



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

Poznań, 23 May 2017

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Selected consolidated financial data of Enea Group

	in PLN '000		in EUR '000	
	3 months ended 31.03.2017	3 months ended 31.03.2016	3 months ended 31.03.2017	3 months ended 31.03.2016
Net sales revenue	2 709 690	2 936 751	631 762	674 201
Operating profit	382 579	388 637	89 198	89 221
Profit before tax	402 805	366 965	93 914	84 246
Net profit for the reporting period	321 190	290 405	74 885	66 669
Net cash flows from operating activities	572 270	395 232	133 424	90 735
Net cash flows from investing activities	(1 732 991)	(573 393)	(404 045)	(131 636)
Net cash flows from financing activities	55 166	60 967	12 862	13 996
Total net cash flows	(1 105 555)	(117 194)	(257 759)	(26 905)
Weighted average number of shares (in units)	441 442 578	441 442 578	441 442 578	441 442 578
Net earnings per share (in PLN/EUR per share)	0.67	0.62	0.16	0.14
Diluted earnings per share (in PLN/EUR per share)	0.67	0.62	0.16	0.14
	Balance as at 31.03.2017	Balance as at 31.12.2016	Balance as at 31.03.2017	Balance as at 31.12.2016
Total assets	24 982 881	24 536 519	5 920 395	5 546 229
Total liabilities	11 656 751	11 524 790	2 762 394	2 605 061
Non-current liabilities	8 908 565	8 606 757	2 111 134	1 945 469
Current liabilities	2 748 186	2 918 033	651 260	659 592
Equity	13 326 130	13 011 729	3 158 000	2 941 168
Share capital	588 018	588 018	139 347	132 915
Book value per share (in PLN/EUR per share)	30.19	29.48	7.15	6.66
Diluted book value per share (in PLN/EUR per share)	30.19	29.48	7.15	6.66

The above financial data for 1st quarter of 2017 and 2016 were translated into EUR in line with the following principles:

- individual assets and liabilities – at the average exchange rate as of 31 March 2017 – PLN/EUR 4.2198 (as at 31 December 2016 – PLN/EUR 4.4240),
- individual items from the statement of profit or loss and other comprehensive income and the statement of cash flows – as per the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the financial period from 1 January to 31 March 2017 – PLN/EUR 4.2891 (for the period from 1 January to 31 March 2016 – PLN/EUR 4.3559).



**Condensed interim consolidated
financial statements
of the Enea Group
for the period from 1 January to 31 March 2017**

Poznań, 23 May 2017

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Enea Group

Condensed interim consolidated financial statements of the Enea Group for the period from 1 January to 31 March 2017

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

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

Members of the Management Board

President of the Management Board **Mirostaw Kowalik**

Member of the Management Board **Piotr Adameczak**

Member of the Management Board **Mikolaj Franzkowiak**

Member of the Management Board **Wiestaw Piosik**

Enea Centrum Sp. z o.o.

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

Enea Centrum Sp. z o.o. ul. Górecka 1, 60-201 Poznań
KRS 0000477231, NIP 777-000-28-43, REGON 630770227

Poznań, 23 May 2017

**Enea Group**

Condensed interim consolidated financial statements of the Enea Group for the period from 1 January to 31 March 2017

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

		Balance as at	
	Note	31.03.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	19 431 835	18 382 498
Perpetual usufruct of land		82 604	74 899
Intangible assets	8	380 125	370 638
Investment property		27 767	28 020
Investments in subsidiaries		113 081	2 518
Deferred tax assets	19	396 832	403 257
Financial assets available for sale		43 039	42 482
Financial assets measured at fair value through profit or loss		60 927	112
Derivatives	16	33 703	40 267
Trade and other receivables		51 327	30 690
Cash deposits at Mine Closure Fund		111 244	111 218
		20 732 484	19 486 599
Current assets			
CO2 emission rights		407 223	417 073
Inventories	12	621 461	448 941
Trade and other receivables	11	1 953 378	1 824 488
Current income tax assets		25 017	9 541
Financial assets held to maturity		480	478
Financial assets measured at fair value through profit or loss	15	6 355	4 852
Cash and cash equivalents	14	1 234 662	2 340 217
Non-current assets classified as held for sale	10	1 821	4 330
		4 250 397	5 049 920
Total assets		24 982 881	24 536 519

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

		Balance as at	
	Note	31.03.2017	31.12.2016
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the Parent Company			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Financial instruments revaluation reserve		740	744
Other capital		(27 132)	(25 652)
Reserve capital from valuation of hedging instruments		28 797	33 826
Retained earnings		8 241 842	7 946 612
		12 464 729	12 176 012
Non-controlling interests		861 401	835 717
Total equity		13 326 130	13 011 729
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	16	6 541 675	6 275 644
Trade and other liabilities		45 529	48 373
Finance lease liabilities		2 591	2 997
Deferred income due to subsidies, connection fees and other	18	659 175	660 032
Deferred tax liability	19	193 518	191 798
Liabilities due to employee benefits		814 616	792 156
Financial liabilities measured at fair value through profit or loss		487	269
Provisions for other liabilities and charges	20	650 974	635 488
		8 908 565	8 606 757
Current liabilities			
Loans, borrowings and debt securities	16	285 382	448 902
Trade and other liabilities		1 121 144	1 141 600
Finance lease liabilities		1 858	2 141
Deferred income due to subsidies, connection fees and other	18	85 323	84 150
Current income tax liabilities		2 584	32 071
Liabilities due to employee benefits		389 961	416 937
Liabilities due to an equivalent of the right to acquire shares free of charge		281	281
Financial liabilities measured at fair value through profit or loss		15 108	2 233
Provisions for other liabilities and charges	20	846 545	789 718
		2 748 186	2 918 033
Total liabilities		11 656 751	11 524 790
Total equity and liabilities		24 982 881	24 536 519

Enea Group

Condensed interim consolidated financial statements of the Enea Group for the period from 1 January to 31 March 2017

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

Consolidated statement of profit or loss and other comprehensive income

	3 months ended	3 months ended
Note	31.03.2017	31.03.2016
Sales revenue	2 778 261	3 005 283
Excise tax	(68 571)	(68 532)
Net sales revenue	2 709 690	2 936 751
Other operating revenue	16 238	30 164
Depreciation	(283 847)	(279 708)
Costs of employee benefits	(386 987)	(362 731)
Consumption of materials and supplies and costs of goods sold	(285 611)	(366 990)
Energy and gas purchase for sale	(792 416)	(1 123 042)
Transmission services	(261 823)	(190 389)
Other external services	(149 899)	(131 005)
Taxes and charges	(106 327)	(93 571)
Profit on sale and liquidation of property, plant and equipment	(3 787)	(419)
Other operating expenses	(72 652)	(30 423)
Operating profit	382 579	388 637
Financial expenses	(45 957)	(35 736)
Financial revenue	66 183	14 064
Profit before tax	402 805	366 965
Income tax	19 (81 615)	(76 560)
Net profit for the reporting period	321 190	290 405
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
- valuation of hedging instruments	(6 209)	(28 799)
- other	(4)	(337)
- income tax	19 1 180	5 472
Net other comprehensive income	(5 033)	(23 664)
Total comprehensive income for the reporting period	316 157	266 741
Including net profit:		
attributable to Parent's shareholders	295 230	272 941
attributable to non-controlling interests	25 960	17 464
Including comprehensive income:		
attributable to Parent's shareholders	290 197	249 277
attributable to non-controlling interests	25 960	17 464
Net profit attributable to shareholders of the Parent	295 230	272 941
Weighted average number of ordinary shares	4 414 442 578	4 414 442 578
Basic earnings per share (in PLN per share)	0.67	0.62
Diluted earnings per share (in PLN per share)	0.67	0.62



Enea Group

Condensed interim consolidated financial statements of the Enea Group for the period from 1 January to 31 March 2017

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

Consolidated statement of changes in equity

(a) 1st quarter of 2017

	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Financial instruments revaluation reserve	Other capital	Reserve capital from valuation of hedging instruments	Retained earnings	Capital attributable to non-controlling interests	Total equity
Balance as at 01.01.2017	441 443	146 575	588 018	3 632 464	744	(25 652)	33 826	7 946 612	835 717	13 011 729
Net profit for the reporting period								295 230	25 960	321 190
Net other comprehensive income					(4)		(5 029)			(5 033)
Total comprehensive income for the period					(4)		(5 029)	295 230	25 960	316 157
Redemption of non-controlling interests in subsidiaries						(1 480)			(276)	(1 756)
Balance as at 31.03.2017	441 443	146 575	588 018	3 632 464	740	(27 132)	28 797	8 241 842	861 401	13 326 130

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



Enea Group

Condensed interim consolidated financial statements of the Enea Group for the period from 1 January to 31 March 2017

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

(b) 1st quarter of 2016

	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Financial instruments revaluation reserve	Other capital	Reserve capital from valuation of hedging instruments	Retained earnings	Capital attributable to non-controlling interests	Total equity
Balance as at 01.01.2016	441 443	146 575	588 018	3 632 464	814	(45 883)	3 980	7 158 352	784 858	12 122 603
Net profit for the reporting period								272 941	17 464	290 405
Net other comprehensive income					(337)		(23 327)			(23 664)
Total comprehensive income for the period					(337)		(23 327)	272 941	17 464	266 741
Other					(477)					(477)
Balance as at 31.03.2016	441 443	146 575	588 018	3 632 464	-	(45 883)	(19 347)	7 431 293	802 322	12 388 867

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

**Enea Group**

Condensed interim consolidated financial statements of the Enea Group for the period from 1 January to 31 March 2017

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

	3 months ended	3 months ended
	31.03.2017	31.03.2016
Cash flows from operating activities		
Net profit for the reporting period	321 190	290 405
Adjustments:		
Income tax in profit or loss	81 615	76 560
Depreciation	283 847	279 708
Loss on sale and liquidation of tangible fixed assets	3 787	419
Profit on sale of financial assets	(50 556)	(2 219)
Interest income	(2 113)	(3 255)
Interest expense	21 031	21 799
Gain on measurement of financial instruments	(70 211)	(148 613)
Other adjustments	(2 998)	(5 359)
	264 402	219 040
Income tax paid	(104 302)	(134 433)
Changes in working capital		
CO2 emission rights	13 874	1 478
Inventories	41 273	19 721
Trade and other receivables	(99 444)	(79 030)
Trade and other liabilities	140 462	94 427
Liabilities due to employee benefits	(30 879)	(76 570)
Deferred income due to subsidies, connection fees and other	(4 588)	(1 136)
Provisions for other liabilities and charges	30 282	61 330
	90 980	20 220
Net cash flows from operating activities	572 270	395 232
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(559 046)	(562 743)
Proceeds from disposal of property, plant and equipment and intangible assets	1 017	2 440
Acquisition of financial assets	(6 500)	(2 173)
Proceeds from disposal of financial assets	1 223	601
Acquisition of subsidiaries adjusted by acquired cash	(1 172 857)	(2 974)
Outflows related to cash deposits at Mine Closure Fund	(26)	(9 502)
Interest received	2 083	1 726
Other proceeds/(expenses) from investing activities	1 115	(768)
Net cash flows from investing activities	(1 732 991)	(573 393)
Cash flows from financing activities		
Loans and borrowings received	250 000	105 369
Bond issue	150 000	-
Loans and borrowings repaid	(2 815)	(3 380)
Bonds redemption	(300 000)	-
Payment of finance lease liabilities	(612)	(300)
Interest paid	(38 034)	(37 267)
Expenses related to future issue of bonds	(422)	(124)
Other payments from financing activities	(2 951)	(3 331)
Net cash flows from financing activities	55 166	60 967
Total net cash flow	(1 105 555)	(117 194)
Opening balance of cash	2 340 217	1 822 094
Closing balance of cash	1 234 662	1 704 900

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

**Enea Group**

Condensed interim consolidated financial statements of the Enea Group for the period from 1 January to 31 March 2017

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

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

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

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

As at 31 March 2017 the shareholding structure of the Parent Entity was the following: the State Treasury of the Republic of Poland – 51.5% of shares, PZU TFI 10.1% and other shareholders – 38.4%.

As at 31 March 2017 the statutory share capital of Enea S.A. equalled PLN 441 443 thousand (PLN 588 018 thousand upon adoption of IFRS-EU and considering hyperinflation and other adjustments) and was divided into 441 442 578 shares.

As at 31 March 2017 Enea Group consisted of the parent entity Enea S.A. (“the Company”, “Parent Entity”), 13 subsidiaries, 10 indirect subsidiaries, 1 associates and 2 jointly-controlled entities.

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

The notes presented on pages 13 – 43 constitute an integral part of the condensed interim consolidated financial statements.

**Enea Group**

Condensed interim consolidated financial statements of the Enea Group for the period from 1 January to 31 March 2017

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

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

2. Statement of compliance

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

The Management Board of the Parent Entity has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the condensed interim consolidated financial statements of the Enea Group in accordance with IFRS-EU as at 31 March 2017. The presented statements and explanations have been prepared using due diligence. These condensed interim consolidated financial statements have not been reviewed by a certified auditor.

3. Accounting principles

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

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

4. Material estimates and assumptions

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

Enea Group

Condensed interim consolidated financial statements of the Enea Group for the period from 1 January to 31 March 2017

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

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

	Name and address of the Company	Share of Enea S.A. in the total number of votes in % 31.03.2017	Share of Enea S.A. in the total number of votes in % 31.12.2016
1.	Enea Operator Sp. z o.o. Poznań, Strzeszyńska 58	100	100
2.	Enea Wytwarzanie Sp. z o.o. Świerże Górne, gmina Kozienice, Kozienice 1	100	100
3.	Enea Elektrownia Połaniec S.A. ⁶ Połaniec, Zawada 26	100	-
4.	Enea Oświetlenie Sp. z o.o. Szczecin, Ku Słońcu 34	100	100
5.	Enea Trading Sp. z o.o. Świerże Górne, gmina Kozienice, Kozienice 1	100	100
6.	Enea Logistyka Sp. z o.o. Poznań, Strzeszyńska 58	100	100
7.	Enea Serwis Sp. z o.o. Lipno, Gronówko 30	100	100
8.	Enea Centrum Sp. z o.o. Poznań, Górecka 1	100	100
9.	Enea Pomiary Sp. z o.o. Poznań, Strzeszyńska 58	100	100
10.	ENERGO-TOUR Sp. z o.o. w likwidacji Poznań, Strzeszyńska 58	100 ⁵	100 ⁵
11.	Enea Innovation Sp. z o.o. Warszawa, Jana Pawła II 25	100	100
12.	Lubelski Węgiel BOGDANKA S. A. Bogdanka, Puchaczów	65.99	65.99
13.	Annacond Enterprises Sp. z o.o. Warszawa, Jana Pawła II 25	61	61
14.	Polimex – Mostostal S.A. Warszawa, Jana Pawła II 12	16.48	-
15.	Elektrownia Ostrotęka S.A. Ostrotęka, Elektryczna 5	11.89	-
16.	ENGIE Bioenergia Sp. z o.o. Połaniec, Zawada 26	100 ⁴	-
17.	Przedsiębiorstwo Energetyki Ciepłej Zachód Sp. z o.o. Białystok, Starosielce 2/1	100 ¹	100 ¹
18.	Centralny System Wymiany Informacji Sp. z o.o. Poznań, Strzeszyńska 58	100 ³	100 ³
19.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Oborniki, Wybudowanie 56	99.93 ¹	99.93 ¹
20.	Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Białystok, Warszawska 27	91.12 ¹	91.02 ¹
21.	Miejska Energetyka Ciepła Piła Sp. z o.o. Piła, Kaczorska 20	71.11 ¹	71.11 ¹
22.	EkoTRANS Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
23.	RG Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
24.	MR Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
25.	Łęczyńska Energetyka Sp. z o.o. Bogdanka, Puchaczów	58.53 ²	58.53 ²
26.	ElectroMobility Poland S.A. Warszawa, Mysia 2	25	25

The notes presented on pages 13 – 43 constitute an integral part of the condensed interim consolidated financial statements.



Enea Group

Condensed interim consolidated financial statements of the Enea Group for the period from 1 January to 31 March 2017

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

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

On 17 September 2015, by Resolution no. 547/2015 adopted by the Management Board of Enea Wytwarzanie Sp. z o.o., a project titled "Purchase of employee shares of MPEC sp. z o.o. in Białystok" was launched. On 17 November 2015, by Resolution no. 661/2015, powers of attorney were granted in terms of concluding of the preliminary contracts and final agreements. The number of shares available for purchase is 75 thousand. The concluding of the Preliminary Agreements was planned for the period between 7 December 2015 and 27 January 2016. The Final Contracts shall be concluded after 16 September 2016. By the end of December 2015, Preliminary Agreements on Sale of shares worth in total PLN 747 thousand were concluded. In 2016, Enea Wytwarzanie Sp. z o.o. purchased 67 209 shares of MPEC Sp. z o.o. in Białystok for the amount of PLN 7 688 thousand, and as at the end of the year it owned 91.02% of shares in share capital. In the first quarter of 2017 Enea Wytwarzanie Sp. z o.o. purchased 1 603 shares of MPEC sp. z o.o. in Białystok for the amount of PLN 193 thousand and on 31 March 2017 it owned 91.12% of shares in share capital.

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

³ – an indirect subsidiary held through shares in Enea Operator Sp. z o.o.

⁴ – an indirect subsidiary held through shares in Enea Elektrownia Połaniec S.A.

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

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

6. Segment reporting

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

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

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

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

The Group measures operating segment's financial results and assesses segment performance with EBITDA which is defined as operating profit/loss adjusted by depreciation and impairment loss of non-financial non-current assets.

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



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Financial Results by Segments:

(a) Segment reporting for the period from 1 January to 31 March 2017:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Net sales revenue	1 333 957	834 949	331 345	174 837	34 602	-	2 709 690
Inter-segment sales	113 156	4 835	558 418	290 400	94 974	(1 061 783)	-
Total net sales revenue	1 447 113	839 784	889 763	465 237	129 576	(1 061 783)	2 709 690
Total expenses	(1 396 508)	(697 246)	(755 220)	(375 644)	(133 641)	1 038 340	(2 319 919)
Segment profit/loss	50 605	142 538	134 543	89 593	(4 065)	(23 443)	389 771
Depreciation	(217)	(119 835)	(67 704)	(88 676)	(10 130)		
EBITDA	50 822	262 373	202 247	178 269	6 065		
% of net sales revenue	3.5%	31.2%	22.7%	38.3%	4.7%		
Unassigned Group costs (general and administrative expenses)							(7 192)
Operating profit							382 579
Finance cost							(45 957)
Finance income							66 183
Income tax							(81 615)
Net profit							321 190
Share of non-controlling interests							25 960



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(b) Segment reporting for the period from 1 January to 31 March 2016:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Net sales revenue	1 631 997	782 566	245 408	233 780	43 000	-	2 936 751
Inter-segment sales	164 709	5 783	631 420	186 506	95 974	(1 084 392)	-
Total net sales revenue	1 796 706	788 349	876 828	420 286	138 974	(1 084 392)	2 936 751
Total expenses	(1 779 062)	(615 350)	(733 952)	(352 853)	(131 416)	1 075 326	(2 537 307)
Segment profit/loss	17 644	172 999	142 876	67 433	7 558	(9 066)	399 444
Depreciation	(165)	(132 131)	(60 680)	(82 884)	(6 024)		
EBITDA	17 809	305 130	203 556	150 317	13 582		
% of net sales revenue	1.0%	38.7%	23.2%	35.8%	9.8%		
Unassigned Group costs (general and administrative expenses)							(10 807)
Operating profit							388 637
Finance cost							(35 736)
Finance income							14 064
Income tax							(76 560)
Net profit							290 405
Share of non-controlling interests							17 464



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Segment reporting information (continued)

(a) Other segment reporting information as at 31 March 2017:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Property, plant and equipment	15 792	7 915 400	8 858 541	2 732 986	309 473	(413 555)	19 418 637
Trade and other receivables	1 070 214	480 445	579 230	232 207	98 893	(579 148)	1 881 841
Total	1 086 006	8 395 845	9 437 771	2 965 193	408 366	(992 703)	21 300 478
ASSETS excluded from segmentation							3 682 403
- including property, plant and equipment							13 198
- including trade and other receivables							122 864
TOTAL: ASSETS							24 982 881
Trade and other liabilities	337 319	288 015	412 264	245 525	277 288	(478 804)	1 081 607
Equity and liabilities excluded from segmentation							23 901 274
- including trade and other liabilities							85 066
TOTAL: EQUITY AND LIABILITIES							24 982 881

for the 3-month period ended 31 March 2017

Capital expenditure for tangible and intangible fixed assets	106	150 439	322 958	65 467	2 366	(6 713)	534 623
Capital expenditure for tangible and intangible fixed assets excluded from segmentation							-
Depreciation and amortization	217	119 835	67 704	88 676	10 130	(2 979)	283 583
Depreciation and amortization excluded from segmentation							264
Recognition/(derecognition/utilization) of receivables allowance	913	13 609	6 094	14	(904)	(4)	19 722

The notes presented on pages 13 – 43 constitute an integral part of the condensed interim consolidated financial statements.



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

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Property, plant and equipment	15 762	7 886 676	7 802 643	2 760 196	313 404	(409 966)	18 368 715
Trade and other receivables	983 072	505 957	486 950	242 258	115 628	(548 538)	1 785 327
Total	998 834	8 392 633	8 289 593	3 002 454	429 032	(958 504)	20 154 042
ASSETS excluded from segmentation							4 382 477
- including property, plant and equipment							13 783
- including trade and other receivables							69 851
TOTAL: ASSETS							24 536 519
Trade and other liabilities	390 417	347 056	346 744	273 016	206 956	(458 739)	1 105 450
Equity and liabilities excluded from segmentation							23 431 069
- including trade and other liabilities							84 523
TOTAL: EQUITY AND LIABILITIES							24 536 519

for the 3-month period ended 31 March 2016

Capital expenditure for tangible and intangible fixed assets	174	174 867	135 675	61 729	4 619	(10 979)	366 085
Capital expenditure for tangible and intangible fixed assets excluded from segmentation							-
Depreciation and amortization	165	132 131	60 680	82 884	6 024	(2 701)	279 183
Depreciation and amortization excluded from segmentation							525
Recognition/(derecognition/utilization) of receivables allowance	1 946	688	(243)	1 971	(380)	745	4 727

The notes presented on pages 13 – 43 constitute an integral part of the condensed interim consolidated financial statements.

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7. Property, plant and equipment

During the 3-month period ended 31 March 2017 the Group acquired property, plant and equipment for the total amount of PLN 529 050 thousand (during the period of 3 months ended 31 March 2016 it was PLN 358 544 thousand). The mentioned above amounts relate mainly to production segment (PLN 321 038 thousand) and distribution segment (PLN 136 835 thousand). Expenditures in the production segment relate primarily to the construction of a new power unit. As a result of acquisition of ENGIE Group amount of property, plant and equipment increased by PLN 878 909 thousand.

During the 3-month period ended 31 March 2017 the Group completed the sale and liquidation of property, plant and equipment in the total net book value of PLN 4 039 thousand (during the 3 months ended 31 March 2016 respectively: PLN 2 941 thousand).

During the 3-month period ended 31 March 2017 r. impairment loss on the book amount of property, plant and equipment decreased by the net amount of PLN 204 thousand (during the 3 months ended 31 March 2016 impairment loss on the book amount of property, plant and equipment decreased by the net amount of PLN 931 thousand).

As at 31 March 2017 the value of the impairment on the carrying amount of property, plant and equipment amounted to PLN 1 629 823 thousand (as at 31 December 2016 respectively: 1 630 027 thousand).

8. Intangible assets

During the 3-month period ended 31 March 2017 the Group acquired intangible assets for the total amount of PLN 5 573 thousand (during the period of 3 months ended 31 March 2016 the Group acquired intangible assets for the total amount of PLN 7 541 thousand).

During the 3-month period ended 31 March 2017 the Group has brought into use intangible assets under construction in the amount of PLN 9 294 thousand (during the period of 3 months ended 31 March 2016 respectively: PLN 21 384 thousand).

During the 3-month period ended 31 March 2017 the Group did not complete significant sales and liquidations of intangible assets (during the period of 3 months ended 31 March 2016 the Group also did not complete significant sales and liquidations of intangible assets).

9. Acquisition of new subsidiaries, associates and jointly controlled entities**9.1. Acquisition of shares of ENGIE Energia Polska S.A. (currently Enea Elektrownia Połaniec S.A.)**

On 30 September 2016 Enea S.A. submitted an offer for the purchase of 100% of shares in ENGIE Energia Polska S.A. (EEP, currently Enea Elektrownia Połaniec S.A.). The offer was submitted according to the description in the process initiated by ENGIE, the owner of 100% of the shares in EEP. On 2 December 2016 the Company obtained exclusivity

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rights to further negotiations of the purchase of 100% of shares in EEP. On 23 December 2016, the Company signed with ENGIE International Holdings B.V. a conditional agreement on sale of 100% of shares of EEP (Agreement), and indirectly also on sale of 100% of shares of ENGIE Bioenergia Sp. z o.o.

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

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

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

On 14 March 2017 Enea S.A. acquired 100% of shares in EEP i.e. 7 135 000 shares entitled to the same amount of votes for the initial price of PLN 1 264 159 355. The estimated costs related to the purchase of the shares amounted to PLN 3.4 million.

Transaction is consistent with Enea Capital Group's Development Strategy until 2030 approved in September 2016. With this transaction the Company will increase its share in domestic electricity production and will be vice-leader of Polish market of electricity producers. As at the date of preparation of these condensed interim consolidated financial statements, the process of allocation of the cost of purchase to the acquired identifiable net assets has not yet been completed. Therefore, the Group decided to make the preliminary, initially agreed settlement. The cost of purchase is PLN 1 264 159 thousand, whereas the book value of the net assets taken from the financial information of the Połaniec Group as at the acquisition date amounts to PLN 1 294 181 thousand. The Group assumed that the difference between the cost of purchase and the book value of the net assets relates mainly to property, plant and equipment.

If the business combination had taken place on 1 January 2017, according to the Management Board's estimates the consolidated net sales revenue for the period of three months ended 31 March 2017 would have amounted to PLN 3 053 186 thousand, and the consolidated net profit would have amounted to PLN 332 881 thousand.

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

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

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



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The consent to the concentration consisting in the acquisition, by the Investors, of the joint control of Polimex referred to above was issued on 18 January 2017.

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

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

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

Polimex is an engineering and construction company which offers a wide range of services provided on a general contracting basis. The registered office of Polimex is in Warsaw. Polimex is a company listed on the Warsaw Stock Exchange. As at 31 March 2017, the average market price of one Polimex share amounted to PLN 8.03, which translates into the fair value of the block of shares held by the Group of PLN 313 million.

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

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

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

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

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

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

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

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

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

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

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

On 13 April 2017, the Extraordinary General Shareholders' Meeting of Elektrownia Ostrołęka S.A. adopted a resolution on increasing the company's share capital from PLN 210 100 thousand to PLN 229 100 thousand by issuing new shares. In a private subscription, Enea S.A. acquired 9 500 000 shares in consideration for the contribution in cash which was made on 28 April 2017. The capital increase is awaiting registration with the registration court.

10. Assets held for sale

	31.03.2017	31.12.2016
Property, plant and equipment	1 821	4 330
Total gross amount of assets held for sale	1 821	4 330

The amount of PLN 1 821 thousand in the statement of financial position is related to railway cars and assets of Zakład Ceramiki Budowlanej (the Brick and Tile Shop) which are owned by Lubelski Węgiel "Bogdanka" S.A. They are planned to be sold in 2017.

11. Allowance on trade and other receivables

	31.03.2017	31.12.2016
Opening balance of receivables allowance	129 483	116 161
Acquisition of subsidiaries	5 537	-
Addition	17 366	25 977
Reversed	(592)	(1 744)
Utilized	(2 589)	(10 911)
Closing balance of receivables allowance	149 205	129 483

During the 3-month period ended 31 March 2017 the allowance on the carrying amount of trade and other receivables increased by PLN 19 722 thousand (during the period of 3 months ended 31 March 2016 the impairment allowance increased by PLN 4 727 thousand).

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12. Inventories

	31.03.2017	31.12.2016
Materials	448 483	262 506
Semi-finished products and work in progress	465	245
Finished products	24 243	22 374
Certificates of energy origin	144 849	163 801
Merchandise	9 150	9 042
Gross carrying amount	627 190	457 968
Impairment loss on inventories	(5 729)	(9 027)
Net carrying amount	621 461	448 941

During the 3-month period ended 31 March 2017 the inventory allowance decreased by PLN 3 298 thousand (during the period of 3 months ended 31 March 2016 the inventory allowance decreased by PLN 240 thousand).

13. Certificates of energy origin

	31.03.2017	31.12.2016
Net carrying amount opening balance	161 459	196 077
Acquisition of subsidiaries	40 642	-
Self-production	6 557	57 307
Acquisition	17 252	308 543
Redemption of emission rights	(83 400)	(397 934)
Change of impairment loss	2 388	(2 534)
Other changes	-	-
Net carrying amount closing balance	144 898	161 459

14. Restricted cash

As at 31 March 2017 the total restricted cash amounted to PLN 58 242 thousand. The total restricted cash of the Group comprised transaction deposits related to trading in energy and CO₂ emission rights, deposits received from suppliers and blockade of cash to secure proper execution of works.

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

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

As at 31 March 2017, in "Financial assets measured at fair value through profit or loss" the Group presented call options on shares in Polimex-Mostostal S.A. On the basis of the agreement on call options on shares in Polimex-Mostostal S.A. dated 18 January 2017, Enea S.A. purchased call options from Towarzystwo Finansowe Silesia Sp. z o.o. This agreement provides for the purchase (in three tranches) of a total of 9 125 thousand shares, at a nominal price of PLN 2 per share,

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on specific dates, i.e.: 30 July 2020, 30 July 2021 and 30 July 2022. The call options were measured at fair value using the Black-Scholes model. The book value of the options amounted to PLN 59 741 thousand as at 31 March 2017.

Moreover, in financial assets measured at fair value through profit or loss the Group shows the valuation of forward contracts on the purchase of CO₂ emission rights of PLN 7 541 thousand (PLN 4 964 thousand as at 31 December 2016).

16. Loans, borrowings and debt securities

	31.03.2017	31.12.2016
Bank loans	1 802 890	1 561 382
Borrowings	43 882	48 594
Bonds	4 694 903	4 665 668
Long-term	6 541 675	6 275 644
Bank loans	87 382	72 586
Borrowings	12 648	10 797
Bonds	185 352	365 519
Short-term	285 382	448 902
Total	6 827 057	6 724 546

During the 3-month period ended 31 March 2017 the carrying amount of loans, borrowings and debt securities increased by net amount of PLN 102 511 thousand (during the period of 3 months ended 31 March 2016 the carrying amount of loans, borrowings and debt securities increased by net amount of PLN 101 960 thousand).

Loans and borrowings

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

Enea S.A.

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

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

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

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Enea Wytwarzanie Sp. z o.o.

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

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

The total loans of Enea Wytwarzanie Sp. z o.o. at 31 March 2017 amount to PLN 26 205 thousand (31 December 2016: PLN 27 375 thousand).

Lubelski Węgiel Bogdanka S.A.

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

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

No.	Entity	Lender	Date of agreement	Total amount	Outstanding as at 31.03.2017	Outstanding as at 31.12.2016	Term of the agreement
1.	Enea S.A.	EBI	18 October 2012 and 19 June 2013 (A and B)	1 425 000	1 425 000	1 425 000	31 December 2030
2.	Enea S.A.	EBI	29 May 2015 (C)	946 000	450 000	200 000	31 March 2032
3.	Enea S.A.	PKO BP S.A.	28 January 2014 (Annex no 1 from 25 January 2017)	300 000	-	-	31 December 2019
4.	Enea S.A.	Pekao S.A.	28 January 2014 (Annex no 1 from 25 January 2017)	150 000	-	-	31 December 2019
5.	Enea Wytwarzanie Sp. z o.o.	NFOŚiGW	6 June 2012	17 850	7 099	8 269	30 September 2018
6.	Enea Wytwarzanie Sp. z o.o.	NFOŚiGW	22 December 2015	60 075	19 106	19 106	20 December 2026
7.	LWB	mBank	16 December 2016	100 000	-	-	30 November 2018
8.	Other	-	-	-	40 417	42 563	-
TOTAL				2 998 925	1 941 622	1 694 938	
Transaction costs and the valuation effect according to the effective interest rate					5 180	(1 579)	
TOTAL				2 998 925	1 946 802	1 693 359	

Bond issue programmes

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

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

No.	Name of bonds issue programme	Date of the conclusion of programme	Amount of the programme	Amount issued as at 31.03.2017	Amount issued as at 31.12.2016	Redemption date
1.	Bonds Issue Programme Agreement with PKO BP S.A., Bank Pekao S.A., BZ WBK S.A. and Bank Handlowy w Warszawie S.A (Enea S.A.)	21 June 2012 r.	3 000 000	1 951 000	1 951 000	Redemption from June 2020 till June 2022.
2.	Bonds Issue Programme Agreement with Bank Gospodarstwa Krajowego (Enea S.A.)	15 May 2014	1 000 000	1 000 000	1 000 000	Redemption in instalments, final maturity is December 2026.
3.	Bonds Issue Programme Agreement with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A. (Enea S.A.)	30 June 2014	5 000 000	1 500 000	1 500 000	Redemption of a given series in February 2020 and September 2021.
4.	Bonds Issue Programme Agreement with Bank Gospodarstwa Krajowego (Enea S.A.)	3 December 2015	700 000	150 000	-	Redemption in instalments, final maturity is September 2027.
5.	Bonds Issue Programme Agreement with Bank PEKAO S.A. (LWB)	23 September 2013	300 000	300 041	300 041	Redemption in instalments, final maturity is December 2018.
6.	Bonds Issue Programme Agreement with Bank PEKAO S.A. and Bank Gospodarstwa Krajowego (LWB)	30 June 2014	300 000	-	300 039	Redemption in March 2017.
TOTAL			10 300 000	4 901 041	5 051 080	
Transaction costs and the valuation effect according to the effective interest rate				(20 786)	(19 893)	
TOTAL			10 300 000	4 880 255	5 031 187	

In the first quarter of 2017 Enea S.A. did not amend the program agreements, and did not enter into new agreements.

Bonds Issue Programme Agreement up to PLN 700 000 thousand

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

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

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

Transactions hedging interest rate risk

During the 3-month period ended 31 March 2017 Enea S.A. not concluded transactions to hedge interest rate risk (Interest Rate Swap). As at 31 March 2017 the total value of IRS transactions amounted to of PLN 4 435 000 thousand. The transactions are connected with realization of an interest rate risk management policy adopted for Enea Group companies. Concluded transactions will substantially affect the predictability of cash flows and financial costs. The valuation of these financial instruments is presented in "Derivatives". As at 31 March 2017 the valuation of derivatives amounted to PLN 33 703 thousand (on 31 December 2016 of PLN 40 267 thousand).

Financing conditions – covenants

Financing agreements assume compliance by the Company and Enea Group with certain financial ratios. As at 31 March 2017 and the date of these consolidated condensed interim financial statements, the Group did not breach the regulations of loan agreements, on the basis of which the Group would be required to early repayment of long-term debt.

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17. Financial instruments

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

	31.03.2017		31.12.2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets available for sale (shares in unrelated parties)	43 039	43 039	42 482	42 482
Non-current financial assets measured at fair value through profit or loss	60 927	60 927	112	112
Derivatives	33 703	33 703	40 267	40 267
Current financial assets held to maturity	480	480	478	478
Current financial assets measured at fair value through profit or loss	6 355	6 355	4 852	4 852
Trade and other receivables	1 548 315	(*)	1 435 353	(*)
Cash and cash equivalents	1 234 662	1 234 662	2 340 217	2 340 217
Cash deposits at Mine Closure Fund	111 244	111 244	111 218	111 218
Loans, borrowings and debt securities	6 827 057	6 879 341	6 724 546	6 778 513
Finance lease liabilities	4 449	4 449	5 138	5 138
Trade and other liabilities	949 510	(*)	985 504	(*)
Financial liabilities measured at fair value through profit or loss	15 595	15 595	2 502	2 502

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

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

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

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

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

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

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

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

	31.03.2017			Total
	Level 1	Level 2	Level 3	
Derivatives				
Interest Rate Swap used for hedging	-	33 703	-	33 703
Financial assets measured at fair value through profit or loss				
Forward contracts	-	7 541	-	7 541
Call options	-	59 741	-	59 741
Financial assets available for sale				
Not listed equity instruments	-	-	1 137	1 137
Total	-	100 985	1 137	102 122
Financial liabilities measured at fair value through profit or loss				
Forward contracts	-	(15 595)	-	(15 595)
Total	-	(15 595)	-	(15 595)

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

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

	31.03.2017	31.12.2016
Long-term		
Deferred income due to subsidies	207 332	206 198
Deferred income due to connection fees	412 813	416 906
Deferred income due to street lighting modernization services	39 030	36 928
	659 175	660 032
Short-term		
Deferred income due to subsidies	15 152	15 115
Deferred income due to connection fees	68 825	67 879
Deferred income due to street lighting modernization services	1 115	1 033
Valuation of building contracts	231	123
	85 323	84 150
Deferred income schedule		
	31.03.2017	31.12.2016
Up to 1 year		
1 to 5 years	85 323	84 150
Over 5 years	141 082	142 411
Long-term	518 093	517 621
	744 498	744 182

In the 3-month period ended 31 March 2017, the net increase in the book value of settlements with respect to income from subsidies and connection and other fees amounted to PLN 316 thousand (in the 3-month period ended 31 March 2016, the book value of settlements with respect to income from subsidies and connection and other fees decreased by PLN 999 thousand).

19. Deferred income tax

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

	31.03.2017	31.12.2016
Opening balance of deferred tax assets	403 257	616 795
Opening balance of deferred tax liability	191 798	388 117
Opening balance of net deferred tax (assets)/liability	(211 459)	(228 678)
Acquisition of subsidiaries	(12 789)	-
(Charge) / appreciation of the financial result	22 114	8 425
(Charge) / appreciation in other comprehensive income	(1 180)	8 794
Closing balance of net deferred tax assets, including:	(203 314)	(211 459)
Closing balance of deferred tax assets	396 832	403 257
Closing balance of deferred tax liability	193 518	191 798

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During the 3-month period ended 31 March 2017, the Group's profit before tax was debited with PLN 22 114 thousand as a result of the decrease in net deferred tax asset (during the period of 3 months ended 31 March 2016 the Group's profit before tax was debited with PLN 22 196 thousand as a result of the decrease in net deferred tax asset).

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

	31.03.2017	31.12.2016
Non-current	650 974	635 488
Current	846 545	789 718
Closing balance	1 497 519	1 425 206

During the 3-month period ended 31 March 2017 the provisions for other liabilities and charges increased by the net amount of PLN 72 313 thousand (during the period of 3 months ended 31 March 2016 the provisions for other liabilities and charges increased by the net amount of PLN 60 525 thousand).

Change in provisions for liabilities and other charges
for the period ended 31 March 2017

	Provision for non-contractual use of land	Provision for other claims	Provision for land reclamation	Provision for certificates of origin	Provision for CO2 emissions rights	Mine liquidation	Other	Total
Opening balance	203 291	41 347	49 893	275 162	285 184	110 188	460 141	1 425 206
Acquisition of subsidiaries	-	-	8 087	823	39 994	-	4 823	53 727
Unwinding of discount and discount rate change	(277)	-	-	-	-	882	-	605
Increase in provisions	4 209	25 282	197	81 498	64 811	-	7 731	183 728
Provisions used	(9)	(8)	-	(161 704)	(342)	-	(631)	(162 694)
Provision reversed	(2 012)	(96)	-	-	(112)	(181)	(652)	(3 053)
Closing balance	205 202	66 525	58 177	195 779	389 535	110 889	471 412	1 497 519

As at 31 March 2017 Enea S.A. raised a provision in the amount of PLN 22 301 thousand for potential claims related with termination by Enea S.A. of the contracts for the purchase of the certificates of energy origin from renewable energy sources.

Other provisions relate mainly:

- wind farm Skoczyczkody: PLN 129 000 thousand (as at 31 December 2016 - PLN 129 000 thousand),
- potential liabilities related to network assets resulting from differences in law interpretation - PLN 152 779 thousand (as at 31 December 2016 PLN 148 259 thousand),
- costs of using forest lands managed by State Forests - PLN 108 243 thousand (as at 31 December 2016 PLN 108 245 thousand),
- real property tax in Lubelski Węgiel Bogdanka S.A. PLN 35 223 thousand (as at 31 December 2016 PLN 32 456 thousand),
- ZUS claims regarding accident contribution in Lubelski Węgiel Bogdanka S.A. PLN 20 358 thousand (as at 31 December 2016 PLN 20 042 thousand),
- restoration of mining damages PLN 4 337 thousand (as at 31 December 2016 PLN 4 440 thousand).

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Description of significant claims and liabilities in this regard are described in note 23.

21. Related party transactions

The companies of the Group conclude the following related party transactions:

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

Transactions with members of the Group's governing bodies:

Title	Management Board of the Company		Supervisory Board of the Company	
	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016
	Remuneration under managerial contracts and consultancy agreements	675	6 694*	-
Remuneration relating to appointment of members of management and supervisory bodies	-	-	201	112
TOTAL	675	6 694	201	112

* remuneration includes bonuses for 2015 and compensation resulting from non-competition agreements for former members of the Management Board in the amount of PLN 5 960 thousand.

During the 3-month period ended 31 March 2017 there were no loans granted from the Company's Social Benefits Fund to the members of the Supervisory Board (PLN 0 thousand during the 3-month period ended 31 March 2016). During this period repayments of the loans amounted to PLN 1 thousand (PLN 2 thousand during the 3-month period ended 31 March 2016).

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

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

The transactions concern mainly:

- purchase of coal, electricity and property rights resulting from certificates of origin as regards renewable energy and energy cogenerated with heat, transmission and distribution services provided by the Group to companies whose shares are held by the State Treasury;

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

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

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

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

	31.03.2017	31.12.2016
Acquisition of property, plant and equipment	1 277 938	1 644 896
Acquisition of intangible assets	14 476	38 134
	1 292 414	1 683 030

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

23.1. Sureties and guarantees

The table below presents actual relevant bank guarantees under the agreement concluded with BZ WBK S.A. as at 31 March 2017 to the limit specified therein:

Date of guarantee	Guarantee period	Guarantee for	Bank - issuer	Guarantee value in PLN thousand
01.01.2016	11.08.2018	Górecka Projekt Sp. z o.o.	BZ WBK S.A.	1 662
21.12.2016	30.01.2018	Urząd Marszałkowski Województwa Zachodniopomorskiego in Szczecin	BZ WBK S.A.	1 325
Total of guarantees issued				2 987

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

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

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

As at 31 March 2017 there were 17 610 cases pending before common courts which have been brought by the Group for the total amount of PLN 241 986 thousand (as at 31 December 2016: 16 487 cases for the total amount of PLN 161 308 thousand).

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

Actions brought against the Group

Actions against the Group are brought both by natural and legal entities. They mainly refer to issues such as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for use by the Group of real property where electrical devices are located. The Group considers actions concerning non-contractual use of real property as particularly important

The court proceedings against Enea Wytwarzanie Sp. z o.o. are related to claims lodged by former employees, compensation and the payment of contractual penalties.

As at 31 March 2017 there were 2 311 cases pending before common courts which have been brought against the Group for the total amount of PLN 368 518 thousand (as at 31 December 2016: 2 314 cases for the total amount of PLN 368 702 thousand). Provisions related to the court cases are presented in note 20.

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

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

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

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

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

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

Two entities i.e. PKP Energetyka S.A. and PGE Polish Energy Group S.A. have agreed for mediation, however no settlement of the dispute was reached. In the case against FITEN S.A. the court in the first instance issued a judgment dismissing the complaint of Enea S.A., from which the appeal was filed. In other proceedings, there have been no settlement of disputes.

23.4. Dispute concerning energy origin certificate prices

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

A reply to the action brought by PGE GiEK S.A. was made on 11 August 2016. In response Enea S.A. filed to dismiss the lawsuit. Currently the parties are participating in mediation proceedings.

Before the District Court in Poznan, roll four more cases of identical nature.

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

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



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

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

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

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

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

In relation to the process of acquiring capital investors by Katowicki Holding Węglowy S.A., in July 2016 Enea S.A. started talks with possible investors on implementation of the Investment and its possible parameters.

On 28 October 2016 the Company and Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o. (Investors) signed a Letter of Intent expressing the preliminary interest in the financial participation in Katowicki Holding Węglowy S.A. seated in Katowice or in selected KHW's assets.

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

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

On 31 March 2017, the Company concluded:

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

Investment Agreement

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

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

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

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

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

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

Investors' Arrangement

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

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

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

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

Enea Wytwarzanie Sp. z o.o. did not acknowledge the grounds for the above claim and in its response to the claim (and in other pleadings and in the preparatory document dated 7 January 2017) it filed a motion to dismiss the claim in its entirety and for adjudging the costs of the proceedings from the Claimants on its behalf. According to valuation of the



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shares of Eco-Power Sp. z o.o., the Group created provision in the amount of PLN 129 million, which results from the difference between agreement price considering base amount PLN 286 500 000.00 and the value calculated according to the Enea SA model.

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

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

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

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

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

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

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

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

Selected separate financial data

	in PLN '000		in EUR '000	
	3 months ended 31.03.2017	3 months ended 31.03.2016	3 months ended 31.03.2017	3 months ended 31.03.2016
Net sales revenue	1 490 101	1 477 944	347 416	339 297
Operating profit	41 426	7 097	9 658	1 629
Profit before tax	98 777	20 462	23 030	4 698
Net profit for the reporting period	79 703	15 150	18 583	3 478
Net cash flows from operating activities	218 016	66 573	50 830	15 283
Net cash flows from investing activities	(1 617 801)	(290 321)	(377 189)	(66 650)
Net cash flows from financing activities	361 879	63 128	84 372	14 493
Total net cash flows	(1 037 906)	(160 620)	(241 987)	(36 874)
Weighted average number of shares (in units)	441 442 578	441 442 578	441 442 578	441 442 578
Net earnings per share (in PLN/EUR per share)	0.18	0.03	0.04	0.01
Diluted earnings per share (in PLN/EUR)	0.18	0.03	0.04	0.01
	Balance as at 31.03.2017	Balance as at 31.12.2016	Balance as at 31.03.2017	Balance as at 31.12.2016
Total assets	18 785 194	18 217 925	4 451 679	4 117 976
Total liabilities	7 770 041	7 277 446	1 841 329	1 644 992
Non-current liabilities	6 315 720	5 972 038	1 496 687	1 349 918
Current liabilities	1 454 321	1 305 408	344 642	295 074
Equity	11 015 153	10 940 479	2 610 350	2 472 983
Share capital	588 018	588 018	139 347	132 915
Book value per share (in PLN/EUR)	24.95	24.78	5.91	5.60
Diluted book value per share (in PLN/EUR)	24.95	24.78	5.91	5.60

The above financial data for 1st quarter of 2017 and 2016 were translated into EUR in line with the following principles:

- individual assets and liabilities – at the average exchange rate as of 31 March 2017 – PLN/EUR 4.2198 (as at 31 December 2016 – PLN/EUR 4.4240),
- individual items from the statement of profit or loss and other comprehensive income and the statement of cash flows – as per the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the financial period from 1 January to 31 March 2017 – PLN/EUR 4.2891 (for the period from 1 January to 31 March 2016 – PLN/EUR 4.3559).



**Condensed interim separate
financial statements
of Enea S.A.
for the period from 1 January to 31 March 2017**

Poznań, 23 May 2017

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

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

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

Members of the Management Board

President of the Management Board	Mirosław Kowalik
Member of the Management Board	Piotr Adamczak
Member of the Management Board	Mikołaj Franzkowiak
Member of the Management Board	Wiesław Piosik

Enea Centrum Sp. z o.o.

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

Enea Centrum Sp. z o.o., ul. Górecka 1, 60-201 Poznań
KRS 0000477231, NIP 777-000-28-43, REGON 630770227

.....

Poznań, 23 May 2017

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

Separate statement of financial position

	Note	Balance as at	
		31.03.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	28 423	29 063
Perpetual usufruct of land		1 963	1 970
Intangible assets	7	4 735	4 814
Investment properties		15 269	15 405
Investments in subsidiaries, associates and jointly-controlled entities	8	10 823 369	9 448 433
Deferred tax assets	17	27 300	48 562
Financial assets available for sale		41 902	41 902
Intercompany bonds	9	5 363 570	5 136 547
Financial assets measured at fair value through profit or loss	13	59 741	-
Derivatives		33 703	40 267
Trade and other receivables	10	169 162	145 111
		16 569 137	14 912 074
Current assets			
Inventories	11	27 944	84 984
Trade and other receivables	10	1 081 282	1 119 479
Current income tax receivables		14 459	-
Intercompany bonds	9	515 456	486 566
Cash and cash equivalents	12	576 916	1 614 822
		2 216 057	3 305 851
TOTAL ASSETS		18 785 194	18 217 925

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

	Note	Balance as at	
		31.03.2017	31.12.2016
EQUITY AND LIABILITIES			
EQUITY			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Reserve capital from valuation of hedging instruments		28 797	33 826
Reserve capital		2 640 358	2 640 358
Retained earnings		3 130 307	3 050 604
Total equity		11 015 153	10 940 479
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	15	6 264 520	5 918 322
Finance lease liabilities		442	510
Liabilities due to employee benefits		48 614	49 060
Provisions for other liabilities and charges	18	2 144	4 146
		6 315 720	5 972 038
Current liabilities			
Loans, borrowings and debt securities	15	195 874	136 206
Trade and other liabilities		677 662	667 226
Finance lease liabilities		251	262
Current income tax liabilities		-	31 564
Liabilities due to employee benefits		19 432	20 050
Liabilities due to an equivalent of the right to acquire shares free of charge		281	281
Other financial liabilities	16	333 565	166 653
Provisions for other liabilities and charges	18	227 256	283 166
		1 454 321	1 305 408
Total liabilities		7 770 041	7 277 446
TOTAL EQUITY AND LIABILITIES		18 785 194	18 217 925

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

Separate statement of profit or loss and other comprehensive income

	For the period	
	3 months ended 31.03.2017	3 months ended 31.03.2016
Sales revenue	1 558 581	1 546 406
Excise tax	(68 480)	(68 462)
Net sales revenue	1 490 101	1 477 944
Other operating revenue	3 147	2 591
Depreciation	(754)	(924)
Costs of employee benefits	(12 947)	(14 650)
Consumption of materials and supplies and costs of goods sold	(522)	(470)
Energy and gas purchase for sale	(938 257)	(1 007 020)
Transmission and distribution services	(420 499)	(403 924)
Other external services	(40 559)	(37 681)
Taxes and charges	(1 592)	(1 548)
(Loss)/profit on sale and liquidation of property, plant and equipment	66	(8)
Other operating expenses	(36 758)	(7 213)
Operating profit	41 426	7 097
Financial expenses	(45 282)	(35 301)
Financial revenue	102 633	48 666
Profit before tax	98 777	20 462
Income tax	(19 074)	(5 312)
Net profit for the reporting period	79 703	15 150
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
- valuation of hedging instruments	(6 209)	(28 799)
- income tax	1 180	5 472
Net other comprehensive income	(5 029)	(23 327)
Total comprehensive income for the reporting period	74 674	(8 177)
Earnings attributable to the Company's shareholders	79 703	15 150
Weighted average number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	0.18	0.03
Diluted earnings per share (in PLN per share)	0.18	0.03

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

Separate statement of changes in equity

	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Reserve capital from valuation of hedging instruments	Reserve capital	Retained earnings	Total equity
Balance as at 01.01.2017	441 443	146 575	588 018	4 627 673	33 826	2 640 358	3 050 604	10 940 479
Net profit							79 703	79 703
Other comprehensive income					(5 029)			(5 029)
Total net comprehensive income					(5 029)		79 703	74 674
Balance as at 31.03.2017	441 443	146 575	588 018	4 627 673	28 797	2 640 358	3 130 307	11 015 153

	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Reserve capital from valuation of hedging instruments	Reserve capital	Retained earnings	Total equity
Balance as at 01.01.2016	441 443	146 575	588 018	4 627 673	3 980	2 640 358	2 427 976	10 288 005
Net profit							15 150	15 150
Other comprehensive income					(23 327)			(23 327)
Total net comprehensive income					(23 327)		15 150	(8 177)
Balance as at 31.03.2016	441 443	146 575	588 018	4 627 673	(19 347)	2 640 358	2 443 126	10 279 828

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

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

Separate statement of cash flow

	3 months ended 31.03.2017	3 months ended 31.03.2016
Cash flows from operating activities		
Net profit for the reporting period	79 703	15 150
Adjustments:		
Income tax in the profit or loss and other comprehensive income	19 074	5 312
Depreciation	754	924
(Gain)/loss on sale and liquidation of property, plant and equipment	(66)	8
Gain on disposal of financial assets	(52 832)	(2 225)
Interest income	(38 988)	(39 815)
Interest expense	42 185	35 272
	<u>(29 873)</u>	<u>(524)</u>
Income tax paid	(90 935)	(117 775)
Tax of the Group	84 401	101 795
Changes in working capital		
Inventories	57 040	(14 779)
Trade and other receivables	(206)	(42 114)
Trade and other liabilities	176 862	154 955
Liabilities due to employee benefits	(1 064)	(5 598)
Provisions for other liabilities and charges	(57 912)	(24 537)
	<u>174 720</u>	<u>67 927</u>
Net cash flows from operating activities	218 016	66 573
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(170)	(1 466)
Proceeds from disposal of property, plant and equipment and intangible assets	71	9
Proceeds from disposal of financial assets	11 821	9 993
Acquisition of financial assets	(286 500)	(132 173)
Acquisition of subsidiaries, associates and jointly controlled entities	(1 371 409)	-
Additional paid-in capital (redistributable) to the share capital of the subsidiary	-	(199 899)
Proceeds related to the future acquisition of financial assets	173	119
Interests received	28 213	33 096
Net cash flows from investing activities	(1 617 801)	(290 321)
Cash flows from financing activities		
Loans and borrowings received	250 000	100 000
Bonds issue	150 000	-
Payment of finance lease liabilities	(79)	-
Expenses related to future issue of bonds	(422)	(124)
Interest paid	(37 620)	(36 748)
Net cash flows from financing activities	361 879	63 128
Net increase/ (decrease) in cash	(1 037 906)	(160 620)
Opening balance of cash	1 614 822	1 397 632
Closing balance of cash	576 916	1 237 012

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

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

Notes to the separate financial statements

1. General information about Enea S.A.

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

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

As at 31 March 2017 the shareholding structure of Enea S.A. was as follows: the State Treasury of the Republic of Poland - 51.5% of shares, PZU TFI 10.1% of shares and other shareholders – 38.4%.

As at 31 March 2017 the statutory share capital of Enea S.A. equalled to PLN 441 443 thousand (PLN 588 018 thousand upon adoption of IFRS-EU and considering hyperinflation and other adjustments) and was divided into 441 442 578 shares.

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

Enea S.A. is the parent company in the Enea Group (the Group). As at 31 March 2017 the Group comprised of 13 subsidiaries, 10 indirect subsidiaries, 1 associates and 2 jointly controlled entities.

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

2. Statement of compliance

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

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

The Management Board of the Parent Entity has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the condensed interim separate financial statements of Enea S.A. in accordance with IFRS-EU as at 31 March 2017. The presented statements and explanations have been prepared using due diligence. These condensed interim separate financial statements have not been reviewed by a certified auditor.

The Company prepares the condensed interim consolidated financial statements of the Enea Group in accordance with the IFRS EU as at and for the period of three months ended 31 March 2017. These condensed separate interim financial statements should be read together with the condensed interim consolidated financial statements of the Enea Group and annual separate financial statements of the Enea S.A. for the financial year ended 31 December 2016.

3. Accounting principles

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

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

4. Material estimates and assumptions

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

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

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

	Name and address of the Company	Share of Enea S.A. in the total number of votes in % 31.03.2017	Share of Enea S.A. in the total number of votes in % 31.12.2016
1.	Enea Operator Sp. z o.o. Poznań, Strzeszyńska 58	100	100
2.	Enea Wytwarzanie Sp. z o.o. Świerże Górne, Kozienice, Kozienice 1	100	100
3.	Enea Elektrownia Połaniec S.A. ⁶ Połaniec, Zawada 26	100	-
4.	Enea Oświetlenie Sp. z o.o. Szczecin, Ku Stońcu 34	100	100
5.	Enea Trading Sp. z o.o. Świerże Górne, gmina Kozienice, Kozienice 1	100	100
6.	Enea Logistyka Sp. z o.o. Poznań, Strzeszyńska 58	100	100
7.	Enea Serwis Sp. z o.o. Lipno, Gronówko 30	100	100
8.	Enea Centrum Sp. z o.o. Poznań, Górecka 1	100	100
9.	Enea Pomiary Sp. z o.o. Poznań, Strzeszyńska 58	100	100
10.	ENERGO-TOUR Sp. z o.o. w likwidacji Poznań, Marcinkowskiego 27	100 ⁵	100 ⁵
11.	Enea Innovation Sp. z o.o. Warszawa, Aleja Jana Pawła II 25	100	100
12.	Lubelski Węgiel BOGDANKA S. A. Bogdanka, Puchaczów	65.99	65.99
13.	Annacond Enterprises Sp. z o.o. Warszawa, Jana Pawła II 25	61	61
14.	Polimex – Mostostal S.A. Warszawa, Aleja Jana Pawła II 12	16.48	-
15.	Elektrownia Ostrołęka S.A. Ostrołęka, Elektryczna 5	11.89	-
16.	ENGIE Bioenergia Sp. z o.o. Połaniec, Zawada 26	100 ⁴	-
17.	Przedsiębiorstwo Energetyki Ciepłej Zachód Sp. z o.o. Białystok, Starosielce 2/1	100 ¹	100 ¹
18.	Centralny System Wymiany Informacji Sp. z o.o. Poznań, Strzeszyńska 58	100 ³	100 ³
19.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Oborniki, Wybudowanie 56	99.93 ¹	99.93 ¹
20.	Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Białystok, Warszawska 27	91.12 ¹	91.02 ¹
21.	Miejska Energetyka Ciepła Piła Sp. z o.o. Piła, Kaczorska 20	71.11 ¹	71.11 ¹
22.	EkoTRANS Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
23.	RG Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
24.	MR Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
25.	Łęczyńska Energetyka Sp. z o.o. Bogdanka, Puchaczów	58.53 ²	58.53 ²
26.	ElectroMobility Poland S.A. Warszawa, Mysia 2	25	25

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

- ¹ – an indirect subsidiary held through shares in Enea Wytwarzanie Sp. z o.o.
 On 17 September 2015, by Resolution no. 547/2015 adopted by the Management Board of Enea Wytwarzanie Sp. z o.o., a project titled “Purchase of employee shares of MPEC sp. z o.o. in Białystok” was launched. On 17 November 2015, by Resolution no. 661/2015 powers of attorney were granted in terms of concluding the preliminary agreements and final agreements. The number of shares available for purchase is 75 thousand. The concluding of the Preliminary Agreements was planned for the period between 7 December 2015 and 27 January 2016. The Final Agreements shall be concluded after 16 September 2016. By the end of December 2015, Preliminary Agreements on Sale of Shares worth in total PLN 747 thousand were concluded. In 2016, Enea Wytwarzanie sp. z o.o. purchased 67 209 shares of MPEC Sp. z o.o. in Białystok for the amount of PLN 7 688 thousand and as at the end of the year, it owns 91.02% of shares in the share capital. In the first quarter of 2017, Enea Wytwarzanie Sp. z o.o. purchased 1 603 shares in MPEC Sp. z o.o. in Białystok for PLN 193 thousand and held a 91.12% interest in its share capital as at 31 March 2017.
- ² – an indirect subsidiary held through shares in Lubelski Węgiel BOGDANKA S.A.
- ³ – an indirect subsidiary held through shares in Enea Operator Sp. z o.o.
- ⁴ – an indirect subsidiary held through shares in Enea Elektrownia Połaniec S.A.
- ⁵ – on 30 March 2015, the Extraordinary General Meeting of Shareholders of the company adopted a resolution concerning the dissolution of the company, after conducting a liquidation proceeding. The resolution entered into force on 1 April 2015. An application for removing the company from the register was submitted to the National Court Register on November 5, 2015. As of the date of these condensed interim separate financial statements procedural steps relating to the deletion of the company from the National Court Register are ongoing.
- ⁶ – on 10 April 2017, the company’s name was changed from ENGIE Energia Polska S.A. to Enea Elektrownia Połaniec S.A. in the National Court Register.

6. Property, plant and equipment

During the 3-month period ended 31 March 2017 the Company did not acquire property, plant and equipment (during the period of 3 months ended 31 March 2016 it was PLN respectively: 172 thousand).

During the 3-month period ended 31 March 2017 the Company completed the sale and liquidation of property, plant and equipment in the total net book value of PLN 5 thousand (during the 3 months ended 31 March 2016 respectively: PLN 17 thousand).

7. Intangible assets

During the 3-month period ended 31 March 2017 the Company did not acquire intangible assets (during the period of 3 months ended 31 March 2016 respectively: PLN 0 thousand).

During the 3-month period ended 31 March 2017 the Company did not complete sales and liquidations of intangible assets (during the period of 3 months ended 31 March 2016 respectively: PLN 0 thousand).

8. Investments in subsidiaries, associates and jointly controlled entities

	31.03.2017	31.12.2016
Opening balance	9 448 433	8 323 493
Acquisition of investments	1 371 324	9 412
Additional paid-in capital (redistributable)	-	1 138 227
Other	3 612	19 301
Change in impairment loss	-	(42 000)
Closing balance	10 823 369	9 448 433

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

Impairment loss on investments

	31.03.2017	31.12.2016
Opening balance	2 159 775	2 117 775
Addition	-	42 000
Closing balance	2 159 775	2 159 775

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

On 1 February 2017, Enea S.A. acquired 24 980 926 shares in Elektrownia Ostrołęka S.A. from ENERGA S.A. The purchase price of all shares amounted to PLN 24 000 thousand. Having taken up the shares Enea S.A. holds an 11.89% interest in the company's share capital.

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

9. Intercompany bonds

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

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

Date of contracts	Issuer	Final redemption	Credit limit	Amount used in	Bonds issued as at 31.03.2017 (principal)	Bonds issued as at 31.12.2016 (principal)
			PLN '000	PLN '000	in PLN '000	in PLN '000
10 March 2011	Enea Wytwarzanie Sp. z o.o.	31 March 2023	26 000	26 000	26 000	26 000
29 September 2011	Enea Wytwarzanie Sp. z o.o.	29 September 2019	14 500	14 500	6 000	6 000
23 July 2012	Enea Wytwarzanie Sp. z o.o.	22 July 2019	158 500	158 500	52 300	57 850
8 September 2012, agreement for the amount of PLN 4 000 000 thousand reduced by annex No. 2 dated 21 January 2015 to the amount of PLN 3 000 000 thousand	Enea Wytwarzanie Sp. z o.o.	From 15 June 2020 to 15 December 2020 depending on dates of bond series issue, the remaining amounts at the latest 15 June 2022	3 000 000	1 951 000	1 951 000	1 951 000
20 June 2013 as amended by Annex No. 1 dated 9 October 2014 and Annex No.2 dated 7 July 2015	Enea Operator Sp. z o.o.	Depending on dates of bond series issue, but not later than 17 June 2030	1 425 000	1 425 000	1 425 000	1 425 000
12 August 2014 in the amount of PLN 260 000 thousand, increased to PLN 1 000 000 thousand by Annex No. 1 dated 11 February 2015 and reduced by Annex No. 2 dated 30 December 2015 to the amount of PLN 260 000 thousand	Enea Wytwarzanie Sp. z o.o.	Redemption in instalments – final maturity 15 December 2026	260 000	260 000	260 000	260 000
17 November 2014	Enea Wytwarzanie Sp. z o.o.	31 March 2020	740 000	350 000	350 000	350 000
17 February 2015 in the amount of PLN 760 000 thousand, increased by Annex No. 1 dated 3 June 2015 to amount of PLN 1 000 000 thousand.	Enea Wytwarzanie Sp. z o.o.	10 February 2020	1 000 000	1 000 000	1 000 000	1 000 000
7 July 2015	Enea Operator Sp. z o.o.	Redemption in instalments – final maturity 17 June 2030	946 000	200 000	450 000	200 000
30 October 2015	Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.	Redemption in instalments – final maturity 31 March 2020	18 000	18 000	12 000	13 000
18 July 2016	Enea Operator Sp. z o.o.	Final maturity December 2017	360 000	360 000	360 000	360 000
Total					5 892 300	5 648 850
Transaction costs and the result of the effective interest rate measurement					(13 274)	(25 737)
Total					5 879 026	5 623 113

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

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

10. Allowance on trade and other receivables

	31.03.2017	31.12.2016
Opening balance of receivables allowance	56 111	52 697
Addition	2 251	13 353
Utilized	(1 860)	(9 939)
Closing balance of receivables allowance	56 502	56 111

During the 3-month period ended 31 March 2017 the allowance on the carrying amount of trade and other receivables increased by PLN 391 thousand (during the period of 3 months ended 31 March 2016 the impairment allowance increased by 1 930 thousand).

11. Inventories

Certificates of energy origin

	31.03.2017	31.12.2016
Opening balance	84 984	152 318
Acquisition	26 302	330 497
Redemption	(83 342)	(397 544)
Sale	-	(287)
Closing balance	27 944	84 984

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

12. Cash and cash equivalents

	31.03.2017	31.12.2016
Cash at bank	30 231	56 020
Other cash	546 685	1 558 802
- bank deposits	545 801	1 554 631
- other	884	4 171
Total cash and cash equivalents	576 916	1 614 822
Cash disclosed in the statement of cash flows	576 916	1 614 822

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

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

As at 31 March 2017, in "Financial assets measured at fair value through profit or loss" the Company presented call options on shares in Polimex-Mostostal S.A. On the basis of the agreement on call options on shares in Polimex-Mostostal S.A. dated 18 January 2017, Enea S.A. acquired call options from Towarzystwo Finansowe Silesia Sp. z o.o. This agreement provides for the purchase (in three tranches) of a total of 9 125 thousand of shares, at a nominal price of PLN 2 per share, on specific dates, i.e.: 30 July 2020, 30 July 2021 and 30 July 2022. The call options were measured at fair value using the Black-Scholes model. The book value of the options amounted to PLN 59 741 thousand as at 31 March 2017.

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

14. Financial instruments

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

	31.03.2017		31.12.2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets available for sale	41 902	41 902	41 902	41 902
Long-term intercompany bonds	5 363 570	5 420 176	5 136 547	5 206 010
Non-current financial assets measured at fair value through profit or loss	59 741	59 741	-	-
Derivatives	33 703	33 703	40 267	40 267
Short-term intercompany bonds	515 456	515 456	486 566	486 566
Trade and other receivables	1 160 747	(*)	1 143 424	(*)
Cash and cash equivalents	576 916	576 916	1 614 822	1 614 822
Long-term loans, borrowings and debt securities	6 264 520	6 316 804	5 918 322	5 972 289
Short-term loans, borrowings and debt securities	195 874	195 874	136 206	136 206
Finance lease liabilities	693	693	772	772
Other financial liabilities	333 565	333 565	166 653	166 653
Trade and other liabilities	518 053	(*)	521 535	(*)

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

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

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

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

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

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

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

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

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

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

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

	31.03.2017			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value through profit or loss				
Call options	-	59 741	-	59 741
Interest Rate Swap used for hedging	-	33 703	-	33 703
Total	-	93 444	-	93 444

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

15. Loans, borrowings and debt securities

	31.03.2017	31.12.2016
Long-term		
Bank loans	1 794 617	1 552 654
Bonds	4 469 903	4 365 668
Total	6 264 520	5 918 322
Short-term		
Bank loans	85 563	70 767
Bonds	110 311	65 439
Total	195 874	136 206
Total loans, borrowings and debt securities	6 460 394	6 054 528

Loans

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

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

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

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

No.	Lender	Date of agreement	Total amount	Outstanding as at 31.03.2017	Outstanding as at 31.12.2016	Term of the agreement
1.	European Investment Bank	18 October 2012 and 19 June 2013 (A and B)	1 425 000	1 425 000	1 425 000	31 December 2030
2.	European Investment Bank	29 May 2015 (C)	946 000	450 000	200 000	31 March 2032
3.	Bank PKO BP S.A.	28 January 2014 (Annex no 1 from 25 January 2017)	300 000	-	-	31 December 2019
4.	Bank PEKAO S.A.	28 January 2014 (Annex no 1 from 25 January 2017)	150 000	-	-	31 December 2019
TOTAL			2 821 000	1 875 000	1 625 000	
Transaction costs and the valuation effect according to the effective interest rate				5 180	(1 579)	
TOTAL			2 821 000	1 880 180	1 623 421	

Bond issue programmes

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

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

No.	Name of bonds issue programme	Date of the conclusion of programme	Amount of the programme*	Amount issued as at 31.03.2017	Amount issued as at 31.12.2016	Redemption date
1.	Bonds Issue Programme Agreement with PKO BP S.A., Bank Pekao S.A., BZ WBK S.A. and Bank Handlowy w Warszawie S.A.	21 June 2012	3 000 000	1 951 000	1 951 000	Redemption from June 2020 till June 2022
2.	Bonds Issue Programme Agreements with Bank Gospodarstwa Krajowego	15 May 2014	1 000 000	1 000 000	1 000 000	Redemption in instalments, final maturity is December 2026
3.	Bonds Issue Programme Agreements with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A.	30 June 2014	5 000 000	1 500 000	1 500 000	Redemption of a given series in February 2020 and September 2021
4.	Bonds Issue Programme Agreement with Bank Gospodarstwa Krajowego	3 December 2015	700 000	150 000	-	Redemption in instalments, final maturity is September 2027
TOTAL			9 700 000	4 601 000	4 451 000	
Transaction costs and the result of the effective interest rate measurement				(20 786)	(19 893)	
TOTAL			9 700 000	4 580 214	4 431 107	

During the first quarter of 2017 Enea S.A. did not amend the program agreements, and did not enter into new agreements.

Bonds Issue Programme Agreement up to PLN 700 000 thousand

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

Interest rate risk hedging transactions

During the 3-month period ended 31 March 2017 Enea S.A. did not conclude any transactions to hedge interest rate risk (Interest Rate Swap). The total value of the IRS's transactions on 31 March 2017 amounted to PLN 4 435 000 thousand. Concluded transactions will substantially affect the predictability of the cash flows and financial costs. The valuation of these financial instruments is presented in "Derivatives".

As at 31 March 2017 the valuation of derivatives amounted to PLN 33 703 thousand (as at 31 December 2016: PLN 40 267 thousand).

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

Financing conditions – covenants

Financing agreements assume compliance by the Company and the Group with certain financial ratios. As at 31 March 2017 and the date of these condensed separate interim financial statements, the Company did not breach the regulations of loan agreements, on the basis of which the Company would be required to early repayment of long-term debt.

16. Other financial liabilities

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

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

17. Deferred income tax

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

	31.03.2017	31.12.2016
Opening balance	48 562	63 316
Change recognized in profit or loss	(22 442)	(7 193)
Change recognized in other comprehensive income	1 180	(7 561)
Closing balance	27 300	48 562

In the 3-month period ended 31 March 2017, as a result of decrease in the deferred tax asset the negative impact on the Company's profit before tax amounted to PLN 22 442 thousand (in the 3-month period ended 31 March 2016, as a result of decrease in the deferred tax asset the charge on the Company's profit before tax amounted to PLN 17 118 thousand).

18. Provisions for liabilities and other charges

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

	31.03.2017	31.12.2016
Non-current	2 144	4 146
Current	227 256	283 166
Total	229 400	287 312

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

	Provision for non-contractual use of property	Provision for other lodged claims	Provisions for certificates of origins	Total
Balance as at 01.01.2017	9 220	6 872	271 220	287 312
Provisions applied	252	24 745	80 692	105 689
Provisions used	(9)	(8)	(161 476)	(161 493)
Reversal of provisions	(2 012)	(96)	-	(2 108)
Balance as at 31.03.2017	7 451	31 513	190 436	229 400

A description of material claims and the related contingent liabilities are presented in Note 21. In the 3-month period ended 31 March 2017, the net decrease in provisions for liabilities and other charges amounted to PLN 57 912 thousand, mainly due to the fulfilment of the obligation with respect to sales of electricity from renewable sources of energy and cogeneration to end customers (in the 3-month period ended 31 March 2016, provisions for liabilities and other charges decreased by PLN 24 537 thousand).

As at 31 March 2017, the Company recognized a provision of PLN 22 301 thousand for potential claims related to the termination of agreements on the purchase of certificates of origin for energy from renewable sources by Enea S.A.

19. Related party transactions

The Company concludes transactions with the following related parties:

1. Companies of the Enea Group

	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016
Purchases, including:	1 203 072	1 152 487
materials	134	-
services	448 984	415 192
other (including energy and gas)	753 954	737 295
Sales, including:	80 625	75 435
energy	70 502	66 969
services	406	320
other	9 717	8 146
Interest income, including:	41 264	37 646
bonds	41 210	37 591
loans	54	55
	31.03.2017	31.12.2016
Receivables	97 419	201 837
Financial assets - bonds	5 879 026	5 623 113
Loans granted	175 791	150 827
Liabilities	723 898	672 334
Other financial liabilities	333 565	166 653

In accordance with Corporate Income Tax Act regulations concerning conclusion on transactions under arm's length do not apply to legal entities comprising tax group. Transactions with the Group entities which are not the part of the Tax

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

Group are conducted on an arm's length basis, and their terms and conditions do not differ from those applied in transactions with other entities.

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

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

The value of the above transactions has been presented below:

Item	Management Board of the Company		Supervisory Board of the Company	
	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016	01.01.2017 - 31.03.2017	01.01.2016 - 31.03.2016
Remuneration under managerial and consultancy agreements	675	6 694*	-	-
Remuneration relating to appointment of members of management or supervisory bodies	-	-	201	112
TOTAL	675	6 694	201	112

* remuneration includes bonuses for 2015 and compensation resulting from non-competition agreements for former members of the Management Board in the amount of PLN 5 960 thousand

During the 3-month period ended 31 March 2017 there were no loans granted from the Company's Social Benefits Fund to the members of the Supervisory Board (PLN 0 thousand during the 3-month period ended 31 March 2016). During this period repayments of the loans amounted to PLN 1 thousand (PLN 2 thousand during the 3-month period ended 31 March 2016).

Other transactions resulting from civil law agreements concluded between Enea S.A. and Members of its governing bodies relate only to private use of company cars by Members of Enea S.A. Management Board.

3. Transactions with entities controlled by the State Treasury

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

The transactions concern mainly:

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

Such transactions are concluded under arm's length terms and their conditions do not differ from those applied in transactions with other entities. As the Company does not keep a record of the aggregate value of all transactions concluded with all state institutions and entities controlled by the State Treasury, the turnover and balances of

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

transactions with related parties disclosed in these condensed separate interim financial statements do not include data related to transactions with entities controlled by the State Treasury.

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

As at 31 March 2017 and as at 31 December 2016, the Company did not have any contractual obligations related to the purchase of tangible or intangible non-current assets which were not recognized in the statement of financial position.

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

21.1 Sureties and guaranties

In the first quarter of 2017, Enea S.A. did not conclude any surety agreement as the Guarantor.

The table below presents actual relevant bank guarantees issued by Enea S.A. under the agreement concluded with BZ WBK S.A. up to the limit specified therein as at 31 March 2017.

Date of guarantee	Guarantee period	Company from Enea Group	Guarantee for	Bank - issuer	Guarantee value in PLN thousand
12.06.2015	31.05.2018	Enea Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	4 000
29.06.2015	31.05.2018	Enea Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	5 000
01.01.2016	11.08.2018	Enea S.A.	Górecka Projekt Sp. z o.o.	BZ WBK S.A.	1 662
21.12.2016	30.01.2018	Enea S.A.	Urząd Marszałkowski Województwa Zachodniopomorskiego w Szczecinie	BZ WBK S.A.	1 325
Total of guarantees issued					11 987

The value of remaining guarantees granted by Enea S.A. as at 31 March 2017 amounted to PLN 3 294 thousand.

21.2 Pending proceedings before courts of general jurisdiction

Actions brought by the Company

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

As at 31 March 2017, the total of 13 624 cases brought by the Company were pending before common courts for the total amount of PLN 56 278 thousand (12 350 cases for the total amount of PLN 55 196 thousand as at 31 December 2016).

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

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

Actions brought against the Company

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

As at 31 March 2017 the total of 122 cases against the Company were pending before common courts for the total amount of PLN 79 116 thousand (190 cases for the total amount of PLN 54 218 thousand as at 31 December 2016). Provisions related to these court cases are presented in Note 18.

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

21.3 Motions for settlement of not balanced energy trading in 2012

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

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

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

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

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

Two entities i.e. PKP Energetyka S.A. and PGE Polish Energy Group S.A. have agreed for mediation, however no settlement of the dispute was reached. In the case against FITEN S.A. the court in the first instance issued a judgment dismissing the complaint of Enea S.A., from which the appealed was filed. In other proceedings, there have been no settlement of disputes.

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

21.4 Dispute concerning energy origin certificate prices

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

A reply to the action brought by PGE GiEK S.A. was made on 11 August 2016. In response Enea S.A. filed to dismiss the lawsuit. Currently the parties are participating in mediation proceedings.

Before the District Court in Poznan, roll four more cases of identical nature.

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

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

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

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

During the first quarter of 2017, PGE EJ 1 continued the work as part of the programme of preparation for the construction of the atomic power plant in Poland.

The Parties to the Shareholders' Agreement expect that a decision concerning the declaration of further participation of the individual Parties in the next stage of the Project will be made after the Development Stage has been completed, directly before the settlement of the integrated procedure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On 8 December 2016, the Company concluded the Investment Agreement on the implementation of the project Ostrołęka C. The subject of the Agreement is to prepare, construct, and operate the power unit referred to above. Pursuant to the Agreement signed, the co-operation will proceed, as a rule, as part of three stages: Development Stage

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

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

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

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

On 13 April 2017, the Extraordinary General Shareholders' Meeting of Elektrownia Ostrołęka S.A. adopted a resolution on increasing the company's share capital from PLN 210 100 thousand to PLN 229 100 thousand by issuing new shares. In a private subscription, Enea S.A. acquired 9 500 000 shares in consideration for the contribution in cash which was made on 28 April 2017. The capital increase is awaiting registration with the registration court.

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

In relation to the process of acquiring capital investors by Katowicki Holding Węglowy S.A., in July 2016 the Company started talks with possible investors of implementation of the Investment and its possible parameters.

On 28 October 2016, Enea S.A. signed with Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o. a letter of intent expressing preliminary interest in financial involvement in Katowicki Holding Węglowy S.A. or KHW's selected assets.

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

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

On 31 March 2017, the Company concluded:

- an investment agreement specifying the conditions for the financial investment in PGG (Investment Agreement);

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

- an arrangement relating to the exercise of a joint control over PGG (the Investors' Arrangement).

Investment Agreement

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

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

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

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

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

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

Investors' Arrangement

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

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

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

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

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

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

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

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

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

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

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