



**Other information to the extended
consolidated report of Enea SA
for Q1 2017**



1. Operating Summary

RESOURCES



5.2 GW
installed electric
power

3
mining
fields

121.3 thou. km
of distribution lines
including connections

15.7 thou.
Employees

2.5 mln
Customers

**FINANCE
Q1 2017**



PLN 2,710 mln
net sales revenue

PLN 666 mln
EBITDA

PLN 321 mln
net profit

PLN 1,841 mln
CAPEX

**GOALS
UNTIL 2025**



10.9 mln tonnes
own demand
for bituminous coal

5.8-6.3 GW
installed
conventional
electrical power

20.1 TWh
electricity sales

144 min/1.69
SAIDI/SAIFI

PLN 26.4 bln
basic investment
budget

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In Q1 2017 Enea Capital Group generated:

- **PLN 2,710 mln** net sales revenue
- **PLN 666 mln** EBITDA
- **PLN 321 mln** net profit

In the reporting period, the highest EBITDA, PLN 262 mln, was realised in the area of Distribution. The greatest growth in EBITDA, totalling to PLN 33 mln, was generated in the area of Trade, which in Q1 2017 closed with EBITDA amounting to PLN 51 mln. EBITDA of the area of Generation in January-March 2017 amounted to PLN 202 mln and of the area of Mining, after a growth by 18.6% yoy, to PLN 178 mln.

<p>+</p> <ul style="list-style-type: none"> • Lower costs of purchasing electricity and gas • Lower costs of ecological obligations • Higher sales of distribution services • Higher sales of heat energy • Stable and profitable sales of coal 	<p>-</p> <ul style="list-style-type: none"> • Lower sale volumes of electricity and gas • Lower price of green proprietary interests • Higher costs of purchasing transmission services • Greater provisions for latent claims, including for terminated contracts for purchasing proprietary interests
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In Q1 2017 Enea CG spent PLN 1,841 mln on investments, of which PLN 1,347 mln was consumed by equity holdings, PLN 245 mln by investments in the area of Generation and PLN 150 mln by investments in the area of Distribution.

Net debt/EBITDA as at the end of March 2017 was on a the level of 2.4.

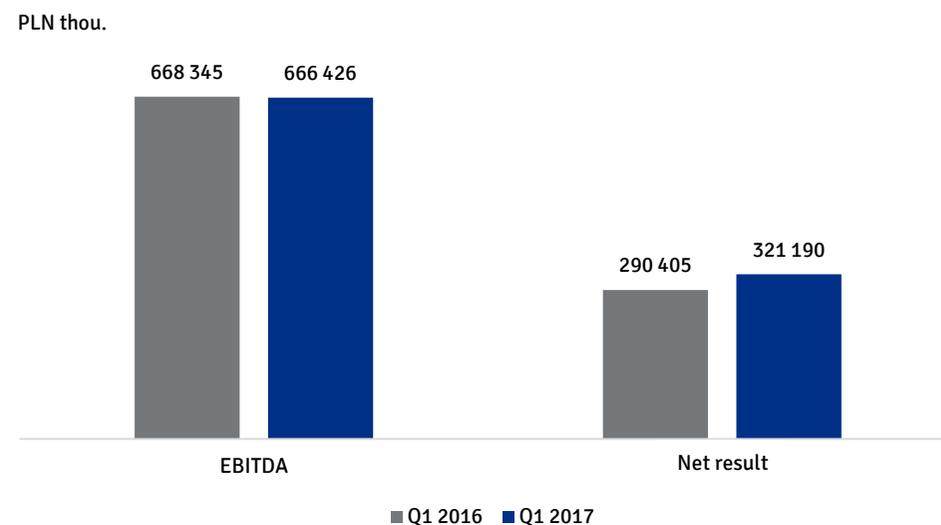
Electricity generation in the Group amounted to 3,756 GWh - growth by 12.1% yoy. Sales of distribution services to end users amounted to 4,975 TWh i.e. increased by 5.2% in relation to the same period of the previous year.

In Q1 2017 Enea SA increased the sale volumes of electricity and gas to retail users by 120 GWh, which is 2.4% yoy.



[PLN '000]	Q1 2016	Q1 2017	Change	Change %
Net sales revenue	2 936 751	2 709 690	-227 061	-7.7%
Operating profit / (loss)	388 637	382 579	-6 058	-1.6%
Profit / (loss) before tax	366 965	402 805	35 840	9.8%
Net profit / (loss) for the reporting period	290 405	321 190	30 785	10.6%
EBITDA	668 345	666 426	-1 919	-0.3%
Net cash flows from:				
operating activities	395 232	572 270	177 038	44.8%
investing activities	-573 393	-1 732 991	-1 159 598	-202.2%
financing activities	60 967	55 166	-5 801	-9.5%
Balance of cash	1 704 900	1 234 662	-470 238	-27.6%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	0.62	0.67	0.05	8.1%
Diluted profit per share [PLN]	0.62	0.67	0.05	8.1%

[PLN '000]	31 December 2016	31 March 2017	Change	Change %
Total assets	24 536 519	24 982 881	446 362	1.8%
Total liabilities	11 524 790	11 656 751	131 961	1.1%
Non-current liabilities	8 606 757	8 908 565	301 808	3.5%
Current liabilities	2 918 033	2 748 186	-169 847	-5.8%
Equity	13 011 729	13 326 130	314 401	2.4%
Share capital	588 018	588 018	-	-
Book value per share [PLN]	29.48	30.19	0.71	2.4%
Diluted book value per share [PLN]	29.48	30.19	0.71	2.4%



	Unit	Q1 2016	Q1 2017	Change	Change %
Net sales revenue	PLN thou.	2 936 751	2 709 690	-227 061	-7.7%
EBITDA	PLN thou.	668 345	666 426	-1 919	-0.3%
EBIT	PLN thou.	388 637	382 579	-6 058	-1.6%
Net profit	PLN thou.	290 405	321 190	30 785	10.6%
Net cash flows from operating activities	PLN thou.	395 232	572 270	177 038	44.8%
CAPEX	PLN thou.	380 808	1 841 407	1 460 599	383.6%
Net debt / EBITDA ¹⁾	-	1.8	2.4	0.6	33.3%
Return on assets (ROA) ¹⁾	%	5.1%	5.1%	-	-
Return on equity (ROE) ¹⁾	%	9.4%	9.6%	0.2 p.p.	-
Trade					
Sales of electricity and gas to end customers	GWh	4 903	5 023	120	2.4%
Number of consumers (Power Delivery Points)	thou.	2 394	2 406	12	0,5%
Distribution					
Sales of distribution services to end users	GWh	4 727	4 975	248	5.2%
Number of customers (closing balance)	thou.	2 497	2 527	30	1.2%
Generation					
Total generation of electricity, including:	GWh	3 351	3 756	405	12.1%
<i>from conventional sources</i>	GWh	3 198	3 549	351	11.0%
<i>from renewable sources of energy</i>	GWh	153	207	54	35.3%
Gross generation of heat	TJ	2 280	2 282	2	0.1%
Sale of electricity, including:	GWh	4 275	4 371	96	2.2%
<i>from conventional sources</i>	GWh	4 122	3 996	-126	-3.1%
<i>from renewable sources of energy</i>	GWh	153	186	33	21.6%
<i>from purchases</i>	GWh	-	189	189	100.0%
Sales of heat	TJ	1 970	2 093	123	6.2%
Mining					
Net production	thou. of tonnes	2 335	2 422	87	3.7%
Sale of coal	thou. of tonnes	2 184	2 389	205	9.4%
Closing stocks	thou. of tonnes	380	158	-222	-58.4%
Roadway works	km	6.8	8.1	1.3	19.1%

Q1 2017:

- Consistent development of Enea CG: CAPEX totalling to PLN 1,841 mln with a value of net debt/EBITDA ratio on the level of 2.4
- Growth in net profit by PLN 31 mln (10.6%)
- Greater volumes of generated electricity by 405 GWh
- Higher sales of coal by 205 thou. tonnes



1) Ratio definitions are to be found on page 76



Dear Sirs and Madams,

In Q1 2017 Enea Group consistently implemented the goals set in the Development Strategy until 2030, strengthening its market position and at the same time becoming a part of the Polish economic policy and enhancing its energy security.

One of the major elements of the Group's development is increasing sales of electricity to end Customers to the level of 20.1 TWh in 2025. Pursuant to the Strategy, the growth will be achieved by increasing own conventional generation capacity, engagement in the construction of new sources or acquisition of the already existing ones. A milestone on the way to implement that objective was a successful transaction of

purchasing Połaniec Power Plant from ENGIE, which already as Enea Połaniec became a part of our Group.

We are strengthening the market position - we obtained valuable assets at favourable financial conditions

We have fully utilised the opportunity which occurred on the market. At an optimum price, we obtained one of the most efficient system power plants in Poland which during the recent years has undergone a ca. PLN 1.5 bln worth of an intensive modernisation programme. We gained a range of benefits with just one transaction. We have abruptly increased the electricity generation capacities from 3.3 GW to 5.2 GW, of which over 200 MW is one of the largest "green units" in the world utilising biomass. Incorporation of Połaniec under the Group resulted in the fact that the annual electricity generation grew from ca. 14 TWh to ca. 24 TWh, due to which Enea became a strong vice-leader on the Polish market of electricity generation. At the same time, electricity generation and sales remained balanced in the Group. The transaction also guaranteed sales of large volumes of coal mined in Enea Group - Połaniec Power Plant utilises ca. 3.9 mln tonnes of the commodity, of which over 50% comes from LW Bogdanka. Thus, the Group develops a cost- and operation-efficient Kozienice-Bogdanka-Połaniec mining and generation area based on its own raw material.

When financing the ca. PLN 1.26 bln worth of a transaction Enea used mainly own funds, including also the funds obtained as part of the first public issue and the issue available within the programme guaranteed by Bank Gospodarstwa Krajowego.

LW Bogdanka intends to remain the leader of efficiency and innovative solutions in the mining sector

One of Enea Group's priorities for the coming years is building a proper synergy of generation and mining assets based on LW Bogdanka operating in the Group's mining area and modern generation capacity of the concern. The Group also wishes to continue to set trends as regards innovation, both in the energy sector and through LW Bogdanka - in the sector of bituminous coal mining.

In Q1 2017 LW Bogdanka presented the development strategy for the Area of Mining in Enea Group until 2025, with the outlook to 2030. The announced strategy is in line with Enea Group's Strategy and complies with the Sustainable Development Plan and the project of the Programme for bituminous coal mining in Poland.

The fact that the two largest customers of Bogdanka became a part of a group of companies allows for the implementation of a scenario, described in the Strategy of the mining company, relating to the flexible growth with the average production in 2017-2025 on the level of 9.2 mln tonnes annually.

Apart from the close cooperation and synergy accomplishment within Kozienice-Bogdanka-Połaniec area of mining and generation, also doubling the base of operating resources and implementation of a range of innovative strategic projects are deemed crucial initiatives by LW Bogdanka as regards its Strategy. The major of them include: conducting, together with Enea Group, the feasibility study of the project of the technology of coal gasification for electricity generation (IGCC), utilisation of the modern highly efficient face machine complex, continuation of the programme entitled "The Mine of Smart Solutions", efficient gangue management and development of LW Bogdanka's operating services, offered based on high technical and managerial standards of the Company. Unalterably, the Strategy's priority element remains maintaining the highest level of occupational safety and conducting operations according to corporate social responsibility (CRS) principles which are important for the whole Enea Group.

We are consistently building the ecosystem of innovations

The Group's priority is innovativeness in all the links of the value chain. A confirmation of such an approach is Enea's engagement in the development of electromobility. In April 2017 the Company became a member of the cluster entitled "Polish Electric Bus - electromobility supply chain". The cluster was established on the initiative of Solaris in November 2016 and universities, scientific centres and enterprises commenced collaboration.

The goal of the cluster is cooperation for electromobility development, in particular e-buses and components used for their construction, which will be based on technical solutions developed in Poland. The draft electromobility act, which is planned to enter into force in January 2018, foresees that as of 2028 30% of the urban bus fleet will be composed of electrical vehicles. As seen from the electroenergetic sector the anticipated development of e-mobility will affect the growth in demand for electricity and future operation of the power system.

Appearing new technologies, growing expectations of Customers and volatile economic environment in Poland and the world, affect the changes in the method of operation of Operators of the Distribution Systems. Enea Operator dealing with the area of distribution in the Group successfully implements innovative solutions, focusing on the modernisation and extension of the distribution network in accordance with the leading trends in the energy sector which include e.g. development of smart grids and modern IT systems, supporting the grid management, or new institutional and technical solutions such as clusters, energy co-operatives, prosumer market, energy warehouses, or mentioned earlier electromobility.

A sample investment in line with the trends is a modern Power Dispatch Centre launched in March 2017 which allows for managing the high-voltage grid owned by Enea Operator in the north-western Poland from one place. PDC will enable flexible, fast and comprehensive response to events occurring on 110 kV grid. The investment contributes to guaranteeing the continuity of electricity supplies to Customers.

Equity investments – diversification of the commodity base

One of the elements of Enea Capital Group's Development Strategy is guaranteeing the commodity base of the conventional power engineering. Hence the decision on the Company's equity interest in Polska Grupa Górnicza. The investment will provide Enea Group with appropriate diversification of coal supply to power plants belonging to the Group.

Greater care for our Customers

The Customer is always in the centre of our attention, therefore we focus on the possibly best matching of our offer with their needs. We think in advance so that the Customer is provided with what they need on time - such is the role of an innovative energy group.

We are undertaking actions each day to strengthen the relations with the existing Customers and encourage prospective Customers to benefit from our offer. One of the activities which serves this purpose is development of a loyalty programme entitled "Purchase Zone". Customers joining it have a possibility of ordering products of reputable brands at attractive prices.

However, in April a new campaign was launched entitled "You win in Enea" whose purpose is encouraging our Customers to a regular contact and check latest offers and proposals. Next, from the beginning of May, a new Customer Service Standard has come into force in our Customer Service Centres. It is a fresh look at Customer care principles in our locations. We have also strengthened the examination of Customer needs at the initial stage of a dialogue with them.



We are enhancing the efficiency and value for Shareholders

We are building an optimum model of the Group's operation which strengthens its market power. We are conducting an ambitious investment programme taking at the same time care for the Group's financial security and stability. We are generating financial results on an anticipated level, taking care for the efficiency which translates into the possibility of distributing dividend to our Shareholders. Therefore, on 30 March 2017 Enea's Management Board decided to recommend to the General Meeting of Shareholders to distribute the dividend from profit for 2016 in the amount of PLN 0.25 per share. The Management Board's motion was approved by the Supervisory Board.

The Group's responsible development

Enea Group has conducted numerous projects for years and supported various initiatives within corporate social responsibility. Recently, the Company has joined the Responsible Business Forum Partnership Programme. It is a long-term and comprehensive programme of cooperation with companies - leaders of the responsible business which through their engagement and activities contribute to the promotion of the idea of responsible business in Poland and creating a good climate among various groups of stakeholders. Strategic partners are companies which hold experience in social responsibility and sustainable development.

As one of the elements of corporate social responsibility, particularly in our sector, we understand the importance of supporting vocational education. An example of such activity of the Group within this scope in Q1 2017 is an agreement signed in March by Enea Operator on cooperation with Centrum Kształcenia Zawodowego i Ustawicznego (Professional Development Centre) in Złotów. The cooperation is to contribute to enhance the attractiveness of school graduates on the labour market and to facilitate Enea Operator in searching for specialised technical Employees.

Unalterably, Enea's priority is development of the human potential. Skills, knowledge and experience of ca. 15.7 thou. Employees employed by the Group in many regions of Poland, is our strength and most valuable capital. It is also a commitment - as a responsible employer through corporate development, caring for its financial condition we are building a stable working environment for our Employees.

Yours faithfully,

Mirosław Kowalik

President of the Management Board of Enea SA

Enea Group enhances the Polish energy security and reliability of energy supplies to its Customers - engagement in key investment projects.

• Negotiations with EDF Investment SAS as regards the acquisition of EDF assets in Poland

As a consequence of actions undertaken during the previous reporting periods relating to the planned acquisition of EDF assets, on 27 January Enea and PGE Polska Grupa Energetyczna, Energa and PGNiG Termika and EDF signed a Memorandum of Understanding relating to the conduct of negotiations on the acquisition of EDF assets in Poland and due diligence analysis within this scope. On 15 March the Business Partners made amendments to the transaction structure, relating to:

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

Pursuant to the arrangements the aforementioned amendments required confirmation of filing no objections by EDF.

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

• Implementation of the investment agreement relating to the construction of a power unit in Ostrołęka Power Plant

On 11 January the President of the Office of Competition and Consumer Protection approved the concentration being the acquisition of the shares in the special purpose vehicle, Elektrownia Ostrołęka SA seated in Ostrołęka, for the implementation of the project consisting in the preparation, construction and operation of a 1,000 MW_e bituminous coal fired power unit (Ostrołęka C). On 1 February Enea SA and Energa SA concluded a Purchase Agreement for 24,980,926 shares in Elektrownia Ostrołęka SA, taking thus up 11.89% in the share capital of Ostrołęka Power Plant for the total price of PLN 24 mln. Pursuant to the above agreements Energa SA and Enea SA took over the joint control over Elektrownia Ostrołęka SA. Both parties will ultimately hold 50% shares in Elektrownia Ostrołęka SA each and the same number of votes at a General Meeting.

Energa and Enea agree that the implementation of Ostrołęka C project will positively affect the Polish energy security, will satisfy the highest environmental standards and will guarantee a next highly-efficient and low-emission source of energy in the Polish Power System. The Companies foresee that the construction of the new unit will be completed in H2 2023, and the expenditures on the implementation of the investment will total to ca. 5.5-6 mln PLN/MW.

• Recapitalisation of Polska Grupa Górnicza

On 30 March Enea's Supervisory Board approved Enea's entering into Polska Grupa Górnicza sp. z o.o. (PGG) and subscription for the new shares in PGG's share capital totalling to PLN 300 mln in consideration for the contribution in cash amounting to PLN 300 mln. On 31 March Enea, and the following companies: ENERGA Kogeneracja, PGE Górnictwo i Energetyka Konwencjonalna, PGNiG Termika, Węglókoks, Towarzystwo Finansowe Silesia, Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, concluded an investment agreement with PGG. It 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. The agreement foresees recapitalisation of PGG by the investors in three stages for the total amount of PLN 1 bln. As part of PGG recapitalisation Enea undertook to subscribe for new shares in PGG with the total nominal value of PLN 300 mln in consideration for the contribution in cash amounting to PLN 300 mln, in three stages. The first recapitalisation of PGG by Enea in the amount of PLN 150 mln was performed on April 2017. Next two recapitalisations are scheduled for June 2017 - PLN 60 mln and Q1 2018 - PLN 90 mln. 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. Additionally, the investors concluded an agreement relating to the exercise of a joint control over PGG.

On 31 March the letter of intent concluded on 28 October 2016 with Węglókoks and TF Silesia expressing the preliminary interest in the financial engagement in KHW or KHW's assets was terminated.

• Enea the owner of Połaniec Power Plant - transaction with ENGIE successfully completed

On 14 March, the transaction of purchasing 100% of shares in ENGIE Energia Polska, the owner of Połaniec Power Plant, by Enea Group from ENGIE International Holdings B.V. was successfully closed. Enea obtained, for ca. PLN 1.26 bln, a major system power plant, which during the recent years has undergone a ca. PLN 1.5 bln worth of an intensive modernisation programme. The acquired company is fully debt-free and has strengthened Enea on the market from the very first days.

When financing the transaction Enea used mainly own funds, including also the funds obtained as part of the first public issue and the issue available within the programme guaranteed by Bank Gospodarstwa Krajowego.

On 10 April ENGIE Energia Polska changed its name to Enea Elektrownia Połaniec. During the next weeks Enea Połaniec will formally join Enea Group. The procedures and rules in force in Enea will be implemented in Połaniec Power Plant.

Połaniec Power Plant comprises eight units of the total capacity of 1.9 GW. It is one of the younger system power plants in Poland and the biggest object of this type in south-east Poland. The power plant belonged to a French concern, ENGIE, and Enea submitted a purchase offer in September 2016.

The acquisition of Połaniec Power Plant is in line with Enea Group's priorities as they result from the development strategy. Enea gains a range of benefits with just one transaction. The Group is abruptly increasing the electricity generation capacities from 3.3 GW to 5.2 GW, of which over 200 MW is one of the largest "green units" in the world utilising biomass. Incorporating Połaniec under the Group, Enea increases energy generation from ca. 14 TWh to ca. 24 TWh and becomes a strong vice-leader on the Polish market of energy generation. At the same time, electricity generation and sales will be balanced in the Group. The transaction also guarantees sales of large volumes of coal mined in Enea Group - Połaniec Power Plant utilises ca. 3.9 Mt of the commodity, of which over 50% comes from LW Bogdanka. Thus, the Group develops a cost- and operation-efficient Koźienice-Bogdanka-Połaniec mining and generation area based on its own raw material.

• Taking up shares in Polimex-Mostostal

On 18 January Enea, Energa, PGE Polska Grupa Energetyczna, PGNiG Technologie and Polimex-Mostostal concluded an investment agreement relating to the investment in Polimex-Mostostal and other agreements within this transaction. On 20 January, after satisfaction of conditions precedent, foreseen in the investment agreement of 18 January, Enea, Energa, PGE and PGNiG Technologie took up shares in Polimex-Mostostal. The investors took up cumulatively 150 mln, i.e. 37.5 mln shares in Polimex-Mostostal each, as part of the planned capital raising. The issue price per share was set at PLN 2. As a consequence of recapitalisation and redemption of the shareholding in SPV Operator the investors subscribed for a total of 65.93% of shares (complaint with the new shareholding structure). On 21 March the Investors published a tender offer for shares in Polimex in relation to exceeding (as the parties to the memorandum of understanding) of the 33% threshold of the total number of votes at a general meeting of Polimex. The offer was consequent in nature and was settled on 28 April. As a consequence each of the investors acquired 24 shares in Polimex. Currently, Enea holds 390,000,024 shares in Polimex, constituting 16.48% share in the company's share capital. Jointly, the Investors hold 156,000,097 shares, constituting 65.9% share in Polimex's share capital.

Polimex-Mostostal holds the largest, over 23% share in the implementation of core projects in the conventional energy sector. Due to this fact, the company is present in contractor consortia of the largest energy related investments in Poland, whose cumulative budget is ca. PLN 30 bln.

Modernisation of two units' turbines in Kozenice Power Plant

Enea Wytwarzanie and EthosEnergy signed an agreement relating to the modernisation of the turbines on units No. 3 and 8 in Kozenice Power Plant. Due to the modernisation the turbine sets' dynamic state will be improved. The value of the contract is almost PLN 4.9 mln net, and the works are scheduled to be completed in July 2017.

Extension of the agreement for banking services with PKO Bank Polski and Bank Pekao SA

On 25 January Enea Group companies signed annexes to the agreements currently in force for the comprehensive bank services concluded with PKO BP and Pekao SA. Annexing the existing agreements for the next term provides Enea Customers with a guarantee that bank account numbers will remain the same. The Group's core companies will have access to all the necessary banking products and services within a comprehensive bank service on the most advantageous conditions.

Cooperation with PKO BP and Pekao SA gives a possibility to Enea Group core companies to jointly manage the money and enables financing the current operations from intergroup funds with no necessity to incur any costs of commissions or interest. Additionally, it guarantees a comprehensive bank service within the available product range and overdraft facility availability within the system of managing groups of accounts (Cash Pooling) for the needs of financing the core operations.

Flexible development, doubling the commodity base and innovations within Enea Group's Mining area

LW Bogdanka being a part of Enea Group, the most modern and most efficient bituminous coal mining in Poland on 9 February presented the development strategy for the Area of Mining of Enea Group until 2025 with the outlook to 2030. The announced strategy is in line with Enea Group's Strategy and complies with the Sustainable Deployment Plan and the project of the Programme for bituminous coal mining in Poland.

The strategy of LW Bogdanka Area of Mining in Enea Group assumes two development scenarios: base, foreseeing the average production on the level of 8.5 mln tonnes during 2017-2025, and flexible development with the average annual production in that period on the level of ca. 9.2 mln tonnes. Having in mind the current and anticipated market situation the Company intends to implement the scenario of flexible development. CAPEX projected for 2016-2025 (in nominal value) is PLN 3.7 bln for the base scenario and ca. PLN 4 bln for the flexible development scenario.

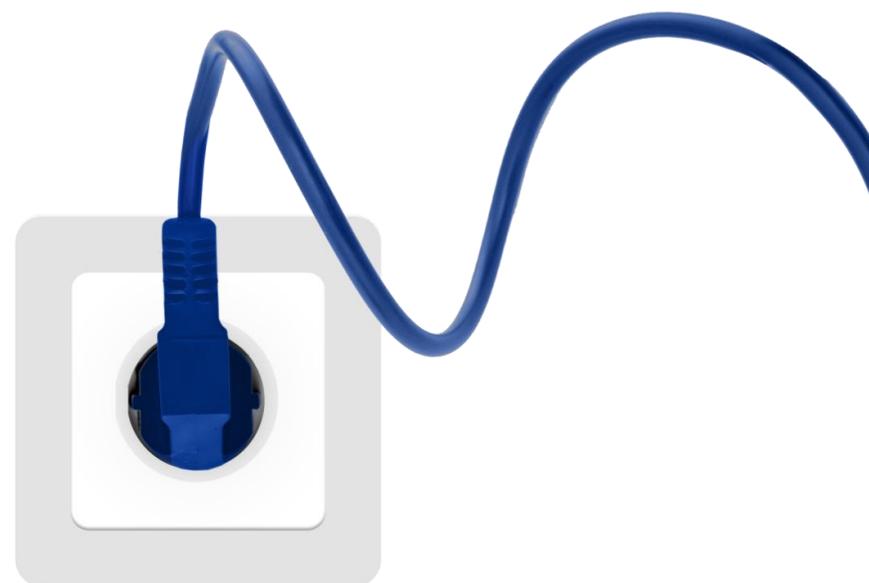
Investments deemed key by LW Bogdanka: close cooperation and synergy accomplishment within Kozenice-Bogdanka-Połaniec area of mining and generation, also doubling the base of operating resources and implementation of a range of key innovative strategic initiatives. The major of them include: conducting, together with Enea Group, the feasibility study of the project of the technology of coal gasification for electricity generation (IGCC), utilisation of the modern highly efficient face machine complex, continuation of the programme entitled "The Mine of Smart Solutions", efficient gangue management and development of LW Bogdanka's operating services, offered based on high technical and managerial standards of the Company. Unalterably, the strategy's priority element remains maintaining the highest level of occupational safety and conducting operations according to corporate social responsibility (CRS) principles.

Guaranteeing the reliability of electricity supplies

In March 2017 Enea Operator started the newest and most modern Power Dispatch Centre (PDC) which will manage the high-voltage grid in north-western Poland. High-voltage grid belonging to the Company is currently controlled from one place. Such an organisation of traffic enables a flexible, quick and comprehensive response to the events occurring on the whole length of 110 kV grid belonging to Enea Operator. The investment contributes to guaranteeing the continuity of electricity supplies to Customers. The IT systems applied in PDC are based on Polish solutions.

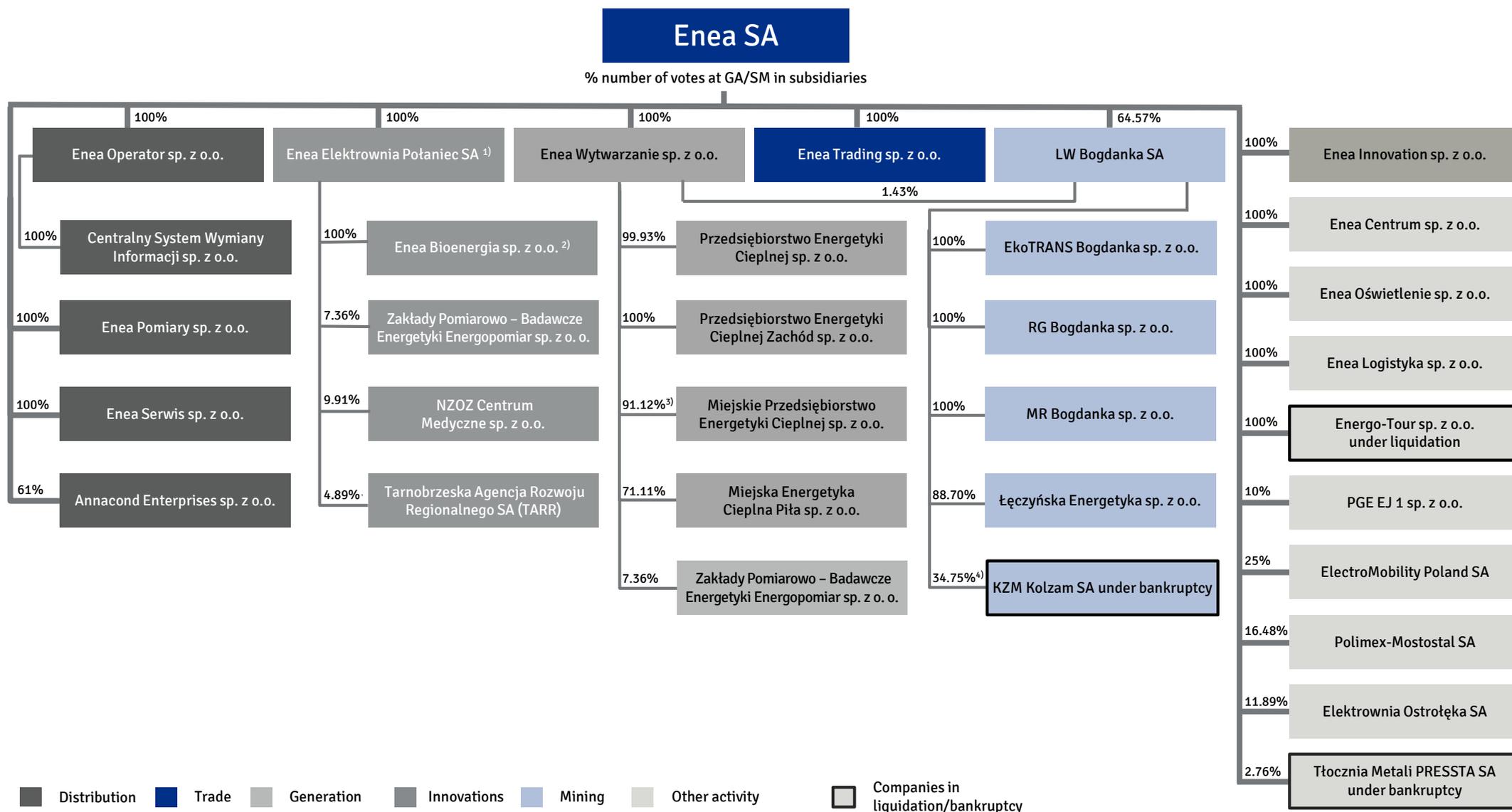
Enea wishes to share profits with Shareholders

On 30 March Enea's Management Board adopted a resolution relating to the distribution of Enea SA's net profit for the period from 1 January 2016 to 31 December 2016, pursuant to which it recommended distribution of the dividend for Shareholders in the amount of PLN 110,360,644.50, which is PLN 0.25 per share. On 20 April the Company's Supervisory Board issued a positive opinion on the Management Board's motion. The final decision relating to the distribution of net profit for 2016 will be made by Enea's Ordinary General Meeting of Shareholders.





2. Enea Group's organisation and operations



6 leading entities operate within Enea Group, i.e. Enea SA (trade in electricity), Enea Operator sp. z o.o. (distribution of electricity), Enea Wytwarzanie sp. z o.o. and Enea Elektrownia Połaniec SA (generation and sales of electricity and heat), Enea Trading sp. z o.o. (wholesale trade in electricity) and LW Bogdanka SA (coal mining). The other entities render supplementary services in relation to the aforementioned companies.

The Group's structure includes also minority interests in entities held by Enea SA's subsidiaries, i.e. Enea Wytwarzanie sp. z o.o., Enea Elektrownia Połaniec SA and LW Bogdanka SA.

1) Former name of ENGIE Energia Polska SA (change as of 10 April 2017)
 2) Former name of ENGIE Bioenergia sp. z o.o. (change as of 26 April 2017)

3) On 21 April 2017 the number of votes at GM was 91.130%
 4) Earlier, the % share of LW Bogdanka SA in the share capital of KZM Kolzam SA under bankruptcy was presented which amounts to 22.41%.

Asset restructuring

After performing, in previous years, key organisational changes in Q1 2017 Enea Group, apart from the initiatives related to the planned changes, did not conduct any significant activities within assets restructuring.

Equity disinvestments

In Q1 2017 no significant activities were performed as regards equity disinvestments.

Changes in the Group's organisation

In Q1 2017 Enea Group continued activities focused on the implementation of the Group's Corporate Strategy.

Equity investments

Area	Date	Company	Event
Q1 2017			
Other activity	20 January 2017	Polimex-Mostostal SA	Enea SA accepted the offer made by Polimex to take up, as a private subscription, 37.5 mln shares and acquired 1.5 mln shares of Polimex from its existing shareholder, taking up a total of 16.4% in the Company's share capital.
Other activity	1 February 2017	Elektrownia Ostrołęka SA	Acquisition by Enea SA from Energa SA of 24,980,923 shares in Elektrownia Ostrołęka SA - Enea SA took up 11.89% in the Company's share capital.
Generation	14 March 2017	ENGIE Energia Polska SA	Enea SA acquired 100% shares from ENGIE International Holdings B.V.
Events after the reporting period			
Generation	21 April 2017	MPEC sp. z o.o.	Increasing the share in the total number of votes in relation to the performance of agreements between authorised employees of MPEC sp. z o.o and Enea Wytwarzanie sp. z o.o
Other activity	28 April 2017	Polimex-Mostostal SA	As a result of the tender offer Enea SA purchased 24 shares in Polimex constituting 0.00001% share in the Company's share capital.
Other activity	28 April 2017	Elektrownia Ostrołęka SA	Enea SA accepted an offer made by Elektrownia Ostrołęka SA of taking up as a private subscription of 9.5 mln new shares in Elektrownia Ostrołęka SA.

Performance of the Investment Agreement with Energa SA and Elektrownia Ostrołęka SA relating to the construction and operation of the power unit in Ostrołęka Power Plant

On 19 September 2016, Enea SA and Energa SA signed a Letter of Intent relating to undertaking the cooperation on the preparation, implementation and operation of a modern 1,000 MW unit in Ostrołęka Power Plant (investment, Ostrołęka C). The parties' intention is joint elaboration of Ostrołęka C's effective business model, verification of its design documentation and optimisation of technical and economic parameters of the new unit. The cooperation includes also the performance of the tender procedure to select the general contractor for the Investment.

In the parties' agreeable opinion the implementation of the Investment will positively affect the Polish energy security, will satisfy the highest environmental standards and will guarantee a next high-performance and low-emission source of energy in the Polish Power System.

On 8 December 2016 the Company concluded an Investment Agreement relating to the realisation of Ostrołęka C project. The subject of the Agreement is preparation, construction and operation of a power unit mentioned above. Pursuant to the concluded Agreement, the cooperation, as a rule, will be organised in three stages: Development Stage - until issuing the instruction to commence works for the general contractor, Construction stage - until commissioning of Ostrołęka C for commercial operation and Operation Stage - commercial operation of Ostrołęka C. After the end of the Development Stage, Enea SA is obliged to take part in the Construction Stage assuming that the Project's profitability condition is satisfied, and the Project's financing will not infringe upon the Company's bank covenants. It is estimated that the total capital expenditures of Enea SA until the end of the Development stage will amount to ca. PLN 128 mln.

For the implementation of the Investment Energa SA will dispose of the shares held in Elektrownia Ostrołęka SA, constituting 50% in the share capital, to Enea SA, in the amount of ca. PLN 101 mln. A condition precedent suspending the Investment Contract's entry into force was obtaining the consent of the President of the Office of Competition and Consumer Protection to perform the consolidation being the acquisition of the shares in the special purpose vehicle to implement the Project. The condition was satisfied on 11 January 2017.

On 19 December 2016 the special purpose vehicle announced the tender procedure for the selection of a general contractor to construct Ostrołęka C power plant with ca. 1,000 MW capacity and net efficiency of at least 45%, operating on steam supercritical parameters. Elektrownia Ostrołęka SA on the realisation of specific assumptions (with a relevant share of Enea SA, Energa SA and potential Financial Investors) and assuming the introduction of the capacity market or other support mechanisms, will be able to undertake a comprehensive implementation of the project.

On 1 February 2017 Enea SA and Energa SA concluded a Purchase Agreement for 24,980,926 shares in Elektrownia Ostrołęka SA, taking thus up 11.89% in the share capital of Ostrołęka Power Plant for the total price of PLN 24 mln.

On 13 April 2017 the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka SA adopted a resolution on raising the share capital of the Company from PLN 210,100,000.00 to PLN 229,100,000.00 through the issue of new shares. In the private subscription Enea SA took up 9.5 mln shares in consideration for a contribution in cash which was paid on 28 April 2017. Raising the share capital is pending registration with the register court.

Based on the above mentioned agreements Energa SA and Enea SA acquired a joint control over Elektrownia Ostrołęka SA, seated in Ostrołęka, whose purpose of operation is construction and operation of a new coal unit. Both parties will ultimately hold 50% shares in Elektrownia Ostrołęka SA each and the same number of votes at a General Meeting. The same number of representatives of the both parties will sit in the Management Board and Supervisory Board. Decisions relating to significant actions will require unanimous consent of both shareholders who have the right to the net assets of Elektrownia Ostrołęka SA. Taken the above into consideration the investment was classified as a joint undertaking and is recognised by the equity method. Elektrownia Ostrołęka SA is a non-public company, therefore there are no quoted prices for its shares.

Acquisition of shares in ENGIE Energia Polska (currently Enea Elektrownia Połaniec)

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

Closing the transaction depended on the fulfilment of the following significant conditions precedent:

- obtaining the consent of the Minister of Energy, pursuant to the Act on control over certain investments
- obtaining the consent of the President of the Office of Competition and Consumer Protection for the concentration
- waiver of the pre-emptive right by the President of the Agricultural Property Agency
- conversion of EEP debt towards entities from ENGIE group into capital of EEP

On 28 February 2017 the Company was informed on the satisfaction of the last of the above mentioned conditions, which means that all the above conditions precedent were fulfilled. On 2 March the Company received the calculation of the preliminary selling price of 100% of shares in EEP from ENGIE International Holdings B.V. on the level of PLN 1,264,159,355. On 14 March the Issuer acquired 100% of shares in EEP, i.e. 7,135,000 shares, entitling to the same number of votes for the initial price of PLN 1,264,159,355. Estimated costs related to the acquisition of shares amounted to PLN 3.4 mln. The transaction is in line with Enea Capital Group's Development Strategy until 2030 approved in September 2016. Due to the transaction the Group will increase its share in the domestic generation of power and will remain the vice-leader of the Polish market of electricity generators. As at the publication date of the condensed interim consolidated financial statements the process of allocation of the purchase price to the identifiable net assets acquired has not been completed. In relation to that the Group decided to perform the initial settlement as pre-determined. The purchase price is PLN 1,264,159 thou., and the book value of the net assets from the financial information of Połaniec Group as at the purchase date is PLN 1,294,181 thou. The Group assumed that the difference between the purchase price and the book value of net assets relates mainly to tangible assets.

If the merger occurred on 1 January 2017, then according to the Management Board's estimates the consolidated net sales revenue for the period of three months ended on 31 March 2017 would amount to PLN 3,053,186 thou. and the consolidated net profit would amount to PLN 332,881 thou.

Equity investments

Recapitalisation of Polska Grupa Górnicza sp. z o.o.

In relation to the process of obtaining capital investors by Katowicki Holding Węglowy SA, in July 2016 the Company commenced talks with potential investors relating to a possibility of implementing the investment and its potential parameters.

On 28 October 2016 Enea SA, Węglokoks SA and Towarzystwo Finansowe Silesia sp. z o.o. signed a letter of intent expressing the preliminary interest in the financial engagement in Katowicki Holding Węglowy or in KHW's selected assets. In relation to the interest of Polska Grupa Górnicza sp. z o.o. (PGG) in the acquisition of selected assets of Katowicki Holding Węglowy SA and commencement of the process of recapitalisation of PGG, Enea SA and the existing Shareholders of PGG conducted necessary analyses of the business plan presented by PGG and expressed their interest in the equity interest in PGG.

On 30 March 2017 Enea SA's Supervisory Board approved the Company's joining PGG and subscription for new shares in its capital of the nominal value of PLN 300 mln in consideration for the contribution in cash in the amount of PLN 300 mln.

On 31 March 2017 the Company concluded:

- an investment agreement specifying the terms of the financial investment in PGG (Investment Agreement)
- memorandum of understanding relating to the exercise of a joint control over PGG (Investors' Memorandum of Understanding)

Investment Agreement

The parties to the Investment Agreement are: Enea SA, ENERGA Kogeneracja sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna SA, PGNiG TERMIKA SA, Węglokoks SA, Towarzystwo Finansowe Silesia sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Investors) and PGG. The Investment Agreement foresaw that PGG would buy selected mining assets from Katowicki Holding Węglowy SA based on 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 the investment in PGG.

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

- a) as the first stage the Company subscribed for the new shares in PGG totalling to PLN 150 mln in consideration for the contribution in cash amounting to PLN 150 mln. After taking up the shares the Company holds a 4.39% shareholding in PGG's share capital. The first recapitalisation was performed in April 2017.
- b) as the second stage the Company will subscribe for the new shares in PGG totalling to PLN 60 mln in consideration for the contribution in cash amounting to PLN 60 mln. After taking up the shares the Company will hold a 5.81% shareholding in PGG's share capital. The second recapitalisation is to be performed in June 2017.
- c) as the third stage the Company will subscribe for the new shares in PGG totalling to PLN 90 mln in consideration for the contribution in cash amounting to PLN 90 mln. After taking up the shares the Company will hold a 7.66% shareholding in PGG's share capital. The third recapitalisation is to be performed in Q1 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' Memorandum of Understanding

Pursuant to the Investors' Memorandum of Understanding the Company and ENERGA Kogeneracja sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna SA, PGNiG TERMIKA SA, and Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Controlling Shareholders) took the joint control over PGG. The Investors' Memorandum of Understanding regulates the principles of determining a common position of the Controlling Shareholders as regards the decisions relating to PGG.

Letter of Intent with Węglokoks and TF Silesia

At the same time, on 31 March 2017, the letter of intent was terminated which was signed on 16 October 2016 by Enea SA, Węglokoks SA and Towarzystwo Finansowe Silesia sp. z o.o. relating to the analysed earlier equity investment in Katowicki Holding Węglowy SA.

Initial offer for EDF in Poland

On 16 September 2016 Enea SA and PGE SA, Energa SA and PGNiG Termika SA (Business Partners) jointly made a preliminary, non-binding offer to EDF International SAS (EDF) for the purchase of shares in companies belonging to EDF in Poland, holding conventional generating assets and conducting service operations. 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 relating to the conduct of negotiations regarding the acquisition of EDF's assets in Poland and due diligence examination within this scope. The transaction includes the acquisition of all EDF's shares in EDF Polska SA which in particular is the owner of 4 combined heat and power plants, i.e. Kraków, Gdańsk, Gdynia and Toruń and heat distribution networks in Toruń, Rybnik Power Plant, and the acquisition of all 4 combined heat and power plants, i.e. Wrocław, Zielona Góra, Czechnica and Zawidawie and heat distribution network in Zielona Góra, Siechnice and Zawidawie.

On 15 March 2017 the Business Partners made amendments to the transaction structure, relating to: 1) withdrawal of PGNiG Termika SA from the transaction, 2) takeover of the so far declared share of PGNiG Termika SA in the transaction by PGE SA, which results in the growth in PGE SA's share in the transaction to 60%, 3) maintaining the shares of Enea SA and Energa SA in the transaction on the same level of 20% for each company. Pursuant to the agreement, the above amendments in the transaction structure required confirming filing no objections by EDF.

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

Equity investments

Acquisition of shares in Polimex – Mostostal SA

On 6 December 2016 targeted talks commenced between Enea SA and the following companies: Energa SA, PGE Polska Grupa Energetyczna SA, PGNiG SA (Investors) and between Investors and Polimex-Mostostal SA (Polimex). The goal of these talks was drafting the structure of a potential equity interest of Investors in Polimex (Investment) and development of a potential model of cooperation between Investors on the Investment implementation.

On 27 December 2016 Enea SA, the Investors and Polimex signed a letter of intent in which the Investors expressed their intention to consider a potential investment in Polimex and based on which they commenced talks with Polimex with the purpose of specifying detailed parameters of the transaction. At the same time, on the same day, the Company and the Investors, lodged a motion with the Office of Competition and Consumer Protection (UOKiK) for issuing the approval by the President of UOKiK to perform the concentration being the takeover by the Investors of a joint control over Polimex. The consent was issued on 18 January 2017.

At the same time, also on 18 January 2017, the Company, the Investors and Polimex concluded an investment agreement pursuant to which the Investors undertook to make an investment in Polimex. The investment will consist in the subscription by the Investors for a total of 150 mln shares issued by Polimex. The Company undertook to take up 37.5 mln new issue shares for the total issue price of PLN 75 mln. The agreement was concluded under conditions precedent, described in detail in the current report No. 2/2017. Along with the aforementioned agreement other agreements were concluded which made the terms of cooperation more precise together with the mutual rights and obligations of the Investors on the implementation of the above-mentioned investment, which were concluded with creditors and then existing shareholders of Polimex.

On 20 January 2017 in relation to the satisfaction of conditions precedent reserved in the investment agreement mentioned above, the Company accepted the offer made by the Management Board of Polimex to subscribe, within the private subscription, for 37.5 mln shares, at the issue price of PLN 2 per share, i.e. for the total issue price of PLN 75 mln. Additionally, as the result of the performance of one of the above mentioned additional agreements on 20 January 2017 the Company purchased 15 mln shares in Polimex from its previous shareholder. The purchase price for all the shares was PLN 80.6 mln. Enea SA took up a share of 16.48%.

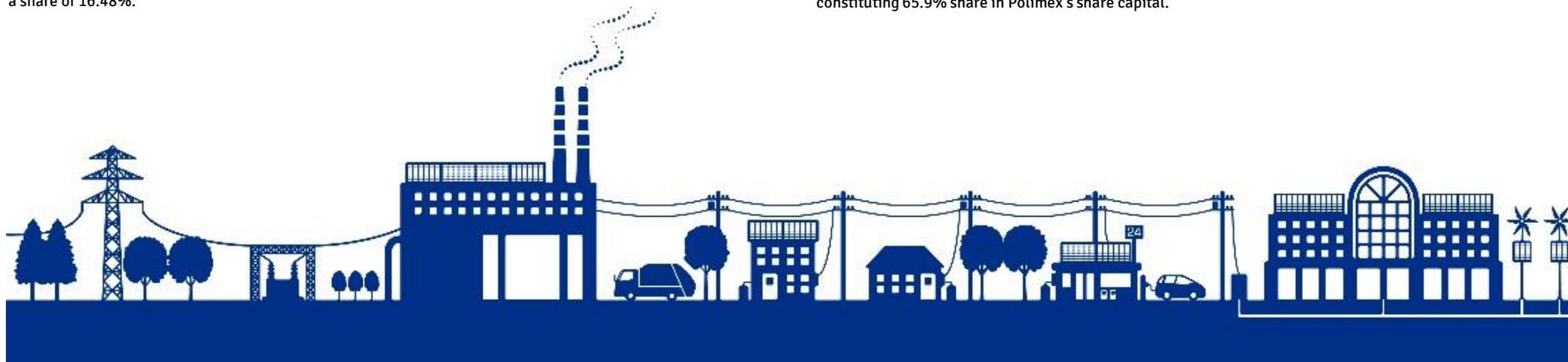
The Investment Agreement enables Investors to impact the financial and operational policy of Polimex. These rights are exercised by the Supervisory Board. The composition of the Supervisory Board is 3 members selected by the Investors.

Additionally, the Investors signed an agreement relating to investments in Polimex (“Memorandum of Understanding”). The objective of the Memorandum of Understanding is ensuring a greater control over Polimex to Investors who collectively hold the majority share in the votes at a General Meeting of Polimex. The Memorandum of Understanding foresees e.g. agreeing, thorough voting, a common position on making key decisions belonging to the General Meeting of Shareholders and Supervisory Board of Polimex, including determination of the personal composition of Polimex’s Management Board. Due to the above mentioned rights of the Investors, translating into holding a substantial impact, the share in Polimex was classified as an associated company recognised with the equity method.

Polimex is an engineering and construction company who is distinguished by a wide range of services provided as a general contractor. Polimex is seated in Warsaw. Polimex is listed on the Warsaw Stock Exchange. The average price of a share in Polimex as at 31 March 2017 amounted to PLN 8.03, which translates into a fair value of a block of shares held by the Group on the level of PLN 313 mln.

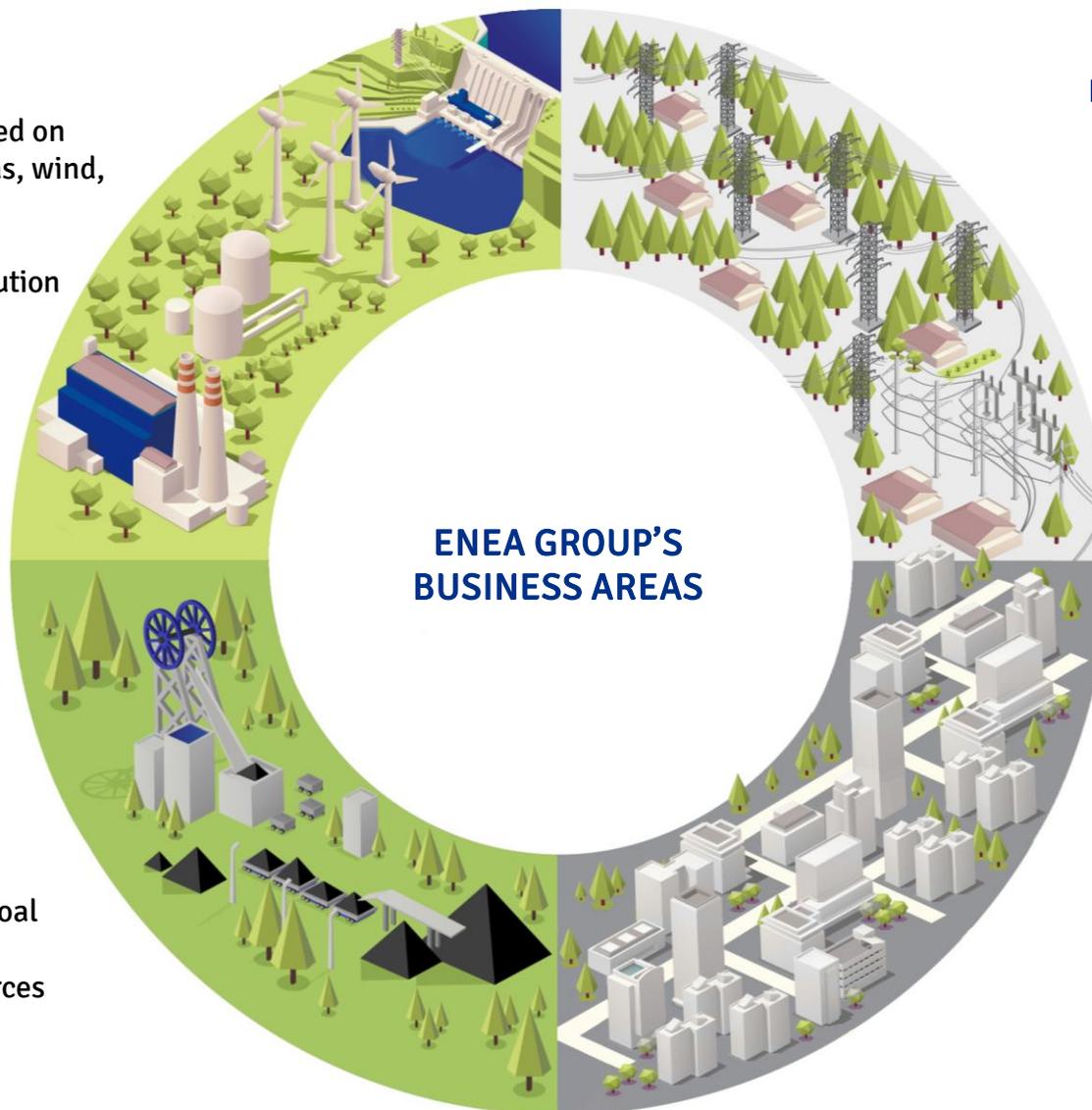
The Group is working on Polimex acquisition price allocation.

On 21 March 2017 the Investors published a tender offer for shares in Polimex in relation to exceeding (as the parties to the Memorandum of Understanding) of the 33% threshold of the total number of votes at a General Meeting of Polimex. The tender offer is consequent and the Investors intend to acquire the said shares in the amount constituting the excess of shares over the number of shares currently held by Investors (i.e. a total of 65.93% of the total number of votes in Polimex) and guaranteeing the achievement of no more than 66% of the total number of votes at a general meeting of Polimex. In relation to the tender offer each of the Investors (including Enea) intends to acquire not more than, approximately 0.018% of the total number of votes at a general meeting of Polimex. The tender offer was settled on 28 April 2017 and as a consequence each of the Investors acquired 24 shares in Polimex. Currently, the Company holds 390,000,024 shares in Polimex, constituting 16.48% share in Polimex’s share capital. Jointly, the Investors hold 156,000,097 shares, constituting 65.9% share in Polimex’s share capital.



GENERATION

- Generation of electricity based on bituminous coal, biomass, gas, wind, water and biogas
- Heat generation
- Heat transmission and distribution
- Trade in electricity



MINING

- Production of bituminous coal
- Sale of bituminous coal
- Securing the base of resources for the Group

DISTRIBUTION

- Electricity supply
- Planning and guaranteeing the extension of the distribution network
- Exploitation, maintenance and renovations of the distribution network
- Metering data management

TRADE

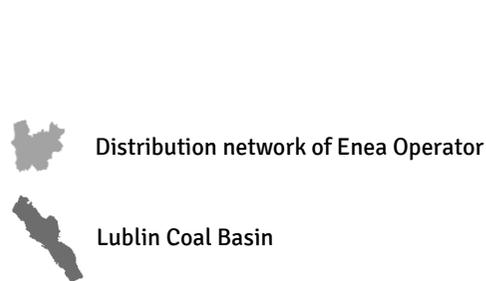
Retail sales:

- Trade in electricity and gas on the retail market
- Range of products and services adjusted to Customer needs
- Comprehensive Customer Service

Wholesale trading:

- Electricity and gas wholesale contract portfolio optimisation
- Operations on product markets
- Guaranteeing access to wholesale markets

Mining

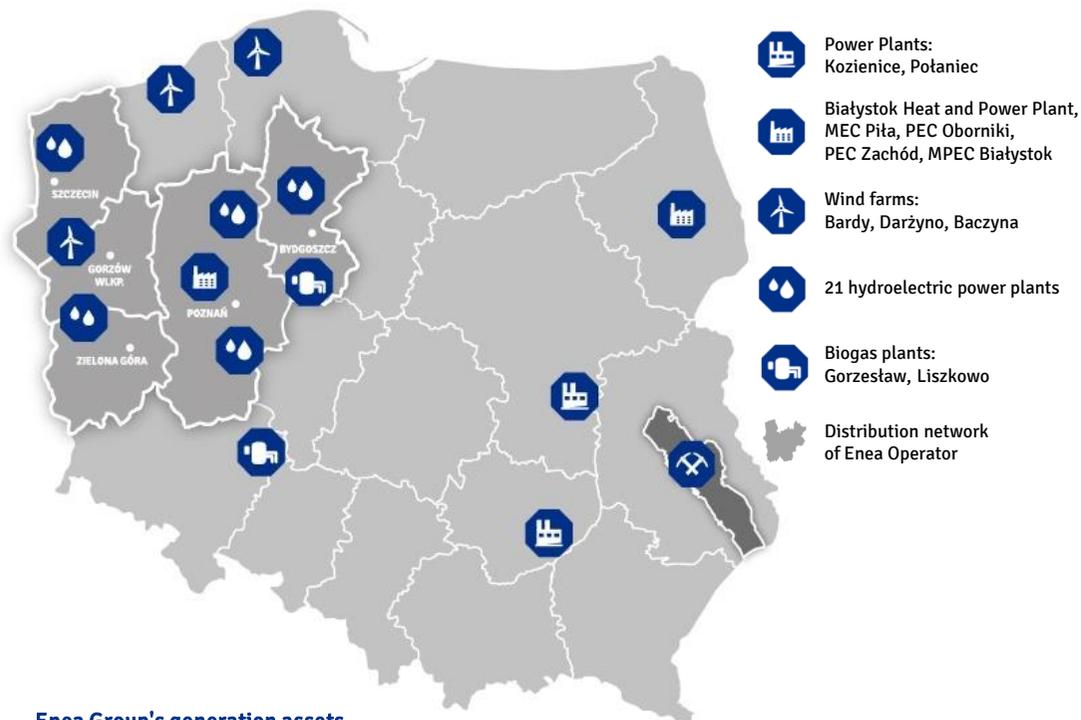


LW Bogdanka is one of the leaders on the market of bituminous coal producers in Poland, outstanding in the sector as regards the financial results generated, efficiency of bituminous coal mining and investment plans providing for the availability of new resources. The bituminous power coal sold by the Company is used mainly for the generation of electricity, heat energy and cement production. The Company's customers in the majority include industrial companies, mainly entities conducting business activity in the power sector located in the eastern and north-eastern Poland.

Description	Q1 2016	Q1 2017	Change
Net production ['000 tonnes]	2 335	2 422	3.7%
Coal sale ['000 tonnes]	2 184	2 389	9.4%
Closing stocks ['000 tonnes]	380	158	-58.4%
Length of performed excavations [km]	6.4	7.9	23.4%



Generation



Enea Group's generation assets

Description	Installed electrical capacity [MW _e]	Attainable electrical capacity [MW _e]	Installed heating capacity [MW _e]
Koźmin Power Plant	2 960.0	2 925.0 ¹⁾	105.0
Połaniec Power Plant	1 837.0	1 882.0	130.0
Białystok Heat and Power Plant	203.5	156.6	383.7
Wind Farms: Bardy, Darżyno and Baczyna	70.1	70.1	-
Liszkowo and Gorzesław Biogas Plants	3.8	3.8	3.1
Hydroelectric Power Plant	60.4	57.6	-
MEC Piła	10.0	10.0	151.3
PEC Oborniki	-	-	30.4
MPEC Białystok	-	-	185.0

1) On 1 April 2017 2,941 MW_e generating capacity.

Generation of electricity and heat - Enea Wytwarzanie

Description	Q1 2016	Q1 2017	Change
Total generation of electricity (net) [GWh], including:	3 351	3 462	3.3%
Net production from conventional sources [GWh], including:	3 198	3 342	4.5%
Enea Wytwarzanie (excluding biomass co-combustion)	3 045	3 199	5.1%
Enea Wytwarzanie - Segment of Heat (Białystok Heat and Power Plant - excluding biomass co-combustion)	136	124	-8.8%
MEC Piła	17	19	11.8%
Production from renewable energy sources [GWh], including:	153	120	-21.6%
Combustion of biomass	73	31	-57.5%
Enea Wytwarzanie - Segment of RES (hydroelectric plants)	32	41	28.1%
Enea Wytwarzanie - Segment of RES (wind farms)	45	46	2.2%
Enea Wytwarzanie - Segment of RES (biogas plants)	3	2	-33.3%
Heat production [TJ]	2 280	2 175	-4.6%

Generation of electricity and heat - Enea Elektrownia Połaniec

Description	Q1 2016	Q1 2017	14-31 March 2017 (in Enea CG)
Total generation of electricity (net) [GWh], including:	2 358	2 067	294
Enea Elektrownia Połaniec - net generation from conventional sources	1 820	1 464	207
Enea Elektrownia Połaniec - generation from renewable energy sources (biomass combustion - green unit)	387	345	66
Enea Elektrownia Połaniec - generation from renewable energy sources (biomass co-firing)	151	258	21
Heat production [TJ]	636	653	107

Purchase of electricity by Enea Wytwarzanie on the wholesale market

In Q1 2017 the volume-related electricity purchases in Koźmin Power Plant amounted to 750.4 GWh. The purchases were made for the needs of energy trading operations 561.5 GWh. Additionally, 188.9 GWh of energy was purchased within the Balancing Market. In the Segment of Heat the purchase volume in Q1 2017 amounted to 12.312 GWh - acquisition on the Balancing Market is 9.050 GWh, purchase in the trade of 3.262 GWh. Energy trading (sales=purchases) is performed within market possibilities guaranteeing achievement of the anticipated financial result and in order to limit the failure consequences. Purchase of electricity as part of Q1 2017 trade related mainly to Koźmin Power Plant and constituted 75% of the whole energy purchases. Purchase of electricity within the Balancing Market accounted for 25%. Purchases within the trade in the Segment of Heat stemmed from activities reducing the costs of generating units' failures and lack of available power vs. concluded contracts.

Generation

Purchase of electricity by Enea Elektrownia Połaniec on the wholesale market

Electricity purchases on the wholesale market by Enea Połaniec Power Plant in Q1 2017 amounted to 491 GWh.

Sales of electricity by Enea Wytwarzanie

Sales volumes of electricity in Enea Wytwarzanie in Q1 2017 amounted to 3,868.8 GWh. Sales were performed by particular segments depending on the statutory obligations and concluded agreements.

Sales of electricity as part of Kozenice Power Plant's own sales

Sales of electricity in Q1 2017 as part of Kozenice Power Plant's own sales amounted to 3,613.0 GWh. In that period Enea Wytwarzanie had a statutory duty to sell the generated electricity on a commodity exchange (art. 49a of the Energy Law) which was performed on the level of 16.4%. The other sales include sales within Enea Group 81.4% and to the balancing market (PSE SA) 2.2%.

Sales of electricity as part of the segment of Heat

In the Segment of Heat sales of electricity in Q1 2017 amounted to 166.4 GWh - sales within Enea Group accounted for 94.1%, sales within the balancing market (PSE SA) 4.3% and sales to end users totalled to 1.6%.

Sales of electricity as part of the segment of RES

In the Segment of RES sales of electricity in Q1 2017 amounted to 89.4 GWh (beyond Enea Group - 42%, and within Enea Group - 58%).

• Sales of electricity as part of the area of Wind

Description	Q1 2016	Q1 2017	Change
Fixed price [PLN '000]	7 296.760	7 935.230	8.8%
Average weighted price [PLN/MWh]	162.41	171.04	5.3%

Sales of electricity within Subsidiaries

Sales of electricity within Subsidiaries in Q1 2017 amounted to 19 GWh.

Sales of electricity by Enea Elektrownia Połaniec

Sales of electricity by Enea Elektrownia Połaniec in Q1 2017 amounted to 2,827 GWh.

Coal supply - Enea Wytwarzanie

Fuel type	Q1 2016		Q1 2017		Change	
	Volume ['000 tonnes]	Costs ¹⁾ [PLN mln]	Volume ['000 tonnes]	Costs ¹⁾ [PLN mln]	Quantity	Costs ¹⁾
Bituminous coal	1 376	290	1 635	336	18.8%	15.9%
Biomass	122	23	84	11	-31.1%	-52.2%
Fuel oil (heavy) ²⁾	2	1	2	3	-	200.0%
Gas ['000 m ³] ³⁾	4 743	6	5 037	6	6.2%	-
TOTAL		320		356		11.3%

Enea Wytwarzanie – Kozenice Power Plant

The basic fuel used to produce electricity is bituminous coal (fuel dust). In Q1 2017, the main supplier of coal to Enea Wytwarzanie was LW Bogdanka SA (around 91.4% of supplies). In addition, coal supplies were realised by Katowicki Holding Węglowy SA [(currently: Polska Grupa Górnicza sp. z o.o.) ca. 7.2% of supplies], Jastrzębska Spółka Węglowa SA (ca. 1.1%) and Polska Grupa Górnicza sp. z o. o. [(formerly: Kompania Węglowa SA) ca. 0.3%]. In Q1 2017 biomass was not combusted in Kozenice Power Plant.

Enea Wytwarzanie - Segment of Heat

The basic fuels used in Enea Wytwarzanie in the Segment of Heat (Białystok Heat and Power Plant) include: coal and biomass - mainly as wood chips, energetic willow chips and agricultural production left-overs. In Q1 2017, the volume of supplied biomass amounted to over 84,000 tonnes, and the deliveries were performed by 9 entities. Approximately 10% of biomass was delivered to the area of Enea Wytwarzanie - Segment of Heat, using a rail transport. In Q1 2017, supplies of coal to Enea Wytwarzanie - Segment of Heat were performed fully by Katowicki Holding Węglowy SA (currently: Polska Grupa Górnicza sp. z o.o.).

Coal supply - Enea Elektrownia Połaniec

Fuel type	Q1 2016		Q1 2017		Change	
	Volume ['000 tonnes]	Costs ¹⁾ [PLN mln]	Volume ['000 tonnes]	Costs ¹⁾ [PLN mln]	Quantity	Costs ¹⁾
Bituminous coal	745	163	795	153	6.7%	-6.1%
Biomass	403	72	415	68	3.0%	-5.6%
Fuel oil	1	2	2	3	100.0%	50.0%
TOTAL		237		224		-5.5%

In Q1 2017, the main supplier of coal to Połaniec Power Plant was LW Bogdanka SA.

Coal transport - Enea Wytwarzanie

Enea Wytwarzanie – Kozenice Power Plant

The only means of transport used to deliver bituminous coal to Kozenice Power Plant in Q1 2017 was a rail transport. PKP Cargo forwarder realised 100% of supplies.

Enea Wytwarzanie - Segment of Heat

Coal supplies and a part of biomass supplies (ca. 10%) to Enea Wytwarzanie - Segment of Heat in Q1 2017 were performed with rail transport and by PKP Cargo SA. Prices of fuels included the cost of delivery to Białystok Heat and Power Plant generating source.

Coal transport - Enea Połaniec Power Plant

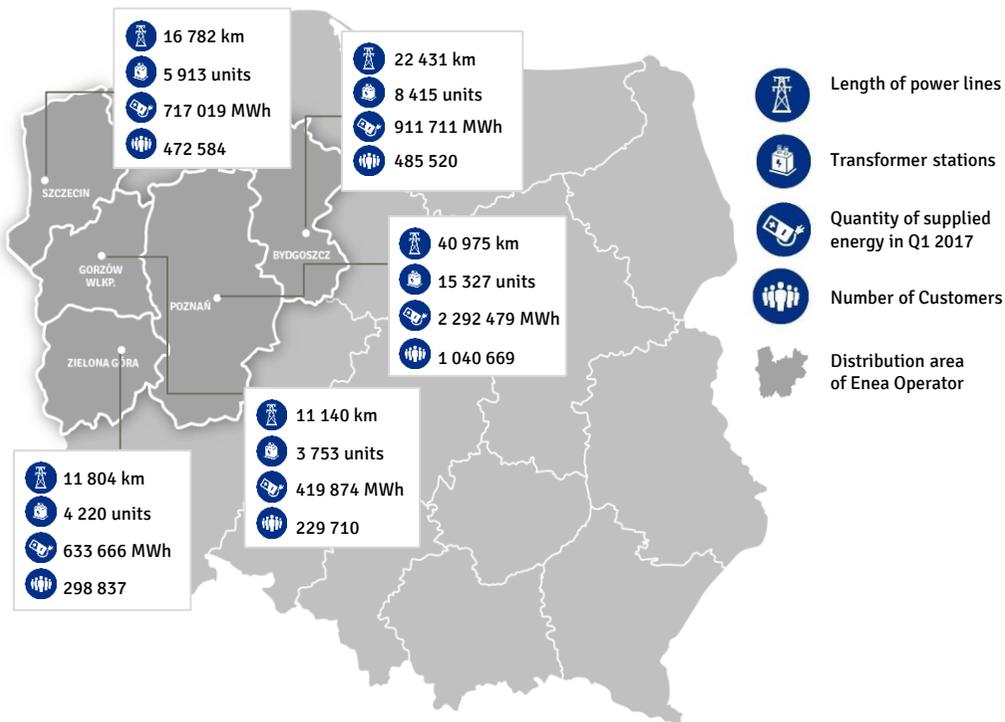
Coal transport in Enea Elektrownia Połaniec was realised by PKP Cargo SA (ca. 70%) and CTL Logistics sp. z o.o. (ca. 30%).

1) Including transport

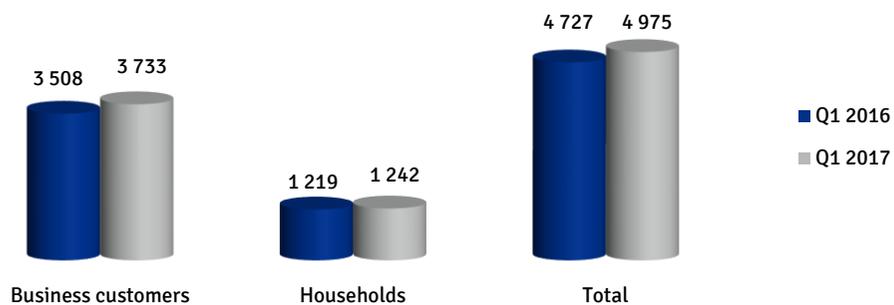
2) Light-up fuel in Kozenice Power Plant

3) Used for the production of electricity and heat energy in MEC Piła and heat energy in PEC Oborniki

Distribution



Sales of distribution services [GWh]



Technical indicators

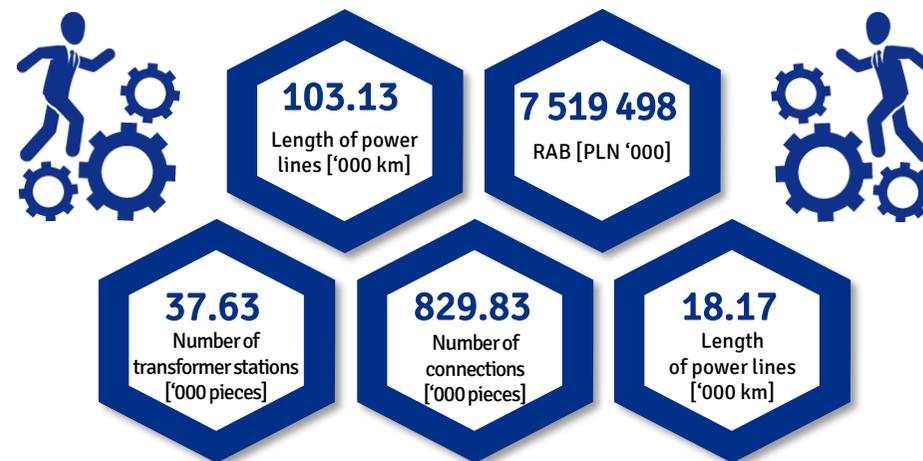
Description:	Q1 2016	Q1 2017	Change
SAIDI planned and unplanned interruptions including catastrophic ones (HV, MV) [minutes]	38.85	40.79	5.95%
SAIFI planned and unplanned interruptions including catastrophic ones (HV, MV) [pc]	0.71	0.76	7.04%
% of contract performance in the reference term 18 months (IV group) [%]	86.39%	96.79%	10.40 p.p.
% of contract performance in the reference term 18 months (V group) [%]	93.22%	96.05%	2.83 p.p.

Other technical indicators

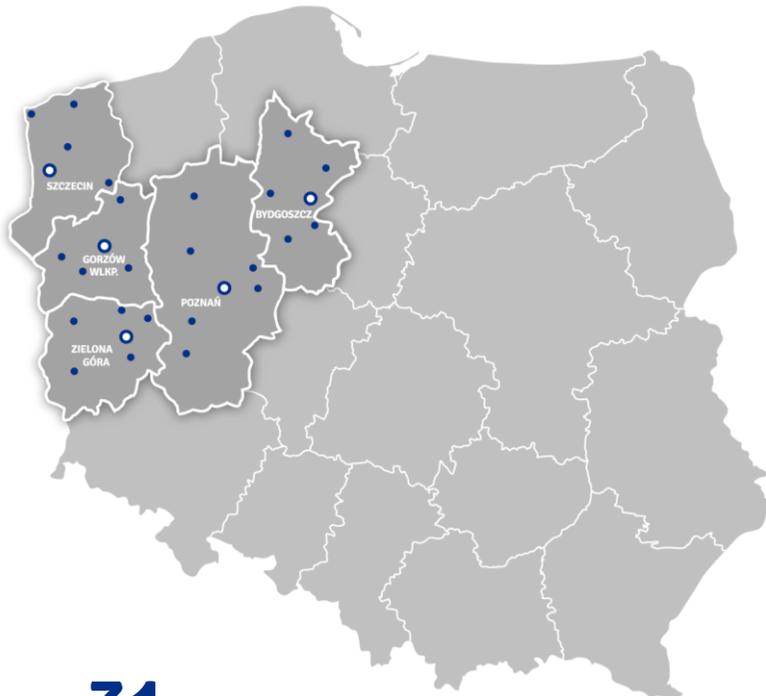
Description:	Q1 2016	Q1 2017	Change
Grid losses index [%]	7.20	5.77	1.43 p.p.

Sales of distribution services and number of customers

Description:	Q1 2016	Q1 2017	Change
Sales of distribution services [GWh]	4 727	4 975	5.24%
Number of customers [pcs]	2 496 875	2 527 320	1.22%



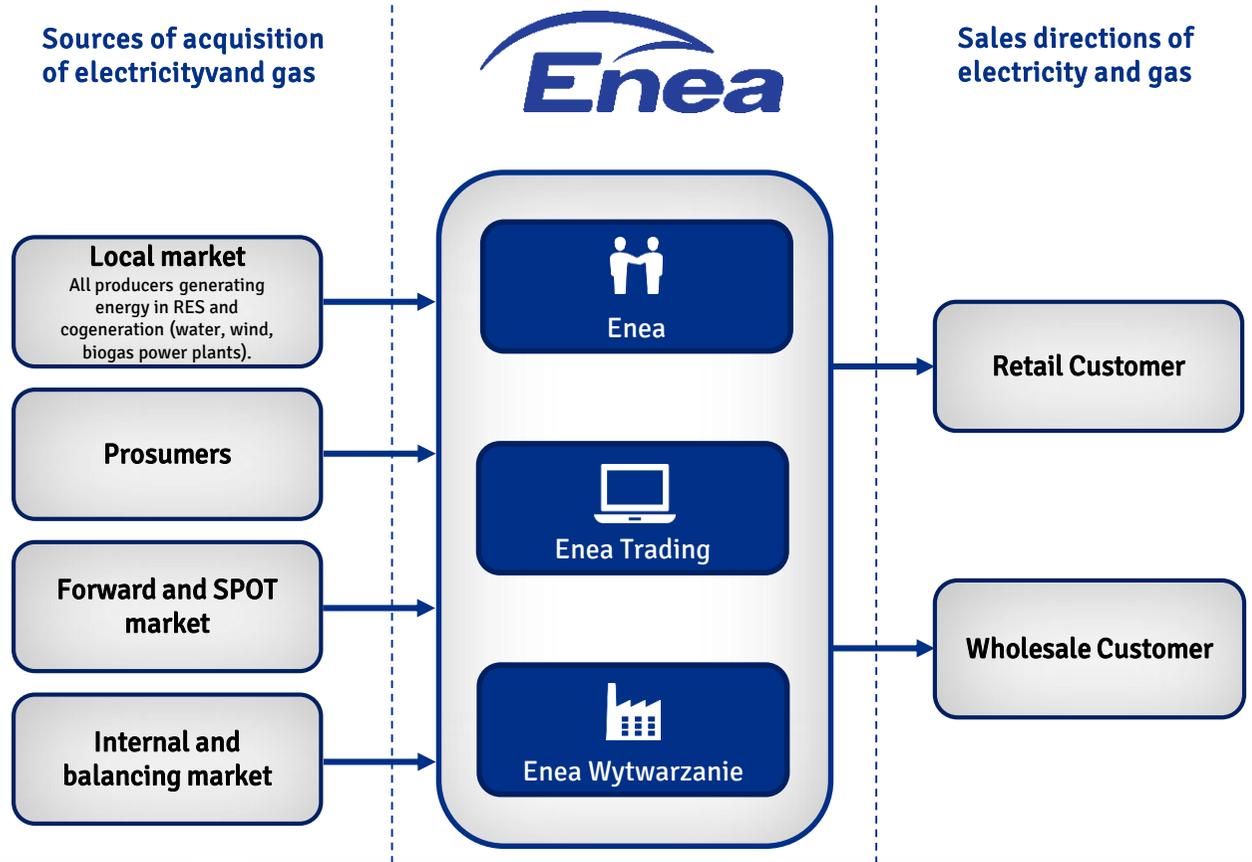
Trade



31 modern Customer Service Centres

- Customer Service Centre
- ⌘ Distribution network of Enea Operator

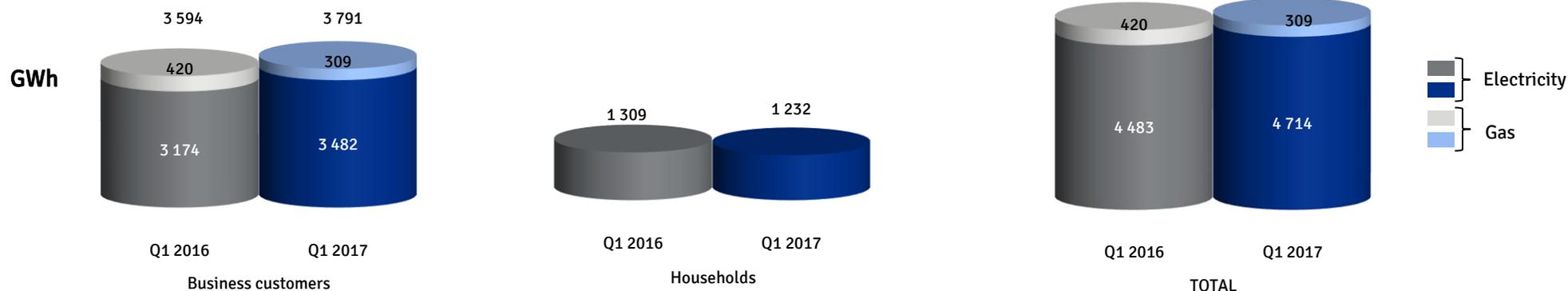
The diagram below presents the operating dependencies between Enea Group companies and business partners and Customers in the area of Trade:



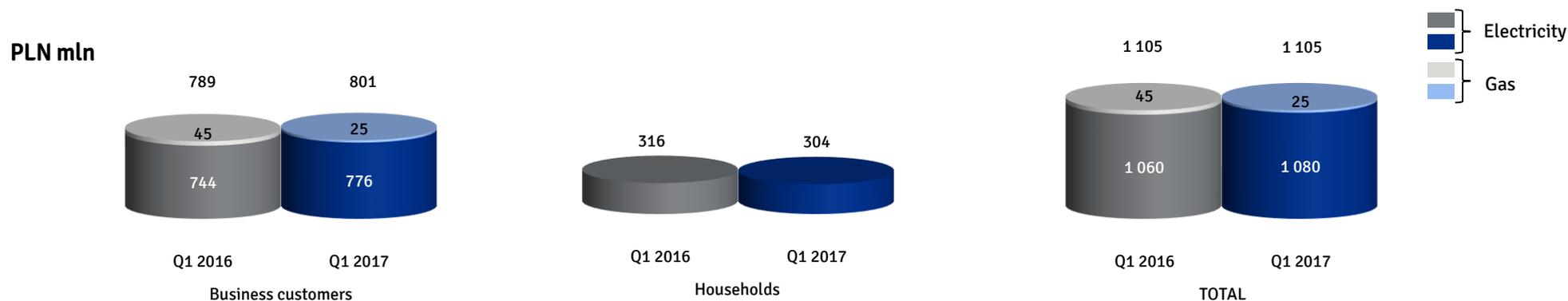
Trade

Sales of electricity and gas to retail consumers are performed mainly by Enea SA. In Q1 2017, as compared to the same period of 2016, there was a growth in the total volumes sold by 120 GWh, i.e. by over 2%. Greater volumes of sales related to electricity and it was observable in the business segment (by 308 GWh, i.e. by ca. 10%). On the other hand, in the case of gas a drop in sales was reported (by 111 GWh, i.e. by over 26%) which mainly stemmed from the change in the customer portfolio. The total volume growth in sales of electricity in the business segment translated into greater revenue from sales of electricity by PLN 32 mln, i.e. by over 4%, in relation to the same period of 2016. Yet, a drop in revenue from sales of gas stemmed from both the volume and the average selling price. In consequence, the total revenue from sales in Q1 2017 was kept on the same level as in the same period of the previous year.

Sales of electricity and gas to retail customers of Enea SA



Revenue from sales of electricity and gas to retail customers of Enea SA



Enea Capital Group's Development Strategy until 2030

Mission

Enea delivers constantly improved products and services, anticipating Customers' expectations due to motivated teams working in a friendly, safe and innovative organisation.

Vision

Enea is a leading supplier of integrated raw materials and energy related products and services and other innovative services for the wide range of Customers, recognised for the quality, comprehensiveness and reliability.

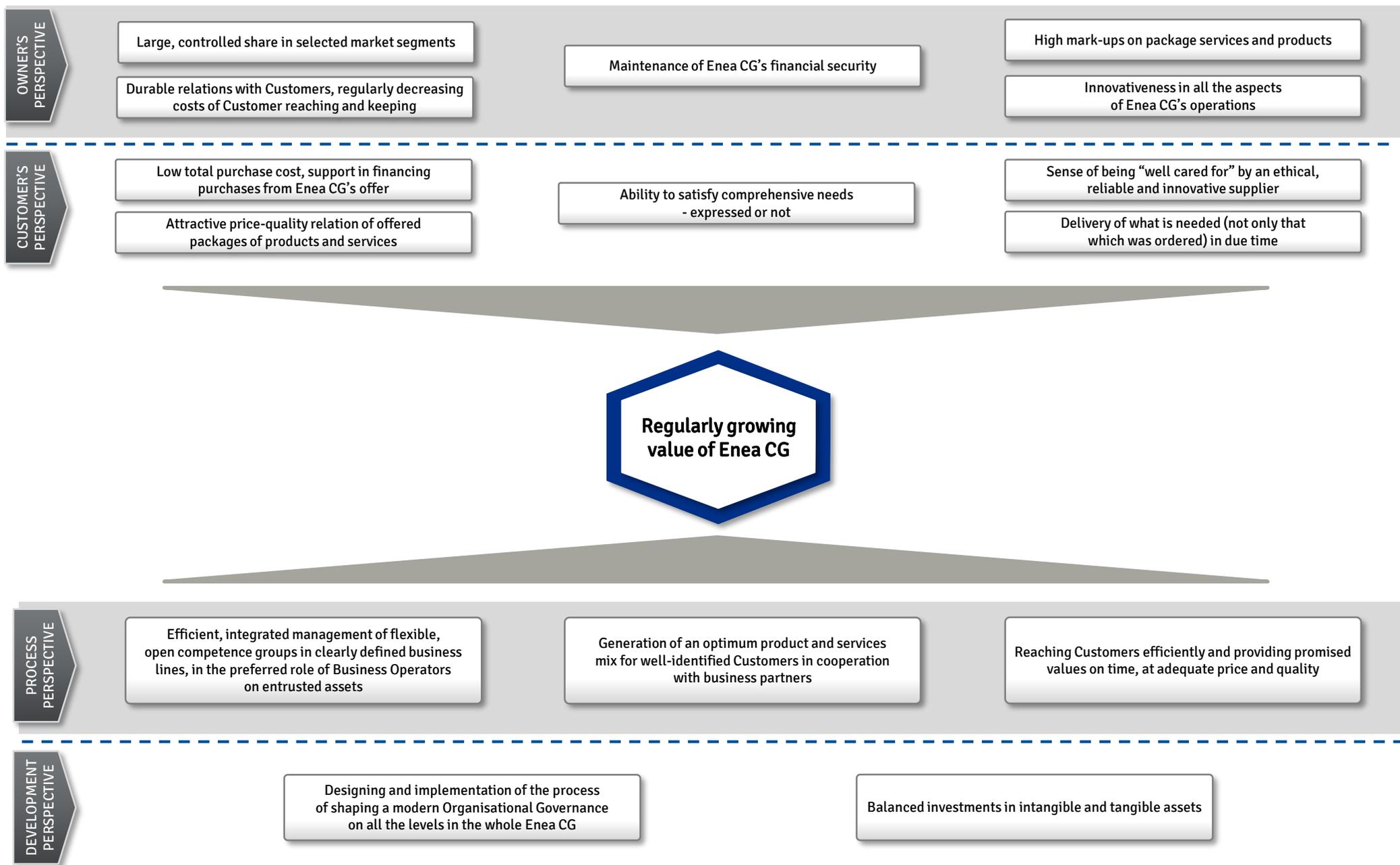


On 29 September 2016 the Supervisory Board of Enea approved the document titled: "Enea Capital Group's Development Strategy until 2030". The new development directions defined in the Strategy anticipate that Enea CG will be:

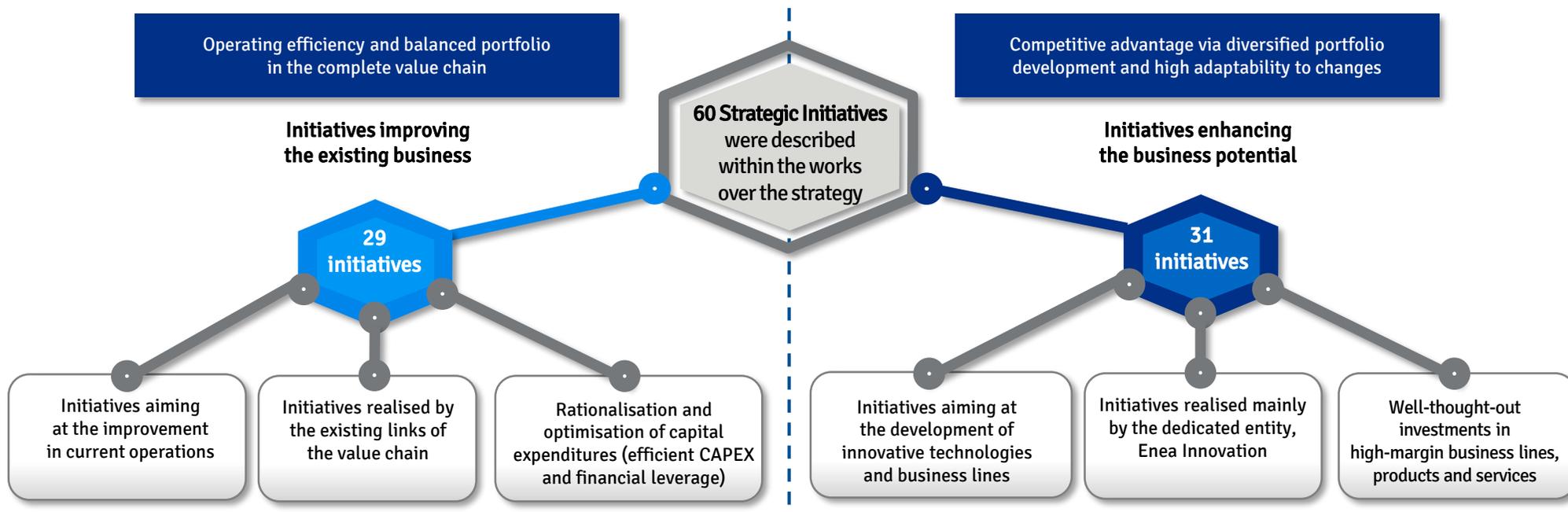


1. **INNOVATIVE:** a leader in identification, assessment of the potential and implementation of innovative undertakings on a large scale
2. **MULTISERVICE:** diversified portfolio of provided services, stable income sources
3. **HIGHLY-SPECIALIST:** specialist knowledge, competences and maturity in operations in the sector of raw materials and energy
4. **AFFECTING THE ENVIRONMENT:** a leader in positive changes in the power sector in Poland.
5. **EFFICIENTLY UTILISING MARKET OPPORTUNITIES:** external environment analysis, flexible response to occurring opportunities, creator of demand for new goods
6. **RELIABLE:** considerable contribution in the Polish energy security

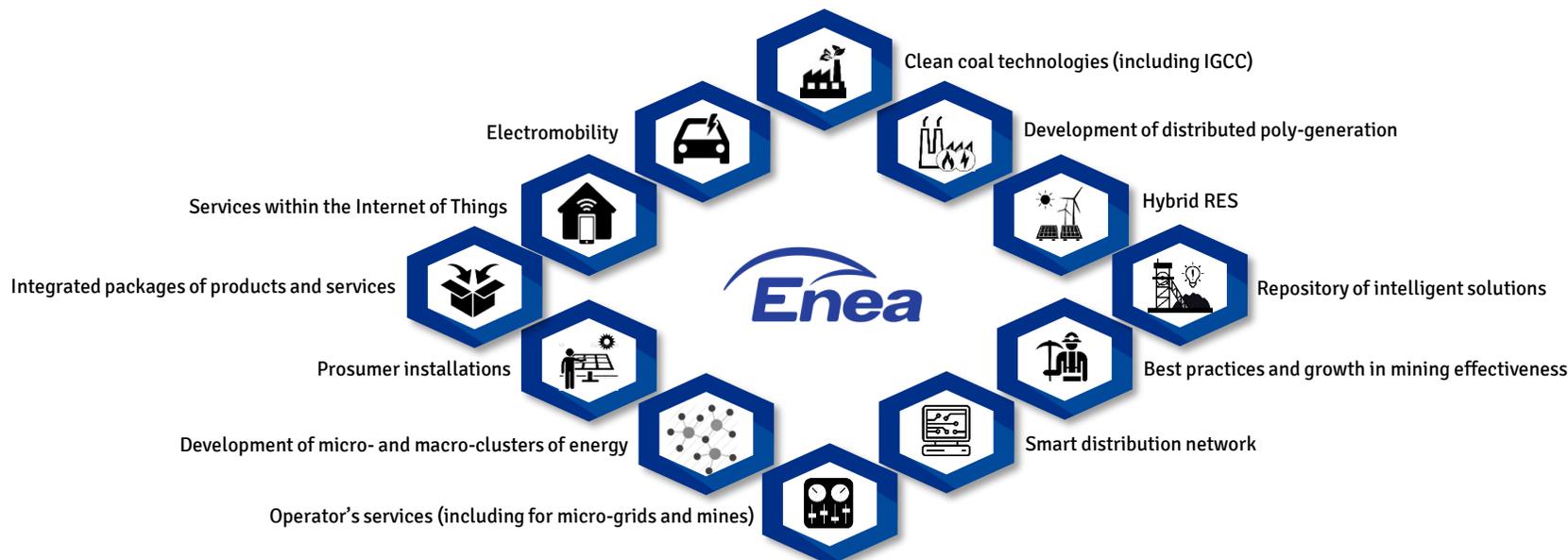
The primary objective specified in the strategy is growth in the value of Enea CG for shareholders. In order to build a lasting competitive advantage Enea defined 15 strategic goals within four perspectives:



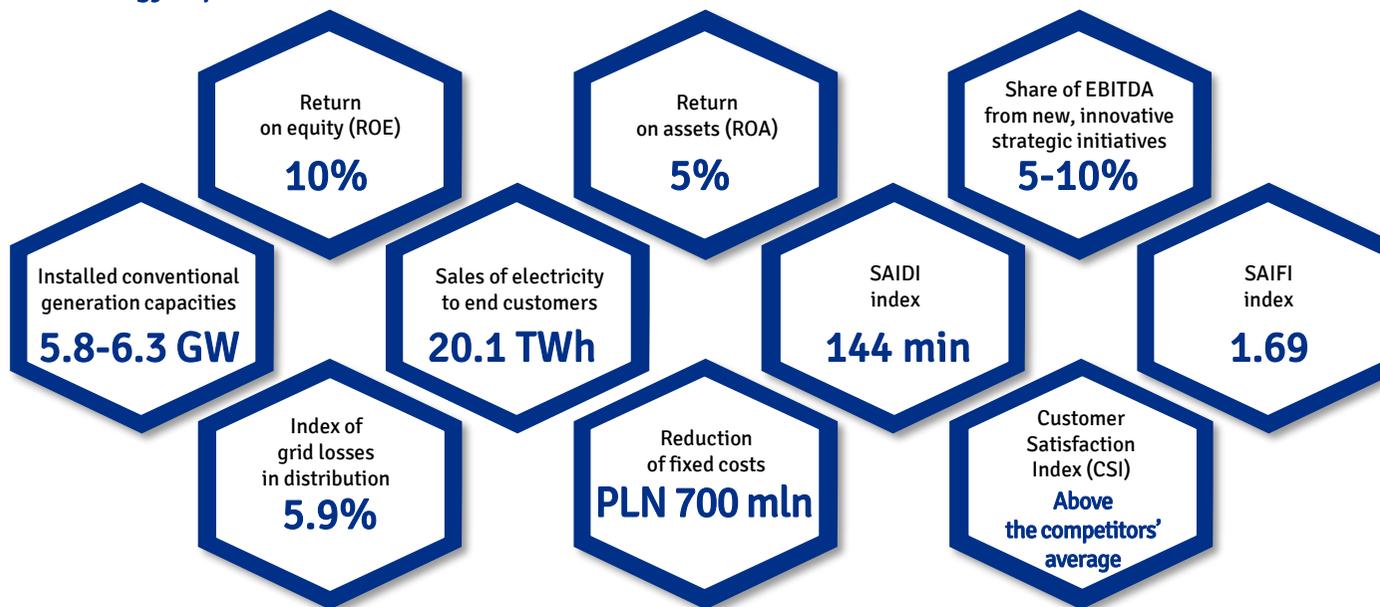
Enea defined over 50% of innovative initiatives increasing the business potential ...



... the implementation of which will support e.g. the development of innovative products, services and business lines of Enea CG



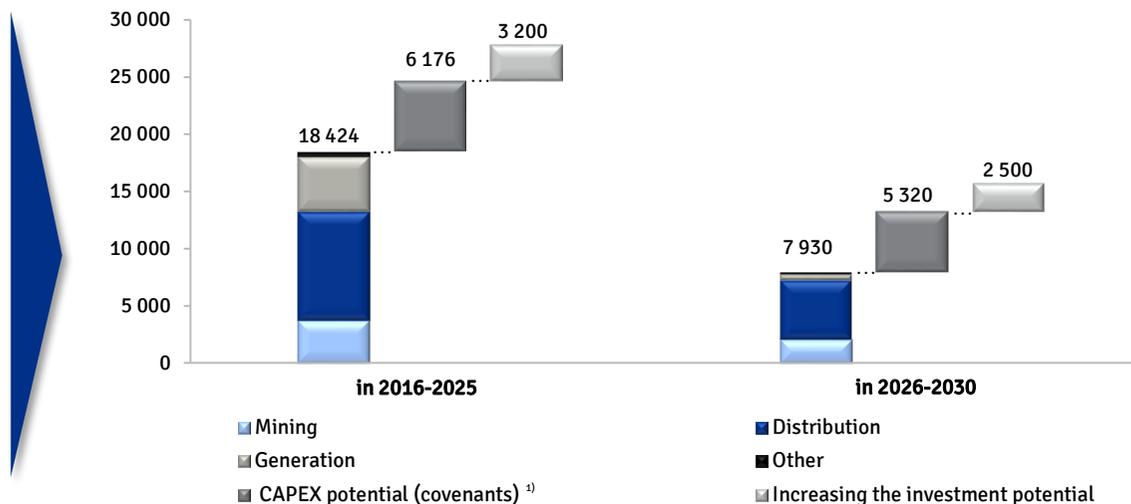
Enea CG's ratios as a result of the Strategy implementation



Basic investment fund in the amount of PLN 26.4 bln

Estimated capital expenditures of Enea CG during 2016-2030 [PLN mln, current prices]

Area	2016-2025	2026-2030
Mining	3 712	2 080
Distribution	9 501	5 193
Generation	4 808	504
Other	403	153
CAPEX potential ¹⁾	6 176	5 320
Increasing the investment potential ²⁾	3 200	2 500
Enea CG TOTAL	27 800	15 750



1) CAPEX potential maintaining the net/EBITDA ratio on a safe level

2) Increasing the investment potential by PLN 5.7 bln as a result of the implementation of innovative strategic initiatives (growth in EBITDA)

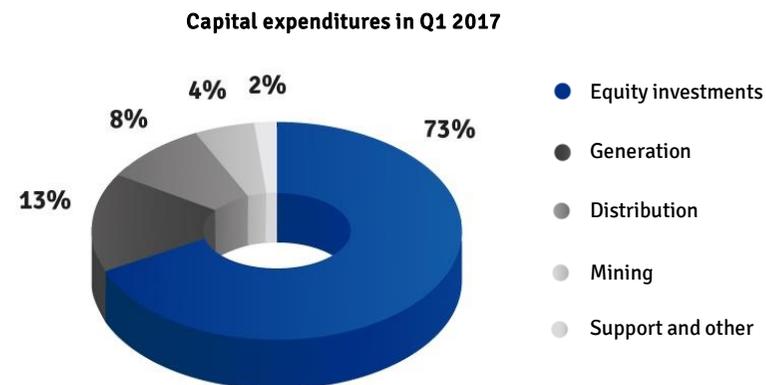
Growth perspectives in 2017

Area	2017 vs. 2016 perspective	Key drivers	Implementation
Mining	Neutral	<ul style="list-style-type: none"> (+/-) Coal price stabilisation (+) Construction of new roadways (+) Assets modernisation (+) Constant enhancement of efficiency 	<ul style="list-style-type: none"> (+/-) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective
Conventional power engineering	Drop	<ul style="list-style-type: none"> (-) Lower price of energy (-) Lower limit of free CO₂ (-) Higher price of coal (-) Lower generation of electricity (+) Internal processes optimisation 	<ul style="list-style-type: none"> (-) Upholding the perspective (-) Upholding the perspective (-) Upholding the perspective (-) Upholding the perspective (+) Upholding the perspective
Renewable Energy Sources	Drop	<ul style="list-style-type: none"> (-) Durable low level of “green” RES Proprietary Interests (+) Growth in price and volume of “blue” RES Proprietary Interests (+) Greater generation of electricity (+) Cost optimisation of the RES area 	<ul style="list-style-type: none"> (-) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective
Distribution	Drop	<ul style="list-style-type: none"> (-) Drop of WACC by 0.042 p.p. to 5.633% (-) Model operating expenses compliant with “Operating expenses for Operators of Distribution Systems for 2016-2020” published by ERO (+) Asset management optimisation and outsourced services rationalisation (+) Works over the improvement of service quality (SAIDI and SAIFI indices reduction) 	<ul style="list-style-type: none"> (-) Upholding the perspective (-) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective
Trade	Neutral	<ul style="list-style-type: none"> (-) Greater competition in the area of trade (+) Development of sale channels and product range (-) Growing erosion of margin on the segment of trade 	<ul style="list-style-type: none"> (-) Upholding the perspective (+) Upholding the perspective (-) Upholding the perspective

Capital expenditures in Q1 2017

Capital expenditures [PLN mln]	Q1 2016	Q1 2017	Change %	2017 Plan
Generation	135.4	244.6	80.6 %	1 229.9
Distribution	174.9	150.0	-14.2 %	970.5
Mining	60.8	65.4 ¹⁾	7.6 %	385.6
Support and other	9.7	34.3	253.6 %	172.5
Equity investments	-	1 347.1	-	-
TOTAL	380.8	1 841.4	383.6 %	2 758.5

1) The amount does not include PLN 0.3 mln expenditures incurred in Q1 2017 by subsidiaries of LW Bogdanka SA



Investments implemented in Q1 2017



- Obtaining new licences:
 - application for a new mining licences in Ostrów and K-6 and K-7 areas
- Maintaining the machinery - purchase and assembly of machines and equipment and periodic repairs, purchase and assembly of a belt-conveyor and other ready equipment
- Other development and replacement investments:
 - execution of 7.9 km of new excavations
 - extension of the plant for mining waste neutralisation
 - replacement investments in Zakład Przeróbki Mechanicznej Węgla, e.g. modernisation of steel structures and stone loading station
 - tower crane installation

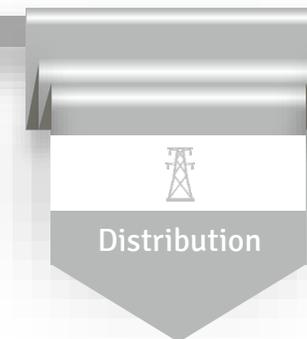


Enea Wytwarzanie:

- successive stages of the construction of a supercritical bituminous coal fired 1,075 MW_e power unit
- launching unit No. 3 after modernisation
- unit No. 4 - obtaining the operating permit and commissioning of the installation of the catalytic denitrogenation of flue gases (SCR)
- continuation of the SCR installation for units No. 4-8
- obtaining an occupancy permit for the Construction of industrial and rainwater treatment plant
- continuation of the SCR installation and modernisation of electrostatic precipitators for units No. 9 and 10 as part of 2 x 500 MW units modernisation programme

Enea Elektrownia Potaniec:

- execution of connection between SCR installation and boiler for unit No. 7



- Completion of the realisation of a range of investments on medium voltage related to the extension, automation and modernisation of the unit and power grids
- Continuation of existing and commencement of new investments whose implementation will be conducted during 2017 and next years
- Continuation of improving the connections of Customers to the power grid
- Continuation of the development of information tools supporting the grid management

Investments planned until the end of 2017 within the currently held assets

Mining

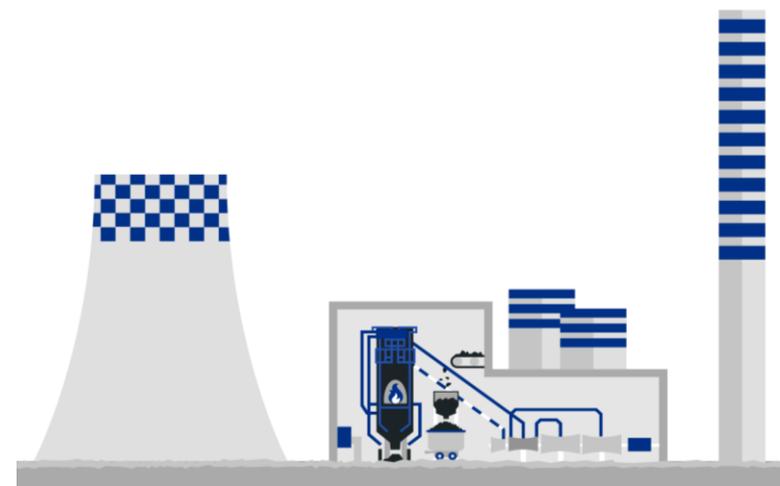
Development investments	<p>Obtaining new licences:</p> <ul style="list-style-type: none"> continuation of the process of applying for a licence as regards K-6 and K-7 and "Ostrów" areas commencement of exploratory works in "Orzechów" <p>Maintaining the machine park:</p> <ul style="list-style-type: none"> purchase and assembly of new machines and equipment modernisation and renovations of machinery and equipment
Operating investments	<p>New excavations and modernisation of the existing ones:</p> <ul style="list-style-type: none"> performance of excavations, mainly wall roadways, face lines and other technological and access excavations, enabling exploitation of walls modernisation of mining excavations
Other investments	<p>Other development and replacement investments:</p> <ul style="list-style-type: none"> extension of the plant for mining waste neutralisation in Bogdanka continuation of works related to the "Production management integrated system" and "Smart solutions mine" project

Generation

Enea Wytwarzanie	New	<ul style="list-style-type: none"> Modernisation of unit No. 3 Modernisation of unit No. 8 Modernisation of unit No. 10
	Continued	<ul style="list-style-type: none"> Construction of power unit No. 11 (completion in 2017) IOS IV Flue Gas Desulphurisation Plant - within flue gas channels Installation of flue gases denitrification - SCR for units No. 4-8 (completion in 2017) Installation of flue gases denitrification - SCR for units No. 9-10 (completion in 2018) Modernisation of cooling water intake - temporary stabilising checkdam on the Vistula River (completion in 2017) Modernisation of the slag and ash depot
	Segment of Heat	<ul style="list-style-type: none"> Construction of flue gas desulphurisation plant on K7 and K8 boilers (completion in 2017)
	Segment of RES	<ul style="list-style-type: none"> Searching for bargain investment and acquisition projects
Enea Elektrownia Potaniec		<ul style="list-style-type: none"> SCR installation for units No. 2, 3, 7 (completion in 2017) and for unit No. 4 (completion in 2018)

Distribution

New	<ul style="list-style-type: none"> Construction of GPZ Choszczno II and GPZ Recz Construction of GPZ Garbary and construction of 110 kV Garbary-Cytadela, Garbary-EC Karolin lines Construction of RS Garaszewo and construction of 110 kV Kromolice - Nagradowice, Kromolice - Gądky, Kromolice - Swarzędz lines Construction of 110 kV Piła Krzewina - Miasteczko Krajeńskie line and reconstruction of GPZ Miasteczko Krajeńskie Reconstruction of GPZ Wronki Reconstruction of GPZ Piła Południe Reconstruction of GPZ Żary
Continued	<ul style="list-style-type: none"> Continuation of the programme of smart grid solutions development (AMI) within the application test of smart meters and installation of balancing meters Continuation of a programme enhancing grid reliability Continuation of the Grid Information System project Construction and modernisation of a range of grid infrastructure elements, such as HV, MV and LV lines and transformer stations, including e.g.: <ul style="list-style-type: none"> Reconstruction of GPZ Kostrzyn Reconstruction of GPZ Jachcice Reconstruction of GPZ Pakość Reconstruction of 110 kV Morzyczyn - Drawski Młyn line (including Dobiegniew - Krzęcin) Reconstruction of 110 kV Zielonyśl - Międzyrzecz line Reconstruction of 110 kV Górzycza - Słubice line Reconstruction of 110 kV Gryfino - Żydowce line Reconstruction of 110 kV Dąbie - Morzyczyn line Reconstruction of 110 kV Glinki - Żelechowo line



Status of works on the key investment projects

Investment	Project status	CAPEX Q1 2017 [PLN mln]	Total CAPEX [PLN mln]	Work progress (%)	Anticipated date of completion		
Enea Wytwarzanie	Construction of a 1,075 MW power unit No. 11	In Q1 2017 the following works were completed on the construction site: <ul style="list-style-type: none"> • Assembly of electrical installations and Control and Measurement Instruments and Automation of air compressor room • Cold start-up of boiler room • Cold start-up of raw water pumping station system • Cold start-up regarding electrostatic precipitator • Issuing the report of readiness of 400 kV field for power supply 	<ul style="list-style-type: none"> • Completion of the assembly of Control and Measurement Instruments and Automation of the light-up oil system • Flushing the main system of the service water and system and generator sealing oil system • Conducting trials and tests as regards weights and samplers • Completion of a hot start-up of the carburising system within coal unloading to col storing sites, unloading of 12 thousand tonnes of coal to coal sites • Supplying power to 400 kV transformers BAT 10-30, BBT 10-20 	181.9	5 744.6	96%	2017
	IOS IV flue gas desulphurisation plant	The following installations were commissioned: main unit of IOS IV, flue gas channels, auxiliary ventilators, chimney No. 3, IOS IV power supply. All the devices and installations operate according to the technical parameters included in the agreements. What is still to be executed is the scope relating to the COD "chemical oxygen demand" in treated waste-water from IOS IV installation	0	288.3	99%	2016	
	Modernisation of unit No. 3	On 28 March 2017 unit No. 3 was commissioned. The other works are in progress which are not related to the unit outage	8.3	14.1	99%	2017	
	Modernisation of unit No. 8	On 6 March 2017 unit No. 8 was handed over for modernisation. Pursuant to the schedule the unit stoppage is to be finished on 18 July 2017	1.5	13.8	20%	2017	
	Modernisation of unit No. 9 as a part of 2 x 500 MW units modernisation programme	In 2018 the modernisation of unit No. 9 is planned. Currently, the material scopes and tender documents are being prepared relating to the works connected with the modernisation. Agreement for the turbine and boiler parts was concluded	0	90.0	1%	2018	
	Modernisation of cooling water intake - stabilising check dam on the Vistula River	The project is at the stage of preparation for realisation. The process of obtaining the environmental statement is in progress (Environmental Impact Assessment Report was completed and submitted to the Mayor)	0.2	33.0	2%	2017	
	Installation of the catalytic denitrogenation of flue gases and modernisation of electrostatic precipitators for AP - 1650 boilers of units No. 9 and 10 as a part of the 2 x 500 MW units modernisation programme	On 30 September 2016 an agreement was signed with Rafako for the performance of the installation of the catalytic denitrogenation of flue gases with modernisation of electrostatic precipitators for AP - 1650 of units no. 9 and 10. Offers in the tender procedure for the selection of the Contract Engineer are being assessed	1.5	314.2	4%	2017	
	Installation of flue gases denitrification - SCR for units No. 4-8	Completion of the SCR installation of flue gases denitrification on units No. 4, 5, 6 and 7 and the common part for SCR installation for units No. 4-8. Currently, SCR installation for unit No. 8 is being performed	11.3	203.7	93%	2017	
	Construction of flue gas desulphurisation plant on K7 and K8 boilers	An agreement was concluded with the National Fund of Environmental Protection and Water Management for the co-financing of the investment as a loan. On 2 February 2016 the Contract Engineer was appointed. On 28 April 2016 the permit for the construction of IOS K7 and K8 became final. The project is in progress	22.4	105.5	70%	2017	
	Modernisation of unit No. 10 as a part of 2 x 500 MW units modernisation programme	In 2017 the modernisation of unit No. 10 is planned. Currently, the material scopes and tender documents are being prepared relating to the works connected with the modernisation of unit No. 10. Agreement for the turbine and boiler parts was concluded	1.4	88.1	7%	2018	
Enea Elektrownia Potaniec	SCR installation - units No. 2, 3, 7	Completion of connecting the external part on units No. 7 and 2. System regulation on unit No. 7	1.7	157.5	90%	2017	
	SCR installation - unit No. 4	Execution works are in progress of the external part of SCR installation of flue gases denitrification on unit No. 4	0	34.4	55%	2018	

Activities implemented in Q1 2017



Area of Retail Sales

- Implementation of the analytic system aiding the sale-purchase portfolio management and projection
- Completion of research and publication of Customer satisfaction results
- Launching a spring promotion of the Purchase Zone loyalty programme
- Launching an educational and informative campaign warning against unfair energy sellers
- Promoting the electronic Customer Service Centre (eCSC)



Area of Customer Service

- Completion of the implementation of the first stage of a multichannel Contact Centre platform which translated into a growth in the reliability / safety of operation of remote Customer service channels
- Termination of the proceeding for selecting multi-sectoral project contractors, furniture providers, queueing system for all the planned visualisations of Customer Service Centres
- Termination of the proceeding for selecting construction works contractors for the modernisation of customer service centres in Chojnice and CH Pestka in Poznań
- Termination of the development of the concept of Support Division and Settlement Division areas operation as regards defining the processes and specifying changes in their implementation



Area of Wholesale Trade

- Drafting the methods of analysing the results of the designed mechanisms of the capacity market
- Improvement of a model of long-term price paths for products listed on wholesale markets
- Conclusion of framework agreements enabling transactions with EEP relating to the electricity, allowances for emissions of CO₂ and proprietary interests contract update

Activities to be realised until the end of 2017

- Development of the Customer Loyalty Programme (Purchase Zone)
- Introduction of new products for households and business Customers
- Communicating new products
- Customer service quality and satisfaction monitoring
- Promoting new service and communication tools
- Implementation of periodic marketing campaigns in order to obtain contacts an promote new products

- Visualisation of selected Customer Service Centres
- Higher quality and scope of services by remote contact channels as a result of increasing the catalogue of Customer matters realised by first contact
- Implementation of changes in the processes realised in the Support and Settlement Divisions
- Termination of the implementation of the second and third stage of the multi-channel Contact Centre channel due to which Customers will provided with a new contact channel - chat and IVR (Interactive Voice Response) self-service
- Termination of the first stage of developing the electronic customer service, including the implementation of new service subpages, implementation of new functions in eCSC and drafting assumptions for the mobile application

- Drafting the contracting model for energy coming from RES for installations with installed capacity from 500kW and more, after the expiry of the obligation to purchase energy through the obligated seller, i.e. from 1 January 2018
- Adjustment to the changes resulting from increasing generation assets on Enea Group as regards the improvement of tools and methods of portfolio management and hedging positions within the whole added value chain
- Improvement of analytical models and tools supporting hedging and proprietary trading on domestic and foreign markets
- Development of the fundamental model of long-term price paths for bituminous coal
- Development of tools supporting distributed generation in relation to the changes in the renewable energy sources support mechanisms which enter into force after 1 January 2018
- Contractation of generation fuel supply for planned energy generation for 2018
- Coordination of the planning and contractation principles as results from the extension of the fuel portfolio



Financing sources of the investment programme

Enea SA finances the investment programme using financial surpluses from the conducted business operations and external debt. Enea Capital Group realises the investment financing model in which Enea SA obtains external funding and distributes it to its subsidiaries. Enea SA's further actions will concentrate on guaranteeing the appropriate level of diversification of external financing sources for investments planned in Enea Group Strategy in order to optimise the amount of costs and dates of debt repayment.

Programme Agreement on the bond issue programme up to the amount of PLN 3 bln

Enea SA holds the programme agreement relating to the bond issue programme up to the amount of PLN 3 bln with banks operating as Underwriters, i.e.: PKO BP SA, Bank Pekao SA, BZ WBK SA and Bank Handlowy w Warszawie SA. The financing is not hedged on Enea Capital Group's assets. The funds obtained from the programme are allocated to the realisation of investment projects in Enea Group, including e.g. for the construction of the 1,075 MW_e gross supercritical bituminous coal fired power unit, which is being constructed as a part of Enea Wytwarzanie's operations. In Q1 2016 Enea SA did not issue bonds within the Programme. As at 31 March 2017 the value of the bonds issued within the aforementioned Programme totalled to PLN 1,951 mln.



Programme Agreement on the bond issue programme up to the amount of PLN 5 bln

On 30 June 2014, Enea SA concluded a programme agreement relating to the bond issue programme up to the amount of PLN 5 bln with five banks acting as dealers: ING Bank Śląski SA, PKO BP SA, Bank Pekao SA and mBank SA. As a part of the Programme Enea may issue bonds with the maturity of up to 10 years, and Bank dealers have the duty of care when offering the sale of bonds to market investors. In Q1 2016 Enea SA did not issue bonds within the Programme. As at 31 March 2017 the value of the bonds issued within the aforementioned Programme totalled to PLN 1,500 mln.



Programme Agreements on the bond issue programme guaranteed by BGK

On 15 May 2014, Enea SA concluded a programme agreement relating to the bond issue programme up to the amount of PLN 1 bln guaranteed by Bank Gospodarstwa Krajowego. The financing is not hedged on Enea Capital Group's assets. The funds from that programme are allocated e.g. to the implementation of the investments by Enea SA and its subsidiaries.

Enea SA issued bonds in the said Programme of the total value of the Programme being PLN 1 bln. The bond redemption period is maximally 12.5 years from the date of their issue. The interest is based on floating WIBOR rate increased with the margin.

On 3 December 2015, Enea SA concluded another programme agreement relating to the bond issue programme up to the amount of PLN 700 mln guaranteed by Bank Gospodarstwa Krajowego. The funds from that programme are allocated e.g. to the implementation of the investments and financing the current operations of Enea SA and its subsidiaries. As at 31 March 2017, Enea SA issued bonds in the said Programme of the total value of PLN 150 mln.



Investment loans granted by the European Investment Bank

On 18 October 2012, Enea SA concluded a financial agreement with the European Investment Bank (EIB) based on which the Company was granted a loan in the amount of PLN 950 mln or its equivalent in EUR (tranche "A"). On 19 June 2013, another loan agreement (tranche "B") was concluded with EIB for the amount of PLN 475 mln. The funds in the total amount of PLN 1,425 mln obtained from the loan are designated for the financing of a multiannual investment plan regarding the modernisation and extension of the power grids of Enea Operator. The loan repayment period is up to 15 years from the planned disbursement of the facility. Within "A" and "B" tranches, Enea SA drew funds from the loan in full, i.e. in the amount of PLN 1,425 mln in 4 separate amounts paid out from September 2013 to July 2015. The currency of the disbursed loan is Polish zloty, floating rate, based on WIBOR rate for 6-month deposits, increased with the Bank's margin. In the case of one disbursement the interest was based on the flat interest rate.

On 29 May 2015 another loan agreement was concluded based on which EIB provided the Company with new financing in the amount of PLN 946 mln or its equivalent in EUR (tranche "C"). The funds obtained from the loan will be allocated to the financing of a multiannual investment plan in order to modernise and extend the power infrastructure of Enea Operator. The financing is not hedged on Enea Capital Group's assets. The interest rate is floating based on WIBOR rate for 6-month deposits increased with the Bank's margin. The tranches will be paid in instalments, and the final repayment will be made in December 2031. In January 2017 the loan tranche was disbursed in the amount of PLN 250 mln. As at 31 March 2017, the amount of the loan utilised within tranche "C" was PLN 450 mln.



LW Bogdanka investment programme financing sources - programme agreements relating to the issue of LW Bogdanka SA's bonds

As at 31 March 2017 the Company held a Framework Agreement of 23 September 2013 relating to the bond Issue programme up to the amount of PLN 300,000 thou. which was concluded with Polska Kasa Opieki SA bank.

The total value of the bonds issued within this Agreement is: PLN 300,000 thou. Quarterly maturity dates for bond redemption in the amount of PLN 300 mln are in 2018. Additionally, during Q1 2017 another Programme Agreement was in force of 30 June 2014.

On 10 March 2017 the Company signed an annex to the aforementioned Programme Agreement within which the expiry date of the Programme for the first Tranche 1 was shifted from 31 December 2019 to 30 March 2017. In relation to that all the bonds issued within Tranche 1 in the total amount of PLN 300 mln were redeemed on 30 March 2017. Therefore, on 30 March 2017 the Company's liabilities due to the Programme Agreement concluded on 30 June 2014 were fully paid up.



Issue of Enea SA's securities in 2017

Enea SA issued securities of the total amount of PLN 150 mln in 2017. The nominal debt for the bonds issued by Enea SA as at 31 March 2017 totalled to PLN 4,601 mln.

Granted sureties and guarantees

During Q1 2017, Enea Group companies did not issue any guarantees or sureties, the total value of which would constitute at least 10% of Enea SA's equity.

As at 31 March 2017 the total value of corporate sureties and guarantees granted by Enea SA for hedging the liabilities of Enea Group companies amounted to PLN 207,575.3 thou., and the total value of bank guarantees issued on request of Enea SA and being the security for the liabilities of Enea Group companies for the account of external entities amounted to PLN 15,281.3 thou.

Interest rate risk hedging transactions

Implementing the Interest Rate Risk Management Policy Enea SA did not conclude any transactions in the period of three months of 2017. Enea SA did not conclude transactions which hedge the interest rate risk (Interest Rate Swap).

Agreements of significance to Enea Capital Group operations

In Q1 2017 and until the publication of this report, Enea Capital Group companies did not conclude any agreements significant for the Group's operations.

Transactions with related parties

During January - March 2017 Enea and its subsidiaries did not conclude any transactions with related entities on non-market conditions.

Information on transactions with related entities concluded by Enea or its related entity are described in note 21 to the condensed interim consolidated financial statements of Enea Group for the period from 1 January to 31 March 2017.



Distribution of cash - subsidiaries' bond issue programme

PLN 3 bln - Programme Agreement of 8 September 2012 Enea Wytwarzanie

As at 31 March 2017, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 1,951 mln.

PLN 1,425 mln - Enea Operator's Bonds

The programme fully utilised by Enea Operator. The bonds, depending on the series, bear fixed or floating interest rate. The bonds will be redeemed in instalments from September 2017, and the final redemption date is in June 2030.

PLN 1 bln - Programme Agreement of 17 February 2015 Enea Wytwarzanie

On 17 February 2015, Enea Wytwarzanie, Enea and PKO Bank Polski concluded the Bond Issue Programme Agreement for the amount of PLN 760 mln. On 3 June 2015 an annex was concluded to the agreement based on which the parties increased the amount of the Programme to PLN 1 bln. On 31 March 2017, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 1 bln. The programme is fully utilised by Enea Wytwarzanie.

PLN 946 mln - Programme Agreement of 7 July 2015 Enea Operator

The Executive Bond Issue Programme Agreement for the amount of PLN 946 mln was concluded between Enea as guarantor, Enea Operator as issuer and PKO Bank Polski as agent. Within the agreement Enea Operator may perform up to 10 issues of bonds until March 2017. The bond redemption date - in instalments, however not later than within 15 years of the date of issue. The bonds may bear the fixed rate or floating rate interest based on WIBOR rate plus margin, with the interest rate revision after 4 or 5 years. As at 31 March 2017, Enea Operator issued bonds in the said Programme of the total value of PLN 450 mln.

PLN 740 mln - Bond Issue Programme Agreement Enea Wytwarzanie

As at 31 March 2017, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 350 mln.

PLN 260 mln - Programme Agreement of 12 August 2014 Enea Wytwarzanie

The programme is fully utilised by Enea Wytwarzanie. The bonds bear a fixed rate interest. The bonds will be redeemed in instalments from September 2017 to December 2026.

PLN 360 mln - Programme Agreement of 18 July 2016 Enea Operator

The Executive Bond Issue Programme Agreement for the amount of PLN 360 mln was concluded between Enea as guarantor, Enea Operator as issuer and PKO Bank Polski as agent. Within the Agreement, Enea Operator may perform a single issue of bonds. On 28 July 2016 Enea Operator issued bonds totalling to PLN 360 mln, floating rate - WIBOR 3M plus margin. The redemption date of the bonds is December 2017.

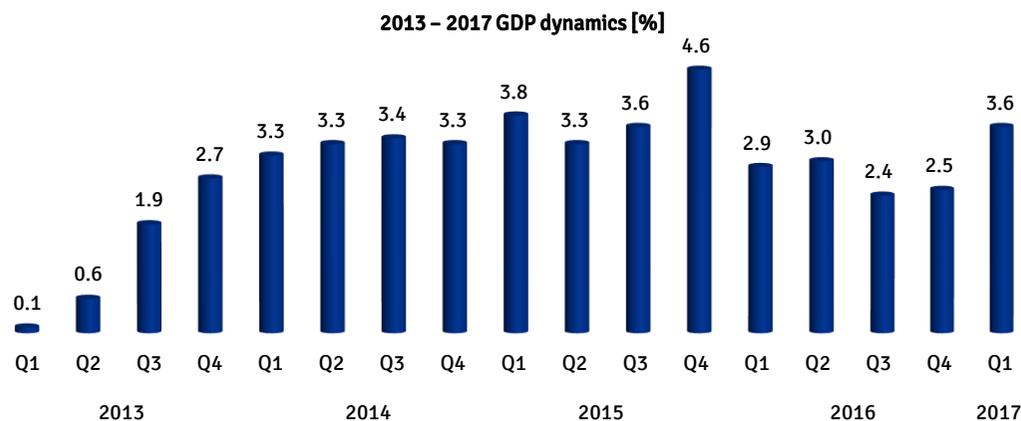
Other agreements

In previous years, Enea SA concluded also intergroup bond issue programme agreements via subsidiary companies which are to finance the investments in the segments of RES and Heat. These programmes are fully used and redeemed in instalments. The total amount of the bonds for redemption within these programmes was PLN 96.3 mln as at 31 March 2017.

Macroeconomic situation

Enea Group's operations are focused basically on the territory of Poland. The same core macroeconomic factor affecting both achieved results and financial situation is the development pace and the general condition of the Polish economy.

According to the preliminary/estimated data of the Development Strategy Department of the Ministry of Development (MD) in Q1 2017 the pace of economic growth amounted to 3.6%, i.e. 1.1 p.p. more than in Q4 2016. The quarterly pace of economic growth was therefore the highest in the recent four quarters.



In Q1 2017 the total consumption grew by 4.5% and gross expenditures on fixed assets grew by 4.4%. The sold production of the industry increased in Q1 2017 by 7.3% and the construction and assembly production grew by 3.9%. In the reporting period the inflation was 2% yoy.

Pursuant to the forecasts of MD the rate of growth of the gross domestic product in 2017 will amount to 3.6%, which means it will be definitely higher than in the preceding year (the estimated pace of growth in GDP in 2016 amounted to 2.7%).

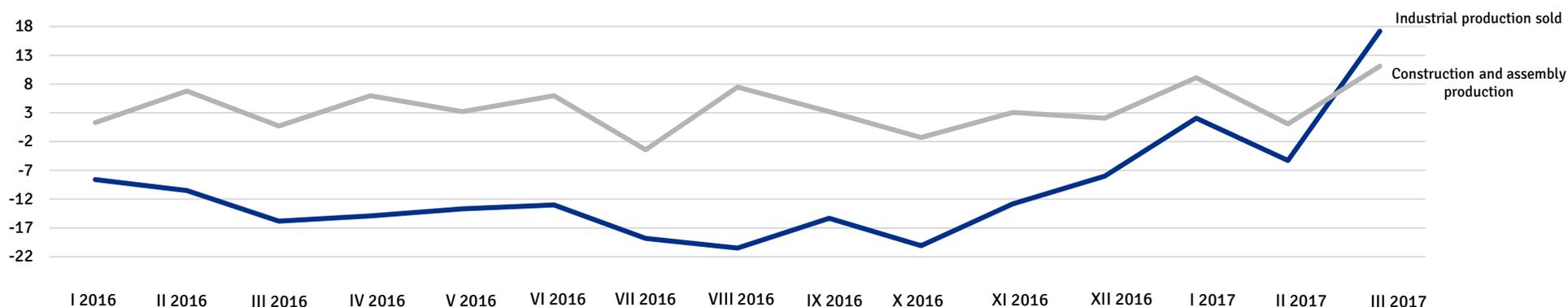
In 2017 the total consumption will grow by 3.9% in relation to a slightly lower level (3.6%) in the whole 2016. On the other hand, the gross expenditures on fixed assets will grow by 7.2% as compared to the gross expenditures on fixed assets incurred in 2016 on the level of (-) 7.9%.

According to MD's forecasts in 2017 the inflation will amount to 1.8% as compared to the deflation on the level of (-) 0.6% in 2016.

The summary of the key macroeconomic ratios characteristic for the Polish economy in 2015-2017 is presented below.

Description	unit	2015	2016	2017
GDP	change %	3.9	2.7	3.6
The consumption	change %	3.0	3.6	3.9
Gross expenditures on fixed assets	change %	6.1	-7.9	7.2
Industrial production sold	change %	6.0	3.1	nd
Construction and assembly production	change %	3.7	-14.1	nd
Inflation	in %	-0.9	-0.6	1.8

2016 – 2017 domestic production dynamics [%]



Source: MR research - Basic macroeconomic indicators Poland (March 2017)

Legal frames of energy market functioning

Regulatory environment

The legal basis for energy market functioning in Poland is the act of 10 April 1997 Energy Law and related secondary legislation (regulations).

At the same time, along with Poland accessing the European Union, the Polish legal regulations relating to the energy market were reconciled with the European laws, including in particular EU Directives regarding the principles of the common electricity market.

The central public administration body nominated pursuant to the Energy Law to realise the duties relating to the fuel and energy management and promote the competition is the President of the Energy Regulatory Office. The objective of the President of the Energy Regulatory Office is regulation of the operations of generators, distributors and companies trading in energy compliant with the Energy Law and Polish energy policy strategies with a concurrent pursuing of balancing the interests of particular participants of the energy market.

Enea SA's operations are conducted in the environment subject to detailed legal regulations, both in Poland and in the European Union. Legal regulations relating to the energy sector are often derivatives of political decisions, therefore there is a risk of frequent changes within this area which the Company is not able to foresee, and which may, as a consequence, result in a lack of unity and uniformity of regulations, based on which Enea SA conducts its operations.

Amendments within regulatory surrounding

Act of 20 February 2015 on renewable energy sources

In H1 2015, the President of the Republic of Poland signed an act on renewable energy sources. The goal of the act is increasing the energy security and environment protection, e.g. as a result of an efficient use of renewable energy sources. The act provides for, e.g., achievement of at least 15% share of energy from renewable sources in the final gross consumption of energy in 2020. Enea SA will be the so called obliged vendor, i.e. an entity obliged to purchase electricity generated in RES installations connected to the network of Enea Operator sp. z o.o.

On 29 December 2015 the Sejm adopted, after consideration of the Senate's amendments, the content of the act amending the act on renewable energy sources and the Energy Law (J. L. of 2015 No. 2365),

The goal of the amendment which came into force on 31 December 2015 is adjournment by 6 months of entry into force of the provisions of chapter 4 of the Act of 20 February on renewable energy sources (J. L. of 2015, item 478; further on as: RES act), and in particular the issues relating to the launching of the auction system for the purchase of electricity from renewable energy sources installations and mechanism supporting the generation of electricity in microinstallations of the total installed electrical capacity not greater than 10 kW. Changes were proposed to be made to the provisions of the RES act, enabling the application of the existing provisions until 30 June 2016, and new regulations - from 1 July 2016.

The act amendment finally settles two issues:

- certificates of origin do not apply to energy generated from 1 January 2016 in installations with the capacity greater than 5 MW using hydropower to generate this energy
- certificates of origin adjusted with 0.5 coefficient apply to electricity generated from 1 January 2016 in multi-fuel firing installations excluding electricity generated in the dedicated multi-fuel firing installation

On 1 July 2016 the act of 22 June 2016 entered into force amending the act on renewable energy sources and some other acts (J. L. of 2016, item 925). The goal of the act is removal of interpretative doubts of legal and editorial regulations which entered into force in the act of 20 February 2015 on renewable energy sources (J. L. of 2015 item 478 and 2365), in particular Art. 41 of the RES act.

Additionally, auctions will be performed in each group for the below mentioned buckets:

1. with the level of utilisation of installed electrical power, total, notwithstanding the origin source, greater than 3,504 MWh/MW/year
2. using for electricity generation some biodegradable fraction of industrial and municipal waste of plant or animal origin, including waste from waste processing installations and waste from water and sewage treatment, in particular sewage sludge, pursuant to the regulations on waste within the qualification of fractions of energy recovered from thermal recycling of waste
3. in which CO₂ emission is lower than 100 kg/MWh, with the rate of utilisation of installed electrical power not greater than 3,504 MWh/MW/year
4. by members of energy cluster
5. by members of energy cooperative
6. utilising exclusively agricultural gas for electricity generation
7. other than that mentioned in item 1-6

On 16 July 2016, the act of 20 May 2016 on investments in wind power plants entered into force (J. L. of 2016 item 961). Among the key regulations implemented based on the above mentioned act the following must be distinguished:

1. Locating of a wind power plant is exclusively based on the local zoning plan mentioned in Art. 4 of the act of 27 March 2003 on spatial planning and development (J. L. of 2016 item 778 and 904)
2. Establishment of the location requirement (art. 4 item 1 and 2 of the above mentioned act) being the prohibition to construct a wind power plant in the distance smaller than 10x its height measured from the ground level to the object's highest point, including technical elements, in particular rotor with blades (the total height of the wind power plant) from the following elements of the surroundings:
 - residential building or any building with a residential function, which includes residential function,
 - forms of nature conservation mentioned in Art. 6 item 1(1-3) and 5 in the act of 16 April 2004 on environmental protection (J. L. of 2015, item 1651, 1688 and 1936),
 - forest promotional complexes mentioned in Art. 13b item 1 of the act of 28 September 1991 on forests (J. L. of 2015 item 2100),

however, the establishment of these forms of nature conservation and forest promotional complexes does not require observation of the distance mentioned above.

3. Amending the qualification of all the elements of a wind power plant as a building taxed with a fixed tax on buildings

The above regulations forced the Company to make a decision on performing in 2016 write-downs of the book value of assets from the area dealing with energy generation from renewable sources (area of Generation, segment of Renewable Energy Sources - area of Wind) in the amount of PLN 98.2 mln.

REMIT

Since 7 October 2015 there has been a duty to report basic transactions and data (for standard contracts for electricity and gas supplies) to the European Agency for the Cooperation of Energy Regulators (Agency or ACER). Pursuant to the REMIT regulation, i.e. the regulation of the European Parliament and the Council (EU) No. 1227/2011 dated 25 October 2011 on wholesale energy market integrity and transparency (REMIT), until the above mentioned date the participants of the wholesale energy and natural gas market mentioned in Article 9 item 1 of REMIT are obliged to register with the national regulatory authority.

With the Act of 11 September 2015 on amendment of the Energy Law and some other acts (J. L. of 2015, item 1618), which entered into force on 30 October 2015, the principles were introduced guaranteeing REMIT application, including the penal provisions (Chapter 7A) for breaching the duties resulting from REMIT.

On 7 April 2016, as per Article 12 item 2 sentence 3 and 4 of the Commission (EU) implementing regulation No. 1348/2014 of 17 December 2014 on data reporting implementing Article 8 item 2 and Article 8 item 6 of Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency, an obligation entered into force of reporting to ACER the other transactions in wholesale trade (standard and non-standard contracts for supply of electricity or natural gas concluded on OTC market, transmission contracts) and data on the operation of systems published by operators of transmission systems, LNG operators and operators of warehousing systems.

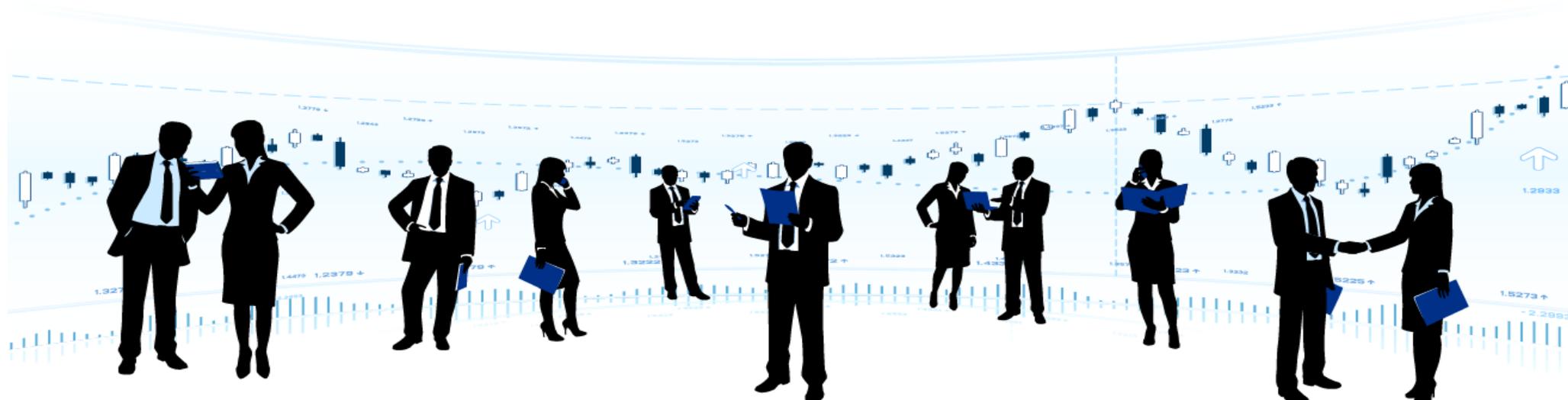
Directive of the European Parliament and of the Council No. 2015/2193 of 25 November 2015 on the limitation of emissions of certain pollutants into the air from medium combustion plants

On 28 November 2015 the Directive of the European Parliament and of the Council No. 2015/2193 of 25 November 2015 on the limitation of emissions of certain pollutants into the air from medium combustion plants (MCP Directive) was published in the Official Journal of the European Union.

MCP Directive applies to combustion plants with the nominal heating capacity not lower than 1 MW and lower than 50 MW (the so-called “medium combustion plants”), notwithstanding the type of fuel they use (Article 2 item 1). Additionally, MCP directive applies to the connections of new medium energy combustion plants, specified in Article 4, including connections for which the total nominal heating power amounts to not less than 50 MW, unless the connection is the object of energy combustion plant included in the application scope of chapter III of directive 2010/75/EU. Article 4 of MCP directive provides that the connection of at least two new medium combustion plants is deemed one medium combustion plant, and their nominal heating power is summed in order to calculate the total nominal heating power of the plant, if vent gases of such medium combustion plants are removed via a common chimney, or in the assessment of the relevant authority, taking into account technical and economic factors, vent gases of such medium combustion plants could be removed via a common chimney.

The key scope of the MCP Directive regulation is specification of: the emission norms for three types of air pollutants - sulphur dioxide (SO₂), nitric oxides (NO_x) and dusts for medium combustion plants, and also dates until which it is necessary to satisfy the duty of observing relevant volumes of air pollution in the existing and new medium combustion plants. As per Article 17 item 1 sentence 1 of the MCP Directive, member states are obliged to bring into force the laws, regulations and administrative provisions necessary to comply with the Directive by 19 December 2017.

The provisions of the MCP Directive are significant as regards the companies in which Enea Wytwarzanie sp. z o.o. holds shares and in which the so-called medium combustion plants directly defined in the MCP directive are located. These companies include: Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. in Oborniki (PEC Oborniki), Miejska Energetyka Ciepła Piła sp. z o.o. in Piła (MEC Piła) and Miejskie Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. in Białystok (MPEC Białystok).



Allowances for emissions of CO₂

In 2017 Poland plans to sell 85.88 mln allowances for emissions of CO₂. 14.99 mln come from allowances not sold in 2016, and 70.89 mln constitutes the volume originally scheduled for sale in 2017. The point of sale of Polish EUAs will be the EEX stock exchange auction platform with which Poland has re-concluded the contract for sale of emission allowances. Auctions are held every second Wednesday and 4.857 mln EUAs will be sold on each of them, except the first and the last ones conducted in August. The first auction was conducted in 29 March 2017 at 4.71 EUR/t.

The works connected with the 4th stage of EU ETS system are currently in progress in the European Community institutions. The requirements presented in Q1 2017 will be subject to consultation by the European Commission, European Council and European Parliament (the so-called trilogue). Probably until the end of Q3 2017 the final version will be agreed upon which will form the legal framework of EU ETS in 2021-2030.

Auction date	Volume	Auction price [EUR]	Volume, cumulatively	% volume, cumulatively
29 March 2017	5 738 500	4.71	5 738 500	7%
12 April 2017	4 857 000	4.84	10 595 500	12%
26 April 2017	4 857 000	4.49	15 452 500	18%
10 May 2017	4 857 000	4.49	20 309 500	24%
24 May 2017	4 857 000	4.81	25 166 500	29%
7 June 2017	4 857 000		30 023 500	35%
21 June 2017	4 857 000		34 880 500	41%
5 July 2017	4 857 000		39 737 500	46%
19 July 2017	4 857 000		44 594 500	52%
2 August 2017	2 428 500		47 023 000	55%
16 August 2017	2 428 500		49 451 500	58%
30 August 2017	2 428 500		51 880 000	60%
13 September 2017	4 857 000		56 737 000	66%
27 September 2017	4 857 000		61 594 000	72%
11 October 2017	4 857 000		66 451 000	77%
25 October 2017	4 857 000		71 308 000	83%
8 November 2017	4 857 000		76 165 000	89%
22 November 2017	4 857 000		81 022 000	94%
6 December 2017	4 855 000		85 877 000	100%

Reduction of emission of pollutants

Pursuant to the EU regulations, in particular the Directive of the European Parliament and the Council No. 2010/75/EU dated 24 November 2010 on industrial emissions - IED (integrated pollution prevention and control), new, stricter standards of environmental protection have been in force since 1 January 2016. In relation to the above, all producers of electricity in Poland who use mainly high-emission coal technologies, are obliged to adjust the units to new environment requirements. The law, meeting the problems of entrepreneurs, provides for a possibility of using derogatory mechanisms. Mitigation of the requirements of the IED directive in the form of derogations, allows to achieve additional time for adaptation of generating units to stricter standards of pollutant emissions into the air.

Kozienice Power Plant

2017/2016	SO ₂			NO _x			Dust			Gross generation of electricity [MWh]
	SO ₂ emission [Mg]	SO ₂ emission ratio [kg/MWh]	SO ₂ emission fee [PLN '000]	NO _x emission [Mg]	NO _x emission ratio [kg/MWh]	NO _x emission fee [PLN '000]	Dust emissions [Mg]	Dust emission ratio [kg/MWh]	Dust emission fee [PLN '000]	
Q1 2017	2 614.19	0.756	1 491 034.00	3 400.02	0.984	1 824 029.88	46.85	0.014	22 387.76	3 456 517.38
Q1 2016	1 662.71	0.505	975 072.58	3 580.25	1.087	1 919 188.56	94.28	0.029	40 930.49	3 295 067.36
Change %	57.22	49.70	52.92	-5.03	-9.48	-4.96	-50.31	-51.72	-45.30	4.90

Potaniec Power Plant

2017/2016	SO ₂			NO _x			Dust			Gross generation of electricity [MWh]
	SO ₂ emission [Mg]	SO ₂ emission ratio [kg/MWh]	SO ₂ emission fee [PLN '000]	NO _x emission [Mg]	NO _x emission ratio [kg/MWh]	NO _x emission fee [PLN '000]	Dust emissions [Mg]	Dust emission ratio [kg/MWh]	Dust emission fee [PLN '000]	
Q1 2017	1 695.65	0.76	898.69	2 832.36	1.26	1 501.15	103.98	0.05	36.39	2 242 196.20
Q1 2016	1 730.78	0.68	917.31	3 638.89	1.43	1 928.61	120.89	0.05	42.31	2 540 865.30
Change %	-2.03	11.76	-2.03	-22.16	-11.89	-22.16	-13.99	-	-13.99	-11.75

Observing regulatory and formal requirements
Enea Wytwarzanie

Enea Wytwarzanie sp. z o.o. uses the derogation resulting from IED directive, which is the Transitional National Plan (TNP):

- within sulphur dioxide and dust emissions: Kozienice Power Plant together with Białystok Heat and Power Plant
- within NO_x emission: Elektrociepłownia Białystok individually

In the period of TNP validity, i.e. from 1 January 2016 to 30 June 2020, annual emission thresholds are in force. Pollutant emission within TNP for Q1 2017 and the level of using annual emission thresholds was listed in the table below.

Installation		SO ₂		Dust		NO _x	
		[Mg]	% utilised	[Mg]	% utilised	[Mg]	% utilised
Kozienice Power Plant	emission	2 495.26		45.20		n/a	
	annual threshold	12 522.50	19.93	1 502.70	3.01	n/a	n/a
Białystok Heat and Power Plant	emission	581.07		23.21		119.15	
	annual threshold	2 666.56	21.79	215.69	10.76	1 347.75	8.84
Total	emission	3 076.33		68.41		119.15	
	annual threshold	15 189.06	20.25	1 718.39	3.98	1 347.75	8.84

In Q1 2017:

- CO₂ emissions annual report of 2016 was verified with a positive result
- emission standards specified in the integrated permit were not exceeded

Enea Elektrownia Potaniec

Enea Elektrownia Potaniec SA benefits from the derogation resulting from IED Directive - natural derogation 17,500 hours which covers boiler 1. Until the end of March 2017 2,920 hours were used from the limit, including in Q1 2017 alone 731 hours. In Q1 2017 emission standards specified in the integrated permit were not exceeded.

Significant trends in the area of Distribution

New technologies appearing, growing Customer expectations and a dynamically changing economic environment in Poland and in the world anticipate changes in the way ODS operates, they in particular draw attention to the necessity of implementing solutions which are innovative in the area of distribution, leading to the modernisation and extension of the distribution network allowing for absorption of leading trends in the power engineering sector.

The key trends are related to:

- development and implementation of smart grids
- development and implementation of modern IT systems supporting the network management
- occurring new institutional and technical solutions such as clusters, energy cooperatives, prosumer market, energy warehouses, electromobility

2017 tariff - distribution of electricity

Detailed rules of tariff calculation are governed by the Energy Law and relevant regulations relating to tariffs. Pursuant to the Energy Law, tariffs for a licensed energy company are approved by the President of ERO.

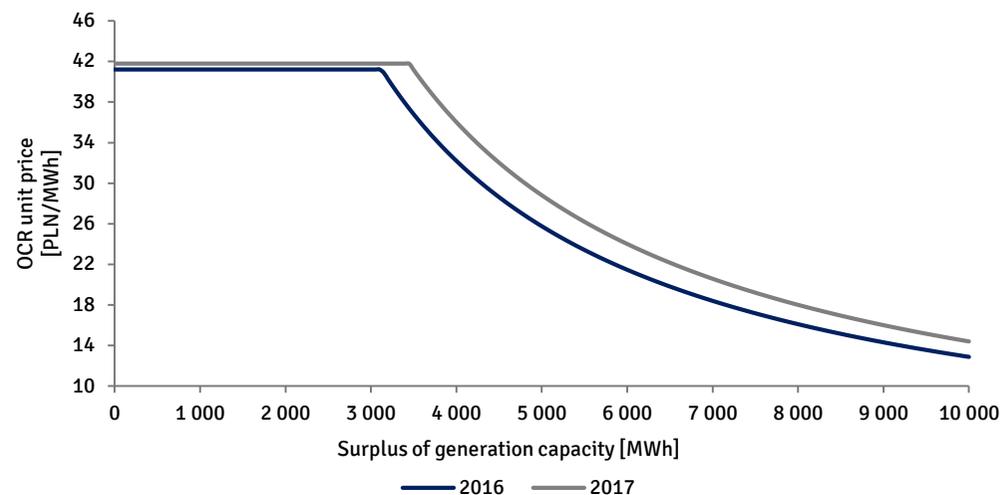
The tariff for Enea Operator for 2017 was approved by the President of ERO on 15 December 2016. It was prepared in accordance with the strategy developed and published by the President of ERO in the document titled "ODS Tariffs for 2017". The rates of fees for the distribution services approved for 2017 resulted in changes in average payments for Customers in particular tariff groups in relation to 2016:

- A tariff group set - growth by 0.96%
- B tariff group set - growth by 5.73%
- C tariff group set - growth by 4.91%
- G tariff group set - growth by 5.61%

Operating Capacity Reserve (OCR)

- OCR mechanism is conducted by Polskie Sieci Elektroenergetyczne - Operator of the Transmission System (OTS) within the system services catalogue.
- For producers of energy it is an economic incentive to offer generating capacities to OTSs in the peak hours of demand for power.
- OCR includes the available generating capacity, being the surplus of the power available to OTSs over the contracts concluded to satisfy demand for electricity
- A unit price for OCR depends on the volume of generating capacity available to OTSs over the demand for electricity covered:
 - within energy sale agreements
 - on the Balancing Market as part of the free exchange
- A unit price for OCR depends on the volume of generating capacity available to OTSs over the demand and may not be higher than the reference price which for 2015 amounts to PLN 37.28 PLN/MWh, for 2016 41.20 PLN/MWh and for 2017 the level is PLN 41.79 PLN/MWh.

The diagram below presents the unit price for OCR depending on the volume of generation capacity available to OTSs:



Parameters of the OCR settlement model for 2016-2017:

Parameter	2016	2017
Hourly budget [PLN]	128 758.72	144 070.61
Reference price [PLN/MWh]	41.20	41.79
Hourly volume of required OCR [MWh]	3 451.09	3 447.49
Number of demand peak hours	3 780	3 765
OCR annual budget [PLN mln]	486.7	542.4

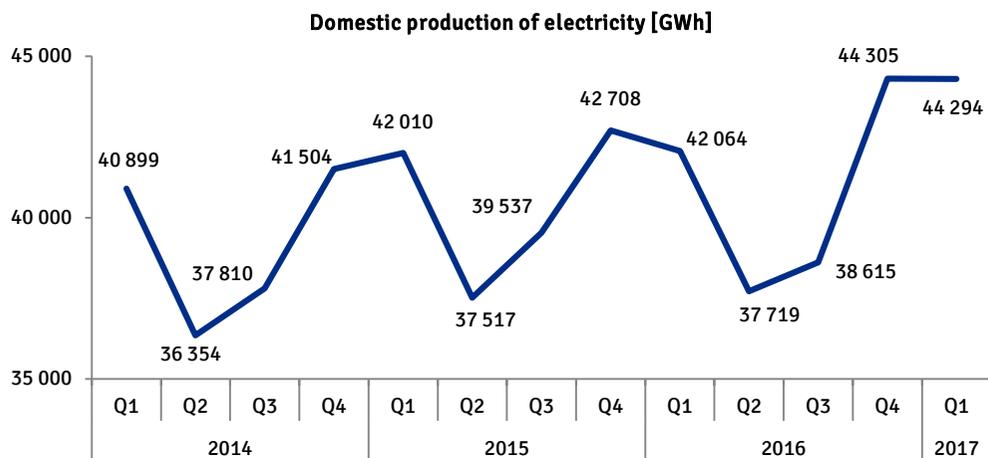
In 2016 the rules were changed for settling OCR, which in previous periods resulted in the fact that in the hours during which the OCR unit price reached the maximum level OTS did not fully use the budget designated for that service. Since 2016 new adjustment settlements were introduced (monthly and annual), which re-verify settlements and any unused funds from OCR are distributed among the units participating in the reserve.

Since 2017, consumption units with the possibility of reducing the demand (DSR) are included within OCR (POR).

Situation on the electricity market

Production of electricity

Pursuant to the data published by Polskie Sieci Energetyczne the domestic production of electricity in Q1 2017 amounted to 44,294 GWh.



Electricity generation structure in Polish power plants [GWh]

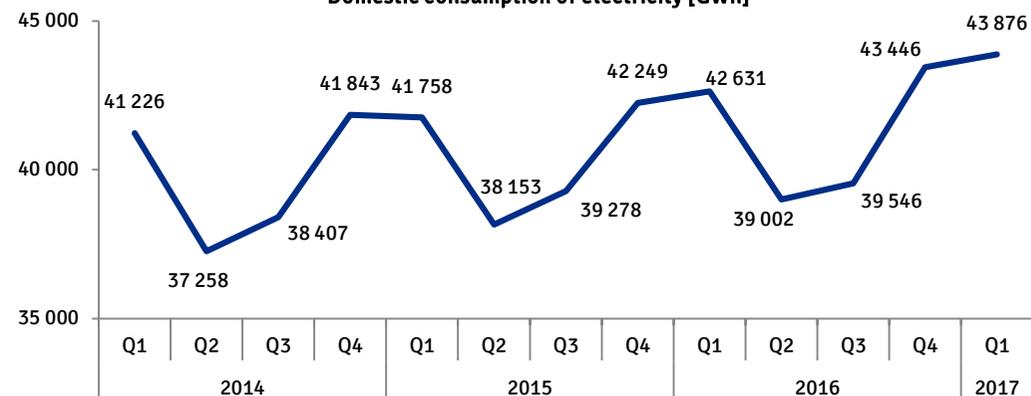
Types of power plants	Q1 2016	Q1 2017
Commercial on bituminous coal	21 725	21 626
Commercial on lignite	12 085	14 024
Industrial	2 719	2 829
Gas	1 449	1 577
Commercial hydroelectric	716	692
Wind	3 334	3 506
Other renewable	36	40

Domestic consumption of electricity

Pursuant to the data published by Polskie Sieci Elektroenergetyczne the domestic consumption of electricity in Q1 2017 was higher by 2.73% in relation to the energy consumption in the same period of 2016.

Source: http://www.pse.pl/index.php?modul=8&y=2016&m=12&id_rap=212

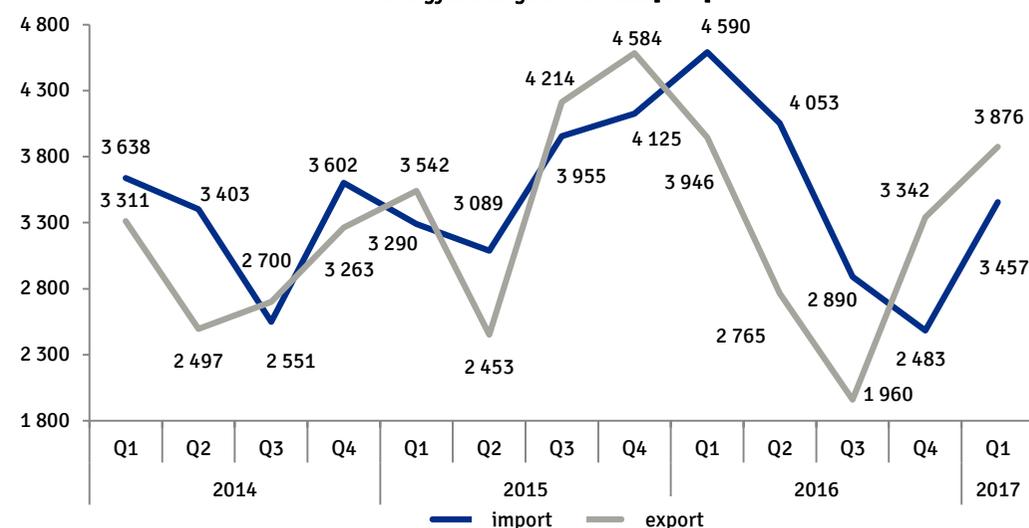
Domestic consumption of electricity [GWh]



Intersystemic exchange

In Q1 2017 a positive balance of intersystemic exchange was developed as a result of a surplus of energy exported abroad over the energy imported in the amount of (+) 419 GWh. For comparison, in Q1 2016 the balance of intersystemic exchange of electricity amounted to (-) 644 GWh. In each month of Q1 2017, the monthly balance of electricity exchange with the abroad was positive and indicated the prevalence of electricity export.

Energy exchange with abroad [GWh]



Coal market prices

In Q4 2016 there was a visible growth in coal prices on the global market. It resulted from the political decisions made in China, as a result of which production capacities of the local mines were reduced. Additionally, the situation was also affected by disturbances in deliveries relating to weather conditions and greater consumption of energy in China due to a hot summer.

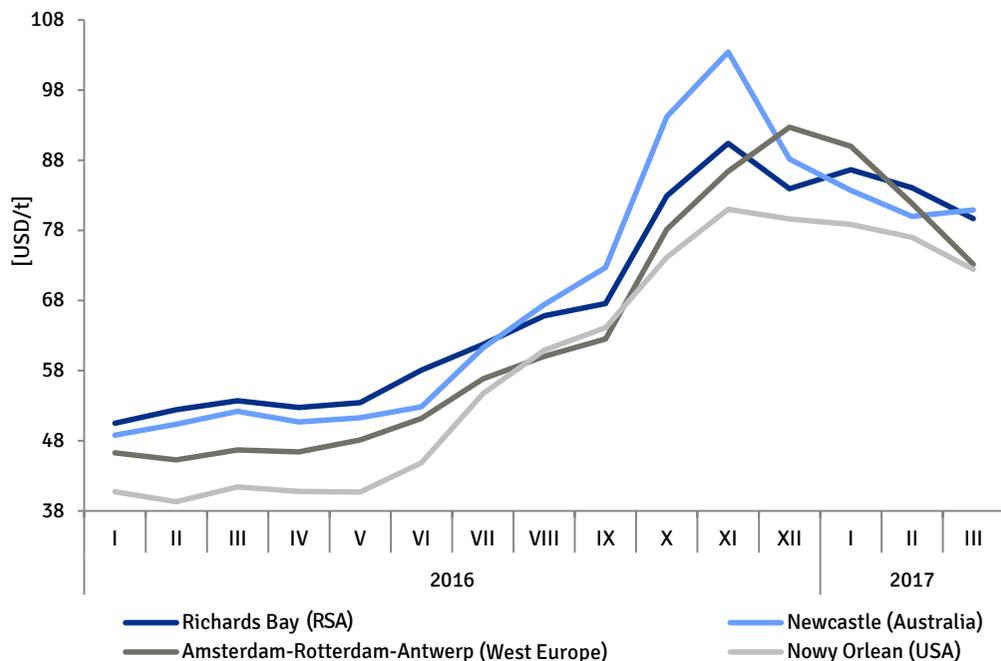
On the other hand, Q1 2017 brought drops in prices. It resulted from suspending the prior decision of Chinese authorities in order to guarantee coal availability during the heating season. The consequence of these activities had the greatest impact on the prices of Australian coal whose average value in Q1 2017 was by 14% lower than the average prices in Q4 2016.

A smaller drop was reported for coal prices on the European market. Their average value in Q1 2017 was by 5% lower than the average value in Q4 2016. The result of such a reduction stemmed from: response to prior, speculative growths and lower generation of electricity from coal in Germany and France, increased supply of renewable energy sources in Germany, higher competitiveness of natural gas and information on the anticipated drop in demand for coal in Turkey. The tendency was supported also by seasonal drivers, related to higher temperatures and closing the heating season.

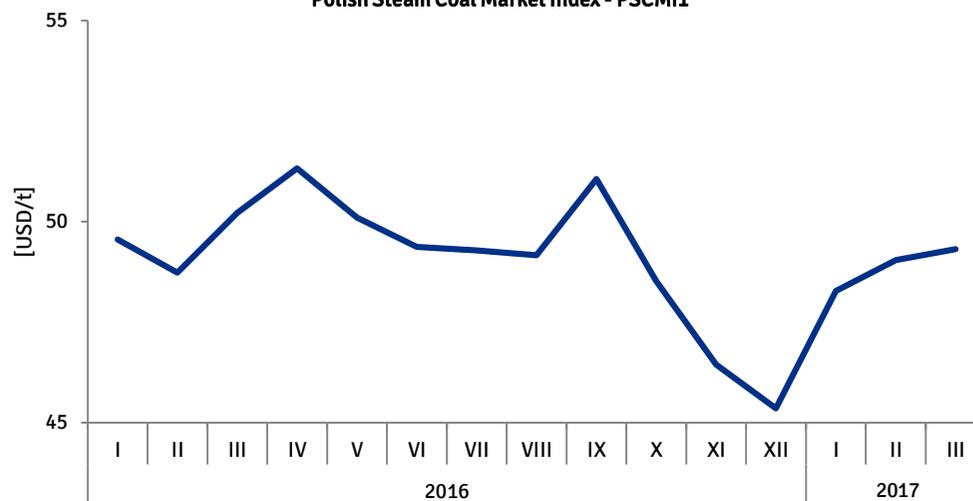
As compared to the prices of coal on the European and Australian market the lowest change was reported by coal prices on the African and American markets - a drop by 3% vs. Q4 2016. In RSA it was affected by the disturbances in the stable reception from key customers through limitations in the railway infrastructure and energy transmission. On the other hand, in the United States of America it stemmed from the withdrawal by the President of the Clean Energy Plan regulation, limiting the emissions of greenhouse gases in coal-fired power plants.

In Q1 2017 PSCMI1 index reached the value of 49.04 USD/t, which means a growth by 8.73% in relation to Q4 2016. The price level in that period was affected by a drop in the rate of dollar and a more severe than in the previous years winter and mining problems in Polish mines. On an annual basis, in 2106 PSCMI1 index reported drops amounting to 15% reaching the average annual level of prices totalling to 49.04 USD/t.

Monthly indices of coal prices



Polish Steam Coal Market Index - PSCMI1



Source: own development based on data from www.gpi.tge.pl

Source: own development based on data from www.globalcoal.com and the paper of the Mineral and Energy Economy Research Institute of the Polish Academy of Sciences



Wholesale electricity prices

The average price on SPOT market in Q1 2017 was higher by 1.7% in comparison with the same period of 2016. The prices grew especially in February. The prices were affected by the following factors:

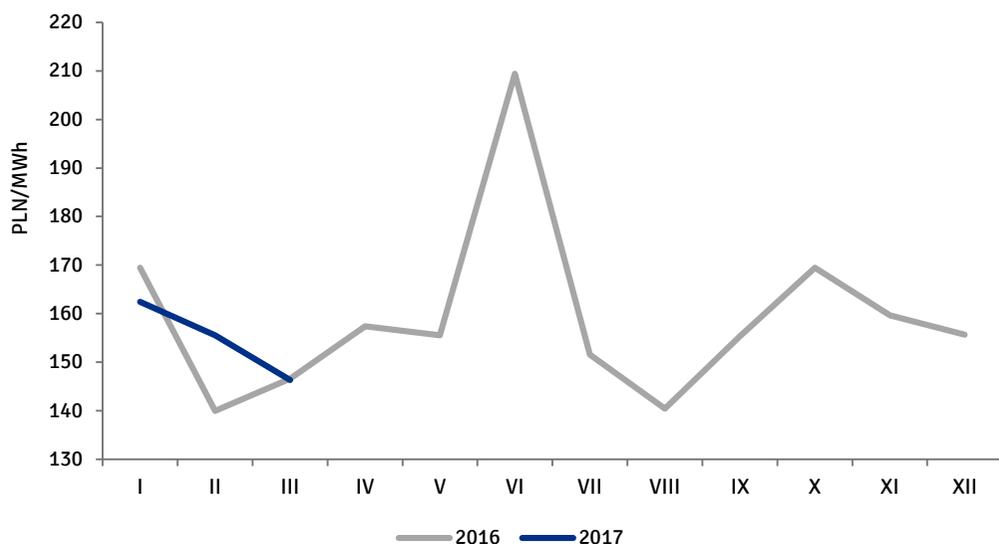
- low capacity in PPE system
- small utilisation of wind generation
- growth in demand for energy
- greater export

Table 1. Average prices on SPOT market (PPE Day Ahead Market)

Period	Average price [PLN/MWh]	Change [%]
Q1 2016	152.24	-
Q1 2017	154.87	↑ 1.7%

Source: Own paper based on data from PPE.

Average electricity prices on Day Ahead Market



Source: Own paper based on data from PPE.

We observed drops in electricity prices on the forward market. In Q1 2017, the price of BASE Y-18 product dropped from 165 PLN/MWh at the beginning of January to 160 PLN/MWh at the end of March.

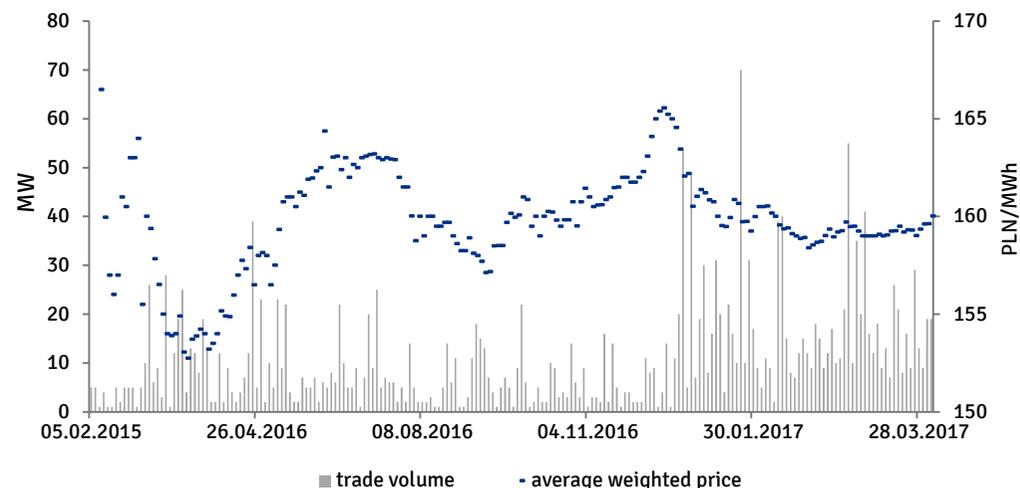
Table 2. Prices on the forward market

Product	Price at the end of quotations	Change yoy	Average price from quotations	Change yoy
	[PLN/MWh]	[%]	[PLN/MWh]	[%]
BASE Y-15	177.00	-	168.13	-
BASE Y-16	167.50	↓ 9.5%	166.49	↓ 4.7%
BASE Y-17	162.00	↓ 4.4%	160.23	↓ 3.8%
BASE Y-18	160.20 ¹⁾	↓ 1.1%	160.23	↓ 0.3%

1) At the end of March 2017

Source: Own development based on data from PPE and TFS.

Transaction prices and volumes - BASE Y-18



Source: Own development based on data from PPE and TFS.

On PPE forward market a very low liquidity is observed - when comparing turnover in Q1s of 2016 and 2017 between BASE-Y-17 and BASE Y-18 (it amounts to ca. 50%). The main reason for this situation may be extinguishing of the so-called 100% exchange obligation related to Long-term Agreements.

The prices of BASE Y-18 changed similarly to PEAK Y-18 prices. At the beginning of January the market valuation for this product amounted to 214.00 PLN/MWh, and at the end of March 2017 to 208.00 PLN/MWh.

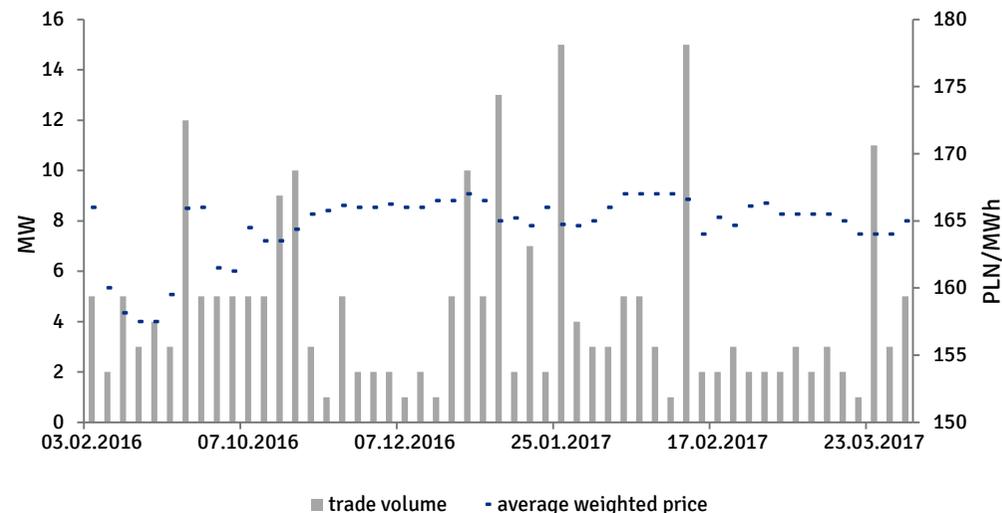
In Q1 2017, the forward market reported slow growth in electricity prices. It was related to e.g. a great volatility in prices of allowances for emissions of CO₂ (a range between the maximum and minimum - 1.51 EUR/t). What had a great importance for the shaping of the market situation was also a significantly decreased, as compared to the volume of trade in BASE Y-17 in the same period of the previous year, volume of trade in BASE Y-18 on PPE.

Some factors of uncertainty are still:

- the question of the Great Britain's exit from the European Union, which may cause potential changes in the Community Emission Trading Scheme and fluctuations of prices of allowances for emissions of CO₂ (EUA) in a longer term
- direction of changes in the system and introduction of new solutions (e.g. capacity market) within guaranteeing relevant levels of power in PPS

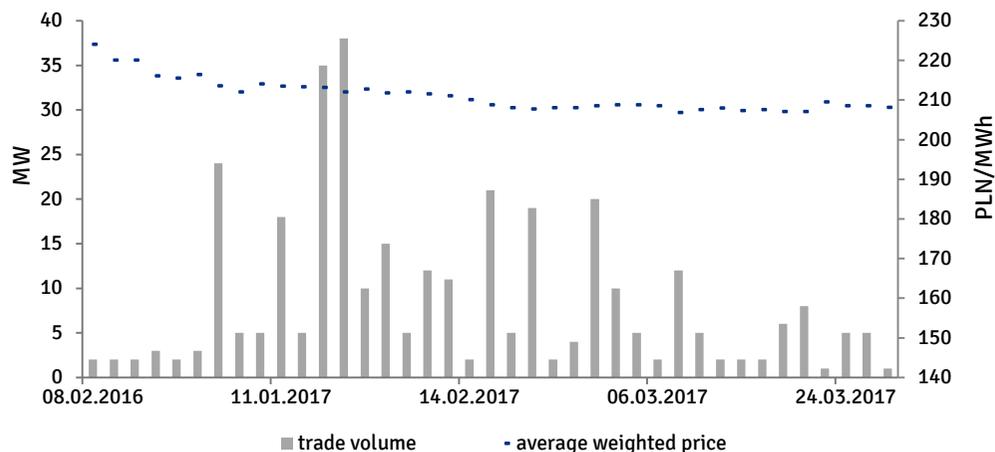
Hence, potential moderate growths in prices cannot be ruled out.

Transaction prices and volumes - BASE Y-19



Source: Own development based on data from PPE and TFS.

Transaction prices and volumes - PEAK Y-18



Source: Own development based on data from PPE and TFS.

In Q1 2017, transactions were also concluded for BASE Y-19, however due to a distant delivery horizon, the trading volumes were significantly lower than for BASE Y-18.

Obligations with respect to obtaining energy certificates of origin

In accordance with the regulations being in force energy companies selling electricity to end users in 2016 are obliged to obtain and redeem the following types of certificates of origin:

- for energy generated in renewable sources, the so called "green" certificates - the obligation on the level of 15.0% of sales to end users realised in H1 2016 and 14.35% in H2
- for energy generated from agricultural biogas, new certificates under the amendment to the Act on renewable energy sources dated 20 February 2015 - an obligation on the level of 0.65% of sales to end users realised in H2
- for energy generated in methane-fired cogeneration, the so called "violet" certificates - the obligation on the level of 1.5% of sales to end users
- for energy generated in gaseous cogeneration units or units with the total installed capacity up to 1 MW, the so called "yellow" certificates - the obligation on the level of 6.0%
- for energy generated in other cogeneration sources, the so called "red" certificates - the obligation on the level of 23.2%
- energy efficiency certificates, the so-called "white" certificates - the obligation on the level of 1.5%

The contracting price structure on the PPE's session market for particular proprietary interests in Q1 2017 is presented on the next page. The analysis excludes PMOZE "green" Pls due to lack of trading volumes and their entire replacement with PMOZE_A.

Table 3. Prices on the certificates of origin market (PPE's session market)

	Average price Q1 2017	Change in relation to Q4 2016			Maximum price PLN/MWh	Minimum price PLN/MWh
		%	PLN/MWh	PLN/MWh		
OZEX_A ("green" proprietary interests)	34.62	↓ -12.8%	↓ -5.07	39.50	26.00	
OZEX_BIO ("light blue" proprietary interests)	327.55	-	-	470.00	300.03	
KGMX ("yellow" proprietary interests)	2016	123.61	↑ 0.8%	↑ 0.95	124.50	122.70
	2017	116.00	-	-	116.00	116.00
KECX ("red" proprietary interests)	2016	10.77	↑ 0.4%	↑ 0.04	10.82	10.65
	2017	-	-	-	-	-
KMETX ("violet" proprietary interests)	2016	62.27	↑ 0.1%	↑ 0.09	62.90	61.80
	2017	-	-	-	-	-
EFX ("white" proprietary interests) ¹⁾	1,090.62	↑ 12.0%	↑ 116.85	1,270.00	970.00	

1) Values in PLN/toe
Source: Own paper based on data from PPE.

Limits of CO₂ emission allowances and their market prices

The end of 2016 characterised with a significant growth in EUA prices. The reason for these growths could be growing prices of coal and energy, high prices obtained at auctions and information on the intention of the Great Britain to remain in the EU ETS system after Brexit. An important growth factor was also the agreement relating to the changes in EU ETS system after 2020. Taking into account e.g. withdrawal of 24% instead of 12% of allowances from the market during at least 4 years of MSR operation, redemption of 800 mln allowances withdrawn from the market as part of backloading increasing the linear reduction coefficient to 2.4% (from 1.74%). After a sudden growth in prices in the second half of December 2016 there was a correction. Lower prices of emissions of CO₂ at the beginning of January 2017 were affected by: a growth in the volume at auctions (backloading expired, growth of the volume from 3.7 mln to 4.3 mln EUAs) and lower prices of German energy.

The European Commission proposed the continuation of the obligation resulting from greenhouse gas emissions by the air transport until making final decisions as regards the shape of the global market mechanism. On 15 February 2017 during the plenary session in the European Parliament a package of amendments to the draft EU ETS directive was approved which at the end of February were adopted by the Environmental Council. EU member states commenced distribution of free allowances for 2017.

As results from the most recent data on the number of allowances issued for 2017, published by the European Commission, there are the most not issued allowances in Italy, Romania and Great Britain and Malta as the only state has already issued all.

Table 4. EUA and CER price change

Product	Price [EUR/t]		Change %	
	Beginning of January 2017	End of March 2017		
EUA Spot	6.11	4.68	↓	23.4%
CER Spot	0.26	0.27	↑	3.8%
EUA Dec-17	6.14	4.69	↓	23.6%
CER Dec-17	0.27	0.27	→	-

Source: own development based on data from ICE.



Source: own development based on data from BlueNext and ICE.



3. Financial position

Consolidated Profit and Loss Statement - Q1 2017

[PLN '000]	Q1 2016	Q1 2017	Change	Change %
Revenue from sale of electricity ¹⁾	1 702 258	1 502 805	-199 453	-11.7%
Revenue from sale of heat energy ¹⁾	113 544	118 771	5 227	4.6%
Revenue from sale of natural gas ¹⁾	53 699	35 551	-18 148	-33.8%
Revenue from sale of distribution services	773 440	828 528	55 088	7.1%
Revenue from certificates of origin	4 899	161	-4 738	-96.7%
Revenue from sales of CO ₂ emission allowances	851	5 705	4 854	570.4%
Revenue from sale of goods and materials	24 414	14 882	-9 532	-39.0%
Revenue from sale of other services ¹⁾	39 074	44 858	5 784	14.8%
Coal sale revenue	224 572	158 429	-66 143	-29.5%
Net sales revenue	2 936 751	2 709 690	-227 061	-7.7%
Amortisation/depreciation	279 708	283 847	4 139	1.5%
Employee benefit costs	362 731	386 987	24 256	6.7%
Consumption of materials and raw materials and value of goods sold	366 990	285 611	-81 379	-22.2%
Costs of energy purchases for resale	1 123 042	792 416	-330 626	-29.4%
Transmission services	190 389	261 823	71 434	37.5%
Other outsourced services	131 005	149 899	18 894	14.4%
Taxes and charges	93 571	106 327	12 756	13.6%
Cost of sales	2 547 436	2 266 910	-280 526	-11.0%
Other operating revenue	30 164	16 238	-13 926	-46.2%
Other operating expenses	30 423	72 652	42 229	138.8%
Profit / loss on sales and liquidation of tangible fixed assets	-419	-3 787	-3 368	-803.8%
Operating profit / (loss)	388 637	382 579	-6 058	-1.6%
Financial costs	35,736	45 957	10 221	28.6%
Financial revenue	14 064	66 183	52 119	370.6%
Profit / (loss) before tax	366 965	402 805	35 840	9.8%
Income tax	76 560	81 615	5,055	6.6%
Net profit / (loss) for the reporting period	290 405	321 190	30 785	10.6%
EBITDA	668 345	666 426	-1 919	-0.3%

¹⁾ Change in presentation of data published for Q1 2016

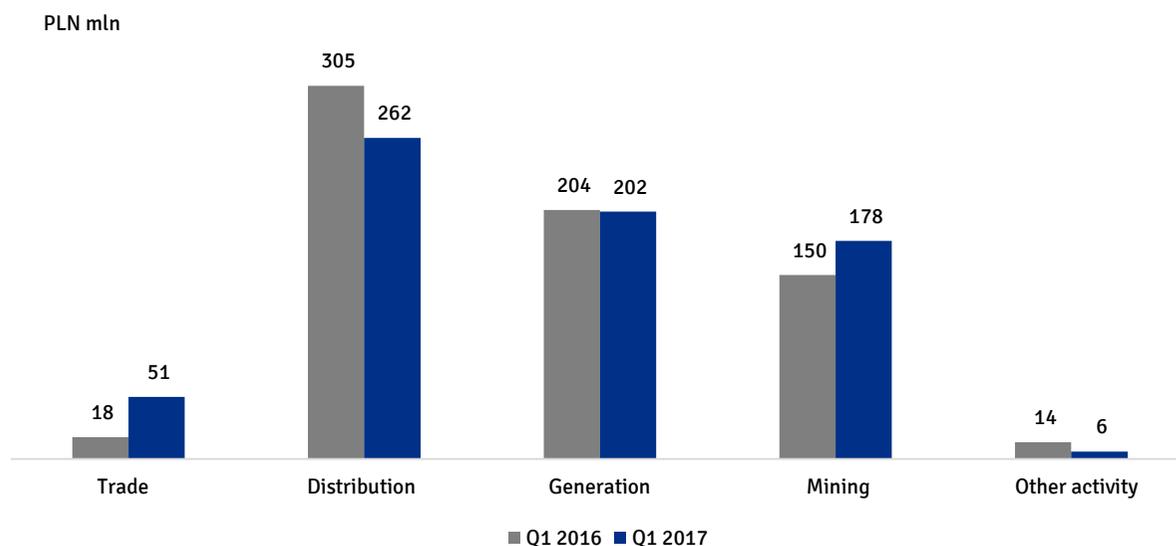
Q1 2017:

Enea CG's EBITDA change drivers:

- (-) lower revenue from sales of electricity by PLN 199 mln stems from lower volumes of sales by 893 GWh
- (+) higher revenue from sales of heat energy by PLN 5 mln stems from higher volumes of sales by 148,693 GJ (mainly as a result of the acquisition of EEP)
- (-) lower revenue from sales of natural gas by PLN 18 mln stemming from volumes lower by 207 GWh with the price higher by 4.8%
- (+) higher revenue from the sale of distribution services by PLN 55 mln stems from a higher volume of sales of distribution services (5%) to end users
- (-) lower revenue from sales of certificates of origin resulting from lower market prices
- (-) lower sales of coal stem from a higher volume of intergroup deliveries
- (-) higher costs of employee benefits by PLN 24 mln stemming from the establishment of provisions for the Programme of Voluntary Redundancy and other benefits for employees and in relation to the acquisition of Połaniec Power Plant
- (+) lower use of materials and value of goods sold stem from the greater volume of intergroup purchases of coal
- (+) lower costs of purchases of electricity and gas by PLN 330 mln stem from:
 - (+) lower volumes of electricity purchases (1,219 GWh) with concurrent lower growth in the average purchase price by 3.2%
 - (+) smaller cost of purchase of natural gas in relation to the price lower by 14.8% and volumes lower by 159 GWh
 - (+) smaller cost of purchase of Pls mainly as a result of lower prices (88%) of RES
- (-) growth in the costs of outsourced services by PLN 19 mln stems e.g. from the acquisition of Połaniec Power Plant and higher costs of outsourced services related to the mining works and related works
- (-) higher costs of transmission services stem from higher PSE charges
- (-) higher taxes and fees stem from increasing the value of fixed assets related to the completed investment processes and amendment to the act on taxation of wind farms
- (-) lower results on the other operating activities by PLN 60 mln:
 - (-) higher provisions for latent claims by PLN 18 mln (including PLN 22 mln for termination of Pls purchase contract)
 - (-) higher write-downs of the value of overdue receivables and bad debts by PLN 16 mln
 - (-) lower revenue from collision removal by PLN 12 mln
 - (-) higher costs of donations by PLN 7 mln
 - (-) higher loss on the liquidation of tangible assets by PLN 3 mln e.g. as a result of liquidation of excavations
 - (-) lower balance of returns from the insurer PLN 4 mln

Results on individual segments of operations of Enea CG

EBITDA [PLN '000]	Q1 2016	Q1 2017	Change	Change %
Trade	17 809	50 822	33 013	185.4%
Distribution	305 130	262 373	-42 757	-14.0%
Generation	203 556	202 247	-1 309	-0.6%
Mining	150 317	178 269	27 952	18.6%
Other activity	13 582	6 065	-7 517	-55.3%
Undistributed items and exclusions	-22 049	-33 350	-11 301	-51.3%
Total EBITDA	668 345	666 426	-1 919	-0.3%



Enea CG Q1 2017:

The highest EBITDA in the area of Distribution PLN 262 mln

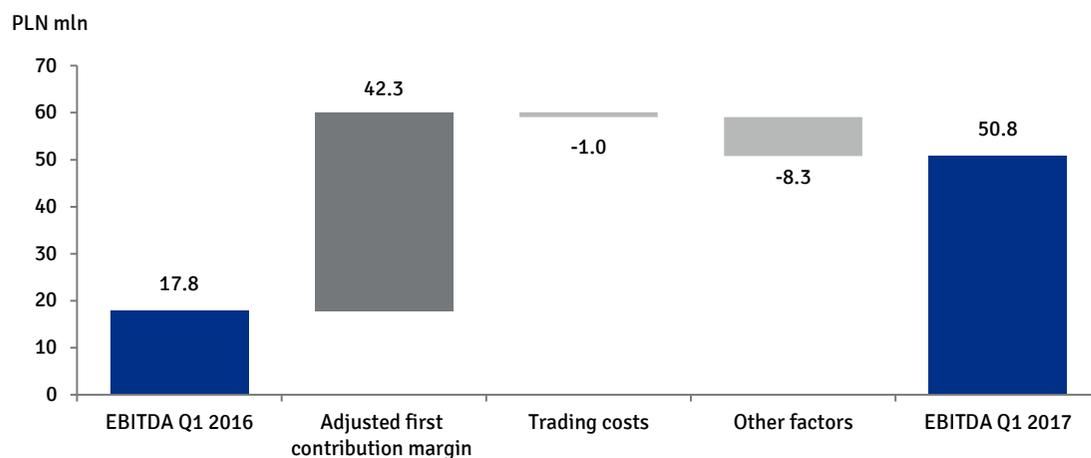
The highest growth in EBITDA in the area of Trade by PLN 33 mln

Area of Trade

[PLN '000]	Q1 2016	Q1 2017	Change	Change %
Sales revenue	1 796 706	1 447 113	-349 593	-19.5%
EBIT	17 644	50 605	32 961	186.8%
Amortisation / depreciation	165	217	52	31.5%
EBITDA	17 809	50 822	33 013	185.4%
CAPEX	143	1 371 512	1 371 369	958 999.3%
Share of sales revenue of the area in the Group's sales revenue	45%	38%	-7 p.p.	

Enea SA deals with retail sales of electricity

Wholesale is performed by Enea Trading sp. z o.o.



Q1 2017 EBITDA's change drivers:

Adjusted first contribution margin

- (-) lower energy average selling price by 3.1%
- (+) lower costs of ecological obligations by 48.5%
- (+) lower average purchase price of energy by 9.5%
- (+) growth in energy sale volumes by 5.2%
- (-) lower result on trade in gas

Internal costs

- (-) higher direct costs of sales by PLN 2 mln
- (-) higher costs of common services by PLN 1 mln
- (+) lower general and administrative costs by PLN 2 mln

Other factors

- (-) higher provisions for latent claims by PLN 3 mln
- (-) costs of donations PLN 7 mln
- (+) lower written off debts by PLN 2 mln
- (+) lower impairment of receivables by PLN 2 mln

Area of Generation

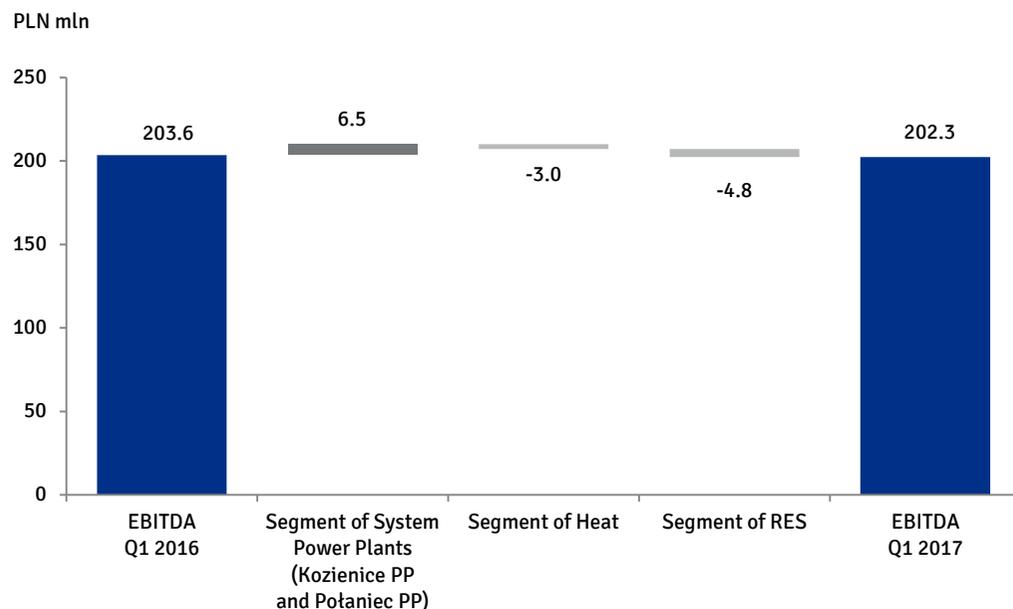
[PLN '000]	Q1 2016	Q1 2017	Change	Change %
Sales revenue	876 828	889 763	12 935	1.5%
<i>electricity</i>	736 604	755 149	18 545	2.5%
<i>certificates of origin</i>	22 093	6 409	-15 684	-71.0%
<i>sale of allowance for emissions of CO₂</i>	1 621	5 811	4 190	258.5%
<i>heat</i>	111 335	115 953	4 618	4.1%
<i>other</i>	5 175	6 441	1 266	24.5%
EBIT	142 876	134 543	-8 333	-5.8%
Amortisation / depreciation	60 680	67 704	7 024	11.6%
EBITDA	203 556	202 247	-1 309	-0.6%
CAPEX	135 438	244 595	109 157	80.6%
Share of sales revenue of the area in the Group's sales revenue	22%	24%	2 p.p.	

The area of Generation presents financial data of Enea Wytwarzanie sp. z o.o. with its subsidiaries and Enea Elektrownia Połaniec.

Enea Wytwarzanie holds e.g. 10 highly-efficient and modernised power units in Kozenice Power Plant.

As a consequence of the acquisition EEP strengthened the area of Generation with additional 7 coal-fired units with the total gross capacity of 1,657 MW and the largest in the world unit firing exclusively biomass with the installed gross capacity of 225 MW.

The annual production capacities in that area amount to ca. 27 TWh electricity, and as a result Enea CG became a vice-leader in electricity generation in Poland.



Q1 2017 EBITDA's change drivers:

Segment of System Power Plants ¹⁾

- (+) higher margin on generation by PLN 18.6 mln
- (+) higher revenue from Regulatory System Services by PLN 7.5 mln
- (+) lower fixed costs by PLN 3.9 mln
- (-) lower margin on trade and the Balancing Market by PLN 23.7 mln
- (-) lower result on the other operating activity by PLN 1.5 mln

Segment of Heat ¹⁾

- (-) lower revenue from certificates of origin by PLN 9.0 mln
- (-) lower revenue from electricity by PLN 8.3 mln
- (-) increase of energy purchasing costs for the needs of sales by PLN 1.4 mln
- (+) higher revenue from sales of heat by PLN 2.3 mln
- (+) drop of costs of material consumption by PLN 12.9 mln, including lower costs of biomass consumption by PLN 13.8 mln

Segment of RES ¹⁾

- (-) Area of Wind (PLN -4.9 mln): lower revenue from certificates of origin by PLN 3.5 mln, higher fixed costs by PLN 2 mln, growth in revenue from electricity costs by PLN 0.6 mln
- (+) Area of Biogas (PLN +0.8 mln): higher revenue from certificates of origin by PLN 0.4 mln
- (+) Area of Water (PLN +1.3 mln): growth in revenue from electricity by PLN 2 mln, lower revenue from certificates of origin by PLN 1.6 mln, profit from the sale of tangible assets PLN 0.6 mln, lower fixed costs by PLN 0.3 mln

1) Descriptions of divergences relate to the area of Generation excluding EEP (Enea Elektrownia Połaniec)

Area of Distribution

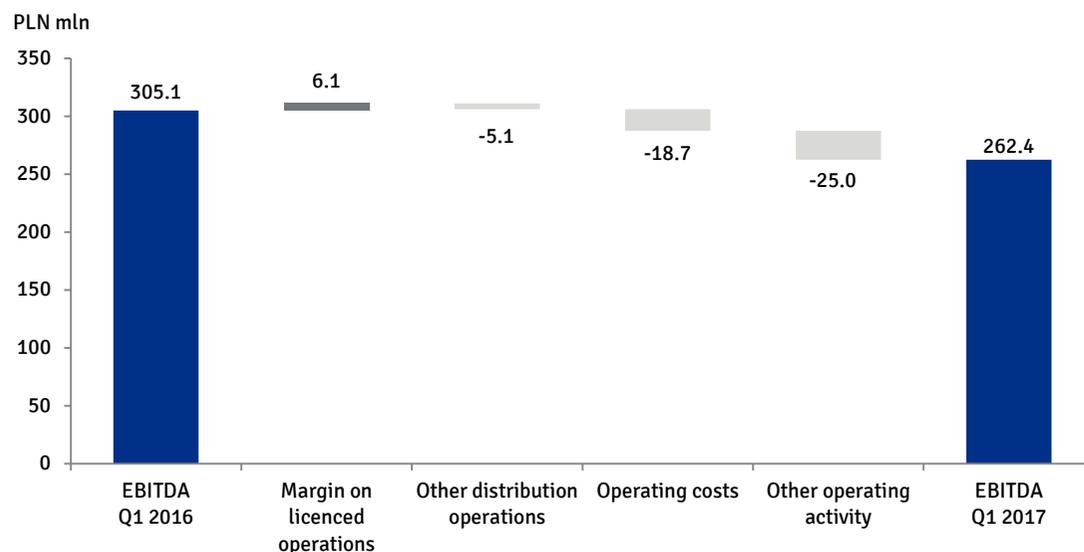
[PLN '000]	Q1 2016	Q1 2017	Change	Change %
Sales revenue	788 349	839 784	51 435	6.5%
<i>distribution services to end users</i>	747 898	807 878	59 980	8.0%
<i>fees for grid connection</i>	15 699	13 487	-2 212	-14.1%
<i>other</i>	24 752	18 419	-6 333	-25.6%
EBIT	172 999	142 538	-30 461	-17.6%
Amortisation / depreciation	132 131	119 835	-12 296	-9.3%
EBITDA	305 130	262 373	-42 757	-14.0%
CAPEX	174 867	149 976	-24 891	-14.2%
Share of sales revenue of the area in the Group's sales revenue	20%	22%	2 p.p.	

Enea Operator sp. z o.o. is responsible for electricity distribution to 2.5 mln Customers in the western and north-western Poland on the area of 58.2 thou. km².

The basic task of Enea Operator is a continuous and reliable supply of energy maintaining appropriate quality parameters.

In the area of Distribution the financial data of the following companies is presented:

- Enea Operator sp. z o.o.
- Enea Serwis sp. z o.o.
- Enea Pomiary sp. z o.o.
- Annacond Enterprises sp. z o. o.



Q1 2017 EBITDA's change drivers:

Margin on the licenced operations

- (+) higher revenue from sale of distribution services to end users by PLN 60 mln
- (+) lower costs of purchasing energy for coverage of book-tax difference by PLN 8 mln
- (-) higher costs of purchase of transmission services by PLN 57 mln
- (-) lower revenue from sale of distribution services to other entities by PLN 3 mln
- (-) lower revenue from grid connection fees by PLN 2 mln

Other distribution operations:

- (-) higher costs of servicing the area of distribution service within:
 - performance of connections and execution services – PLN 4 mln
 - meter reading and technical services – PLN 1 mln

Operating expenses

- (-) higher costs of outsourced services by PLN 11 mln
- (-) higher costs of taxes and charges by PLN 6 mln (greater value of grid assets as a result of performed investments)

Other operating activity

- (-) lower revenue from performance of agreements on removal of collisions by PLN 12 mln
- (-) higher impairment of receivables by PLN 18 mln
- (-) lower result on insurance and fortuitous events by PLN 3 mln
- (+) lower costs of legal provisions relating to grid assets PLN 6 mln

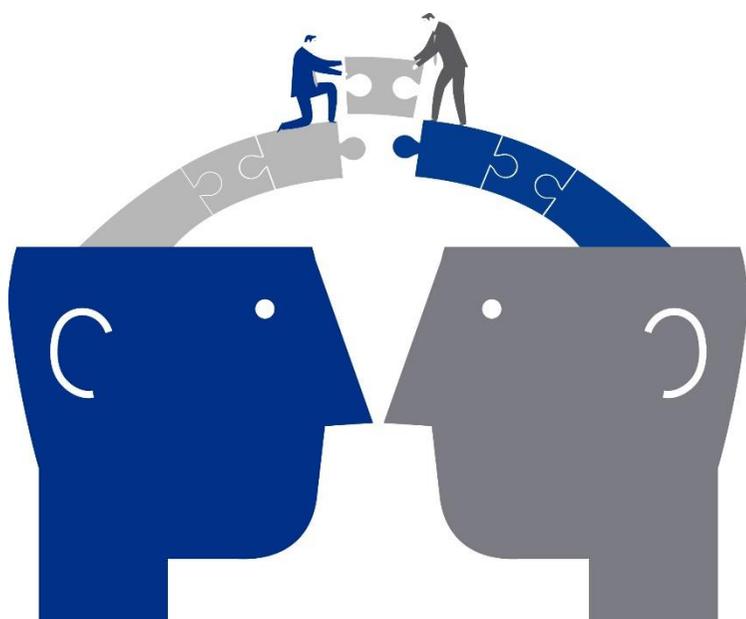
Area of Mining

[PLN '000]	Q1 2016	Q1 2017	Change	Change %
Sales revenue	420 286	465 237	44 951	10.7%
<i>coal</i>	405 020	448 829	43 809	10.8%
<i>other products and services</i>	12 456	13 944	1 488	11.9%
<i>goods and materials</i>	3 093	2 464	-629	-20.3%
EBIT	67 433	89 593	22 160	32.9%
Amortisation / depreciation	82 884	88 676	5 792	7.0%
EBITDA	150 317	178 269	27 952	18.6%
CAPEX	60 779	65 426	4 647	7.6%
Share of sales revenue of the area in the Group's sales revenue	10%	12%	2 p.p.	

The area of Mining presents financial data of LW Bogdanka CG with its parent – Lubelski Węgiel “Bogdanka” SA and its subsidiaries.

LW Bogdanka’s range of products include energetic fine coal which accounts for 99%, pea coal and nut coal.

The major recipients include commercial and industrial power engineering sectors.



Q1 2017 Drivers of generated EBITDA:

- (+) 38.3% EBITDA profitability at 19.3% EBIT profitability
- (+) higher revenue realised mainly due to the greater sales of coal both within Enea Capital Group and for export
- (+) coal sales revenue grew yoy by 10.8%, i.e. PLN 43,809 thou. - growth in quantitative sales of coal (by over 9%) with price increase by almost 1%
- (+) higher revenue from sale of other products and services realised due to coal export to Ukraine
- (-) lower revenue from sales of goods and materials derives from lower scrap metal sales

Area of Other activity

[PLN '000]	Q1 2016	Q1 2017	Change	Change %
Sales revenue	138 974	129 576	-9 398	-6.8%
EBIT	7 558	-4 065	-11 623	-
Amortisation / depreciation	6 024	10 130	4 106	68.2%
EBITDA	13 582	6 065	-7 517	-55.3%
CAPEX	9 581	9 898	317	3.3%
Share of sales revenue of the area in the Group's sales revenue	3%	3%	-	

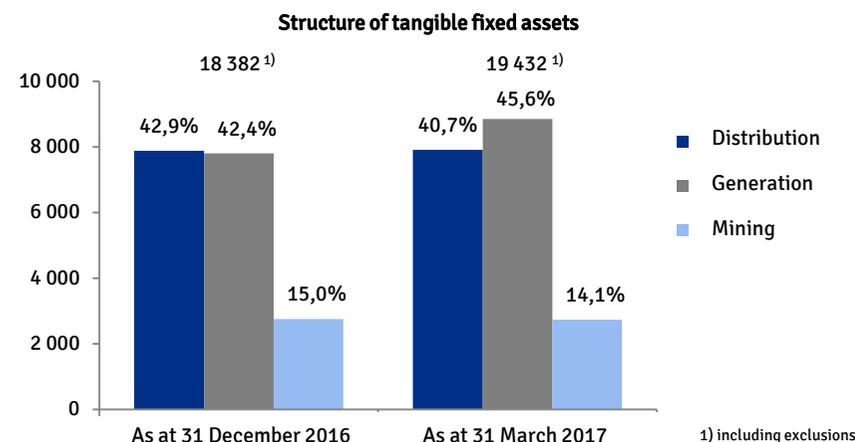


The area of the Other Activity includes companies from the following areas:

- support for the other Group companies:**
 Enea Centrum sp. z o.o. - being the Shared Service Centre in the Group within accounting, staff, teleinformation, customer service
 Enea Logistyka sp. z o.o. - the company specialising in the logistics, warehousing, supply operations
- supplementary operations:**
 Enea Oświetlenie sp. z o.o. - the company specialising in lighting the interior and exterior of buildings; designs, constructs street lighting, illumination of urban areas, lighting monumental buildings and public utility objects, and also rendering construction services and comprehensive servicing of photovoltaic power plants

Assets - structure of assets and liabilities of Enea Capital Group

Assets [PLN '000]	As at:		Change	Change %
	31 December 2016	31 March 2017		
Fixed assets	19 486 599	20 732 484	1 245 885	6.4%
Tangible fixed assets	18 382 498	19 431 835	1 049 337	5.7%
Perpetual usufruct	74 899	82 604	7 705	10.3%
Intangible assets	370 638	380 125	9 487	2.6%
Investment properties	28 020	27 767	-253	-0.9%
Investments in subsidiaries	2 518	113 081	110 563	4 390.9%
Deferred tax assets	403 257	396 832	-6 425	-1.6%
Financial assets available for sale	42 482	43 039	557	1.3%
Financial assets valued at fair value through profit or loss	112	60 927	60 815	54 299.1%
Derivatives	40 267	33 703	-6 564	-16.3%
Trade and other receivables	30 690	51 327	20 637	67.2%
Funds gathered within Mine Liquidation Fund	111 218	111 244	26	0.0%
Current assets	5 049 920	4 250 397	-799 523	-15.8%
Allowances for emissions of CO ₂	417 073	407 223	-9 850	-2.4%
Inventories	448 941	621 461	172 520	38.4%
Trade and other receivables	1 824 488	1 953 378	128 890	7.1%
Current income tax assets	9 541	25 017	15 476	162.2%
Financial assets held to maturity	478	480	2	0.4%
Financial assets valued at fair value through profit or loss	4 852	6 355	1 503	31.0%
Cash and cash equivalents	2 340 217	1 234 662	-1 105 555	-47.2%
Fixed assets for sale	4 330	1 821	-2 509	-57.9%
Total assets	24 536 519	24 982 881	446 362	1.8%



Fixed assets change drivers (growth PLN 1,246 mln):

- growth in tangible assets by PLN 1,049 stems from the acquisition of EEP's assets and acceptance of another 23rd stage of the unit 11 construction
- higher investments in subsidiaries by PLN 111 mln stem from the acquisition of shares in Polimex-Mostostal SA and Elektrownia Ostrołęka SA
- higher financial assets valued at fair value through financial result by PLN 61 mln relate to the purchase option of shares in Polimex-Mostostal SA

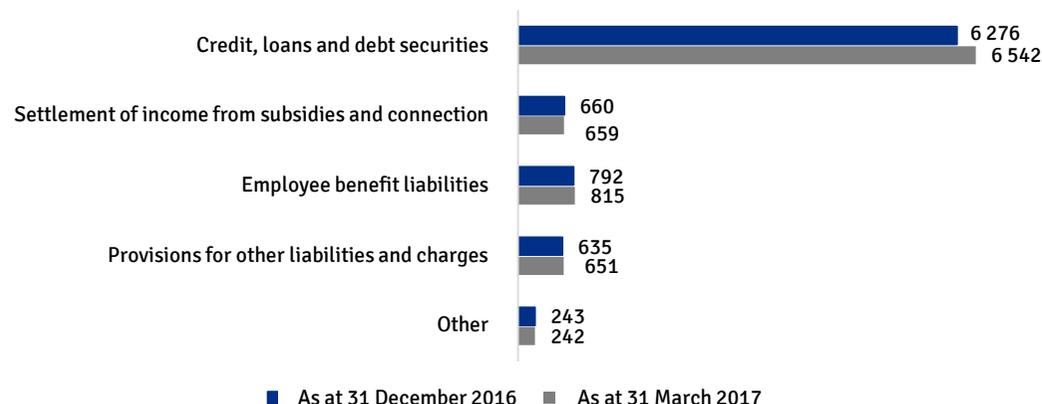
Change factors of current assets (drop by PLN 800 mln):

- higher inventories by PLN 173 mln stem from the acquisition of EEP's assets (growth by inventories of coal, biomass and certificates of origin)
- higher trade and other receivables by PLN 129 mln stems mainly from the balance of receivables in EEP
- lower cash and cash equivalents by PLN 1,106 mln stem from the accomplished acquisition procedures and implementation of investment tasks

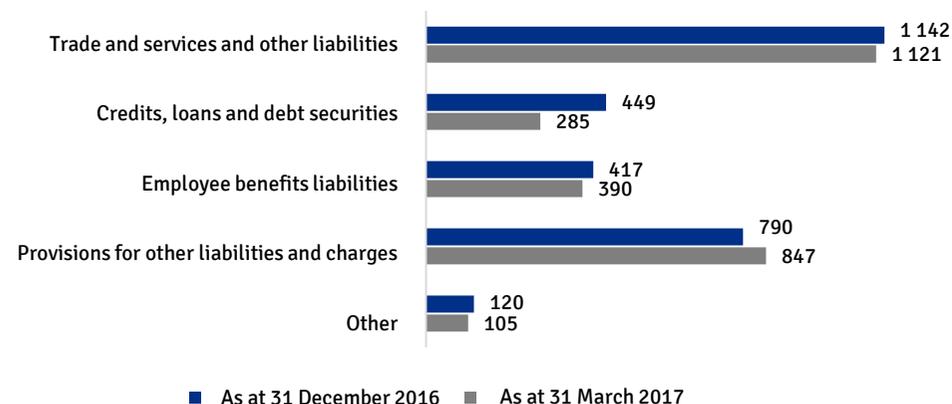
Assets - structure of assets and liabilities of Enea Capital Group

Liabilities [PLN '000]	As at:		Change	Change %
	31 December 2016	31 March 2017		
Total equity	13 011 729	13 326 130	314 401	2.4%
Share capital	588 018	588 018	-	-
Share premium	3 632 464	3 632 464	-	-
Financial instruments revaluation reserve	744	740	-4	-0.5%
Other reserves	-25 652	-27 132	-1 480	-5.8%
Reserve capital from valuation of hedging instruments	33 826	28 797	-5 029	-14.9%
Retained earnings	7 946 612	8 241 842	295 230	3.7%
Non-controlling interests	835 717	861 401	25 684	3.1%
Total liabilities	11 524 790	11 656 751	131 961	1.1%
Non-current liabilities	8 606 757	8 908 565	301 808	3.5%
Current liabilities	2 918 033	2 748 186	-169 847	-5.8%
Total equity and liabilities	24 536 519	24 982 881	446 362	1.8%

Structure of non-current liabilities



Structure of current liabilities



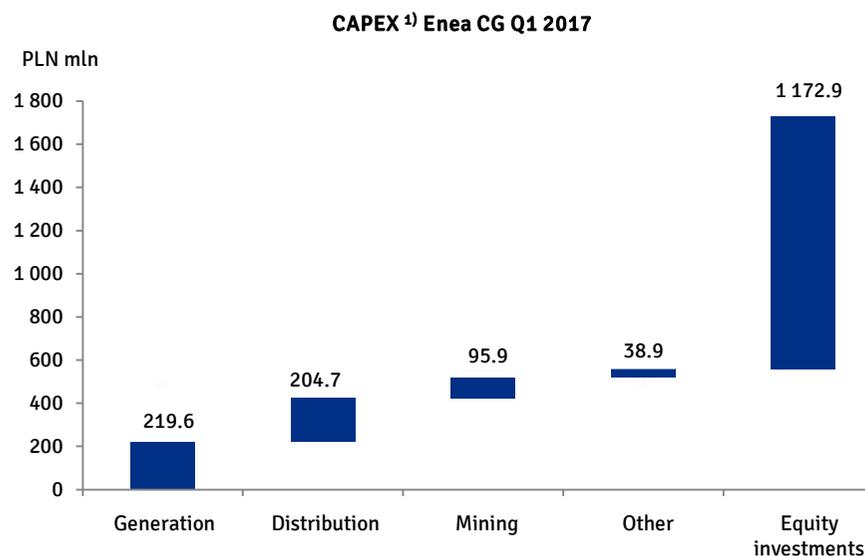
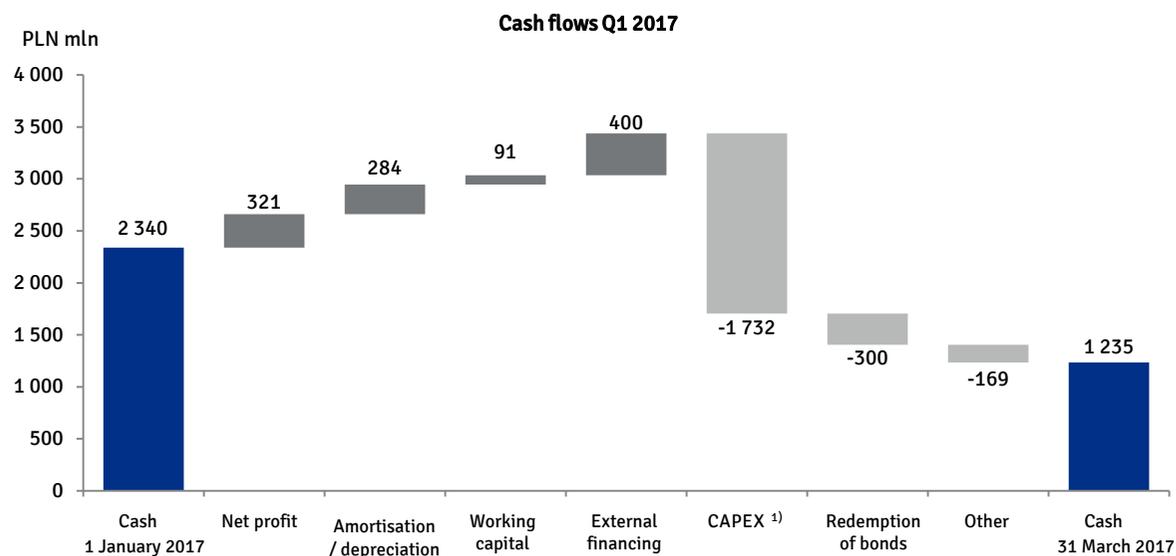
Higher non-current liabilities (PLN 302 mln) stem mainly from drawing a loan in EIB for financing the multiannual investment plan in order to modernise and extend Enea Operator's power grids and issue BGK bonds in order to acquire EEP. Additionally, the growth stems also from increasing employee benefit liabilities and higher balance of provisions for other liabilities.

Lower current liabilities (drop by PLN 170 mln) stem mainly from lower level of loans, credits and debt securities by PLN 164 mln, which relates to the redemption of bonds by LW Bogdanka and reclassification of loans and bonds from long-term to short-term ones.

Cash situation of Enea Capital Group

Cash flow statement [PLN '000]

	Q1 2016	Q1 2017	Change	Change %
Net cash flows from operating activities	395 232	572 270	177 038	44.8%
Net cash flows from investing activities	-573 393	-1 732 991	-1 159 598	-202.2%
Net cash flows from financing activities	60 967	55 166	-5 801	-9.5%
Net increase / (decrease) in cash and cash equivalents	-117 194	-1 105 555	-988 361	-843.4%
Opening balance of cash and cash equivalents	1 822 094	2 340 217	518 123	28.4%
Closing balance of cash and cash equivalents	1 704 900	1 234 662	-470 238	-27.6%



1) Acquisition of tangible and intangible assets and acquisition of subsidiaries adjusted with obtained cash

Ratio analysis ¹⁾

	Q1 2016	Q1 2017
Profitability ratios		
ROE - return on equity	9.4%	9.6%
ROA - return on assets	5.1%	5.1%
Net profitability	9.9%	11.9%
Operating profitability	13.2%	14.1%
EBITDA profitability	22.8%	24.6%
Liquidity and financial structure ratios		
Current ratio	2.3	1.5
Equity-to-fixed assets ratio	68.4%	64.3%
Total debt ratio	45.6%	46.7%
Net debt / EBITDA	1.8	2.4
Economic activity ratios		
Current receivables turnover in days	55	63
Turnover of trade and other payables in days	45	56
Inventory turnover in days	29	34

Principles of preparation of financial statements

Condensed financial statements of Enea SA and Enea Group, respectively, included in the extended consolidated report of Enea SA for Q1 2017 were prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) approved by the European Union. Condensed financial statements were prepared with an assumption of going concern in the foreseeable future. The Company's Management Board states, as at the execution date of the condensed financial statements, no facts or circumstances that could indicate any threats to the possibility of continuing the activity during the period of 12 months after the balance sheet date as a result of a wilful or mandatory negligence or substantial limitation of the so far activities. Financial data presented in the statements, if not stated otherwise, was presented in thousands of PLN.

1) Ration definitions are to be found on page 76

Anticipated financial position

In Q1 2017 LW Bogdanka CG generated very good financial results as compared to the sector - there was a growth in the volumes of coal by over 9% with a growth in price by almost 1%. The priority will continue to be keeping the unit costs on a relevant level and optimisation of investment expenditures. The results of the area of Mining will be positively influenced by the incorporation of Połaniec Power Plant under Enea CG's structure and utilisation of good practices as regards the cooperation of the area of Generation and Mining within the use of coal resources from LW Bogdanka.

The area of Generation which in Q1 2017 accounted for 30% EBITDA of Enea CG, is unalterably under the influence of the demanding situation on the energy market. The production concentrated on bituminous coal involves the exposure to risk related to carbon dioxide emission costs. Extensive repairs of generating units planned in 2017-2018 are still important for the results generated by the area of Generation, and they will force relatively long periods of electricity generation suspension. A smaller production by the existing generation assets will be compensated by Unit 11, which will be commissioned at the end of 2017 and by a uniform production management in two production plants which remain Koźienice Power Plant and the newly acquired Połaniec Power Plant. The development of the generation assets belonging to Enea CG will contribute to obtaining higher results in the area of Generation in relation to the previous years.

A traditionally large share of the regulated area of Distribution in Enea CG's EBITDA (in Q1 2017 Distribution accounted for 39% of the Group's EBITDA) affects the predictability of cash flows and stabilises them over time. The basic elements affecting the results of this area are still two facts: a drop in the average weighted cost of capital (WACC) - 7.197% in 2015, 5.675% in 2016, 5.633% in 2017 and introduction by Energy Regulatory Office (ERO) as of 2016 of the so-called quality tariff. The introduced mechanism of clearing accounts with distributors of electricity based on SAIDI and SAIFI indices realised in a given year, may significantly affect reduction of EBITDA in the area of Distribution. Achievement of the indices set by the President of the Energy Regulatory Office is highly dependent on the weather conditions during the given year, which constitutes some risk for the stability of revenue generated in next years.

In the area of Trade the operations focus on increasing sales of electricity and gas - due to an attractive product range new Customers are obtained, and the volume of sold energy and gas increases. An increasing competition on the market putting pressure on the realised selling prices has a negative impact on the area's financial results. The results of the area of Trade are greatly affected by terminated contracts for the purchase of green proprietary interests, however the risk is considerably mitigated by charging the segment's results with relevant provisions for latent claims.

Despite difficult market and regulatory conditions, due to the consistent growth in the Group's value, searching for synergies among the Group's segments, Enea CG generates financial results on the anticipated level. The Management Board undertakes activities aiming at the consistent development of the Group in all the links of the value chain.

The Group's financial standing is safe, supported with a stable volume of cash, which as at the end of March 2017, including current financial assets kept to maturity and financial assets evaluated at fair value through result, amounted to over PLN 1.2 bln. The amount included the cash on the Companies' accounts and also bank deposits. Due to the consistently maintained cost discipline and optimum allocation of held resources the Group is guaranteed a favourable financing of the investments.

Enea Group implements a vast CAPEX programme (capital expenditures) covering mainly the area of Generation and the distribution network, and also acquisitions constituting market opportunities (as the acquisition of LW Bogdanka or the acquisition of Połaniec Power Plant finalised in March 2017).

The implementation of the investment programme will positively affect the financial results of Enea CG.

Financial results forecasts

The Management Board of Enea SA did not publish any financial forecasts for 2017.



4. Shares and shareholding

Share capital structure

Enea SA's share capital as at the publication date of this report for Q1 2017 amounts to PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares of the nominal value of PLN 1 each.

A total number of votes resulting from all the issued shares of the Issuer corresponds to the number of shares and amounts to 441,442,578 votes.

Shareholding structure

All the Company's shares are dematerialised bearer shares registered with the National Depository for Securities.

The table below presents Enea SA's shareholding structure as at the publication date of the periodic report for Q1 2017, i.e. 25 May 2017.

Shareholder	Number of shares / number of votes during GM	Share in the share capital / share in the total number of votes
State Treasury	227 364 428	51.5%
PZU TFI	44 631 848	10.1%
Others	169 446 302	38.4%
TOTAL	441 442 578	100.0%

From the publication of the previous quarterly report, i.e. 10 November 2016, the single change in the shareholding structure related to the exceeding by the funds managed by TFI PZU SA of a threshold of 10% of the total number of votes in the Company. Detailed information within this scope were published in the current report No. 6/2017 of 13 February 2017.

Prices of Enea SA's shares on the Warsaw Stock Exchange

Enea SA's shares have been listed on the Warsaw Stock Exchange (WSE) since 17 November 2008. Percentage of the Company's shares in the indices as at 31 March 2017



The table below demonstrates data relating to the Company's shares in Q1 2017.

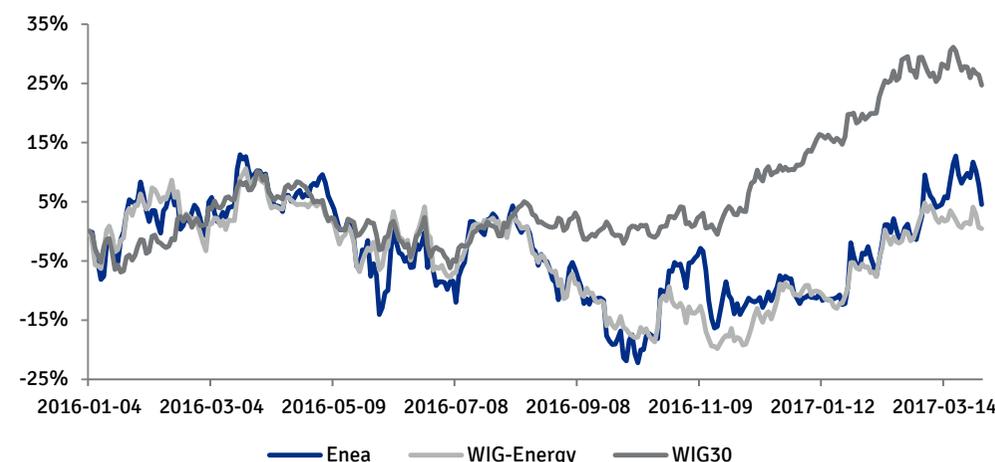
Data	Q1 2017
Number of shares[pcs]	441 442 578
Minimum [PLN]	9.35
Maximum [PLN]	12.45
Closing price [PLN]	11.31
Opening price [PLN]	9.60
Average volume [pcs]	944 336

Prices of Enea's shares in 2016-2017



In the period from 1 January to 31 March 2017 the price of Enea's shares grew from PLN 9.60 to PLN 11.31, i.e. by PLN 1.71 or 17.8%. The highest price in the period was achieved for Enea's shares on 20 March, and the lowest - on 24 January 2017.

Change in the price of Enea SA's shares in relation to the changes of WIG30 and WIG-Energy indices





5. Authorities

Personal composition of Enea SA's Management Board

During 2017 no changes occurred in the composition of the Management Board. As at the date of publication this report, i.e. 25 May 2017, the Company's Management Board operates in the following composition:

Mirostaw Kowalik

President of the Management Board



Mirostaw Kowalik has been connected with the power industry for over 20 years, holding managerial positions on an operating and strategic level. In 2015 he managed SNC Lavalin sp. z o.o. Polska as the Vice-President of the Board and Business Development Director. During 1999-2015 he worked on various managerial positions for ALSTOM Power, recently as the Marketing and Sales Director. Connected with ABB corporation during 1995-1998.

Mirostaw Kowalik is a graduate of the Faculty of Energy Engineering of the Gdynia Maritime University. He graduated from MBA (Rotterdam School of Management programme in cooperation with the University of Gdańsk and Gdańsk Foundation for Management Development) achieving the degree of Executive Master of Business Administration. He is also a graduate of postgraduate studies of Corporate Finance Management at the Warsaw School of Economics. Currently, he is undergoing a PhD study - Executive Doctor of Business Administration in the Polish Academy of Sciences, Institute of Economics.

Scope of competence: Coordination of tasks related to the overall operations of the Company and Enea Capital Group.

Wiestaw Piosik

Vice-President of the Management Board for Corporate Affairs



Wiestaw Piosik has been connected with the commercial power industry for over 30 years. Recently, he has managed private enterprises in the field of energy distribution, designing and execution of grid works and RES. During 1998-2005 he was the member of the board and president of Energetyka Poznańska SA (currently: Enea SA), during 2007-2009 he managed the works of the board of Polenergia Dystrybucja sp. z o.o. He holds a vast experience in supervising joint-stock companies in the sectors of fuel and energy, bank and IT - he was the member of the supervisory board of e.g. Kompania Węglowa, CIECH SA, Exatel SA and LG Petro Bank.

Wiestaw Piosik is a graduate of Poznań University of Technology, completed studies at the Faculty of Electrical Engineering, majoring in electrical engineering with the speciality in: power engineering. He also graduated from the Postgraduate Study at Poznań University of Technology within power systems and grids under the conditions of changing into the market economy and Postgraduate Study of Marketing at Akademia Ekonomiczna in Poznań. He developed his competences at numerous trainings and courses within management.

Scope of competence: Supervision and coordination of all the notions related to the Corporate Governance, ownership supervision and services in Enea Capital Group.

Piotr Adamczak

Vice-President of the Management Board for Commercial Affairs



Piotr Adamczak has been connected with the power industry for over 20 years. He commenced his professional career in Zakład Energetyczny Poznań. He managed the Market Organisation Department in EnergoPartner Wielkopolska. During 2002-2011 he worked in Energetyka Poznańska, and after the consolidation in Grupa Energetyczna Enea SA, on the positions of the Office Manager, Division Manager and Department Director, he dealt with the centralisation and realisation of tasks within the wholesale trade in electricity, duties of a commercial and technical coordinator, commercial coordinator, and commercial cooperation with RES as well. From 2011 he worked on the position of the Office Manager and from 2013 Trading Department Director in Enea Trading where he dealt with commercial activities on electricity markets, proprietary interests to certificates of origin, emission allowances and commercial cooperation with RES for the account of Enea Group companies.

Piotr Adamczak is a graduate of the Poznań University of Technology, majoring in Electrical Engineering at the Faculty of Electrical Engineering. He also graduated from Postgraduate Studies in Economic Problems of Power Sector Transformation at the Warsaw School of Economics, and the postgraduate study in "Electricity trade management" at the Poznań Trade and Commerce College.

Scope of competence: Supervision and coordination of the overall tasks related to the trading activity and Customer service.

Mikołaj Franzkowiak

Vice-President of the Management Board for Financial Affairs



Mikołaj Franzkowiak has been connected with financial management for over 13 years. From 2011 he was employed in Bank Zachodni WBK SA, where he originally managed the Corporate Clients' Management Accounting Department and from 2015 he was managing the Treasury Finance Department, being responsible for the team running the accounting for the area of ALM and Treasury of the bank. He was a Member of the Supervisory Board of BZ WBK Faktor from 2013. He was a Member of the Management Board for Economic and Financial Affairs of Fugo SA. Previously, he was connected with Bank BPH SA (Bank Pekao SA after the merger). He commenced his professional career in Ernst & Young.

Mikołaj Franzkowiak is a graduate of the Faculty of Law and Administration of the Adam Mickiewicz University in Poznań. He studied law and economics as well at Erasmus University Rotterdam. He completed postgraduate studies in accounting at the Poznań University of Economics and Business. Currently, he is a student of doctoral studies at the Faculty of Management of the Poznań University of Economics and Business. He holds a Chartered Financial Analyst international certificate. He attended numerous trainings on finance and management.

Scope of competence: Supervision and coordination of economic, financial and accounting affairs related to risk management in the Company and Enea Capital Group, teleinformation and controlling.

Personal composition of Enea SA' Supervisory Board

During 2017 no changes occurred in the composition of the Company's Supervisory Board. As at the date of publication of this report, i.e. 25 May 2017, the Supervisory Board of the Company of the 9th term is composed of ten members and operates in the following composition:

Małgorzata Niezgoda, Chairman of the Supervisory Board

Date of appointment: 2 July 2015

Małgorzata Niezgoda currently works as the Director of the Supervision Department in the Ministry of Energy. She has held various positions since 2008 in the departments dealing with ownership supervision over the State Treasury owned enterprises in the Ministry of Treasury. In the period from November 2014 to February 2015 she was the Director of the Mining Department of the Ministry of Economy. In this period the bituminous coal mining restructuring process was prepared.

Małgorzata Niezgoda holds a higher qualification, she graduated from the Warsaw University of Life Sciences – SGGW on the faculty of Environmental Engineering.

Piotr Kossak, Vice-Chairman of the Supervisory Board

Date of appointment: 15 January 2016

Piotr Kossak runs a legal practice in his own Law Firm of the Legal Counsel in Sandomierz specialising in privatisation issues, foundation and association law and companies law. During 2010-2012 he was connected with the University of Human and Life Sciences in Sandomierz - as a research associate and dean on the Faculty of Law and Administration.

Piotr Kossak is a PhD of legal sciences within law. He received this degree at the Faculty of Law, Canon Law and Administration of John Paul II Catholic University of Lublin (KUL) in Lublin. He completed the legal training by the District Chamber of Legal Advisers in Kraków and barrister's training by the District Bar Council in Kielce. In 2006 he was entered into the list of legal counsels in the District Chamber of Legal Advisers in Kraków, and in 2009 he was entered into the list of barristers of the District Bar Council in Kielce. Piotr Kossak satisfies the independence criteria for members of the Supervisory Board.

Rafał Szymański, Secretary of the Supervisory Board

Date of appointment: 2 July 2015

Rafał Szymański is an employee of the Ministry of Energy in the Supervision Department. His professional duties include e.g. ownership supervision of State Treasury companies. So far, he has been employed in the Ministry of Treasury, where he held e.g. the position of the Head of the Department supervising the power sector companies owned by the State Treasury.

Rafał Szymański graduated from the University of Warmia and Mazury majoring in the Ecological Engineering and from Post-graduate Studies of Energy Market Operation at the Warsaw School of Economics.

Wojciech Klimowicz, Member of the Supervisory Board

Date of appointment: 2 July 2015

Wojciech Klimowicz has been connected with Enea SA since 2003 and currently works in the Sales Department.

Wojciech Klimowicz graduated from MA studies at Adam Mickiewicz University in Poznań, Faculty of Social Sciences, majoring in Politology (specialisation: local government administration). He also graduated from Postgraduate studies: Data statistical analysis in administration and business at the Faculty of Economics of the Poznań University of Economics and Business.

Tadeusz Mikłosz, Member of the Supervisory Board

Date of appointment: 2 July 2015

Tadeusz Mikłosz holds long professional experience in the area of power engineering and ownership supervision. Since 1983 he has been connected with Enea SA and its predecessor entity, and currently he is an employee of the Operating Management Department. He has sat in various Supervisory Boards since 1997.

Tadeusz Mikłosz holds a higher qualification in team leadership and political science. He also graduated from Post-graduate Studies in commercial law at Poznań University of Economics.

Stawomir Brzeziński, Member of the Supervisory Board

Date of appointment: 2 July 2015

Stawomir Brzeziński has been connected with Enea SA since 2008. Currently, he is holding the position of the Organisation and Investor Relations Department Director. Previously he was related to the International Fair of Poznań.

Stawomir Brzeziński is a graduate of the Faculty of Mechanical Engineering and Management at Poznań University of Technology. He also graduated from post-graduate studies at Poznań University of Economics within logistics and supply chain management and Poznań University of Technology majoring in quality management. He is currently studying Law at the Faculty of Law, Administration and Economics of the University of Wrocław.

Roman Stryjski, Member of the Supervisory Board

Date of appointment: 15 January 2016

Roman Stryjski is a professor of the University of Zielona Góra, Director of the Institute of Computer Science and Production Management. Formerly, he was professionally connected with the Higher Engineering School in Zielona Góra and the Pedagogical University in Zielona Góra for many years. Member of international scientific societies and advisory committees, the Polish Association for Energy Certification and the Organisation and Management Sciences Committee of the Polish Academy of Sciences Branch in Poznań.

Roman Stryjski is a habilitated doctor of technical sciences of Martin Luther University Halle-Wittenberg.

Piotr Mirkowski, Member of the Supervisory Board

Date of appointment: 15 January 2016

During 2009-2015 Piotr Mirkowski was a member of the Supervisory Board of the joint stock company Radpec SA. In 2007-2015 he was connected with RTBS "Administrator" sp. z o.o. From 1998 to 1999 he was employed in Zakład Usług Technicznych Energetyki Ciepłej in Radom on the position of an Operations Director. During 1989-1998 he worked as the Heat Networks Department Manager in Wojewódzkie Przedsiębiorstwo Energetyki Ciepłej in Radom.

Piotr Mirkowski is a graduate of the Radom School of Engineering, speciality: mechanical engineering. He also graduated from the postgraduate studies at the Warsaw University of Technology within heating and heating with energy auditing. He holds ISO auditor and ISO plenipotentiary certificates.

Rafał Bargiel, Member of the Supervisory Board

Date of appointment: 15 January 2016

Rafał Bargiel currently runs his own law office which renders comprehensive legal services for individual and corporate clients.

Rafał Bargiel obtained his Master's degree at the University of Silesia in Katowice at the Faculty of Law and Administration. He completed a barrister training by the District Bar Council of Bielsko-Biała.

Paweł Skopiński, Member of the Supervisory Board

Date of appointment: 5 September 2016

Paweł Skopiński is a legal counsel in the Ministry of Energy. Connected with the Legal Department in the Ministry of Treasury since 2004. During 2010 - 2016 he was a Legal Counsel in the Legal and Litigation Department of the Minister of Treasury. Previously, he cooperated with renowned law firms on preparation of legal opinions.

Paweł Skopiński graduated from the University of Warsaw, Faculty of Law and Administration in Warsaw. In 2009 he obtained the professional title of a Legal Counsel and was entered into the list of legal counsels of the District Chamber of Legal Advisers in Warsaw.

In relation to the nomination of the Supervisory Board of the 9th term the Audit Committee and Nominations and Remuneration Committee were appointed. As at the date of publication of the report the composition of the above mentioned committees was as follows:

Audit Committee

Name	Position
Małgorzata Niezgoda	Chairman
Stawomir Brzeziński	Member
Piotr Kossak ¹⁾	Member
Roman Stryjski	Member
Wojciech Klimowicz	Member
Paweł Skopiński	Member

Nominations and Remuneration Committee

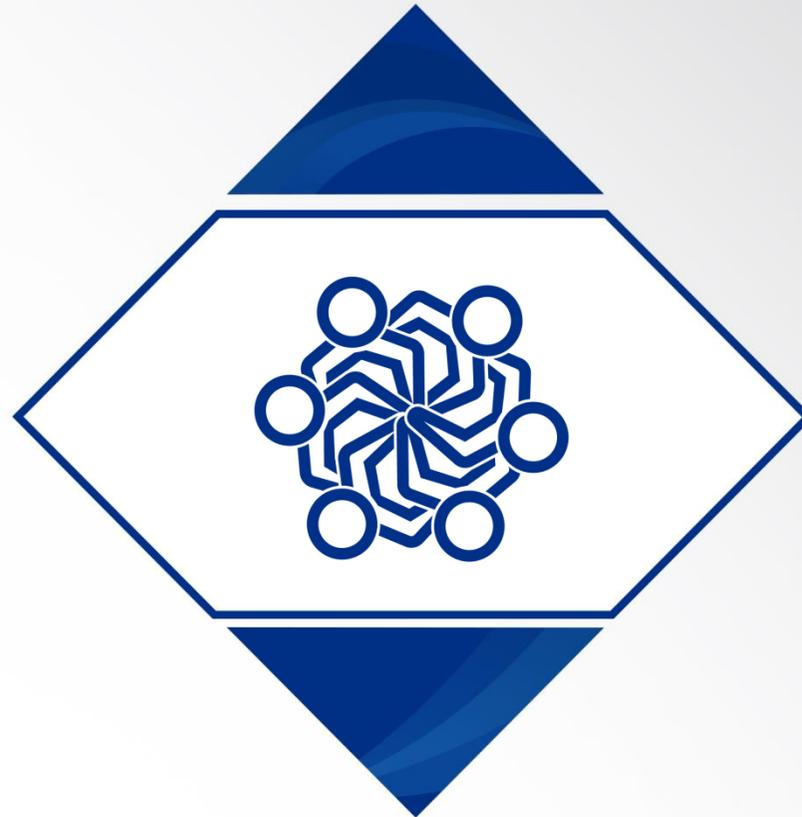
Name	Position
Rafał Szymański	Chairman
Rafał Bargiel	Member
Piotr Kossak ¹⁾	Member
Tadeusz Mikłosz	Member
Piotr Mirkowski	Member

1) Piotr Kossak satisfies the independence criteria for members of the Supervisory Board

List of shares and allotment certificates to shares of Enea SA held by members of the Management and Supervisory Boards

Name	Position	Number of Enea SA's shares as at 10 November 2016	Number of Enea SA's shares as at 25 May 2017
Wiesław Piosik	Vice-President of the Management Board	4 140	4 140
Tadeusz Mikłosz	Member of the Supervisory Board	4 140	4 140





**6. Other information significant
for the assessment of the Issuer's situation**

Demand for energy

According to the forecast included in “Update of the projection of demand for fuels and energy until 2030” the demand for electricity during the coming years will grow in all the sectors of the economy. According to the above document the net electricity production will grow to 193.3 TWh in 2030. At the same time, pursuant to the document titled “Conclusions from forecast analyses for the needs of the Energy Policy of Poland until 2050” until 2050 the production of electricity will increase by ca. 40% - from 158 TWh in 2010 to 223 TWh in 2050.¹⁾

Exemption from the obligation to tariff households

Pursuant to Article 49 of the Energy law, the President of ERO may exempt an energy company from the obligation of submitting tariffs for approval, if he states that it operates competitively. A potential exemption from tariffing may positively affect the margin on sales of energy.

Quality tariff

The new model of the quality regulation came into force on 1 January 2016, yet it will have impact on the finances of Enea Operator (and other ODSs) as late as in 2018. The President of the Energy Regulatory Office made some portion of the regulated income dependant on the quality of services rendered by these entities. Service quality assessment will be performed by measuring numerous ratios, in particular of uninterrupted power supply and time of connecting to the power grid.

Growth in the number of energy sellers

The number of electricity sellers grows regularly. Appearing of a seller conducting an aggressive price policy may result in the pressure on the margin on sales of energy to retail consumers.

Additionally, it must be noted that more and more customers decide to change their energy seller. The number of TPA recipients (Third Party Access) among enterprises (tariff group sets A, B, C) as at the end of March 2017 amounted to 181,569, thus grew from the end of March 2016 by 7,711 (4.4%). And among households (tariff group set G) the TPA principle was used, as at the end of March 2017, by 465,432 customers, which means a growth by 2,802 (0.6%) in relation to the end of December 2016.²⁾

Continuation of the cooperation on the construction of the first atomic power plant in Poland

On 3 September 2014, PGE Polska Grupa Energetyczna, Tauron Polska Energia, Enea and KGHM Polska Miedź (Business Partners) concluded a Shareholder Agreement. On 15 April 2015, pursuant to the Shareholder Agreement, an agreement on sale of shares in PGE EJ 1 sp. z o.o. was concluded, as a result of which each of the Business Partners acquired 10% of shares in PGE EJ 1. As a consequence of disposal by PGE Polska Grupa Energetyczna to the Business Partners of shares in PGE EJ 1, PGE Polska Grupa Energetyczna holds 70% in the share capital of PGE EJ 1, and the other Business Partners (Tauron Polska Energia, Enea and KGHM Polska Miedź) 30%, i.e. 10% each.

As anticipated, PGE Polska Grupa Energetyczna is the leader of the construction project and exploitation of the first Polish atomic power plant, and PGE EJ 1 is to be a future operator of the power plant.

Pursuant to the Shareholder Agreement, the Parties jointly undertake, in the proportion to number of shares held, to finance the operations as part of the preliminary stage of the Project (Development Stage). Enea’s financial engagement at the Development stage will not exceed the amount of ca. PLN 107 mln. In Q1 2017 PGE EJ 1 continued works in the programme of preparation to the construction of the atomic power plant in Poland.

The Parties to the Shareholder Agreement foresee that the decision relating to the declaration of further participation of particular Parties in the next stage of the project will be made after the completion of the development stage, directly before making the final decision within the integrated proceedings.



Continuation of the construction of the power unit

In 2012 Enea Wytwarzanie and Hitachi Power Europe GmbH (presently Mitsubishi Hitachi Power Systems Europe GmbH) and Polimex-Mostostal SA consortium signed an agreement totalling to PLN 5.1 bln net on the construction of 1,075 MW_e gross supercritical bituminous coal fired power unit of the efficiency of 45.6% net.

On 23 December 2016 Enea Wytwarzanie sp. z o.o. and Mitsubishi Hitachi Power Systems Europe and Polimeks-Mostostal consortium signed a deadline amending annex amending the date of handing over the unit for operation to 19 December 2017. Shifting the deadline stems from objective reasons, beyond the control of the contractual parties. The value of the contract (PLN 5.1 bln net) remained unchanged.

The investment in the construction of the new power unit is one of the key undertakings in order to increase generating capacities of Enea Group for a long-term satisfaction of the demand for electricity of all the Group’s customers. The new power unit in Koźnice Power Plant will be the most modern unit fired with bituminous coal in Poland and Europe. The completion of the investment will allow for increasing generating capacities of the power plant in Koźnice by ca. 30%.

Structure of generating portfolio

Irrespective of launching a unit with 1,075 MW capacity in Koźnice Power Plant, Enea plans its engagement in the construction of new sources or acquisitions of the ones already existing. Some of these activities will be implemented by partnerships with other energy groups. The implementation of the strategy will mean a significant growth in Enea’s importance in electricity generation for the needs of the Public Power System. The total installed capacity of conventional sources is to increase to 5.8-6.3 GW in 2025. It will allow the Group to generate 20.7-22.8 TWh electricity from own sources, which will mean electricity generation and sales balance.

1) bip.me.gov.pl/files/upload/21394/Wnioski%20z%20analiz%20prognostycznych_2014-08-11.pdf

2) ure.gov.pl/pl/wskazniki-dane-i-analiz/zmiana-sprzedawcy-moni/4776,Zmianaspredawcymonitoring.html

Rating

Maintaining on 30 November 2016 by Fitch Ratings agency of a long-term rating of Enea SA in national and foreign currency on the level of "BBB" and a long-term national rating on the level of "A(pol)" in relation to LW Bogdanka acquisition is of a key importance as to the realisation of the investment intentions of the Group. On 3 August 2016, due to methodological changes, Enea's rating was raised to "A+(pol)", which is a result of decreasing the long-term rating of Poland in national currency to "-A" from "A" (resulting also from methodological changes). The outlook of Enea's ratings is stable. Fitch Ratings has performed the Company's credit rating since 2011.

On 11 January 2017 EuroRating agency affirmed Enea's credit rating on the level of BBB. What was changed was the outlook of the rating - it changed from stable to negative.

EuroRating agency awards ratings to companies listed on WIG20 on its own initiative, in reply to the information needs of market participants, and the credit risk assessment process is based on the publicly available information.

Due to Enea SA's leaving WIG20 index EuroRating stopped, as of 17 March 2017, assessing the Company's credit risk, withdrawing at the same time the rating it awarded to the company.

Collective disputes

There are no collective labour disputes in any of the key companies comprising Enea CG. In order to eliminate the risk and occurrence of a potential collective dispute the boards of the companies have a regular dialogue with the society.

Court and administrative proceedings

As at the date of publication of this report, no proceedings is underway regarding liabilities or claims, the party to which would be Enea SA or its subsidiary, whose single or total value would amount to 10% or more of Enea SA's equity.

The detailed description of the proceedings is to be found in note 23 of the consolidated financial statements of Enea CG for Q1 2017.

Long-term development of energy market

On 16 February 2016 the Government of Poland adopted "Plan for Responsible Development of Poland".¹⁾ The document specifies the key directions of the state functioning and new impulses which will ensure its stable development in the future.

The plan foresees that the development of the Polish economy will be based on five pillars: reindustrialisation, innovations, capital, foreign expansion and social and regional development.

Pursuant to the provisions of the document relating to the energy market, in order to increase energy efficiency and unlock the investment after 2020 (including avoidance of blackout and becoming independent from energy imports) the state intends to e.g. support the development of energy infrastructure (energy bridges, power storing technologies), liberalise market areas and introduce capacity market mechanism which would be an impulse for investments in the segment of conventional power engineering.

The process was commenced of implementing a dual-commodity market on which, apart from electricity, also capacity will be traded. The Ministry of Energy, in the document titled "Functional solutions of the capacity market" published on 30 September 2016 justifies the necessity of introducing a new market. At the beginning of December 2016 the Ministry of Energy presented a draft act on the capacity market. As mentioned in the justification, the introduction of the mechanism is to prevent shortages of generation capacity, create economic incentives for construction, maintenance and modernisation of generating units and managing the energy consumption at customers'.

New projections for energy price paths

Long-term financial projections of Enea Group based on the forecast electricity price paths, expectations as regards the changes of market prices of certificates of origin for energy, allowances for emissions of CO₂ and coal prices demonstrate a more and more demanding situation of the area of Generation. Due to the maintaining of energy prices on exceptionally low levels, resulting in the imbalance between generated revenue and costs of energy generation, the Group foresees the necessity of a quick entry into force of the announced support mechanisms for system power engineering (e.g. through the implementation of the capacity market mentioned above). Difficulties in generating good financial results by generating sources will exclude a possibility of incurring expenditures on development investments which during the coming years seem inevitable.

Variability and liquidity on the wholesale market

Since the very beginning of 2016 we faced a decreased liquidity in electricity trade on the Electricity Futures Market managed by the Polish Power Exchange. The situation has not improved in 2017 - according to PPE the trading volume on the futures market in January 2017 dropped by 45.8% in relation to the same period of 2016. A drop in RDN market (spot) was insignificant, however such the turn of events forces to look in the future with some anxiety related to the possibilities of hedging the trading positions. A positive fact here is a growing trade on the natural gas futures market, which allows for the diversification in the trading operations.

Limits of allowances for emissions of CO₂

A material element within costs, conditioning the profitability of electricity generation is the allocation of free allowances for emissions of CO₂ and other gases and substances in a given settlement period. Obtaining a free allocation of CO₂ emission is conditional on the implementation of dedicated investments in Enea Group notified in the National Investment Plan (NIP). The value of actual outlays is the base for obtaining allowances.

In 2017 works are performed relating to the possibilities of using unallocated allowances due to lower than planned costs of implemented investments. The Ministry of Environment is conducting talks with EC regarding extension of the list of investment tasks, closed in 2012, with new projects from the area of RES, low-emission investments, investments relating to the energy efficiency, investments in transmission or heating networks.

Additionally, activities will be carried out with the objective to determine the principles of the 4th stage of EU ETS functioning starting from 2021. The major changes which may diametrically affect the market situation, include e.g.:

- increasing the linear ratio to 2.2%
- lack of free allowances for the sectors which are not exposed to the carbon leakage risk
- doubling, during the first 4 years of MSR functioning, the number of allowances taken from the auction pool to the reserve to the level of 24% of the allowance surplus
- permanent removal of 800 mln MSR allowances from the market

1) www.mr.gov.pl/media/14840/Plan_na_rzecz_Odpowiedzialnego_Rozwoju_prezentacja.pdf

Limits of Proprietary Interests

In the area of PMOZE_A (certificates of origin for energy generated in renewable energy sources) characterises with a permanent surplus of rights on the market, translating into low prices. The factor which may improve the situation is enabling the existing installations to convert to the auction system. As at the publication date of the report the announced auction volumes for the existing installations are small and have no significant impact on the improvement of the sectoral situation.

In the area of PMOZE_BIO (certificates of origin for energy generated from agricultural biogas) a strong shortage is observable of allowances whose prices may be much higher than the compensatory payment in relation to the shortage of allowances on the market and enabling installations to convert to the auction system under favourable conditions. Due to the constructions of legal provisions these Proprietary Interests may be evaluated at even 130% of the value of unit compensatory payments.

For PMEF (energy efficiency) until the end of 2016 there was a shortage of PMEF on the market - on the last day of quotations the transaction prices were higher than the level of the unit compensatory payment.

The proprietary interest system presently in force for cogeneration is valid until the end of 2018.

Gas portfolio

Pursuant to the provisions of the Energy Law, the gas market is subject to a successive liberalisation. As of 1 October 2017 the prices for the other business consumers will be deregulated. The obligation to submit tariffs to the Present of ERO for approval will apply only to the segment of households.

Situation in the national bituminous coal mining sector

The price path for electricity will be strongly dependant upon the costs of obtaining the production fuel. The necessity of restructuring the mining sector in mid-term will undoubtedly translate into the change in prices of supplied energetic materials. The direction of changes is not unambiguous, however as an essential element of the costs of generating domestic electricity it brings additional risks related to the process of futures contractation.

Incorporation of ElectroMobility Poland SA

PGE Polska Grupa Energetyczna, Energa, Enea and Tauron Polska Energia incorporated ElectroMobility Poland on 19 October 2016. The operations of the new company are to contribute to the creation of the electromobility system in Poland.

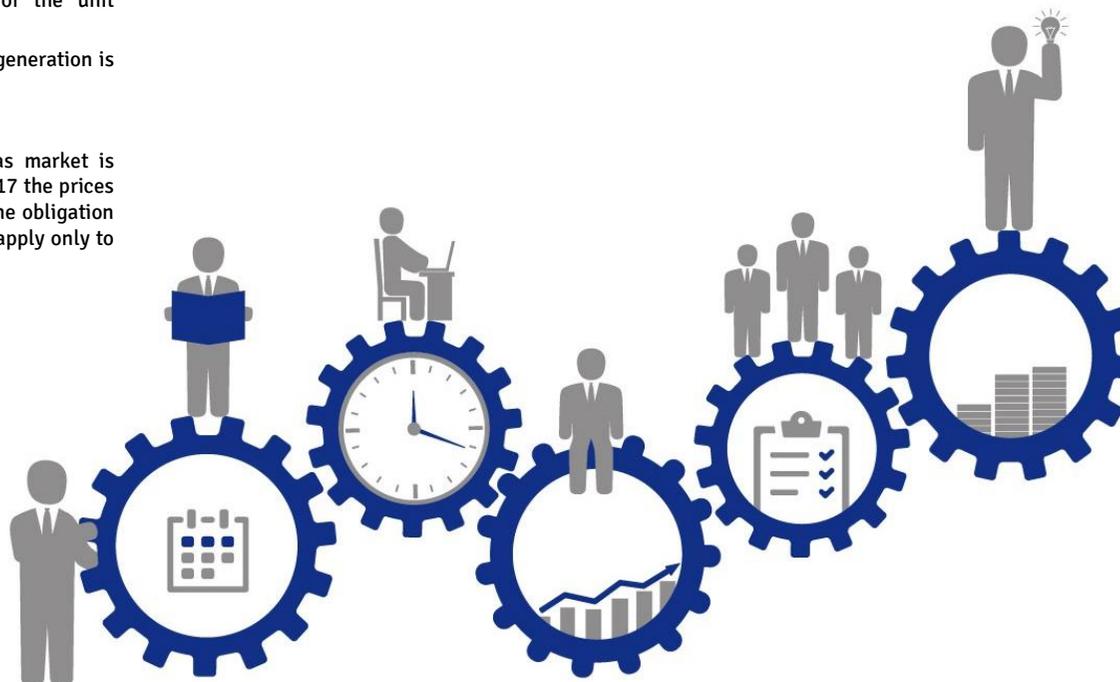
The new company's share capital is PLN 10 mln. Each of the companies incorporating ElectroMobility Poland holds 25% in the share capital with 25% of votes at a general meeting.

Termination/withdrawal from proprietary interests purchase agreements by Enea SA

On 28 October 2016 Enea submitted notices on termination or withdrawal from long-term contracts for the purchase of proprietary interests resulting from certificates of origin of energy from renewable sources (the so-called green certificates). The Company foresees that the agreements should be terminated as a rule until the end of November 2016. The exact date of terminating individual contracts depends on the contractual terms.

The reason for termination/withdrawal from individual contracts by the Company was exhaustion of possibilities of restoring the contractual balance and equivalence of performance by the parties as a result of law amendments. The financial result stemming from the termination of the Agreements will be avoidance by the Company of a loss being the difference between contractual prices and the market price of green certificates.

The estimated total value of Enea's contractual liabilities amounted to ca. 1,187 mln net.



1) www.mr.gov.pl/media/14840/Plan_na_rzecz_Odpowiedzialnego_Rozwoju_prezentacja.pdf

Enea Group's Corporate social responsibility in Q1 2017 was concentrated on the implementation of the following actions:

Enea as a Strategic Partner
Corporate Social
Responsibility Forum

In March 2017 Enea joined the **Responsible Business Forum Partnership Programme**. An official inauguration of the cooperation took place during the publication of "Responsible business in Poland 2016. Good Practices" Report.

Responsible Business Forum Partnership Programme is a long-term and comprehensive programme of cooperation with companies - leaders of the responsible business which through their engagement and activities contribute to the promotion of the idea of responsible business in Poland and creating a good climate among various groups of stakeholders. Strategic partners is companies which have experience in social responsibility and sustainable development. Currently, 50 companies are Strategic Partners of the Responsible Business Forum.

Responsible Business Forum is the largest and oldest non-governmental organisation in Poland, which deals with the concept of corporate social responsibility in a comprehensive way. It is a think-and-do-tank organisation being the "spokesperson" of conducting business in a responsible way, which is taking into account the impact of corporations on the environment and society. Along with the Strategic Partners it sets trends and directions of a responsible business and sustainable development in Poland.

Enea Group's Good Practices
qualified to the Report entitled
"Responsible Business in Poland"

Enea Group has conducted numerous projects for years and supported various initiatives within corporate social responsibility. The proof of the engagement is publication since 2011 in "**Responsible business in Poland. Good Practices**" Report of CSR activities conducted by Enea Group. RBF Report is the largest cyclic review in Poland of activities and actions conducted by socially responsible business. The fifteenth edition of the report includes descriptions of practices of 180 companies which implemented its actions in 2016 and summarises the major issues related to the responsible business in Poland.

The report lists six CSR projects and programmes of Enea Group. Two long-term initiatives were mentioned as part of the published practices:

- sustainable development report for 2015
- competence volunteering programme - educational classes "Power-not so scary"

and four new initiatives:

- programme of active protection of extremely endangered osprey taking into account the power transmission infrastructure - Enea Operator's initiative in cooperation with the Regional Directorate of Environmental Protection in Gorzów Wielkopolski
- gifts and gratuities policy in Enea Group
- Enea Operator's educational campaign: "We care for your safety. You take care too!"
- Enea Trading's competition "Energy Market Modelling"



Enea Group's Corporate social responsibility in Q1 2017 was concentrated on the implementation of the following actions:

Corporate volunteering

Release your energy and give yourself to others - this is a slogan which in 2017 motivates Enea Group's Volunteers. Due to the engagement of Enea Foundation each activity related to the Corporate volunteering may obtain co-financing.

In order to establish a varied offer of voluntary service which will be attractive for all the Group's Employees a meeting of Corporate Volunteering Coordinators was held. Representatives of the Group companies and Leaders of the Voluntary service - people who privately are especially engaged in the voluntary services - are examples and inspiration for others, defined the strategy and plan of actions for 2017 which will be implemented by the Employees of all the Group companies.

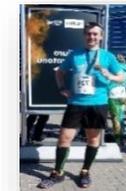
Competence Based Volunteering - continuation of the competence volunteering via realisation of programmes: "Power-not so scary" and "First aid - pre-medical rescue"



Charitable campaign

This is the first **charity campaign** directed at Enea Group Employees whose purpose is promoting physical activity and a healthy lifestyle and integrating of the Group Companies' Employees. Taking part in the run contest Employees collect points which are converted into Polish Zlotys. Due to the gathered amount it will be possible to realise activities supporting sport talents of children and youth. The campaign lasts until November 2017.

56 people declared participation in the campaign in Q1 2017 and their number is still growing. The campaign is supported by Enea Foundation.



**BIEGAMY
ZBIERAMY
POMAGAMY**

Special purpose Projects of Enea Foundation

Good Energy over Borders - the programme which builds a bridge of relations between the community of Wielkopolska region and Poles from Vilnius region. As part of the action, already in June, we will host a 50-person group of Polish numerous families from Lithuania.

During the visit in Wielkopolska the plans include sightseeing, participation in school classes at a Polish school, didactic workshops for teachers.

The major partner of the project is Caritas of the Poznań Archdiocese.



DOBRA ENERGIA
ponad granicami



LW Bogdanka’s corporate social responsibility in Q1 2017 was concentrated on the implementation of the below actions:

Corporate volunteering in LW Bogdanka

The corporate volunteering of LW Bogdanka was realised through the following campaigns:

- **“Positively stoked”** - collection of caps for children and young people of Lublin Hospice under the name of Small Prince
- **Gold Rush** - collection of low-denomination coins lingering in the wallet - 1, 2 or 5 grosz, which are transferred to the Lublin branch of Polish Red Cross
- The organisation of bottom-up charity employee campaigns for groups of people in a difficult life situation, e.g. **the homeless and single mothers**.



Engagement for the mining sector and sustainable development

Joint Initiatives Group - Mining O.K. - is a project whose purpose is implementation and communicating socially responsible actions, demonstrating the significant CSR strategy in achieving financial goals of mining companies, and also cooperation on the development of standards of managing the process of impacting the local environment, market or employees. In February 2017, during the special session in 26th School of Underground Mining, the representative of LW Bogdanka shared LW Bogdanka’s good practices in the implementation of objectives of sustainable development with the members of Mining O.K. initiative.

A Working Group for education and CSR popularisation by the Team for Sustainable Development and Corporate Social Responsibility, an auxiliary body of the Minister of Development and Finance - in reply to the need of efficiently reaching various groups of Stakeholders with educational actions as regards the sustainable development and responsible business conducting, on a ministerial level a working group was again appointed to the composition of which CSR practitioners were invited from various sectors and branches who will work jointly over the projects promoting CSR in Poland. The Group’s composition includes also the representative of LW Bogdanka which works over the issue of “CSR in SMEs” - the goal of the subgroup is supporting small and medium enterprises in the process of a responsible business.

Distinction for good practices in Bogdanka

Ecological classes on the natural path in Nadrybie, Code of Conduct, Integrated OHS Management System and partnership for the promotion of blood donation - these are the best long-term practices as regards CSR which were distinguished in the Responsible Business Forum (RBF) **“Responsible Business in Poland. Good Practices 2016”**.



Relations with the local community

Local community support

LW Bogdanka engages in local social initiatives with the goal of developing the areas of culture, science, education, health, developing the municipal infrastructure and securing other needs of the local community. Caring for health and safety of the environment the Company supported the purchase of pulse oximeters for the University Children Hospital in Lublin, and also two MONAR centres located near Bogdanka.

Intersectoral Agreement for life and health

LW Bogdanka, “Solidarni Górnicy” Foundation and Regional Centre of Blood Donation and Treatment in Lublin in March 2017 agreed the scope of joint actions in 2017, including the organisation of mobile and stationary blood donation actions, meetings propagating knowledge from this field among employees and management personnel and the campaign promoting honorary blood donation among the local society. In order to increase the impact of the inter-sectoral cooperation also new principles were developed of the communication and motivation plan within blood donation for employees of LW Bogdanka.

Other initiatives

Mine close to the nature

As the founder and co-organiser (with OTOP – Polish Society for the Protection of Birds) of Nadrybie Educational Path, LW Bogdanka is planning to continue the extension of this infrastructure and also intensification of educational activities conducted on its area. In March 2017, along with OTOP a detailed plan of further investments on the area of Śnieżka was developed, which finally is to be widened with a new area, and also become the most attractive one for the local society due to being equipped in the sightseeing tower and platform on the backwater.

Education in C-Zone - multimedia exhibition presenting the history of Bogdanka and Lublin Coal Basin

LW Bogdanka willingly shares its history, tradition and achievements with children and young people, via organisation of meetings with employees, who in specially designed multimedia rooms, familiarise them with the mining issues. In 2017 ca. 140 students from the Lubelskie Province got familiar with the profession of a miner and secrets of work in the Mine.



Attachments

Profit and loss statement of Enea SA - Q1 2017

[PLN '000]	Q1 2016	Q1 2017	Change	Change %
Sales of electricity to retail users	1 059 560	1 079 701	20 141	1.9%
Sales of gas to retail consumers	44 922	24 969	-19 953	-44.4%
Sales of distribution services to users holding comprehensive agreements	403 926	420 470	16 544	4.1%
Sales of energy and gas to other entities	36 544	32 441	-4 103	-11.2%
Sales of services	936	980	44	4.7%
Other revenue	518	20	-498	-96.1%
Excise tax	68 462	68 480	18	-
Net sales revenue	1 477 944	1 490 101	12 157	0.8%
Amortisation/depreciation	924	754	-170	-18.4%
Employee benefit costs	14 650	12 947	-1 703	-11.6%
Consumption of materials and raw materials and value of goods sold	470	522	52	11.1%
Purchase of energy and gas for resale	1 007 020	938 257	-68 763	-6.8%
Distribution services	403 924	420 499	16 575	4.1%
Other outsourced services	37 681	40 559	2 878	7.6%
Taxes and charges	1 548	1 592	44	2.8%
Cost of sales	1 466 217	1 415 130	-51 087	-3.5%
Other operating revenue	2 591	3 147	556	21.5%
Other operating expenses	7 213	36 758	29 545	409.6%
Profit / (loss) on sales and liquidation of tangible fixed assets	-8	66	74	-
Operating profit / (loss)	7,097	41 426	34 329	483.7%
Financial costs	35 301	45 282	9 981	28.3%
Financial revenue	48 666	102 633	53 967	110.9%
Profit / (loss) before tax	20 462	98 777	78 315	382.7%
Income tax	5 312	19 074	13 762	259.1%
Net profit / (loss) for the reporting period	15 150	79 703	64 553	426.1%
EBITDA	8 021	42 180	34 159	425.9%

Q1 2017:**Enea SA's EBITDA change drivers (growth by PLN 34 mln):**

- (+) higher first contribution margin by PLN 64 mln:
 - (-) lower average selling price by 3.1%
 - (+) lower costs of ecological obligations by 48.5%
 - (+) lower average purchase price of energy by 9.5%
 - (+) growth in sale volumes by 5.2%
 - (-) lower result on trade in gas
- (+) lower costs of employee benefits by PLN 2 mln
- (-) higher costs of outsourced services by PLN 3 mln:
 - (-) higher selling and customer service costs by PLN 4 mln
 - (-) higher costs of common services by PLN 2 mln
 - (+) lower costs of advertising and entertainment by PLN 2 mln
 - (+) lower costs of consulting services by PLN 1 mln
- (-) lower results on the other operating activities by PLN 29 mln:
 - (-) higher provisions for latent claims PLN 25 mln
 - (-) higher costs of donations PLN 7 mln
 - (+) lower written-off debts PLN 2 mln
 - (+) lower impairment of receivables PLN 2 mln

Profit and loss statement of Enea Operator sp. z o.o. - Q1 2017

[PLN '000]	Q1 2016	Q1 2017	Change	Change %
Revenue from sales of distribution services to end users	726 727	794 573	67 846	9.3%
Revenue from additional fees	905	1 154	249	27.5%
Revenue from non-invoiced sales of distribution services	21 171	13 305	-7 866	-37.2%
Clearing of the Balancing Market	638	332	-306	-48.0%
Fees for customer grid connection	15 699	13 487	-2 212	-14.1%
Revenue from the illegal collection of electricity	1 548	1 711	163	10.5%
Revenue from services	7 234	6 978	-256	-3.5%
Sales of distribution services to other entities	6 752	3 966	-2 786	-41.3%
Sales of goods and services and other revenue	301	670	369	122.6%
Sales revenue	780 975	836 176	55 201	7.1%
Depreciation and amortisation of fixed and intangible assets	130 620	118 205	-12 415	-9.5%
Employee benefit costs	100 451	101 885	1 434	1.4%
Consumption of materials and raw materials and value of goods sold	7 625	8 424	799	10.5%
Purchase of energy for own needs and grid losses	68 787	60 657	-8 130	-11.8%
Costs of transmission services	201 362	258 491	57 129	28.4%
Other outsourced services	48 640	59 367	10 727	22.1%
Taxes and charges	52 707	58 405	5 698	10.8%
Cost of sales	610 192	665 434	55 242	9.1%
Other operating revenue	20 022	7 384	-12 638	-63.1%
Other operating expenses	19 903	31 866	11 963	60.1%
Profit / loss on sales and liquidation of tangible fixed assets	-512	-959	-447	-87.3%
Operating profit / (loss)	170 390	145 301	-25 089	-14.7%
Financial revenue	322	706	384	119.3%
Financial costs	9 741	12 716	2 975	30.5%
Profit / (loss) before tax	160 971	133 291	-27 680	-17.2%
Income tax	29 138	27 256	-1 882	-6.5%
Net profit / (loss)	131 833	106 035	-25 798	-19.6%
EBITDA	301 010	263 506	-37 504	-12.5%

Q1 2017:**Enea Operator sp. z o. o.'s EBITDA change drivers (growth by PLN 38 mln):**

- (+) higher revenue from sales of distribution services to end users by PLN 60 mln stem from greater volumes of sales of distribution services to end users by 248 GWh
- (-) lower revenue from grid connection fees in II connection group by PLN 2 mln
- (-) lower revenue from sales of distribution services to other entities by PLN 3 mln stemming from a lower volume of exported electricity
- (+) lower costs of purchasing energy for covering the book-tax difference by PLN 8 mln stem from lower volumes by PLN 41 GWh and lower average purchase price
- (-) higher costs of purchase of transmission services by PLN 57 mln mainly as a result of higher PSE charges
- (-) higher costs of other outsourced services by PLN 11 mln mainly in the area of costs of exploitation and meter readings resulting from the intergroup settlements
- (-) higher costs of taxes and charges by PLN 6 mln (result of the implemented investments)
- (-) lower other operating revenue by PLN 13 mln stem mainly from the performance in Q1 2016 of agreements for collision removal and shifting the energy devices to the assets
- (-) higher other operating expenses by PLN 12 mln stem mainly from the growth in impairment of receivables

Profit and loss statement of Enea Wytwarzanie sp. z o.o. - Q1 2017

[PLN '000]	Q1 2016	Q1 2017	Change	Change %
Revenue from sale of electricity	733 811	671 284	-62 527	-8.5%
<i>generating licence</i>	624 757	633 250	8 493	1.4%
<i>trade licence</i>	109 054	38 034	-71 020	-65.1%
Revenue from certificates of origin	19 866	6 220	-13 646	-68.7%
Revenue from sales of CO ₂ emission allowances	1 621	5 811	4 190	258.5%
Revenue from sale of heat	64 781	60 853	-3 928	-6.1%
Revenue from services	3 068	2 960	-108	-3.5%
Sales of goods and services and other revenue	1 796	2 197	401	22.3%
Excise tax	54	55	1	1.9%
Net sales revenue	824 889	749 270	-75 619	-9.2%
Depreciation and amortisation of fixed and intangible assets	54 361	58 825	4 464	8.2%
Employee benefit costs	63 528	61 225	-2,303	-3.6%
Consumption of materials and raw materials and value of goods sold	416 966	407 137	-9 829	-2.4%
Costs of energy purchases for resale	116 627	53 530	-63 097	-54.1%
Transmission services	642	626	-16	-2.5%
Other outsourced services	31 438	32 423	985	3.1%
Taxes and charges	21 297	23 304	2 007	9.4%
Cost of sales	704 859	637 070	-67 789	-9.6%
Other operating revenue	3 699	2 336	-1 363	-36.8%
Other operating expenses	949	1 175	226	23.8%
Profit / (loss) on sales and liquidation of tangible fixed assets	492	394	-98	-19.9%
Operating profit / (loss)	123 272	113 755	-9 517	-7.7%
Financial revenue	14	66	52	371.4%
Financial costs	5 934	4 169	-1 765	-29.7%
Profit / (loss) before tax	117 352	109 652	-7 700	-6.6%
Income tax	23 869	21 735	-2 134	-8.9%
Net profit / (loss)	93 483	87 917	-5 566	-6.0%
EBITDA	177 633	172 580	-5 053	-2.8%

Q1 2017:**Enea Wytwarzanie sp. z o.o.'s EBITDA change drivers: (drop by PLN 5 mln):****Segment of System Power Plants - growth in EBITDA by PLN 4.7 mln**

- (+) higher margin on generation by PLN 18.6 mln
- (+) higher revenue from Regulatory System Services by PLN 7.5 mln
- (+) lower fixed costs by PLN 3.9 mln
- (-) lower margin on trade and the Balancing Market by PLN 23.7 mln
- (-) lower result on the other operating activity by PLN 1.5 mln

Segment of Heat - EBITDA lower by PLN 6.9 mln

- (-) lower revenue from sales of electricity by PLN 8.5 mln
- (-) lower revenue from certificates of origin by PLN 9.1 mln
- (-) lower revenue from sales of heat by PLN 3.8 mln
- (-) higher costs of CO₂ emission allowances by PLN 1.8 mln
- (-) increase of energy purchasing costs for the needs of sales by PLN 1.4 mln
- (+) lower costs of coal consumption by PLN 4.6 mln
- (+) lower costs of biomass consumption by PLN 13.8 mln

Segment of RES - EBITDA lower by PLN 2.8 mln

- (-) Area of Wind (PLN -4.9 mln): lower revenue from certificates of origin by PLN 3.5 mln, higher fixed costs by PLN 2 mln, growth in revenue from electricity costs by PLN 0.6 mln
- (+) Area of Biogas (PLN +0.8 mln): higher revenue from certificates of origin by PLN 0.4 mln
- (+) Area of Water (PLN +1.3 mln): growth in revenue from electricity by PLN 2 mln, lower revenue from certificates of origin by PLN 1.6 mln, profit from the sale of tangible assets PLN 0.6 mln, lower fixed costs by PLN 0.3 mln

Profit and loss statement of Enea Elektrownia Połaniec - 14-31.03.2017

[PLN '000]	14-31.03.2017
Sales revenue	81 400
Excise tax	14
Net sales revenue	81 386
Depreciation and amortisation of fixed and intangible assets	2 757
Employee benefit costs	2 841
Consumption of materials and raw materials and value of goods sold	40 810
Costs of energy purchases for resale	26 050
Transmission services	2
Other outsourced services	8 467
Taxes and charges	2 680
Cost of sales	83 608
Other operating revenue	325
Other operating expenses	410
Operating profit / (loss)	-2 307
Financial revenue	119
Financial costs	641
Profit / (loss) before tax	-2 828
Income tax	866
Net profit / (loss)	-1 962
EBITDA	451

14-31.03.2017:**EBITDA of Enea Elektrownia Połaniec:**

- sale of 483.1 GWh electricity, including 294 GWh of own production, generating thus income on the level of PLN 81 mln
- sales of heat on the level of PLN 2 mln with sales volume 103 GJ

Profit and loss statement of LW Bogdanka CG - Q1 2017

[PLN '000]	Q1 2016	Q1 2017	Change	Change %
Net sales revenue	420 569	465 237	44 668	10.6%
Depreciation and amortisation of fixed and intangible assets	87 822	88 676	854	1.0%
Employee benefit costs	125 290	132 760	7 470	6.0%
Consumption of materials and raw materials and value of goods sold	71 388	68 699	-2 689	-3.8%
Other outsourced services	62 423	69 307	6 884	11.0%
Taxes and charges	11 655	13 682	2 027	17.4%
Cost of sales	358 578	373 124	14 546	4.1%
Other operating revenue	1 319	671	-648	-49.1%
Other operating expenses	1 321	574	-747	-56.5%
Profit / (loss) on sales and liquidation of tangible fixed assets	-663	-2 617	-1 954	-294.7%
Operating profit / (loss)	61 326	89 593	28 267	46.1%
Financial revenue	1 896	2 782	886	46.7%
Financial costs	7 001	7 663	662	9.5%
Profit / (loss) before tax	56 221	84 712	28 491	50.7%
Income tax	15 228	16 654	1 426	9.4%
Net profit / (loss)	40 993	68 058	27 065	66.0%
EBITDA	149 148	178 269	29 121	19.5%

Q1 2017:**LW Bogdanka CG's EBITDA drivers:**

- (+) higher net production by 87 thou. tonnes and sales of commercial coal by 205 thou. tonnes
- (+) higher revenue realised mainly due to the greater sales of coal both within Enea Capital Group and for export
- (-) sales of coal from the inventory translated into the growth of the periodic expenses

Significant one-offs:

- in Q1 2016 a negative balance of reserves and the other presentation adjustments, when in Q1 2017 these items increased costs
- loss on the liquidation of tangible assets - mainly the net value of liquidated excavations

Financial ratios

Below please find a glossary of terms and a list of acronyms used in this report.

Index of	Description
EBITDA	= Operating profit (loss) + amortisation and depreciation
Return on equity (ROE)	= $\frac{\text{Net profit (loss) for the reporting period}}{\text{Equity}}$
Return on assets (ROA)	= $\frac{\text{Net profit (loss) for the reporting period}}{\text{Total assets}}$
Net profitability	= $\frac{\text{Net profit (loss) for the reporting period}}{\text{Net sales revenue}}$
Operating profitability	= $\frac{\text{Operating profit (loss)}}{\text{Net sales revenue}}$
EBITDA profitability	= $\frac{\text{EBITDA}}{\text{Net sales revenue}}$
Current ratio	= $\frac{\text{Current assets}}{\text{Current liabilities}}$
Equity-to-fixed assets ratio	= $\frac{\text{Equity}}{\text{Fixed assets}}$
Total debt ratio	= $\frac{\text{Total liabilities}}{\text{Total assets}}$
Net debt / EBITDA	= $\frac{\text{interest-bearing liabilities - cash and cash equivalents}}{\text{EBITDA}}$
Current receivables turnover in days	= $\frac{\text{Average trade and other receivables x number of days}}{\text{Net sales revenue}}$
Turnover of trade and other payables in days	= $\frac{\text{Average trade and other liabilities x number of days}}{\text{Cost of products, goods and materials sold}}$
Inventory turnover in days	= $\frac{\text{Average inventory x number of days}}{\text{Cost of products, goods and materials sold}}$
Cost of products, goods and materials sold	= Use of materials and value of goods sold; Purchases of energy for resale; Transmission services; other outsourced services; taxes and charges; excise tax

Sectoral terms/abbreviations

Abbreviation/term	Full name/explanation
ACER	European Agency for the Cooperation of Energy Regulators - EU agency established pursuant to the third energy package. The objective of the Agency is coordination and supporting the national regulatory authorities. A full list of duties is specified in Regulation No. 713/2009
AMI	Advanced systems measuring, collecting and analysing energy consumption and enabling two-way communication between the end user and central system. AMI includes both intelligent meters and smart power grids
CAPEX	Capital expenditures
CO₂	Carbon dioxide
Price of baseload (BASE)	Price of contract with delivery of the same volume of energy on each day hour
Price of euro-peak (PEAK)	Price of contract with delivery of the same volume of energy in euro-peak (i.e. from 7:00 to 22:00 on business days)
CER	Certified Emission Reduction
EUA	EU Emission Allowance - allowances for emissions within the European Emissions Trading System
European Emissions Trading System EU ETS	European system supporting reduction of greenhouse gases emissions
GPZ	Transformer/Switching Station - transformer station, responsible for amending of high or medium voltage into low voltage for end users on a specific area
Tariff Group A	Energy sold and delivered to customers connected to a high-voltage grid
Tariff Group B	Energy sold and delivered to customers connected to a medium-voltage grid
Tariff Group C	Energy sold and delivered to customers connected to a low-voltage grid, with the exception of end users using electricity for household purposes

Abbreviation/term	Full name/explanation
Tariff Group G	Energy sold and delivered to end users using electricity for household purposes, regardless of voltage of the grid to which they are connected
ICE	Trading platform enabling trade in allowances for emissions of CO ₂ (EUA) and units of certified reduction of emissions (CER) on futures market
IOS installation	Fue gas desulphurisation plant
SCR installation	Installation of the catalytic denitrogenation of flue gases
Cogeneration	A technological process of a combined generation of electricity and usable heat energy in combined heat and power plants
NFOŚiGW	National Fund for Environmental Protection and Water Management
MW_e	Megawatt of electrical power
MWh	Megawatthour (1 GWh = 1,000 MWh)
MW_t	Megawatt of heating power
NO_x	Nitric oxides
ODS	Operator of the Distribution System
OTS	Operator of the Transmission System
RES	Energy renewable sources
PMOZE	Proprietary interests from certificates of origin for energy from renewable sources of energy
"Green" proprietary interests	Same as PMOZE
OZEX_A	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for energy generated in energy renewable sources whose production period (indicated in the certificate of origin) commenced on 1 March 2009 inclusive.

Abbreviation/term	Full name/explanation
"Yellow" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in a gas cogeneration unit or in a unit of the total installed capacity of up to 1 MW
KGMX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in a gas cogeneration unit or in a unit of the total installed capacity of up to 1 MW
"Red" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in other cogeneration sources
KECX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in other cogeneration sources
"Purple" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
KMETX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
"White" proprietary interests	Proprietary interests in certificates of origin resulting from energy efficiency certificates, the so called "white" certificates
EFX	Index for session transactions the subject of which are contracts for proprietary interests resulting from energy efficiency certificates, the so called "white" certificates
REMIT Regulation	Regulation on integrity and transparency of wholesale energy market, specifies the framework of monitoring wholesale energy markets, in order to detect and prevent unfair practice on EU level

Abbreviation/term	Full name/explanation
Forward market	Electricity market on which forward products are listed
SPOT market	Cash market (spot)
Balancing market	Technical market by an Operator of the transmission system Its objective is balancing, in real time, the demand for electricity with its production in the public power system (PPS, Polish "KSE")
SAIDI	System Average Interruption Duration Index - for long and very long interruptions (expressed in minutes/Customer)
SAIFI	System Average Interruption Frequency Index - for long interruptions in energy supply (expressed in number of interruptions/Customer)
SO₂	Sulphur dioxide
TFS	Tradition Financial Services, electricity trading platform designated for concluding various types of transactions, purchase and sale of conventional energy, proprietary interests, renewable energy and allowances for emissions of CO ₂
TJ	Terajoule
TGE (PPE)	Towarowa Giełda Energii (Polish Power Exchange)
TPA	Third Party Access – the principle of third party access to the power grid which enables the purchase of electricity and services of its distribution based on separate agreements
Energy Law	The Act of 10 April 1997 - Energy Law (Journal of Laws 1997 No. 54 item 348, as amended)
WIBOR	Warsaw Interbank Offered Rate - interest rate for loans on the Polish interbank market

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