska S.A. The offer was submitted according to the description in the process initiated by ENGIE, the owner of 100% of the shares in ENGIE Energia Polska.

On 2 December 2016 the Company obtained exclusivity rights to further negotiations of the purchase of 100% of shares in ENGIE Energia Polska S.A., owned by ENGIE.

On 23 December 2016, the Company signed with ENGIE Energia Polska S.A. a conditional agreement on sale of 100% of shares of ENGIE Energia Polska S.A. (Agreement), and indirectly also 100% of shares in ENGIE BioenergiaSp. z o.o.

The closure of the transaction is subject to the fulfilment of the following significant conditions precedent:

- obtaining consent of the Minister of Energy, pursuant to the Act on Control of Certain Investments,
- obtaining consent of the President of OUKiK for the concentration,
- waiving of the pre-emption right by the President of the Agricultural Market Agency, and
- performing the conversion of debt of ENGIE Energia Polska S.A. towards entities of the ENGIE group into equity in ENGIE Energia Polska S.A.

On 28 February 2017, the Company received the information on the satisfaction of the last of the said conditions, which means that all the conditions precedent have been satisfied.

On 2 March 2017 the Company received the calculation of the initial selling price of 100% of shares in ENGIE Energia Polska S.A. in the amount of PLN 1,264,159,355 from ENGIE International Holdings B.V.

On 14 March 2017 Enea S.A. acquired 100% of shares in ENGIE Energia Polska S.A., i.e. 7,135,000 shares entitled to the same amount of votes for the initial price of PLN 1,264,159,355.

Transaction is consistent with Enea Capital Group's Development Strategy until 2030 approved in September 2016. With this transaction the Company will increase its share in domestic electricity production and will be vice-leader of Polish market of electricity producers.

(all amounts in PLN '000, unless specified otherwise)

26. Realization of the Investment Agreement with Energa S.A. and Elektrownia Ostrołęka S.A. on the construction and operation of a power unit in Ostrołęka Power Plan

On 19 September 2016 Enea S.A. signed a letter of intent with Energa S.A. on engaging in cooperation in preparing, completing and utilizing a modern 1,000 MW coal-fired unit in Elektrownia Ostrołęka (the Investment, Ostrołęka C).

The Parties' intention is to jointly develop an effective business model for Ostrołęka C, verify its documentation and optimize the technical and economic parameters of the new power generation unit. Cooperation also includes conducting a tender to appoint a general contractor for the Project.

The Parties have agreed that the completion of the Project will have a positive impact on Poland's energy security, will meet the highest environmental standards and will ensure yet another stable, highly efficient and low-emission source of energy within the National Grid.

On 8 December 2016, the Company concluded the Investment Agreement on the implementation of the project Ostrołęka C. The subject of the Agreement is to prepare, construct, and operate the power unit referred to above. Pursuant to the Agreement signed, the co-operation will proceed, as a rule, as part of three stages: Development Stage – until the general contractor is instructed to commence the work; Construction Stage – until Ostrołęka C is commissioned for the purposes of commercial operation, and Operation Stage – commercial operation of Ostrołęka C.

After the Development Stage is completed, Enea S.A. is obliged to participate in the Construction Stage, provided, however, that the condition of profitability of the Project is met, and financing the Project does not infringe bank covenants of the Company. It is estimated that the total investment outlays of Enea S.A. until the completion of the Development Stage will total approx. PLN 128 million. For the purposes of the implementation of the investment, Energa S.A. shall dispose of shares of Elektrownia Ostrołęka S.A., constituting 50% in the share capital, in favour of Enea S.A., in price PLN 101 million. The condition precedent for the entry into force of the Investment Agreement was obtaining the consent of the President of UOKiK for the concentration consisting in the acquisition of shares of the special purpose vehicle established to implement the Project. The condition was fulfilled on 11 January 2017.

On 19 December 2016, the special purpose vehicle announced a tender procedure to select the general contractor for the construction of the Ostrołęka C power plant with capacity of approx. 1000 MW and net fuel efficiency of at least 45 %, operating on supercritical steam parameters. Elektrownia Ostrołęka S.A., if certain assumptions are implemented (including an adequate share of Enea S.A., Energa S.A. and possible Financial Investors), and assuming that Capacity Market or other assistance mechanisms are introduced, will be able to undertake the comprehensive implementation of the Project.

On 1 February 2017, Enea S.A. concluded with ENERGA S.A. an Agreement on the Purchase of 24,980,926 Shares in Elektrownia Ostrołęka S.A. for a total of PLN 24 million, thereby acquiring an 11.89% interest in the company's share capital.

On 13 April 2017, the Extraordinary General Shareholders' Meeting of Elektrownia Ostrołęka S.A. adopted a resolution on increasing the company's share capital from PLN 210,100 thousand to PLN 229,100 thousand by issuing new shares. In a private subscription, Enea S.A. acquired 9,500,000 shares in consideration for the contribution in cash which was made on 28 April 2017. After taking up new issue shares, Enea increased its share in the share capital of Elektrownia Ostrołęka S.A. to 15.1%. On 27 June 2017, Enea S.A. concluded an Agreement on the Purchase of 20,017,269 shares in Elektrownia Ostrołęka S.A. with Energa S.A. for a total of PLN 19.2 million and increasing its share in the share capital in Elektrownia Ostrołęka S.A. to 23.79%.

(all amounts in PLN '000, unless specified otherwise)

27. Recapitalization in Polska Grupa Górnicza Sp. z o.o.

In relation to the process of acquiring capital investors by Katowicki Holding Węglowy S.A., in July 2016 Enea S.A. started talks with possible investors on the possibility of implementation of the Investment and its possible parameters. On 28 October 2016, Enea S.A. signed with Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o. (Investors) a letter of intent expressing preliminary interest in financial involvement in Katowicki Holding Węglowy S.A. or KHW's assets.

Due to the interest of Polska Grupa Górnicza Sp. z o.o. (PGG) in acquiring selected assets of Katowicki Holding Węglowy S.A. and the commencement of the process of recapitalization in PGG, Enea S.A. conducted the necessary analyses of the Business Plan presented by PGG with the existing PGG Shareholders and expressed its interest in capital commitment in Polska Grupa Górnicza Sp. z o.o.

On 30 March 2017, the Supervisory Board of Enea S.A. approved the Company's entering into Polska Grupa Górnicza Sp. z o.o. and taking up new shares in PGG's capital with a nominal value of PLN 300 million in consideration for the contribution in cash of PLN 300 million.

On 31 March 2017, the Company concluded:

- an investment agreement specifying the conditions for the financial investment in PGG (Investment Agreement);
- an arrangement relating to the exercise of a joint control over PGG (the Investors' Arrangement).

Investment Agreement

The Parties to the Investment Agreements are: Enea S.A., ENERGA Kogeneracja Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A., Węglokoks S.A., Towarzystwo Finansowe Silesia Sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych) (the Investors) and PGG. The Investment Agreement provided that PGG would acquire selected mining assets from Katowicki Holding Węglowy S.A. on the basis of the final agreement which was concluded on 1 April 2017.

The Investment Agreement regulates the course of the Investment and the Company's entering into PGG, principles of operation of PGG and its authorities, and also the terms under which the parties may exit from the investment in PGG.

As part of PGG recapitalisation the Company undertook to subscribe for new shares in PGG with the total nominal value of PLN 300 million in consideration for the contribution in cash amounting to PLN 300 million, in three stages:

- d) as the first stage the Company subscribed for the new shares in PGG totalling to PLN 150 million in consideration for the contribution in cash amounting to PLN 150 million. After taking up the shares the Company holds a 4.39% share in PGG's share capital. The first recapitalisation was performed in April 2017;
- e) as the second stage the Company subscribed for the new shares in PGG totaling to the PLN 60 mln in consideration for the contribution in cash amounting 60 million. After taking up the shares the Company holds 5.81% share in PGG's share capital. The second recapitalisation was performed in June 2017;
- f) as the third stage the Company will subscribe for the new shares in PGG totalling to PLN 90 million in consideration for the contribution in cash amounting to PLN 90 million. After taking up the shares the Company will hold a 7.66% share in PGG's share capital. The third recapitalisation is to be performed in the first quarter 2018.

(all amounts in PLN '000, unless specified otherwise)

The Agreement regulates the principles of appointing members of the Supervisory Board, according to which each of the Investors and the State Treasury will be entitled to nominate one member of the Supervisory Board composed of eight members maximally.

The Investment is in line with Enea Capital Group's Development Strategy whose one element is securing the base of commodities for the conventional power engineering.

Investors' Arrangement

According to the Investors' Arrangement, the Company jointly with ENERGA Kogeneracja Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw, Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (the Controlling Shareholders) took over control over PGG. The Investors' Arrangement regulates the principles of determining a common position of the Controlling Shareholders as regards the decisions relating to PGG.

Furthermore, on 31 March 2017 a letter of intent signed on 16 October 2016 by Enea S.A., Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o., concerning the previously analysed capital investment in Katowicki Holding Węglowy S.A. was terminated.

28. Initial offer for acquisition of EDF's assets in Poland

On 16 September 2016, Enea S.A., together with PGE S.A., Energa S.A., and PGNiG Termika S.A. (Business Partners), jointly submitted to EDF International SAS (EDF) a preliminary non-binding offer for the purchase of shares in companies belonging to EDF in Poland, holding conventional generation assets and carrying out service activities.

On 30 November 2016, the Company along with Business Partners submitted to EDF a new offer for the purchase of shares in companies belonging to EDF in Poland, holding conventional generation assets and carrying out service activities. The Business Partners submitted the new offer in connection with the upcoming end of the period of validity of the offer submitted on 16 September this year.

On 27 January 2017, the Company along with Business Partners signed an agreement with EDF Investment SAS on negotiations related to the purchase of EDF assets in Poland as well as due diligence process in this scope. The transaction consists of the acquisition of all shares of EDF in EDF Polska S.A. which is, in particular, the owner of 4 combined heat and power plants i.e. Cracow, Gdańsk, Gdynia, and Toruń and heat distribution networks in Toruń, Elektrownia Rybnik, and the acquisition of all shares of EDF in ZEC "Kogeneracja" S.A., which is the owner of 4 combined heat and power plants, i.e. Wrocław, Zielona Góra, Czechnica, and Zawidawie, and heat distribution networks in Zielona Góra, Siechnice, and Zawidawie.

On 15 March 2017 Business Partners amended the structure of the transaction in the following way:

- withdrawal of PGNiG Termika S.A. from the transaction;
- takeover of the so far declared share of PGNiG Termika S.A. in the transaction by PGE S.A., which results in the growth in PGE S.A.'s share in the transaction to 60%;
- maintaining the shares of Enea S.A. and Energa S.A. in the transaction on the same level of 20% for each of the Companies.

The aforementioned amendments in the transaction structure require confirmation of filing no objections by EDF.

On 11 May 2017 the Management Board of Enea S.A. adopted a resolution regarding the Company's resignation from participation in the transaction of acquiring Polish assets belonging to EDF International SAS and EDF Investment II B.V.

(all amounts in PLN '000, unless specified otherwise)

29. Changes in the composition of the Management Board

On 24 August 2017 the Supervisory Board of the Company adopted resolutions to dismiss Mr Wiesław Piosik from the position of the Member of the Management Board responsible for Corporate Affairs and Mr Mikołaj Franzkowiak from the position of the Member of the Management Board responsible for Financial Affairs. Resolutions came into force on the day they were taken. The Supervisory Board also delegated, effective immediately, Mr Rafał Szymański – the Member of the Supervisory Board to temporarily perform duties of the Member of the Management Board responsible for Corporate Affairs of Enea S.A. for the period no longer than 3 months, till appointment of the Member of the Management Board responsible for Corporate Affairs.

On 22 September 2017 the Company's Supervisory Board adopted a resolution on the nomination of Mr Piotr Olejniczak to the position of the Member of the Management Board for Financial Affairs as of 1 October 2017.

On 29 September 2017 the Company received the statement of the same date of Mr Rafał Szymański delegated by the Supervisory Board of the Company to temporarily hold the position of the Member of the Management Board of Enea S.A. for Corporate Affairs regarding the resignation from the delegation to hold the above mentioned position effective as of 1 October 2017.

On 5 October 2017 the Company's Supervisory Board adopted a resolution on the nomination of Mr Zbigniew Piętka to the position of the Member of the Management Board for Corporate Affairs as of 10 October 2017.

30. Changes in the regulatory environment

In the nine-month period ended 30 September 2017, there were a number of regulatory changes, which could have impact on future performance of the Company. The most important changes are as follows:

- the adoption of the amendment to the Act on Renewable Energy Sources („RES Act”) on 20 July 2017. The objective of the amendment is to change the way in which the substitution fee is calculated so that the unit substitution fee will be 125% of the annual average price of property rights resulting from certificates of origin,
- the adoption of the amendment to the Act on Water Law („Water Law”) on 20 July 2017. Water Law introduced additional fees in the form of so-called fixed costs paid on quarterly basis to the State Water Company for using water and discharging wastewater. Water Law provides upper maximum rates of fees that may be reduced by regulation.

At present it is not possible to assess influence of changes in legislation on the financial result and the valuation of the Company's assets due to, among others, unfinished legislative process and possible agreements with European Commission. In the near future the Company will conduct analysis of the impact of the above changes on the financial statements.