Consolidated financial statements of the ENEA Group for the financial year ended 31 December 2015

Poznań, 9 March 2016

Index to the consolidated financial statements

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

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as approved by the European Union and were accepted 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, 60-201 Poznań
KRS 0000477231, NIP 777-000-28-43, REGON 630770227

Poznań, 9 March 2016

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

Consolidated Statement of Financial Position

	Note	As at 31.12.2015	31.12.2014 (restated*)
ASSETS			
Non-current assets			
Property, plant and equipment	8	17 074 978	13 617 942
Perpetual usufruct of land	9	74 160	77 281
Intangible assets	10	272 116	389 961
Investment property	12	20 624	23 431
Investments in subsidiaries	13	748	-
Deferred tax assets	32	616 795	167 207
Financial assets available for sale	17, 51	23 982	47 479
Financial assets measured at fair value through profit or loss	24	-	99
Derivatives		844	-
Trade and other receivables	18	28 323	20 739
Cash deposits at Mine Closure Fund		90 872	-
		18 203 442	**14 344 139**
Current assets			
CO2 emission rights	20	307 521	208 720
Inventories	21	649 509	508 163
Trade and other receivables	18	1 732 744	1 764 128
Current income tax assets		31 956	20
Financial assets held to maturity	17	479	189 789
Financial assets measured at fair value through profit or loss	24	222 011	392 251
Cash and cash equivalents	23	1 822 094	687 316
Assets classified as held for sale	16	19 240	13 514
		4 785 554	**3 763 901**
Total assets		**22 988 996**	**18 108 040**

* - Restatements of comparative figures are presented in Note 3 to these consolidated financial statements

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

	Note	31.12.2015	31.12.2014
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the Parent			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Financial instruments revaluation reserve		814	34 777
Other capital		(45 883)	(45 883)
Reserve capital from valuation of hedging instruments		3 980	-
Retained earnings		7 158 352	7 804 989
		11 337 745	**12 014 365**
Non-controlling interests	15	784 858	49 648
Total equity	25	**12 122 603**	**12 064 013**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	27	5 933 360	2 209 648
Trade and other liabilities	26	16 527	3 275
Finance lease liabilities	30	992	814
Deferred income due to subsidies, connection fees and other	28	674 682	637 357
Deferred tax liability	32	388 117	255 374
Liabilities due to employee benefits	33	818 772	618 092
Financial liabilities measured at fair value through profit or loss	31	-	917
Provisions for other liabilities and charges	34	625 388	464 720
		8 457 838	**4 190 197**
Current liabilities			
Loans, borrowings and debt securities	27	43 399	8 875
Trade and other liabilities	26	1 223 320	1 135 657
Finance lease liabilities	30	1 025	1 752
Deferred income due to subsidies, connection fees and other	28	83 666	72 698
Deferred tax liability		87 022	61 698
Liabilities due to employee benefits	33	397 986	268 277
Liabilities due to an equivalent of the right to acquire shares free of charge		281	281
Provisions for other liabilities and charges	34	567 556	304 374
Liabilities related to non-current assets held for sale	16	4 300	218
		2 408 555	**1 853 830**
Total liabilities		**10 866 393**	**6 044 027**
Total equity and liabilities		**22 988 996**	**18 108 040**

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

Consolidated Statement of Profit or Loss and Other Comprehensive

		12 months ended 31.12.2015	12 months ended 31.12.2014
Sales revenue		10 081 083	10 057 909
Excise tax		(232 691)	(202 514)
Net sales revenue	35	**9 848 392**	**9 855 395**
Other operating revenue	38	99 102	115 066
Depreciation	36	(790 375)	(728 408)
Costs of employee benefits	36, 37	(989 489)	(948 872)
Consumption of materials and supplies and costs of goods sold	36	(1 791 115)	(1 821 196)
Energy and gas purchase for sale	36	(3 282 923)	(3 835 730)
Transmission services	36	(769 503)	(710 577)
Other external services	36	(423 204)	(336 339)
Taxes and charges	36	(290 201)	(268 934)
Loss on sale and liquidation of property, plant and equipment		(9 148)	(5 620)
Impairment loss of non-financial non-current assets	7	(1 501 621)	(30 556)
Other operating expenses	38	(262 040)	(97 754)
Operating (loss)/profit		**(162 125)**	**1 186 475**
Financial expenses	40	(81 751)	(125 483)
Financial revenue	39	84 497	81 178
Impairment of goodwill	7	(251 432)	(3 131)
Dividend income		1 833	3 355
Share in (losses)/profits of associates measured using the equity method		-	708
(Loss)/profit before tax		**(408 978)**	**1 143 102**
Income tax	41	10 100	(233 980)
Net (loss)/profit for the reporting period		**(398 878)**	**909 122**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
- change in fair value of financial assets available for sale		(21 048)	(14 282)
- available-for-sale financial assets - reclassified to profit or loss		(12 854)	-
- valuation of hedging instruments		4 914	-
- other		(61)	-
- income tax		(934)	2 714
Items that will not be reclassified to profit or loss:			
- remeasurement of defined benefit plan		(1 034)	(95 354)
- income tax		187	18 116
Net other comprehensive income		**(30 830)**	**(88 806)**
Total comprehensive income		**(429 708)**	**820 316**
Including net (loss)/profit:			
attributable to Parent's shareholders		(434 857)	908 319
attributable to non-controlling interests		35 979	803
Including comprehensive income:			
attributable to Parent's shareholders		(464 270)	819 562
attributable to non-controlling interests		34 562	754
Net (loss)/profit attributable to shareholders of the Parent		(434 857)	908 319
Weighted average number of ordinary shares		441 442 578	441 442 578
Basic earnings per share (in PLN per share)	43	**(0.99)**	**2.06**
Diluted earnings per share (in PLN per share)		**(0.99)**	**2.06**

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

Consolidated Statement of Changes in Equity:

(a) 2015

		Share capital (face value)	Revaluation of share capital	**Total share capital**	**Share premium**	**Financial instruments revaluation reserve**	**Other capital**	**Reserve capital from valuation of hedging instruments**	**Retained earnings**	**Capital attributable to non-controlling interests**	**Total equity**
Balance as at 01.01.2015	**Note**	441 443	146 575	**588 018**	**3 632 464**	**34 777**	**(45 883)**	**-**	**7 804 989**	**49 648**	**12 064 013**
Net (loss)/profit for the reporting period									(434 857)	35 979	(398 878)
Net other comprehensive income						(33 963)		3 980	(847)		(30 830)
Total comprehensive income for the period						**(33 963)**		**3 980**	**(435 704)**	**35 979**	**(429 708)**
Dividends	42								(207 478)	(5)	(207 483)
Acquisition of subsidiary										699 236	699 236
Other									(3 455)		(3 455)
Balance as at 31.12.2015		441 443	146 575	**588 018**	**3 632 464**	**814**	**(45 883)**	**3 980**	**7 158 352**	**784 858**	**12 122 603**

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

(b) 2014

		Share capital (face value)	Revaluation of share capital	**Total share capital**	**Share premium**	**Share-based payments reserve**	**Financial instruments revaluation reserve**	**Other capital**	**Retained earnings**	**Capital attributable to non-controlling interests**	**Total equity**
Balance as at 01.01.2014	**Note**	**441 443**	**146 575**	**588 018**	**3 632 464**	**1 144 336**	**45 185**	**(20 664)**	**6 080 187**	**19 321**	**11 488 847**
Net profit for the reporting period							-		908 319	803	909 122
Net other comprehensive income							(11 568)		(77 238)		(88 806)
Total comprehensive income for the period							**(11 568)**		**831 081**	**803**	**820 316**
Settlement of the share-based payment program						(1 144 336)			1 144 336		-
Dividends	42								(251 622)		(251 622)
Expiration of put option regarding redemption of non-controlling interests in subsidiaries								20 664			20 664
Put option for non-controlling interests in acquired subsidiary								(45 883)			(45 883)
Acquisition of subsidiary										29 524	29 524
Other							1 160		1 007		2 167
Balance as at 31.12.2014		**441 443**	**146 575**	**588 018**	**3 632 464**	**-**	**34 777**	**(45 883)**	**7 804 989**	**49 648**	**12 064 013**

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

Consolidated Statement of Cash Flows

	Note	12 months ended 31.12.2015	12 months ended 31.12.2014
Cash flows from operating activities			
Net (loss)/ profit for the reporting period		(398 878)	909 122
Adjustments:			
Income tax in profit or loss	41	(10 100)	233 980
Depreciation	36	790 375	728 408
(Profit) / loss on sale and liquidation of property, plant and equipment		9 148	5 620
Impairment loss on property, plant and equipment	7	1 501 621	30 556
Impairment loss on goodwill	7	251 432	3 131
(Profit) / loss on sale of financial assets		3 342	(11 016)
Interest income		(9 823)	(23 975)
Dividend income		(1 833)	(3 355)
Interest expense		53 672	38 204
(Gain)/loss on measurement of financial assets		(7 788)	(473)
Other financial costs		-	25 756
Share in the (profit) / loss of associates		-	(708)
Exchange (gains) / losses on loans and borrowings		-	748
Settlement of pre-existing relationship related to acquisition	38	94 000	-
Other adjustments		(5 614)	(24 915)
		2 668 432	**1 001 961**
Income tax paid		(302 048)	(160 398)
Changes in working capital			
CO2 emission rights		(96 767)	(12 533)
Inventory		(27 421)	23 106
Trade and other receivables		333 985	(368 292)
Trade and other liabilities		(189 771)	(182 965)
Liabilities due to employee benefits		(40 043)	3 441
Deferred income due to subsidies, connection fees and other		45 431	(12 659)
Liabilities due to an equivalent of the right to acquire shares free of charge		-	(11)
Non-current assets held for sale and related liabilities		(1 222)	(79)
Provisions for other liabilities and charges		214 718	(85 017)
		238 910	**(635 009)**
Net cash flows from operating activities		**2 206 416**	**1 115 676**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(2 847 396)	(2 561 182)
Proceeds from disposal of property, plant and equipment and intangible assets		9 944	22 863
Acquisition of financial assets		(23 402)	(295 484)
Proceeds from disposal of financial assets		366 506	20 800
Acquisition of subsidiaries adjusted by acquired cash		(1 259 591)	(259 796)
Disposal of investments in subsidiaries		8 031	3 000
Dividends received		1 833	3 355
Interests received		8 781	18 095
Other proceeds/(payments) from investing activities		10 630	(444)
Net cash flows from investing activities		**(3 724 664)**	**(3 048 793)**
Cash flows from financing activities			
Loans and borrowings received		481 007	278 635
Bond issue		2 581 000	1 120 000
Loans and borrowings repaid		(82 146)	(25 185)
Dividend paid to shareholders of the Parent		(208 313)	(251 622)
Payment of finance lease liabilities		(1 761)	(2 906)
Expenses related to future issue of bonds		(9 434)	(21 251)
Interests paid		(82 266)	(52 607)
Other proceeds/(payments) from financing activities		(25 061)	721
Net cash flows from financing activities		**2 653 026**	**1 045 785**
Net increase/ (decrease) in cash		**1 134 778**	**(887 332)**
Opening balance of cash	23	687 316	1 573 195
Effect of exchange rate fluctuations on cash		-	1 453
Closing balance of cash	23	**1 822 094**	**687 316**

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

Notes to the consolidated financial statements

1. General information

1.1. General information about ENEA S.A. and the ENEA Group

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

The main activities of the ENEA Group ("Group") are:

- production of electricity and heat (ENEA Wytwarzanie Sp. z o.o., Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki, Miejska Energetyka Cieplna Piła Sp. z o.o., Miejskie Przedsiębiorstwo Energetyki Cieplnej 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 Cieplnej Sp. z o.o. in Oborniki, Miejska Energetyka Cieplna Piła Sp. z o.o., Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Białystok);
- mining and agglomeration of hard coal (Group Lubelski Węgiel „Bogdanka" S.A.).

As at 31 December 2015 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 31 December 2015 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.

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

ENEA S.A. is the Parent of the ENEA Group, which as at 31 December 2015 comprised also 13 subsidiaries and 9 indirect subsidiaries.

The financial statements have been prepared under assumption that the Company will be able to continue as a going concern in the foreseeable future. No circumstances occur that would indicate a threat to the Company's operation as a going concern.

1.2. Composition of the Management Board and the Supervisory Board

Management Board

	31.12.2015	31.12.2014
President of the Company's Management Board	p. o. Wiesław Piosik	Krzysztof Zamasz
Member of the Company's Management Board responsible for Financial Affairs	Dalida Gepfert	Dalida Gepfert
Member of the Company's Management Board responsible for Commercial Affairs	Grzegorz Kinelski	Grzegorz Kinelski
Member of the Company's Management Board responsible for Corporate Affairs	-	Paweł Orlof

On 7 December 2015, the Supervisory Board of ENEA S.A. dismissed Mr. Krzysztof Zamasz - the President of the Company's Management Board and Mr. Paweł Orlof - Member of the Company's Management Board responsible for Corporate Affairs, from the Management Board of ENEA S.A. and delegated Mr. Wiesław Piosik to temporary perform the duties of the President of the Company's Management Board.

On 30 December 2015, the Supervisory Board of ENEA S.A. adopted a resolution to dismiss Mrs. Dalida Gepfert - Member of the Company's Management Board responsible for Financial Affairs and Mr. Grzegorz Kinelski - Member of the Company's Management Board responsible for Commercial Affairs from the Management Board of ENEA S.A., effective from 7 January 2016 and adopted a resolution to revoke the delegation of the Supervisory Board Member, Mr. Wiesław Piosik, to temporary perform the duties of the President of the Company's Management Board of ENEA S.A., effective from 7 January 2016.

On 30 December 2015, the Supervisory Board of ENEA S.A. also adopted a resolution to appoint Mr. Mirosław Kowalik to the position of the President of the Company's Management Board and Mr. Wiesław Piosik to the position of the Member of the Company's Management Board responsible for Corporate Affairs of ENEA S.A. for the next term which commenced on 7 January 2016.Furthermore, the Supervisory Board of ENEA S.A. adopted a resolution to delegate Mr. Sławomir Brzeziński to temporary perform the duties of the Member of the Company's Management Board responsible for Commercial Affairs of ENEA S.A. till the appointment of the Member of the Management Board responsible for Commercial Affairs.

On 21 January 2016, the Supervisory Board adopted a resolution to appoint Mr. Piotr Adamczak to the position of the Member of the Management Board responsible for Commercial Affairs and Mr. Mikołaj Franzkowiak to the position of the Member of the Management Board responsible for Financial Affairs, effective from 15 February 2016.

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

Supervisory Board

	31.12.2015	31.12.2014
Chairman of the Supervisory Board	Małgorzata Niezgoda	Wojciech Chmielewski
Member of the Supervisory Board	Radosław Winiarski	Jeremi Mordasewicz
Member of the Supervisory Board	Tomasz Gołębiowski	Michał Kowalewski
Member of the Supervisory Board	Sandra Malinowska	Sandra Malinowska
Member of the Supervisory Board	Wiesław Piosik*	Małgorzata Niezgoda
Member of the Supervisory Board	Sławomir Brzeziński	Sławomir Brzeziński
Member of the Supervisory Board	Wojciech Klimowicz	Przemysław Łyczyński
Member of the Supervisory Board	Tadeusz Mikłosz	Tadeusz Mikłosz
Member of the Supervisory Board	Rafał Szymański	-

On 30 June 2015 the Ordinary General Meeting adopted resolutions to dismiss the following Members of the Supervisory Board of ENEA S.A. effective from the termination of the eighth term of the Supervisory Board, i.e. 1 July 2015:

-Wojciech Chmielewski,
-Jeremi Mordasewicz,
-Michał Kowalewski,
-Sandra Malinowska,
-Małgorzata Niezgoda,
-Sławomir Brzeziński,
-Przemysław Łyczyński,
-Tadeusz Mikłosz.

At the same time the Ordinary General Meeting of ENEA S.A. appointed the following Members of the Supervisory Board for the ninth term:

-Sławomir Brzeziński,
-Tadeusz Mikłosz,
-Wojciech Klimowicz,
-Wojciech Chmielewski,
-Małgorzata Niezgoda,
-Sandra Malinowska,
-Rafał Szymański,
-Marian Gorynia.

The appointment of aforementioned people was effective from 2 July 2015.

On 22 July 2015 Mr. Wojciech Chmielewski resigned from the position of the Chairman of the Supervisory Board of ENEA S.A. and the membership in the Supervisory Board of ENEA S.A. effective from the date of the resignation.

On 23 July 2015 Mrs. Monika Macewicz was appointed to the Supervisory Board of ENEA S.A.

On 27 August 2015 the Extraordinary Shareholders' Meeting appointed Mr. Radosław Winiarski to the Supervisory Board and appointed Mrs. Małgorzata Niezgoda to the Chairman of the Supervisory Board.

On 22 September 2015 Mr. Marian Gorynia resigned effective from the date of the resignation.

On 21 October 2015 the Supervisory Board of ENEA S.A. appointed Mr. Tomasz Gołębiowski to the Supervisory Board.

On 2 December 2015 on the basis of the statement of the Ministry of Treasury, Mrs. Monika Macewicz was dismissed from the position of the Member of the Supervisory Board of ENEA S.A. and Mr. Wiesław Piosik was appointed to the Supervisory Board of ENEA S.A.

* On 7 December 2015 the Supervisory Board of ENEA S.A. delegated Mr. Wiesław Piosik, the Member of the Supervisory Board, to temporary perform the duties of the President of the Management Board of ENEA S.A.

On 30 December 2015 the Supervisory Board of ENEA S.A. revoked the delegation of Mr. Wiesław Piosik, the Member of the Supervisory Board, to temporary perform the duties of the Chairman of the Board of ENEA S.A., effective from 7 January 2016.

On 7 January 2016 the entity received Mr. Wiesław Piosik's resignation from the position of the Member of the Supervisory Board of ENEA S.A., effective from 7 January 2016. The resignation was connected with the appointment to the Management Board on 7 January 2016.

On 15 January 2016 the Extraordinary Shareholders' Meeting of ENEA S.A. dismissed Mrs. Sandra Malinowska, Mr. Radosław Winiarski and Mr. Tomasz Gołębiewski, an independent member, from the Supervisory Board of ENEA S.A. and appointed four new Members: Mr. Piotr Kossak as an independent member, Mr. Rafał Bargiel, Mr. Roman Stryjski and Mr. Piotr Mirkowski to the Supervisory Board of ENEA S.A.

2. Statement of compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS EU") 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 31 December 2015. The presented statements and explanations have been prepared using due diligence. These consolidated financial statements were audited by a certified auditor.

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

3. Adjustment of financial data for prior reporting period

The Group changed presentation of intangible assets under construction in the statement of financial position from property, plant and equipment to intangible assets.

ASSETS	31.12.2014 Approved	adjustment	31.12.2014 Restated
Non-current assets			
Property, plant and equipment	13 701 956	(84 014)	13 617 942
Intangible assets	305 947	84 014	389 961

4. Material estimates and assumptions

The preparation of these consolidated financial statements in accordance with IFRS-EU requires that the Management Board makes certain estimates and assumptions that affect the adopted accounting policies and the amounts disclosed in the 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 key areas in which the estimates made by the Management Board have a material impact on the consolidated financial statements include:

- ***employment and post-employment benefits*** – the provisions for employee benefits are measured using a method which involves determination of the opening balance of liabilities due to expected future benefit payments as at the end of the reporting period, calculated in line with actuarial methods; a change in the discount rate and a long-term salaries and wages increase rate impact the accuracy of the estimate made (Note 33),
- ***periods of depreciation of tangible and intangible fixed assets***– the amount of depreciation is determined on basis of the estimated economic useful life of property, plant and equipment or intangible assets. Economic periods are reviewed at least once during the year. Depreciation periods are presented in Notes 53.5, 53.6, 53.7 and 53.12 of these consolidated financial statements,
- ***fair value of acquired assets, liabilities and goodwill*** – the Group identifies and measures acquired assets, liabilities and goodwill. Valuation relates to the acquisition of LWB entity. Valuation includes significant assumptions, such as: selection of the appropriate method of valuation, plans for use of the acquired assets, financial forecasts (including price trends specifying the key items of income and expenses), changes in legislation. Applied assumptions may have a significant impact on determination of fair value of acquired assets and liabilities and calculation of goodwill. Purchase price allocation of acquired assets, liabilities and goodwill is presented in Note 14 to these consolidated financial statements,
- ***trade and other receivables allowance*** – allowance is determined as the difference between the carrying amount and the present value of estimated future cash flows, discounted using the original interest rate; a change in estimated future cash flows shall cause a change in estimated allowance on receivables (Note 18),
- ***uninvoiced sales revenue at the end of a financial year*** – the amount of uninvoiced energy sales is estimated based on the estimated consumption of electricity in the period from the last meter reading date until the end

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

of the financial period (Note 18),

- ***compensation for non-contractual use of land*** – the potential payment of compensation for the so called non-contractual use of land and rental fee is estimated by the technical staff of the Group based on analyses of claims filed on a case-by-case basis (Note 34, 50.5),
- ***provision for land reclamation*** – the Group, having filled or closed a slag and ash dump, is obliged to reclaim the land. As the company has large unfilled dumps, land reclamation is planned for 2060. Future estimated costs of land reclamation were discounted to their current value as at 31 December 2015 , using a discount rate of 2.80 % (Note 34),
- ***recoverable amount of tangible and intangible fixed assets*** – impairment tests of cash generating units are based on a number of significant assumptions, some of which are outside the control of the Group. Significant changes to the assumptions impact the results of impairment test and consequently the financial position and performance of the Group (Note 7),
- ***provision for purchasing CO_2 emissions rights*** – the assumptions concern the allocation of free of charge CO_2 emission rights for 2015 (Note 34),
- ***estimating the useful life of mines and coal resources*** – the useful life of a mine (LWB) is estimated based on operating resources of coal covered by the concession rights and estimated production capacity for the year 2034. The actual date of mine liquidation may differ from estimated by the Group. This results from taking into account in the calculation of the estimated useful life of mines, only recoverable reserves of coal. In 2014 ENEA Group received a mining license for K-3 area. The Group also tries to obtain further mining, which may result in a substantial extension of useful life of mines,
- ***estimating the provision for mine liquidation*** – ENEA Group creates a provision for liquidation costs of mines, which is imposed by existing law. Key assumptions used in determining the cost of the liquidation of mines include assumptions regarding the useful life of mines, the expected inflation and long-term discount rates. Any change in these assumptions affect the carrying value of provisions (Note 34).

5. Composition of the Group - list of subsidiaries

	Name and address of the Company	Share of ENEA S.A. in the total number of votes in % 31.12.2015	Share of ENEA S.A. in the total number of votes in % 31.12.2014
1.	**ENEA Operator Sp. z o.o.** Poznań, Strzeszyńska 58	100	100
2.	**ENEA Wytwarzanie Sp. z o.o.** Świerże Górne, commune Kozienice, Kozienice 1	100	100
3.	**ENEA Oświetlenie Sp. z o.o.** [5] Poznań, Strzeszyńska 58	100	100
4.	**ENEA Trading Sp. z o.o.** Świerże Górne, commune Kozienice, Kozienice 1	100	100
5.	**Hotel "EDISON" Sp. z o.o.** Baranowo near Poznań	- [10]	100
6.	**Szpital Uzdrowiskowy ENERGETYK Sp. z o.o.** Inowrocław, Wilkońskiego 2	100	100
7.	**ENEA Logistyka Sp. z o.o.** [4] Poznań, Strzeszyńska 58	100	100

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

8.	**ENEA Serwis Sp. z o.o.** [2] Lipno, Gronówko 30	100	100
9.	**ENEA Centrum Sp. z o.o.** Poznań, Górecka 1	100[7]	100
10.	**ENEA Pomiary Sp. z o.o.** [3] Poznań, Strzeszyńska 58	100	100
11.	**ENERGO-TOUR Sp. z o.o. in liquidation** Poznań, Marcinkowskiego 27	100[6]	99,92
12.	**ENEA Innovation Sp. z o.o.** Warszawa, Jana Pawła II 25	100[11]	-
13.	**Lubelski Węgiel BOGDANKA S. A.** Bogdanka, Puchaczów	65,99[13]	-
14.	**Annacond Enterprises Sp. z o.o.** Warszawa, Jana Pawła II 25	61	61
15.	**"Ecebe" Sp. z o.o. in liquidation** Augustów, Wojciech 8	-[1]	100[1]
16.	**Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.** Oborniki, Wybudowanie 56	99,91[9]	99,91[9]
17.	**Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.** Białystok, Warszawska 27	86,36[9]	86,36[9]
18.	**Miejska Energetyka Cieplna Piła Sp. z o.o.** Piła, Kaczorska 20	71,11[9]	71,11[9]
19.	**Przedsiębiorstwo Energetyki Cieplnej Zachód Sp. z o.o.** Białystok, Starosielce 2/1	100[8]	-
20.	**Centralny System Wymiany Informacji Sp. z o.o.** Poznań, Strzeszynska 58	100[12]	-
21.	**EkoTRANS Bogdanka Sp. z o.o.** Bogdanka, Puchaczów	65,99[14]	-
22.	**RG Bogdanka Sp. z o.o.** Bogdanka, Puchaczów	65,99[14]	-
23.	**MR Bogdanka Sp. z o.o.** Bogdanka, Puchaczów	65,99[14]	-
24.	**Łęczyńska Energetyka Sp. z o.o.** Bogdanka, Puchaczów	58,53[14]	-

[1] – An indirect subsidiary held through shares in ENEA Wytwarzanie Sp. z o.o. On 30 January 2015 "Ecebe" Sp. z o.o. in liquidation has been deleted from the National Court Register
[2] – On 20 January 2015 the change of the name was registered in the National Court Register of EP PUE Energobud Leszno Sp. z o.o. to ENEA Serwis Sp. z o.o.
[3] – On 26 January 2015 the change of the name was registered in the National Court Register of ENERGOMIAR Sp. z o.o. to ENEA Pomiary Sp. z o.o.
[4] – On 29 January 2015 the change of the name was registered in the National Court Register of BHU Sp. z o.o. to ENEA Logistyka Sp. z o.o.
[5] – On 20 February 2015 the change was registered in the National Court Register of the name of Eneos Sp. z o.o. to ENEA Oświetlenie Sp. z o.o.
[6] – On 23 and 25 February 2015 ENEA S.A. purchased 16 shares in the share capital of the company ENERGO-TOUR Sp. z o.o. with its registered office in Poznań, representing 0.08% of the share capital of the Company. On 30 March 2015 Extraordinary Shareholders' Meeting adopted a resolution regarding dissolution of the company following liquidation, the resolution was effective from 1 April 2015. On 5 November 2015 a request to delete the company from the National Court was submitted.
[7] – On 29 June 2015 r. Extraordinary Shareholders' Meeting of ENEA Centrum Sp. z o.o. adopted a resolution to increase share capital by the amount of PLN 503 thousand through the issue of 5 025 new shares with a nominal value of PLN 100 each. All new shares were acquired by ENEA S.A.
[8] – indirect subsidiary through shares in ENEA Wytwarzanie Sp. z o.o. Company established on 9 June 2015. 98% of shares were acquired by ENEA Wytwarzanie Sp. z o.o. and 2 % acquired by ENEA Logistyka Sp. z.o.o.
[9] – indirect subsidiary through shares in ENEA Wytwarzanie Sp. z o.o.
[10] - On 30 July 2015 the Extraordinary Shareholders' Meeting of Hotel EDISON Sp. z o.o. adopted a resolution to increase share capital of the Company by the amount of PLN 70 thousand through the issue of 141 new shares with a nominal value of PLN 500 each. All new shares were acquired by ENEA S.A. On 18 December 2015 the sale agreement of shares of Hotel EDISON Sp. z o.o. was concluded and the shares of the Company were transferred to the investor.
[11]- ENEA Innovation Sp. z o.o. was established on 29 September 2015.
[12]– indirect subsidiary through shares in ENEA Operator Sp. z o.o. The company was established on 18 September 2015. 95% of shares were acquired by ENEA Operator Sp. z o.o. and 5% acquired by ENEA Pomiary Sp. z o.o. On 10 November 2015

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

ENEA Operator Sp. z o.o. acquired 1 share of Centralny System Wymiany Informacji Sp. z o.o. (CSWI) from ENEA Pomiary Sp. z o.o., thus ENEA Operator Sp. z o.o. became the 100% shareholder of the CSWI.
On 9 December 2015 the sale agreement of shares was concluded between ENEA Operator Sp. z o.o. and 4 distribution companies (RWE STOEN, ENERGA - OPERATOR, PGE Dystrybucja, Tauron Dystrybucja). As a result of the transaction, each party will have a 20% stake in the company. The shares will be transferred providing possible the approval of the President of UOKiK for concentration.
[13] – On 26 October 2015 purchase order for tender shares in Lubelski Węgiel BOGDANKA S.A. was made. The transaction was settled on 29 October 2015.
[14] – indirect subsidiary through shares in Lubelski Węgiel BOGDANKA S.A.

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 four operating segments:

- trade – purchase and sale of electricity,
- 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. In 2015 in the mining segment, customers whose share in sales exceeded 10% of the total revenue were: GDF Suez Energia S.A. (20%), and ENERGA Elektrownie Ostrołęka S.A. (11%). In 2014 no single customer was responsible for more than 10% of revenues of any segment.
Segment costs include costs of goods sold to external clients and costs of transactions with other Group segments, which result from operations of a given segment and may be directly allocated to a given segment.
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. EBITDA is defined as operating loss/profit decreased by depreciation and impairment loss of non-financial non-current assets.

Information about geographical areas

The Group's operations were conducted during 2015 and 2014 in one geographical area i.e. on the territory of Poland.

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

Financial Results by Segments:

(a) Segment reporting for the period from 1 January to 31 December 2015:

	Trade	Distribution	Production	Mining	All other segments	Eliminations	Total
Net sales revenue	5 300 931	3 000 392	1 127 204	226 676	193 189	-	9 848 392
Inter-segment sales	631 119	69 089	2 404 255	135 904	355 967	(3 596 334)	-
Total net sales revenue	**5 932 050**	**3 069 481**	**3 531 459**	**362 580**	**549 156**	**(3 596 334)**	**9 848 392**
Total expenses	(5 806 738)	(2 367 422)	(4 436 926)	(246 914)	(549 497)	3 538 719	(9 868 778)
Segment profit/loss	**125 312**	**702 059**	**(905 467)**	**115 666**	**(341)**	**(57 615)**	**(20 386)**
Depreciation	(783)	(436 823)	(299 255)	(40 441)	(19 593)		
Impairment loss on non-financial non-current assets	-	-	(1 501 621)	-	-		
EBITDA	**126 095**	**1 138 882**	**895 409**	**156 107**	**19 252**		
% of net sales revenue	***2,1%***	***37,1%***	***25,4%***	***43,1 %***	***3,5%***		
Unassigned Group costs (general and administrative expenses)							(47 739)
Settlement of pre-existing relationship related to acquisition							(94 000)
Operating loss							**(162 125)**
Finance cost							(81 751)
Finance income							84 497
Impairment loss on goodwill*							(251 432)
Dividend income							1 833
Income tax							10 100
Net loss							**(398 878)**
Share of non-controlling interests							35 979

*Impairment loss on goodwill relates to the production and mine segment

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

(b) Segment reporting for the period from 1 January to 31 December 2014:

	Trade	Distribution	Production	All other segments	Eliminations	Total
Net sales revenue	3 733 830	2 890 362	3 055 797	175 406	-	9 855 395
Inter-segment sales	447 560	97 186	433 964	243 013	(1 221 723)	-
Total net sales revenue	**4 181 390**	**2 987 548**	**3 489 761**	**418 419**	**(1 221 723)**	**9 855 395**
Total expenses	(4 075 665)	(2 257 291)	(3 068 436)	(410 616)	1 193 381	(8 618 627)
Segment profit/loss	**105 725**	**730 257**	**421 325**	**7 803**	**(28 342)**	**1 236 768**
Depreciation	(757)	(429 144)	(286 666)	(14 457)		
Impairment loss on non-financial non-current assets	-	-	(30 556)	-		
EBITDA	**106 482**	**1 159 401**	**738 547**	**22 260**		
% of net sales revenue	***2,6%***	***38,8%***	***21,2%***	***5,3%***		
Unassigned Group costs (general and administrative expenses)						(50 293)
Operating profit						**1 186 475**
Finance cost						(125 483)
Finance income						81 178
Impairment loss on goodwill*						(3 131)
Dividend income						3 355
Share in profit/(loss) of associates						708
Income tax						(233 980)
Net profit						**909 122**
Share of non-controlling interests						803

*Impairment loss on goodwill relates to the production segment

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

Other segment reporting information as at 31 December 2015 and for the 12-month period ended as at that date:

	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
TOTAL: ASSETS							**22 988 996**
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
TOTAL: EQUITY AND LIABILITIES							**22 988 996**
<u>for the 12-month period ended 31 December 2015</u>							
Capital expenditure for tangible and intangible fixed assets	2 079	925 146	1 953 791	49 244	55 416	(34 740)	2 950 936
Capital expenditure for tangible and intangible fixed assets excluded from segmentation							-
Depreciation and amortization	783	436 823	299 255	40 441	19 593	(10 439)	786 456
Depreciation and amortization excluded from segmentation							3 919
Recognition/(derecognition/utilization) of receivables allowance	(1 537)	1 975	(6 555)	1 439	(1 596)	(4)	(6 278)

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

Other segment reporting information as at 31 December 2014 and for the 12-month period ended as at that date:

	Trade	Distribution	Production	All other segments	Eliminations	Total
Property, plant and equipment	16 337	7 020 361	6 600 818	269 691	(304 620)	13 602 587
Trade and other receivables	791 414	596 613	715 989	143 267	(565 072)	1 682 211
Total	807 751	7 616 974	7 316 807	412 958	(869 692)	15 284 798
ASSETS excluded from segmentation						2 823 242
- including property, plant and equipment						15 355
- including trade and other receivables						102 656
TOTAL: ASSETS						**18 108 040**
Trade and other liabilities	199 244	507 328	443 058	164 844	(293 829)	1 020 645
Equity and liabilities excluded from segmentation						17 087 395
- including trade and other liabilities						118 287
TOTAL: EQUITY AND LIABILITIES						**18 108 040**

<u>for the 12-month period ended 31 December 2014</u>

	Trade	Distribution	Production	All other segments	Eliminations	Total
Capital expenditure for tangible and intangible fixed assets	1 019	822 336	1 579 772	87 323	(71 488)	2 418 962
Capital expenditure for tangible and intangible fixed assets excluded from segmentation						6 267
Depreciation and amortization	757	429 144	286 666	14 457	(9 363)	721 661
Depreciation and amortization excluded from segmentation						6 747
Recognition/(derecognition/utilization) of receivables allowance	(197)	3 753	507	(2 210)	(2)	1 851

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

7. Impairment test (property, plant and equipment)

In the fourth quarter of 2015, due to the information and analyses possessed and regarding, among others, a variation in the market prices of electricity, energy origin certificates, and a modification of forecasts of macroeconomic ratios, the Group carried out impairment tests on shares in a subsidiary producing energy. As a result of the tests, the Group recognize an impairment loss on assets in cach generating units (CGU) tested.

The recoverable amount of shares was determined as a sum of values in use of particular CGU comprising ENEA Wytwarzanie Sp. z o.o. less financial debt. CGU' values in use were determined based on the discounted cash flows resulting from financial projections prepared for periods longer than 5 years. Such periods are justified by the fact that economic useful lives of particular CGUs and long-term impact of anticipated regulatory changes. For production units, for which the assumed economic useful lives exceeds the projection time, residual value was determined.

Periods of projection for the cash generating units:

- CGU Białystok – till 2025,
- CGU Major Power Plant – till 2038,
- CGU Wind – till 2035,
- CGU Water – till 2035.

According to the Group, the key assumptions are in line with the general premises from external sources of information, considering the specific product offer of the Group, the current experiences and actual events and business activities.

The main assumptions adopted in value loss tests are presented below:

- assets were tested as four cash generating units (CGU) in ENEA Wytwarzanie Sp. z o.o. – i.e. CGU Białystok, CGU Major Power Plant, CGU Wind and CGU Water,
- price paths, based on the Group forecasts prepared by an independent expert company, considering the specific product offer and knowledge of concluded contracts:
  - wholesale electricity prices for 2016-2038, which are anticipated to drop in the next years and rise beginning with 2020,
  - prices of energy origin certificates from renewable sources and cogeneration, the existence of a support system for RES after 2025 as well was assumed along with the existence of a support system for high-efficiency cogeneration in the entire forecast period,
  - prices of rights to CO2 emission rights,
  - coal prices,

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

- adoption of free-of-charge rights to CO_2 emissions received for 2015-2020 according to the application for the grant of free-of-charge emission rights (pursuant to art 10c sec. 5 of Directive 2003/87/EC of the European Parliament and of the Council),
- consideration of the commenced capital investment regarding the construction of block No. 11 at the Kozienice Power Plant,
- consideration of regulatory changes in terms of revenues related to maintaining production powers as of 2019, since, as of the date of the financial statements, there were no specific projects and plans for the Polish market regarding the aforementioned regulations, hence the Group performed an analysis and accepted the above specified according to the best knowledge. Adoption of such assumptions seems justified due to the anticipated fluctuation of electricity prices and the necessary changes in the regulatory environment. It is therefore justified that there is a risk that the final effective term and regulatory mechanism can prove significantly different to those adopted by the Group,
- adoption of assumptions regarding inflation, considering the NBP inflation target at maximum level of 2.5%.
- discount rate and growth rate in residual period for particular CGUs:

	Białystok	Wind	Water	Major Power Plant
Recognition of financal projections	Real	Real	Real	Nominal
Discount rate (after tax)	7.2%	6.8%	6.4%	7.1%
Growth rate in residual period	0.0%	0.0%	0.0%	2.0%

In the comparative period (2014) the following discount rates and growth rates in the residual period were assumed:

	Białystok	Wind	Water	Major Power Plant
Recognition of financal projections	Real	Real	Real	Nominal
Discount rate (after tax)	7.3%	7.8% to 8.1%	5.6%	6.5%
Growth rate in residual period	0.0%	0.0%	0.0%	2.5%

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

The results of the tests carried out were as follows:

CGU [PLN thousand]	Recoverable amount	Impairment loss
CGU Major Power Plant – generating assets od in f ENEA Wytwarzanie company located in Świerże Górne	4 830 568	- 1 222 310
CGU Białystok –generating assets of ENEA Wytwarzanie company located in Białystok along with the assets of subsidiaries: MPEC and PEC Zachód in the same location; treated as one CGU as a result of close economic relations	596 700	- 253 598
CGU Wind – wind farms of ENEA Wytwarzanie company	427 400	- 165 251
CGU Water – hydropower plants of ENEA Wytwarzanie company	189 500	- 61 664

Impairment losses recognized as a result of impairments tests for given CGU were allocated first to reduce the carrying amount of goodwill allocated to the cash generating units and then to other non-current assets of the unit.

Goodwill

As a result of the impairments tests performed, the following goodwill was fully written off:

- CGU Water – PLN 667 thousand,
- CGU Wind - PLN 121 120 thousand,
- CGU Białystok – PLN 79 414 thousand.

The amounts below presents goowill amounts before and after impairment loss allocation:

Goodwill	**Net carrying amount**
Wind farm Windfarm (currently part of ENEA Wytwarzanie Sp. z o.o.)	102 435
MPEC in Białystok	79 414
Wind farm Darżyno (currently part of ENEA Wytwarzanie Sp. z o.o.)	18 686
Miejska Energetyka Cieplna Piła	1 806
Hydro-electric power plants (currently part of ENEA Wytwarzanie Sp. z o.o.)	667
	203 008
Impairment loss	**(201 202)**
Goodwill net of impairment loss	**1 806**

Sensitivity analysis

The sensitivity analysis performed indicates that the key assumptions affecting the determination of value in use of cash generating units include, among others: discount rates, inflation and levels of electricity prices. Future financial results and, consequently, the value in use of cash generating units will be also affected by the levels of prices of energy origin certificates, CO2 emissions rights and coal prices, as well as the anticipated effective dates of regulations regarding revenues related to maintenance of production powers.

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

The impact of key assumptions on recoverable amount of shares in ENEA Wytwarzanie Sp. z o.o. is presented below:

Imact of discount rate change

Change in assumptions	-0,50p.p.	*Output value*	0,50p.p.
Change in recoverable amount	**492 875**	**(1 702 823)**	**(432 920)**

Impact of inflation change from 2019 (basic level 2.5%)

Change in assumptions	-0,50p.p.	*Output value*	0,50p.p.
Change in recoverable amount	**(401 195)**	**(1 702 823)**	**428 909**

Impact of energy prices changes

Change in assumptions	-1,00%	*Output value*	1,00%
Change in recoverable amount	**(485 800)**	**(1 702 823)**	**484 194**

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

8. Property, plant and equipment

(a) 2015	Land	Buildings and structures	including excavation	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2015								
Cost	83 645	9 719 323	-	6 707 142	190 298	493 535	3 242 313	20 436 256
Accumulated depreciation	(1 073)	(3 547 257)	-	(2 820 499)	(85 719)	(304 197)	(2 656)	(6 761 401)
Impairment loss	(265)	(37 968)	-	(12 010)	(8)	(199)	(6 463)	(56 913)
Net carrying amount	**82 307**	**6 134 098**	**-**	**3 874 633**	**104 571**	**189 139**	**3 233 194**	**13 617 942**
Changes in the 12 months ended 31 December 2015								
Reclassifications	2 795	795 039	21 484	774 946	31 943	46 694	(1 729 487)	(78 070)
Acquisition	-	1 509	-	31 443	2 884	2 073	2 892 207	2 930 116
Disposal (cost)	(114)	(2 361)	-	(4 533)	(6 311)	(2 040)	(129)	(15 488)
Disposal (accumulated depreciation)	-	1 141	-	4 000	4 871	1 607	-	11 619
Depreciation	-	(395 145)	(15 525)	(321 820)	(13 397)	(33 672)	-	(764 034)
Impairment loss (-) *	(1 438)	(231 807)	-	(455 420)	(1 091)	(2 388)	(784 333)	(1 476 477)
Discontinued investments	-	-	-	-	-	-	(8 569)	(8 569)
Acquisition of subsidiaries	5 820	1 554 048	1 025 713	914 193	40 928	9 023	354 024	2 878 036
Reclassifications to assets held for sale (cost)	-	(22 474)	-	(3 122)	(137)	(2 274)	(296)	(28 303)
Reclassifications to assets held for sale (accumulated depreciation)	-	3 012	-	1 861	137	1 878	-	6 888
Reclassifications to investment property (cost)	-	(1 635)	-	-	-	-	-	(1 635)
Reclassifications to investment property (accumulated depreciation)	-	251	-	-	-	-	-	251
Liquidation (cost)	(501)	(44 589)	(4 246)	(19 837)	(7 185)	(1 293)	-	(73 405)
Liquidation (accumulated depreciation)	-	35 064	3 027	18 136	7 074	1 476	-	61 750
Other (cost)	928	21 654	-	3 859	40	(53)	(4 163)	22 265
Other (accumulated depreciation)	1 073	(5 118)	-	(3 276)	175	(762)	-	(7 908)
Balance as at 31 December 2015								
Cost	92 573	12 020 514	1 042 951	8 404 091	252 460	545 665	4 745 900	26 061 203
Accumulated depreciation	-	(3 908 052)	(12 498)	(3 121 598)	(86 859)	(333 670)	(2 656)	(7 452 835)
Impairment loss	(1 703)	(269 775)	-	(467 430)	(1 099)	(2 587)	(790 796)	(1 533 390)
Net carrying amount	**90 870**	**7 842 687**	**1 030 453**	**4 815 063**	**164 502**	**209 408**	**3 952 448**	**17 074 978**

* Information on the results of the impairment tests performed in the fourth quarter of 2015 in relation to property, plant and equipment and impairment losses are presented in note 7. Impairment of property, plant and equipment was recognized in " Impairment loss of non-financial non-current assets " line in profit or loss.

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

2014

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2014							
Cost	49 520	8 906 244	6 339 315	177 861	501 099	2 098 491	18 072 530
Accumulated depreciation	-	(3 263 734)	(2 567 976)	(76 599)	(322 926)	(590)	(6 231 825)
Impairment loss	(103)	(21 837)	-	(2)	(14)	(7 183)	(29 139)
Net carrying amount at beginning of the period	**49 417**	**5 620 673**	**3 771 339**	**101 260**	**178 159**	**2 090 718**	**11 811 566**
Changes in the 12 months ended 31 December 2014							
Reclassifications	3 129	680 096	392 714	12 764	45 619	(1 289 489)	(155 167)
Acquisition	-	24 624	4 347	2 798	1 092	2 415 294	2 448 155
Disposal (cost)	(47)	(38 376)	(6 081)	(2 406)	(535)	(30)	(47 475)
Disposal (accumulated depreciation)	-	22 194	2 532	2 150	41	-	26 917
Depreciation	-	(344 037)	(309 288)	(12 256)	(32 989)	-	(698 570)
Impairment loss (-)	(162)	(16 131)	(12 010)	(6)	(185)	720	(27 774)
Acquisition of subsidiaries	29 970	170 779	28 890	426	1 910	21 765	253 740
Liquidation (cost)	(119)	(46 750)	(23 158)	(866)	(54 372)	(313)	(125 578)
Liquidation (accumulated depreciation)	-	41 548	21 844	804	52 311	-	116 507
Other (cost)	1 192	22 706	(28 885)	(279)	(1 278)	(3 405)	(9 949)
Other (accumulated depreciation)	(1 073)	(3 228)	32 389	182	(634)	(2 066)	25 570
Balance as at 31 December 2014							
Cost at end of period	83 645	9 719 323	6 707 142	190 298	493 535	3 242 313	20 436 256
Accumulated depreciation	(1 073)	(3 547 257)	(2 820 499)	(85 719)	(304 197)	(2 656)	(6 761 401)
Impairment loss	(265)	(37 968)	(12 010)	(8)	(199)	(6 463)	(56 913)
Net carrying amount at end of the period	**82 307**	**6 134 098**	**3 874 633**	**104 571**	**189 139**	**3 233 194**	**13 617 942**

Collaterals established on the Group's property, plant and equipment are disclosed in Note 19.

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

Finance lease

The Group uses the following property, plant and equipment under finance lease:

	31.12.2015			31.12.2014		
	Initial value	**Accumulated depreciation**	**Net carrying amount**	**Initial value**	**Accumulated depreciation**	**Net carrying amount**
Technical equipment and machines	1 530	(723)	807	1 937	(783)	1 154
Vehicles	4 302	(1 068)	3 234	8 098	(3 390)	4 708
Total	**5 832**	**(1 791)**	**4 041**	**10 035**	**(4 173)**	**5 862**

The Group does not enter into finance lease agreements as a financing party.

9. Perpetual usufruct of land

	31.12.2015	31.12.2014
Cost opening balance	**81 577**	**71 330**
Acquisition	427	5 616
Disposal (cost)	(173)	-
Acquisition of subsidiaries	5 349	4 370
Liquidation (cost)	(2 721)	(126)
Reclassification to investment property	-	387
Other	6 755	-
Cost closing balance	**91 214**	**81 577**
Opening balance of amortization	**(4 072)**	**(2 835)**
Disposal (accumulated amortization)	141	-
Amortization	(991)	(565)
Liquidation (accumulated amortization)	54	(23)
Reclassification to investment property	-	(29)
Other (accumulated amortization)	(76)	(620)
Closing balance of amortization	**(4 944)**	**(4 072)**
Opening balance of impairment	(224)	(64)
Closing balance of impairment *	(12 110)	(224)
Net carrying amount opening balance	**77 281**	**68 431**
Net carrying amount closing balance	**74 160**	**77 281**

* Information on the results of the impairment test performed in the fourth quarter of 2015 in relation perpetual usufruct of land and impairment losses are presented in note 7.
Impairment of perpetual usufruct of land was recognized in “ Impairment loss of non-financial non-current assets “ line in profit or loss.

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

10. Intangible assets

(a) 2015

Balance as at 1 January 2015	Research and development expenses	Goodwill	Computer software, licenses, concessions and patents	Easement rights	Customer relations	Geological information	Total
Cost opening balance	3 375	229 323	328 933	22 865	16 000	-	600 496
Accumulated amortization	(424)	-	(168 528)	(1 258)	(13 792)	-	(184 002)
Impairment loss	-	(26 315)	(218)	-	-	-	(26 533)
Net carrying amount opening balance	**2 951**	**203 008**	**160 187**	**21 607**	**2 208**	**-**	**389 961**
Changes in 12 months ended 31 December 2014							
Reclassifications	38	-	63 003	9 961	-	-	73 002
Acquisition	-	-	20 538	282	-	-	20 820
Disposal (cost)	(214)	-	(64)	(17)	-	-	(295)
Disposal (accumulated amortization)	214	-	81	-	-	-	295
Depreciation	(117)	-	(19 787)	(971)	(2 208)	(129)	(23 212)
Impairment loss *	-	(201 202)	(5 057)	(368)	-	-	(206 627)
Acquisition of subsidiaries	-	-	4 979	-	-	13 222	18 201
Liquidation (cost)	-	-	(445)	-	-	-	(445)
Liquidation (accumulated amortization)	-	-	430	-	-	-	430
Other	694	-	(705)	(185)	-	-	(196)
Other (accumulated amortization)	(77)	-	108	151	-	-	182
Balance as at 31 December 2015							
Cost closing balance	3 893	229 323	416 239	32 906	16 000	13 222	711 583
Accumulated amortization	(404)	-	(187 696)	(2 078)	(16 000)	(129)	(206 307)
Impairment loss	-	(227 517)	(5 275)	(368)	-	-	(233 160)
Net carrying amount closing balance	**3 489**	**1 806**	**223 268**	**30 460**	**-**	**13 093**	**272 116**

* Information on the results of the impairment test performed in the fourth quarter of 2015 in relation to property, plant and equipment and impairment losses are presented in note 7. Impairment of property, plant and equipment was recognized in " Impairment loss of non-financial non-current assets " and "Impairment of goodwill" lines in profit or loss.

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

(b) 2014

Balance as at 1 January 2014	Research and development expenses	Goodwill	Computer software, licenses, concessions and patents	Easement rights	Customer relations	Total
Cost opening balance	3 375	149 909	220 145	12 206	16 000	401 635
Accumulated amortization	(332)	-	(165 703)	(658)	(4 960)	(171 653)
Impairment loss	-	(23 184)	(218)	-	-	(23 402)
Net carrying amount opening balance	**3 043**	**126 725**	**54 224**	**11 548**	**11 040**	**206 580**
Changes in 12 months ended 31 December 2014						
Reclassifications	-	-	108 556	7 000	-	115 556
Acquisition	-	-	13 488	59	-	13 547
Disposal (cost)	-	-	(10 518)	-	-	(10 518)
Disposal (accumulated amortization)	-	-	8 711	-	-	8 711
Depreciation	(92)	-	(18 699)	(600)	(8 832)	(28 223)
Impairment loss (-)	-	(3 131)	-	-	-	(3 131)
Acquisition of subsidiaries	-	79 414	2 362	3 600	-	85 376
Liquidation (cost)	-	-	(7 074)	-	-	(7 074)
Liquidation (accumulated amortization)	-	-	6 799	-	-	6 799
Other	-	-	1 974	-	-	1 974
Other (accumulated amortization)	-	-	364	-	-	364
Balance as at 31 December 2014						
Cost closing balance	3 375	229 323	328 933	22 865	16 000	600 496
Accumulated amortization	(424)	-	(168 528)	(1 258)	(13 792)	(184 002)
Impairment loss	-	(26 315)	(218)	-	-	(26 533)
Net carrying amount closing balance	**2 951**	**203 008**	**160 187**	**21 607**	**2 208**	**389 961**

No collateral has been established on intangible assets.

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

11. Goodwill

Goodwill has been presented in detail in the table below:

	Period ended 31.12.2015	Period ended 31.12.2014
Cost		
Opening balance	229 323	149 909
Acquisition of subsidiary MPEC Sp. z o.o. in Białystok		79 414
Closing balance	**229 323**	**229 323**
Accumulated impairment loss		
Opening balance	(26 315)	(23 184)
Impairment loss recognized during the year *	(201 202)	(3 131)
Closing balance	**(227 517)**	**(26 315)**
Net carrying amount		
Opening balance	**203 008**	**126 725**
Closing balance	**1 806**	**203 008**

* Information on the results of the impairment test performed in the fourth quarter of 2015 in relation to goodwill and impairment losses are presented in note 7.
Impairment of goodwill was recognized in " Impairment goodwill " line in profit or loss.

Goodwill by cash generating units has been presented in Note 7.

12. Investment property

	31.12.2015	31.12.2014
Cost opening balance	**31 921**	**36 165**
Reclassifications	1 635	(3 435)
Disposal (cost)	-	(3)
Sale of investment property	(7 017)	(830)
Other	(1 287)	24
Cost closing balance	**25 252**	**31 921**
Opening balance of accumulated depreciation	**(3 894)**	**(2 545)**
Disposal (accumulated depreciation)	**-**	(982)
Depreciation for the period	(763)	(592)
Liquidation (accumulated depreciation)	-	234
Reclassification (accumulated depreciation)	251	-
Other (accumulated depreciation)	652	(9)
Closing balance of accumulated depreciation	**(3 754)**	**(3 894)**
Opening balance of impairment loss	(4 596)	(2 979)
Impairment loss (-)	3 722	(1 617)
Closing balance of impairment loss	**(874)**	**(4 596)**
Net carrying amount opening balance	**23 431**	**30 641**
Net carrying amount closing balance	**20 624**	**23 431**

No collateral has been established on investment property.

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

The income and expenses realized from investment property has beed presented below:

	31.12.2015	31.12.2014
Revenue from investment property	6 811	2 970
Operating costs related to investment property:	(4 859)	(839)

The Group recognizes as investment properties among others office buildings and other commercial properties.

The most valuable investment property is ENEA S.A. former headquarter building, net carrying amount of PLN 9 444 thousand. The Group estimates fair value of this property at PLN 18 162 thousand.

13. Investments in subsidiaries

	31.12.2015	31.12.2014
Opening balance	-	3 298
Share in the net change of net assets	-	708
Acquisition	748	-
Other changes	-	(4 006)
Closing balance	**748**	**-**

The following table presents the key financial information regarding associates consolidated at equity.

31.12.2014	Revenue	Expenses	Net profit
Energo-Inwest-Broker S.A. (former associate)*	32 054	(29 013)	**3 041**
	32 054	**(29 013)**	**3 041**

*On 30 December 2014 ENEA Wytwarzanie Sp. z o.o sold 400 shares of Energo-Inwest-Broker S.A. for PLN 7 500 thousand. The Group recognized the profit of this associate in consolidated financial statements until the date of its disposal.

14. Acquisition of a subsidiary

On 14 September 2015 ENEA S.A. delivered to Warsaw Stock Exchange S.A. subscription to a tender offer for 21 962 189 shares in Lubelski Węgiel "Bogdanka" S.A, located in Bogdanka ("LWB") at PLN 67.39 per share, entitling to execute 64.57% voting rights at the General Meeting of the LWB ("Tender offer"). The tender was submitted through Dom Maklerski Banku Handlowego S.A.On 16 October 2015 ENEA S.A. received the information that within the tender offer announced on 14 September 2015 for the sale of Lubelski Węgiel "Bogdanka" S.A., until 15 October 2015 subscriptions were submitted in the number exceeding 21 962 189 shares of LWB. The indicated number of shares authorities to exercise 64.57% of the total number of votes at a General Meeting of LWB, which means that the condition of subscribing for a minimum number of LWB's shares was satisfied.On 19 October 2015 ENEA S.A. received information on the issue on that day by the President of the Office of Competition and Consumer Protection of a decision regarding granting consent for the concentration , being the takeover by ENEA S.A. of a control over Lubelski Węgiel "Bogdanka" S.A. Thereby the legal condition to subscribe for the sale of shares of LWB is satisfied. On 26 October 2015 the purchase order for tender shares offer was made. The transaction was settled on 29 October 2015. ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. holds 22 448 834 shares, which constitutes 65.99% share in share capital.

One of the main causes for the purchase of LWB includes the implementation of the ENEA Capital Group strategy, focusing on closing the full chain of value in the Group, which missed the mining segment before the transaction. One of the grounds for this decision was deteriorating situation in the conventional manufacture segment, and hence the need to guarantee permanent deliveries of fuel with excellent parameters and optimal price to the Kozienice power plant. The LWB purchase transaction is recognized by the ENEA Group as a forward transaction for the purchase of fuel with technological parameters matching the needs of the Kozienice Power Plant. In 2014, supplies from LWB constituted approx. 70% of the overall demand of the ENEA Group, but the forecast regarding long-term share of Bogdanka coal in ENEA demand was approx. 80%. The transaction therefore minimized the risk of LWB acquisition by another Investor, but also guaranteed impact on the shaping of electricity production costs at the Kozienice Power Plant.

It must be emphasized that the profitability of LWB is one of the highest ones in the mining industry, which has quantifiably increased the value of the ENEA Group, i.e. significantly improving the debt ratios. Despite the low quality of energy materials, LWB has been successfully building its profitability by recording exceptionally low unit extraction costs. Thanks to the beneficial geographical position of LWB in relation to the Kozienice Power Plant, coal transport uses the vast geographic rent recorded in the fuel transport costs. Thanks to the geological conditions which yielded the high productivity recorded, the mine is characterized by considerable geological advantage over other Polish mines.

The Transaction of 29 October 2015 allows for seeking additional operational synergies between companies of the Group, such as optimization of coal transport costs, purchase costs by obtaining the scale effect, elimination of doubled functions thanks to the use of entities from the support segment of the ENEA Group.

As a result of the allocation of the LWB purchase price, the goodwill was recognized at PLN 50 230 thousand, which was assigned to the potential possibility of obtaining mining license for new coal deposits by LWB. Considering the general situation on the coal market and the fact that the current operating resources of LWB (234 M tons) allows for maintaining the extraction of the current deposit until 2039, or even until 2042 (depending on the annual mining rates), the Management Board of ENEA S.A. decided not to recognize the entire goodwill of the company established as a result of the transaction. In the opinion of the Management Board, the decision to explore new deposits must be recognized as an uncertain event, particularly due to the remoteness of the decision in relation to the currently available deposit.

Settlement of the LWB purchase price has led to the settlement of pre - existing relationships, i.e. coal purchase agreement not at arm's length concluded by and between ENEA Wytwarzanie and LWB. The agreement specifies a formula for calculating the price of coal if successive price negotiations do not lead to the final setting of the prices for the successive settlement period. The price calculated in accordance with the Agreement significantly differs from the current market conditions and the Group settled the agreement and recognized the result of the valuation in the amount of PLN 94 000 thousand separately within "Other operating expenses" in profit or loss.

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

In the period from 1 November till 31 December 2015 Lubelski Węgiel Bogdanka S.A. generated net sales revenue of PLN 362 580 thousand and realized a net profit in the amount of PLN 50 197 thousand.
The Management Board estimates that if the acquisition had occurred on 1 January 2015, the consolidated net sales revenue for 12-month period ended 31 December 2015 would have been PLN 10 711 717 thousand and the consolidated loss would have been PLN 341 995 thousand.

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

	29.10.2015
Price paid for shares	1 480 032
Settlement of agreement not at arm's length	(94 000)
Liabilities of the Group towards LWB	(84 794)
Adjusted purchase price	**1 301 238**
Value of LWB shares held by the ENEA Group before the acquisition	20 055
Non-controlling interests	699 239
Property, plant and equipment	2 886 596
Intagible assets	18 763
Deferred tax assets	130 553
Cash and cash equivalents	317 121
Trade and other receivables	191 938
Current income tax assets	293
Inventory	108 157
Non-current assets held for sale	3 916
Liabilities	(1 687 035)
Net assets	**1 970 302**
Non-recognized goodwill	**50 230**

In connection with the transaction the Group incurred transaction costs amounting to PLN 5 684 thousand which were recognized in other external services.

There were no contingent liabilties that should be recignised as of the acquisition date.

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

15. Non-controlling interests

(a) 2015

Subsidiary name	Miejska Energetyka Cieplna Piła Sp. z o.o.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki	Annacond Enterprises Sp. z o.o.	Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.	Lubelski Wegiel Bogdanka S.A.	**Total non-controlling interests**
Non-controlling interests (%)	**28.89%**	**0.09%**	**39.00%**	**13.64%**	**34.01%**	
Non-current assets	82 310	10 747	(1 603)	283 040	3 147 312	
Current assets	24 215	2 977	34	68 534	628 478	
Non-current liabilities	(19 453)	(2 630)	-	(67 879)	(1 233 720)	
Current liabilities	(13 202)	(1 360)	(1)	(45 310)	(390 925)	
Net assets	**73 870**	**9 734**	**(1 570)**	**238 385**	**2 151 145**	
Carrying amount of non-controlling interests	**21 341**	**9**	**(612)**	**32 516**	**731 604**	**784 858**
Sales revenue	52 526	6 377	-	225 275	362 580	
Net profit/ (loss) for the reporting period	4 842	215	(1 209)	19 520	50 197	
Total comprehensive income	4 786	215	(1 209)	19 635	46 029	
Profit / (Loss) attributable to non-controlling interests	1 455	-	(507)	2 663	32 368	**35 979**
Net cash flow from operating activities	7 655	1 256	(430)	49 117	146 428	
Net cash flow from investing activities	(10 739)	(1 544)	-	(39 188)	(57 047)	
Net cash flow from financing activities	(623)	(484)	384	14 014	(52 637)	
Net cash flows	**(3 707)**	**(772)**	**(46)**	**23 943**	**36 744**	

PLN 9 722 thousand out of non-controlling interests (PLN 784 858) thousand, comprises non-controlling interests in Łęczyńska Energetyka Sp. z o. o. company, a subsidiary of Lubelski Wegiel Bogdanka S.A.

PLN 74 thousand out of the profit attributable to non-controlling interests (PLN 35 979) thousand, relates to Łęczyńska Energetyka Sp. o.o.

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

2014

Subsidiary name	Energo-Tour Sp. z o.o.	Szpital Uzdrowiskowy Energetyk Sp. z o.o.	Miejska Energetyka Cieplna Piła Sp. z o.o.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki	Annacond Enterprises Sp. z o.o.	Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.	**Total non-controlling interests**
Non-controlling interests (%)	**0.08%**	**0.00%**	**28.89%**	**0.09%**	**39.00%**	**13.64%**	
Non-current assets	6 063	-	75 532	9 607	(342)	261 827	
Current assets	1 131	-	25 835	4 152	75	52 756	
Non-current liabilities	(882)	-	(19 676)	(2 976)	-	(45 703)	
Current liabilities	(582)	-	(11 217)	(1 264)	(2)	(53 492)	
Net assets	**5 730**	**-**	**70 474**	**9 519**	**(269)**	**215 388**	
Carrying amount of non-controlling interests	**5**	**-**	**20 360**	**9**	**(105)**	**29 379**	**49 648**
Sales revenue	8 236	10 066	37 682	7 157	43	70 934	
Net profit/ (loss) for the reporting period	(411)	564	3 259	(282)	(1 231)	2 354	
Total comprehensive income	(411)	564	3 259	(282)	(1 231)	2 354	
Profit / (Loss) attributable to non-controlling interests	-	-	998	(1)	(515)	321	**803**
Net cash flow from operating activities	(183)	1 145	4 525	1 390	(12)	14 104	
Net cash flow from investing activities	(5)	(70)	(19 419)	(439)	-	(15 571)	
Net cash flow from financing activities – before dividend payment for non-controlling interests	-	(1 016)	5 027	(320)	-	5 930	
Net cash flows	**(188)**	**59**	**(9 867)**	**631**	**(12)**	**4 463**	

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

16. Non-current assets held for sale

	31.12.2015	31.12.2014
Tangible fixed assets	25 108	12 328
Perpetual usefruct of land	-	1 122
Deferred tax assets	729	-
Inventories	-	8
Receivables	-	10
Cash	-	46
Assets held for sale (gross)	**25 837**	**13 514**
Impairment loss	(6 597)	-
Assets held for sale	**19 240**	**13 514**
Loans, borrowings and debt securities	4 300	-
Trade and other liabilities	-	151
Liabilities due to employee benefits	-	67
Liabilities related to assets held for sale	**4 300**	**218**

As at 31 December 2015 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 assets held for sale.

On the basis of a resolution of the Management Board of ENEA S.A. No. 182/2015 dated 21 July 2015, the Company commenced proceedings related to the sale of shares in Hotel EDISON Sp. z o.o. in a public invitation to negotiations. As a result of the proceeding the investor was chosen and on 18 December 2015 the sale agreement of shares of Hotel EDISON Sp. o.o. was concluded and the shares of the company were transferred to the investor. Therefore, the sale of shares of Hotel EDISON Sp. o.o. was completed.

On the basis of a resolution of the Management Board of ENEA S.A. No. 92/2015 dated 21 April 2015, the Company commenced proceedings related to the sale of shares in Szpital Uzdrowiskowy ENERGETYK Sp. z o.o. in a public invitation to negotiations. To the deadline (27 July 2015) four entities responded to the public invitation by submitting binding offers. The investor was chosen and sales contract was signed on 29 September 2015. The investor did not meet the terms of the agreement, therefore the sales contract was terminated. Thereby, the company Szpital Uzdrowiskowy ENERGETYK Sp. z o.o. remains in the structures of the ENEA Group.

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

17. Financial assets

The table below presents only financial instruments.	31.12.2015	31.12.2014
Receivables and borrowings	3 807	2 981
Non-current financial assets available for sale (shares in unrelated parties)	23 982	47 479
Non-current financial assets measured at fair value through profit or loss	-	99
Cash deposits at Mine Closure Fund	90 872	-
Total non-current financial assets	**118 661**	**50 559**
Receivables and loans	1 419 654	1 308 198
Current financial assets held to maturity	479	189 789
Current financial assets measured at fair value through profit or loss	222 011	392 251
Cash and cash equivalents	1 822 094	687 316
Total current financial assets	**3 464 238**	**2 577 554**
Total	**3 582 899**	**2 628 113**

18. Trade and other receivables

	31.12.2015	31.12.2014
Current trade and other receivables		
Trade receivables	1 293 484	1 183 206
Tax receivables (excluding income tax) and other similar charges	79 583	97 465
Other receivables	138 178	258 816
Advance payments	91 097	97 068
Receivables due to uninvoiced sales	242 331	247 431
Prepaid property insurance	4 232	2 581
	1 848 905	1 886 567
Less: impairment loss on receivables	(116 161)	(122 439)
Net current trade and other receivables	**1 732 744**	**1 764 128**

Non-current trade and other receivables	31.12.2015	31.12.2014
Non-current trade receivables	3 807	2 981
Other receivables	24 516	17 758
Net non-current trade and other receivables	**28 323**	**20 739**

Trade and other receivables allowance:

	31.12.2015	31.12.2014
Opening balance of receivables allowance	122 439	120 588
Addition	32 942	29 249
Release	(2 542)	(16 928)
Utilization	(36 678)	(10 470)
Closing balance of receivables allowance	**116 161**	**122 439**

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

Ageing structure of trade and other receivables (financial instruments only):

31.12.2015	Nominal value	Allowance (-)	Carrying amount
Current	1 251 682	(3 345)	1 248 337
Overdue	287 940	(112 816)	175 124
0-30 days	88 780	(317)	88 463
31- 90 days	22 980	(626)	22 354
91-180 days	11 318	(2 906)	8 412
over 180 days	164 862	(108 967)	55 895
TOTAL	**1 539 622**	**(116 161)**	**1 423 461**

31.12.2014	Nominal value	Allowance (-)	Carrying amount
Current	1 010 297	(89)	1 010 208
Overdue	423 321	(122 350)	300 971
0-30 days	163 069	(358)	162 711
31- 90 days	40 334	(1 007)	39 327
91-180 days	24 628	(2 288)	22 340
over 180 days	195 290	(118 697)	76 593
TOTAL	**1 433 618**	**(122 439)**	**1 311 179**

19. Encumbrances and collaterals established on the Group's assets

Property, plant and equipment with limited ownership of the Group and classified as collateral of liabilities:

Entity's name	Collateral title	Type of collateral	Entity for which the collateral has been established	Indebtedness as at 31 Dec 2015	Indebtedness as at 31 Dec 2014	Collateral period
Szpital Uzdrowiskowy "Energetyk"	Loan	Capped mortgage up to PLN 8 450 thousand, registered pledge	Siemens Finance Sp. z o.o.	4 029	4 785	30 September 2020
ENEA Wytwarzanie	Investment loan	Mortgage, capped mortgage, registered pledge	PKO BP S.A.	-	16 330	26 August 2020
ENEA Wytwarzanie	Long-term credit facility	Registered pledge on property, plant and equipment, 16 blank bills of exchange, authorization to the bank account, assignment of insurance policy title	Nordic Investment Bank S.A.	-	-	31 December 2015

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

Other collaterals, including those related to loans and borrowings presented in the preceding table.

No	Entity's name	Collateral title	Type of collateral	Entity for which the collateral has been established	Indebtedness as at 31.12.2015	indebtedness as at 31.12.2014	Collateral period
1.	**ENEA Serwis**	Claims arising from the contract on purchase of products and services secured with Fleet Cards	Blank promissory note	**PKN Orlen S.A.**	202	64	unlimited
2.	**ENEA Serwis**	Collateral for lease contracts	Blank promissory note	**Pekao Leasing Sp. z o.o.**	-	498	27 October 2015
3.	**ENEA Serwis**	Collateral for tender quarantee	Blank promissory note	**PZU S.A.**	458	1 131	21 July 2016
4.	**ENEA Serwis**	Contract insurance quarantee	Blank promissory note	**TUiR Allianz Polska S.A.**	3 128	3 139	20 November 2016
5.	**Szpital Uzdrowiskowy "Energetyk"**	Borrowing colleteral	Blank promissory note	**Siemens Finance Sp. z o.o.**	4 029	4 785	30 September 2020
6.	**ENEA Logistyka**	Collateral for lease contracts	Assets under lease agreement	**M Leasing Sp. z o.o.**	-	369	21 January 2017
7.	**ENEA Pomiary**	Collateral for lease contracts	Blank promissory note	**ING Lease Sp. z o.o.**	-	80	19 December 2015
8.	**PEC Oborniki**	Borrowing colleteral	Blank promissory and assignment of receivables	**WFOŚiGW**	1 965	2 166	20 June 2023
9.	**PEC Oborniki**	Borrowing colleteral	Blank promissory and assignment of receivables	**WFOŚiGW**	555	756	20 March 2018
10.	**ENEA Wytwarzanie**	Borrowing colleteral	Blank promissory note	**NFOŚiGW**	12 972	12 496	30 September 2018
11.	**ENEA Wytwarzanie**	Borrowing colleteral	Blank promissory note	**Raiffeisen-Leasing Polska S.A.**	-	35	30 June 2016
12.	**ENEA Wytwarzanie**	Borrowing colleteral	Blank promissory note, assignment of receivables from power sales contract	**NFOŚiGW**	-	5 213	20 December 2023
13.	**ENEA Wytwarzanie**	Grant	Blank promissory note	**NFOŚiGW**	-	-	30 November 2016
14.	**MPEC Białystok**	Investment loan	Blank promissory note	**PKO BP S.A.**	5 647	6 515	30 June 2024
15.	**MPEC Białystok**	Investment loan	Blank promissory note	**ING Bank Śląski S.A.**	6 718	7 668	12 November 2026
16.	**MPEC Białystok**	Borrowing colleteral	Blank promissory note, assignment of receivables from power sales contract	**WFOŚiGW**	155	222	31 March 2017
17.	**MPEC Białystok**	Borrowing colleteral	Blank promissory note, assignment of receivables from power sales contract	**WFOŚiGW**	636	959	30 April 2017

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

18.	**LW Bogdanka**	Investment loan	Power of attorney for a bank account, assignment of receivables, declaration of submission to enforcement	**mBank S.A.**	-	-	22 May 2017
19.	**LW Bogdanka**	Borrowing colleteral	Blank promissory note, assignment from power sales contract	**WFOŚiGW**	21 303	-	31 July 2024
20.	**LW Bogdanka**	Bond issue program agreement collateral	Assignment of receivables, declaration of submission to enforcement	**Pekao S.A.**	400 000	-	31 December 2023
21.	**LW Bogdanka**	Guarantee agreement collateral	Assignment of receivables	**PKO BP S.A.**	-	-	30 September 2021
22.	**LW Bogdanka**	Bond issue program agreement collateral	Assignment of receivables, declaration of submission to enforcement	**Pekao S.A.**	300 000	-	31 December 2021
23.	**MEC Piła**	Borrowing colleteral	Blank promissory note, assignment of receivables	**WFOŚiGW**	7 701	9 273	20 August 2020

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

20. CO_2 emission rights

Opening balance	**31.12.2015**	**31.12.2014**
Cost	208 720	190 566
Net carrying amount	208 720	190 566
Changes within 12 month period		
Acquisition	217 681	186 080
Redemption of emission rights	(107 456)	(107 029)
Sales	(10 268)	(55 500)
Other changes	(1 156)	(5 397)
Closing balance		
Cost	307 521	208 720
Net carrying amount	**307 521**	**208 720**

21. Inventories

	31.12.2015	**31.12.2014**
Materials	313 641	306 242
Semi-finished products and work in progress	336	744
Finished products	136 248	202
Certificates of origin	195 885	205 881
Goods for resale	11 582	10 999
Cost	**657 692**	**524 068**
Impairment loss on inventories	(8 183)	(15 905)
Net carrying amount	**649 509**	**508 163**

Inventories expensed during the current year amounted to PLN 1 804 598 thousand and they are included in the following captions of profit or loss: PLN 1 597 024 thousand in Consumption of materials and supplies and costs of goods sold, PLN 81 568 thousand in Costs of employee benefits, PLN 61 484 thousand in Depreciation, PLN 58 923 thousand in Other external services and PLN 5 599 thousand in Taxes and charges.
In 2014, PLN 1 817 431 thousand were recognized as an expense.

No collateral has been established on inventories.

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

22. Certificates of origin

	31.12.2015	31.12.2014
Net carrying amount opening balance	**201 633**	**240 521**
Self-production	132 595	199 838
Acquisition	202 520	252 197
Redemption of emission rights	(343 575)	(486 472)
Impairment loss (-)	3 580	(4 451)
Other changes	(676)	-
Net carrying amount closing balance	**196 077**	**201 633**

23. Cash and cash equivalents

	31.12.2015	31.12.2014
Cash in hand and at bank	**125 884**	**194 521**
- cash in hand	103	276
- cash at bank	125 781	194 245
Other cash	**1 696 210**	**492 795**
-cash in transit	89	-
- deposits	1 674 692	431 837
- other	21 429	60 958
Total cash and cash equivalents	**1 822 094**	**687 316**
Cash disclosed in the statement of cash flows	**1 822 094**	**687 316**

Collaterals established on cash has been disclosed in Note 19.

As at 31 December 2015 the total restricted cash of the Group amounted to PLN 59 262 thousand (as at 31 December 2014 PLN 77 335 thousand).The total restricted cash of the Group comprised transaction deposits related to trading in energy and CO_2 emission rights, deposits received from suppliers and blockade of cash to secure proper execution of works.

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

	31.12.2015	31.12.2014
Investment portfolio	215 488	391 901
Other financial assets	6 523	449
Financial assets measured at fair value through profit or loss	**222 011**	**392 350**

As at 31 December 2015 portfolio of financial instruments managed by a specialized institution amounted to PLN 216 826 thousand and comprised of financial assets measured at fair value through profit or loss - treasury bills and bonds amounting to PLN 215 488 thousand (as at 31 December 2014 carrying amount of the portfolio was PLN 607 218 thousand, and comprised of financial assets measured at fair value through profit or loss - treasury bills and bonds amounting to PLN 391 901 thousand). In addition financial assets measured at fair value through profit or loss comprise the valuation of forward contracts for the purchase of CO_2 emission rights in the amount of PLN 6 523 thousand (as at 31 December 2014 PLN 449 thousand).

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

25. Equity

Balance as at 31.12.2015

Series of shares	Number of shares	Nominal value per share (in PLN)	Carrying amount
"A" series	295 987 473	1	295 988
"B" series	41 638 955	1	41 639
"C" series	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Total share capital			**441 443**

Share capital (face value)	441 443
Capital from business combination	38 810
Hyperinflation adjustment of share capital	107 765
TOTAL SHARE CAPITAL	**588 018**
Share premium	3 632 464
Retained earnings	7 158 352
Reserve capital from valuation of hedging instruments	3 980
Financial instruments revaluation reserve	814
Other capital	(45 883)
Non-controlling interests	784 858
TOTAL EQUITY	**12 122 603**

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

Balance as at 31.12.2014

Series of shares	Number of shares	Nominal value per share (in PLN)	Carrying amount
"A" series	295 987 473	1	295 988
"B" series	41 638 955	1	41 639
"C" series	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Total share capital			**441 443**
Share capital (face value)			441 443
Capital from business combination			38 810
Hyperinflation adjustment of share capital			107 765
TOTAL SHARE CAPITAL			**588 018**
Share premium			3 632 464
Retained earnings			7 804 989
Financial instruments revaluation reserve			34 777
Other capital			(45 883)
Non-controlling interests			49 648
TOTAL EQUITY			**12 064 013**

Other capital includes reserve capital resulting from the issue of the Management Options Programme introduced in Lubelski Węgiel Bogdanka S.A. The Programme was launched for the period 2013-2017. Exercise of the options is subject to a few conditions. As a result of the reduction of number of employees eligible, the company remeasured the Programme as at 31 December 2015.

26. Trade and other liabilities

	31.12.2015	31.12.2014
Non-current trade and other liabilities		
Non-current trade liabilities	-	111
Other	16 527	3 164
Non-current trade and other liabilities	**16 527**	**3 275**
Current trade and other liabilities		
Trade liabilities	346 662	355 229
Advance payments received for deliveries, works and services	615	41 140
Tax and similar liabilities (excluding income tax)	196 103	164 989
Liabilities due to the purchase of tangible and intangible fixed assets	492 418	398 781
Dividend liabilities	23	23
Special funds	518	1 289
Liabilities due to put options for purchase of shares in subsidiaries	45 883	45 883
Other	141 098	128 323
Current trade and other liabilities	**1 223 320**	**1 135 657**
Total	**1 239 847**	**1 138 932**

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

27. Loans, borrowings and debt securities

	31.12.2015	31.12.2014
Bank loans	1 529 220	1 073 203
Borrowings	35 433	31 484
Bonds	4 368 707	1 104 961
Long-term	**5 933 360**	**2 209 648**
Bank loans	5 342	4 489
Borrowings	9 583	4 386
Bonds	28 474	-
Short-term	**43 399**	**8 875**
Total	**5 976 759**	**2 218 523**

Loans and borrowings

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

ENEA S.A. – on 29 May 2015 ENEA S.A. executed a loan agreement (Agreement C), under which the European Investment Bank (EIB) has made available new financing in the amount of PLN 946 000 thousand or its equivalent in EUR to the Issuer. Similarly as in the previous loan agreements ENEA S.A., EBI and ENEA Operator Sp. z o.o. concluded the agreement, which settles issues related to the rules of the Programme realization in part based on funds granted by EIB.

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 are fully utilized, the availability period for Agreement B expired on 31 December 2015 and the availability period for Agreement C is March 2017. Interest rate on loans can be fixed or floating.

Under the financing agreements A and B concluded with EIB ENEA S.A. received funds in total amount of PLN 1 425 000 thousand in four tranches. The loan is denominated in PLN, with a floating rate based on WIBOR 6-month plus the banks's margin for three tranches of total amount of PLN 1 325 000 thousand and a fixed rate for one tranche in the amount of PLN 100 000 thousand.

In the third quarter of 2015 ENEA S.A. has received grants from EBI under agreement C in the amount of PLN 100 000 thousand. The loan is denominated in PLN, with a floating rate based on WIBOR 6-month plus the banks's margin. Tranches will be paid in installments, and the final loan repayment is planned for June 2030.

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

Miejskie Przedsiębiorstwo Energetyki Cieplnej w Białymstoku Sp. z o.o. – investment loan for the period from 1 August 2012 till 30 June 2022 - loan in the amount of PLN 7 819 thousand, secured with promissory note issued by the borrower with a declaration and statement of execution from the bill. The creditor is PKO BP S.A.

Investment loan for the period from 12 November 2013 to 12 November 2023 - loan in the amount of PLN 8 548 thousand secured with promissory note issued by the debtor with a declaration and statement of submission to enforcement. The creditor is ING Bank Śląski.

Szpital Uzdrowiskowy Energetyk Sp. z o.o. – borowing for the period from 23 September 2011 till 30 September 2020 – loan in the amount of PLN 6 500 thousand with an interest rate based on WIBOR 1M plus margin of 2.20 p.p. The creditor is Siemens Finance Sp. z o.o.

ENEA Wytwarzanie Sp. z o.o. – investment loan from NFOŚiGW – the loan agreement concluded with NFOŚiGW on 21 May 2010. The last repayment of loan installment is on 20 December 2023. The annual interest rate of the loan is fixed and amounts to 6%.

Investment loan from NFOŚiGW – the loan agreement concluded for the period from 1 July 2013 till 31 March 2018. The annual interest rate of the loan is WIBOR 3M+50 bps.

The total loans of ENEA Wytwarzanie Sp. z o.o. at 31 December 2015 amount to PLN 12 972 thousand.

Lubelski Węgiel Bogdanka S.A. – the Company entered with mBank S.A. into a revolving overdraft facility agreement with the limit of PLN 150 000 thousand. The loan is denominated in PLN. The loan agreement was concluded on 21 May 2014 and is valid till 22 May 2016. As at the reporting date the company did not use the overdraft.

In 2014 the subsidiary of LWB - Łęczyńska Energetyka Sp. z o.o. received from Regional Environmental Protection Fund in Lublin a targeted loan intended for financing on investment "Construction of a Water treatment facility in Bogdanka along with technological connections".The interest rate of the loan is 0.7 of the rediscount rate determined by the Monetary Policy Council - but not less than 4% per annum. The loan will rebe paid in equal monthly installments starting as of November 2015. The due date for payment of the last installment is 31 March 2024. As at 31 December 2015 the debt amounts to PLN 21 303 thousand.

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

Bonds

ENEA S.A. concludes agreements for the bond issue programmes to finance current operations and investments needs 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 31.12. 2015	Amount issued as at 31.12.2014	Redemption date
1.	Bonds Issue Programme Agreement with PKO BP S.A., Bank Pekao S.A., BZ WBK S.A. and Bank Handlowy S.A.	21 June 2012	3 000 000	1 201 000	860 000	Redemption from June 2020 till June 2021
2.	Bonds Issue Programme Agreement with Bank Gospodarstwa Krajowego	15 May 2014	1 000 000	1 000 000	260 000	Redemption in installments, final maturity in 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.	30 June 2014	5 000 000	1 500 000	-	Redemption of a given series in February 2020 and September 2021
4.	Bonds Issue Programme Agreement with Bank Gospodarstwa Krajowego	3 December 2015	700 000	-	-	Redemption in installments, final maturity in September 2027.
	TOTAL		**9 700 000**	**3 701 000**	**1 120 000**	

Bonds Issue Programme Agreement up to PLN 3 000 000 thousand

On 23 July 2015 ENEA S.A., PKO BP S.A., Pekao S.A., BZ WBK S.A. and Bank Handlowy w Warszawie S.A. concluded an Annex to Bond Issue Programme Agreement, under which pricing conditions have been changed to reflect the current market situation. An Annex established the Bonds Act of 15 January 2015 as a legal basis to issue further bonds.

On 18 December 2015 one issue of bonds was carried out in the total amount of PLN 341 000 thousand under the Programme.

Bonds Issue Programme Agreement to PLN 1 000 000 thousand

On 1 September 2015 ENEA S.A. and Bank Gospodarstwa Krajowego concluded an Annex to the Bond Issue Programme Agreement dated 15 May 2014, which changed the legal basis of the issuance of further bond series to the Bonds Act dated 15 January 2015. In the third quarter of 2015 the second series of bonds under Bond Issue Programme was issued. As at 31 December 2015 Bond Issue Programme concluded with Bank Gospodarstwa Krajowego was fully utilized.

Bonds Issue Programme Agreement to PLN 5 000 000 thousand

On 10 February 2015 the first bond issue was carried out under the Bond Issue Programme up to the amount of PLN 5 000 000 thousand. The total amount of the issue was PLN 1 000 000 thousand. The interest rate on the bonds will be calculated based on WIBOR rate for 6-month deposits plus the margin of 0.85%. Interest will be paid semi-annually on 10 August and 10 February each year. The total redemption of bonds is planned for 10 February 2020. Proceeds from the bonds issue will be used to finance the capital expenditure in line with the strategy of the ENEA Group.

According to the Resolution No. 177/2015 of the Board of National Depository for Securities dated 20 March 2015, above mentioned bonds were registered in the National Depository for Securities on 24 March 2015.
On 7 May 2015 they were admitted to the alternative trading system organized by Catalyst.

On 7 September 2015 ENEA S.A., ING Bank Śląski S.A., PKO BP S.A., PEAKO S.A. and mBank S.A. concluded an Annex no. 1 to the Bond Issue Programme Agreement dated 30 June 2014, which changed the legal basis of the issuance of further bond series to the Bonds Act dated 15 January 2015.

On 16 September ENEA S.A. issued 6-years bonds with the total amount of PLN 500 000 thousand, which have been directed towards one investor. The interest rate is based on the floating WIBOR rate plus margin.

Bonds Issue Programme Agreement to PLN 700 000 thousand

On 3 December 2015, ENEA S.A. entered into agreement of Bond Issue Programme up to the amount of PLN 700 000 thousand with Bank Gospodarstwa Krajowego. According to the agreement, ENEA S.A. may carry out multiple bond issues. Interest will be payable semi-annually (in March and September) until the final redemption date. The bonds will be redeemed in installments after the end of the availability period. The final redemption date is planned for September 2027.

Lubelski Węgiel Bogdanka S.A. – the company has signed two bond issue programme agreements. Interest rate on bonds is floating. Programme Agreement No. 1 was signed with Bank Polska Kasa Opieki S.A. on 27 September 2013 (relates to PLN 300,000 thousand) and the final redemption date is 31 December 2018. Programme Agreement No. 2 was concluded with Bank Polska Kasa Opieki S.A. and Bank Gospodarstwa Krajowego on 30 June 2014 (relates to bonds up to PLN 600,000 thousand) and the final redemption date is 31 December 2020. As at reporting date unused limit amounts to PLN 200,000 thousand (the night to issue further bonds in the amount of PLN 200,000 thousand). The interest rate on the bonds is based on WIBOR 3M plus fixed margin.

Hedging transactions

During the 12-month period ended 31 December 2015 ENEA S.A. concluded interest rate swap transactions to hedge interest rate risk related to the debt of PLN 2 995 000 thousand. The transactions are connected with realization of an interest rate risk management policy adopted for ENEA Group companies. Concluded transactions will substantially affect the predictability of the cash relating flows of expenditure and financial costs. The valuation of these financial instruments is presented in "Derivatives".

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

Financing conditions – covenants

Financing agreements assume compliance by the Company and the Group with certain financial ratios. As at 31 December 2015 and the date of these 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.

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

	31.12.2015	31.12.2014
Long-term		
Deferred income due to subsidies	215 699	167 026
Deferred income due to connection fees	433 043	454 084
Deferred income due to street lighting modernization services	25 940	16 247
	674 682	**637 357**
Short-term		
Deferred income due to subsidies	14 890	11 359
Deferred income due to connection fees	65 891	56 917
Deferred income due to street lighting modernization services	687	1 318
Valuation of building contracts	2 198	3 104
	83 666	**72 698**

Deferred income schedule

	31.12.2015	31.12.2014
Up to 1 year	83 666	72 698
1 to 5 years	142 664	129 122
Over 5 years	532 018	508 235
	758 348	**710 055**

29. Financial instruments

29.1. Principles of financial risk management

The Group is exposed to the following categories of risk related to financial instruments:

- credit risk;
- liquidity risk;
- commodity risk;
- currency risk;

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

- interest rate risk.

This note presents information on the Group's exposure to each of the aforementioned risks as well as the risk and capital management objectives, policy and procedures.
Development of the general guidelines and rules of the risk management policy is the responsibility of the Management Board of the Parent.

Financial risk management in the Group is based on a formalized, integrated risk management system described in the dedicated policies, procedures and methodologies for risk management.

Risk is managed on an ongoing basis. Risks are analyzed in connection with the impact of the external environment as well as changes in the structure and activities of ENEA S.A. Taking these into consideration, the steps are undertaken aimed at mitigation of the risk or its transfer outside the Company.

29.2. Credit risk

Credit risk is the risk of financial losses which may be incurred if a counterparty or a customer being a party to a financial instrument fails to meet its contractual obligations.

Credit risk is mainly related to debt collection. The key factors that affect the occurrence of credit risk at the Company include:

- a substantial number of small customers resulting in an increase in the costs incurred to monitor debt collection;
- the necessity to supply electricity to budgetary units facing financial difficulties;
- legal requirements defining the principles for electricity supply suspension as a result of default on payment.

The Management Board applies a credit policy which provides monitoring exposure to credit risk on an ongoing basis and undertakes actions for risk minimization. The main tool for credit risk management is the analysis of the creditworthiness of most relevant partners of ENEA S.A. under the terms of the contract with a counterparty are subject to appropriate structuring (terms of payment, any collateral contract, etc.).

The table below presents the structure of the assets illustrating the exposure of the ENEA Group to credit risk:

	31.12.2015	31.12.2014
Current and non-current financial assets held to maturity	479	189 789
Current and non-current financial assets measured at fair value through profit or loss	222 011	392 350
Trade and other receivables	1 423 461	1 311 179
Cash and cash equivalents	1 822 094	687 316
Cash deposits at Mine Closure Fund	90 872	-
Total	**3 558 917**	**2 580 634**

The credit risk relating to receivables differs for individual market segments in which the Group carries out its business activities:

- electricity and distribution service sales to individual customers – a considerable amount of past due receivables. Although they do not represent a serious threat to the Group's financial position, measures aimed at their reduction have been undertaken. Steps aimed at improvement of the collection process have been taken involving development of new and update of the existing manuals and principles of collection and cooperation with professional entities. The collection process starts 20-25 days after the payment deadline. Thanks to unified collection policy, including soft collection, the entity is able to shorten the collection period and avoid long-lasting and quite ineffective hard collections, i.e. enforcement by court or a bailiff. Court or bailiff's collections are applied to cases whose value is higher than the cost-benefit ratio for debt collection;
- sales of electricity and distribution services to business, key and strategic clients, where overdue receivables are higher than in the segment of individual clients. Because of the much smaller number of customers in these segments, the principles of collection are based mainly on soft collection. Activities related to the soft collection are taken no later than 6 days after the payment deadline, and as a rule do not last longer than 30 days after the payment deadline;
- other receivables – compared to the above segments the amounts of past due receivables are immaterial.

A key role in the debt collection process is played by employees of the Debt Collection Department. They monitor the debt collection process and attempt to collect past due receivables through direct contact with the customer. ENEA also works in the field of debt collection with specialized external entities, supporting the activities of the Company in the area of so-called hard bad debt collection.

The Group monitors the amount of past due receivables on an ongoing basis and in justified cases files legal complaints and recognizes appropriate impairment losses.

29.3. Liquidity risk

The liquidity risk is the risk that the Group will be unable to meet its financial obligations at due date.

The objective of the liquidity risk management carried out by the Group is to reduce the probability of loss or limited ability to repay liabilities to an acceptable level. In particular, the policy assumes ensuring the ability to effectively address liquidity crises, i.e. periods of an increased demand for liquid assets.

The policy assumes ensuring available cash sufficient to repay liabilities in the course of standard operations and to continue undisturbed business operations in time of liquidity crisis in the period necessary to implement emergency financing plan which allows to increase liquidity without delay.

Liquidity management focuses on a detailed analysis of the receivables collection scheme debtors' days ratio and the ongoing monitoring of bank accounts. The financial surpluses are invested in current assets in the form of term

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

deposits Long-term surpluses are transmitted to the Investment Portfolio managed by an external entity from the area of Asset Management. The effectiveness of investment process is monitored on an ongoing basis. The Company diversifies sources of external financing and investments to mitigate liquidity risk and ensure stability of financing.

ENEA S.A. has undertaken actions toward concentration of liquidity management between entities within the Group, comprising introduction of a cash pooling in key entities participating in ENEA Tax Group and expended intra-group bonds issue programmes resulting in an increase of cash effectiveness within the Group.

Taking into account ongoing risk management as well as the market and financial position of the Group it may be concluded that its liquidity risk remains at a minimum level.

Additionally, the Company manages its liquidity risk by maintaining open and unused credit facilities of PLN 750 000 thousand.

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

The Company's financial assets and liabilities by maturity are presented in the table below:

31.12.2015

	Trade and other liabilities	Finance lease liabilities	Bank loans and bonds	Borrowings	Cash and cash equivalents	Cash deposits at Mine Closure Fund	Trade and other receivables	Financial assets measured at fair value through profit or loss	Financial instruments held to maturity	Total
Carrying amount	1 042 611	2 017	5 931 743	45 016	(1 822 094)	(90 872)	(1 423 461)	(222 011)	(479)	3 462 470
Undiscounted contractual cash flows	(1 042 611)	(2 020)	(6 857 401)	(48 806)	1 822 164	90 872	1 423 983	222 011	479	(4 391 329)
up to 6 months	(1 020 192)	(569)	(79 152)	(6 182)	1 822 099	-	1 325 738	215 562	-	2 257 304
6 - 12 months	(5 266)	(442)	(78 969)	(5 632)	-	-	88 032	6 449	479	4 651
1 – 2 years	(4 209)	(666)	(265 000)	(11 273)	65	-	6 955	-	-	(274 128)
2 – 5 years	(5 628)	(343)	(3 567 878)	(18 840)	-	-	2 542	-	-	(3 590 147)
Over 5 years	(7 316)	-	(2 866 402)	(6 879)	-	90 872	716	-	-	(2 789 009)

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

31.12.2014

	Trade and other liabilities	Finance lease liabilities	Bank loans and bonds	Borrowings	Financial liabilities measured at fair value through profit or loss	Cash and cash equivalents	Trade and other receivables	Financial assets measured at fair value through profit or loss	Financial instruments held to maturity	Total
Carrying amount	931 514	2 566	2 182 653	35 870	917	(687 316)	(1 311 179)	(392 350)	(189 789)	572 886
Undiscounted contractual cash flows	(931 514)	(2 572)	(2 683 332)	(42 171)	(917)	687 614	1 311 179	392 350	189 789	(1 079 574)
up to 6 months	(928 239)	(931)	(36 021)	(4 394)	(917)	687 614	1 290 197	392 350	189 789	1 589 448
6 - 12 months	-	(777)	(36 276)	(4 365)	-	-	243	-	-	(41 175)
1 – 2 years	(3 275)	(864)	(72 302)	(10 180)	-	-	19 274	-	-	(67 347)
2 – 5 years	-	-	(511 897)	(18 610)	-	-	730	-	-	(529 777)
Over 5 years	-	-	(2 026 836)	(4 622)	-	-	735	-	-	(2 030 723)

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

29.4. Commodity risk

Commodity risk is related to possible changes in revenue/cash flows generated by the Group resulting, in particular, from fluctuations in commodity prices and changing demand for products/services offered. The objective of commodity risk management is to maintain the risk exposure within an acceptable level while optimizing the return on risk.

One of the key aspects of the commodity risk results from the fact that being an energy company operating based on an electricity trading license, the entity is required to submit electricity tariffs for the G-tariff groups for approval. The Company purchases energy at market prices and calculates its tariff based on costs regarded as legitimate by the President of the Energy Regulatory Office as well as margins (for electricity trading) planned to be earned in the subsequent tariff period. Therefore, during the tariff period the Group's possibility to transfer adverse changes in its operating costs to electricity customers is limited. A tariff adjustment request may be filed to the President of the Energy Regulatory Office only in the event of a dramatic rise in costs for reasons that are beyond the Group's control.

Commodity risk management in the scope of pricing is based on continuous monitoring of an open position in trading (both with regard to securing the volume of retail sales, and to proprietary trading) and measurement - using value at risk tools - of the level of risk of possible electricity price fluctuation with respect to such an open position in trading. An appropriate risk mitigation technique in this case is to close an item that generates excessive (grater than accepted) value of potential loss. The management model is based in this case on a system of value limits (VaR limits) setting the maximum value of the open position, which is the carrier of the commodity risk (price risk).

Commodity risk management in terms of volumetric involves using scenario methods, optimizing the planning processes and control of commercial activities which allows possibly the most accurate way to estimate expected volumes of electricity and related goods that are traded.

Moreover, independently from mentioned above, the ENEA applies the management principles defined by the strategic regulation (so-called Wholesale Trading Procedure), defining the operating methods related to optimization of ENEA's trading position with the primary purpose of minimizing the risk of taking actions contrary to the market trends, taking account of the efficiency aspect in the context of that trend (achieving better results than the market average).

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

29.5. Currency risk

The exposure of the Group to currency risk is presented below.

31.12.2015	Carrying amount	Including EUR amount denominated in the functional currency (PLN)	EUR currency risk impact on profit/(loss) +1%	-1%	Including USD amount denominated in the functional currency (PLN)	USD currency risk impact on profit/(loss) (USD) +1%	-1%	Total currency risk impact on profit/(loss) +1%	-1%
Financial assets									
Cash and cash equivalents	1 822 094	86 705	**867**	**(867)**	-	-	-	867	(867)
Cash deposits at Mine Closure Fund	90 872	-	-	-	-	-	-	-	-
Trade and other receivables	1 423 461	12	-	-	-	-	-	-	-
Financial assets available for sale	23 982	-	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss	222 011	-	-	-	-	-	-	-	-
Financial assets held to maturity	479	-	-	-	-	-	-	-	-
Financial liabilities									
Loans, borrowings and debt securities	(5 976 759)	-	-	-	-	-	-	-	-
Trade and other liabilities	(1 042 611)	(69 187)	**(692)**	**692**	(1)	-	-	(692)	692
Finance lease liabilities	(2 017)	-	-	-	-	-	-	-	-
Impact on profit/loss before tax			**175**	**(175)**		-	-	**175**	**(175)**
19% tax								(33)	33
Impact on profit/loss after tax								**142**	**(142)**

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

31.12.2014	Carrying amount	Including EUR amount denominated in the functional currency (PLN)	EUR currency risk impact on profit/(loss) +1%	EUR currency risk impact on profit/(loss) -1%	Including USD amount denominated in the functional currency (PLN)	USD currency risk impact on profit/(loss) (USD) +1%	USD currency risk impact on profit/(loss) (USD) -1%	Total currency risk impact on profit/(loss) +1%	Total currency risk impact on profit/(loss) -1%
Financial assets									
Cash and cash equivalents	687 316	52 848	**528**	**(528)**	-	-	-	528	(528)
Trade and other receivables	1 311 179	30 892	**309**	**(309)**	-	-	-	309	(309)
Forward contracts	47 479	-	-	-	-	-	-	-	-
Financial assets available for sale	392 350	-	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss	189 789	-	-	-	-	-	-	-	-
Financial assets held to maturity									
Financial liabilities									
Loans, borrowings and debt securities	(2 218 523)	-	-	-	-	-	-	-	-
Trade and other liabilities	(931 514)	(57)	**(1)**	**1**	-	-	-	(1)	1
Finance lease liabilities	(2 566)	-	-	-	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss	(917)	-	-	-	-	-	-	-	-
Impact on profit/loss before tax			**836**	**(836)**		-	-	**836**	**(836)**
19% tax								(159)	159
Impact on profit/loss after tax								**677**	**(677)**

The currency risk is related to possible changes in cash flows generated by the Group resulting from fluctuations in the currencies exchange rates in which such cash flows are denominated.

The ENEA Group is exposed in particular to currency risk arising from necessity to purchase CO_2 emission rights, as well as in connection with the purchase of particular fuels (biomass), certain capital expenditures and realized contracts for the services provided by contractors, whose market prices/costs are denominated in EUR.

Safety measures are implemented based on *Policy management of currency risk and interest rate risk* applied in ENEA Group.

Lubelski Węgiel Bogdanka S.A. enters into specific transactions denominated in foreign currencies, which brings about a risk of exchange rate fluctuations. The Company is mainly exposed to the risk of changes in EUR/PLN and USD/PLN exchange rates. During 2015 no significant foreign exchange transactions were entered into. These transactions took place in previous years in connection with the purchase of specialized equipment and machinery. However, due to the completion of the intensified investment process, no such transactions are expected in the near future.

The risk is managed within the approved procedures using the foreign currency forward contracts. The Company applies hedge accounting for future cash flows. The aim of the Company's hedge operations against changes in the exchange rate of EUR/PLN and USD/PLN is to ensure a specific level in PLN of future expenditures in EUR, which will be incurred in connection with the future investments and to guarantee a specified level of future proceeds in USD received in relation with the realized sales.

At the reporting date, the Company had no significant currency exposures. The value of financial instruments exposed to currency risk amounted to approximately PLN 7,991 thousand and concerns liabilities arising from the purchase of equipment and intangible assets.

29.6. Interest rate risk

The interest rate risk, the Group is exposed to, results from credit facilities and loans as well as bond issue programmes taken by ENEA and financial assets in the form of debt securities portfolio and bank deposits. The Group tends to apply variable interest correlated with market (interbank) rates.

Due to the applied by the Group model of financing, interest rate risk is identified and managed (quantified, hedged) at the level of the Parent company.

Safety measures in the area of interest rate are carried out based on *Currency risk and interest rate risk management policy*. As at 31 December 2015 ENEA Group has liabilities resulting from loans, borrowings and debt securities of PLN 5 976 759 thousand. The above mentioned debt has been secured by interest rate risk hedging transactions (IRS) in 50%.

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

The table below, presents financial assets and liabilities by fixed and variable interest rates, showing the Group's sensitivity to interest rate risk:

	31.12.2015	31.12.2014
Fixed rate instruments		
Financial assets	2 821 093	1 397 002
Financial liabilities	(1 141 642)	(1 031 379)
Effect of interest rate swaps	(2 995 000)	-
Total	**(1 315 549)**	**365 623**
Variable rate instruments		
Financial assets	737 824	1 183 632
Financial liabilities	(5 879 745)	(2 121 224)
Effect of interest rate swaps	2 995 000	-
Total	**(2 146 921)**	**(937 592)**

Cash deposited in bank deposits is presented within fixed rate instruments.

Effective interest rates applicable to variable rate assets and liabilities are presented in the table below:

	31.12.2015		31.12.2014	
	Effective interest rate (%)	**Carrying amount**	**Effective interest rate (%)**	**Carrying amount**
Financial instruments held to maturity	1.70	479	3.75	189 789
Financial assets measured at fair value through profit or loss	1.32	222 011	4.68	392 350
Cash and cash equivalents	1.95	515 334	2.45	601 493
Finance lease liabilities	5.67	(2 017)	4.31	(2 566)
Bank loans	2.31	(1 434 558)	2.97	(977 827)
Borrowings	3.55	(45 016)	3.33	(35 870)
Bonds	2.65	(1 403 154)	4.00	(1 104 961)
Total		**(2 146 921)**		**(937 592)**

The effective interest rates presented in the table above are determined as the weighted average of interest rates.

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

The table below presents the impact of interest rate changes on the Group's net results. The impact of interest rate on bank loans, borrowings and debt securities is presented net of IRS effect.

	Carrying amount as at 31.12.2015	Interest rate risk impact on profit (12-month period)		Carrying amount as at 31.12.2014	Interest rate risk impact on profit (12-month period)	
		+ 1 p.p.	- 1 p.p.		+ 1 p.p.	- 1 p.p.
Financial assets						
Cash	515 334	5 153	(5 153)	601 493	6 015	(6 015)
Financial assets held to maturity	479	5	(5)	189 789	1 898	(1 898)
Financial assets measured at fair value through profit or loss	222 011	2 220	(2 220)	392 350	3 924	(3 924)
Impact on profit/loss before tax		7 378	(7 378)		11 837	(11 837)
19% tax		(1 402)	1 402		(2 249)	2 249
Impact on profit/loss after tax		**5 976**	**(5 976)**		**9 588**	**(9 588)**
Financial liabilities						
Bank loans, borrowings and debt securities	(2 882 728)	(28 827)	28 827	(2 118 658)	(21 187)	21 187
Finance lease liabilities	(2 017)	(20)	20	(2 566)	(26)	26
Financial liabilities measured at fair value through profit or loss						
Impact on profit/loss before tax		**(28 847)**	**28 847**		**(21 213)**	**21 213**
19% tax		5 481	(5 481)		4 030	(4 030)
Impact on profit/loss after tax		**(23 366)**	**23 366**		**(17 183)**	**17 183**
Total		**(17 390)**	**17 390**		**(7 595)**	**7 595**

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

29.7. Mangement of founding sources

The key assumption of the Group in management of funding sources is maintaining optimal liabilities structure to reduce the cost of funding operations, secure credit rating at the investment level and sources of funding for operating and investing activities of the Group. Activities conducted in this area also tend to ensure the financial security of the Group and rewarding value for shareholders. When optimizing the structure of liabilities by applying financial leverage it is also important to maintain a strong capital base being a foundation for building confidence of investors, creditors and market. The Group monitors its capital using the debt ratio and the return on equity ratio. Its objective is to ensure increase of capital effectiveness together with maintaining the capital at the safe level.

29.8. Fair value

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

	31.12.2015		31.12.2014	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Non-current financial assets available for sale (shares in unrelated parties)	23 982	23 982	47 479	47 479
Non-current financial assets measured at fair value through profit or loss	-	-	99	99
Derivatives	844	844	-	-
Current financial assets held to maturity	479	479	189 789	189 789
Current financial assets measured at fair value through profit or loss	222 011	222 011	392 251	392 251
Trade and other receivables	1 423 461	(*)	1 311 179	(*)
Cash and cash equivalents	1 822 094	1 822 094	687 316	687 316
Cash deposits at Mine Closure Fund	90 872	90 872	-	-
Loans, borrowings and debt securities	5 976 759	6 015 494	2 218 523	2 241 937
Finance lease liabilities	2 017	2 017	2 566	2 566
Trade liabilities	1 042 611	(*)	931 514	(*)
Current financial liabilities measured at fair value through profit or loss	-	-	917	917

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

Financial assets available for sale include shares in unrelated parties for which the ratio of interest in equity is lower than 20%. The positions comprises also shares in PGE EJ1 Sp. o.o. in the amount of PLN 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 and other shares in companies not quoted in an active market (PLN 580 thousand).

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

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.

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

	31.12.2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss				
Forward contracts	-	449	-	449
Non-derivative financial assets held for trading	391 901	-	-	391 901
Financial assets available for sale				
Listed equity instruments	46 954	-	-	46 954
Not listed equity instruments	-	-	525	525
Total	**438 855**	**449**	**525**	**439 829**

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

Financial liabilities measured at fair value through profit or loss				
Forward contracts	-	(917)	-	(917)
Total	**-**	**(917)**	**-**	**(917)**

30. Finance lease liabilities

Finance lease liabilities – minimum lease payments	31.12.2015	31.12.2014
Up to 1 year	1 025	1 752
1 – 5 years	992	814
Present value of lease payments	**2 017**	**2 566**

31. Financial liabilities measured at fair value through profit or loss

	31.12.2015	31.12.2014
Forward contracts (EUR)	-	917
Total	**-**	**917**

32. Deferred income tax

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

	Carrying amount 31.12.2015	Carrying amount 31.12.2014
Deferred tax asset	1 103 836	531 465
Set off of tax assets and liabilities	(487 041)	(364 258)
Deferred tax asset disclosed in the statement of financial position	**616 795**	**167 207**
Deferred tax liability	875 158	619 632
Set off of tax assets and liabilities	(487 041)	(364 258)
Deferred tax liability disclosed in the statement of financial position	**388 117**	**255 374**

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

Changes in the deferred tax asset and liability during the financial year (prior to their set off):

Deferred tax assets:

	Liabilities due to employee benefits	Deferred income from connection fees	Provision for the costs of redemption of certificates of origin	Grants	Provision for disposal, land reclamation and purchase of CO_2 emissions rights	Expenses deductible from taxable base after the end of the settlement period	Valuation of tangible and intangible assets at fair value	Impairment loss on non-financial non-current assets*	Other	Total
Opening balance	**137 403**	**91 637**	**51 414**	**19 239**	**24 261**	**88 177**	**-**	**1 242**	**112 600**	**525 973**
Acquisition of subsidiaries	4 145	-	-	-	-	-	-	-	3 088	7 233
Amount recognized in the profit or loss	644	(3 097)	(20 710)	(2 652)	4 645	(7 398)	-	6 168	2 855	(19 545)
Change recognized in other comprehensive income	17 785	-	-	-	-	-	-	-	19	17 804
Balance as at 31 December 2014 - 19% rate	**159 977**	**88 540**	**30 704**	**16 587**	**28 906**	**80 779**	**-**	**7 410**	**118 562**	**531 465**
Opening balance	**159 977**	**88 540**	**30 704**	**16 587**	**28 906**	**80 779**	**-**	**7 410**	**118 562**	**531 465**
Acquisition of subsidiaries	60 143	-	-	-	1 090	-	130 553	5 156	7 115	204 057
Amount recognized in the profit or loss	(8 673)	(3 110)	15 284	(1 063)	17 147	3 773	-	288 127	63 426	374 911
Change recognized in other comprehensive income	(7 307)	-	-	-	-	-	-	-	710	(6 597)
Balance as at 31 December 2015 - 19% rate	**204 140**	**85 430**	**45 988**	**15 524**	**47 143**	**84 552**	**130 553**	**300 693**	**189 813**	**1 103 836**

*Including property, plant and equipment, goodwill, other intangible assets and perpetual usufruct of land

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

Deferred tax liabilities:

Balance as at 1 January 2014 - 19% rate	Income taxable after the end of the accounting period	Accrued uninvoiced sales	Difference in carrying and tax values of tangible and intangible assets *	Net provision for mine liquidation	Other	Total
Opening balance	**101 254**	**53 317**	**371 377**	**-**	**39 209**	**565 157**
Acquisition of subsidiaries	-	-	11 422	-	-	11 422
Amount recognized in the profit or loss	(9 339)	(6 292)	26 846	-	34 864	46 079
Change recognized in other comprehensive income	-	-	-	-	(3 026)	(3 026)
Balance as at 31 December 2014 - 19% rate	**91 915**	**47 025**	**409 645**	**-**	**71 047**	**619 632**
Opening balance	**91 915**	**47 025**	**409 645**	**-**	**71 047**	**619 632**
Acquisition of subsidiaries	-	-	179 077	6 318	6 139	191 534
Amount recognized in the profit or loss	4 603	653	68 447	(318)	(3 543)	69 842
Change recognized in other comprehensive income	-	-	-	-	(5 850)	(5 850)
Balance as at 31 December 2015 - 19% rate	**96 518**	**47 678**	**657 169**	**6 000**	**67 793**	**875 158**

* The differences result from the measurement to fair value as well as differences in depreciation rates.

The Group has no significant unrecognized deferred tax assets and liabilities.

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

33. Liabilities due to employee benefits

Defined benefit plans:	**31.12.2015**	**31.12.2014**
Retirement benefits		
long-term portion	122 360	98 785
short-term portion	20 175	10 762
	142 535	**109 547**
Right to energy allowance after retirement		
long-term portion	199 127	218 809
short-term portion	8 927	8 013
	208 054	**226 822**
Appropriation to the Company's Social Benefits Fund for pensioners		
long-term portion	52 914	47 720
short-term portion	1 659	1 485
	54 573	**49 205**
Coal allowances in kind		
long-term portion	107 908	-
short-term portion	4 019	-
	111 927	**-**
Total: Defined benefit plans		
long-term portion	482 309	365 314
short-term portion	34 780	20 260
	517 089	**385 574**
Other non-current liabilities due to employee benefits		
Jubilee bonuses		
long-term portion	333 636	252 778
short-term portion	38 202	22 336
	371 838	**275 114**
Salaries and wages and other liabilities		
long-term portion	2 678	-
short-term portion	312 399	141 251
	315 077	**141 251**
Provision for Voluntary Redundancy Programme		
long-term portion	149	-
short-term portion	12 605	84 430
	12 754	**84 430**
Total liabilities due to employee benefits		
long-term portion	**818 772**	**618 092**
short-term portion	**397 986**	**268 277**
	1 216 758	**886 369**

Based on an arrangement entered into by the representatives of staff and the Group, its employees are entitled to specific benefits other than remuneration, i.e.:

- jubilee bonuses;
- retirement and disability benefits;
- electricity allowance;
- an appropriation to the Company's Social Benefits Fund.

All mentioned above benefits are fully financed by the Group.

The present value of the related future liabilities has been measured using actuarial methods. Calculations were made using basic individual data for the employees of ENEA Group as at 31 December 2015 (taking into account their gender) regarding:

- age;
- length of service with ENEA Group;
- total length of service;
- remuneration constituting the assessment basis for jubilee benefits as well as retirement and disability benefits.

Additionally, the following assumptions were made for the purpose of the analysis:

– the probable number of leaving employees was determined based on historical data concerning staff turnover in the Group and industry statistics,
– the value of minimum remuneration in the Polish economy since 1 January 2016 was assumed at PLN 1 850.00 thousand,
– pursuant to announcements of the Chairman of the Central Statistical Office, the average salary in the Polish economy, less premiums for retirement, pension and health insurance paid by the insured was assumed at PLN 2 917.14 (average amount assumed for the second half of 2010, which will constitute the basis for calculating the appropriation to the Company's Social Benefits Fund in 2014 under the amendment to the Act on Company Social Benefits Fund dated 5 December 2014),
– under the assumptions defined at the corporate level, the growth of the average salary in the Polish economy (being the basis for creating the appropriation to the Company's Social Benefits Fund) was assumed at 20.2% in 2015, 5.4% in 2016, 6.1% in 2017, 6.2% in 2018, 6.0% in 2019, 5.7% in 2020, 5.5% in 2021, 5.3% in 2022, 5.1% in 2023, 4.9% in 2024, 4.7% in 2025 and 4.5% in the remaining period of the projection,
– mortality rate and the probability of receiving benefits were adopted in line with the 2013 Life Expectancy Tables published by the Central Statistical Office,
– the value of the provision for disability benefits was not determined separately but the individuals receiving disability allowance were not taken into consideration in calculating the employee turnover ratio,
– standard retirement age was assumed under particular regulations of the Act of Pension, excluding these employees, which fulfill the conditions expected to earlier retirement,
– the long-term salaries and wages increase rate was adopted at the level of 2.038% in 2016, 2.418% in 2017 and 2.5% in the remaining years (as at 31 December 2014 at the level of 1.0% in 2015, 2.038% in 2016, 2.418% in 2017 and 2.5% in the remaining years),
– the interest rate for discounting future benefits was adopted at the level of 2.8% (as at 31 December 2014: 2.5%),
– value of the annual equivalent of the electricity allowance paid in 2015 was adopted at the level of

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

PLN 1,406.53 (as at 31 December 2014 PLN 1,382.57),

- the average rise in the cash equivalent of the electricity allowance was adopted for 2016 at the level of -3.2%, for 2017 -1.5%, for 2018 +1.7%, for 2019 +4.1 %, for 2020-2021 at the level of 4.2%, for 2022 +4.3%, for 2023 +4.4%, for 2024 +4.5%, for 2025-2026 +4.6% and the following years at the level of 2.5% (as at 31 December 2014 the increase in 2015 at the level of 1.6%, for 2016 +4.0%, for 2017 +4.9%, for 2018 +5.9%, for 2019- 2026 at the level of 3.9% and the following years at the level of 2.5%).

The Group also recognizes provision for coal allowance benefits.

To determine the amount of provisions for employee benefits Projected Unit Credit Method was used, the same method was used for the analysis of sensitivity for defined benefit plan.

2015

Changes during 12 months ended 31 December 2015	**Retirement benefits**	**Right to energy allowance after retirement**	**Appropriation to the Company's Social Benefits Fund for pensioners**	**Coal allowances**	**Total**
Balance as at 1 January 2015	**109 547**	**226 822**	**49 205**	**-**	**385 574**
Liabilities assumed in a business combination	**28 597**	**-**	**300**	**106 739**	**135 636**
Costs recognized in profit or loss, including:	**7 133**	**8 663**	**1 158**	**915**	**17 869**
current employment costs	6 808	5 553	1 521	127	14 009
post-employment costs	(2 085)	(2 109)	(1 502)	-	(5 696)
interests	2 410	5 219	1 139	788	9 556
Costs recognized in other comprehensive income, including:	**8 208**	**(17 531)**	**5 968**	**4 389**	**1 034**
net actuarial losses/(profits) due to changes in financial assumption	(2 872)	(38 640)	688	4 509	(36 315)
net actuarial losses/(profits) due to changes in demographic assumptions	919	6 224	1 643	(85)	8 701
net actuarial losses/(profits) due to adjustments of ex-post assumptions	10 161	14 885	3 637	(35)	28 648
Decrease in liabilities due to benefits paid (negative amount)	(4 238)	(7 003)	(1 207)	(116)	(12 564)
Other decreases	**(6 712)**	**(2 897)**	**(851)**	**-**	**(10 460)**
Total changes	**32 988**	**(18 768)**	**5 368**	**111 927**	**131 515**
Balance as at 31 December 2015	**142 535**	**208 054**	**54 573**	**111 927**	**517 089**

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

2014

Changes during 12 months ended 31 December 2014	Retirement benefits	Right to energy allowance after retirement	Appropriation to the Company's Social Benefits Fund for pensioners	Total
Balance as at 1 January 2014	**81 342**	**182 947**	**30 826**	**295 115**
Liabilities assumed in a business combination	**4 847**	**-**	**1 351**	**6 198**
Costs recognized in profit or loss, including:	**(477)**	**4 376**	**5 206**	**9 105**
current employment costs	3 603	3 259	898	7 760
post-employment costs	(7 010)	(5 967)	2 944	(10 033)
interests	2 930	7 084	1 364	11 378
Costs recognized in other comprehensive income, including:	**33 571**	**48 569**	**13 216**	**95 356**
net actuarial losses/(profits) due to changes in financial assumption	19 140	38 255	10 062	67 457
net actuarial losses/(profits) due to changes in demographic assumptions	227	1 408	333	1 968
net actuarial losses/(profits) due to adjustments of ex-post assumptions	14 204	8 906	2 821	25 931
Decrease in liabilities due to benefits paid (negative amount)	**(8 275)**	**(8 367)**	**(1 165)**	**(17 807)**
Other decreases	**(1 461)**	**(703)**	**(229)**	**(2 393)**
Total changes	**28 205**	**43 875**	**18 379**	**90 459**
Balance as at 31December 2014	**109 547**	**226 822**	**49 205**	**385 574**

Sensitivity analysis for defined benefit plans

Sensitivity analysis for the following segments: trade, distribution, production and other:

Defined benefit plans	Actuarial assumptions change impact on liabilities due to defined benefit plans	
	+ 1 pp	**- 1 pp**
Discount rate	(49 273)	62 310
Anticipated rise of salaries and wages	23 627	(19 493)
Average rise in the cash equivalent of the electricity allowance	34 949	(27 917)

Sensitivity analysis for mining segment:

Defined benefit plans	**Actuarial assumptions change impact on liabilities due to defined benefit plans**	
	+ 1 pp	**- 1 pp**
Discount rate	(17 984)	22 897
Anticipated rise of salaries and wages	2 314	(1 799)
Rise in the base for coal allowances	21 058	(15 665)

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

Maturity of liabilities due to defined benefit plans

Maturity of liabilities due to defined benefit plans for the following segments: trade, distribution, production and other:

The weighted average duration of liabilities due to defined benefit plans (in years)	31.12.2015	31.12.2014
Retirement benefits	16.0	16.5
Right to energy allowance after retirement	16.0	16.3
Appropriation to the Company's Social Benefits Fund for pensioners	17.4	17.5

Maturity of liabilities due to defined benefit plans for mining area:

The weighted average duration of liabilities due to defined benefit plans (in years)	31.12.2015
Retirement benefits	10.0
Coal allowances	18.0

Other long-term employee benefits - jubilee bonuses

	31.12.2015	31.12.2014
Opening balace	**275 114**	**235 199**
Liabilities assumed in business combination	82 438	15 299
Changes during 12 months ended 31 December 2015		
Costs recognized in profit or loss, including:	**46 606**	**54 096**
- current employment costs	20 412	12 804
- post-employment costs	(3 849)	(14 517)
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	26 794	11 439
- net actuarial losses/(profits) due to changes in demographic assumptions	904	280
- (net actuarial losses/(profits) due to changes in financial assumptions	(4 120)	35 462
- interests	6 465	8 628
Decrease in liabilities due to benefits paid	**(16 540)**	**(25 839)**
Other changes	**(15 780)**	**(3 641)**
Total changes	**96 724**	**39 915**
Closing balance	**371 838**	**275 114**

Provision for the Voluntary Redundancy Program

ENEA S.A.

On 10 December 2014 the Management Board of ENEA S.A. adopted a resolution to launch the Voluntary Redundancy Program (Program). The Program was dedicated to Employees:

- employed under a contract of employment no matter the type and nature of their work;
- not being in the period of notice and who have not signed an agreement to terminate the employment contract outside the Program with a date of an employment contract in the future;

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

- not being employed on other civil or employment contracts in another entity within ENEA Group as at the date of employment contract termination within the Program;
- belonging to one of the following groups:

- Group no. I – Employees have reached a standard retirement age till 31 December 2014 and did not terminate the employment contract due to retirement or will acquire pension rights arising from achieving standard retirement age till 31 December 2015;

- Group no. II - Employees who are to achieve the standard retirement age within 3 year inclusive, counting from 31 December 2015;

- Group no. II - Employees who are to acquire pension rights after 31 December 2018.

The program was valid from 15 December 2014 until 30 June 2015.

ENEA Centrum Sp. z o.o.

On the basis of a resolution No. 187 dated 22 December 2015, the Management Board of ENEA Centrum Sp. z o.o. decided to launch the next Voluntary Redundancy Program in the Company valid from 28 December 2015 to 31 December 2016 in quartarely tranches, which can be launched on the basis of relevant resolutions of the Management Board of ENEA Centrum Sp. z o.o.The first tranche of the Program is valid from 15 February 2016 to 29 February 2016. The decisions for the first tranche of the Program will be taken by the Employer in the period from 1 March 2016 till 31 March 2016.

34. Provisions for liabilities and other charges

Provision for liabilities and other charges divided into current and non-current portion

	31.12.2015	31.12.2014
Non-current	625 388	464 720
Current	567 556	304 374
Closing balance	**1 192 944**	**769 094**

Change in provisions for liabilities and other charges

for the period ended 31 December 2015

	Provision for non-contractual use of land	Provision for other claims	Provision for land reclamation	Provision for certificates of origin	Provision for CO_2 emissions rights	Mine liquidation	Other	Total
Opening balance	**172 854**	**27 362**	**57 551**	**164 878**	**105 758**	**-**	**240 691**	**769 094**
Acquisition of subsidiaries	-	26 014	5 738	2 202	-	115 744	50 309	200 007
Unwinding of discount and discount rate change	(2 266)	-	(8 540)	-	-	850	-	(9 956)
Increase in provisions	29 819	10 671	660	227 768	193 412	7 847	45 470	515 647
Provisions used	(462)	(2)	-	(144 470)	(105 668)	-	(10 819)	(261 421)
Provision reversed	(10 516)	(3 589)	-	(354)	(468)	-	(5 500)	(20 427)
Closing balance	**189 429**	**60 456**	**55 409**	**250 024**	**193 034**	**124 441**	**320 151**	**1 192 944**

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

for the period ended 31 December 2014

	Provision for non-contractual use of land	Provision for other claims	Provision for land reclamation	Provision for the environ-mental fee	Provision for certificates of origin	Provision for CO_2 emissions rights	Other	Total
Opening balance	**186 916**	**22 071**	**30 464**	**394**	**274 643**	**105 149**	**226 239**	**845 876**
Unwinding of discount and discount rate change	(7 619)	-	2 527	-	-	-	-	(5 092)
Increase in provisions	12 871	6 452	24 724	-	413 403	106 678	23 488	587 616
Provisions used	(7 993)	-	(164)	-	(522 772)	(105 149)	(6 377)	(642 455)
Provision reversed	(11 321)	(1 161)	-	(394)	(396)	(920)	(2 659)	(16 851)
Closing balance	**172 854**	**27 362**	**57 551**	**-**	**164 878**	**105 758**	**240 691**	**769 094**

Provisions for liabilities are determined in reasonable, reliably estimated amounts. Individual provisions are recognized for projected losses related to court action brought against the Group. The amount recognized as a provision is the best estimate of the expenditure required to settle a claim. The cost of provisions is recognized under other operating expenses. A description of material claims and the related contingent liabilities has been presented in Notes 50.2, 50.5 and 50.6.

Provisions for liabilities and other charges include mainly:

Provision for non-contractual use of land

Provision for claims of persons holding possession of real properties, arising from non-contractual use of land.
The provision for claims concerning non-contractual use of real properties is measured according to so-called staged approach and weighting, i.e. the probability of losing the dispute and necessity to fulfil the claim. Claims for non-contractual use of real property may be significant for the Group because of the number of properties used, but the Group is not able to estimate the maximum amount of compensation. ENEA Group - in relation to, inter alia, the anticipated Transmission Corridors Act - estimated and included in provisions the compensations for non-contractual use of real properties on which the grid assets are located (power lines), for which no claims have yet been raised as at the reporting date.

Provision for land reclamation

After closing or filling a slag and ash dump, the Group is obliged to carry out appropriate land reclamation. As the Group has large unfilled dumps, land reclamation is planned for 2060. Future estimated costs of land reclamation were discounted to their current value using a discount rate of 2.80% (as at 31 December 2014 – 2.50%).
As at 31 December 2015 the provision amounted to PLN 55 409 thousand (as at 31 December 2014 it was PLN 57 551 thousand).

Provision for purchasing CO_2 emissions rights

As at 31 December 2015 the provision for CO_2 emissions rights amounted to PLN 193,034 thousand (as at 31 December 2014 it was PLN 105 758 thousand).

Provision for mine liquidation

ENEA Group recognizes a provision for mine liquidation expenses, as required under applicable provisions. Key assumptions used to determine the cost of mine liquidation include assumptions regarding the useful life of the mine, the expected rate of inflation and long-term discount rates.The calculated amount of mine liquidation costs on 31 December 2015 amounts to PLN 124 441 thousand.

Other provisions

Other provisions relate mainly:

- potential liabilities related to network assets resulting from differences in law interpretation - PLN 129 197 thousand (as at 31 December 2014 PLN 109 563 thousand),
- costs of forest lands managed by State Forests - PLN 112 680 thousand (as at 31 December 2014 PLN 115 921 thousand),
- real property tax in Lubelski Węgiel Bogdanka S.A. PLN 23 881 thousand – disclosed amount constitutes a provision for real property tax. The Company, when preparing the real property tax declaration, does not take into account (same as other mining entities in Poland) the value of underground mining excavation for the purpose of calculation of the tax, neither the value of the equipment installed there. According to the position of the Constitutional Tribunal, stated in sentence from 13 September 2011, confirmed subsequently in decisions of administrative courts, underground mining excavation understood as empty space in rock mass, formed as a consequence of mining works, is not subject to real property tax. At the same time the Constitutional Tribunal did not exclude that underground mining excavation may contain objects constituting structures that can be subject to taxation within the meaning of The Local Taxes and Fees Act. Determining the taxable base, when underground mining excavations contain objects being structures within the meaning of The Local Taxes and Fees Act, the value of the works on formation of underground mining excavation cannot be included into the base.

  The above Constitutional Tribunal's sentence, has not resolved clearly what elements of the underground mining excavation's equipment are the subject to property tax. Furthermore, until now there is a lack of unified positions of administrative courts,
- ZUS claims arising from accident contribution in Lubelski Węgiel Bogdanka S.A. PLN 18 727 thousand the percentage rate of a contribution for accident insurance, determined by the Social Security Institution based on ZUS IWA documents (Information on data required for calculation of contribution for accident insurance) and an adjustment of ZUS IWA document for 2012 submitted by the LWB, was 3.09% for the settlement period from 1 April 2013 to 31 March 2014 and 2.70% for the settlement period from 1 April 2014 to 31 March 2015. In its Decision No. 7/2014 of 18 June 2014, the Social Security Institution, Branch in Lublin, determined the percentage rate of a contribution for accident insurance for the Parent. Having taken into account ZUS IWA adjustments for the years of 2011 and 2012 (made *ex officio*), the authority determined the percentage rate of a contribution for accident insurance at 3.47% for the settlement period from 1 April 2013 to 31 March 2014 and at 3.09% for the settlement period from 1 April 2014 to 31 March 2015. In addition, pursuant to Article 34 of the Act on Social Insurance against Accidents at Work and Occupational Diseases and Article 83.1.3 of the Act on Social Insurance System, the Social Security Institution determined for the Parent the percentage rate of a contribution for accident insurance increased by 50% for the above contributory years, i.e. at 5.21% for the contributory year from 1 April 2013 to

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

31 March 2014 and at 4.64% for the contributory year from 1 April 2014 to 31 March 2015. On 25 July 2014 the Parent filed an appeal to the Regional Court in Lublin, against the above decision, requesting that it be cancelled and proceeding be discontinued, or in the alternative that the Court change the decision appealed against and decide that the Company is not required to pay the contribution for accident insurance at the rate increased by 50%, as well as decide that the percentage rate of the contribution for the above contributory years should be 3.09% and 2.7% respectively. Court proceedings is in progress,

- removal of mining damages PLN 8 497 thousand – due to the need to remove mining damages, the Group recognizes a provision for mining damages. The amount mainly relates to planned costs that have to be incurred in connection with the reparation of damaged power lines, acquisition of build-up properties (where damages took place) and compensations for damages to agricultural lands.

35. Net sales revenue

	31.12.2015	31.12.2014
Revenue from sales of electricity	5 730 791	6 220 527
Revenue from sales of distribution services	2 964 470	2 860 165
Revenue from sales of goods and materials	85 341	107 626
Revenue from sales of other services	146 257	111 509
Revenue from sales of certificates of origin	15 823	47 076
Revenue from sales of CO_2 emission rights	-	32 936
Compensation to cover stranded costs	293 147	257 508
Revenue from sales of heat	275 118	212 961
Revenue from sales of coal	219 548	-
Revenue from sales of gas	117 897	5 087
Total net sales revenue	**9 848 392**	**9 855 395**

36. Costs by type

	31.12.2015	31.12.2014
Amortization and depreciation	**(790 375)**	**(728 408)**
Costs of employee benefits	**(989 489)**	**(948 872)**
- salaries and wages	(723 197)	(718 901)
- social security and other benefits	(266 292)	(229 971)
Consumption of materials, raw materials, value of goods and materials sold	**(1 791 115)**	**(1 821 196)**
- consumption of materials and energy	(1 575 626)	(1 607 937)
- cost of goods and materials sold	(102 281)	(208 745)
- cost of gas	(113 208)	(4 514)
Cost of energy and gas purchased for resale	**(3 282 923)**	**(3 835 730)**
External services	**(1 192 707)**	**(1 046 916)**
- transmission services	(769 503)	(710 577)
- other external services	(423 204)	(336 339)
Taxes and charges	**(290 201)**	**(268 934)**
Total costs of products, goods and materials sold, selling, marketing, general and administrative expenses	**(8 336 810)**	**(8 650 056)**

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

37. Costs of employee benefits

	31.12.2015	31.12.2014
Payroll expenses:	**(723 197)**	**(718 901)**
- current salaries and wages	(659 269)	(679 497)
- jubilee bonuses	(50 420)	(25 192)
- retirement benefits	(9 364)	1 054
- other	(4 144)	(15 266)
Social security and other benefits	**(266 292)**	**(229 971)**
- Social Security premiums	(154 480)	(133 620)
- appropriation to the Company's Social Benefits Fund	(27 647)	(30 639)
- other social benefits	(59 491)	(43 034)
- other post-employment benefits	(12 016)	(11 198)
- other	(12 658)	(11 480)
Total	**(989 489)**	**(948 872)**

Employment guarantees

Based on an arrangement entered into by the Group and labor unions, specific employment guarantees have been given to people employed by the Group before 29 June 2007, which expire on 31 December 2018.

Furthermore, the provisions of the aforementioned arrangement will remain in force longer for employees who, at the expiry of the guarantees, have maximum four years to satisfy the conditions to acquire pension rights. This implies that in the event the employer fails to comply with the guarantees, employment contracts may not be terminated without payment of additional benefits to employees who, at the expiry of the guarantees, have maximum four years to satisfy the conditions to acquire pension rights.

Under the employment guarantees, in case the employement contract is terminated by the employer, the Group is obliged to pay an employee an amount being the product of their monthly salary and the remaining period of the guarantee validity.

Under the social agreement concluded on 10 August 2007 between ENEA Wytwarzanie S.A. and trade unions workers employed in ENEA Wytwarzanie S.A., at the date of entry into force of the agreement, the employment guarantees has been extended for further 11 years, ie. till 30 January 2019.

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

38. Other operating revenue and expenses

Other operating revenue and expense

	31.12.2015	31.12.2014
Release of provisions for claims	3 834	15 756
Release of other provisions	11 083	1 061
Reimbursement of expenses by an insurance company	11 503	14 951
Settlement of income due to subsidies and connection fees	12 603	11 787
Damages, fines, penalties	7 486	15 052
Reversal of allowances	8 856	8 015
Fixed assets received free of charge	11 761	17 994
Other operating revenue	31 976	30 450
Total	**99 102**	**115 066**

Other operating expenses

	31.12.2015	31.12.2014
Increase of provisions for claims	(34 511)	(3 349)
Increase of other provisions	(32 063)	(13 536)
Allowances on receivables	(14 416)	(17 503)
Receivables written-off	(31 602)	(14 879)
Impairment loss on inventories	-	(3 623)
Costs of court proceedings	(5 155)	(706)
Trade union related expenses	(1 105)	(1 420)
Compensations for non-contractual use of property	(2 297)	(4 051)
Settlement of pre-existing relationship related to acquisition	(94 000)	-
Other operating revenue	(46 891)	(38 687)
Total	**(262 040)**	**(97 754)**

39. Financial revenue

	31.12.2015	31.12.2014
Interest income	**50 311**	**67 646**
- bank accounts and deposits	26 588	30 343
- other loans and receivables	22 671	17 834
- other interest income	1 052	19 469
Foreign exchange differences	**1 733**	**601**
- realized foreign exchange differences - hedging	283	318
- accrued foreign exchange differences - hedging	(193)	275
- other foreign exchange differences	1 643	8
Change in fair value of financial instruments	**6 914**	**9 043**
Reclassification of valuation of assets available for sale to profits or loss	**12 854**	**-**
Other financial revenue	**12 685**	**3 888**
Total	**84 497**	**81 178**

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

40. Financial expenses

	31.12.2015	31.12.2014
Interest expense	**(53 444)**	**(39 426)**
- interest expense on loans and borrowings	(24 644)	(24 405)
- interest expense on bonds	(22 540)	(2 619)
- finance lease cost	(118)	(248)
- other interest	(6 142)	(12 154)
Foreing exchange differences	**(121)**	**(499)**
- foreing exchange differences on loans and borrowings	-	(748)
- realized foreign exchange differences - hedging	-	184
- accrued foreign exchange differences - hedging	-	(662)
- other foreing exchange differences	(121)	727
Discounting liabilities due to employee benefits and provisions	**(17 317)**	**(50 883)**
Change in fair value of financial instruments	**(8 629)**	**(140)**
Costs of unused bonds	**-**	**(25 422)**
Other finance costs	**(2 240)**	**(9 113)**
Total	**(81 751)**	**(125 483)**

41. Income tax

	31.12.2015	31.12.2014
Current tax	(294 969)	(168 356)
Deferred tax	305 069	(65 624)
Total	**10 100**	**(233 980)**

The income tax on gross profit before tax differs from the theoretical amount resulting from application of the nominal tax rate applicable to the Group's consolidated profit in the following manner:

	31.12.2015	31.12.2014
(Loss)/profit before tax	(408 978)	1 143 102
Tax at a 19% rate	77 706	(217 189)
Costs not classified as tax-deductible expenses (permanent differences at 19% rate)	(58 850)	(10 640)
Income not subject to to taxation (permanent differences at 19% rate)	5 096	(108)
Other at 19% rate	(13 852)	(6 043)
Amount charged to profit or loss due to income tax	**10 100**	**(233 980)**

Tax group

On 18 September 2013 the Company concluded a tax group agreement for a period of three years from 2014, which involves 9 companies of ENEA Group: ENEA S.A., ENEA Operator Sp. z o.o., ENEA Wytwarzanie Sp. z o.o., ENEA Centrum Sp. z o.o., ENEA Oświetlenie Sp. z o.o., ENEA Trading Sp. z o.o., ENEA Serwis Sp. z o.o., ENEA Pomiary Sp. z o.o. and ENEA Logistyka Sp. z o.o. The entity that represents the tax group is ENEA S.A.

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

The Corporate Income Tax Act treats the tax capital group as a separate CIT income tax entity, which means that the companies comprising the tax group lose their status of separate entities for the purpose of corporate income tax and this subjectivity acquires tax group as a whole.

The subject of the income tax is determined by the total revenue of the group, calculated as the excess of the total income of all the companies in the group over the sum of their losses. Separateness of the tax group exists only on the basis of corporate income tax law. It should not be identified as separate legal entity. It does not apply well to obligations of other taxes. In particular, each company forming part of a tax group is a separate taxpayer of VAT tax, real estate tax and payer of personal income tax.

Companies comprising a tax group are obliged to comply with several requirements including, inter alia: an appropriate level of capital, the parent company's share in subsidiaries forming part of a tax capital group must be at least 95%, no capital relations between subsidiaries, no tax arrears, 3% share of separate income in the group consolidated revenue and conducting transactions with entities outside the tax group only based on arms-length conditions. Violation of these requirements results in dissolution of the tax group and loss of its separate status of a taxpayer. Beginning from the moment of separation each of companies forming previously the tax group becomes an independent taxpayer of corporate income tax.

42. Dividend

A decision regarding the coverage of net loss for the financial year shall be made by General Shareholders' Meeting in 2016. The Management Board intends to propose to cover the net loss through profits realized in the following years.

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 (the dividend paid in 2014 for the financial year 2013 amounted to PLN 251 622 thousand, PLN 0.57 per share). Until the reporting date the dividend was paid to shareholders.

43. Earnings per share

	01.01.2014-31.12.2015	**01.01.2013-31.12.2014**
Net (loss)/ profit attributable to shareholders of the Parent	(434 857)	908 319
Number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	**(0.99)**	**2.06**
Diluted earnings per share (in PLN)	**(0.99)**	**2.06**

44. Related party transactions

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

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

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

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

Transactions with members of the Group's governing bodies:

	Management Board of the Company		**Supervisory Board of the Company**	
	01.01.2015-31.12.2015	**01.01.2014-31.12.2014**	**01.01.2015-31.12.2015**	**01.01.2014-31.12.2014**
Remuneration under managerial contracts and consultancy agreements	8 889	7 273	-	-
Remuneration relating to appointment of members of supervisory bodies	-	-	340	334
TOTAL	**8 889**	**7 273**	**340**	**334**

As at 31 December 2015 the liabilities resulting from managerial contracts and consultancy agreements to members of the Management Board amount to PLN 485 thousand. The provision for bonuses to members of the Management Board amounts to PLN 2 680 thousand (as at 31 December 2014 respectively PLN 2 680 thousand), the amount of provisions are not included in the table above.

The remuneration under managerial and consultancy agreements included bonus for 2014 paid in 2015 in the amount of PLN 2 936 thousand (in 2014 for 2013: PLN 2 680 thousand).

Transactions related to loans from the Company's Social Benefits Fund:

	Balance as at 01.01.2015	**Granted from 01.01.2015**	**Repaid till 31.12.2015**	**Balance as at 31.12.2015**
Supervisory Board	22	10	(5)	**27**
Total	**22**	**10**	**(5)**	**27**

	Balance as at 01.01.2014	**Granted from 01.01.2014**	**Repaid till 31.12.2014**	**Balance as at 31.12.2014**
Supervisory Board	27	-	(5)	**22**
Total	**27**	**-**	**(5)**	**22**

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

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

The transactions concern mainly:

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

Such transactions are concluded under arm's length terms and their conditions do not differ from those applied in transactions with other entities. The Group does not keep a register which would allow it to aggregate the values of all transactions with state institutions and entities whose shares are held by the State Treasury. The most significant customer of ENEA Group among entities controlled by the State Treasury is Polskie Sieci Elektroenergetyczne Group, in 2015 the net sales to the entity amounted to PLN 116 602 thousand (in 2014 Zakłady Azotowe in Tarnów Mościce S.A. (Azoty Group)): net sales amounted to PLN 150 003 thousand. The most significant supplier is also Polskie Sieci Elektroenergetyczne Group - net purchase amounted to PLN 815 129 thousand (in 2014 Katowicki Holding Węglowy S.A.: PLN 356 908 thousand).

45. Concession arrangements on the provision on public services

The key business activities carried out by the Group include generation, distribution, trading in electricity, as well as production and sales of coal.

ENEA S.A. received on 5 October 2007 a decision on extension of the validity of the concession for trading in electricity until 31 December 2025.

Pursuant to the provisions of the Energy Law, the President of the Energy Regulatory Office is responsible for granting concessions, exercising supervision over energy companies as well as approval of tariffs. Energy prices, fee rates and the principles for their application laid down in the Tariff are approved by the President of the Energy Regulatory Office based on administrative decisions. Transactions not recognized by the President of the Energy Regulatory Office as held on arms-length, are subject to the obligation to submit tariffs for the approval of the President of URE (with respect to which the President of the Energy Regulatory Office has not issued a decision exempting from the obligation to submit tariffs for the approval).
In 2015 ENEA S.A. applied the following tariffs approved by the President of URE:
- Tariff for electricity for G-tariff group, not using the right to choose the supplier, effective from 1 January 2015,
- Tariffs for methane natural gas (effective from 1 September 2014 and from 20 November 2015).
On 12 September 2013 ENEA S.A. received a concession for trading in gaseous fuels from the President of Energy Regulatory Office. The concession is valid from 1 January 2014 till 31 December 2030.

ENEA Operator Sp. z o.o. has a concession for distribution of electricity effective tiill 1 July 2017.

ENEA Wytwarzanie Sp. z o.o. is providing for commercial purposes and on their own account economic activities involving production and sale of electricity and heat production and sale. This activity is covered by the licenses granted by the President of the Energy Regulatory Office - after the merger of the companies ENEA Wytwarzanie Sp. z o.o. operates on the basis of:

Concession for electricity production WEE/115-ZTO-F/1271/W/DSW/2013/TW from 31 December 2013 valid till 31 December 2030 with subsequent amendments introduced by decision WEE/115-ZTO-I/1271/W/DSW/2015/TW dated 27 February 2015 in connection with the transformation of ENEA Wytwarzanie S.A. into ENEA Wytwarzanie Sp. z o.o.

Concession for heat production WCC/256-ZTO-H/1271/W/DSW/2013/TW dated 31 December 2013 valid till 31 December 2025 with subsequent amendments introduced by decision WCC/256-ZTO-J/1271/W/DSW/2015/TW dated 27 February 2015 in connection with the transformation of ENEA Wytwarzanie S.A. into ENEA Wytwarzanie Sp. z o.o.

Concession for transmission and distribution of heat PCC/269-ZTO-C/1271/W/DRE/2013/RK dated 31 December 2013 valid till 31 December 2025 with subsequent amendments introduced by decision PCC/269-ZTO-D/1271/W/DRE/2015/Esz dated 23 April 2015 in connection with the transformation of ENEA Wytwarzanie S.A. into ENEA Wytwarzanie Sp. z o.o.

Concession for electricity trading OEE/702/1271/W/2/2012/KL dated 21 December 2012 valid till 31 December 2030 with subsequent amendments introduced by decision OEE/702A/1271/W/DRE/2015/KCh dated 22 April 2015 in connection with the transformation of ENEA Wytwarzanie S.A. into ENEA Wytwarzanie Sp. z o.o.

Mining activity of the company **Lubelski Węgiel Bogdanka S.A.** for the economic mining of mineral of hard coal have to be carried out in accordance with the regulations of Geological and Mining Law. The Company has:

The concession for mining of hard coal from the deposit "Bogdanka" from seams 385, 385/2, 389, 391, covered by the mining area "Puchaczów V", issued by the Minister of the Environment No. 5/2009 of 6 April 2009. The concession is valid tilll 31 December 2031.

The concession for mining of hard coal from the deposit "Lubelskie Zagłębie Węglowe - the area of K-3" from seams 379/2, 385/2 and 391, covered by the mining area "Stręczyn" No. 3/2014 of 17 June 2014, issued by the Minister of the Environment. The concession is valid tilll 17 July 2046.

The concession for recognition of deposit of hard coal from the deposit "Orzechów" No. 29/2014/p of 14 October 2014, issued by the Minister of the Environment. The concession is valid tilll 14 November 2018.

The concession for recognition of deposit of hard coal from the deposit "Ostrów" No. 25/2014/p of 30 June 2014, issued by the Minister of the Environment. The concession is valid tilll 30 July 2019. The concession was changed at the request of LW Bogdanka on the basis of decision of 10 November 2015 for a maximum period till 30 July 2020.

In September 2014 LWB received a refusal on application for concession for exploitation in the areas of K-6 and K-7, where another entity has a concession for exploration. The appeal has also meet with a refusal. On 12 December 2014 the company filed a complaint against the decision refusing to grant a concession to the Regional Administrative Court in Warsaw. The case is pending.

ENEA Trading Sp. z o.o. has the following concessions:

No. OEE/610/19120/W/2/2011/BT for trading in electricity for the period from 1 February 2011 till 31 December 2030.

No. OPG/214/19120/W/2/2012/ŁG for trading in gaseous fuels for the period from 27 November 2012 till 31 December 2030.

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

No. OGZ/63/19120/W/DRG/2013/KL for trading in gas with foreign customers for the period from 1 August 2013 till 31 December 2030.

MEC Piła Sp. z o.o. and **PEC Sp. z o.o.** in Oborniki have concessions for generation, transmission and distribution of heat till 31 December 2025.

MPEC Białystok Sp. z o.o. has a concession for trading, production, transmission and distribution of heat till 30 September 2018.

46. Long-term contracts on the sale of power and electricity (LTC)

The European Commission has considered long-term contracts for sale of power and electricity (LTC) as disallowed public aid, therefore the Polish Parliament passed an act intended to eliminate those contracts. In accordance with the Act on compensations for costs incurred by producers in connection with early termination of long-term contracts for sale of power and electricity dated 29 June 2007 ("LTC Termination Act") the Company was eligible to receive compensation for stranded costs resulting from the early termination of long-term contracts since 1 April 2008.
The year 2014 was the last year of ENEA Wytwarzanie Sp. z o.o. participation in the compensation for stranded costs programme connected with early termination of long-term contracts for sale of power and electricity.
On 27 August 2015 the President of the Energy Regulatory Office issued a decision on the amount of final adjustment of stranded costs in the amount of (+) PLN 315 524 thousand. Based on the decision, Zarządca Rozliczeń S.A. is obliged to pay the amount set in the decision to the Company till 31 December 2015. On 30 December 2015 the Company received from ZR the payment of final adjustment in accordance with the decision. The mentioned decision set the total amount of the public aid at the nominal value of PLN 551 619 thousand. The Company did not appeal against this decision and decided to withdraw legal disputes related to the annual adjustments.
Till the end of 2014 the Company recognized revenues from compensations in the amount of PLN 258 472 thousand. In 2015 the Company recognized additional revenue from compensations in the amount of PLN 293 147 thousand. The amounts above reflect the total amount of the compensation due to Company.

47. Future payments due to the right of perpetual usufruct acquired for a consideration and free of charge as well as lease, rental and operating lease agreements

The future liabilities arising from the right of perpetual usufruct (estimated based on 2015 fees) apply to the remaining term of agreements for the use of land (40-99 years).

	31.12.2015	31.12.2014
Up to 1 year	5 621	4 912
1 – 5 years	23 666	20 486
Over 5 years	387 860	342 309
	417 147	**367 707**

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

Future liabilities arising from rental and operating lease agreements:

	31.12.2015	31.12.2014
Up to 1 year	17 850	11 491
1 – 5 years	17 354	17 875
Over 5 years	25 089	5 264
	60 293	**34 630**

Perpetual usufruct, lease and rental expenses incurred in period:

	2015	2014
Perpetual usufruct of land	4 912	4 807
Lease, rental and operating lease agreements	11 491	11 518

Operating lease payments recognized in expenses

	31.12.2015	31.12.2014
Minimum lease payments	(11 491)	(6 596)
	(11 491)	**(6 596)**

Significant operating lease agreements of the ENEA Group entities have been presented below:

ENEA Centrum Sp. z o.o. – on 17 December 2015 ENEA Centrum Sp. z o.o. has concluded Car Fleet Lease Agreements with mLeasing Sp. z o.o. Warszawa for a period of 36 months. The charges will be paid in monthly installments.

ENEA Wytwarzanie Sp. z o.o. – agreements with Volkswagen Leasing Polska S.A. were concluded for a period of 36 months. The subject of those contracts is 13 cars. After termination of the lease agreements, ENEA Wytwarzanie Sp. z o.o. is entitled to purchase the aforementioned cars. In 2014, 6 agreements were concluded in reference to the amendment of the period of use of the leased asset from 36 months to 60 months. In 2015, two cars were bought.
The lease agreement was also concluded with Raiffeisen Leasing Polska S.A. The subject of the agreement is one car.

Lubelski Węgiel Bogdanka S.A. - the company is a party to lease agreements of specialized machinery, equipment and vehicles. These agreements are classified as operating leases. Lease agreements are concluded for various terms. Some of them are short-term contracts in order to check the quality and fitness for use of the machines and devices in the technological process. Contracts concluded for more than 2 years include possibility of indexation of rates based on price index of goods and services. The lease agreement of "Monitoring and controlling of printouts system, along with copying and printing equipment " in addition to the fixed fee for each piece of equipment, includes an additional fee calculated as the number of printouts made multiplied by the unit price of the given type of the printout. In the calculation of minimum payments under irrevocable lease agreements, the variable value of the rent dependent on the number of printouts made has been omitted.

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

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

	31.12.2015	31.12.2014
Acquisition of property, plant and equipment	2 402 418	3 660 776
Acquisition of intangible assets	12 301	14 168
	2 414 719	**3 674 944**

49. Employment

	12 months ended 31.12.2015	12 months ended 31.12.2014
Blue-collar positions	5 381	5 016
White-collar positions	5 366	5 188
TOTAL	**10 747**	**10 204**

The information in the table is presented in FTE equivalent. Managerial positions are qualified as white collar.

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

50.1. Sureties and guarantees

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

Date of guarantee	Guarantee period	Guarantee for	Bank - issuer	Guarantee value in PLN thousand
01.01.2015	31.12.2015	Górecka Projekt Sp. z o.o.	Pekao S.A.	1 600
01.06.2015	31.01.2016	Atrium Tower Sp. z o.o.	BZ WBK S.A.	139
08.10.2015	05.01.2016	The city of Zabrze	BZ WBK S.A.	1 000
08.10.2015	30.09.2016	ENEA Operator Sp. z o.o.	BZ WBK S.A.	384
08.10.2015	30.09.2016	ENEA Operator Sp. z o.o.	BZ WBK S.A.	405
20.10.2015	21.01.2016	The City of Warszawa	BZ WBK S.A.	500
30.10.2015	04.01.2016	Izba Skarbowa in Gdańsk	BZ WBK S.A.	400
03.11.2015	03.01.2016	Szpital Kliniczny im. H. Święckickiego UM in Poznań	BZ WBK S.A.	140
06.11.2015	06.01.2016	Municipality Piła	BZ WBK S.A.	100
06.11.2015	06.01.2016	Municipality Wilkowice	BZ WBK S.A.	50
13.11.2015	15.02.2016	The City of ieścieŁódź	BZ WBK S.A.	875
16.11.2015	14.01.2016	Municipality Tarnowo Podgórne	BZ WBK S.A.	100
16.11.2015	14.01.2016	Politechnika Warszawska	BZ WBK S.A.	360

17.11.2015	10.08.2018	Skarb Państwa Państ. Gosp. Leśne Lasy Państwowe - Nadleśnictwo Krusz	BZ WBK S.A.	31
24.11.2015	31.01.2018	AQUA S.A.	BZ WBK S.A.	257
27.11.2015	31.01.2018	Szpital Kliniczny im. H. Święckickiego UM in Poznań	BZ WBK S.A.	854
16.12.2015	16.02.2016	Uniwersytecki Szpital Kliniczny in Wrocław	BZ WBK S.A.	80
Total of guarantees issue				**7 275**

Guarantees as at 31 December 2014

No.	Entity's name	Collateralized liability	Type of collateral	Collateral value	Collateral for	Collateral period
1.	ENEA S.A.	Securing payment under the contract of lease of office space	bank guarantee granted under a guarantee limit of PLN 350 000 thousand	PLN 1 600 thousand	Górecka Projekt Sp. z o.o.	31.12.2014
2.	ENEA S.A.	Securing payment under the contract of lease of office space	bank guarantee granted under a guarantee limit of PLN 250 000 thousand	PLN 186 thousand	Atrium Tower Sp. z o.o.	31.08.2015

Guarantees of Lubelski Węgiel Bogdanka S.A.

Date of guarantee	Guarantee period	Guarantee for	Bank - issuer	Guarantee value in PLN thousand
19.09.2012	30.09.2021	Ministry of Environment	PKO BP S.A.	19 000
06.06.2013	30.09.2021	Ministry of Environment	PKO BP S.A.	1 500
27.10.2015	31.01.2018	UTA Polska Sp. z o.o.	PEKAO S.A.	50

50.2. Pending proceedings before courts of general jurisdiction

Actions brought by the Group

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

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

As at 31 December 2015 the total of 11 584 cases brought by the Group were pending before common courts for the total amount of PLN 219 468 thousand (10 662 cases for the total amount of PLN 105 621 thousand as at 31 December 2014).

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

Actions brought against the Group

Actions against the Group are brought both by natural and legal entities. They mainly refer to issues such as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for use by the Group of real property where electrical devices are located. The Group considers actions concerning non-contractual use of real property as particularly important (Note 50.5).

As at 31 December 2015 there were 2 282 cases pending before common courts which have been brought against the Group for the total amount of PLN 301 815 thousand (as at 31 December 2014 1 928 cases for the total amount of PLN 281 481 thousand). Provisions related to the court cases are presented in note 34.

50.3. Arbitration proceedings

Proceeding brought by Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. against Lubelski Węgiel Bogdanka S.A. is conducted before the Arbitration Court at the Polish Chamber of Commerce in Warsaw under file number SA 64/15. Arbitration proceeding was commenced on the basis of request for arbitration filed by the Consortium on 7 April 2015. The Consortium ordered that LWB should pay to the Consortium the amount of PLN 574 thousand with statutory interests on the above amount from 23 April 2015 (ie. from the date of submission of letters extending the call for arbitration) to the date of payment. The Consortium reserved the right to further claims in the course of this or any other proceeding. Currently the Company expects to the Court's decision within its jurisdiction pursuant to the paragraph 3 of the Rules of the Arbitration Court at the Polish Chamber of Commerce in Warsaw.

50.4. Proceedings before public administration bodies

Regarding ENEA Wytwarzanie Sp. z o.o. before the public administration bodies and administrative courts are carried out proceedings on:

1) "Towarzystwo na rzecz Ziemi" filed a complaint to the Administrative Court (WSA) against the upholding decision to refuse to initiate proper proceedings in subject of statement of the decision invalidity. After exhausting the administrative appeals case mentioned above was transfered strictly to the Supreme Administrative Court (NSA). Currently pending for recognition of cassation (related to the construction of a new power unit). By judgment of 10 December 2015 (ref. no. act. IIOSK949/14 and II OSK 950/14) the Supreme Administrative Court dismissed the cassation appeal lodged by "Towarzystwo na rzecz Ziemi". The cases have been validly terminated.

2) "Towarzystwo na rzecz Ziemi" filed a complaint to the Administrative Court (WSA) against the refusal to initiate proceedings to state the decisions setting environmental conditions and decision changing aforementioned decision as invalid (related the construction of a new power unit).

3) Complaint filed by foundation ClientEarth Poland about permission to participate in administrative proceedings in case of emission of greenhouse gas, proceeded on the basis of art. 50 of Act on trading greenhouse gas emission privileges from 28 April 2011. The Supreme Administrative Court (NSA) repealed the WSA's sentence. WSA repealed the decision of the Minister and the Marshal refusing the Foundation admission to participate in proceeding, through the sentence dated 5 November 2015. The Court has not delivered substantiation yet. The party is entitled to file a cassation appeal to the decision.

Proceedings conducted by public administration courts regarding company Lubelski Węgiel S.A. refer, inter alia, to disputes with local government units regarding real property tax. The question stems from the fact that the Company, drawing up the real property tax, did not take into account (similarly to other mining companies in Poland) the value of underground mining pits or the value of equipment included in them in the calculation of this tax. Disputes are currently conducted with the Puchaczów, Cyców and Ludwin municipalities, i.e. where the Company has been conducting extraction, as well as with the Milejów municipality. The suits refer to both the reimbursement of surplus payments, and the establishment of basis for taxation with real property tax for 2004-2007 in terms of surplus payments, and for 2008-2012. To cover possible claims in real property tax, the Company has established provisions of PLN 23 881 thousand. Furthermore, a proceeding is conducted by the District Court in Lublin, regarding ZUS claims in accident insurance contribution – namely the legitimacy of requalification of accidents at work and the repeal of sanction imposed as a result of ZUS (Lublin Division) inspection of the Company. The company has provisions of PLN 18 727 thousand to cover any possible claims in this respect.

The contingent liability in reference to legal claims concerning the remuneration for the co-creators of inventions covered by patents No. 206048 and 209043, functioning in the Company, from which the Company does not create provisions, mainly may result from an inability to assess the merits of the amount of the claim and the discrepancy between the Company's position and the position of the co-creators of inventions, covered by aforementioned patents.
The value of potential liability at the date of LWB acqusition is PLN 48 million. The Company estimated the provision for the remuneration for the co-creators of inventions in accordance with their best knowledge and principles previously applied by the Company. In the position of provision for legal claims, the Company presents on the acquisition date, provision for claims relating to remuneration for the co-creators of inventions covered by patent No. 206048 and 209043, functioning inside the Company, in the amount of PLN 3 554 thousand. Remuneration's value issue will be a subject to the work of court experts or experts mutually accepted by both parties.

Until the acquisition day, the LWB issued to the Consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. („Consortium") a debit notes in respect of contractual compensation, contractual penalties for delays in the realization of the contract and compensation for lost of benefits – in the total amount of PLN 34 592 thousand. At the same time, on 7 April 2015, a claim against LWB filed from the Consortium to the Court of Arbitration at the Polish Chamber of Commerce. The complaint relates mainly to claims of reimbursement of costs incurred by the Consortium in relation to the longer time of the realization of the contract and the contractual penalty for withdrawal from the contract due to the fault of the company, in the total amount of PLN 27 232 thousand. Legal action of the Consortium to the Court of Arbitration, according to the opinion of the Management Board, was a reaction to penalty imposed on Consortium, contractual compensation and compensation for the lost benefits. According to the Management Board, probability of adverse verdict and possible necessity to pay the claim is low and final financial result of the mutual claims should not be negative for the Company. At present, the Company awaits for Court's decision on the basis of par. 3 item 3 of Arbitration Rules of Court of Arbitration in Polish Chamber of Commerce in Warsaw.

50.5. Risk related to the legal status of property used by the Group

The risk related to the legal status of the property used by the Group results from the fact that the Group does not have all legal titles to use the land where transmission networks and the related devices are located. The Group may have to incur costs related to non-contractual use of property in the future.

Considering the legal status, there is a risk of incurring additional costs related to compensation claims for non-contractual use of land, rental fee or, rarely, claims related to the change of facility location (restoring land to its previous condition).

Decisions related to these issues are significant as they considerably affect both the Group's strategy towards persons who raised pre-trial claims related to devices located on their land in the past and the approach to the legal status of devices in case of new investments.

The risk of loss of assets is low. The lack of legal status of the land where transmission networks are located does not constitute the risk of loss of Group's assets, but generates potential additional costs to be incurred as a result of claims for non-contractual use of land, rental and easement fees or exceptionally, in individual cases, relocation of assets (restoration of the land to the original state). The relevant provisions for that purpose have been made by the Group.

ENEA Group also recognized provision for the compensations for non-contractual use of the real properties on which the grid assets are located (power lines), in connection with transmission corridors and transmission easements on the above mentioned real properties.

As at 31 December 2015 the Group recognized the provision for non-contractual use of land in the amount of PLN 189 429 thousand.

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

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

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

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

Till the reporting date five proceedings were conducted but claims of ENEA S.A. were not accepted.

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

- FITEN S.A. - lawsuit of 24 November 2015, the amount of dispute: PLN 207 thousand,
- TAURON Polska Energia S.A. – lawsuit of 10 December 2015, the amount of dispute: PLN 17 086 thousand,
- TAURON Sprzedaż GZE Sp. z o. o. – lawsuit of 10 December 2015, the amount of dispute: PLN 1 826 thousand,
- PKP Energetyka S.A. – lawsuit of 28 December 2015, the amount of dispute: PLN 1 272 thousand,
- PGE Polska Grupa Energetyczna S.A. – lawsuit of 29 December 2015, the amount of dispute: PLN 7 410 thousand.

Claim of ENEA S.A. against FITEN S.A. is pending before the District Court in Katowice under file number XIII GC 561/15/IW. In the course of the dispute, defendant prepared a response to the lawsuit on 22 December 2015.
ENEA S.A., in response to the position of the other party, upheld in full the demands contained in the lawsuit of 24 November 2015. The date of the next hearing has been set on the 17 March 2016.

Claim of ENEA S.A. against TAURON Polska Energia S.A. is pending before the District Court in Katowice under file number XIII GC 600/15 / AM. On 20 January 2016 the defendant requested an extension of the deadline for submission of the response to the lawsuit due to the complexity of the facts in the case and the extensive evidence attached to the lawsuit, which - according to the defendant - requires detailed analysis.
In other cases, as at the date of the preparation of these consolidated financial statements, no action has been taken.

51. The participation on 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 EJ1 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 accordance with the Shareholder Agreement, the financial commitment of ENEA S.A. during the Initial Phase will not exceed the amount of approximately PLN 107 million in a front of contributions to the share capital of PGE EJ 1 Sp. z o.o.

ENEA S.A. as a partner is obliged to vote to increase the share capital of PGE EJ 1, aiming to provide PGE EJ 1 with funds required to realize investment. Furthermore, ENEA S.A. is obliged to acquire shares in the increased share capital, in the amount resulting from the percentage of shares held (10%) and cover the shares in cash in accordance with relevant resolutions.

During 2015 no financial actions were taken to provide the Company with funds other than the share capital increase.

Under the Shareholders Agreement, ENEA S.A. is involved in financing activities of PGE EJ 1, in accordance with the approved schedule of financing. As at the date of the preparation of these information, there are no agreement planned, which may impose the obligation to provide other support or to provide assistance in obtaining financial support on ENEA S.A.

PGE EJ 1 planned agreements are connected with the realization of the purpose, for which the Company has been established, which is the preparation of the investment process, construction, operation of nuclear power plant with a capacity of approximately 3 000 MW in Poland and its liquidation at the end of the commercial operation.Due to the nature of the core business of the Company and the initial phase of the project, the operating expenses and capital expenditures cannot be balanced by income that will be achieved after the investment. Financing the company's business is carried out only through the share capital increases. All Shareholders, including ENEA, are obliged to provide such forms of financial support.

Reduction of ENEA's exposure to risk in connection with participation in PGE EJ 1 Sp. z o.o. is also realized by regulations of PGE EJ 1 Agreement. In accordance with the aforementioned Agreement, the Management Board of PGE EJ 1 is obliged to obtain the approval of the Supervisory Board, inter alia, before the management of rights or incurring liabilities of the individual value exceeding PLN 1 000 thousand but not exceeding PLN 40 000 thousand with additional reservations contained in the Agreement. Additionally, competences of the Shareholders' Meeting include, inter alia, approval for the management of rights or incurring liabilities of the value exceeding PLN 40 000 thousand, with additional reservations contained in the Agreement.
Parties, providing financial support (capital increases) to PGE EJ 1 business activity, are at present all Shareholders of the Company – PGE S.A., KGHM S.A., TAURON S.A. and ENEA S.A., with respectively 70%, 10%, 10%, 10% of the shares in the Company's share capital.

As at 31 December 2015 and the date of preparation of these consolidated financial statements, ENEA S.A. holds 195 645 shares in the share capital of PGE EJ 1 Sp. z o.o. with a total nominal value of approximately PLN 27 586 thousand, representing 10% of the total number of shares/votes. In accordance with Article 5.3.7 of the Shareholders Agreement, the resolutions to increase the share capital on the Development Phase will allow share capital increase, provided all shareholders acquire and pay for shares in the increased share capital, proportionally to their shares, unless the parties agree otherwise. Therefore, ENEA's share in the share capital of the company will not be changed without the consent of ENEA S.A.

52. Subsequent events

On 7 January 2016 ENEA S.A. drew in the second tranche of the loan from the European Investment Bank in the amount of PLN 100 000 thousand. The interest rate of the tranche is floating and based on WIBOR for 6-month deposit plus bank margin.

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 Skoczykłody with a capacity of 36 MW. The amount of the transaction is PLN 286 500 thousand plus any accruals which should not exceed PLN 250 thousand as at the closing date of the transaction, i.e. 5 February 2016. Would the transaction be conluded after that date, the level of additional amount would increase by the profit on energy and certificates of origin sales. This results from the pricing formula set in the agreement.

On 5 February 2016 the agreement was to be signed. As at the date of these consolidated financial statements, the Company analyses the suspending conditions set in the agreement. The Company has not set up the new date for the contract conclusion.

53. Description of key accounting principles

The key accounting principles applied in the preparation of these consolidated financial statements have been presented below. The principles have been applied consistently in all presented financial periods.

53.1. Basis for preparation

These consolidated financial statements for the financial year ended 31 December 2015 have been prepared in compliance with the requirements of IFRS-EU.
These consolidated financial statements have been prepared on the historical cost basis, except for financial assets measured at fair value through profit or loss and financial assets available for sale.

53.2. Consolidation principles

(a) Subsidiaries

Subsidiaries include all entities whose financial and operational policy may be managed by the Group, which usually results from the majority of votes in the Company's decision-making bodies. When assessing whether the Group controls an entity, the existence and impact of potential voting rights that may be exercised or exchanged at a given moment are taken into consideration. The subsidiaries are subject to consolidation using the full method as from the date of the Group's assumption of control over such entities. They are not consolidated starting from the date when the Group loses control over them.

The cost of business combination, which is not under common control, is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured initially at their fair value at the acquisition date, irrespective of the minority interest, if any.

The Group measures non-controlling interests in proportion to their share in the fair value of identifiable acquired net assets. In the following periods the value of non-controlling interests accounts for the amount recognized at the initial recognition adjusted by changes in the subsidiary's net assets in proportion to the non-controlling interests' share. The total comprehensive income is allocated to non-controlling interests even when it results in their negative value.

If a gain for a bargain purchase occurs, the Group verifies the fair value of each net asset acquired. If following the verification, the outcome remains negative, it is recognized in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between Group's companies are eliminated. Unrealized losses are also eliminated unless there is an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and joint-ventures

Associates include all entities over which the Group has a substantial influence without exercising control, which usually results from holding 20%-50% of the total number of votes in an entity's decision-making bodies. Investments in associates are accounted for using the equity method and are initially recognized at cost. Any surplus of the cost over the fair value of identifiable net assets of an associate as of the acquisition date is recognized as goodwill. Goodwill is included in the carrying amount of investments with impairment measured in relation to the total investment value. Any surplus of the Group's interest in the net amount of identifiable assets, liabilities and contingent liabilities over the acquisition cost after revaluation is immediately recognized in profit or loss.

Joint-ventures include all entities over which ENEA S.A. exercises control together with other companies based on contractual arrangements. Investments in jointly-controlled entities are accounted for using the equity method in the same way as investments in associates.

The post-acquisition Group's share in profits or losses of associates and/or joint-ventures is recognized in the profit or loss, and Group's share of post-acquisition movements in other capitals is recognized in other comprehensive income. The carrying value of investments is adjusted by post-acquisition cumulative changes in equity. When the Group's share of losses in an associate or joint-venture equals or exceeds its interest in the equity accounted associate or joint venture, including any other unsecured receivables, recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of an associate or joint-venture company.

Unrealized gains on transactions between the Group and associates or joint-ventures are eliminated proportionally to the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the transferred asset. Accounting policies of associates and jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

53.3. Business combinations/acquisitions

Business combinations/acquisitions of entities beyond common control are settled using the acquisition method, presented in Note 52.2.(a).

Business combinations/acquisitions of entities under common control do not fall within the scope of IFRS regulations. Considering the lack of detailed IFRS regulations, in line with the guidelines laid down in IAS 8 – *"Accounting Policies, Changes in Accounting Estimates and Errors"*, the entity ought to develop accounting principles applicable to such transactions.

The Group adopted an accounting policy according to which such transactions are recognized in carrying amounts.

The acquirer recognizes the assets, equity and liabilities of the acquiree at their current carrying amount adjusted only for the purpose of applying the same accounting principles for the combined entities beginning from the acquisition date. Goodwill and gain on bargain purchase is not recognized. Any difference between the carrying amount of the net assets acquired and the fair value of the payment in the form of equity instruments and/or assets given by the entity is recognized in the equity of the Group.

Comparative data for the previous periods presented are not restated when the method based on carrying amounts is used.

53.4. Foreign currency transactions and measurement of foreign currency balances

(a) Functional and presentation currency

Balances presented in the financial statements of Group individual entities are measured in the currency of the primary economic environment in which the entity carries out its business activity (functional currency). The consolidated financial statements are presented in the Polish zloty (PLN), which is the functional and presentation currency of all Group companies.

(b) Transactions and balances

Foreign currency transactions are translated upon their initial recognition to the functional currency at the exchange rate ruling as at the transaction date.
As at the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate (the average exchange rate published by the National Bank of Poland as at the measurement date).

Exchange gains and losses arising from settlement of foreign currency transactions and measurement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, while gains or losses on exchange differences on fixed assets under construction are capitalized as part of fixed assets under construction.

53.5. Property, plant and equipment

Property, plant and equipment is measured at acquisition price or manufacturing cost less accumulated depreciation and accumulated impairment losses.
Further expenditures are recognized in the carrying amount of a given fixed asset or recognized as a separate fixed asset (where appropriate) only if it is probable that the Group will generate economic benefits in connection with such an asset, whereas the cost of an item may be reliably measured. Any other expenditure incurred for repair and maintenance are recognized in profit or loss in the period when they are incurred.

If a fixed asset is replaced, the cost of the replaced component of the asset is recognized in its carrying amount, whereas the carrying amount of the replaced component is derecognized from the statement of financial position irrespective of whether it has been depreciated separately, and recognized in profit or loss.

Included in the initial value of fixed assets, mine liquidation costs are depreciated using such method that is used to depreciate fixed assets, which they relate to, beginning from the moment of starting to use a given asset, for the period specified in the plan of liquidation of groups of objects within the expected timetable for the mine liquidation.

Land is not subject to depreciation. Other fixed assets are depreciated using the straight-line method over the expected useful life of the asset. Depreciation is calculated based on the gross value reduced by the residual value, provided it is material. Each material component of a fixed asset with a different useful life is depreciated separately.

The useful lives of fixed assets are as follows:

- buildings and structures 10 – 80 years

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

including power grids	33 years
• structures (exploitation excavation)	depreciated using natural method based on the length of exploited walls
• technical equipment and machines	2 – 50 years
• vehicles	3 – 30 years
• other fixed assets	3 – 25 years

The residual value and useful lives of tangible fixed assets are reviewed at least on an annual basis. Any change in the depreciation period needs to be justified and the depreciation is adjusted prospectively.

The assessment of circumstances indicating the possible impairment in accordance with IAS 36 is carried out at each reporting date of a financial year. Impairment test in accordance with IAS 36 is carried out if there is any evidence indicating the possible impairment.

Depreciation begins when a given asset has been commissioned for use. Depreciation is no longer recognized when an asset is to be sold or derecognized from the statement of financial position.

The Group receives fixed assets constituting electricity infrastructure free of charge. Until 31 December 2009, fixed assets taken over were measured at fair value upon initial recognition, with the corresponding entry to deferred income from fixed assets received free of charge, settled over time proportionally to depreciation of these fixed assets. Since 1 January 2010 components of electricity infrastructure received free of charge have been fully recognized in other operating revenues at the moment of acquisition.

Gains and losses on disposal of fixed assets, which constitute the difference between revenue from sales and the carrying amount of the fixed asset disposed are recognized in profit or loss.

53.6. Perpetual usufruct of land

Land owned by the State Treasury, local governments or their associations may be used based on the right of perpetual usufruct (PU). The perpetual usufruct of land is a special property right based on which property may be used with the exclusion or other parties and the object (right) may be disposed of.

Depending on the method of acquisition, the Group classifies the right of perpetual usufruct as follows:

1. PU acquired by virtue of the law free of charge pursuant to a decision of the Voivode or local government authorities is recognized as an operating lease;
2. PU acquired for consideration from third parties is recognized as an asset under right of perpetual usufruct at acquisition price reduced by depreciation charges;
3. PU acquired under a land perpetual usufruct agreement entered into with the State Treasury or local governments is recognized as a surplus of the first payment over the annual fee, disclosed as an asset under right of perpetual usufruct and depreciated.

The right of perpetual usufruct is amortized in the period for which it was granted (40-99 years).

53.7. Intangible assets

(a) Goodwill

Goodwill arising from an acquisition results from a surplus of the consideration paid, non-controlling interests and fair value of shares previously held in the entity over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities as of the acquisition date.

If gain on a bargain purchase occurs, the Group verifies the fair value of each net asset acquired. Any remaining gain from a bargain purchase after completing the re-assessment is immediately recognized in profit or loss.

Goodwill is initially recognized as an asset at cost and subsequently measured at cost less accumulated impairment loss.

For impairment testing purposes, goodwill is allocated to each cash generating unit (CGU) that should benefit from the post-combination synergy. CGU to which the goodwill is allocated are tested for impairment once a year or more frequently if according to reliable assumptions, impairment could occur. If the recoverable amount of a CGU is lower than its carrying amount, the impairment loss is first assigned in order to reduce the carrying amount of goodwill allocated to that CGU, and then to other assets of the unit pro rata to the carrying amount of each asset belonging therein. The impairment loss recognized for goodwill is not reversed in the following period.

(b) Geological information

Purchased geological information is accounted for in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources" at the value arising from the agreement concluded with the Ministry of Environment. Information is not amortised until its receipt. Then capitalized costs are amortised over the concession lifetime.

(c) Fees

The fee for the mining usufruct for the purpose of extraction to coal from the Bogdanka deposit is capitalized in the amount of the fee paid. The capitalized cost are amortised over the estimated useful life of the mine.

(d) Other intangible assets

Other intangible assets include: computer software, licenses as well as other intangible assets. Intangible assets are measured at acquisition price or manufacturing cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated based on the straight-line method, taking into account the estimated useful life amounting to:

- for server licenses and software — 2 - 10 years;
- for workstation licenses and software as well as anti-virus software — 2 - 10 years;
- for geological information — concession lifetime
- for other intangible assets — 2 - 40 years.

The useful lives of intangible assets are reviewed by Group at least on an annual basis. Any change in the depreciation period needs to be justified depreciation is adjusted prospectively.

The assessment of circumstances indicating the possible impairment is carried out at each reporting date of a financial year. Impairment test in accordance with IAS 36 is carried out if there is any evidence indicating the possible impairment.

53.8. Research and development expenses

Research and development expenses are recognized in profit or loss in the period when they are incurred.
Like other intangible assets, research and development expenses meeting the capitalization criteria presented below are measured at acquisition price or manufacturing cost less accumulated amortization and accumulated impairment losses. Amortization is calculated based on the straight-line method, taking into account the estimated useful life, which is 2-7 years.

Capitalization criteria:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- ability to use or sell the intangible asset;
- the way the intangible asset will generate probable future economic benefits. Among other things, the enterprise should demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

53.9. Borrowing cost

Borrowing costs that may be directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a portion of the acquisition price or manufacturing cost of the asset. Other borrowing costs are recognized as an expense in the period they are incurred.
Capitalization of borrowing costs commences at the later of when expenditures for the asset are being incurred or when borrowing costs are being incurred. The borrowing costs are no longer capitalized when all substantially all the activities necessary to prepare the asset for its intended use are complete.

53.10. Leases

Lease agreements that transfer substantially all the risks and rewards incidental to ownership to the Group are classified as finance leases. Leases other than finance leases are recognized as operating leases.

The object of a finance lease is recognized in the assets as at the lease commencement date at the lower of: the fair value of the leased asset or the present value of the minimum lease payments. Each finance lease payment is divided into an amount reducing the balance of the liability and financial expenses so as to produce a constant rate of interest on the remaining balance of the liability. The interest component of each lease payment is recognized in the income statement over the lease period in such a way as to arrive at a fixed periodic interest rate compared to the unsettled liability amount. Depreciable assets acquired under finance lease agreements are depreciated over their useful life.

Lease payments under an operating lease (less any special promotional offers from the lessor) are recognized as an expense on a straight-line basis over the lease term.

53.11. Impairment of assets

The Group's assets are tested for impairment whenever there are indicators that an impairment loss might have occurred. Goodwill is tested annually.

Non-financial assets

An impairment loss is recognized up to the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of: the fair value less the costs of bringing an asset into condition for its sale or value in use (i.e. the present estimated value of the future cash flows expected to be derived from an asset or cash-generating unit). For the purpose of impairment testing, assets are grouped at the lowest possible level with respect to which separate cash flows may be identified (cash-generating units).
All impairment losses are recognized in profit or loss. Impairment losses may be reversed in subsequent periods (except from losses on goodwill) if events occur justifying the lack or change in the impairment of assets.

Financial assets

Financial assets are analyzed as at each reporting date so as to determine whether there are any indications of their impairment. It is assumed that financial assets have been impaired if there are objective indications that one or more events having a negative impact on the estimated future cash flows relating to the assets have occurred.

Individual by significant financial instruments with material value are analyzed for impairment on a case-by-case basis. Other financial assets are analyzed for impairment by groups with similar credit risk.

The principles for recognition of impairment losses on financial assets have been presented in detail in Note 53.13.

53.12. Investment property

Investment property is maintained in order to generate rental income, for capital appreciation or for both. For measuring investment property after the initial recognition, the Group selected the acquisition cost model.

Investments in property are depreciated according to the straight-line method. Depreciation begins in the month of its commissioning. The estimated useful life period is as follows:

Buildings	25 – 35 years

Revenue from lease of investment property is recognized in the profit or loss according to the straight-line method over the term of the lease.

53.13. Financial assets

Financial instruments are classified to the following categories: financial assets measured at fair value through profit or loss, loans and receivables, investments held to maturity and financial assets available for sale.

The classification is based on the purpose of acquiring an investment. The assets are classified upon initial recognition and then reviewed at each reporting date, if required or accepted by IAS 39.

(a) Financial assets measured at fair value through profit or loss

The category includes two sub-categories:

- financial assets held for; a financial asset is classified in this category if it has been acquired principally for the purpose of being sold in the short term, is part of a portfolio of financial instruments managed together and for which there is a probability of profit in the short term, or is a derivative not constituting a hedging instrument.
- financial assets designated as measured at fair value through profit or loss upon initial recognition.

These assets are recognized as current assets, if the Company intends to sell or realize them within 12 months from the end of the reporting period.

Financial assets measured at fair value through profit or loss are measured at fair value taking into account their market value at the balance sheet date, excluding transaction costs. Changes in the value of these financial instruments are recognized in profit or loss as financial income or expenses. If a contract contains one or more embedded derivatives, the whole contract may be classified as financial assets measured at fair value through profit or loss. This does not apply to cases where the embedded derivative does not significantly modify the cash flows of the contract or separation of embedded derivatives is clearly prohibited.

(b) Loans and receivables

Loans and receivables are financial assets with determined or determinable payments, which are not quoted on the active market, not classified as derivatives. They arise when the Group spends cash, delivers goods or services directly to the debtor without the intention of classifying them as receivables held for trading.

Loans and receivables are classified as current assets if their maturity as at the end of the reporting period does not exceed 12 months. Loans and receivables whose maturity as at the end of the reporting period exceeds 12 months are classified as non-current assets. Loans and receivables are recognized in the statement of financial position under trade and other receivables. Loans and receivables are measured at amortized cost.

(c) Investments held to maturity

Investments held to maturity that do not constitute derivative instruments are financial assets with determined or determinable payments and fixed maturity that Group intends to and is able to hold to maturity other than:

- designated by the Company upon initial recognition as measured at fair value through profit or loss,
- designated as available for sale and
- meet the definition of loans and receivables.

Investments held to maturity are measured at amortized cost using the effective interest rate.

If there is evidence of possible impairment of loans and receivables or investments held to maturity which are measured at amortized cost, the impairment loss is determined as the difference between the carrying amount of assets and the present value of estimated future cash flows discounted at the original effective interest rate for these assets (i.e. the effective interest rate computed at initial recognition for assets based on a fixed interest rate and the effective interest rate determined at the time of the last revaluation of assets based on a variable interest rate). An impairment loss is recognized in the statement of profit and loss and other comprehensive income. Impairment loss is reversed if in subsequent periods the impairment loss decreases and the decrease can be attributed to events occurring after recognition. As a result of reversal of the impairment, the carrying amount of financial assets may not exceed the amortized cost which would be determined if no impairment loss was recognized. Reversal of impairment loss is recognized in profit or loss.

(d) Financial assets available for sale

Financial assets available for sale (AFS) are non-derivative financial assets designated as "available for sale" or not classified to any of the remaining categories. This category includes mainly shares in unrelated parties. AFS financial assets are recognized as non-current assets if the Group does not intend to dispose of the investment within 12 months from the end of the reporting period.

Acquisition and sale of financial assets is recognized as at the date of the transaction, i.e. the day when the Group undertakes to purchase or sell a given asset. Financial assets are initially recognized at fair value increased by transaction costs, except for investments classified as financial assets measured at fair value through profit or loss, which are initially measured at fair value without transaction costs.

Financial assets are derecognized from the accounting records if the rights to the related cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards incidental to their ownership.

Assets available for sale and those measured at fair value through profit or loss are initially recognized at fair value. Available for sale financial assets are measured at acquisition price less impairment losses if it is not possible to determine their fair value and they do not have a fixed maturity. Financial assets held to maturity are measured at amortized cost using the effective interest rate.

The effects of measurement of financial assets at fair value through profit or loss are recognized in profit or loss in the period when they occurred. The effects of the valuation of financial assets available for sale are recognized in the components of other comprehensive income except for impairment losses and gains or losses from foreign exchange differences that arise on monetary assets. Upon derecognition of an asset classified as available for sale from the accounting records, the total accumulated profits or loss (previously recognized in in the components of other comprehensive income) are recognized in profit or loss.

The fair value of investments quoted in an active market is determined with reference to their current purchase price. If there is no active market for financial assets (or the securities are not quoted), Group determines their fair value using adequate measurement techniques which include: recent transactions conducted under arm's length conditions, comparison to other instruments which are identical in substance, an analysis of discounted cash flows, option valuation models and other techniques and models widely applied in the market, adjusted to the specific situation of the issuer.

If there are indicators of impairment of unquoted equity instruments, which are valued at acquisition cost (due to the inability to reliably determine the fair value), the impairment loss is determined as a difference between the carrying amount of the assets and the present value of estimated future cash flows discounted at the current market return rate of similar financial assets. Such impairment losses are not reversed.

At the end of each reporting period, Group verifies whether there is any objective evidence indicating impairment of a financial asset or a group of financial assets.

If such evidence exists in the case of financial assets available for sale, the total accumulated losses recognized in equity, determined as the difference between the acquisition price and their current fair value less possible impairment losses recognized previously in profit or loss, are excluded from equity and recognized in profit or loss. Impairment losses recognized in profit or loss and relating to equity instruments are not reversed in correspondence with profit or loss. The reversal of impairment losses on debt securities is recognized in profit or loss if the fair value increased as a result of subsequent events after the recognition of impairment in the periods following the recognition of the impairment loss.

(e) Hedge accounting

Derivative instruments used by the Company to hedge against the risks associated with changes in interest rates and exchange rates are measured at fair value. Derivative instruments are presented as assets when their value is positive and as liabilities - when their value is negative.

The fair value of foreign exchange contracts is calculated by reference to current forward rates for contracts with the same maturity date or based on valuations obtained from financial institutions. The fair value of contracts for interest rate change can be determined based on the valuation received from independent financial institutions.

In relation to the part of the secured exposure the Company applies hedge accounting.

The Company defines certain hedges against the risk of exchange rate differences, including derivatives, embedded derivatives and other instruments as fair value hedges or cash flow hedges. Foreign currency risk hedge in relation to probable future liabilities are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Derivatives are accounted for in accordance with fair value or cash flow hedge accounting, if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge,
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship,
- or cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,
- the effectiveness of the hedge can be reliably measured,
- the hedge is assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

If a fair value hedge is used, it is accounted for as follows:

- the gain or loss from remeasuring the hedging instrument at fair value is recognized in profit or loss, and
- the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in profit or loss (this applies also if the hedged item is an available-for-sale financial asset, whose changes in value are recognized directly in revaluation reserve).

The Group discontinues fair value hedge accounting if:

- the hedging instrument expires, is sold, terminated or exercised,
- the hedge no longer meets the criteria for hedge accounting, or
- the Group revokes the designation.

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. A forecast transaction is an uncommitted but anticipated future transaction.

If a cash flow hedge is used, it is accounted for as follows:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in revaluation reserve,
- the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in revaluation reserve are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. However, if the Group expects that all or a portion of a loss recognized in revaluation reserve will not be recovered in one or more future periods, it reclassifies to profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes the associated gains and losses that were recognized in revaluation reserve and includes them in the initial cost or other carrying amount of the asset or liability.

The Group discontinues cash flow hedge accounting if the hedging instrument expires, is sold, terminated or exercised or no longer meets the criteria for hedge accounting. In this case, the cumulative gain or loss on the hedging instrument is recognized in revaluation reserve until the hedged transaction occurs. In case the hedged transaction is no longer expected to occur, related cumulative net gain or loss recognized in revaluation reserve is immediately recognized in profit or loss.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

53.14. CO_2 emission rights

CO_2 emission rights granted free of charge under the National Allocation Plan (Krajowy Plan Rozdziału Uprawnień) and additional CO_2 emission rights purchased for the purpose of redemption, i.e. fulfilling the CO_2 emission settlement obligation, are presented as current intangible assets which are not amortized but tested for impairment and are presented separately in current assets.

CO_2 emission rights granted free of charge for the given financial year are recognized at nominal cost, i.e.zero. CO_2 emission rights purchased are measured at acquisition price less any impairment loss.

CO_2 emission rights are registered in the following groups:

- green CER,
- free-of-charge and purchased EUA.

Within the above mentioned groups, costs are recognized according to first in, first out method (FiFo).

As regards CO_2 emissions associated with the electricity production process, the Group is obliged to settle them through presentation of a specified quantity of CO_2 emission rights for redemption. The costs related to fulfilling the aforementioned obligation are recognized in the accounting records systematically throughout the annual reporting period, in proportion to the actual and planned volume of production of electricity.

A provision is created for estimated CO_2 emissions during the reporting period, and charged to costs of operating activities.

The amount of the provision, presented in the statement of financial position within liabilities, is determined in compliance with the following rules:

- the amount recognized as a provision should be the best estimate of the expenditure required to settle, in annual periods, the present obligation at the reporting date,
- first, the provision is established on the basis of the value of emission rights owned on the reporting date,
- if the demand for emission rights is not covered by the quantity of owned rights, a provision is established for the volume of uncovered estimated emissions, on the basis of the purchase prices of emission rights as specified in forward contracts made (if the delivery date is set before the date of actual settlement of the obligation, i.e. redemption of emission rights),

- if the demand for emission rights is not covered by the quantity of emission rights owned, due and purchased on forward date, then a provision is established for the volume of uncovered estimated emissions, on the basis of market quotes (Bluenext) as at the reporting date.

The liability (provision) due to CO_2 emission is settled through redemption of emission rights.

Sales revenues and the cost of CO_2 emission rights sold are presented in operating income and costs, respectively. The value of the emission rights sold is determined according to FIFO in the given group of emission rights:

- green CER,
- free-of-charge and purchased EUA.

53.15. Inventory

Inventories are measured at acquisition cost, which consists of purchase price plus the costs incurred in their purchase, i.e. in particular the costs of transport to storage location or production cost not higher than net selling price.

The cost of inventories is based on:

- in system SAP ERP using weighted average cost method,
- in system IFS using the method of specific identification of actual price (cost) of assets, that relate to specific projects, regardless of date of their purchase or manufacturing, except for coal for production, fuel oil, biomass and lime meal, which costs are recognized using the weighted average purchase price method.

Certificates of origin acquired for redemption, for resale and manufactured are presented as inventory.

Certificates of origin of energy are confirmation of the production of energy from renewable sources of energy (energy from e.g. wind, water, sun, biomass - so-called green certificates) or the energy generated in cogeneration (from three types of sources, i.e. the sources of gas or sources of power less than 1 MW - so-called yellow certificates, sources of power more than 1 MW other than burning gaseous fuels, methane and gas from biomass - so-called red certificates and sources of gas-fired obtained from biomass or methane released by demethylation in mines - so-called purple certificates). The President of URE grants them at the request of an energy company engaged in the production of energy from renewable energy sources and cogeneration.

Certificates of energy efficiency, i.e. white certificates are a confirmation of the declared energy savings resulting from the undertaken projects to improve energy efficiency in three areas, i.e. increasing energy savings by end users, increasing energy savings by the device's own needs and reducing the loss of electricity, heat or natural gas transmission and distribution. For these categories of projects tenders for so-called white certificates are carried out by the President of URE. The President of URE grants them at the request of the party, which won the tender.

Rights resulting from certificates of origin and certificates of energy efficiency arise as the moment of registration of certificates of origin of energy and certificates of energy efficiency conducted by Towarowa Giełda Energii S.A. (TGE S.A.).These rights are transferable and are a commodity exchange. The transfer of rights takes place upon an appropriate entry in the register of certificates of origin or in the register of certificates of energy efficiency. Rights expire at the time of redemption.

Acquired ccertificates of origin are valued at purchase price less any accumulated impairment losses.

In accordance with the Energy Law and Energy Efficiency Act, energy company engaged in energy trading and selling energy to end users is obliged:

a) obtain and present for redemption to the President of URE certificates of origin of energy and certificates of energy efficiency or
b) pay a substitution fee.

The Group is required to obtain and present for redemption:

a) certificates of origin of energy corresponding to the size specified in the regulations to the Energy Law, as a percentage of total energy sales to end users,
b) certificates of energy efficiency in tonnes of oil equivalent [toe], no more than 3% of quotient of revenue from the sale of electricity to end users, achieved for the year in which this obligation is implemented and substitution fee. The amount of revenue from the sale of electricity to end users reached for the accounting year shall be reduced by the amounts and costs accordingly to Article 12 paragraph. 4 of the Energy Efficiency Act. The size of the obligation in each accounting year of account is defined in the regulation to the Energy Efficiency Act.

The deadline for complying with the requirement of certificate redemption or substitute fee payment expires on dates specified in the applicable law.

The Group presents certificates of origin for redemption on a monthly basis in order to fulfill its obligation regarding the financial year. Redemption of certificates of origin is recognized in the accounting records based on a redemption decision issued by the President of Energy Regulatory Office, the redeemed certificates being subject to detailed identification.

At the reporting date in the absence of a sufficient number of certificates required to fulfill the obligations imposed by the Energy Law and Energy Efficiency Act, the Company creates a provision for redemption of certificates of origin of energy and certificates of energy efficiency or pay a substitution fee.

53.16. Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank, call deposits with banks and other short-term investments maturing within three months and with high liquidity. As at the end of the reporting period, cash is measured at nominal value.

53.17. Share capital

The share capital of the Group is recognized in the amount stipulated in the by-laws and registered in the National Court Register, adjusted by the effects of hyperinflation as well as settlement of the effects of business combinations and acquisitions, respectively. Increases in the share capital covered by the shareholders as at the end of the reporting period and not yet registered in the National Court Register are also disclosed as share capital.

53.18. Loans, borrowings and debt securities

Upon initial recognition financial liabilities are measured at fair value less transaction costs.
Following their initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Amortized cost includes the costs associated with obtaining the loan and discount or premium on liabilities.

53.19. Income tax (including deferred income tax)

Income tax presented in the statement of profit or loss and other comprehensive income includes the current and deferred portion.
The current tax liability is calculated based on the taxable profit (tax base) for a given reporting period. The taxable profit/(loss) differs from net accounting profit/(loss) due to the exclusion of taxable income and expenses classified as tax-deductible in the following years as well as expenses and revenue which will never be subject to taxation. Tax liabilities are calculated based on tax rates applicable in a given reporting period.

The deferred tax is a tax of from events that occurred in a given period, recognized on the accrual basis in the accounting records of the period but realized in future. It arises when the tax effect of income and expenses is the same as the balance sheet, but it occurs in different periods.

During the term of Tax Group agreement, ENEA S.A. as representing entity calculates and settles Tax Group income tax. The subject of the income tax in tax groups is income (achieved in the fiscal year) representing surplus of the sum of income of all the companies forming the group over the sum of their losses.

53.20. Employee benefits

The following types of employee benefits are provided by the Group:

A. Short-term employee benefits

Short-term employee benefits at ENEA S.A. include: monthly wages, annual bonuses, electricity allowance, short-term paid leave with social security contributions, award at Dzień Energetyka and liability due to Voluntary Redundancy Program.

The liability due to short-term (accumulated) paid leave (compensation for paid leave) is recognized even if employees are not entitled to receive payment in lieu of holiday.

The Group determines the expected cost of accumulating paid leave as the additional amount that the entity expects to pay as a result of the unused entitlement established at the balance sheet date.

B. Defined benefit plans

Defined benefit plans of the Group include:

1) Retirement benefits

Employees retiring (eligible for disability benefits) are entitled to receive retirement benefits in the form of cash compensation. The value of such benefits depends on the length of service and the remuneration received by the employee. The related liabilities are estimated using actuarial methods.

2) Electricity allowance for pensioners

Retiring employees who have worked for ENEA S.A. for at least one year are entitled to a reduced price of consumed energy. Pensioners and disability pensioners acquire the right to an electricity allowance in the amount of 3000 kWh x 80% of the electricity price and the variable component of the transmission charge and 100% the fixed network charge and subscription charge at the single-zone rate household tariff. The equivalent is paid twice a year, each time in the amount of the half of the annual equivalent. Equivalent value is indexed on the increase of energy price of generally applicable tariff for households in the year preceding the payment.
In case of an employee's death, the right is transferred to his/her spouse if that person receives a family allowance.

3) Appropriation to the Company's Social Benefits Fund for pensioners

Appropriation to the Company's Social Benefits Fund for pensioners covered by the social care is made in the amount resulting from the applicable regulations.
Employee benefits are recognized in the statement of financial position in liabilities due to employee benefits and the change in provisions is presented in the statement of profit and loss and other comprehensive income.

4) Coal allowance benefits

Former employees of Lubelski Węgiel Bogdanka S.A. whose contracts of employment were terminated due to retirement or transiction to pension, and optionally relatives or spouses of deceased employees, will annually get perpetual coal allowance. The projected unit credit method requires the recognition of provisions for current employees of the Company at the reporting date, but only for the part of benefit, which will be paid upon death or retirement.

Only person that acquired or will acquire the right to this benefit by 31 December 2034, are its beneficiaries and will not loose rights to the benefit. Other person are not entitled to this benefit and provision for them was not recognized.

Actuary estimates the amount of provisions for employee benefits, which are mentioned in par. 1-4, using Projected Unit Credit Method. Actuarial losses are fully recognized in other comprehensive income.

C. Other long-term employee benefits

Jubilee bonuses

Other long-term employee benefits at ENEA S.A. include jubilee bonuses. Their value is dependent on the length of service and the remuneration received by the employee. The related liabilities are estimated using actuarial methods. The total value of actuarial gains and losses is recognized in profit or loss.

D. Defined contribution plan

1) Social security contributions

The social security system in Poland is a state programme, in accordance with which the Group is obliged to make social security contributions for employees when they become due. No legal or constructive obligation has been imposed on the Group to pay future benefits relating to social security. The costs of contributions pertaining to the current period are recognized by the Group in profit or loss as the costs of employee benefits.

2) Employee Pension Scheme

Pursuant to Appendix to the Collective Labor Agreement, ENEA S.A. operates an Employee Pension Scheme in the form of unit-linked group employee insurance in line with the statutory principles and under conditions negotiated with the labor unions.

The Employee Pension Scheme is available to all employees of ENEA S.A. after one year of service, irrespective of the type of their employment contract.
Employees join the Employee Pension Scheme under the following terms and conditions:

- the insurance is group life insurance with insurance protection;
- the amount of the basic premium is set at 7% of the participant's salary;
- 90% of the basic premium is allocated to investment premium and 10% to insurance protection.

The Company recognizes the cost of current premiums for Employee Pension Scheme in the statement of profit and loss and other comprehensive income as costs of employee benefits.

E. Share-based payments

The fair value of share options granted is recognized as payroll costs in correspondence with the increase in equity. The fair value is determined at the grant date of share options to employees and spread over the period in which employees willl acquire the unconditional right to exercise the option (due to the fact that the fair value of employees' services can not be assessed directly, their value is determined based on the fair value of equity instruments granted). The amount charged to costs is adjusted to reflect the number of granted options for which service conditions and non-market vesting conditions are met.

F. Profit-sharing programmes and bonus programmes

Lubelski Węgiel Bogdanka S.A. recognizes liabilities and costs related to awards, bonuses and profit-sharing programmes where it is contractually obliged to pay them or where previous practice has created constructive obligation.

53.21. Provisions

Provisions are created if the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation as at the end of the reporting period.

Use of previously created provisions for certain or highly probable future liabilities is recorded as the reduction of the provision when the liabilities occur.
Unused provisions in the event of a reduction or cessation of risk justifying their creation, increase the financial revenues or other operating income.
The Company also creates provisions for claims which have not been submitted to court yet reported by the owners of the property, where there are distribution networks and devices, and other potential claims related to construction of the network assets of the Company on property to which the Company has no legal title. Estimating the value of claims includes potential compensation for so-called non-contractual use of land and is made by the technical service.

Provision for redemption of certificates of origin and energy performance certificates

When at the end of the reporting period there is the missing amount of required number of certificates according to the Energy Law and Energy Effectiveness Law the Company recognizes a provision for redemption of certificates of origin and energy performance certificates or substitute fee.
The basis for determining the provision for redemption of certificates of origin for each of the values is the number of certificates of origin accounting for the difference between the number of certificates redeemed as at the end of the reporting period and the number required for redemption by the Energy Law.

The basis for determining the provision for the redemption of certificates of energy efficiency is the number of of certificates in tonnes of oil equivalent representing the difference between the number of certificates required for redemption in accordance with the requirements of the Energy Efficiency Act, and the number of certificates redeemed at the balance sheet date.

Provisions are measured:

1. firstly, at acquisition price of unredeemed certificates of origin held as the end of the reporting period,

2. secondly, on the basis of the purchase price resulting from the concluded sales contracts by the Group, in respect of that part of the certificates, which the Company plans to receive in the first instance,
3. thirdly, on the basis of weighted average price in session transactions closed at the Property Rights Market operated by the Polish Power Exchange during the month preceding the reporting date at which the measurement of the provision is determined,
4. and if there are no such transactions or there is a shortage of specific certificates on the market, preventing the Group from acquiring a required number of certificates to be redeemed according to the Energy Law, the missing amount of certificates is measured at the unit substitute fee for the given financial year.

Provision for mine liqudation

ENEA Group creates a provision for future costs of mine liquidation due to obligations arising under the Geological and Mining Law. The act requires a mining company to liquidate mines on discontinuation of production in the amount of the expected costs related to:

- securing or liquidating excavations and facilities and equipment of mine;
- securing the unexploited part of a mineral deposit;
- securing adjacent mineral deposits;
- securing excavations of adjacent mining plants;
- taking the necessary measures to protect the environment, land reclamation and development of post-mining areas.

The costs of mine liquidation is calculated by an independent consulting company using historical data on the costs of mine liquidations in coal mining sector in Poland.

53.22. Revenue recognition

Sales revenue is measured at the fair value of the consideration received or receivable less the value added tax, discounts and rebates.

Revenue from the sales of energy and distribution services is recognized upon delivery of the energy or transmission services to the customer. In order to determine the value of revenue for a period from the last billing date to the end of the reporting period, an estimate is made and recognized in the statement of financial position under trade and other receivables.

Revenue from the sale of certificates of origin acquired for resale is recognized according to the principles described in 53.15.

Revenue from the sales of goods, merchandise and materials is recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and materials it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from lease of investment property is recognized in profit or loss according to the straight-line method over the term of the lease.

Interest income is recognized on an accrual basis using the effective interest rate if its receipt is not doubtful.

Dividend income is recognized when the Company acquires the right to receive the related payments.

53.23. Subsidies

The Group receives tangible fixed assets constituting electricity infrastructure free of charge. Until 31 December 2009 such transactions were recognized at fair value as property, plant and equipment, and their value was recognized under deferred income and settled over time in the profit or loss pro rata to depreciation costs accrued on the received assets. Since 1 January 2010 fixed assets constituting electricity infrastructure received free of charge are recognized in full amount as revenue in profit or loss.

Other subsidies received by the Group (i.e. grants in the form of other fixed assets and compensation for expenses incurred for other fixed assets) are recognized by the Group in the statement of financial position as deferred income when there is reasonable assurance that they will be received and that the Group will comply with appropriate conditions related to such grants. Grants received as compensation for costs already incurred by the Group are recognized on a systematic basis as revenue in profit or loss in the periods in which the entity recognizes as expenses the related costs. Grants received by the Group as compensation for capital expenditure incurred are recognized on a systematic basis in proportion to the depreciation charges as other operating revenue in profit or loss over the useful life of an asset.

53.24. Connection fees

Revenue from connection fees for tasks completed by 31 December 2009 is recognized in deferred income and settled over the depreciation period of the connection, at present determined as 35 years. In financial statements the fees are recognized under long-term liabilities. At the end of each reporting period, the fees up to one-year maturity are reclassified to short-term liabilities.

Advances for connection fees paid to the Group until 31 December 2009 with connections commissioned after 1 January 2010 are recognized in full amount in revenue.

53.25. Compensation to cover stranded costs originating from early termination of long-term power and electricity sales contracts (LTC)

Compensation to cover the stranded costs is recognized in the profit or loss as revenue in the periods when the related stranded costs are incurred.

Compensation to cover stranded costs is recognized in the amount of advances due for a given financial period as determined in Appendix 4 to the Act on principles to cover producers' costs originating from early termination of LTC of 29 June 2007 adjusted by an estimated adjustment amount for the given period. The compensation for stranded costs for the given year is settled by the President of the Energy Regulatory Office by 31 July of the subsequent year and by 31 August following the last year of LTC remaining in force.

53.26. Dividend payment

Payments of dividends to shareholders (including minority shareholders for dividends of subsidiaries) are recognized as a liability in the financial statements of the Group for the period when they were approved by the Parent's shareholders.

53.27. Non-current assets held for sale

Non-current assets held for sale include items satisfying the following criteria:

- their carrying amount will be recovered principally through sale transactions rather than through continuing use;
- the Management Board of the Company submitted a sales declaration and started to search actively for a potential buyer;
- the assets are available for immediate sale in their current condition;
- the sale transaction is highly probable and may be settled within 12 months of the date of the decision;
- the sales price is reasonable compared to the current fair value;
- the probability that changes to the asset disposal plan will be made is low.

If the aforementioned criteria have been satisfied after the end of the reporting period, the asset is not reclassified at the end of the financial year preceding the event. The classification change is reflected in the reporting period when the aforementioned criteria have been satisfied. Amortization/depreciation charges are no longer applied starting from the date when the asset is designated as held for sale.

Assets held for sale are measured at the lower of: the net carrying amount or the fair value less costs to sell.

53.28. Statement regarding application of International Financial Reporting Standards

53.28.1. Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2015

The following new Standards, amendments to the existing Standards and Interpretations adopted by the EU are not yet mandatorily effective for annual periods ending on 31 December 2015 and were not used in the consolidated financial statements:

- Amendments to IAS 19 *Employee Benefits* entitled *Defined benefit plans: Employee contributions* - for annual periods beginning 1 February 2015,
- Amendments to *IFRS 2010-2012* - for periods beginning 1 February 2015,
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to I*FRS 11 Joint Arrangements*)- for periods beginning 1 January 2016,
- Agriculture: Bearer Plants (Amendments to *IAS 16 Property, Plant and Equipment* and *IAS 41 Agriculture*) - for periods beginning 1 January 2016,
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets*) - for periods beginning 1 January 2016,
- Improvements to *IFRS (2012-2014)* - for periods beginning 1 January 2016,
- Disclosure initiative (Ammendments to *IAS 1 Presentation of Financial Statements*) - for periods beginning 1 January 2016,
- Equity Method in Separate Financial Statements (Amendments to *IAS 27 Separate Financial Statements*) - for periods beginning 1 January 2016.

The Group plans to adopt these pronouncements when they become effective.

The Group is currently evaluating the impact of above mentioned new Standards, amendments to Standards and Interpretations. However, it is not expected to have a significant effect on its consolidated financial statements.

53.28.2. Standards and interpretations not yet endorsed by the EU

The following new Standards, amendments to Standards and Interpretations not yet endorsed by the EU are not mandatorily effective for annual periods ending on 31 December 2015 and were not used in the consolidated financial statements:

- IFRS 9 *Financial Instruments* (2014) – for annual periods beginning 1 January 2018,
- IFRS 14 *Regulatory Deferral Accounts* – for annual periods beginning 1 January 2016,
- IFRS 15 *Revenue from Contracts with Customers* – for annual periods beginning 1 January 2018,
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates*) – for annual periods beginning 1 January 2016,
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in associates and joint ventures*) – for annual periods beginning 1 January 2016.
- IFRS 16 *Leases* - for annual periods beginning 1 January 2019,
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12 *Income Taxes*) - for annual periods beginning 1 January 2017,
- Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*) - for annual periods beginning 1 January 2017.

The Group plans to adopt these pronouncements when they become effective.

The Group has not yet analysed the likely impact of the new Standards, amendments to Standards and Interpretations on its financial position or performance.