



**Extended consolidated quarterly report  
of the Enea Group  
for the third quarter of 2016**

**Poznań, 2 November 2016**

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## Selected consolidated financial data of Enea Group

|   | in PLN '000          |                      | in EUR '000          |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 9 months ended       | 9 months ended       | 9 months ended       | 9 months ended       |
|   | 30.09.2016           | 30.09.2015           | 30.09.2016           | 30.09.2015           |
| Net sales revenue                                   | 8 303 944            | 7 150 313            | 1 900 738            | 1 719 445            |
| Operating profit                                    | 949 142              | 1 046 971            | 217 255              | 251 767              |
| Profit before tax                                   | 897 585              | 1 046 231            | 205 453              | 251 589              |
| Net profit for the reporting period                 | 720 655              | 837 838              | 164 955              | 201 476              |
| Net cash flows from operating activities            | 1 822 395            | 1 345 599            | 417 139              | 323 578              |
| Net cash flows from investing activities            | (1 990 244)          | (1 389 124)          | (455 559)            | (334 044)            |
| Net cash flow from financing activities             | 328 782              | 2 413 310            | 75 257               | 580 332              |
| Total net cash flows                                | 160 933              | 2 369 785            | 36 837               | 569 865              |
| Weighted average number of shares                   | 441 442 578          | 441 442 578          | 441 442 578          | 441 442 578          |
| Net earnings per share (in PLN / EUR per share)     | 1.53                 | 1.89                 | 0.35                 | 0.46                 |
| Diluted earnings per share (in PLN / EUR per share) | 1.53                 | 1.89                 | 0.35                 | 0.46                 |
|   | <b>Balance as at</b> | <b>Balance as at</b> | <b>Balance as at</b> | <b>Balance as at</b> |
|   | <b>30.09.2016</b>    | <b>31.12.2015</b>    | <b>30.09.2016</b>    | <b>31.12.2015</b>    |
| Total assets  | 23 616 470           | 22 988 996           | 5 476 918            | 5 394 578            |
| Total liabilities                                   | 10 787 376           | 10 866 393           | 2 501 711            | 2 549 899            |
| Non-current liabilities                             | 8 667 862            | 8 457 838            | 2 010 172            | 1 984 709            |
| Current liabilities                                 | 2 119 514            | 2 408 555            | 491 538              | 565 189              |
| Equity  | 12 829 094           | 12 122 603           | 2 975 207            | 2 844 680            |
| Share capital                                       | 588 018              | 588 018              | 136 368              | 137 984              |
| Book value per share (in PLN / EUR per share)       | 29.06                | 27.46                | 6.74                 | 6.44                 |
| Diluted book value per share (in PLN/EUR per share) | 29.06                | 27.46                | 6.74                 | 6.44                 |

The above financial data for 3<sup>rd</sup> quarter of 2016 and 2015 were translated into EUR in line with the following principles:

- individual assets and liabilities – at the average exchange rate as of 30 September 2016 – 4.3120 PLN/EUR (as at 31 December 2015 – 4.2615 PLN/EUR),
- individual items from the statement of profit or loss and other comprehensive income and the statement of cash flows – as per the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the financial period from 1 January to 30 September 2016– 4.3688 PLN/EUR for the period from 1 January to 30 September 2015 – 4.1585 PLN/EUR.



**Condensed interim consolidated financial statements  
of the Enea Group  
for the period  
from 1 January to 30 September 2016**

**Poznań, 2 November 2016**

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**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

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

**Members of the Management Board**

**President of the Management Board**      **Mirosław Kowalik**      .....

**Member of the Management Board**      **Piotr Adamczak**      .....

**Member of the Management Board**      **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. Górecka 1 Street, 60-201 Poznań  
KRS 0000477231, NIP 777-000-28-43, REGON 630770227

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**Poznań, 2 November 2016**

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

|  |             | <b>Balance as at</b> |                   |
|--|-------------|----------------------|-------------------|
|  | <b>Note</b> | <b>30.09.2016</b>    | <b>31.12.2015</b> |
| <b>ASSETS</b>  |             |                      |                   |
| <b>Non-current assets</b>                                      |             |                      |                   |
| Property, plant and equipment                                  | 7           | 17 911 450           | 17 074 978        |
| Perpetual usufruct of land                                     |             | 73 570               | 74 160            |
| Intangible assets  | 8           | 346 116              | 272 116           |
| Investment property  |             | 24 567               | 20 624            |
| Investments in subsidiaries                                    |             | 3 769                | 748               |
| Deferred tax assets  | 18          | 400 476              | 616 795           |
| Financial assets available for sale                            |             | 38 982               | 23 982            |
| Derivatives  | 15          | -                    | 844               |
| Trade and other receivables                                    |             | 87 602               | 28 323            |
| Cash deposits at Mine Closure Fund                             |             | 101 360              | 90 872            |
|  |             | <b>18 987 892</b>    | <b>18 203 442</b> |
| <b>Current assets</b>  |             |                      |                   |
| CO <sub>2</sub> emission rights                                |             | 83 710               | 307 521           |
| Inventories  | 11          | 673 166              | 649 509           |
| Trade and other receivables                                    | 10          | 1 641 586            | 1 732 744         |
| Current income tax assets                                      |             | 3 023                | 31 956            |
| Financial assets held to maturity                              |             | 477                  | 479               |
| Financial assets measured at fair value through profit or loss | 14          | 223 493              | 222 011           |
| Cash and cash equivalents                                      | 13          | 1 983 027            | 1 822 094         |
| Assets held for sale   | 9           | 20 096               | 19 240            |
|  |             | <b>4 628 578</b>     | <b>4 785 554</b>  |
| <b>Total assets</b>  |             | <b>23 616 470</b>    | <b>22 988 996</b> |

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.

|  |             | <b>Balance as at</b> |                   |
|--|-------------|----------------------|-------------------|
|  | <b>Note</b> | <b>30.09.2016</b>    | <b>31.12.2015</b> |
| <b>EQUITY AND LIABILITIES</b>  |             |                      |                   |
| <b>Equity</b>  |             |                      |                   |
| <b>Equity attributable to shareholders of the Parent Company</b>               |             |                      |                   |
| Share capital  |             | 588 018              | 588 018           |
| Share premium  |             | 3 632 464            | 3 632 464         |
| Financial instruments revaluation reserve                                      |             | 590                  | 814               |
| Other capital  |             | (45 883)             | (45 883)          |
| Reserve capital from valuation of hedging instruments                          |             | (2 997)              | 3 980             |
| Retained earnings  |             | 7 827 277            | 7 158 352         |
|  |             | <b>11 999 469</b>    | <b>11 337 745</b> |
| <b>Non-controlling interests</b>   |             | 829 625              | 784 858           |
| <b>Total equity</b>  |             | <b>12 829 094</b>    | <b>12 122 603</b> |
| <b>LIABILITIES</b>   |             |                      |                   |
| <b>Non-current liabilities</b>   |             |                      |                   |
| Loans, borrowings and debt securities  | 15          | 6 312 431            | 5 933 360         |
| Trade and other liabilities  |             | 42 282               | 16 527            |
| Finance lease liabilities  |             | 844                  | 992               |
| Deferred income due to subsidies, connection fees and other                    | 17          | 663 737              | 674 682           |
| Deferred tax liability   | 18          | 167 648              | 388 117           |
| Liabilities due to employee benefits   |             | 835 364              | 818 772           |
| Derivatives  | 15          | 6 042                | -                 |
| Provisions for other liabilities and charges                                   | 19          | 639 514              | 625 388           |
|  |             | <b>8 667 862</b>     | <b>8 457 838</b>  |
| <b>Current liabilities</b>   |             |                      |                   |
| Loans, borrowings and debt securities  | 15          | 114 470              | 43 399            |
| Trade and other liabilities  |             | 815 250              | 1 223 320         |
| Finance lease liabilities  |             | 1 177                | 1 025             |
| Deferred income due to subsidies, connection fees and other                    | 17          | 80 602               | 83 666            |
| Current income tax liability   |             | 43 214               | 87 022            |
| Liabilities due to employee benefits   |             | 339 455              | 397 986           |
| 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            |             | 149                  | -                 |
| Provisions for other liabilities and charges                                   | 19          | 721 224              | 567 556           |
| Liabilities related to non-current assets held for sale                        | 9           | 3 692                | 4 300             |
|  |             | <b>2 119 514</b>     | <b>2 408 555</b>  |
| <b>Total liabilities</b>   |             | <b>10 787 376</b>    | <b>10 866 393</b> |
| <b>Total equity and liabilities</b>  |             | <b>23 616 470</b>    | <b>22 988 996</b> |



**Consolidated Statement of profit or loss and other comprehensive income**

|  |             | <b>9 months<br/>ended</b> | <b>3 months<br/>ended</b> | <b>9 months<br/>ended</b> | <b>3 months<br/>ended</b> |
|--|-------------|---------------------------|---------------------------|---------------------------|---------------------------|
|  | <b>Note</b> | <b>30.09.2016</b>         | <b>30.09.2016</b>         | <b>30.09.2015</b>         | <b>30.09.2015</b>         |
| Sales revenue  |             | 8 489 964                 | 2 765 243                 | 7 321 699                 | 2 594 654                 |
| Excise tax   |             | (186 020)                 | (60 731)                  | (171 386)                 | (56 588)                  |
| <b>Net sales revenue</b>   |             | <b>8 303 944</b>          | <b>2 704 512</b>          | <b>7 150 313</b>          | <b>2 538 066</b>          |
| Other operating revenue  |             | 98 680                    | 41 982                    | 47 055                    | 15 388                    |
| Depreciation   |             | (830 085)                 | (276 134)                 | (558 271)                 | (188 337)                 |
| Costs of employee benefits   |             | (1 074 547)               | (366 053)                 | (679 914)                 | (206 441)                 |
| Consumption of materials and supplies and costs of goods sold          |             | (1 014 474)               | (308 243)                 | (1 343 167)               | (408 029)                 |
| Energy and gas purchase for sale                                       |             | (3 046 927)               | (970 692)                 | (2 427 563)               | (822 371)                 |
| Impairment loss of non-financial non-current assets                    |             | (634 732)                 | (216 654)                 | (571 312)                 | (190 366)                 |
| Other external services  |             | (449 465)                 | (158 236)                 | (243 265)                 | (103 062)                 |
| Taxes and charges  |             | (246 004)                 | (75 105)                  | (213 654)                 | (66 280)                  |
| Profit/(Loss) on sale and liquidation of property, plant and equipment |             | (19 452)                  | (8 869)                   | (2 909)                   | (2 590)                   |
| Allowances for non-financial fixed assets                              |             | (49 352)                  | (7 352)                   | -                         | -                         |
| Other operating expenses   |             | (88 444)                  | (20 585)                  | (110 342)                 | (43 214)                  |
| <b>Operating profit</b>  |             | <b>949 142</b>            | <b>338 571</b>            | <b>1 046 971</b>          | <b>522 764</b>            |
| Financial expenses   |             | (99 594)                  | (34 426)                  | (45 475)                  | (14 884)                  |
| Financial revenue  |             | 47 889                    | 5 607                     | 42 902                    | 15 503                    |
| Dividend income  |             | 148                       | -                         | 1 833                     | -                         |
| <b>Profit before tax</b>   |             | <b>897 585</b>            | <b>309 752</b>            | <b>1 046 231</b>          | <b>523 383</b>            |
| Income tax   | 18          | (176 930)                 | (60 323)                  | (208 393)                 | (103 815)                 |
| <b>Net profit for the reporting period</b>                             |             | <b>720 655</b>            | <b>249 429</b>            | <b>837 838</b>            | <b>419 568</b>            |
| <b>Other comprehensive income</b>                                      |             |                           |                           |                           |                           |
| Items that are or may be reclassified to profit or loss:               |             |                           |                           |                           |                           |
| - change in fair value of financial assets available for sale          |             | -                         | -                         | (19 306)                  | 2 409                     |
| - valuation of hedging instruments                                     |             | (8 614)                   | 20 480                    | 8 504                     | (58 400)                  |
| - other  |             | (224)                     | (290)                     | 892                       | 1 164                     |
| - income tax   | 18          | 1 637                     | (3 891)                   | 2 051                     | 10 637                    |
| Items that will not be reclassified to profit or loss:                 |             |                           |                           |                           |                           |
| - remeasurement of defined benefit plan                                |             | (1 297)                   | -                         | 14 436                    | -                         |
| - income tax   |             | 247                       | -                         | (2 743)                   | -                         |
| <b>Net other comprehensive income</b>                                  |             | <b>(8 251)</b>            | <b>16 299</b>             | <b>3 834</b>              | <b>(44 190)</b>           |
| <b>Total comprehensive income</b>                                      |             | <b>712 404</b>            | <b>265 728</b>            | <b>841 672</b>            | <b>375 378</b>            |
| <b>Including net profit:</b>   |             |                           |                           |                           |                           |
| attributable to shareholders of the Parent                             |             | 675 888                   | 233 099                   | 836 401                   | 420 179                   |
| attributable to non-controlling interests                              |             | 44 767                    | 16 330                    | 1 437                     | (611)                     |
| <b>Including comprehensive income:</b>                                 |             |                           |                           |                           |                           |
| attributable to shareholders of the Parent                             |             | 670 292                   | 249 398                   | 840 235                   | 375 989                   |
| attributable to non-controlling interests                              |             | 42 112                    | 16 330                    | 1 437                     | (611)                     |
| Net profit attributable to shareholders of the Parent                  |             | 675 888                   | 233 099                   | 836 401                   | 420 179                   |
| Weighted average number of ordinary shares                             |             | 441 442 578               | 441 442 578               | 441 442 578               | 441 442 578               |
| <b>Basic earnings per share (in PLN per share)</b>                     |             | <b>1.53</b>               | <b>0.53</b>               | <b>1.89</b>               | <b>0.95</b>               |
| <b>Diluted earnings per share (in PLN per share)</b>                   |             | <b>1.53</b>               | <b>0.53</b>               | <b>1.89</b>               | <b>0.95</b>               |



**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

**Consolidated Statement of changes in equity**

**(a) 3<sup>rd</sup> quarter 2016**

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

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



**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

**(b) 3<sup>rd</sup> quarter 2015**

|  | Note | Share capital<br>(face value) | Revaluation of<br>share capital | Total<br>share<br>capital | Share<br>premium | Financial<br>instruments<br>revaluation<br>reserve | Other<br>capital | Hedging<br>reserve | Retained<br>earnings | Capital<br>attributable to<br>non-controlling<br>interests | Total<br>equity   |
|--|------|-------------------------------|---------------------------------|---------------------------|------------------|--|------------------|--------------------|----------------------|--|-------------------|
| <b>Balance as at 01.01.2015</b>                                |      | 441 443                       | 146 575                         | <b>588 018</b>            | <b>3 632 464</b> | <b>34 777</b>                                      | <b>(45 883)</b>  | -                  | <b>7 804 989</b>     | <b>49 648</b>  | <b>12 064 013</b> |
| Net profit for the reporting period                            |      |                               |                                 |                           |                  |  |                  |                    | 836 401              | 1 437  | 837 838           |
| Net other comprehensive income                                 |      |                               |                                 |                           |                  | (14 746)   |                  | 6 888              | 11 692               |  | 3 834             |
| <b>Total comprehensive income<br/>recognized in the period</b> |      |                               |                                 |                           |                  | <b>(14 746)</b>                                    |                  | <b>6 888</b>       | <b>848 093</b>       | <b>1 437</b>   | <b>841 672</b>    |
| Dividends  | 24   |                               |                                 |                           |                  |  |                  |                    | (207 478)            | (5)  | (207 483)         |
| <b>Balance as at 30.09.2015</b>                                |      | 441 443                       | 146 575                         | <b>588 018</b>            | <b>3 632 464</b> | <b>20 031</b>                                      | <b>(45 883)</b>  | <b>6 888</b>       | <b>8 445 604</b>     | <b>51 080</b>  | <b>12 698 202</b> |

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

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

*(all amounts in PLN'000, unless specified otherwise)*
**Consolidated Statement of Cash Flows**

|   | <b>9 months<br/>ended<br/>30.09.2016</b> | <b>9 months<br/>ended<br/>30.09.2015</b> |
|---|--|--|
| <b>Cash flows from operating activities</b>                                   |  |  |
| Net profit for the reporting period   | 720 655                                  | 837 838                                  |
| Adjustments:  |  |  |
| Income tax in profit or loss  | 176 930                                  | 208 393                                  |
| Depreciation  | 830 085                                  | 558 271                                  |
| Loss on sale and liquidation of property, plant and equipment                 | 19 452                                   | 2 909                                    |
| Impairment loss of non-financial non-current assets                           | 49 352                                   | -  |
| (Gain)/Loss on disposal of financial assets                                   | (2 420)                                  | 5 806                                    |
| Interest income   | (8 323)                                  | (6 951)                                  |
| Dividend income   | (148)                                    | (1 833)                                  |
| Interest expense  | 66 825                                   | 29 761                                   |
| (Gain)/loss on measurement of financial assets                                | -  | 38 454                                   |
| Other adjustments   | (21 455)                                 | 12 469                                   |
|   | <b>1 110 298</b>                         | <b>847 279</b>                           |
| Income tax paid   | (218 715)                                | (208 288)                                |
| Changes in working capital  |  |  |
| CO <sub>2</sub> emission rights   | 222 338                                  | 95 699                                   |
| Inventory   | (21 009)                                 | (73 540)                                 |
| Trade and other receivables   | (98 754)                                 | (46 181)                                 |
| Trade and other liabilities   | (13 975)                                 | (204 210)                                |
| Liabilities due to employee benefits  | (42 955)                                 | (18 102)                                 |
| Deferred income due to subsidies, connection fees and other                   | (14 245)                                 | 10 706                                   |
| Non-current assets held for sale and related liabilities                      | (855)                                    | (5 885)                                  |
| Provisions for other liabilities and charges                                  | 179 612                                  | 110 283                                  |
|   | <b>210 157</b>                           | <b>(131 230)</b>                         |
| <b>Net cash flows from operating activities</b>                               | <b>1 822 395</b>                         | <b>1 345 599</b>                         |
| <b>Cash flows from investing activities</b>                                   |  |  |
| Acquisition of property, plant and equipment and intangible assets            | (1 971 079)                              | (1 759 942)                              |
| Proceeds from disposal of property, plant and equipment and intangible assets | 5 071                                    | 7 868                                    |
| Acquisition of financial assets   | (20 406)                                 | (23 402)                                 |
| Proceeds from disposal of financial assets                                    | 1 263                                    | 371 694                                  |
| Acquisition of subsidiaries adjusted by acquired cash                         | (3 020)                                  | -  |
| Outflows to cash deposits at Mine Closure Fund                                | (10 488)                                 | -  |
| Dividends received  | 148                                      | 130                                      |
| Interests received  | 8 183                                    | 8 047                                    |
| Other proceeds from investing activities                                      | 84                                       | 6 481                                    |
| <b>Net cash flows from investing activities</b>                               | <b>(1 990 244)</b>                       | <b>(1 389 124)</b>                       |
| <b>Cash flows from financial activities</b>                                   |  |  |
| Proceeds from loans and borrowings  | 117 273                                  | 480 355                                  |
| Proceeds from bond issue  | 450 000                                  | 2 240 000                                |
| Loans and borrowings repaid   | (10 117)                                 | (31 842)                                 |
| Repurchase of bonds   | (100 000)                                | -  |
| Dividend paid to shareholders of the Parent                                   | (1 054)                                  | (207 478)                                |
| Payment of finance lease liabilities  | (1 003)                                  | (1 312)                                  |
| Interest paid   | (111 033)                                | (53 018)                                 |
| Expenses related to future issue of bonds                                     | (2 929)                                  | (6 825)                                  |
| Other payments from financing activities                                      | (12 355)                                 | (6 570)                                  |
| <b>Net cash flows from financial activities</b>                               | <b>328 782</b>                           | <b>2 413 310</b>                         |
| <b>Net cash flows</b>   | <b>160 933</b>                           | <b>2 369 785</b>                         |
| Balance at the beginning of the reporting period                              | 1 822 094                                | 687 316                                  |
| <b>Balance at the end of the reporting period</b>                             | <b>1 983 027</b>                         | <b>3 057 101</b>                         |

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

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

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

The main activities of the Enea Group (the Group) are:

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

As at 30 September 2016 the shareholding structure of Enea S.A. was the following: the State Treasury of the Republic of Poland 51.50% of shares, other shareholders 48.50%.

As at 30 September 2016 the statutory share capital of Enea S.A. equaled PLN 441,443 thousand (PLN 588,018 thousand upon adoption of IFRS-EU and considering hyperinflation and other adjustments) and was divided into 441,442,578 shares.

As at 30 September 2016 the Group comprised the parent company Enea S.A. (the Company, the Parent), 13 subsidiaries and 9 indirect subsidiaries.

These condensed interim consolidated financial statements should be read together with consolidated financial statements of Enea Group for the financial year ended at 31 December 2015.

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

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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 going concern may be at risk.

## **2. Statement of compliance**

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

The Management Board of the Parent Company has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the consolidated financial statements of the Enea Group in accordance with IFRS-EU as at 30 September 2016. The presented statements and explanations have been prepared using due diligence. These condensed interim consolidated financial statements have not been reviewed by a certified auditor.

## **3. Accounting principles**

These condensed interim consolidated financial statements have been prepared in accordance with accounting policies consistent with those applied during the preparation of the most recent annual consolidated financial statements for the financial year ended 31 December 2015.

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

## **4. Material estimates and assumptions**

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

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

*(all amounts in PLN'000, unless specified otherwise)*
**5. Composition of the Group – list of subsidiaries**

|     | <b>Company name and address</b>   | <b>Share of Enea S.A. in the total number of votes in % 30.09.2016</b> | <b>Share of Enea S.A. in the total number of votes in % 31.12.2015</b> |
|-----|---|--|--|
| 1.  | <b>Enea Operator Sp. z o.o.</b><br>Poznań, Strzeszyńska 58 Street                                 | 100  | 100  |
| 2.  | <b>Enea Wytwarzanie Sp. z o.o.</b><br>Świerże Górne, commune Kozienice, Kozienice 1               | 100  | 100  |
| 3.  | <b>Enea Oświetlenie Sp. z o.o.</b> <sup>4</sup><br>Szczecin, Ku Stołcu 34 Street                  | 100  | 100  |
| 4.  | <b>Enea Trading Sp. z o.o.</b><br>Świerże Górne, commune Kozienice, Kozienice 1                   | 100  | 100  |
| 5.  | <b>Szpital Uzdrowskiwowy ENERGETYK Sp. z o.o.</b><br>Inowrocław, Wilkońskiego 2 Street            | 100  | 100  |
| 6.  | <b>Enea Logistyka Sp. z o.o.</b><br>Poznań, Strzeszyńska 58 Street                                | 100  | 100  |
| 7.  | <b>Enea Serwis Sp. z o.o.</b><br>Lipno, Gronówko 30   | 100  | 100  |
| 8.  | <b>Enea Centrum Sp. z o.o.</b><br>Poznań, Górecka 1 Street  | 100  | 100  |
| 9.  | <b>Enea Pomiary Sp. z o.o.</b><br>Poznań, Strzeszyńska 58 Street                                  | 100  | 100  |
| 10. | <b>ENERGO-TOUR Sp. z o.o. in liquidation</b><br>Poznań, Strzeszyńska 58 Street                    | 100  | 100  |
| 11. | <b>Enea Innovation Sp. z o.o.</b><br>Warszawa, Jana Pawła II 25 Street                            | 100  | 100  |
| 12. | <b>Lubelski Węgiel BOGDANKA S. A.</b><br>Bogdanka, Puchaczów                                      | 65,99  | 65,99  |
| 13. | <b>Annacond Enterprises Sp. z o.o.</b><br>Warszawa, Jana Pawła II 25 Street                       | 61   | 61   |
| 14. | <b>Przedsiębiorstwo Energetyki Ciepłej Zachód Sp. z o.o.</b><br>Białystok, Starosielce 2/1 Street | 100 <sup>1</sup>   | 100 <sup>1</sup>   |
| 15. | <b>Centralny System Wymiany Informacji Sp. z o.o.</b><br>Poznań, Strzeszyńska 58 Street           | 100 <sup>3</sup>   | 100 <sup>3</sup>   |
| 16. | <b>Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.</b><br>Oborniki, Wybudowanie 56 Street          | 99,91 <sup>1</sup>   | 99,91 <sup>1</sup>   |
| 17. | <b>Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.</b><br>Białystok, Warszawska 27 Street | 86,36 <sup>1</sup>   | 86,36 <sup>1</sup>   |
| 18. | <b>Miejska Energetyka Ciepła Piła Sp. z o.o.</b><br>Piła, Kaczorska 20 Street                     | 71,11 <sup>1</sup>   | 71,11 <sup>1</sup>   |
| 19. | <b>EkoTRANS Bogdanka Sp. z o.o.</b><br>Bogdanka, Puchaczów  | 65,99 <sup>2</sup>   | 65,99 <sup>2</sup>   |
| 20. | <b>RG Bogdanka Sp. z o.o.</b><br>Bogdanka, Puchaczów  | 65,99 <sup>2</sup>   | 65,99 <sup>2</sup>   |
| 21. | <b>MR Bogdanka Sp. z o.o.</b><br>Bogdanka, Puchaczów  | 65,99 <sup>2</sup>   | 65,99 <sup>2</sup>   |
| 22. | <b>Łęczyńska Energetyka Sp. z o.o.</b><br>Bogdanka, Puchaczów                                     | 58,53 <sup>2</sup>   | 58,53 <sup>2</sup>   |

<sup>1</sup> – an indirect subsidiary held through interests in Enea Wytwarzanie Sp. z o.o.

<sup>2</sup> – an indirect subsidiary held through interests in Lubelski Węgiel BOGDANKA S.A.

<sup>3</sup> – an indirect subsidiary held through interests in Enea Operator Sp. z o.o.

<sup>4</sup> – on 16 June 2016 Extraordinary Shareholder's Meeting of Enea Oświetlenie Sp z o.o changed the company's Deed by changing the company's address to Szczecin 71-080, Ku Stołcu 34. The change of Deed was registered in the National Court Register on 6 July 2016.



## **Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

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On 13 July 2016 1 share of the company PEC Zachód Sp. z o.o. was acquired by Enea Wytwarzanie Sp. z o.o. from Enea Logistyka Sp. z o.o. Currently the only shareholder of this company is Enea Wytwarzanie Sp. z o.o.

## **6. Segment reporting**

The management of the Company'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 them.

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

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





**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

**Financial results by segments:**

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

|  | Trade            | Distribution     | Production       | Mining           | All other segments | Eliminations       | Total            |
|--|------------------|------------------|------------------|------------------|--------------------|--------------------|------------------|
| Net sales revenue  | 4 657 064        | 2 239 666        | 607 166          | 679 287          | 120 761            | -                  | 8 303 944        |
| Inter-segment sales  | 443 898          | 33 879           | 1 850 621        | 634 816          | 274 228            | (3 237 442)        | -                |
| <b>Total net sales revenue</b>                               | <b>5 100 962</b> | <b>2 273 545</b> | <b>2 457 787</b> | <b>1 314 103</b> | <b>394 989</b>     | <b>(3 237 442)</b> | <b>8 303 944</b> |
| Total expenses   | (4 983 822)      | (1 777 414)      | (2 218 826)      | (1 155 164)      | (382 538)          | 3 200 662          | (7 317 102)      |
| <b>Segment profit/(loss)</b>                                 | <b>117 140</b>   | <b>496 131</b>   | <b>238 961</b>   | <b>158 939</b>   | <b>12 451</b>      | <b>(36 780)</b>    | <b>986 842</b>   |
| Depreciation   | (550)            | (361 338)        | (184 150)        | (270 766)        | (19 928)           |                    |                  |
| Impairment loss of non-financial non-current assets          | -                | -                | (42 000)         | (7 352)          | -                  |                    |                  |
| <b>EBITDA</b>  | <b>117 690</b>   | <b>857 469</b>   | <b>465 111</b>   | <b>437 057</b>   | <b>32 379</b>      |                    | <b>1 909 706</b> |
| <b>% of net sales revenue</b>                                | <b>2.3%</b>      | <b>37.7%</b>     | <b>18.9%</b>     | <b>33.3%</b>     | <b>8.2%</b>        |                    |                  |
| Unassigned Group costs (general and administrative expenses) |                  |                  |                  |                  |                    |                    | (37 700)         |
| <b>Operating profit</b>                                      |                  |                  |                  |                  |                    |                    | <b>949 142</b>   |
| Finance cost   |                  |                  |                  |                  |                    |                    | (99 594)         |
| Finance income   |                  |                  |                  |                  |                    |                    | 47 889           |
| Dividend income  |                  |                  |                  |                  |                    |                    | 148              |
| Income tax   |                  |                  |                  |                  |                    |                    | (176 930)        |
| <b>Net profit</b>  |                  |                  |                  |                  |                    |                    | <b>720 655</b>   |
| Share of non-controlling interests                           |                  |                  |                  |                  |                    |                    | 44 767           |



**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

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

|  | Trade            | Distribution   | Production     | Mining         | All other segments | Eliminations       | Total            |
|--|------------------|----------------|----------------|----------------|--------------------|--------------------|------------------|
| Net sales revenue  | 1 517 972        | 732 741        | 175 550        | 238 722        | 39 527             | -                  | 2 704 512        |
| Inter-segment sales  | 136 313          | 9 543          | 592 978        | 226 719        | 86 914             | (1 052 467)        | -                |
| <b>Total net sales revenue</b>                               | <b>1 654 285</b> | <b>742 284</b> | <b>768 528</b> | <b>465 441</b> | <b>126 441</b>     | <b>(1 052 467)</b> | <b>2 704 512</b> |
| Total expenses   | (1 587 371)      | (574 900)      | (698 132)      | (406 859)      | (129 803)          | 1 045 730          | (2 351 335)      |
| <b>Segment profit/(loss)</b>                                 | <b>66 914</b>    | <b>167 384</b> | <b>70 396</b>  | <b>58 582</b>  | <b>(3 362)</b>     | <b>(6 737)</b>     | <b>353 177</b>   |
| Depreciation   | (216)            | (119 400)      | (63 222)       | (88 232)       | (7 246)            |                    |                  |
| Impairment loss of non-financial non-current assets          | -                | -              | -              | (7 352)        | -                  |                    |                  |
| <b>EBITDA</b>  | <b>67 130</b>    | <b>286 784</b> | <b>133 618</b> | <b>154 166</b> | <b>3 884</b>       |                    | <b>645 582</b>   |
| <b>% of net sales revenue</b>                                | <b>4.1%</b>      | <b>38.6%</b>   | <b>17.4%</b>   | <b>33.1%</b>   | <b>3.1%</b>        |                    |                  |
| Unassigned Group costs (general and administrative expenses) |                  |                |                |                |                    |                    | (14 606)         |
| <b>Operating profit</b>                                      |                  |                |                |                |                    |                    | <b>338 571</b>   |
| Finance cost   |                  |                |                |                |                    |                    | (34 426)         |
| Finance income   |                  |                |                |                |                    |                    | 5 607            |
| Income tax   |                  |                |                |                |                    |                    | (60 323)         |
| <b>Net profit</b>  |                  |                |                |                |                    |                    | <b>249 429</b>   |
| Profit share non-controlling interests                       |                  |                |                |                |                    |                    | 16 330           |



**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

(c) Segment reporting for the period from 1 January to 30 September 2015:

|  | Trade            | Distribution     | Production       | All other segments | Eliminations       | Total            |
|--|------------------|------------------|------------------|--------------------|--------------------|------------------|
| Net sales revenue  | 3 899 413        | 2 224 609        | 899 559          | 126 732            | -                  | 7 150 313        |
| Inter-segment sales  | 318 471          | 43 663           | 1 756 745        | 260 118            | (2 378 997)        | -                |
| <b>Total net sales revenue</b>                               | <b>4 217 884</b> | <b>2 268 272</b> | <b>2 656 304</b> | <b>386 850</b>     | <b>(2 378 997)</b> | <b>7 150 313</b> |
| Total expenses   | (4 130 834)      | (1 764 077)      | (2 167 943)      | (371 013)          | 2 361 383          | (6 072 484)      |
| <b>Segment profit/(loss)</b>                                 | <b>87 050</b>    | <b>504 195</b>   | <b>488 361</b>   | <b>15 837</b>      | <b>(17 614)</b>    | <b>1 077 829</b> |
| Depreciation   | (589)            | (328 657)        | (219 935)        | (13 286)           |                    |                  |
| <b>EBITDA</b>  | <b>87 639</b>    | <b>832 852</b>   | <b>708 296</b>   | <b>29 123</b>      |                    | <b>1 657 910</b> |
| <b>% of net sales revenue</b>                                | <b>2.1%</b>      | <b>36.7%</b>     | <b>26.7%</b>     | <b>7.5%</b>        |                    |                  |
| Unassigned Group costs (general and administrative expenses) |                  |                  |                  |                    |                    | (30 858)         |
| <b>Operating profit</b>                                      |                  |                  |                  |                    |                    | <b>1 046 971</b> |
| Finance cost   |                  |                  |                  |                    |                    | (45 475)         |
| Finance income   |                  |                  |                  |                    |                    | 42 902           |
| Dividend income  |                  |                  |                  |                    |                    | 1 833            |
| Income tax   |                  |                  |                  |                    |                    | (208 393)        |
| <b>Net profit</b>  |                  |                  |                  |                    |                    | <b>837 838</b>   |
| Share of non-controlling interests                           |                  |                  |                  |                    |                    | 1 437            |



**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

(d) Segment reporting for the period from 1 July to 30 September 2015:

|  | Trade            | Distribution   | Production       | All other segments | Eliminations     | Total            |
|--|------------------|----------------|------------------|--------------------|------------------|------------------|
| Net sales revenue  | 1 283 532        | 750 923        | 459 627          | 43 984             | -                | 2 538 066        |
| Inter-segment sales  | 89 475           | 16 994         | 588 229          | 95 151             | (789 849)        | -                |
| <b>Total net sales revenue</b>                               | <b>1 373 007</b> | <b>767 917</b> | <b>1 047 856</b> | <b>139 135</b>     | <b>(789 849)</b> | <b>2 538 066</b> |
| Total expenses   | (1 366 654)      | (590 044)      | (702 493)        | (132 636)          | 786 679          | (2 005 148)      |
| <b>Segment profit/(loss)</b>                                 | <b>6 353</b>     | <b>177 873</b> | <b>345 363</b>   | <b>6 499</b>       | <b>(3 170)</b>   | <b>532 918</b>   |
| Depreciation   | (221)            | (111 419)      | (73 861)         | (4 287)            |                  |                  |
| <b>EBITDA</b>  | <b>6 574</b>     | <b>289 292</b> | <b>419 224</b>   | <b>10 786</b>      |                  | <b>725 876</b>   |
| <b>% of net sales revenue</b>                                | <b>0.5%</b>      | <b>37.7%</b>   | <b>40.0%</b>     | <b>7.8%</b>        |                  |                  |
| Unassigned Group costs (general and administrative expenses) |                  |                |                  |                    |                  | (10 154)         |
| <b>Operating profit</b>                                      |                  |                |                  |                    |                  | <b>522 764</b>   |
| Finance cost   |                  |                |                  |                    |                  | (14 884)         |
| Finance income   |                  |                |                  |                    |                  | 15 503           |
| Income tax   |                  |                |                  |                    |                  | (103 815)        |
| <b>Net profit</b>  |                  |                |                  |                    |                  | <b>419 568</b>   |
| Share of non-controlling interests                           |                  |                |                  |                    |                  | (611)            |



**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

**Financial results by segments (cd.)**

(a) Other segment reporting as at 30 September 2016:

|   | Trade   | Distribution | Production | Mining    | All other segments | Eliminations | Total             |
|---|---------|--------------|------------|-----------|--------------------|--------------|-------------------|
| Property, plant and equipment                     | 15 851  | 7 747 592    | 7 480 523  | 2 771 787 | 300 839            | (418 659)    | 17 897 933        |
| Trade and other receivables                       | 883 292 | 461 030      | 437 849    | 224 180   | 112 681            | (591 983)    | 1 527 049         |
| Total   | 899 143 | 8 208 622    | 7 918 372  | 2 995 967 | 413 520            | (1 010 642)  | 19 424 982        |
| ASSETS excluded from segmentation                 |         |              |            |           |                    |              | 4 191 488         |
| - including property, plant and equipment         |         |              |            |           |                    |              | 13 517            |
| - including trade and other receivables           |         |              |            |           |                    |              | 202 139           |
| <b>TOTAL: ASSETS</b>                              |         |              |            |           |                    |              | <b>23 616 470</b> |
| Trade and other liabilities                       | 404 622 | 288 222      | 241 155    | 219 662   | 130 446            | (518 643)    | 765 464           |
| Equity and liabilities excluded from segmentation |         |              |            |           |                    |              | 22 851 006        |
| - including trade and other liabilities           |         |              |            |           |                    |              | 92 068            |
| <b>TOTAL: EQUITY AND LIABILITIES</b>              |         |              |            |           |                    |              | <b>23 616 470</b> |

**for the 9-month period ended 30 September 2016**

|   |       |         |         |         |        |          |           |
|---|-------|---------|---------|---------|--------|----------|-----------|
| Capital expenditure for tangible and intangible fixed assets                            | 226   | 668 787 | 938 331 | 214 835 | 56 052 | (44 841) | 1 833 390 |
| Capital expenditure for tangible and intangible fixed assets excluded from segmentation |       |         |         |         |        |          | -         |
| Depreciation and amortization   | 550   | 361 338 | 184 150 | 270 766 | 19 928 | (8 063)  | 828 669   |
| Depreciation and amortization excluded from segmentation                                |       |         |         |         |        |          | 1 416     |
| Recognition/(derecognition/utilization) of receivables allowance                        | 2 369 | 3 036   | 1 846   | 2 774   | (258)  | 745      | 10 512    |

The notes presented on pages 13-40 constitute an integral part of the condensed interim consolidated financial statements.



**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

(b) Other segment reporting as at 31 December 2015:

|   | Trade   | Distribution | Production | Mining    | All other segments | Eliminations | Total             |
|---|---------|--------------|------------|-----------|--------------------|--------------|-------------------|
| Property, plant and equipment                     | 18 521  | 7 486 881    | 6 766 080  | 2 889 367 | 289 240            | (387 861)    | 17 062 228        |
| Trade and other receivables                       | 911 560 | 453 446      | 401 867    | 232 143   | 105 722            | (474 767)    | 1 629 971         |
| Total   | 930 081 | 7 940 327    | 7 167 947  | 3 121 510 | 394 962            | (862 628)    | 18 692 199        |
| ASSETS excluded from segmentation                 |         |              |            |           |                    |              | 4 296 797         |
| - including property, plant and equipment         |         |              |            |           |                    |              | 12 750            |
| - including trade and other receivables           |         |              |            |           |                    |              | 131 096           |
| <b>TOTAL: ASSETS</b>                              |         |              |            |           |                    |              | <b>22 988 996</b> |
| Trade and other liabilities                       | 229 234 | 429 474      | 473 841    | 197 420   | 209 924            | (429 126)    | 1 110 767         |
| Equity and liabilities excluded from segmentation |         |              |            |           |                    |              | 21 878 229        |
| - including trade and other liabilities           |         |              |            |           |                    |              | 129 080           |
| <b>TOTAL: EQUITY AND LIABILITIES</b>              |         |              |            |           |                    |              | <b>22 988 996</b> |

**for the 9-month period ended 30 September 2015**

|   |       |         |           |   |        |          |           |
|---|-------|---------|-----------|---|--------|----------|-----------|
| Capital expenditure for tangible and intangible fixed assets                            | 543   | 501 228 | 1 392 970 | - | 40 651 | (49 903) | 1 885 489 |
| Capital expenditure for tangible and intangible fixed assets excluded from segmentation |       |         |           |   |        |          | -         |
| Depreciation and amortization   | 589   | 328 657 | 219 935   | - | 13 286 | (7 287)  | 555 180   |
| Depreciation and amortization excluded from segmentation                                |       |         |           |   |        |          | 3 091     |
| Recognition/(derecognition/utilization) of receivables allowance                        | 1 992 | 2 336   | (979)     | - | 1 470  | (4)      | 4 815     |

## **7. Property, plant and equipment**

During the 9-month period ended 30 September 2016 the Group acquired property, plant and equipment for the total amount of PLN 1,746,139 thousand (during the period of 9 months ended 30 September 2015 it was PLN 1,861,655 thousand). The mentioned above amount relates mainly to production segment (PLN 923,817 thousand) and distribution segment (PLN 604,468 thousand). Expenditures in the production segment relate primarily to the construction of a new power unit.

During the 9-month period ended 30 September 2016 the Group completed the sale and liquidation of property, plant and equipment in the total net book value of PLN 24,501 thousand (during the 9 months ended 30 September 2015 respectively: PLN 6,532 thousand).

### **Impairment of property, plant and equipment**

As at June 30 the Group analyzed the indicators for impairment of property, plant and equipment. As a result of the implementation of the act of 20 May 2016 on investments in wind farms, the method for qualifying of fixed assets in wind farms into real property taxation basis shall change starting from 2017. Due to the change in calculating real property taxes, the Company updated the impairment tests performed in 2015 in a subsidiary which deals with energy generation from wind sources and assessed the impact of the increased taxes upon the value-in-use of property, plant and equipment. Based on the analysis, impairment on property, plant and equipment has been identified of PLN 42,000 thousand. The impairment loss reduced the Group's net result by PLN 34,020 thousand.

## **8. Intangible assets**

During the 9-month period ended 30 September 2016 the Group acquired intangible assets for the total amount of PLN 87,251 thousand (during the period of 9 months ended 30 September 2015 it was PLN 23,834 thousand).

During the 9-month period ended 30 September 2016 the Group has brought into use intangible assets from intangible assets under construction in the amount of PLN 4,281 thousand (during the period of 9 months ended 30 September 2015: PLN 76,694 thousand).

During the 9-month period ended 30 September 2016 the Group did not complete significant sales and liquidations of intangible assets (neither during the period of 9 months ended 30 September 2015).

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**9. Non-current assets held for sale**

|  | <b>30.09.2016</b> | <b>31.12.2015</b> |
|--|-------------------|-------------------|
| Property, plant and equipment                                  | 25 964            | 25 108            |
| Deferred tax assets  | 729               | 729               |
| <b>Total gross amount of non-current assets held for sale</b>  | <b>26 693</b>     | <b>25 837</b>     |
| Impairment loss  | (6 597)           | (6 597)           |
| <b>Non-current assets held for sale</b>                        | <b>20 096</b>     | <b>19 240</b>     |
| Loans, borrowings and debt securities                          | 3 692             | 4 300             |
| <b>Liabilities related to non-current assets held for sale</b> | <b>3 692</b>      | <b>4 300</b>      |

In the 9-month period ended 30 September 2016 the amount of assets held for sale increased by PLN 856 thousand. The increase relates to the property of Zakład Ceramiki Budowlanej, which belongs to Lubelski Węgiel "Bogdanka" S.A. Under the agreement concluded, the sale is expected to be completed at the end of 2016.

As at 30 September 2016 assets of Szpital Uzdrowiskowy ENERGETYK Sp. z o. o. are presented as non-current assets held for sale and liabilities of that company as liabilities related to non-current assets held for sale.

On the basis of a resolution of the Management Board of Enea S.A. No. 40/2016 dated 24 February 2016 the Company commenced proceedings related to the sale of shares in Szpital Uzdrowiskowy ENERGETYK Sp. z o.o. in a public invitation to negotiations. As a result, a share sales agreement was concluded and will remain binding should the investor fulfill the contractual obligations – it may take place this year.

**10. Allowance on trade and other receivables**

|   | <b>30.09.2016</b> | <b>31.12.2015</b> |
|---|-------------------|-------------------|
| <b>Opening balance of receivables allowance</b> | 116 161           | 122 439           |
| Addition  | 19 866            | 32 942            |
| Reversed  | (665)             | (2 542)           |
| Utilized  | (8 689)           | (36 678)          |
| <b>Closing balance of receivables allowance</b> | <b>126 673</b>    | <b>116 161</b>    |

During the 9-month period ended 30 September 2016 the allowance on the carrying amount of trade and other receivables increased by PLN 10,512 thousand (during the period of 9 months ended 30 September 2015 the impairment allowance increased by PLN 4,815 thousand).



## 11. Inventory

During the 9-month period ended 30 September 2016 the inventory allowance increased by PLN 5,544 thousand (during the period of 9 months ended 30 September 2015 the inventory allowance decreased by PLN 941 thousand).

## 12. Certificates of origin

|  | <b>30.09.2016</b> | <b>31.12.2015</b> |
|--|-------------------|-------------------|
| <b>Net carrying amount opening balance</b> | <b>196 077</b>    | <b>201 633</b>    |
| Self-production                            | 45 276            | 132 595           |
| Acquisition                                | 250 632           | 202 520           |
| Redemption                                 | (170 705)         | (343 575)         |
| Impairment loss                            | (4 329)           | 3 580             |
| Other changes                              | -                 | (676)             |
| <b>Net carrying amount closing balance</b> | <b>316 951</b>    | <b>196 077</b>    |

## 13. Restricted cash

As at 30 September 2016 the restricted cash amounted to PLN 39,983 thousand. These were generally cash for electricity transaction deposits and deposits for CO<sub>2</sub> emission rights, security deposits received from suppliers, as well as cash blocked to secure due performance of contracts.

As at 31 December 2015 the restricted cash amounted to PLN 59,262 thousand.

## 14. Financial assets measured at fair value through profit or loss

As at 30 September 2016 the carrying amount of the portfolio of financial instruments managed by a specialized institution amounted to PLN 221,278 thousand and comprised financial assets measured at fair value through profit or loss - treasury bills and bonds in the amount of PLN 220,502 thousand (as at 31 December 2015, carrying amount of the portfolio amounted to PLN 216,826 thousand, including financial assets at fair value through profit or loss - treasury bills and bonds in the amount of PLN 215,488 thousand).

Additionally, within financial assets measured at fair value through profit or loss the Group recognizes future contracts for the purchase of CO<sub>2</sub> emission rights - PLN 2,991 thousand (as at 31 December 2015: PLN 6,523 thousand).

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**15. Loans, borrowings and debt securities**

|                   | <b>30.09.2016</b> | <b>31.12.2015</b> |
|-------------------|-------------------|-------------------|
| Bank loans        | 1 595 438         | 1 529 220         |
| Borrowings        | 43 663            | 35 433            |
| Bonds             | 4 673 330         | 4 368 707         |
| <b>Long-term</b>  | <b>6 312 431</b>  | <b>5 933 360</b>  |
| Bank loans        | 44 574            | 5 342             |
| Borrowings        | 10 555            | 9 583             |
| Bonds             | 59 341            | 28 474            |
| <b>Short-term</b> | <b>114 470</b>    | <b>43 399</b>     |
| <b>Total</b>      | <b>6 426 901</b>  | <b>5 976 759</b>  |

During the 9-month period ended 30 September 2016 the carrying amount of loans, borrowings and debt securities increased by net amount of PLN 450,142 thousand (during the period of 9 months ended 30 September 2015 the carrying amount of loans, borrowings and debt securities increased by net amount of PLN 2,692,839 thousand).

**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 March 2017. Interest rate on loans can be fixed or floating.

In January 2016, Enea S.A. received the second tranche of a loan within C Agreement ("Agreement C") that was awarded by the European Investment Bank in the amount of PLN 100,000 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 September 2030.

**Bond issue programs**

Enea S.A. concludes agreements for bonds issue programs to finance current operations and investments of Enea S.A. and its subsidiaries. Also Lubelski Wegiel "Bogdanka" S.A. has liabilities arising from bond programmes.


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| No.   | Name of bonds issue programme   | Date of the conclusion of programme | Amount of the programme | Amount issued as at 30.09.2016 | Amount issued as at 31.12.2015 | Redemption date  |
|---|---|-------------------------------------|-------------------------|--------------------------------|--------------------------------|--|
| 1.  | Bonds Issue Programme Agreement with PKO BP S.A., Bank PEKAO S.A., BZ WBK S.A. and Bank Handlowy w Warszawie S.A. (Enea S.A.) | 21 June 2012                        | 3 000 000               | 1 651 000                      | 1 201 000                      | 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                 | -                              | -                              | Redemption in instalments, final maturity is September 2027.     |
| 5.  | Bonds Issue Programme Agreement with Bank PEKAO S.A. (LWB)  | 23 September 2013                   | 300 000                 | 300 019                        | 300 040                        | 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                 | 300 020                        | 400 052                        | Redemption in June 2017.   |
| <b>TOTAL</b>  |   |                                     | <b>10 300 000</b>       | <b>4 751 039</b>               | <b>4 401 092</b>               |  |
| Transaction costs and the result of the effective interest rate measurement |   |                                     |                         | (18 368)                       | (3 911)                        |  |
| <b>TOTAL</b>  |   |                                     | <b>10 300 000</b>       | <b>4 732 671</b>               | <b>4 397 181</b>               |  |

During the 9-month period ended 30 September 2016, Enea S.A. did not change the Programme Contracts, neither concluded new contracts. Under a Program Agreement of 21 June 2012, Enea S.A. issued VI series of bonds of PLN 300,000 thousand on 19 May 2016 and VII series of bonds of PLN 150,000 thousand on 19 August 2016. The interest of the bonds is based on a variable interest rate, and the bond redemption date is 15 June 2022.



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Group liabilities relating to bonds include bonds issued by Lubelski Węgiel "Bogdanka" S.A. The carrying amount of the aforementioned bonds amounts to PLN 600,039 thousand.

Financial liabilities of LWB arising from issued bond relates to two programme contracts. Under the first Programme Contract concluded by the company on 23 September 2013 with Polska Kasa Opieki S.A. Bank 3,000 bonds of total value PLN 300,000 thousand with maturity on 31 December 2018 were issued. The maturity date of bonds is 30 March 2018 (PLN 75,000 thousand), 30 June 2018 (PLN 75,000 thousand), 30 September 2018 (PLN 75,000 thousand) and 30 December 2018 (PLN 75,000 thousand). The interest rate of the bonds is based on WIBOR 3M plus fixed margin.

Under the second Programme Agreement concluded by LWB on 30 June 2014 with Polska Kasa Opieki S.A. Bank and with Bank Gospodarstwa Krajowego 400 bonds worth PLN 400,000 thousand with maturity on 30 June 2016 were issued. According to the programme, the company is entitled to issue another obligation series as part of a particular tranche for the purpose of refinancing of the previous issue of a particular tranche (rollover), which justifies long-term nature of bonds issue. 30 June 2016 was a maturity date of two issues of bonds issued as part of a particular tranche on 30 June 2015 of PLN 400,000 thousand. In order to refinance issue of the bonds with maturity date on 30 June 2016, the company issued total of 300 registered bonds of a new series as part of Tranche No. 1, with a total value of PLN 300,000 thousand. The maturity date of the new series of bonds is 30 June 2017. Moreover, on the same date LWB redeemed remaining 100 bonds worth PLN 100,000 thousand.

### **Interest rate risk hedging transactions**

During the 9-month period ended 30 September 2016, Enea S.A. concluded interest rate swap transactions to hedge interest rate risk related to the debt of PLN 1,440,000 thousand. On 30 September 2016, the total value of the IRS's transactions amounted to PLN 4,435,000 thousand. Concluded transactions will substantially affect the predictability of the cash flows relating to expenditure and financial costs. The valuation of these financial instruments is presented in "Derivatives". As at 30 September 2016 the valuation of derivatives amounted PLN 6,042 thousand.

### **Financing conditions – covenants**

Financing agreements assume compliance by Enea S.A., Lubelski Węgiel "Bogdanka" S.A and the Enea Group with certain financial ratios. As at 30 September 2016 and the date of these condensed interim consolidated financial statements, the Group did not breach the regulations of loan agreements, on the basis of which the Group would be required to early repayment of long-term debt.

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**16. Financial instruments**

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

|  | 30.09.2016      |            | 31.12.2015      |            |
|--|-----------------|------------|-----------------|------------|
|  | Carrying amount | Fair value | Carrying amount | Fair value |
| Non-current financial assets available for sale (shares in unrelated parties)  | 38 982          | 38 982     | 23 982          | 23 982     |
| Derivatives  | -               | -          | 844             | 844        |
| Current financial assets held to maturity                                      | 477             | 477        | 479             | 479        |
| Current financial assets measured at fair value through profit or loss         | 223 493         | 223 493    | 222 011         | 222 011    |
| Trade and other receivables  | 1 312 277       | (*)        | 1 423 461       | (*)        |
| Cash and cash equivalents  | 1 983 027       | 1 983 027  | 1 822 094       | 1 822 094  |
| Cash deposits at Mine Closure Fund   | 101 360         | 101 360    | 90 872          | 90 872     |
| Loans, borrowings and debt securities  | 6 426 901       | 6 469 614  | 5 976 759       | 6 015 494  |
| Finance lease liabilities  | 2 021           | 2 021      | 2 017           | 2 017      |
| Trade and other liabilities  | 711 390         | (*)        | 1 042 611       | (*)        |
| Derivatives  | 6 042           | 6 042      | -               | -          |
| Short-term financial liabilities measured at fair value through profit or loss | 149             | 149        | -               | -          |

(\*)The carrying amounts of trade and other receivables and trade and other liabilities approximate their fair values.

Financial assets available for sale include shares in unrelated parties for which the ratio of interest in equity is lower than 20%, including shares in company PGE EJ1 Sp. z o.o. in the amount of PLN 23,402 thousand, for which there is no market price quoted on the active market and whose fair value – due to the initial phase of company activity – is defined on the basis of the expenses incurred.

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.

Current financial assets measured at fair value through profit or loss include an investment portfolio managed by a company specialized in professional cash management. The fair value of the investment portfolio is estimated based on market quotations.

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.

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|   | <b>30.09.2016</b> |                |                | <b>Total</b>   |
|---|-------------------|----------------|----------------|----------------|
|   | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> |                |
| <b>Financial assets measured at fair value through profit or loss</b> |                   |                |                |                |
| Forward contracts   | -                 | 2 991          | -              | 2 991          |
| Non-derivative financial assets held for trading                      | 220 502           | -              | -              | 220 502        |
| <b>Financial assets available for sale</b>                            |                   |                |                |                |
| Not listed equity instruments   | -                 | -              | 580            | 580            |
| <b>Total</b>  | <b>220 502</b>    | <b>2 991</b>   | <b>580</b>     | <b>224 073</b> |
| <b>Derivatives</b>  |                   |                |                |                |
| Interest Rate Swap used for hedging                                   | -                 | (6 042)        | -              | (6 042)        |
| <b>Total</b>  | <b>-</b>          | <b>(6 042)</b> | <b>-</b>       | <b>(6 042)</b> |

|   | <b>31.12.2015</b> |                |                | <b>Total</b>   |
|---|-------------------|----------------|----------------|----------------|
|   | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> |                |
| <b>Derivatives</b>  |                   |                |                |                |
| Interest Rate Swap used for hedging                                   | -                 | 844            | -              | 844            |
| <b>Financial assets measured at fair value through profit or loss</b> |                   |                |                |                |
| Forward contracts   | -                 | 6 523          | -              | 6 523          |
| Non-derivative financial assets held for trading                      | 215 488           | -              | -              | 215 488        |
| <b>Financial assets available for sale</b>                            |                   |                |                |                |
| Not listed equity instruments   | -                 | -              | 580            | 580            |
| <b>Total</b>  | <b>215 488</b>    | <b>7 367</b>   | <b>580</b>     | <b>223 435</b> |

**17. Deferred income from subsidies, connection fees and other**

|   | <b>30.09.2016</b> | <b>31.12.2015</b> |
|---|-------------------|-------------------|
| <b>Non-current</b>  |                   |                   |
| Deferred income due to subsidies                              | 209 998           | 215 699           |
| Deferred income due to connection fees                        | 421 025           | 433 043           |
| Deferred income due to street lighting modernization services | 32 714            | 25 940            |
|   | <b>663 737</b>    | <b>674 682</b>    |
| <b>Current</b>  |                   |                   |
| Deferred income due to subsidies                              | 15 080            | 14 890            |
| Deferred income due to connection fees                        | 64 495            | 65 891            |
| Deferred income due to street lighting modernization services | 849               | 687               |
| Valuation of construction contracts                           | 178               | 2 198             |
|   | <b>80 602</b>     | <b>83 666</b>     |
| <b>Deferred income schedule</b>                               |                   |                   |
|   | <b>30.09.2016</b> | <b>31.12.2015</b> |
| Up to 1 year  | 80 602            | 83 666            |
| 1 to 5 years  | 142 203           | 142 664           |
| Over 5 years  | 521 534           | 532 018           |
|   | <b>744 339</b>    | <b>758 348</b>    |

During the 9-month period ended 30 September 2016 the carrying amount of deferred income from subsidies, connection fees and other decreased by the net amount of PLN 14,009 thousand (during period of 9 months ended 30 September 2015 the carrying amount increased by PLN 9,418 thousand).

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**18. Deferred income tax**

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

|  | <b>30.09.2016</b> | <b>31.12.2015</b> |
|--|-------------------|-------------------|
| <b>Deferred tax assets – opening balance</b>                 | <b>616 795</b>    | <b>167 207</b>    |
| <b>Deferred tax liability – opening balance</b>              | <b>388 117</b>    | <b>255 374</b>    |
| Net deferred tax (asset)/ liability – opening balance        | (228 678)         | 88 167            |
| Acquisition of subsidiaries                                  |                   | (12 523)          |
| Change recognized in profit or loss                          | (2 266)           | (305 069)         |
| Change recognized in other comprehensive income              | (1 884)           | 747               |
| <b>Net deferred tax assets – closing balance, including:</b> | <b>(232 828)</b>  | <b>(228 678)</b>  |
| <b>Deferred tax assets – closing balance</b>                 | <b>400 476</b>    | <b>616 795</b>    |
| <b>Deferred tax liability – closing balance</b>              | <b>167 648</b>    | <b>388 117</b>    |

In the first 9 months of 2016 the Group offset temporary differences (impairment loss on non-financial non-current assets) which resulted in the decrease of deferred tax asset and deferred tax liability, but did not affect the net deferred tax asset.

During the 9-month period ended 30 September 2016, the Group's profit before tax was credited with PLN 2,266 thousand as a result of the increase in net deferred tax asset (during the period of 9 months ended 30 September 2015 the Group's profit before tax was debited by PLN 20,483 thousand as a result of the increase in net deferred tax liability).

**19. Provisions for other liabilities and charges**
**Non-current and current provisions for other liabilities and charges**

|              | <b>30.09.2016</b> | <b>31.12.2015</b> |
|--------------|-------------------|-------------------|
| Non-current  | 639 514           | 625 388           |
| Current      | 721 224           | 567 556           |
| <b>Total</b> | <b>1 360 738</b>  | <b>1 192 944</b>  |

During the 9-month period ended 30 September 2016 the provisions for other liabilities and charges increased by the net amount of PLN 167,794 thousand (during the period of 9 months ended 30 September 2015 the provisions for other liabilities and charges increased by the net amount of PLN 111,356 thousand).

**Change in provisions for other liabilities and charges**
**for the period ended 30.09.2016**

|  | Provision for non-contractual use of land | Provision for other claims | Provision for land reclamation | Provision for certificates of origin | Provision for CO <sub>2</sub> emissions rights | Mine liquidation | Other          | Total            |
|--|---|----------------------------|--------------------------------|--------------------------------------|--|------------------|----------------|------------------|
| <b>Opening balance</b>                         | <b>189 429</b>                            | <b>60 456</b>              | <b>55 409</b>                  | <b>250 024</b>                       | <b>193 034</b>                                 | <b>124 441</b>   | <b>320 151</b> | <b>1 192 944</b> |
| Unwinding of discount and discount rate change | (1 654)                                   | -                          | (1 692)                        | -                                    | -  | 2 613            | -              | (733)            |
| Increase in provisions                         | 18 646                                    | 4 222                      | 99                             | 331 172                              | 218 611  | -                | 19 680         | 592 430          |
| Provisions used                                | (158)                                     | (16 974)                   | -                              | (174 416)                            | (197 691)                                      | -                | (5 427)        | (394 666)        |
| Provision reversed                             | (6 864)                                   | (9 396)                    | (1 470)                        | (324)                                | (1 405)  | (8 571)          | (1 207)        | (29 237)         |
| <b>Closing balance</b>                         | <b>199 399</b>                            | <b>38 308</b>              | <b>52 346</b>                  | <b>406 456</b>                       | <b>212 549</b>                                 | <b>118 483</b>   | <b>333 197</b> | <b>1 360 738</b> |

Other provisions include mainly:

- potential liabilities related to electricity infrastructure and resulting from differences in interpretation of laws and regulations - PLN 143,493 thousand (as at 31 December 2015 PLN 129,197 thousand),
- costs of using forest lands managed by State Forests - PLN 109,678 thousand (as at 31 December 2015 PLN 112,680 thousand),
- real property tax in Lubelski Węgiel Bogdanka S.A. - PLN 30,264 thousand (as at 31 December 2015 PLN 23,881 thousand),
- ZUS claims arising from accident contribution in Lubelski Węgiel Bogdanka S.A. - PLN 19,712 thousand (as at 31 December 2015 PLN 18,727 thousand),
- removal of mining damages - PLN 7,803 thousand (as at 31 December 2015 PLN 8,497 thousand).



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A description of material claims and contingent liabilities has been presented in note 22.

**20. Related party transactions**

The Group companies conclude transactions with the following related parties:

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

Transactions with members of the Company's governing bodies:

| Item   | Management Board of the Company |                            | Supervisory Board of the Company |                            |
|--|---------------------------------|----------------------------|----------------------------------|----------------------------|
|  | 01.01.2016 -<br>30.09.2016      | 01.01.2015 -<br>30.09.2015 | 01.01.2016 -<br>30.09.2016       | 01.01.2015 -<br>30.09.2015 |
| Remuneration under managerial contracts and consultancy agreements                   | 11 565**                        | 5 951*                     | -                                | -                          |
| Remuneration relating to appointment for members of management or supervisory bodies | -                               | -                          | 347                              | 210                        |
| <b>TOTAL</b>   | <b>11 565</b>                   | <b>5 951</b>               | <b>347</b>                       | <b>210</b>                 |

\* Remuneration includes bonuses for 2014 paid to the members of the Management Board during the second quarter of 2015

\*\* Remuneration includes bonuses for 2015 and compensation resulting from non – competition agreements for former members of the Management Board in the amount of PLN 8,821 thousand.

During the 9-month period ended 30 September 2016 there were no loans granted from the Company's Social Benefits Fund to the members of the Supervisory Board (PLN 0 thousand during the 9-month period ended 30 September 2015). During this period repayments of the loans amounted to PLN 9 thousand (PLN 10 thousand during the 9-month period ended 30 September 2015).

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

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

The transactions concern mainly:

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

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

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

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

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

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

|  | <b>30.09.2016</b> | <b>31.12.2015</b> |
|--|-------------------|-------------------|
| Acquisition of property, plant and equipment | 2 111 826         | 2 402 418         |
| Acquisition of intangible assets             | 26 066            | 12 301            |
|  | <b>2 137 892</b>  | <b>2 414 719</b>  |

**22. Contingent liabilities and proceeding before courts, arbitration or public administration bodies**
**22.1. Guarantees and warranties**

The table below presents actual major bank guarantees under the agreements concluded by Enea S.A. with BZ WBK S.A. Bank and Pekao S.A. Bank to the limits specified therein.

| Guarantee date                    | Guarantee period | Company from Enea Group     | Recipient                                     | Name of Guarantee       | Bank - contractor | Amount of guarantee in PLN thousand |
|-----------------------------------|------------------|-----------------------------|---|-------------------------|-------------------|-------------------------------------|
| 2015-06-12                        | 2018-05-31       | Enea Wytwarzanie Sp. z o.o. | IRGiT   | Payment of deposit      | BZ WBK S.A.       | 8 000                               |
| 2015-06-29                        | 2018-05-31       | Enea Trading Sp. z o.o.     | IRGiT   | Payment of deposit      | BZ WBK S.A.       | 10 000                              |
| 2016-01-01                        | 2017-02-28       | Enea S.A.                   | Górecka Projekt Sp. z o.o.                    | Payment for rent        | BZ WBK S.A.       | 1 650                               |
| 2016-09-14                        | 2016-11-18       | Enea S.A.                   | Zakład Wodociągów i Kanalizacji Sp. z o.o.    | The tendering Guarantee | BZ WBK S.A.       | 1 000                               |
| 2016-09-29                        | 2018-11-27       | Enea S.A.                   | Górnośląskie Przedsiębiorstwo Wodociągów S.A. | The tendering Guarantee | BZ WBK S.A.       | 1 000                               |
| <b>Total of guarantees issued</b> |                  |                             |   |                         |                   | <b>21 650</b>                       |

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

*(all amounts in PLN'000, unless specified otherwise)***22.2. Pending proceedings before courts of general jurisdiction**Actions brought by the Group

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

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

As at 30 September 2016, the total of 13,523 cases brought by the Group were pending before common courts for the total amount of PLN 244,798 thousand (11,584 cases for the total amount of PLN 219,468 thousand as at 31 December 2015).

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

Actions brought against the Group

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

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

As at 30 September 2016 there were 2,759 cases pending before common courts which have been brought against the Group for the total amount of PLN 417,892 thousand (2,282 cases for the total amount of PLN 301,815 thousand as at 31 December 2015). Provisions related to the court cases are presented in note 19.

**22.3. Motions for settlements of not balanced energy trading in 2012**

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

|                                    | <u>Amount in PLN thousand</u> |
|------------------------------------|-------------------------------|
| 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                           |
| <b>Total</b>                       | <b><u>27 801</u></b>          |



## **Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

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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.

Till the reporting date eight proceedings were conducted but claims of Enea S.A. were not accepted.

### **22.4. Dispute with PGE GiEK S.A. 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. ENEA SA made a deduction from the payment for certificates of origin (by offsetting with invoices for certificates of origin) in respect of a damage caused by PGE GiEK S.A. to ENEA S.A. The damage resulted from the fact that PGE GiEK S.A. did not fulfill the contractual obligation to accede to renegotiate long-term contracts for certificates of origin in accordance with the adaptive clause applicable to both Parties. The adaptive clause is applicable in the event of changes in facts or legal status related to the support scheme for the renewable energy sources based on the obligation to redeem the certificates of origin (incorporating property rights) which result in disruption of the contractual balance and equivalence of benefits for parties, which, in the opinion of ENEA S.A., occurred in the case of contracts with PGE GiEK S.A.

As of the date of these condensed interim consolidated financial statements, the court has not taken any decision in this matter.

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

On 15 April 2015 KGHM, PGE TAURON and Enea concluded Share Purchase Agreement in PGE EJ 1. Each of KGHM, TAURON and Enea acquired from PGE 10% of shares (total 30%) in PGE EJ 1. Enea paid PLN 16 million for the acquired shares.

On 29 July 2015 the Extraordinary Shareholders' Meeting of PGE EJ 1 adopted a resolution to increase the share capital of the Company approximately by PLN 70 million through issue of 496,450 new shares in the nominal value of PLN 141 each and cover them with cash. According to the decision of the Extraordinary Shareholders Meeting Enea acquired 49,645 shares in the total nominal value of approximately PLN 7 million, and covered them with cash of approximately PLN 7 million.

In the third quarter of 2016, KGHM, PGE, TAURON, and Enea continued their work on the preparation to the construction of the nuclear plant in Poland project.

The Shareholders Agreement parties predict that subsequent decisions 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.

### **24. Dividend**

The Company will not pay out the dividend for the financial year from 1 January 2015 to 31 December 2015 due to the net loss incurred in that period. On 27 June 2016, the Ordinary General Meeting of Enea S.A. adopted resolution no. 7



## **Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

on the coverage of net loss of PLN 1,116,888 thousand for the financial year from 1 January 2015 to 31 December 2015 from retained earnings.

On 30 June 2015 the General Shareholders' Meeting of Enea S.A. adopted Resolution no. 7 concerning net profit distribution for the financial period from 1 January 2014 to 31 December 2014 under which the dividend for shareholders amounts to PLN 207,478 thousand. Dividend per share amounted to PLN 0.47.

### **25. Agreement of acquisition of Eco-Power Sp. z o.o.**

On 7 August 2015 Enea Wytwarzanie Sp. z o.o. and Fen Wind Farm B.V. signed a Conditional Preliminary Agreement for the purchase of 100% of shares in a special purpose entity Eco-Power Sp. z o.o., which owns wind farm Skoczykłoty with a capacity of 36 MW. The amount of the transaction is PLN 286,500 thousand. On 2 May 2016, Enea Wytwarzanie Sp. z o.o. received a petition filed to the Regional Court in Łódź by Fen Wind Farm B.V and Wento Holdings S.A.R.L. to execute the final contract. On 30 May 2016, Enea Wytwarzanie filed a response to the petition where it requested to reject the petition in its entirety. The matter is pending and the Court allowed the petitioner to reply to the response to the petition. As of the date of this condensed interim consolidated financial statements, neither date nor the outcome of the dispute can be foreseen.

### **26. Essential information which could potentially affect the financial result of the Group**

#### **26.1 Signing of a Letter of Intent with Energa S.A. concerning the construction and use of a power unit at the Ostrołęka Power Plant**

On 19 September 2016, Enea S.A. and Energa S.A. signed a Letter of Intent, concerning cooperation in the preparation, construction and operation of a modern 1.000 MW coal-fired unit in the Ostrołęka Power Plant (the "Investment", "Ostrołęka C").

The Parties intent to elaborate an effective business model for Ostrołęka C, verify its project documentation and optimize the technical and economic parameters of the new power unit. The cooperation also assumes the preparation of documents required to initiate a tender procedure and appoint a general contractor for the Investment.

The Parties agree that the realization of the Investment will benefit the energy security in Poland, will satisfy the highest environmental standards and will provide stable, highly efficient and low-emission source of energy in the National Power System.

The Parties hereby agree that the rules of cooperation established upon in the Letter of Intent should contribute to the decision to announce a tender in 2016 with the aim to complete the Investment in the second half of 2023.

Potential expenditures are estimated at approx. PLN 5.5 - 6 million / MW. The Parties do not rule out the participation of other partners in the Investment. Its further parameters and the scale of the commitment of both Parties will be analysed.

## **26.2 Submitting a preliminary offer for the purchase of EDF assets in Poland with partners**

On 16 September 2016, Enea S.A. and PGE S.A., Energa S.A. and PGNiG Technika S.A. jointly submitted a preliminary non-binding offer to EDF International SAS for the purchase of shares in companies belonging to EDF in Poland, holding conventional production assets and conducting service activity.

The assets include, in particular, the Rybnik Power Plant, the heat and power plant in Kraków, the heat and power plant in Gdańsk, the heat and power plant in Gdynia, the heat and power plant and heating network in Toruń, the heat and power plant and heating network in Wrocław agglomeration, the heating network in Zielona Góra, and the gas unit in Toruń. In the event of admission to the next stage of the transaction, a detailed due diligence will be carried out and it will constitute as the basis for decision on further steps in the transaction, including the submission of a potential binding offer after obtaining the required corporate approvals.

## **26.3 Submitting an offer for the purchase of 100% shares of ENGIE Energia Polska S.A.**

On 30 September 2016, the Company submitted an offer for the purchase of 100% of ENGIE Energia Polska S.A. shares. The offer was submitted in the manner specified in the process initiated by ENGIE, the owner of 100% of ENGIE Energia Polska S.A. shares, which considers their disposal.

## **26.4 Signing of a Letter of Intent relating to the preliminary interest in the financial involvement in Katowicki Holding Węglowy S.A.**

On 28 October 2016 Enea S.A. 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 involvement in Katowicki Holding Węglowy S.A. seated in Katowice ("KHW") or in KHW's assets.

Investors' involvement in KHW depends on the satisfaction of numerous conditions related to, among others, presentation of an acceptable business plan and financial model, as well as obtaining the required corporate approvals. The Investors' final decisions as regards the participation in KHW will be made, among others, after the due-diligence analysis performed and after the determination of the final form of all the other arrangements.

## **27. Changes in the Supervisory Board**

On 5 September 2016, Mr. Paweł Skropiński was appointed to the Supervisory Board of Enea S.A. (the appointment through the statement of the Minister of Energy).

## **28. Events after the end of the reporting period**

On 19 October 2016, PGE Polska Grupa Energetyczna, ENERGA, Enea and Tauron Polska Energia established the ElectroMobility Poland. The activity of the Company is to contribute to the electromobility system development in Poland. The share capital of the new company will amount to PLN 10 million. Each of the founding companies of ElectroMobility Poland will acquire 25 per cent of the share capital, thus obtaining 25 per cent of voting rights at the general shareholders' meeting.

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

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On 28 October 2016 Enea S.A. made representations (depending on the agreement) on termination or on withdrawal from long-term agreements for purchase of property rights resulting from energy certificates of origin from renewable sources (so-called green certificates) by the Company ("Agreements").

The Agreements were concluded in 2006-2014 with the following contractors holding installations generating electricity from renewable sources ("Contractors"):

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

The Company assumes that the Agreements should be terminated, as a rule, until the end of November 2016. The exact termination date of individual Agreements depends on the contractual terms.

The reason for termination/withdrawal from particular Agreements by the Company was exhaustion of the possibilities to restore the contractual balance and equivalence of benefits for parties resulting from law amendments.

The financial result resulting from the termination of the Agreements for the Company will be to avoid a loss amounting to the difference between contractual prices and the market price of green certificates.

The estimated total value of Enea's contractual obligations amounted to approximately PLN 1,187 million net. The above value was calculated according to the price formulas adopted in the Agreements for the period from 28 October 2016 r. to the end of originally assumed duration of the Agreements.

The following law amendments occurring after the conclusion date of the above mentioned Agreements, in particular:

- the regulation of the Minister of Economy dated 18 October 2012 regarding the detailed scope of obligations to obtain certificates of origin and submit them for redemption, make the compensatory payment, purchase electricity and heat generated in renewable energy sources and obligation to confirm the data relating to the volume of electricity generated in a renewable energy source (Journal of Laws from 2012, item 1229);
- the act of 20 February 2015 on renewable energy sources (Journal of Laws from 2015, item 478) and related successive amendments and announced draft amendments to laws, i.e. in particular:
  - the act of 22 June 2016 on amending the act on renewable energy sources and some other acts (Journal of Laws dated 2016, item 925); and
  - draft regulation of the Minister of Energy relating to the quantitative share of the sum of electricity resulting from redeemed certificates of origin confirming electricity generation in renewable energy sources



**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

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

which is to be published based on the authorisation resulting from Article 12 item 5 of the act of 22 June 2016 on amending the act on renewable energy sources and some other acts, resulted in the objective lack of a possibility to develop reliable models forecasting the prices of green certificates.

In relation to the above, in the Company's assessment, as at the date of these condensed interim consolidated financial statements, it is not possible to determine the future market prices of green certificates which the Company would be obliged to acquire until the end of originally assumed duration of the Agreements'.

The Company informs that some of its key Contractors also pointed to the fact that:

- the law amendments had and have some impact on the prices of green certificates; and
- they led to the disruption of the contractual balance and equivalence of benefits in the long-term agreements for sale of green certificates.



## Selected separate financial data

|   | in PLN '000                         |                                     | in EUR '000                         |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   | 9 months ended<br>30.09.2016        | 9 months ended<br>30.09.2015        | 9 months ended<br>30.09.2016        | 9 months ended<br>30.09.2015        |
| Net sales revenue                         | 4 025 329                           | 4 008 067                           | 921 381                             | 963 825                             |
| Operating profit                          | 74 970                              | 54 505                              | 17 160                              | 13 107                              |
| Profit before tax                         | 605 999                             | 961 924                             | 138 711                             | 231 315                             |
| Net profit for the reporting period       | 585 535                             | 937 958                             | 134 027                             | 225 552                             |
| Net cash flows from operating activities  | 67 590                              | 220 231                             | 15 471                              | 52 959                              |
| Net cash flows from investing activities  | (507 885)                           | (184 492)                           | (116 253)                           | (44 365)                            |
| Net cash flows from financing activities  | 437 446                             | 2 447 987                           | 100 130                             | 588 671                             |
| Total net cash flows                      | (2 849)                             | 2 483 726                           | (652)                               | 597 265                             |
| Weighted average number of shares         | 441 442 578                         | 441 442 578                         | 441 442 578                         | 441 442 578                         |
| Net earnings per share (in PLN / EUR)     | 1.33                                | 2.12                                | 0.30                                | 0.51                                |
| Diluted earnings per share (in PLN / EUR) | 1.33                                | 2.12                                | 0.30                                | 0.51                                |
|   | <b>Balance as at<br/>30.09.2016</b> | <b>Balance as at<br/>31.12.2015</b> | <b>Balance as at<br/>30.09.2016</b> | <b>Balance as at<br/>31.12.2015</b> |
| Total assets                              | 17 961 567                          | 16 847 310                          | 4 165 484                           | 3 953 376                           |
| Total liabilities                         | 7 093 048                           | 6 559 305                           | 1 644 955                           | 1 539 201                           |
| Non-current liabilities                   | 5 722 585                           | 5 253 551                           | 1 327 130                           | 1 232 794                           |
| Current liabilities                       | 1 370 463                           | 1 305 754                           | 317 825                             | 306 407                             |
| Equity                                    | 10 868 519                          | 10 288 005                          | 2 520 529                           | 2 414 175                           |
| Share capital                             | 588 018                             | 588 018                             | 136 368                             | 137 984                             |
| Book value per share (in PLN / EUR)       | 24.62                               | 23.31                               | 5.71                                | 5.47                                |
| Diluted book value per share (in PLN/EUR) | 24.62                               | 23.31                               | 5.71                                | 5.47                                |

The above financial data for the year 2016 and 2015 were translated into EUR in line with the following principles:

- individual assets and liabilities – at the average exchange rate as of 30 September 2016 – 4.3120 PLN/EUR as at 31 December 2015 – 4.2615 PLN/EUR),
- individual items from the statement of profit or loss and other comprehensive income and the statement of cash flows – as per the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the financial period from 1 January to 30 September 2016 – 4.3688 PLN/EUR for the period from 1 January to 30 September 2015– 4.1585 PLN/EUR).



**Condensed interim separate  
financial statements  
of Enea S.A.  
for the period from 1 January to 30 September 2016**

**Poznań, 2 November 2016**

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

### Members of the Management Board

**President of the Management Board**      **Mirosław Kowalik**      .....

**Member of the Management Board**      **Piotr Adamczak**      .....

**Member of the Management Board**      **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. Górecka 1 Street, 60-201 Poznań  
KRS 0000477231, NIP 777-000-28-43, REGON 630770227

.....

**Poznań, 2 November 2016**

### Separate statement of financial position

|  | Note | Balance as at     |                   |
|--|------|-------------------|-------------------|
|  |      | 30.09.2016        | 31.12.2015        |
| <b>ASSETS</b>  |      |                   |                   |
| <b>Non-current assets</b>                                      |      |                   |                   |
| Property, plant and equipment                                  | 6    | 28 854            | 30 699            |
| Perpetual usufruct of land                                     |      | 1 977             | 1 998             |
| Intangible assets  | 7    | 4 551             | 4 005             |
| Investment property  |      | 15 543            | 15 955            |
| Investments in subsidiaries                                    | 8    | 9 417 459         | 8 323 493         |
| Deferred tax assets  | 18   | 79 566            | 63 316            |
| Financial assets available for sale                            |      | 38 402            | 23 402            |
| Intercompany bonds   | 10   | 5 244 542         | 5 339 352         |
| Derivatives  |      | -                 | 844               |
| Trade and other receivables                                    |      | 129 966           | 73 557            |
|  |      | <b>14 960 860</b> | <b>13 876 621</b> |
| <b>Current assets</b>  |      |                   |                   |
| Inventories  | 12   | 274 842           | 152 318           |
| Trade and other receivables                                    | 11   | 999 435           | 1 141 808         |
| Intercompany bonds   | 10   | 102 735           | 55 033            |
| Financial assets measured at fair value through profit or loss | 14   | 220 502           | 215 488           |
| Cash and cash equivalents                                      | 13   | 1 394 783         | 1 397 632         |
| Assets held for sale   | 9    | 8 410             | 8 410             |
|  |      | <b>3 000 707</b>  | <b>2 970 689</b>  |
| <b>TOTAL ASSETS</b>  |      | <b>17 961 567</b> | <b>16 847 310</b> |

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

|  | Note | Balance as at     |                   |
|--|------|-------------------|-------------------|
|  |      | 30.09.2016        | 31.12.2015        |
| <b>EQUITY AND LIABILITIES</b>  |      |                   |                   |
| <b>Equity</b>  |      |                   |                   |
| Share capital  |      | 588 018           | 588 018           |
| Share premium  |      | 4 627 673         | 4 627 673         |
| Reserve capital from valuation of hedging instruments                          |      | (2 997)           | 3 980             |
| Reserve capital  |      | 2 640 358         | 2 640 358         |
| Retained earnings  |      | 3 015 467         | 2 427 976         |
| <b>Total equity</b>  |      | <b>10 868 519</b> | <b>10 288 005</b> |
| <b>LIABILITIES</b>   |      |                   |                   |
| <b>Non-current liabilities</b>   |      |                   |                   |
| Loans, borrowings and debt securities  | 16   | 5 659 586         | 5 187 381         |
| Liabilities due to employee benefits   |      | 51 194            | 55 265            |
| Derivatives  | 16   | 6 042             | -                 |
| Provisions for other liabilities and charges                                   | 19   | 5 763             | 10 905            |
|  |      | <b>5 722 585</b>  | <b>5 253 551</b>  |
| <b>Current liabilities</b>   |      |                   |                   |
| Loans, borrowings and debt securities  | 16   | 102 057           | 31 905            |
| Trade and other liabilities  |      | 524 180           | 582 824           |
| Finance lease liabilities  |      | 33                | 43                |
| Current income tax liabilities   |      | 40 629            | 85 363            |
| Liabilities due to employee benefits   |      | 13 142            | 16 486            |
| Liabilities due to an equivalent of the right to acquire shares free of charge |      | 281               | 281               |
| Other financial liabilities  | 17   | 277 728           | 327 318           |
| Provisions for other liabilities and charges                                   | 19   | 412 413           | 261 534           |
|  |      | <b>1 370 463</b>  | <b>1 305 754</b>  |
| <b>Total liabilities</b>   |      | <b>7 093 048</b>  | <b>6 559 305</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <b>17 961 567</b> | <b>16 847 310</b> |

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

**Separate statement of profit or loss and other comprehensive income**

|  | For the period                  |                                 |                              |                              |
|--|---------------------------------|---------------------------------|------------------------------|------------------------------|
|  | 9 months<br>ended<br>30.09.2016 | 3 months<br>ended<br>30.09.2016 | 9 months ended<br>30.09.2015 | 3 months ended<br>30.09.2015 |
| Sales revenue  | 4 211 167                       | 1 350 386                       | 4 179 276                    | 1 367 415                    |
| Excise tax   | (185 838)                       | (60 669)                        | (171 209)                    | (56 530)                     |
| <b>Net sales revenue</b>   | <b>4 025 329</b>                | <b>1 289 717</b>                | <b>4 008 067</b>             | <b>1 310 885</b>             |
| Other operating revenue  | 22 027                          | 14 388                          | 4 979                        | (6 446)                      |
| Depreciation   | (2 660)                         | (876)                           | (4 398)                      | (1 444)                      |
| Costs of employee benefits   | (40 792)                        | (13 658)                        | (33 685)                     | (10 647)                     |
| Consumption of materials and supplies and costs of goods sold          | (1 643)                         | (671)                           | (1 277)                      | (520)                        |
| Energy and gas purchase for sale                                       | (2 675 254)                     | (832 841)                       | (2 674 768)                  | (893 737)                    |
| Transmission and distribution services                                 | (1 112 260)                     | (359 232)                       | (1 101 774)                  | (355 834)                    |
| Other external services  | (117 069)                       | (38 297)                        | (104 205)                    | (32 548)                     |
| Taxes and charges  | (2 573)                         | (561)                           | (2 405)                      | (538)                        |
| Profit/(loss) on sale and liquidation of property, plant and equipment | (8)                             | -                               | 1 081                        | 70                           |
| Other operating expenses   | (20 127)                        | (4 665)                         | (37 110)                     | (8 933)                      |
| <b>Operating profit</b>  | <b>74 970</b>                   | <b>53 304</b>                   | <b>54 505</b>                | <b>308</b>                   |
| Financial expenses   | (157 582)                       | (41 531)                        | (86 688)                     | (42 155)                     |
| Financial revenue  | 139 737                         | 44 816                          | 119 871                      | 44 916                       |
| Dividend income  | 548 874                         | -                               | 874 236                      | -                            |
| <b>Profit before tax</b>   | <b>605 999</b>                  | <b>56 589</b>                   | <b>961 924</b>               | <b>3 069</b>                 |
| Income tax   | (20 464)                        | (9 796)                         | (23 966)                     | (6 510)                      |
| <b>Net profit for the reporting period</b>                             | <b>585 535</b>                  | <b>46 793</b>                   | <b>937 958</b>               | <b>(3 441)</b>               |
| Items that will be reclassified to profit or loss                      |                                 |                                 |                              |                              |
| - valuation of hedging instruments                                     | (8 614)                         | 20 480                          | 8 504                        | (58 400)                     |
| - income tax   | 1 637                           | (3 891)                         | (1 616)                      | 11 096                       |
| Items that will not be reclassified to profit or loss                  |                                 |                                 |                              |                              |
| - remeasurement of defined benefit plan                                | 2 415                           | -                               | 7 252                        | -                            |
| - income tax   | (459)                           | -                               | (1 378)                      | -                            |
| <b>Net other comprehensive income</b>                                  | <b>(5 021)</b>                  | <b>16 589</b>                   | <b>12 762</b>                | <b>(47 304)</b>              |
| <b>Total comprehensive income</b>                                      | <b>580 514</b>                  | <b>63 382</b>                   | <b>950 720</b>               | <b>(50 745)</b>              |
| Earnings attributable to the Company's shareholders                    | 585 535                         | 46 793                          | 937 958                      | (3 441)                      |
| Weighted average number of ordinary shares                             | 441 442 578                     | 441 442 578                     | 441 442 578                  | 441 442 578                  |
| <b>Net earnings per share (in PLN per share)</b>                       | <b>1.33</b>                     | <b>0.11</b>                     | <b>2.12</b>                  | <b>-</b>                     |
| <b>Diluted earnings per share (in PLN per share)</b>                   | <b>1.33</b>                     | <b>0.11</b>                     | <b>2.12</b>                  | <b>-</b>                     |

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 interim separate financial statements.

### Separate statement of changes in equity

|  | Share capital (face value) | Revaluation of share capital | Total share capital | Share premium    | Hedging reserve | Reserve capital  | Retained earnings | Total equity      |
|--|----------------------------|------------------------------|---------------------|------------------|-----------------|------------------|-------------------|-------------------|
| <b>Balance as at 01.01.2016</b>                        | 441 443                    | 146 575                      | <b>588 018</b>      | <b>4 627 673</b> | <b>3 980</b>    | <b>2 640 358</b> | <b>2 427 976</b>  | <b>10 288 005</b> |
| Net profit   |                            |                              |                     |                  |                 |                  | 585 535           | <b>585 535</b>    |
| Net other comprehensive income                         |                            |                              |                     |                  | (6 977)         |                  | 1 956             | <b>(5 021)</b>    |
| <b>Total comprehensive income recognized in period</b> |                            |                              |                     |                  | <b>(6 977)</b>  |                  | <b>587 491</b>    | <b>580 514</b>    |
| <b>Balance as at 30.09.2016</b>                        | 441 443                    | 146 575                      | <b>588 018</b>      | <b>4 627 673</b> | <b>(2 997)</b>  | <b>2 640 358</b> | <b>3 015 467</b>  | <b>10 868 519</b> |

|  | Share capital (face value) | Revaluation of share capital | Total share capital | Share premium    | Hedging reserve | Reserve capital  | Retained earnings | Total equity      |
|--|----------------------------|------------------------------|---------------------|------------------|-----------------|------------------|-------------------|-------------------|
| <b>Balance as at 01.01.2015</b>                        | 441 443                    | 146 575                      | <b>588 018</b>      | <b>4 627 673</b> | -               | <b>2 151 228</b> | <b>4 235 607</b>  | <b>11 602 526</b> |
| Net profit   |                            |                              |                     |                  |                 |                  | 937 958           | <b>937 958</b>    |
| Other comprehensive income                             |                            |                              |                     |                  | 6 888           |                  | 5 874             | <b>12 762</b>     |
| <b>Total comprehensive income recognized in period</b> |                            |                              |                     |                  | <b>6 888</b>    |                  | <b>943 832</b>    | <b>950 720</b>    |
| Distribution of the net profit                         |                            |                              |                     |                  |                 | 489 130          | (489 130)         | -                 |
| Dividends  | 20                         |                              |                     |                  |                 |                  | (207 478)         | <b>(207 478)</b>  |
| <b>Balance as at 30.09.2015</b>                        | 441 443                    | 146 575                      | <b>588 018</b>      | <b>4 627 673</b> | <b>6 888</b>    | <b>2 640 358</b> | <b>4 482 831</b>  | <b>12 345 768</b> |



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

**Separate statement of cash flows**

|   | <b>9 months<br/>ended<br/>30.09.2016</b> | <b>9 months<br/>ended<br/>30.09.2015</b> |
|---|--|--|
| <b>Cash flows from operating activities</b>                                   |  |  |
| Net profit for the reporting period   | 585 535                                  | 937 958                                  |
| Adjustments:  |  |  |
| Income tax in the profit or loss  | 20 464                                   | 23 966                                   |
| Depreciation  | 2 660                                    | 4 398                                    |
| Loss / (Gain) on sale and liquidation of property, plant and equipment        | 8  | (1 081)                                  |
| (Gain) / Loss on disposal of financial assets                                 | (2 420)                                  | 5 806                                    |
| Interest income   | (112 463)                                | (98 405)                                 |
| Dividend income   | (548 874)                                | (874 236)                                |
| Interest expense  | 110 912                                  | 67 611                                   |
| Impairment loss on shares   | 42 000                                   | 13 087                                   |
|   | <u>(487 713)</u>                         | <u>(858 854)</u>                         |
| Income tax paid   | (198 039)                                | (229 905)                                |
| Inflows due to settlements within Tax Group                                   | 176 359                                  | 184 479                                  |
| Changes in working capital  |  |  |
| Inventory   | (122 524)                                | (44 091)                                 |
| Trade and other receivables   | 82 561                                   | 57 107                                   |
| Trade and other liabilities   | (109 326)                                | 133 273                                  |
| Liabilities due to employee benefits  | (5 000)                                  | (7 198)                                  |
| Provisions for other liabilities and charges                                  | 145 737                                  | 47 462                                   |
|   | <u>(8 552)</u>                           | <u>186 553</u>                           |
| <b>Net cash flows from operating activities</b>                               | <b>67 590</b>                            | <b>220 231</b>                           |
| <b>Cash flows from investing activities</b>                                   |  |  |
| Acquisition of property, plant and equipment and intangible assets            | (2 390)                                  | (1 013)                                  |
| Proceeds from disposal of property, plant and equipment and intangible assets | 9  | 1 156                                    |
| Proceeds from disposal of financial assets                                    | 29 082                                   | 964 909                                  |
| Acquisition of financial assets   | (990 406)                                | (2 119 035)                              |
| Acquisition of subsidiaries   | -  | (16)                                     |
| Repayable contribution to the share capital of a subsidiary                   | (199 899)                                | -  |
| Dividends received  | 548 874                                  | 874 236                                  |
| Proceeds related to future acquisition of financial assets                    | 2 505                                    | 6 176                                    |
| Interests received  | 104 340                                  | 89 095                                   |
| <b>Net cash flows from investing activities</b>                               | <b>(507 885)</b>                         | <b>(184 492)</b>                         |
| <b>Cash flows from financing activities</b>                                   |  |  |
| Proceeds from loans and borrowings  | 100 000                                  | 475 000                                  |
| Proceeds from bond issue  | 450 000                                  | 2 240 000                                |
| Payments of finance lease liabilities   | (101)                                    | (73)                                     |
| Payments related to future issue of bonds                                     | (2 929)                                  | (6 825)                                  |
| Dividends paid  | -  | (207 478)                                |
| Interest paid   | (109 524)                                | (52 637)                                 |
| <b>Net cash flows from financial activities</b>                               | <b>437 446</b>                           | <b>2 447 987</b>                         |
| <b>Net increase in cash</b>   | <b>(2 849)</b>                           | <b>2 483 726</b>                         |
| Balance at the beginning of the reporting period                              | 1 397 632                                | 440 815                                  |
| <b>Balance at the end of the reporting period</b>                             | <b>1 394 783</b>                         | <b>2 924 541</b>                         |

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

## 1. General information about Enea S.A.

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

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

As at 30 September 2016 the shareholding structure of Enea S.A. was the following: the State Treasury of the Republic of Poland 51.5% of shares, other shareholders 48.5%.

As at 30 September 2016 the statutory share capital of Enea S.A. equaled PLN 441,443 thousand (PLN 588,018 thousand upon adoption of IFRS-EU and considering hyperinflation and other adjustments) and was divided into 441,442,578 shares.

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

Enea S.A. is the parent company in the Enea Group (the Group). As at 30 September 2016 the Group comprised of 13 subsidiaries and 9 indirect subsidiaries.

These 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 going concern may be at risk.

## 2. Statement of compliance

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

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

The Management Board of the Company has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to individual items of the condensed interim separate financial statements of Enea S.A. in accordance with IFRS-EU as of 30 September 2016. The presented statements and explanations have been prepared using due diligence. These condensed interim separate financial statements have not been reviewed by a certified auditor.

The Company prepares condensed interim consolidated financial statements of Enea Group as at 30 September 2016 and for the nine-month period then ended. These condensed interim separate financial statements ought to be read together with those condensed interim consolidated financial statements and with the separate financial statements of Enea S.A. for the financial year ended 31 December 2015.

### **3. Accounting principles**

These condensed interim separate financial statements have been prepared in accordance with accounting principles consistent with those applied during the preparation of the most recent annual separate financial statements for the year ended 31 December 2015.

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

### **4. Materials estimates and assumptions**

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

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

**5. Composition of the Group – list of subsidiaries**

|     | <b>Name and address of the Company</b>  | <b>Share of Enea S.A. in the total number of votes [%] 30.09.2016</b> | <b>Share of Enea S.A. in the total number of votes [%] 31.12.2015</b> |
|-----|---|---|---|
| 1.  | <b>Enea Operator Sp. z o.o.</b><br>Poznań, Strzeszyńska 58 Street                                 | 100   | 100   |
| 2.  | <b>Enea Wytwarzanie Sp. z o.o.</b><br>Świerże Górne, commune Kozienice, Kozienice 1               | 100   | 100   |
| 3.  | <b>Enea Oświetlenie Sp. z o.o.</b> <sup>4</sup><br>Szczecin, Ku Stońcu 34 Street                  | 100   | 100   |
| 4.  | <b>Enea Trading Sp. z o.o.</b><br>Świerże Górne, commune Kozienice, Kozienice 1                   | 100   | 100   |
| 5.  | <b>Szpital Uzdrawiskowy ENERGETYK Sp. z o.o.</b><br>Inowrocław, Wilkońskiego 2 Street             | 100   | 100   |
| 6.  | <b>Enea Logistyka Sp. z o.o.</b><br>Poznań, Strzeszyńska 58 Street                                | 100   | 100   |
| 7.  | <b>Enea Serwis Sp. z o.o.</b><br>Lipno, Gronówko 30   | 100   | 100   |
| 8.  | <b>Enea Centrum Sp. z o.o.</b><br>Poznań, Górecka 1 Street  | 100   | 100   |
| 9.  | <b>Enea Pomiary Sp. z o.o.</b><br>Poznań, Strzeszyńska 58 Street                                  | 100   | 100   |
| 10. | <b>ENERGO-TOUR Sp. z o.o. in liquidation</b><br>Poznań, Strzeszyńska 58 Street                    | 100   | 100   |
| 11. | <b>Enea Innovation Sp. z o.o.</b><br>Warszawa, Jana Pawła II 25 Street                            | 100   | 100   |
| 12. | <b>Lubelski Węgiel BOGDANKA S. A.</b><br>Bogdanka, Puchaczów                                      | 65,99   | 65,99   |
| 13. | <b>Annacond Enterprises Sp. z o.o.</b><br>Warszawa, Jana Pawła II 25 Street                       | 61  | 61  |
| 14. | <b>Przedsiębiorstwo Energetyki Ciepłej Zachód Sp. z o.o.</b><br>Białystok, Starosielce 2/1 Street | 100 <sup>1</sup>  | 100 <sup>1</sup>  |
| 15. | <b>Centralny System Wymiany Informacji Sp. z o.o.</b><br>Poznań, Strzeszyńska 58 Street           | 100 <sup>3</sup>  | 100 <sup>3</sup>  |
| 16. | <b>Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.</b><br>Oborniki, Wybudowanie 56 Street          | 99,91 <sup>1</sup>  | 99,91 <sup>1</sup>  |
| 17. | <b>Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.</b><br>Białystok, Warszawska 27 Street | 86,36 <sup>1</sup>  | 86,36 <sup>1</sup>  |
| 18. | <b>Miejska Energetyka Ciepła Piła Sp. z o.o.</b><br>Piła, Kaczorska 20 Street                     | 71,11 <sup>1</sup>  | 71,11 <sup>1</sup>  |
| 19. | <b>EkoTRANS Bogdanka Sp. z o.o.</b><br>Bogdanka, Puchaczów  | 65,99 <sup>2</sup>  | 65,99 <sup>2</sup>  |
| 20. | <b>RG Bogdanka Sp. z o.o.</b><br>Bogdanka, Puchaczów  | 65,99 <sup>2</sup>  | 65,99 <sup>2</sup>  |
| 21. | <b>MR Bogdanka Sp. z o.o.</b><br>Bogdanka, Puchaczów  | 65,99 <sup>2</sup>  | 65,99 <sup>2</sup>  |
| 22. | <b>Łęczyńska Energetyka Sp. z o.o.</b><br>Bogdanka, Puchaczów                                     | 58,53 <sup>2</sup>  | 58,53 <sup>2</sup>  |

<sup>1</sup> – an indirect subsidiary held through interests in Enea Wytwarzanie Sp. z o.o.

<sup>2</sup> – an indirect subsidiary held through interests in Lubelski Węgiel BOGDANKA S.A.

<sup>3</sup> – an indirect subsidiary held through interests in Enea Operator Sp. z o.o.

<sup>4</sup> – on 16 June 2016 Extraordinary Shareholder's Meeting of Enea Oświetlenie Sp z o.o changed the company's Deed by changing the company's address to Szczecin 71-080, Ku Stońcu 34. The change of Deed was registered in the National Court Register on 6 July 2016.

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

## 6. Property, plant and equipment

During the 9-month period ended 30 September 2016, the Company acquired property, plant and equipment amounting to PLN 187 thousand (during the period of 9 months ended 30 September 2015: PLN 0 thousand).

During the 9-month period ended 30 September 2016, the Company sold and liquidated property, plant and equipment for the total net amount of PLN 16 thousand (during the period of 9 months ended 30 September 2015: PLN 75 thousand).

## 7. Intangible assets

During the 9-month period ended 30 September 2016, the Company acquired intangible assets for the total amount of PLN 982 thousand (during the period of 9 months ended 30 September 2015: PLN 541 thousand).

During the 9-month period ended 30 September 2016, the Company did not complete any liquidation of intangible assets (during the period of 9 months ended 30 September 2015: net value of PLN 503 thousand).

## 8. Investments in subsidiaries

|   | <b>30.09.2016</b> | <b>31.12.2015</b> |
|---|-------------------|-------------------|
| <b>Opening balance</b>                                      | <b>8 323 493</b>  | <b>8 951 265</b>  |
| Acquisition of investments                                  | -                 | 1 486 240         |
| Repayable contribution to the share capital of a subsidiary | 1 135 966         | -                 |
| Disposal of investments                                     | -                 | (8 854)           |
| Transfer to assets held for sale                            | -                 | (17 487)          |
| Change in impairment loss                                   | (42 000)          | (2 087 671)       |
| <b>Closing balance</b>                                      | <b>9 417 459</b>  | <b>8 323 493</b>  |

### Impairment loss on investments

|  | <b>30.09.2016</b> | <b>31.12.2015</b> |
|--|-------------------|-------------------|
| <b>Opening balance</b>                   | <b>2 117 775</b>  | <b>30 104</b>     |
| Addition                                 | 42 000            | 2 089 754         |
| Utilized                                 | -                 | (1 356)           |
| Reclassification to assets held for sale | -                 | (727)             |
| <b>Closing balance</b>                   | <b>2 159 775</b>  | <b>2 117 775</b>  |

On 27 January 2016 the Extraordinary Shareholders' Meeting of Enea Wytwarzanie Sp. z o.o. adopted a resolution No. 1 referring to the repayable capital contribution in the total amount of PLN 749,672 thousand as follows:

- 1st tranche till 31 March 2016: PLN 199,899 thousand,
- 2nd tranche till 31 July 2016: PLN 349,874 thousand,
- 3rd tranche till 30 November 2016: PLN 199,899 thousand.

On 25 May 2016, the Extraordinary Shareholders' Meeting of Enea Wytwarzanie Sp. z o.o. adopted a resolution No. 1 referring to the repayable capital contribution in the total amount of PLN 386,294 thousand till 31 May 2016.

On 14 March 2016 and 31 May 2016 Enea S.A. issued repayable contributions to the share capital of Enea Wytwarzanie Sp. z o.o. amounting to PLN 1,135,966 thousand (according to the resolutions of the Extraordinary General Meeting of

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

Enea Wytwarzanie Sp. o.o. dated on 27 January 2016 and 25 May 2016). The amount will be used to finance the investment expenditure of Enea Wytwarzanie Sp. z o.o. The maturity date has not been defined.

As at 30 June 2016 the Company analyzed indicators for impairment of shares in subsidiaries. As a result of the implementation of the act of 20 May 2016 on investments in wind farms, the method for qualifying of fixed assets in wind farms into real property taxation basis shall change starting from 2017. Due to the change in calculating real property taxes, the Company updated the impairment tests performed in 2015 in a subsidiary which deals with energy generation from wind sources and assessed the impact of the increased taxes upon the value-in-use of the shares. Based on the analysis, impairment on shares has been identified of PLN 42,000 thousand. The impairment loss reduced the Company's net result by PLN 42,000 thousand.

## 9. Assets held for sale

|   | <b>30.09.2016</b> | <b>31.12.2015</b> |
|---|-------------------|-------------------|
| <b>Opening balance</b>                            | <b>8 410</b>      | <b>12 876</b>     |
| Acquisition of investments                        | -                 | 70                |
| Reclassification from investments in subsidiaries | -                 | 16 760            |
| Impairment loss                                   | -                 | (13 087)          |
| Disposal of investments                           | -                 | (8 209)           |
| <b>Closing balance</b>                            | <b>8 410</b>      | <b>8 410</b>      |

During the 9-month period ended 30 September 2016 there were no changes in non-current assets held for sale.

As at 30 September 2016 the shares in Szpital Uzdrowiskowy ENERGETYK Sp. z o.o. are presented as non-current assets held for sale. On the basis of a resolution of the Management Board of Enea S.A. No. 40/2016 dated 24 February 2016 the Company commenced proceedings related to the sale of shares in Szpital Uzdrowiskowy ENERGETYK Sp. z o.o. in a public invitation to negotiations. As a result, a share sales agreement was concluded and it will be binding should the investor fulfill the contractual obligations – it may take place this year.

## 10. Intercompany bonds

Enea Group adopted a model of intra-group financing of investments conducted by subsidiaries. Enea S.A. raises on a financial market long-term funds through borrowing or issuing bonds, and then distributes them within the Group. The table below presents currently ongoing programs of intra-group bonds issue pending as at 30 September 2016 and 31 December 2015:

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

| Date of contracts   | Issuer  | Final redemption  | Credit limit in PLN '000 | Amount used in PLN '000 | Bonds issued as at 30.09.2016 (principal) in PLN '000 | Bonds issued as at 31.12.2015 (principal) 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                  | 9 500   | 9 500   |
| 23 July 2012  | Enea Wytwarzanie Sp. z o.o.                             | 22 July 2019  | 158 500                  | 158 500                 | 63 400  | 80 050  |
| 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  | 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                | 1 651 000               | 1 651 000   | 1 201 000   |
| 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   |
| 16 July 2013 as amended by annex No. 1 dated 17 January 2014 and annex No.2 dated 13 July 2015 and the agreement dated 30 May 2016 amending the bond issue terms  | Enea Wytwarzanie Sp. z o.o.                             | 31 May 2016   | 936 000                  | 936 000                 | -   | 936 000   |
| 12 August 2014 in the amount of the PLN 260,000 thousand, increased to PLN 1,000,000 thousand by annex No. 1 dated 11 February 2015 and reduced by annex No. 2 dated 30 December 2015 to the amount of PLN 260,000 thousand | Enea Wytwarzanie Sp. z o.o.                             | Redemption in installments – final maturity 15 December 2026  | 260 000                  | 260 000                 | 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 the 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 installments – final maturity 17 June 2030  | 946 000                  | 200 000                 | 200 000   | 100 000   |
| 30 October 2015   | Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. | Redemption in installments – final maturity 31 March 2020   | 18 000                   | 18 000                  | 14 000  | 17 000  |
| 18 July 2016  | Enea Operator Sp. z o.o.                                | Final maturity December 2017  | 360 000                  | 360 000                 | 360 000   | -   |
| <b>Total</b>  |   |   |                          |                         | <b>5 358 900</b>                                      | <b>5 404 550</b>                                      |
| Transaction costs and the result of the effective interest rate measurement   |   |   |                          |                         | (11 623)  | (10 165)  |
| <b>Total</b>  |   |   |                          |                         | <b>5 347 277</b>                                      | <b>5 394 385</b>                                      |

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

On 8 January 2016, Enea S.A. acquired the second issue of bonds amounting to PLN 100,000 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. The bonds will be redeemed in installments, and the final date of redemption is planned for September 2030.

On 19 May 2016 Enea S.A. acquired series VI of bonds of PLN 300,000 thousand issued by Enea Wytwarzanie under a Programme Agreement of 8 September 2012. The interest of the bonds is based on floating interest rate, and the bond redemption date is 15 June 2022.

On 30 May 2016 Enea S.A., Enea Wytwarzanie Sp. z o.o. and mBank S.A. concluded an agreement to amend the Bond Issue Terms of 13 July 2015, which changed the bond redemption date to 31 May 2016. As of this date, Enea Wytwarzanie Sp. z o.o. purchased all All 07/2015 series bonds of PLN 936,000 thousand.

The sums due to Enea S.A. under the Redemption Price and the Interests due as of the Redemption Date were settled in a non-cash transaction, through mutual compensation:

- Enea S.A. receivables from the Redemption Price at the Interest due as of the Redemption Date of All072015 series Bonds,
- Enea Wytwarzanie Sp. z o.o.'s receivables from Enea S.A. related to the repayable contribution to the share capital of Enea Wytwarzanie Sp. z o.o.

On July 18, 2016 Enea S.A. as a guarantor, Enea Operator Sp. z o.o. as an issuer and PKO Bank Polski S.A. as an agent, concluded an Executive Agreement for the Bond Issue Program for PLN 360,000 thousand. Thereunder, Enea Operator Sp. z o.o. may carry out one bond issue. On 28 July 2016 Enea Operator Sp. z o.o. issued bonds of PLN 360,000 thousand with a floating interest rate of WIBOR 3M plus margin. Redemption date is set for December 2017.

## 11. Allowance on trade and other receivables

|   | <b>30.09.2016</b> | <b>31.12.2015</b> |
|---|-------------------|-------------------|
| <b>Opening balance of receivables allowance</b> | <b>52 697</b>     | <b>53 640</b>     |
| Addition  | 10 063            | 27 810            |
| Utilized  | (7 885)           | (28 753)          |
| <b>Closing balance of receivables allowance</b> | <b>54 875</b>     | <b>52 697</b>     |

During the 9-month period ended 30 September 2016 the allowance on the carrying amount of trade and other receivables increased by PLN 2,178 thousand (during the period of 9 months ended 30 September 2015 the impairment allowance increased by PLN 5,026 thousand).

## 12. Inventory

Certificates of origin:

|                        | <b>30.09.2016</b> | <b>31.12.2015</b> |
|------------------------|-------------------|-------------------|
| <b>Opening balance</b> | <b>152 318</b>    | <b>116 117</b>    |
| Acquisition            | 293 168           | 389 761           |
| Redemption             | (170 357)         | (343 212)         |
| Sale                   | (287)             | (10 348)          |
| <b>Closing balance</b> | <b>274 842</b>    | <b>152 318</b>    |

The costs regarding redemption of certificates of origin are presented in the statement of profit or loss and other comprehensive income within Energy and gas purchase for sale.



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

### 13. Cash and cash equivalents

|  | <b>30.09.2016</b> | <b>31.12.2015</b> |
|--|-------------------|-------------------|
| <b>Cash in hand and at bank</b>                      | <b>62 055</b>     | <b>2 791</b>      |
| <b>Other cash</b>                                    | <b>1 332 728</b>  | <b>1 394 841</b>  |
| - bank deposits                                      | 1 332 578         | 1 394 789         |
| - other  | 150               | 52                |
| <b>Total cash and cash equivalents</b>               | <b>1 394 783</b>  | <b>1 397 632</b>  |
| <b>Cash disclosed in the statement of cash flows</b> | <b>1 394 783</b>  | <b>1 397 632</b>  |

As at 30 June 2016 and 31 December 2015 Enea S.A. had no restricted cash.

### 14. Financial assets measured at fair value through profit or loss

As at 30 September 2016 the carrying amount of the portfolio of financial instruments managed by a specialized institution amounted to PLN 221,278 thousand and comprised financial assets measured at fair value through profit or loss - treasury bills and bonds in the amount of PLN 220,502 thousand (as at 31 December 2015, carrying amount of the portfolio amounted to PLN 216,826 thousand, including financial assets measured at fair value through profit or loss - treasury bills and bonds in the amount of PLN 215,488 thousand).

### 15. Financial instruments

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

|  | <b>30.09.2016</b>      |                   | <b>31.12.2015</b>      |                   |
|--|------------------------|-------------------|------------------------|-------------------|
|  | <b>Carrying amount</b> | <b>Fair value</b> | <b>Carrying amount</b> | <b>Fair value</b> |
| Non-current financial assets available for sale                        | 38 402                 | 38 402            | 23 402                 | 23 402            |
| Non-current intercompany bonds   | 5 244 542              | 5 326 763         | 5 339 352              | 5 423 882         |
| Derivatives  | -                      | -                 | 844                    | 844               |
| Current intercompany bonds   | 102 735                | 102 844           | 55 033                 | 49 227            |
| Current financial assets measured at fair value through profit or loss | 220 502                | 220 502           | 215 488                | 215 488           |
| Trade and other receivables  | 1 015 127              | (*)               | 1 048 669              | (*)               |
| Cash and cash equivalents  | 1 394 783              | 1 394 783         | 1 397 632              | 1 397 632         |
| Non-current loans, borrowings and debt securities                      | 5 659 586              | 5 702 087         | 5 187 381              | 5 231 070         |
| Derivatives  | 6 042                  | 6 042             | -                      | -                 |
| Current loans, borrowings and debt securities                          | 102 057                | 102 269           | 31 905                 | 26 951            |
| Finance lease liabilities  | 33                     | 33                | 43                     | 43                |
| Other financial liabilities  | 277 728                | 277 728           | 327 318                | 327 318           |
| Trade and other liabilities  | 426 144                | (*)               | 423 060                | (*)               |

(\*) - The carrying amount of trade and other receivables, trade payables and 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 23,402 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.

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

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

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.

Current financial assets measured at fair value through profit or loss include an investment portfolio managed by a company specialized in professional cash management (Note 14). The fair value of the investment portfolio is estimated based on market quotations.

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

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

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

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

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

|  | <b>30.09.2016</b> |                |                |                |
|--|-------------------|----------------|----------------|----------------|
|  | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
| <b>Financial assets measured at fair value through profit or loss</b>      |                   |                |                |                |
| Non-derivative financial assets held for trading                           | 220 502           | -              | -              | 220 502        |
| <b>Total</b>   | <b>220 502</b>    | <b>-</b>       | <b>-</b>       | <b>220 502</b> |
| <b>Financial liabilities measured at fair value through profit or loss</b> |                   |                |                |                |
| Interest Rate Swap used for hedging  | -                 | 6 042          | -              | 6 042          |
| <b>Total</b>   | <b>-</b>          | <b>6 042</b>   | <b>-</b>       | <b>6 042</b>   |
|  |                   |                |                |                |
|  | <b>31.12.2015</b> |                |                |                |
|  | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
| <b>Financial assets measured at fair value through profit or loss</b>      |                   |                |                |                |
| Non-derivative financial assets held for trading                           | 215 488           | -              | -              | 215 488        |
| Interest Rate Swap used for hedging  | -                 | 844            | -              | 844            |
| <b>Total</b>   | <b>215 488</b>    | <b>844</b>     | <b>-</b>       | <b>216 332</b> |

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

## 16. Loans, borrowings and debt securities

|  | <b>30.09.2016</b> | <b>31.12.2015</b> |
|--|-------------------|-------------------|
| <b>Long-term</b>                                   |                   |                   |
| Bank loans   | 1 586 256         | 1 518 674         |
| Bonds  | 4 073 330         | 3 668 707         |
| <b>Total</b>                                       | <b>5 659 586</b>  | <b>5 187 381</b>  |
| <b>Short-term</b>                                  |                   |                   |
| Bank loans   | 42 755            | 3 523             |
| Bonds  | 59 302            | 28 382            |
| <b>Total</b>                                       | <b>102 057</b>    | <b>31 905</b>     |
| <b>Total loans, borrowings and debt securities</b> | <b>5 761 643</b>  | <b>5 219 286</b>  |

### 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 March 2017. Interest rate on loans can be fixed or floating.

In January 2016, Enea S.A. received the second tranche of a loan within C Agreement that was awarded by the European Investment Bank in the amount of PLN 100,000 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 September 2030.

### Bond issue programs

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

| No. | Name of bonds issue programme  | Date of the conclusion of programme | Amount of the programme | Amount issued as at 30.09.2016 | Amount issued as at 31.12.2015 | Redemption date  |
|-----|--|-------------------------------------|-------------------------|--------------------------------|--------------------------------|--|
| 1.  | Bonds Issue Programme Agreement with PKO BP S.A., PEKAO S.A., BZ WBK S.A. and Bank Handlowy w Warszawie S.A. | 21 June 2012                        | 3 000 000               | 1 651 000                      | 1 201 000                      | Redemption from June 2020 till June 2022.                    |
| 2.  | Bonds Issue Programme Agreement with Bank Gospodarstwa Krajowego.  | 15 May 2014                         | 1 000 000               | 1 000 000                      | 1 000 000                      | Redemption in installments, final maturity is December 2026. |

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

|  |   |                    |                  |                  |                  |   |
|--|---|--------------------|------------------|------------------|------------------|---|
| 3.   | Bonds Issue Programme<br>Agreement with ING Bank Śląski<br>S.A., PKO BP S.A., Bank PEKAO<br>S.A. and mBank S.A. | 30 June 2014       | 5 000 000        | 1 500 000        | 1 500 000        | Redemption<br>of a given<br>series in<br>February<br>2020 and<br>September<br>2021. |
| 4.   | Bonds Issue Programme<br>Agreement with Bank<br>Gospodarstwa Krajowego  | 3 December<br>2015 | 700 000          | -                | -                | Redemption<br>in<br>installments,<br>final<br>maturity is<br>September<br>2027.     |
| <b>TOTAL</b>   |   |                    | <b>9 700 000</b> | <b>4 151 000</b> | <b>3 701 000</b> |   |
| Transaction costs and the result of the<br>effective interest rate measurement |   |                    |                  | (18 368)         | (3 911)          |   |
| <b>TOTAL</b>   |   |                    | <b>9 700 000</b> | <b>4 132 632</b> | <b>3 697 089</b> |   |

During the 9-month period ended 30 September 2016, Enea S.A. did not change the Programme Agreements, neither concluded any new agreements. Under a Program Agreement of 21 June 2012, Enea S.A. issued VI series of bonds of PLN 300,000 thousand on 19 May 2016 and VII series of bonds of PLN 150,000 thousand on 19 August 2016. The interest of the bonds is based on a variable interest rate, and the bond redemption date is 15 June 2022.

#### Interest rate risk hedging transactions

During the 9-month period ended 30 September 2016, Enea S.A. concluded interest rate swap transactions to hedge interest rate risk related to the debt of PLN 1,440,000 thousand. On 30 September 2016 the total value of the IRS's transactions amounted to PLN 4,435,000 thousand. Concluded transactions will substantially affect the predictability of the cash relating flows of expenditure and financial costs. The valuation of these financial instruments is presented in "Derivatives".

As at 30 September 2016 valuation of derivatives amounted to PLN 6,042 thousand.

#### Financing conditions – covenants

Financing agreements assume compliance by the Company and the Group with certain financial ratios. As at 30 September 2016 and the date of these condensed interim separate financial statements, the Company did not breach the regulations of loan agreements, on the basis of which the Company would be required to early repayment of long-term debt.

### 17. Other financial liabilities

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

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

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

## 18. Deferred income tax

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

|   | <b>30.09.2016</b> | <b>31.12.2015</b> |
|---|-------------------|-------------------|
| <b>Opening balance</b>                          | <b>63 316</b>     | <b>25 726</b>     |
| Change recognized in profit or loss             | 15 072            | 39 899            |
| Change recognized in other comprehensive income | 1 178             | (2 309)           |
| <b>Closing balance</b>                          | <b>79 566</b>     | <b>63 316</b>     |

During the 9-month ended 30 September 2016, the Company's profit before tax was credited with PLN 15,072 thousand as a result of increase in net deferred asset (during the period of 9 months ended 30 September 2015 the Company's profit before tax was credited with PLN 9,351 thousand as a result of an increase in net deferred tax assets).

## 19. Provisions for other liabilities and charges

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

|              | <b>30.09.2016</b> | <b>31.12.2015</b> |
|--------------|-------------------|-------------------|
| Non-current  | 5 763             | 10 905            |
| Current      | 412 413           | 261 534           |
| <b>Total</b> | <b>418 176</b>    | <b>272 439</b>    |

  

|                                 | <b>Provision for non-contractual use of property</b> | <b>Provision for other claims</b> | <b>Provision for certificates of origin</b> | <b>Provision for certificates of origin</b> |
|---------------------------------|--|-----------------------------------|---|---|
| <b>Balance as at 01.01.2016</b> | <b>17 161</b>  | <b>10 288</b>                     | <b>244 990</b>                              | <b>272 439</b>                              |
| Increase in provisions          | 343  | 3 220                             | 328 903                                     | <b>332 466</b>                              |
| Provisions used                 | (55)   | (73)                              | (170 357)                                   | <b>(170 485)</b>                            |
| Provisions reversed             | (6 864)  | (9 380)                           | -   | <b>(16 244)</b>                             |
| <b>Balance as at 30.09.2016</b> | <b>10 585</b>  | <b>4 055</b>                      | <b>403 536</b>                              | <b>418 176</b>                              |

A description of material claims and contingent liabilities has been presented in note 23.2.

During the 9-month period ended 30 September 2016 the provisions for other liabilities and charges increased by the net amount of PLN 145,737 thousand, mainly due to the settlement of obligation related to sale to end users of electricity generated in a renewable source or in cogeneration – the absence of a decision of the President of the Energy Regulatory Office on the repeal of certificates of origin concerning the 2016 obligation (in the period of 9-months ended on 30 September 2015, the provisions for other liabilities and charges increased by PLN 47,462 thousand).

## 20. Dividend

The Company will not pay out the dividend for the financial year from 1 January 2015 to 31 December 2015 due to the net loss incurred in that period. On 27 June 2016, the Ordinary General Meeting of Enea S.A. adopted a Resolution no. 7

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

on the coverage of the net loss of PLN 1,116,888 thousand for the financial year from 1 January 2015 to 31 December 2015 from retained earnings.

On 30 June 2015 the Ordinary General Meeting of Enea S.A. adopted a Resolution no. 7 concerning net profit distribution for the financial period from 1 January 2014 to 31 December 2014 under which the dividend for shareholders amounted to PLN 207,478 thousand. Dividend per share amounted to PLN 0.47.

## 21. Related party transactions

The Company concludes transactions with the following related parties:

### 1. Companies of the Enea Group

|                                    | 01.01.2016 - 30.09.2016 | 01.01.2015 - 30.09.2015 |
|------------------------------------|-------------------------|-------------------------|
| <b>Purchases, including:</b>       | <b>3 193 531</b>        | <b>3 345 525</b>        |
| materials                          | 321                     | 54 882                  |
| services                           | 1 163 185               | 1 160 866               |
| other (including energy and gas)   | 2 030 025               | 2 129 777               |
| <b>Sales, including:</b>           | <b>196 618</b>          | <b>146 089</b>          |
| energy                             | 178 083                 | 127 380                 |
| services                           | 1 103                   | 959                     |
| other                              | 17 432                  | 17 750                  |
| <b>Interest income, including:</b> | <b>109 076</b>          | <b>93 699</b>           |
| bonds                              | 108 919                 | 93 473                  |
| loans                              | 157                     | 226                     |
| <b>Dividend income</b>             | <b>548 874</b>          | <b>874 236</b>          |
|                                    | <b>30.09.2016</b>       | <b>31.12.2015</b>       |
| Receivables                        | 184 007                 | 181 534                 |
| Liabilities                        | 771 396                 | 732 428                 |
| Financial assets - bonds           | 5 347 277               | 5 394 385               |
| Other financial liabilities        | 277 728                 | 327 318                 |

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

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

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

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

The value of transactions has been presented below:

| Item   | Management Board of the Company |                            | Supervisory Board of the Company |                            |
|--|---------------------------------|----------------------------|----------------------------------|----------------------------|
|  | 01.01.2016 -<br>30.09.2016      | 01.01.2015 -<br>30.09.2015 | 01.01.2016 -<br>30.09.2016       | 01.01.2015 -<br>30.09.2015 |
| Remuneration under managerial and consultancy agreements                             | 11 565**                        | 5 951*                     | -                                | -                          |
| Remuneration relating to appointment for members of management or supervisory bodies | -                               | -                          | 347                              | 210                        |
| <b>TOTAL</b>   | <b>11 565</b>                   | <b>5 951</b>               | <b>347</b>                       | <b>210</b>                 |

\* Remuneration includes bonuses for 2014 paid to the members of the Management Board during the second quarter of 2015.

\*\* Remuneration includes bonuses for 2015 and compensation resulting from non – competition agreements for former members of the Management Board in the amount of PLN 8,821 thousand.

During the 9-month period ended 30 September 2016 there were no loans granted from the Company's Social Benefits Fund to the members of the Supervisory Board (PLN 0 thousand during the 9-month period ended 30 September 2015). During this period repayments of these loans amounted to PLN 9 thousand (PLN 10 thousand during the 9-month period ended 30 September 2015).

Other transactions resulting from civil law agreements concluded between Enea S.A. and members of the Company's governing bodies concern only private use of Company's cars by Members of the Management Board of Enea S.A.

### 3. Transactions with entities whose shares are held by the State Treasury of the Republic of Poland

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 controlled by the State Treasury;
- 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 controlled by the State Treasury (wholesale and retail sale to end users).

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

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

Contractual obligations related to the 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:

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

|                                  | <b>30.09.2016</b> | <b>31.12.2015</b> |
|----------------------------------|-------------------|-------------------|
| Acquisition of intangible assets | 222               | 2 097             |
|                                  | <b>222</b>        | <b>2 097</b>      |

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

### 23.1 Guarantees for credit facilities and loans as well as other sureties granted by the Company

On 4 August 2016, acting as a Guarantor, Enea S.A. concluded a surety agreement with Polenergia Obrót S.A. The agreement concerns a surety for subsidiary's (Enea Trading Sp z o.o.) obligations, up to a maximum amount of PLN 5,000 thousand resulting from transactions concerning electricity and property rights' wholesale.

The table below presents actual as at 30 September 2016 major bank guarantees under the agreements concluded with BZ WBK S.A. Bank and Pekao S.A. Bank to limits specified therein:

| Guarantee date                    | Guarantee period | Company from Enea Group     | Recipient                                     | Name of Guarantee       | Bank - contractor | Amount of guarantee in PLN thousand |
|-----------------------------------|------------------|-----------------------------|---|-------------------------|-------------------|-------------------------------------|
| 2015-06-12                        | 2018-05-31       | Enea Wytwarzanie Sp. z o.o. | IRGiT   | Payment of deposit      | BZ WBK S.A.       | 8 000                               |
| 2015-06-29                        | 2018-05-31       | Enea Trading Sp. z o.o.     | IRGiT   | Payment of deposit      | BZ WBK S.A.       | 10 000                              |
| 2016-01-01                        | 2017-02-28       | Enea S.A.                   | Górecka Projekt Sp. z o.o.                    | Payment for rent        | BZ WBK S.A.       | 1 650                               |
| 2016-09-14                        | 2016-11-18       | Enea S.A.                   | Zakład Wodociągów i Kanalizacji Sp. z o.o.    | The tendering Guarantee | BZ WBK S.A.       | 1 000                               |
| 2016-09-29                        | 2018-11-27       | Enea S.A.                   | Górnośląskie Przedsiębiorstwo Wodociągów S.A. | The tendering Guarantee | BZ WBK S.A.       | 1 000                               |
| <b>Total of guarantees issued</b> |                  |                             |   |                         |                   | <b>21 650</b>                       |

The remaining guarantees granted by Enea S.A as at 30 September 2016 amounted to PLN 4,396 thousand.

The total value of guarantees granted by Enea S.A. to secure liabilities of Enea Group companies as at 30 September 2016 amounted to PLN 229,852 thousand.

### 23.2. 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 30 September 2016, the total of 8,521 brought by the Company were pending before common courts for the total amount of PLN 52,697 thousand (7,066 cases for the total amount of PLN 51,978 thousand as at 31 December 2015).



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

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

#### Actions brought against the Company

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

As at 30 September 2016 the total of 146 cases against the Company were pending before common courts for the total amount of PLN 53,046 thousand (117 cases for the total amount of PLN 18,229 thousand as at 31 December 2015). The provisions related to these cases are presented in note 19.

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

### **23.3. Motions for settlements of not balanced energy trading in 2012**

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

|                                    | <u>Amount in PLN thousand</u> |
|------------------------------------|-------------------------------|
| 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                           |
| <b>Total</b>                       | <b><u>27 801</u></b>          |

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.

Till the reporting date eight proceedings were conducted but claims of Enea S.A. were not accepted.

### **23.4. Dispute with PGE GiEK S.A. 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. Enea SA made a deduction from the payment for certificates of origin (by offsetting with invoices for certificates of origin) in respect of a damage caused by PGE GiEK S.A. to Enea S.A. The damage resulted from the fact that PGE GiEK S.A. did not fulfill the contractual obligation to accede to renegotiate long-term contracts for certificates of origin in accordance with the adaptive clause applicable to both Parties. The adaptive clause is applicable in the event of changes in facts or legal status related to the support scheme for the renewable energy sources based on the obligation to redeem the certificates of origin (incorporating property rights) which result in disruption of the

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

contractual balance and equivalence of benefits for parties, which, in the opinion of Enea S.A., occurred in the case of contracts with PGE GiEK S.A.

As of these condensed interim separate financial statements, the court has not taken any decision in this matter.

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

On 15 April 2015 KGHM, PGE TAURON and Enea concluded Share Purchase Agreement in PGE EJ 1. Each of KGHM, TAURON and Enea acquired from PGE 10% of shares (total 30%) in PGE EJ 1. Enea paid PLN 16 million for the acquired shares.

On 29 July 2015 the Extraordinary Shareholders' Meeting of PGE EJ 1 adopted a resolution to increase the share capital of the Company approximately by PLN 70 million through issue of 496,450 new shares in the nominal value of PLN 141 each and cover them with cash. According to the decision of the Extraordinary Shareholders Meeting Enea acquired 49,645 shares in the total nominal value of approximately PLN 7 million, and covered them with cash of approximately PLN 7 million.

In Q3 2016, KGHM, PGE, TAURON and Enea continued their work on the preparation to the construction of the nuclear 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. Essential information which could potentially affect the financial result of Enea S.A.**

##### **25.1. Signing of a Letter of Intent with Energa S.A. concerning the construction and use of a power unit at the Ostrołęka Power Plant**

On 19 September 2016, Enea S.A. and Energa S.A. signed a Letter of Intent, concerning cooperation in the preparation, construction and operation of a modern 1.000 MW coal-fired unit in the Ostrołęka Power Plant (the "Investment", "Ostrołęka C").

The Parties intent to elaborate an effective business model for Ostrołęka C, verify its project documentation and optimize the technical and economic parameters of the new power unit. The cooperation also assumes the preparation of documents required to initiate a tender procedure and appoint a general contractor for the Investment.

The Parties agree that the realization of the Investment will benefit the energy security in Poland, will satisfy the highest environmental standards and will provide stable, highly efficient and low-emission source of energy in the National Power System.

The Parties hereby agree that the rules of cooperation established upon in the Letter of Intent should contribute to the decision to announce a tender in 2016 with the aim to complete the Investment in the second half of 2023.

Potential expenditures are estimated at approx. PLN 5.5 - 6 million / MW. The Parties do not rule out the participation of other partners in the Investment. Its further parameters and the scale of the commitment of both Parties will be analyzed.

### **25.2. Submission of a preliminary offer for the purchase of EDF assets in Poland with partners**

On 16 September 2016, Enea S.A. and PGE S.A., Energa S.A. and PGNiG Technika S.A. jointly submitted a preliminary non-binding offer to EDF International SAS for the purchase of shares in companies belonging to EDF in Poland, holding conventional production assets and conducting service activity.

The assets include, in particular, the Rybnik Power Plant, the heat and power plant in Kraków, the heat and power plant in Gdańsk, the heat and power plant in Gdynia, the heat and power plant and heating network in Toruń, the heat and power plant and heating network in Wrocław agglomeration, the heating network in Zielona Góra, and the gas unit in Toruń. In the event of admission to the next stage of the transaction, a detailed due diligence will be carried out and it will constitute the basis for decision on further steps in the transaction, including the submission of a potential binding offer after obtaining the required corporate approvals.

### **25.3. Submission an offer for the purchase of 100% shares of ENGIE Energia Polska SA**

On 30 September 2016, the Company submitted an offer for the purchase of 100% of ENGIE Energia Polska S.A. shares. The offer was submitted in the manner specified in the process initiated by ENGIE, the owner of 100% of ENGIE Energia Polska S.A. shares, which considers their disposal.

### **25.4. Signing of a Letter of Intent relating to the preliminary interest in the financial involvement in Katowicki Holding Węglowy S.A.**

On 28 October 2016 Enea S.A. 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 involvement in Katowicki Holding Węglowy S.A. seated in Katowice ("KHW") or in KHW's assets.

Investors' involvement in KHW depends on the satisfaction of numerous conditions related to, among others, presentation of an acceptable business plan and financial model, as well as obtaining the required corporate approvals. The Investors' final decisions as regards the participation in KHW will be made, among others, after the due-diligence analysis performed and after the determination of the final form of all the other arrangements.

## **26. Changes in Supervisory Board**

On 5 September 2016, Mr. Paweł Skropiński was appointed to the Supervisory Board of Enea S.A. (the appointment through the statement of the Minister of Energy).

## **27. Events after the end of the reporting period**

On 19 October 2016, PGE Polska Grupa Energetyczna, ENERGA, Enea and Tauron Polska Energia established the ElectroMobility Poland company. The activity of the Company is to contribute to the electromobility system development in Poland. The share capital of the new company will amount to PLN 10 million. Each of the founding companies of ElectroMobility Poland will acquire 25 per cent of the share capital, thus obtaining 25 per cent of voting rights at the general shareholders' meeting.

On 28 October 2016 Enea S.A. made representations (depending on the agreement) on termination or on withdrawal from long-term agreements for purchase of property rights resulting from energy certificates of origin from renewable sources (so-called green certificates) by the Company ("Agreements").

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

The Agreements were concluded in 2006-2014 with the following contractors holding installations generating electricity from renewable sources ("Contractors"):

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

The Company assumes that the Agreements should be terminated, as a rule, until the end of November 2016. The exact termination date of individual Agreements depends on the contractual terms.

The reason for termination/withdrawal from particular Agreements by the Company was exhaustion of the possibilities to restore the contractual balance and equivalence of benefits for parties resulting from law amendments.

The financial result resulting from the termination of the Agreements for the Company will be to avoid a loss amounting to the difference between contractual prices and the market price of green certificates.

The estimated total value of Enea's contractual obligations amounted to approximately PLN 1,187 million net. The above value was calculated according to the price formulas adopted in the Agreements for the period from 28 October 2016 r. to the end of originally assumed duration of the Agreements.

The following law amendments occurring after the conclusion date of the above mentioned Agreements, in particular:

- the regulation of the Minister of Economy dated 18 October 2012 regarding the detailed scope of obligations to obtain certificates of origin and submit them for redemption, make the compensatory payment, purchase electricity and heat generated in renewable energy sources and obligation to confirm the data relating to the volume of electricity generated in a renewable energy source (Journal of Laws from 2012, item 1229);
- the act of 20 February 2015 on renewable energy sources (Journal of Laws from 2015, item 478) and related successive amendments and announced draft amendments to laws, i.e. in particular:
  - the act of 22 June 2016 on amending the act on renewable energy sources and some other acts (Journal of Laws dated 2016, item 925); and
  - draft regulation of the Minister of Energy relating to the quantitative share of the sum of electricity resulting from redeemed certificates of origin confirming electricity generation in renewable energy sources which is to be published based on the authorisation resulting from Article 12 item 5 of the act of 22 June 2016 on amending the act on renewable energy sources and some other acts,

resulted in the objective lack of a possibility to develop reliable models forecasting the prices of green certificates.

In relation to the above, in the Company's assessment, as at the date of these condensed interim consolidated financial statements, it is not possible to determine the future market prices of green certificates which the Company would be obliged to acquire until the end of originally assumed duration of the Agreements'.

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

The Company informs that some of its key Contractors also pointed to the fact that:

- the law amendments had and have some impact on the prices of green certificates; and
- they led to the disruption of the contractual balance and equivalence of benefits in the long-term agreements for sale of green certificates.