Separate financial statements of Enea S.A.
for the financial year ended
31 December 2016

Poznań, 29 March 2017

Index to the separate financial statements

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

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union and approved by the Company's Management Board for publication and submission to the competent bodies of the Company for approval in line with the Accounting Act and the Code of Commercial Companies.

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, 29 March 2017

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

Separate statement of financial position

	Note	Balance as at 31.12.2016	Balance as at 31.12.2015
ASSETS			
Non-current assets			
Property, plant and equipment	4	29 063	30 699
Perpetual usufruct of land	5	1 970	1 998
Intangible assets	6	4 814	4 005
Investment properties	7	15 405	15 955
Investments in subsidiaries and jointly-controlled entity	8	9 448 433	8 323 493
Deferred tax assets	21	48 562	63 316
Financial assets available for sale	39	41 902	23 402
Intercompany bonds	10	5 136 547	5 339 352
Derivatives	16	40 267	844
Trade and other receivables	11	145 111	73 557
		14 912 074	**13 876 621**
Current assets			
Inventories	12	84 984	152 318
Trade and other receivables	11	1 119 479	1 141 808
Intercompany bonds	10	486 566	55 033
Financial assets measured at fair value through profit or loss	14	-	215 488
Cash and cash equivalents	13	1 614 822	1 397 632
Non-current assets classified as held for sale	9	-	8 410
		3 305 851	**2 970 689**
Total assets		**18 217 925**	**16 847 310**
EQUITY			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Reserve capital from valuation of hedging instruments		33 826	3 980
Reserve capital		2 640 358	2 640 358
Retained earnings		3 050 604	2 427 976
Total equity	15	**10 940 479**	**10 288 005**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	16	5 918 322	5 187 381
Finance lease liabilities	20	510	-
Liabilities due to employee benefits	22	49 060	55 265
Provisions for other liabilities and charges	23	4 146	10 905
		5 972 038	**5 253 551**
Current liabilities			
Loans, borrowings and debt securities	16	136 206	31 905
Trade and other liabilities	18	667 226	582 824
Finance lease liabilities	20	262	43
Current income tax liabilities		31 564	85 363
Liabilities due to employee benefits	22	20 050	16 486
Liabilities due to an equivalent of the right to acquire shares free of charge		281	281
Other financial liabilities	17	166 653	327 318
Provisions for other liabilities and charges	23	283 166	261 534
		1 305 408	**1 305 754**
Total liabilities		**7 277 446**	**6 559 305**
Total equity and liabilities		**18 217 925**	**16 847 310**

The separate statement of financial position should be analyzed together with the notes which constitute an integral part of these separate financial statements

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

Separate statement of profit or loss and other comprehensive income

	Note	For the period 12 months ended 31.12.2016	12 months ended 31.12.2015
Sales revenue		5 678 726	5 662 671
Excise tax		(257 374)	(232 447)
Net sales revenue	24	**5 421 352**	**5 430 224**
Other operating revenue	27	27 697	18 334
Depreciation	25	(3 459)	(5 657)
Costs of employee benefits	25	(55 751)	(48 968)
Consumption of materials and supplies and costs of goods sold	25	(2 416)	(1 866)
Energy and gas purchase for sale	25	(3 577 904)	(3 622 261)
Transmission and distribution services	25	(1 498 807)	(1 482 852)
Other external services	25	(162 450)	(146 305)
Taxes and charges	25	(3 103)	(3 134)
(Loss)/profit on sale and liquidation of property, plant and equipment		(1)	1 754
Other operating expenses	27	(36 873)	(56 985)
Operating profit		**108 285**	**82 284**
Financial expenses	29	(200 231)	(2 215 946)
Financial revenue	28	190 159	173 521
Dividend income		548 874	874 236
Profit/(Loss) before tax	30	**647 087**	**(1 085 905)**
Income tax		(26 844)	(30 983)
Net profit/(loss) for the reporting period		**620 243**	**(1 116 888)**

	Note	12 months ended 31.12.2016	12 months ended 31.12.2015
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
- valuation of hedging instruments		36 847	4 914
- income tax		(7 001)	(934)
Items that will not be reclassified to profit or loss			
- remeasurement of defined benefit plan	22	2 945	7 240
- income tax		(560)	(1 375)
Net other comprehensive income		**32 231**	**9 845**
Total comprehensive income for the reporting period		**652 474**	**(1 107 043)**

	12 months ended 31.12.2016	12 months ended 31.12.2015
Earnings attributable to the Company's shareholders	620 243	(1 116 888)
Weighted average number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	**1.41**	**(2.53)**
Diluted earnings per share (in PLN per share)	**1.41**	**(2.53)**

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

Separate statement of changes in equity

	Note	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Reserve capital from valuation of hedging instruments	Reserve capital	Retained earnings	Total equity
Balance as at 01.01.2016		441 443	146 575	**588 018**	**4 627 673**	**3 980**	**2 640 358**	**2 427 976**	**10 288 005**
Net profit								620 243	**620 243**
Net other comprehensive income						29 846		2 385	**32 231**
Total comprehensive income						**29 846**		**622 628**	**652 474**
Balance as at 31.12.2016		441 443	146 575	**588 018**	**4 627 673**	**33 826**	**2 640 358**	**3 050 604**	**10 940 479**

	Note	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Reserve capital from valuation of hedging instruments	Reserve capital	Retained earnings	Total equity
Balance as at 01.01.2015		441 443	146 575	**588 018**	**4 627 673**	**-**	**2 151 228**	**4 235 607**	**11 602 526**
Net loss								(1 116 888)	**(1 116 888)**
Net other comprehensive income						3 980		5 865	**9 845**
Total comprehensive income						**3 980**		**(1 111 023)**	**(1 107 043)**
Distribution of the net profit							489 130	(489 130)	**-**
Dividends	31							(207 478)	**(207 478)**
Balance as at 31.12.2015		441 443	146 575	**588 018**	**4 627 673**	**3 980**	**2 640 358**	**2 427 976**	**10 288 005**

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

Separate statement of cash flows

	Note	For the period 12 months ended 31.12.2016	12 months ended 31.12.2015
Cash flows from operating activities			
Net profit/ (loss) for the reporting period		620 243	(1 116 888)
Adjustments:			
Income tax disclosed in the profit and loss	30	26 844	30 983
Depreciation	25	3 459	5 657
Loss/(gain) on sale and liquidation of property, plant and equipment		1	(1 754)
(Gain)/loss on disposal of financial assets		(4 815)	3 348
Interest income		(147 408)	(135 045)
Dividend income		(548 874)	(874 236)
Interest expense		151 445	101 178
Other financial expenses *		42 000	2 104 504
		(477 348)	1 234 635
Income tax paid		(238 756)	(295 749)
Inflows due to settlements within Tax Group		213 642	226 479
Changes in working capital			
Inventories		67 334	(36 201)
Trade and other receivables		(30 371)	(40 129)
Trade and other liabilities		(86 518)	124 572
Liabilities due to employee benefits		304	(5 196)
Provisions for other liabilities and charges		14 873	84 351
		(34 378)	127 397
Net cash flows from operating activities		**83 403**	**175 874**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(1 787)	(809)
Proceeds from disposal of property, plant and equipment and intangible assets		16	1 982
Acquisition of financial assets		(1 318 500)	(1 911 812)
Proceeds from disposal of financial assets		252 030	403 699
Acquisition of subsidiaries and associates		(204 450)	(1 485 737)
Proceeds from disposal of subsidiary		10 100	6 531
Dividends received		548 874	874 236
Proceeds related to the acquisition of financial assets		3 722	9 159
Interests received		148 148	125 207
Other proceeds		-	347
Net cash flows from investing activities		**(561 847)**	**(1 977 197)**
Cash flows from financing activities			
Loans and borrowings received		100 000	475 000
Bonds issue		750 000	2 581 000
Dividends paid		-	(207 478)
Payment of finance lease liabilities		(134)	(129)
Expenses related to future issue of bonds		(4 536)	(9 434)
Interests paid		(149 696)	(80 819)
Net cash flows from financing activities		**695 634**	**2 758 140**
Net increase/ (decrease) in cash		**217 190**	**956 817**
Opening balance of cash	13	1 397 632	440 815
Closing balance of cash	13	**1 614 822**	**1 397 632**

* The position comprises mainly impairment loss on shares and non-current assets held for sale

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

Notes to the separate financial statements

1. General information

1.1. General information about Enea S.A.

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

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

As at 31 December 2016 the shareholding structure of Enea S.A. was as follows: the State Treasury of the Republic of Poland - 51.5% of shares, PZU TFI 5.2% of shares and other shareholders - 43.3%.

As at 31 December 2016 the statutory share capital of Enea S.A. equaled to PLN 441 443 thousand (PLN 588 018 thousand upon adoption of IFRS-EU and considering hyperinflation and other adjustments) and was divided into 441 442 578 shares.

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

Enea S.A. is the parent company in the Enea Group (the Group). As at 31 December 2016 the Group comprised of 12 subsidiaries and 9 indirect subsidiaries and 1 jointy controlled entity.

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

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

1.2. Composition of the Management Board and the Supervisory Board

Management Board

	31.12.2016	31.12.2015
President of the Company's Management Board	Mirosław Kowalik	acting Wiesław Piosik
Member of the Company's Management Board responsible for Financial Affairs	Mikołaj Franzkowiak	Dalida Gepfert
Member of the Company's Management Board responsible for Commercial Affairs	Piotr Adamczak	Grzegorz Kinelski
Member of the Company's Management Board responsible for Corporate Affairs	Wiesław Piosik	--

On 21 January 2016, the Supervisory Board of the Company 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.

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.

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

Supervisory Board

	31.12.2016	31.12.2015
Chairman of the Supervisory Board	Małgorzata Niezgoda	Małgorzata Niezgoda
Vice-Chairman of the Supervisory Board	Piotr Kossak	Tomasz Gołębiowski
Secretary of the Supervisory Board	Rafał Szymański	Sandra Malinowska
Member of the Supervisory Board	Rafał Bargiel	Radosław Winiarski
Member of the Supervisory Board	Piotr Mirkowski	Wiesław Piosik
Member of the Supervisory Board	Sławomir Brzeziński	Sławomir Brzeziński
Member of the Supervisory Board	Wojciech Klimowicz	Wojciech Klimowicz
Member of the Supervisory Board	Tadeusz Mikłosz	Tadeusz Mikłosz
Member of the Supervisory Board	Roman Stryjski	Rafał Szymański
Member of the Supervisory Board	Paweł Skopiński	----

On 30 December 2015, the Supervisory Board of Enea S.A. adopted a resolution delegating, as of 7 January 2016, Mr. Sławomir Brzeziński, a Supervisory Board Member, to temporarily act as a Management Board Member in charge of Commercial Affairs in Enea S.A., until a new Management Board Member in charge of Commercial Affairs is appointed.

On 7 January 2016 the entity received Mr. Wiesław Piosik's resignation from the position of the Member of the Supervisory Board, 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 General Meeting of Enea S.A. dismissed the following Members: Mrs. Sandra Malinowska, Mr. Radosław Winiarski and Mr. Tomasz Gołębiewski, an independent member, from the Supervisory Board of Enea S.A.

On 15 January 2016 the Extraordinary General Meeting of Enea S.A. 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.

On 5 September 2016, pursuant to a statement of the Minister of Energy, Mr. Paweł Skopiński was appointed as a Supervisory Board Member.

1.3. Financial information prepared in accordance with the requirements of the Energy Law

These separate financial statements contain financial information as required by to Article 44, paragraph 2 of the Energy Law Act of 10 April 1997 (Journal of Laws of 2017, No. 220), which is described in Note 47 ("Financial Information Control").

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

2. Material estimates and assumptions

The preparation of these 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 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 financial statements include:

- **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 the long-term increase of salaries and wages affect the estimate made (Note 22),

- **trade and other receivables allowance –** their value is determined as the difference between the carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. A change in the estimated value of future cash flows results in a change in the estimated value of allowance on receivables (Note 11),

- **unbilled sales revenue at the end of the financial year –** the value of unbilled energy sales is estimated based on the estimated consumption of electricity in the period from the last meter reading date until the end of the financial period (Note 11),

- **compensation for non-contractual use of property –** 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 Company based on analyses of claims filed on a case-by-case basis (Note 23 and 36.3),

- **recoverable amount of shares in subsidiaries –** impairment tests of carrying amount of shares are based on a number of significant assumptions, some of which are outside the control of Enea S.A. Main assumptions concerns assumed trends of energy prices, certificates of energy origin, capacity market and discount rate. Significant changes to the assumptions impact results of impairment tests and consequently the financial position and performance of the Company (Note 8),

- **provisions –** the recognition of provisions requires the most appropriate estimate of the expenditure necessary to settle the obligation at the end of the reporting period; the most significant values refer to provisions for certificates of origin (Note 23).

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

3. Composition of the Group - list of subsidiaries and jointly-controlled entities

	Name and address of the Company	Share of Enea S.A. in the total number of votes in % 31.12.2016	Share of Enea S.A. in the total number of votes in % 31.12.2015
1.	**Enea Operator Sp. z o.o.** Poznań, Strzeszyńska 58	100	100
2.	**Enea Wytwarzanie Sp. z o.o.** Świerże Górne, Kozienice, Kozienice 1	100	100
3.	**Enea Oświetlenie Sp. z o.o.**[4] Szczecin, Ku Słońcu 34	100	100
4.	**Enea Trading Sp. z o.o.** Świerże Górne, Kozienice, Kozienice 1	100	100
5.	**Szpital Uzdrowiskowy ENERGETYK Sp. z o.o.** Inowrocław, Wilkońskiego 2	-[6]	100
6.	**Enea Logistyka Sp. z o.o.** Poznań, Strzeszyńska 58	100	100
7.	**Enea Serwis Sp. z o.o.** Lipno, Gronówko 30	100	100
8.	**Enea Centrum Sp. z o.o.** Poznań, Górecka 1	100	100
9.	**Enea Pomiary Sp. z o.o.** Poznań, Strzeszyńska 58	100	100
10.	**ENERGO-TOUR Sp. z o.o. in liquidation** Poznań, Marcinkowskiego 27	100[5]	100[5]
11.	**Enea Innovation Sp. z o.o.** Warszawa, Aleja Jana Pawła II 25	100	100
12.	**Lubelski Węgiel BOGDANKA S. A.** Bogdanka, Puchaczów	65.99	65.99
13.	**Annacond Enterprises Sp. z o.o.** Warszawa, Jana Pawła II 25	61	61
14.	**Przedsiębiorstwo Energetyki Cieplnej Zachód Sp. z o.o.** Białystok, Starosielce 2/1	100[1]	100[1]
15.	**Centralny System Wymiany Informacji Sp. z o.o.** [7] Poznań, Strzeszynska 58	100[3]	100[3]
16.	**Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.** Oborniki, Wybudowanie 56	99.93[1]	99.91[1]
17.	**Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.** Białystok, Warszawska 27	91.02[1]	86.36[1]
18.	**Miejska Energetyka Cieplna Piła Sp. z o.o.** Piła, Kaczorska 20	71.11[1]	71.11[1]
19.	**EkoTRANS Bogdanka Sp. z o.o.** Bogdanka, Puchaczów	65.99[2]	65.99[2]
20.	**RG Bogdanka Sp. z o.o.** Bogdanka, Puchaczów	65.99[2]	65.99[2]
21.	**MR Bogdanka Sp. z o.o.** Bogdanka, Puchaczów	65.99[2]	65.99[2]
22.	**Łęczyńska Energetyka Sp. z o.o.** Bogdanka, Puchaczów	58.53[2]	58.53[2]
23.	**ElectroMobility Poland S.A.** Warszawa, Mysia 2	25[8]	-

[1] – an indirect subsidiary held through shares in Enea Wytwarzanie Sp. z o.o.
On 29 November 2016, the Extraordinary General Meeting of Przedsiębiorstwo Energetyki Cieplnej in Oborniki spółka z ograniczoną odpowiedzialnością decided to increase the share capital of the Company by PLN 1 400 thousand by creating 2 800 new shares of nominal value of PLN 500 each. All the new shares in the share capital of the Company were offered for subscribing to Enea Wytwarzanie sp. z o.o., which shall pay them up in full in cash; the amount was paid on 2 December 2016. The entry in the National Court Register was made on 21 December 2016.

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

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

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

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

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

[5] – On 30 March 2015, the Extraordinary General Meeting of Shareholders of the company adopted a resolution concerning the dissolution of the company, after conducting a liquidation proceeding. The resolution entered into force on 1 April 2015. An application for removing the company from the register was submitted to the National Court Register on November 5, 2015.

[6] – On September 5, 2016, an agreement concerning the sales of shares in Szpital Uzdrowiskowy ENERGETYK Sp. z o.o. was concluded.

[7] – 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% of shares were acquired by Enea Pomiary Sp. z o.o. On 10 November 2015 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, an agreement concerning the sales of shares was concluded by and between Enea Operator Sp. z o.o. and 4 distribution companies (RWE STOEN, ENERGA – OPERSTOR, PGE Dystrybucja, Tauron Dystrybucja). As a result of the transaction, the entities will own 20% shares in the share capital each. The transfer of shares will proceed after obtaining consent from the President of the Office for Consumer and Competition Protection

On 23 June 2016, annex 1 to the aforementioned shares disposal agreement was concluded. Pursuant to the amended contractual provisions, the transfer of ownership rights to the shares would be performed on 31 December 2016 at the earliest.

On 8 December 2016, annex 2 to the aforementioned shares disposal agreement was concluded. Pursuant to the amended contractual provisions, the transfer of ownership rights to the shares would be performed on 30 June 2017 at the earliest.

[8] – On 19 October 2016, PGE Polska Grupa Energetyczna, ENERGA, Enea and Tauron Polska Energia appointed ElectroMobility. The activity of the new company is to contribute to the emergence of an electronic mobility system in Poland. On 7 December 2016, the company was registered by making an entry in the National Court Register.

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

4. Property, plant and equipment

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2016							
Cost	**1 376**	**39 171**	**21 670**	**6 246**	**4 113**	**457**	**73 033**
Accumulated depreciation	**-**	**(14 463)**	**(19 483)**	**(4 976)**	**(3 412)**	**-**	**(42 334)**
Net carrying amount	**1 376**	**24 708**	**2 187**	**1 270**	**701**	**457**	**30 699**
Changes in the 12 months ended 31 December 2016							
Reclassifications	-	-	-	550	-	(550)	**-**
Acquisition	-	-	-	863	42	272	**1 177**
Depreciation	-	(667)	(1 042)	(657)	(347)	-	**(2 713)**
Liquidation (cost)	-	(682)	(5)	-	-	-	**(687)**
Liquidation (accumulated depreciation)	-	666	5	-	-	-	**671**
Other (cost)	-	19	(254)	(3)	-	(87)	**(325)**
Other (accumulated depreciation)	-	-	241	-	-	-	**241**
Balance as at 31 December 2016							
Cost	**1 376**	**38 508**	**21 411**	**7 656**	**4 155**	**92**	**73 198**
Accumulated depreciation	**-**	**(14 464)**	**(20 279)**	**(5 633)**	**(3 759)**	**-**	**(44 135)**
Net carrying amount	**1 376**	**24 044**	**1 132**	**2 023**	**396**	**92**	**29 063**

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

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2015							
Cost	**2 959**	**30 986**	**22 083**	**6 324**	**4 019**	**1 354**	**67 725**
Accumulated depreciation	**(1 073)**	**(10 898)**	**(17 402)**	**(4 287)**	**(2 978)**	**-**	**(36 638)**
Net carrying amount	**1 886**	**20 088**	**4 681**	**2 037**	**1 041**	**1 354**	**31 087**
Changes in the 12 months ended 31 December 2015							
Reclassifications	-	-	-	-	-	(1 095)	**(1 095)**
Acquisition	-	-	-	-	-	454	**454**
Depreciation	-	(483)	(2 640)	(755)	(356)	-	**(4 234)**
Liquidation (cost)	(130)	(144)	(478)	(83)	-	-	**(835)**
Liquidation (accumulated depreciation)	-	64	477	66	-	-	**607**
Reclassifications to investment property	-	(136)	-	-	-	-	**(136)**
Other (cost)	(1 453)	8 465	65	5	94	(256)	**6 920**
Other (accumulated depreciation)	1 073	(3 146)	82	-	(78)	-	**(2 069)**
Balance as at 31 December 2015							
Cost	**1 376**	**39 171**	**21 670**	**6 246**	**4 113**	**457**	**73 033**
Accumulated depreciation	**-**	**(14 463)**	**(19 483)**	**(4 976)**	**(3 412)**	**-**	**(42 334)**
Net carrying amount	**1 376**	**24 708**	**2 187**	**1 270**	**701**	**457**	**30 699**

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

Enea S.A. uses the following property, plant and equipment under finance leases:

	31.12.2016	31.12.2015
Cost	**1 423**	**787**
- Vehicles	1 423	787
Accumulated depreciation	**(651)**	**(787)**
- Vehicles	(651)	(787)
Net carrying amount	**772**	**-**
- Vehicles	**772**	**-**

Enea S.A. does not act in finance lease agreements as lessor.

No collateral has been pledged on the Company's property, plant and equipment, except for fixed assets used under finance lease agreements.

5. Perpetual usufruct of land

	31.12.2016	31.12.2015
Cost opening balance	**2 230**	**1 783**
Other (cost)	-	447
Cost closing balance	**2 230**	**2 230**
Opening balance of accumulated depreciation	**(232)**	**(138)**
Depreciation	(28)	(25)
Other (accumulated depreciation)	-	(69)
Closing balance of accumulated depreciation	**(260)**	**(232)**
Net carrying amount opening balance	**1 998**	**1 645**
Net carrying amount closing balance	**1 970**	**1 998**

6. Intangible assets

	Computer software, licenses, concessions and patents	
	31.12.2016	**31.12.2015**
Cost at the beginning of period	**12 516**	**10 462**
Reclassification	-	1 095
Acquisition	1 347	1 486
Contribution in kind (cost)	-	(527)
Cost at the end of period	**13 863**	**12 516**
Accumulated amortization at beginning of period	**(8 511)**	**(7 530)**
Amortization	(538)	(1 006)
Contribution in kind (accumulated amortization)	-	25
Accumulated amortization at the end of period	**(9 049)**	**(8 511)**
Net carrying amount at the beginning of period	**4 005**	**2 932**
Net carrying amount at the end of period	**4 814**	**4 005**

No collateral has been pledged on intangible assets.

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

7. Investment properties

	31.12.2016	31.12.2015
Cost at the beginning of period	**19 322**	**19 186**
Reclassification	-	136
Cost at the end of period	**19 322**	**19 322**
Accumulated depreciation at beginning of period	**(3 367)**	**(2 819)**
Depreciation for the period	(550)	(546)
Other	-	(2)
Accumulated depreciation at the end of period	**(3 917)**	**(3 367)**
Net carrying amount at the beginning of period	**15 955**	**16 367**
Net carrying amount at the end of period	**15 405**	**15 955**

Enea S.A. recognizes the office building and other commercial properties as investment properties. The most significant investment property is the office building, 9 January 2017 expired lease of 2012. Currentyl the Company administers the building independently. The building is 93% leased to external tenants.

The revenue from the rental of the building in 2016 amounted to PLN 1 616 thousand, the maintenance costs of the building amounted to PLN 508 thousand.

The most valuable investment property is the former seat of Enea S.A., recognized in the amount of PLN 9 119 thousand. The Company estimates the fair value of the investment property at PLN 18 162 thousand.

8. Investments in subsidiaries and jointly controlled entities

	31.12.2016	31.12.2015
Opening balance	**8 323 493**	**8 951 265**
Acquisition of investments	9 412	1 486 240
Disposal of investments	-	(8 854)
Reclassification to assets held for sale	-	(17 487)
Additional paid-in capital (redistributable)	1 138 227	-
Other	19 301	-
Change in impairment loss	(42 000)	(2 087 671)
Closing balance	**9 448 433**	**8 323 493**

2016

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

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

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

On 14 March 2016 and 31 May 2016 Enea S.A. paid additional capital contributions to the share capital of Enea Wytwarzanie Sp. z o.o. amounting to PLN 1 135 966 thousand (according to the resolutions of the Extraordinary General Meeting of Enea Wytwarzanie Sp. o.o. dated on 27 January 2016 and 25 May 2016). The amount will be used to finance the investment expenditure of Enea Wytwarzanie Sp. z o.o. The maturity date has not been defined.

Additional redistributable capital contribution of Enea Centrum Sp. o.o. and Annacond Enterprises Sp. o.o. in the total amount of PLN 2 261 thousand were also presented in "additional paid-in capital".

2015

On 23 and 25 February 2015 Enea S.A. signed with a trade union Organizacja Podzakładowa NSZZ „Solidarność" Enea Poznań and with a trade union Zakładowa Organizacja Związkowa Międzyzakładowego Związku Zawodowego Pracowników Grupy Kapitałowej Enea in Poznań agreements for purchase of 16 shares in the share capital of ENERGO-TOUR Sp. z o.o., with its registered office in Poznań, for PLN 16 thousand.

On 29 June 2015 Enea S.A. acquired all new shares issued by Enea Centrum Sp. z o.o. for contribution in kind in the amount of PLN 502 thousand.

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 whole transaction was settled on 29 October 2015.

Based on the resolution No. 13 dated 3 November 2015 adopted by the Extraordinary Shareholders' Meeting of ENERGO-TOUR Sp. z o.o. in liquidation, it was resolved to approve the distribution of the company's assets.

Assets of ENERGO-TOUR Sp. o.o. in liquidation, remaining after all required liquidation activities – based on the regulations of the Art. No. 286 par. 2 and 3 of the Code of Commercial Companies – were transferred to the shareholder holding 100% of shares in the Company, i.e. Enea S.A. based in Poznań.

As of the date of these separate financial statements procedural steps relating to the deletion of the company from the National Court Register are ongoing.

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

Impairment loss on investments

	31.12.2016	31.12.2015
Opening balance of impairment loss on investments	**2 117 775**	**30 104**
Addition	42 000	2 089 754
Utilized	-	(1 356)
Reclassification to assets held for sale	-	(727)
Closing balance of impairment loss on investments	**2 159 775**	**2 117 775**

During the second quarter of 2016, due to a change in classification of wind farm's tangible assets to property tax base, the Company updated impairment test of shares in the company producing electricity. As a result of the analysis, the impairment loss was increased by the amount of PLN 42 000 thousand.

Impairment test of shares

In the fourth quarter of 2016, due to the information and analyses possessed regarding, among others, change in the market prices of electricity, energy origin certificates, and a modification of forecasts of macroeconomic ratios, the Company carried out impairment test on shares in a subsidiary producing energy. As a result of the test, no impairment of shares was identified.

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.

The recoverable amount of shares in Enea Wytwarzanie Sp. z o.o. determined as above, amounts to PLN 3 697 117 thousand.

The key assumptions adopted in the test results from knowledge and experience of the Company in the area of production of the energy from different resources. The key assumptions take into account the specific character of the segment, facts and actions taken or to be taken by the Enea Group. Besides, they are consistent with the general indicators from external sources of information, such as benchmarking study or projections presented by analysts.

The main assumptions adopted for impairment tests are presented below:

- to determine the recoverable amount of shares the Company prepared long-term financial projections for assets comprising 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 trends, based on forecasts prepared by Enea Trading (the company acting as a competence center in Enea Group in wholesale of electricity and fuels), considering the specific product offer and knowledge of concluded contracts:
    - wholesale electricity prices for 2017-2039, which are anticipated to rise,

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

- prices of energy origin certificates from renewable sources and cogeneration, the existence of a support system for RES beyond 2025 as well as the existence of a support system for high-efficiency cogeneration till 2018,
- prices of CO2 emission rights, which are anticipated to rise,
- coal prices, which are anticipated to rise in the entire period of forecast,

- adoption of free-of-charge rights to CO2 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),
- in relation to accomplishment of 94% progress in capital investment regarding the construction of power unit No. 11 at the Kozienice Power Plant, cash flows generated by mentioned unit were taken into consideration (consideration of the commenced capital investment regarding the construction of power unit No. 11 for CGU Major Power Plant),
- consideration of regulatory changes in terms of revenues related to introduction of capacity market as of 2022. As of the date of the financial statements, work on a Capacity Market in Poland is underway, traders performed an analysis and adopted the above assumptions according to the best knowledge. Adoption of such assumption seems justified due to its electricity prices and the necessary changes in the regulatory environment. There is a risk that the final effective term and regulatory mechanism can be significantly different from that assumed by the Company,
- adoption of assumptions regarding inflation, considering the NBP long-term inflation target at maximum level of 2.5%.
- specific risk premium for CGU Major Power Plant at level of 1,5% (assumption of the Capacity Market), for CGU Białystok at level of 1.5% (assumption regarding support for new production units replacing existing ones),
- discount rate and growth rate in residual period for particular CGUs:

	Białystok	Wind	Water	Major Power Plant
Financal projections	Nominal	Nominal	Nominal	Nominal
Discount rate (after tax)	8.3-9.6%	6.8-7.5%	6.7%	7.6%
Growth rate in residual period	0.0%	0.0%	0.0%	0.0%

In the comparative period (2015) the following discount rates and growth rates in the residual period were:

	Białystok	Wind	Water	Major Power Plant
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%

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

The sensitivity analysis performed indicates that the key assumptions affecting the determination of value in use of cash generating units (and consequently residual amount of shares) include, among others: discount rates, inflation, electricity prices, as well as specific risk rate, anticipated effective dates of regulations regarding revenues related to Capacity Market, prices of energy origin certificates, CO2 emission rights and coal prices.

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

Change of assumptions	**-0.50 p.p.**	**Initial amount**	**0.50 p.p.**
Discount rate	625 190	3 697 117	(479 881)
Inflation rate	(551 494)	3 697 117	671 483
Change of assumptions	**-1.00%**	**Initial amount**	**1.00%**
Energy prices	(515 721)	3 697 117	589 964
Change of assumptions	**-10,00 p.p.**	**Initial amount**	**10,00 p.p.**
Revenue from the Capacity Market	(401 604)	3 697 117	407 081

9. Non-current assets held for sale

	31.12.2016	**31.12.2015**
Opening balance	**8 410**	**12 876**
Acquisition of investments	-	70
Reclassification from investments in subsidiaries	-	16 760
Impairment loss	-	(13 087)
Disposal of investments	(8 410)	(8 209)
Closing balance	**-**	**8 410**

As at 31 December 2016 the Company has no assets held for sale.

2016

On the basis of a resolution of the Management Board of Enea S.A. No. 40/2016 dated 24 February 2016 the Company commenced proceedings related to the sale of shares in Szpital Uzdrowiskowy ENERGETYK Sp. z o.o. in a public invitation to negotiations. As a result, on 5 September 2016 a share sales agreement was concluded and on 2 December 2016 was transfer of shares to a new owner. Therefore, the sale process of shares of Szpital Uzdrowiskowy ENERGETYK Sp. z o.o. was completed.

2015

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 process of shares of Hotel EDISON Sp. o.o. was completed.

10. Financial assets – intercompany bonds

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

Date of contracts	Issuer	Final redemption	Credit limit PLN '000	Amount used in PLN '000	Bonds issued as at 31.12.2016 (principal) in PLN '000	Bonds issued as at 31.12.2015 (principal) in PLN '000
10 March 2011	Enea Wytwarzanie Sp. z o.o.	31 March 2023	26 000	26 000	26 000	26 000
29 September 2011	Enea Wytwarzanie Sp. z o.o.	29 September 2019	14 500	14 500	6 000	9 500
23 July 2012	Enea Wytwarzanie Sp. z o.o.	22 July 2019	158 500	158 500	57 850	80 050
8 September 2012, agreement for the amount of PLN 4 000 000 thousand reduced by annex No. 2 dated 21 January 2015 to the amount of PLN 3 000 000 thousand	Enea Wytwarzanie Sp. z o.o.	From 15 June 2020 to 15 December 2020 depending on dates of bondseries issue, the remaining amounts at the latest 15 June 2022	3 000 000	1 951 000	1 951 000	1 201 000
20 June 2013 as amended by Annex No. 1 dated 9 October 2014 and Annex No.2 dated 7 July 2015	Enea Operator Sp. z o.o.	Depending on dates of bond series issue, but not later than 17 June 2030	1 425 000	1 425 000	1 425 000	1 425 000
16 July 2013 as amended by Annex No. 1 dated 17 January 2014 and Annex No.2 dated 13 July 2015 and the agreement dated 30 May 2016 amending the bond issue terms	Enea Wytwarzanie Sp. z o.o.	31 May 2016	936 000	936 000	-	936 000
12 August 2014 in the amount of PLN 260 000 thousand, increased to PLN 1 000 000 thousand by Annex No. 1 dated 11 February 2015 and reduced by Annex No. 2 dated 30 December 2015 to the amount of PLN 260 000 thousand	Enea Wytwarzanie Sp. z o.o.	Redemption in installments – final maturity 15 December 2026	260 000	260 000	260 000	260 000
17 November 2014	Enea Wytwarzanie Sp. z o.o.	31 March 2020	740 000	350 000	350 000	350 000
17 February 2015 in the amount of PLN 760 000 thousand, increased by Annex No. 1 dated 3 June 2015 to amount of PLN 1 000 000 thousand.	Enea Wytwarzanie Sp. z o.o.	10 February 2020	1 000 000	1 000 000	1 000 000	1 000 000
7 July 2015	Enea Operator Sp. z o.o.	Redemption in installments – final maturity 17 June 2030	946 000	200 000	200 000	100 000

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

30 October 2015	Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.	Redemption in installments – final maturity 31 March 2020	18 000	18 000	13 000	17 000
18 July 2016	Enea Operator Sp. z o.o.	Final maturity December 2017	360 000	360 000	360 000	-
			Total		**5 648 850**	**5 404 550**
Transaction costs and the result of the effective interest rate measurement					(25 737)	(10 165)
			Total		**5 623 113**	**5 394 385**

On 8 January 2016, Enea S.A. acquired the series II of bonds amounting to PLN 100 000 thousand issued by Enea Operator Sp. z o.o. under the Bond Issue Programme Agreement of 7 July 2015. The interest of the bonds is based on a floating interest rate. The bonds will be redeemed in installments, and the final date of redemption is planned for September 2030.

On 19 May 2016 Enea S.A. acquired series VI of bonds of PLN 300 000 thousand, on 19 August 2016 acquired series VII of bonds of PLN 150 000 thousand and on 12 December 2016 acquired series VIII of bonds of PLN 300 000 thousand issued by Enea Wytwarzanie Sp. z o.o. under the Programme Agreement of 8 September 2012. The interest of the bonds is based on floating interest rate, and the bond redemption date is 15 June 2022.

On 30 May 2016 Enea S.A., Enea Wytwarzanie Sp. z o.o. and mBank S.A. concluded an agreement to amend the Bond Issue Terms of 13 July 2015, which changed the bond redemption date to 31 May 2016. As of this date, Enea Wytwarzanie Sp. z o.o. purchased all AII07/2015 series bonds of PLN 936 000 thousand. The sums due to Enea S.A. under the Redemption Price and the Interests due as of the Redemption Date were settled in a non-cash transaction, through mutual compensation of:

- Enea S.A.'s receivables from the Redemption Price and Interest due as of the Redemption Date of bond series AII072015
- Enea Wytwarzanie Sp. z o.o's. receivables from Enea S.A. related to the additional paid-in capital to Enea Wytwarzanie Sp z o.o.

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

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

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

11. Trade and other receivables

	31.12.2016	31.12.2015
Current trade and other receivables		
Trade receivables	826 431	812 697
Other receivables	89 747	155 111
Loans granted	10 038	10 954
Advance payments	14 780	7
Receivables due to unbilled sales	234 594	215 736
	1 175 590	**1 194 505**
Less: impairment loss on receivables	(56 111)	(52 697)
Net current trade and other receivables	**1 119 479**	**1 141 808**

	31.12.2016	31.12.2015
Non-current trade and other receivables		
Loans granted	125 551	58 634
Other receivables	19 560	14 923
	145 111	**73 557**
Less: impairment loss on receivables	-	-
Net non-current trade and other receivables and other receivables	**145 111**	**73 557**

Trade and other receivables allowance:

	31.12.2016	31.12.2015
Opening balance of receivables allowance	**52 697**	**53 640**
Addition	13 353	27 810
Utilization	(9 939)	(28 753)
Closing balance of receivables allowance	**56 111**	**52 697**

Ageing structure of trade receivables, loans granted and receivables due to unbilled sales:

	Nominal amount	Allowance	Net carrying amount
31.12.2016			
Current	1 033 165	-	1 033 165
Overdue			
0-30 days	54 655	-	54 655
31- 90 days	18 608	(21)	18 587
91-180 days	7 529	(971)	6 558
over 180 days	82 657	(52 198)	30 459
TOTAL	**1 196 614**	**(53 190)**	**1 143 424**

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

	Nominal amount	Allowance	Net carrying amount
31.12.2015			
Current	930 714	-	930 714
Overdue			
0-30 days	63 510	(14)	63 496
31- 90 days	16 916	(7)	16 909
91-180 days	6 929	(775)	6 154
over 180 days	79 952	(48 556)	31 396
TOTAL	**1 098 021**	**(49 352)**	**1 048 669**

12. Inventories

Certificates of energy origin

	31.12.2016	31.12.2015
Opening balance	**152 318**	**116 117**
Acquisition	330 497	389 761
Redemption	(397 544)	(343 212)
Sale	(287)	(10 348)
Closing balance	**84 984**	**152 318**

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

13. Cash and cash equivalents

	31.12.2016	31.12.2015
Cash in hand and at bank	**56 020**	**2 791**
- cash at bank	56 020	2 791
Other cash	**1 558 802**	**1 394 841**
- bank deposits	1 554 631	1 394 789
- other	4 171	52
Total cash and cash equivalents	**1 614 822**	**1 397 632**
Cash disclosed in the statement of cash flows	**1 614 822**	**1 397 632**

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

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

As at 31 December 2016, Enea S.A. did not have any financial assets measured at fair value through profit or loss.

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.

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

15. Equity

Equity as at 31 December 2016:

Series of shares	Number of shares	Nominal value of 1 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**		
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			4 627 673
Reserve capital			2 640 358
Reserve capital from valuation of hedging instruments			33 826
Retained earnings			3 050 604
Total equity			**10 940 479**

Equity as at 31 December 2015:

Series of shares	Number of shares	Nominal value of 1 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**		
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			4 627 673
Reserve capital			2 640 358
Reserve capital from valuation of hedging instruments			3 980
Retained earnings			2 427 976
Total equity			**10 288 005**

On 27 June 2016, the General Shareholders' Meeting of Enea S.A. adopted a Resolution no. 7 on the coverage of the net loss of PLN 1 116 888 thousand for the financial year from 1 January 2015 to 31 December 2015 from retained earnings. On 30 June 2015 the General Shareholders' Meeting of Enea S.A. adopted Resolution no. 7 concerning distribution of net profit for the financial period from 1 January 2014 to 31 December 2014 under which PLN 489 130 thousand was allocated to the reserve capital. The remaining amount of PLN 207 478 thousand was paid as a dividend.

16. Loans, borrowings and debt securities

	31.12.2016	31.12.2015
Long-term		
Bank loans	1 552 654	1 518 674
Bonds	4 365 668	3 668 707
Total	**5 918 322**	**5 187 381**
Short-term		
Bank loans	70 767	3 523
Bonds	65 439	28 382
Total	**136 206**	**31 905**
Total loans, borrowings and debt securities	**6 054 528**	**5 219 286**

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

Loans

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

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

In January 2016, Enea S.A. drawn the second tranche of a loan under C Agreement with the European Investment Bank in the amount of PLN 100 000 thousand. The loan is denominated in PLN with a floating interest rate based on the WIBOR 6-month plus the Bank's margin. The tranche will be repaid in installments, and the final loan repayment is planned for September 2030.

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

No.	Entity	Lender	Date of agreement	Total amount	Outstanding as at 31.12.2016	Outstanding as at 31.12.2015
1.	Europejski Bank Inwestycyjny	18 October 2012 and 19 June 2013 (A and B)	1 425 000	1 425 000	1 425 000	31 December 2030
2.	Europejski Bank Inwestycyjny	29 May 2015 (C)	946 000	200 000	100 000	31 March 2032
3.	Bank PKO BP S.A.	28 January 2014	300 000	-	-	27 January 2017
4.	Bank PEKAO S.A.	28 January 2014	300 000	-	-	27 January 2017
	TOTAL		**2 971 000**	**1 625 000**	**1 525 000**	
	Transaction costs and the valuation effect according to the effective interest rate			(1 579)	(2 803)	
	TOTAL		**2 971 000**	**1 623 421**	**1 522 197**	

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

Bond issue programmes

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

No.	Name of bonds issue programme	Date of the conclusion of programme	Amount of the programme*	Amount issued as at 31.12.2016	Amount issued as at 31.12.2015	Redemption date
1.	Bonds Issue Programme Agreement with PKO BP S.A., Bank Pekao S.A., BZ WBK S.A. and Bank Handlowy w Warszawie S.A.	21 June 2012	3 000 000	1 951 000	1 201 000	Redemption from June 2020 till June 2022
2.	Bonds Issue Programme Agreements with Bank Gospodarstwa Krajowego	15 May 2014	1 000 000	1 000 000	1 000 000	Redemption in installments, final maturity is December 2026
3.	Bonds Issue Programme Agreements with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A.	30 June 2014	5 000 000	1 500 000	1 500 000	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 is September 2027.
	TOTAL		**9 700 000**	**4 451 000**	**3 701 000**	
	Transaction costs and the result of the effective interest rate measurement			(19 893)	(3 911)	
	TOTAL		**9 700 000**	**4 431 107**	**3 697 089**	

* According to the terms of agreement effective as at 31 December 2016.

During the 12 months ended 31 December 2016 Enea S.A. did not amend the program agreements, and did not enter into new agreements.

Bonds Issue Programme Agreements up to PLN 3 000 000 thousand

Enea S.A. issued VI series of bonds of PLN 300 000 thousand on 19 May 2016, VII series of bonds of PLN 150 000 thousand on 19 August 2016 and VIII series of bonds of PLN 300 000 thousand on 12 December 2016. The interest are the bonds is based on a variable interest rate, and the bond redemption date is 15 June 2022.

Interest rate risk hedging transactions

During the 12-month period ended 31 December 2016 Enea S.A. concluded interest rate swap transactions to hedge interest rate risk related to the debt of PLN 1 440 000 thousand. On 31 December 2016, the total value of the IRS's transactions amounted to PLN 4 435 000 thousand. Concluded transactions will substantially affect the predictability of the cash flows and financial costs. The valuation of these financial instruments is presented in "Derivatives".

As at 31 December 2016 the valuation of derivatives amounted to PLN 40 267 thousand (as at 31 December 2015: PLN 844 thousand).

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

Financing conditions – covenants

Financing agreements assume compliance by the Company and the Group with certain financial ratios. As at 31 December 2016 and the date of these separate financial statements, the Company did not breach the regulations of loan agreements, on the basis of which the Company would be required to early repayment of long-term debt.

17. Other financial liabilities

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

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

As at 31 December 2016 balance of commitments under the cash pooling amounted to PLN 166 653 thousand (as at 31 December 2015: PLN 327 318 thousand)

18. Trade and other liabilities

	31.12.2016	31.12.2015
Current trade and other liabilities		
Trade liabilities	515 468	421 963
Tax liabilities (excluding income tax)	107 348	101 955
Liabilities from the acquisition of tangible and intangible fixed assets	6 067	1 097
Others	38 343	57 809
Total	**667 226**	**582 824**

19. Financial instruments

19.1. Principles of financial risk management

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

- credit risk,
- liquidity risk,
- commodity risk.
- currency risk,
- interest rate risk.

This note presents information on the Company'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 Enea S.A.

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

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

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.

19.2. 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 financial assets illustrating the exposure of Enea S.A. to credit risk:

	31.12.2016	31.12.2015
Intercompany bonds	5 623 113	5 394 385
Derivatives	40 267	844
Financial assets measured at fair value through profit or loss	-	215 488
Trade and other receivables	1 143 424	1 048 669
Cash and cash equivalents	1 614 822	1 397 632
Total	**8 421 626**	**8 057 018**

The credit risk relating to receivables differs for individual market segments in which Enea S.A. carries out its business activities:

- electricity sales to individual customers – a considerable amount of past due receivables. Although they do not represent a serious threat to the Company's financial position, measures aimed at their reduction have been undertaken. Actions aimed at improvement of the collection process have been undertaken 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 a 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 which 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 lower than in the segment of individual clients. Because of the much smaller number of customers in these segments, the principles of recovery are based mainly on soft recovery. Activities related to the soft recovery 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 segments presented above 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 S.A. 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.

Enea S.A. monitors the amount of past due receivables on an ongoing basis and in justified cases files legal claims and recognizes appropriate impairment losses.

19.3. Liquidity risk

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

The objective of the liquidity risk management carried out by the Company is to reduce the probability of losing ability to repay liabilities In particular, the policy assumes ensuring the ability to effectively react to 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 the time of liquidity crisis during a period necessary to launch an emergency financing plan 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 deposits Long-term surpluses are transmitted to the Investment Portfolio managed by an external entity from the area of Asset Management. The Company diversifies sources of external financing and investments to ensure stability of financing. The Company also diversifies investments of surplus cash to mitigate concentration risk. In order to mitigate the concentration risk they are diversified and investments of surplus cash.The effectiveness of investment process is monitored on an ongoing basis.

Enea S.A. has undertaken actions toward concentration of liquidity management between entities within the Group. In order to finance current operations and optimize the process of managing liquidity, 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 Company 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 600 000 thousand as at 31 December 2016.

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

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

31.12.2016	Trade and other liabilities	Other financial liabilities	Finance lease liabilities	Bank loans and bonds	Cash and cash equivalents	Trade and other receivables	Derivatives	Intercompany bonds	Total
Carrying amount	521 535	166 653	772	6 054 528	(1 614 822)	(1 143 424)	(40 267)	(5 623 113)	**(1 678 138)**
Undiscounted contractual cash flows	**(521 535)**	**(166 653)**	**(815)**	**(6 939 430)**	**1 618 581**	**1 159 175**	**40 267**	**6 379 511**	**1 569 101**
up to 6 months	(521 535)	(166 653)	(151)	(115 295)	1 618 581	1 015 875	40 267	123 560	**1 994 649**
6 - 12 months	-	-	(135)	(155 305)	-	3 062	-	492 320	**339 942**
1 – 2 years	-	-	(272)	(336 832)	-	25 148	-	286 853	**(25 103)**
2 – 5 years	-	-	(257)	(3 739 849)	-	64 376	-	3 386 456	**(289 274)**
Over 5 years	-	-	-	(2 592 149)	-	50 714	-	2 090 322	**(451 113)**

31.12.2015	Trade and other liabilities	Other financial liabilities	Finance lease liabilities	Bank loans and bonds	Cash and cash equivalents	Trade and other receivables	Financial assets measured at fair value through profit or loss	Derivatives	Intercompany bonds	Total
Carrying amount	423 060	327 318	43	5 219 286	(1 397 632)	(1 048 669)	(215 488)	(844)	(5 394 385)	**(2 086 467)**
Undiscounted contractual cash flows	**(423 060)**	**(327 318)**	**(43)**	**(6 087 751)**	**1 399 245**	**1 049 129**	**215 488**	**844**	**6 259 003**	**2 085 537**
up to 6 months	(423 060)	(327 318)	(43)	(69 619)	1 399 245	984 866	215 488	844	87 710	**1 868 113**
6 - 12 months	-	-	-	(69 448)	-	5 354	-	-	89 888	**25 794**
1 – 2 years	-	-	-	(246 041)	-	10 850	-	-	251 665	**16 474**
2 – 5 years	-	-	-	(2 839 596)	-	30 630	-	-	3 095 998	**287 032**
Over 5 years	-	-	-	(2 863 047)	-	17 429	-	-	2 733 742	**(111 876)**

19.4. Commodity risk

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

Specific aspect 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 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 Company'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 Company'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 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 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 SA 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 market trends, taking account of the efficiency aspect in the context of that trend (achieving better results than the market average).

19.5. Currency risk

Currency risk is related to possible changes in cash flows generated by the Company resulting from fluctuations of currencies exchange rates in which such cash flows are denominated.
During the reporting period Enea S.A. was not exposed to currency risk.

19.6. Interest rate risk

The interest rate risk, the Company is exposed to, results from credit facilities and loans as well as bond issue programmes taken by Enea S.A. The Company tends to apply variable interest rate correlated with market (interbank) rates.

Safety measures in the area of interest rate are carried out based on the Policy of currency risk management and interest rate risk management in Enea Group.

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

As at 31 December 2016 the Company has liabilities arising from credit facilities in the amount of PLN 6 054 528 thousand. As at 31 December 2016 financial liabilities with a variable interest rate consisted of bank loans, issued bonds, have been secured by interest rate risk hedging transactions (IRS) in 75%.

The table below, presenting financial assets and liabilities by fixed and variable interest rates, shows the Company's sensitivity to interest rate risk:

	31.12.2016	31.12.2015
Fixed rate instruments		
Financial assets	5 318 169	5 069 662
Financial liabilities	(631 584)	(523 064)
Effects of interest rate swaps	(4 435 000)	(2 995 000)
Total	**251 585**	**1 551 598**
Fixed rate instruments		
Financial assets	2 927 603	2 916 924
Financial liabilities	(5 945 251)	(5 119 421)
Effects of interest rate swaps	4 435 000	2 995 000
Total	**1 417 352**	**792 503**

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

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

	as at 31 December 2016		**as at 31 December 2015**	
	Effective interest rate	**Carrying amount**	**Effective interest rate**	**Carrying amount**
Intercompany bonds	2.49	2 927 603	2.97	2 701 436
Financial assets measured at fair value through profit or loss	-	-	1.32	215 488
Finance lease liabilities	-	-	1.72	(43)
Bank loans, borrowings and debt securities	2.54	(1 510 251)	2.51	(2 124 378)
Total	**-**	**1 417 352**	**-**	**792 503**

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

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

	Carrying amount as at 31.12.2016	**Interest rate risk impact on profit (12-month period)**		**Carrying amount as at 31.12.2015**	**Interest rate risk impact on profit (12-month period)**	
		+ 1 p.p.	**- 1 p.p.**		**+ 1 p.p.**	**- 1 p.p.**
Financial assets						
Intercompany bonds	2 927 603	29 276	(29 276)	2 701 436	27 014	(27 014)
Financial assets measured at fair value through profit or loss	-	-	-	215 488	2 155	(2 155)
Impact on profit/loss before tax		**29 276**	**(29 276)**		**29 169**	**(29 169)**
19% tax		(5 562)	5 562		(5 542)	5 542
Impact on profit/loss after tax		**23 714**	**(23 714)**		**23 627**	**(23 627)**

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

Financial liabilities	Carrying amount as at 31.12.2016	Interest rate risk impact on profit (12-month period) + 1 p.p.	- 1 p.p.	Carrying amount as at 31.12.2015	Interest rate risk impact on profit (12-month period) + 1 p.p.	- 1 p.p.
Bank loans, borrowings and debt securities	(1 510 251)	(15 103)	15 103	(2 124 378)	(21 244)	21 244
Finance lease liabilities	-	-	-	(43)	-	-
Impact on profit/loss before tax		**(15 103)**	**15 103**		**(21 244)**	**21 244**
19% tax		2 869	(2 869)		4 036	(4 036)
Impact on profit/loss after tax		**(12 234)**	**12 234**		**(17 208)**	**17 208**
Total		**11 480**	**(11 480)**		**6 419**	**(6 419)**

19.7. Management of funding sources

The key assumption of Enea S.A. in management of funding sources is maintaining optimal equity and 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 Enea S.A. and its subsidiaries. Activities conducted in this area also tend to ensure the financial security of Enea S.A. and relevant 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. Enea S.A. monitors its capital using the debt ratio and the return on equity ratio. Its objective is to ensure an increase of capital effectiveness together with maintaining the capital at a safe level.

19.8. Fair value

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

	31.12.2016		31.12.2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets available for sale	41 902	41 902	23 402	23 402
Long-term intercompany bonds	5 136 547	5 206 010	5 339 352	5 417 034
Derivatives	40 267	40 267	844	844
Short-term intercompany bonds	486 566	486 566	55 033	55 033
Current financial assets measured at fair value through profit or loss	-	-	215 488	215 488
Trade and others receivables	1 143 424	(*)	1 048 669	(*)
Cash and cash equivalents	1 614 822	1 614 822	1 397 632	1 397 632
Long-term bank loans, borrowings and debt securities	5 918 322	5 972 289	5 187 381	5 231 236
Short-term bank loans, borrowings and debt securities	136 206	136 206	31 905	31 905
Finance lease liabilities	772	772	43	43
Other financial liabilities	166 653	166 653	327 318	327 318
Trade and other liabilities	521 535	(*)	423 060	(*)

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

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

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

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

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

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

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

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

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

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

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

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

	31.12.2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss				
Non-derivative financial assets held for trading	215 488	-	-	215 488
Interest Rate Swap used for hedging	-	844	-	844
Total	**215 488**	**844**	**-**	**216 332**

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

20. Finance lease liabilities

	31.12.2016	31.12.2015
Up to 1 year	262	43
From 1 to 5 years	510	-
Total	**772**	**43**

The subject of finance leases are personal vehicles.

	Finance lease liabilities	Interests	Total
Up to 1 year	262	24	286
From 1 to 5 years	510	19	529
Balance as at 31.12.2016	**772**	**43**	**815**

	Finance lease liabilities	Interests	Total
Up to 1 year	43	0	43
Balance as at 31.12.2015	**43**	**0**	**43**

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

21. Deferred income tax

Changes in deferred tax are as follows:

Deferred tax assets:

	Receivables allowance	Liabilities due to employee benefits	Provision for costs of redemption of certificates of origin	Tax deductible expenses after the end of the settlement period	Measurement of investments in shares	Impairment loss on shares	Other	Total
Balance as at 1 January 2015 – 19% rate	**1 333**	**15 570**	**31 264**	**80 762**	**3 816**	**3 822**	**6 869**	**143 436**
Amount recognized in the profit or loss due to a change in temporary differences	(439)	(4 331)	15 284	3 348	2 487	6 309	19 012	**41 670**
Change recognized in other comprehensive income	-	(1 375)	-	-	-	-	(934)	**(2 309)**
Balance as at 31 December 2015 – 19% rate	**894**	**9 864**	**46 548**	**84 110**	**6 303**	**10 131**	**24 947**	**182 797**
Amount recognized in the profit or loss due to a change in temporary differences	604	126	4 984	24 994	-	-	(5 342)	**25 366**
Change recognized in other comprehensive income	-	(560)	-	-	-	-	(7 001)	**(7 561)**
Balance as at 31 December 2016 – 19% rate	**1 498**	**9 430**	**51 532**	**109 104**	**6 303**	**10 131**	**12 604**	**200 602**

Provision for deferred income tax:

	Income taxable after the end of the reporting period	Accrued unbilled sales	Measurement of fixed assets at fair value	Other	Total
Balance as at 1 January 2015 – 19% rate	**86 162**	**24 716**	**(317)**	**7 149**	**117 710**
Amount recognized in the profit or loss due to a change in temporary differences	8 469	1 591	(375)	(7 914)	**1 771**
Balance as at 31 December 2015 – 19% rate	**94 631**	**26 307**	**(692)**	**(765)**	**119 481**
Amount recognized in the profit or loss due to a change in temporary differences	30 756	2 382	220	(799)	**32 559**
Balance as at 31 December 2016 – 19% rate	**125 387**	**28 689**	**(472)**	**(1 564)**	**152 040**

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

	31.12.2016	31.12.2015
Deferred tax assets	200 602	182 797
Set off of deferred tax assets and liabilities	(152 040)	(119 481)
Deferred tax assets after compensation	**48 562**	**63 316**
Deferred tax liabilities	152 040	119 481
Set off of deferred tax assets and liabilities	(152 040)	(119 481)
Deferred tax liabilities after compensation	**-**	**-**

22. Liabilities due to employee benefits

	31.12.2016	31.12.2014
Defined benefit plans		
Retirement benefits		
- long-term portion	992	1 129
- short-term portion	193	21
	1 185	1 150
Right to energy allowance after retirement		
- long-term portion	37 778	42 416
- short-term portion	3 619	3 766
	41 397	46 182
Appropriation to the Company's Social Benefits Fund for pensioners		
- long-term portion	6 175	6 414
- short-term portion	360	453
	6 535	6 867
Total defined benefit plans		
- long-term portion	**44 945**	**49 959**
- short-term portion	**4 172**	**4 240**
	49 117	**54 199**
Jubilee bonuses		
- long-term portion	4 115	5 306
- short-term portion	298	231
	4 413	5 537
Salaries and wages and other liabilities		
- short-term portion	14 300	12 015
Provision for Voluntary Redundancy Programme – short-term	1 280	-
Total liabilities due to employee benefits		
- long-term portion	**49 060**	**55 265**
- short-term portion	**20 050**	**16 486**
	69 110	**71 751**

Based on an arrangement entered into by the representatives of employees and the Company, the employees of Enea S.A. are entitled to specific benefits other than remuneration, i.e.:

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

all mentioned above benefits are fully financed by the Company.

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 S.A. as at 31 December 2016 (taking into account their gender) regarding:

- age,
- length of service with the Company,
- total length of service,
- remuneration constituting the calculation basis for jubilee bonuses 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 Company and industry statistics,
- the value of minimum remuneration in the Polish economy since 1 January 2017 was assumed at PLN 2 000.00,
- pursuant to announcements of the President 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 2017),
- based on assumptions defined at the corporate level, the increase of the basis for charges for the Employee Social Fund was adopted based on the increase of the average monthly wages in the national economy: 32.17% in 2018, 5.6% in 2019, 5.7% in the period of 2020-2021, 5.6% in the remaining years of the forecast. In case of the basis' change the increase in the average monthly wage in the national economy in 2017 of 5.2% was assumed for 2018. The remaining increase of the basis in 2018 is due to the full unfreezing of the basis for charges for the Employee Social Fund since 2018 which is assumed at the date of valuation of the risks,
- mortality rate and the probability of receiving benefits were adopted in line with the 2015 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 1.5% in 2017, 2.5% in the remaining years (as at 31 December 2015 at the level of 2.038% in 2016 2.418% in 2017 and 2.5% in the following years),
- the interest rate for discounting future benefits was adopted at the level of 3.2% (as at 31 December 2015: 2.8%),
- value of the annual equivalent of the electricity allowance paid in 2017 was adopted at the level of PLN 1 391.74 (as at 31 December 2015: PLN 1 406.53),
- the average rise in the cash equivalent of the electricity allowance was adopted for 2017 at the level of -1.0%, for 2018 +1.9%, for 2019 +2.1%, for 2020 + 3.0%, in years 2021 to 2026 at the level of 3.1% and the following years at the level 2.5% (as at 31 December 2015 it 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 2025 +4.5%, for 2025-2026 +4.6% and the following years at the level of 2.5%).

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

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.

Defined benefit plan

	Retirement benefits	Right to energy allowance after retirement	Appropriation to the Company's Social Benefits Fund for pensioners	Total
Balance as at 1 January 2016	**1 150**	**46 182**	**6 867**	**54 199**
Changes during 12 months ended 31 December 2016				
Costs recognized in profit or loss, including:	**255**	**1 508**	**299**	**2 062**
- current employment costs	159	99	32	290
- post-employment costs	64	221	88	373
- interests	32	1 188	179	1 399
Costs recognized in other comprehensive income, including	**(220)**	**(2 463)**	**(262)**	**(2 945)**
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	(85)	(3 968)	41	(4 012)
- net actuarial losses/(profits) due to changes in demographic assumptions	(87)	(415)	(72)	(574)
- net actuarial losses/(profits) due to changes in financial assumptions	(48)	1 920	(231)	1 641
Decrease in the liability due to benefits paid	**-**	**(3 830)**	**(369)**	**(4 199)**
Total changes	**35**	**(4 785)**	**(332)**	**(5 082)**
Balance as at 31 December 2016	**1 185**	**41 397**	**6 535**	**49 117**

	Retirement benefits	Right to energy allowance after retirement	Appropriation to the Company's Social Benefits Fund for pensioners	Total
Balance as at 1 January 2015	**967**	**56 239**	**6 741**	**63 947**
Changes during 12 months ended 31 December 2015				
Costs recognized in profit or loss, including:	**165**	**1 409**	**185**	**1 759**
- current employment costs	142	102	28	272
- post-employment costs	-	-	-	-
- interests	23	1 307	157	1 487
Costs recognized in other comprehensive income, including	**35**	**(7 603)**	**328**	**(7 240)**
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	89	(2 593)	(153)	(2 657)
- net actuarial losses/(profits) due to changes in demographic assumptions	10	1 416	179	1 605
- net actuarial losses/(profits) due to changes in financial assumptions	(64)	(6 426)	302	(6 188)
Decrease in the liability due to benefits paid	**(17)**	**(3 863)**	**(387)**	**(4 267)**
Total changes	**183**	**(10 057)**	**126**	**(9 748)**
Balance as at 31 December 2015	**1 150**	**46 182**	**6 867**	**54 199**

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

Sensitivity analysis for defined benefit plans

	Actuarial assumptions change impact on the liabilities due to defined benefit plans	
	+ 1 pp	**- 1 pp**
Defined benefit plans		
Discount rate	(4 269)	5 090
Anticipated rise in salaries and wages rate	897	(750)
Average rise in the cash equivalent of the electricity allowance	3 833	(3 305)

Maturity of liabilities due to defined benefit plans

The weighted average duration of liabilities due to defined benefit plans (in years)	31.12.2016	31.12.2015
Retirement benefits	21.6	26.4
Right to energy allowance after retirement	9.4	10.1
Appropriation to the Company's Social Benefits Fund for pensioners	11.4	11.0

Other long-term employee benefits - jubilee bonuses

	31.12.2016	31.12.2015
Opening balance	**5 537**	**3 869**
Changes in the 12 months ended at the reporting date		
Costs recognized in profit or loss, including:	**(891)**	**1 813**
- current employment costs	764	623
- post-employment costs	(806)	-
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	(408)	1280
- net actuarial losses/(profits) due to changes in demographic assumptions	(303)	21
- net actuarial losses/(profits) due to changes in financial assumptions	(286)	(206)
- interests	148	95
Decrease in the liability due to benefits paid (negative value)	**(233)**	**(145)**
Total changes	**(1 124)**	**1 668**
Closing balance	**4 413**	**5 537**

Provision for the Voluntary Redundancy Programme

22 December 2016 the Management Board of Enea S.A. adopted a resolution to launch the Generational Change Programmme, which is an integral part of the a.o. the Program Voluntary Redundancy

The Voluntary Redundancy Programme 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 employed under any employment agreement or any other civil law agreement in another company of the Enea Capital Group, not providing any temporary work to Enea S.A. or any other subsidiaries or affiliates of Enea S.A. under agreement with a temporary employment agency and,
- belonging to one of the following groups:
  - Group I – Employees who acquired their pension rights before 31 December 2016 and have not terminated their employment agreement as of retiring, and Employees who will acquire their pension rights until 31 December 31 2017 (due to reaching an official retirement age, reaching an age, at which they are entitled to bridging pension for working in extraordinary conditions, pensions in reduced pension age for working in extraordinary conditions),
  - Group II – Employees who will acquire their pension rights in the period from 1 January 2018 to 31 December 2022 (due to reaching an official retirement age, reaching an age, at which they are entitled to bridging pension for working in extraordinary conditions, pensions in reduced pension age for working in extraordinary conditions),
  - Group III Employees who acquire pension rights after 31 December 2022.

The program is valid from 28 December 2016 to 30 September 2017.

23. Provisions for liabilities and other charges

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

	31.12.2016	31.12.2015
Non-current	4 146	10 905
Current	283 166	261 534
Total	**287 312**	**272 439**

	Provision for non-contractual use of property	Provision for other lodged claims	Provisions for certificates of origins	Total
Balance as at 31.12.2015	**17 161**	**10 288**	**244 990**	**272 439**
Provisions applied	685	6 163	259 794	**266 642**
Provisions used	(55)	(86)	(233 564)	**(233 705)**
Reversal of provisions	(8 571)	(9 493)	-	**(18 064)**
Balance as at 31.12.2016	**9 220**	**6 872**	**271 220**	**287 312**

Provisions for liabilities are determined in reasonable, reliably estimated amounts. Individual provisions are recognized for projected losses related to court action brought against the Company. 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. The descriptions of claims and relevant contingent liabilities have been presented in Note 36.

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

Provisions for non-contractual use of property claims, refers to individuals owning real estate property, to which the Company had not the legal title. The majority of such claims are requests for compensation for non contractual use of land, determination of a rental fee or, in a few cases, requests for relocation of facilities (restoring land to its previous condition).

As at 31 December 2016, a substantial number of claims filed had not been brought to court. The Company recognizes a related provision for both disputed claims brought to court and claims which have not been submitted to court yet.

Provisions for non-contractual use of property claims (stage before judicial proceeding) are presented as non-current liabilities.

Provisions for non- contractual use of lands (proceedings brought to court) as well as other provisions and provisions for certificates of origin are presented as current liabilities.

24. Net sales revenue

	01.01.2016 31.12.2016	**01.01.2015 31.12.2015**
Revenue from sales of electricity	5 240 269	5 290 210
Revenue from sales of gas	176 565	127 390
Revenue from sales of goods and materials	2	17
Revenue from sales of other services	4 027	3 499
Revenues from certificates of origin	489	9 108
Total	**5 421 352**	**5 430 224**

25. Costs by type

	01.01.2016 31.12.2016	**01.01.2015 31.12.2015**
Depreciation	**(3 459)**	**(5 657)**
Costs of employee benefits	**(55 751)**	**(48 968)**
- salaries and wages	(46 686)	(38 007)
- social security and other benefits	(9 065)	(10 961)
Consumption of materials and supplies and costs of goods sold	**(2 416)**	**(1 866)**
- consumption of materials and energy	(2 416)	(1 866)
External services	**(1 661 257)**	**(1 629 157)**
- transmission and distribution services	(1 498 807)	(1 482 852)
- other external services	(162 450)	(146 305)
Taxes and charges	**(3 103)**	**(3 134)**
Cost of energy purchased for resale	**(3 577 904)**	**(3 622 261)**
Total costs of products, goods and materials sold, selling, marketing, general and administrative expenses	**(5 303 890)**	**(5 311 043)**

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

26. Costs of employee benefits

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Payroll costs	**(46 686)**	**(38 007)**
- current salaries and wages	(46 222)	(38 426)
- jubilee benefits	1 039	(1 719)
- retirement bonuses	(223)	(142)
- other	(1 280)	2 280
Social insurance	**(9 065)**	**(10 961)**
- Social Security premiums	(5 944)	(8 101)
- appropriation to the Company's Social Benefits Fund	(894)	(1 128)
- other social benefits	(2 227)	(1 732)
	(55 751)	**(48 968)**

Employment guarantees

Based on an arrangement entered into by the Company and labor unions, specific employment guarantees have been given to employees employed by the Company 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 an employee contract is terminated by the employer, Enea S.A. is obliged to pay the employee an amount being a product of their monthly salary and the remaining period of the guarantee validity.

27. Other operating revenue and expenses

Other operating revenue

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Release of provisions for claims	8 262	12 003
Release of other provisions	9 579	-
Reimbursement of expenses by an insurance company	-	-
Reversal of receivables allowance	-	525
Received damages and fines	2 020	196
Other operating revenue	7 472	5 610
Total	**27 697**	**18 334**

Other operating expenses

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Cost of provision for claims	(685)	(6 114)
Costs of other provisions	(6 163)	(9 797)
Receivables allowance	(3 367)	-
Uncollectible receivables written off	(9 939)	(28 653)
Court fees	(3 305)	(2 628)
Trade union related expenses	(59)	(51)
Other operating expenses	(13 355)	(9 742)
Total	**(36 873)**	**(56 985)**

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

28. Financial revenue

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Interest income	181 417	168 691
- bank accounts and deposits	22 937	24 473
- bonds	147 849	136 109
- other loans and receivables	10 631	297
- other interest income	-	7 812
Remeasurement of financial assets measured at fair value through profit or loss	7 052	4 830
Gain on sale of shares in subsidiaries	1 690	-
Total	**190 159**	**173 521**

29. Financial expenses

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Interest expense	(152 080)	(101 244)
- on loans and borrowings	(35 614)	(28 673)
- on bonds	(112 112)	(72 047)
- on leases	(8)	(21)
- other interest	(4 346)	(503)
Costs of discounted liabilities due to employee benefits	(1 547)	(1 582)
Remeasurement of financial assets measured at fair value through profit or loss	(4 556)	(8 601)
Impairment loss on non-current assets held for sale	-	(13 087)
Impairment loss on investments in subsidiaries	(42 000)	(2 089 754)
Loss on sale of the shares in subsidiaries	-	(1 678)
Other financial expenses	48	-
Total	**(200 231)**	**(2 215 946)**

30. Income tax

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Current tax	(19 651)	(70 882)
Deferred tax	(7 193)	39 899
Total	**(26 844)**	**(30 983)**

The difference between the income tax on gross profit before tax and the theoretical amount resulting from application of the nominal tax rate applicable to the Company's profit is presented below:

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Profit/(Loss) before tax	647 087	(1 085 905)
Tax at a 19% rate	(122 947)	206 322
Costs not classified as tax-deductible expenses (permanent differences) at a 19% rate	(8 183)	(403 410)
Dividends received at a 19% rate	104 286	166 105
Amount charged to profit or loss due to income tax	**(26 844)**	**(30 983)**

31. Dividend

The decision concerning the payment of dividend for the current financial year will be made by the shareholders at the Ordinary General Meeting of Shareholders in 2017. The Management Board of Enea S.A. is currently analyzing the possibility of dividend payment for 2016 and as the date of preparation of these separate financial statements, the decision concerning distribution of profit for 2016 has not been taken yet. The Management Board of Enea S.A.

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

will present a recommendation on distribution of profit for 2016 years at the turn of the first and second quarter of 2017.

On 27 June 2016, the General Shareholders' Meeting of Enea S.A. adopted resolution no. 7 concerning the coverage of net loss of PLN 1 116 888 thousand for the financial year from 1 January 2015 to 31 December 2015 from the retained earnings.

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

32. Related party transactions

The Company concludes transactions with the following related parties:

1. Companies of the Enea Group

	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Purchases, including:	**4 299 684**	**4 485 448**
investment purchases	-	601
materials	589	328
services	1 563 787	1 552 430
other (including energy and gas)	2 735 308	2 932 089
Sales, including:	**268 006**	**224 157**
energy	239 178	187 833
services	1 777	1 465
other	27 051	34 859
Interest income, including:	**152 613**	**128 970**
bonds	152 410	128 673
loans	203	297
Dividend income	**548 874**	**874 236**

	31.12.2016	31.12.2015
Receivables	201 837	111 946
Liabilities	672 334	732 428
Financial assets - bonds	5 623 113	5 394 385
Loans granted	150 827	69 588

In accordance with Corporate Income Tax Act regulations concerning conclusion on transactions under arm's length do not apply to legal entities comprising tax group.

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

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

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

The value of the first type transactions has been presented below:

Item	Management Board of the Company		Supervisory Board of the Company	
	01.01.2016 31.12.2016	01.01.2015 31.12.2015	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Remuneration under managerial and consultancy agreements	12 578	8 889	-	-
Remuneration relating to appointment of members of management or supervisory bodies	-	-	484	340
TOTAL	**12 578**	**8 889**	**484**	**340**

As at 31 December 2016 the liabilities resulting from managerial contracts and consultancy agreements to members of the Management Board amount to PLN 315 thousand. The provision for bonuses to members of the Management Board amounts to PLN 3 082 thousand (as at 31 December 2015 PLN 2 680 thousand), the amounts of provisions are not included in the table above.

In 2016 the remuneration under managerial and consultancy agreements included bonus for 2015 in the amount of PLN 2 653 thousand (in 2015 for 2014: PLN 2 936 thousand) and compensation resulting from non-competition agreement.

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

Governing body	Balance as at 01.01.2016	Granted from 01.01.2016	Repaid till 31.12.2016	Balance as at 31.12.2016
Supervisory Board	27	-	(11)	**16**
TOTAL	**27**	**-**	**(11)**	**16**

Governing body	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**

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

3. Transactions with entities controlled by the State Treasury

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

The transactions concern mainly:

- purchase of electricity and property rights resulting from certificates of origin as regards renewable energy and energy cogenerated with heat from companies whose shares are held by the State Treasury and;

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

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

The most significant customer of Enea S.A. among entities controlled by the State Treasury is Lubelski Węgiel "Bogdanka" S.A. In 2016 the net sales to the entity amounted to PLN 66 527 thousand (in 2015 Kompania Węglowa S.A. net sales amounted to PLN 60 143 thousand). The most significant supplier of Enea S.A. is PGE Polska Grupa Energetyczna S.A. with net purchases in 2016 in the amount of PLN 353 113 thousand (in 2015 in the amount of PLN 249 885 thousand).

33. Concession arrangements on the provision on public services

The core business of Enea S.A. is electricity and ntural gas trade.

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.

Electricity tariffs covering activities not considered by the President of the Office for Energy Regulation as carried out in competitive conditions are subject to the obligation of submitting to the President of the Office for Energy Regulation (activities for which the President of the Office for Energy Regulation has not issued a decision exempting from the obligation to submit tariffs for approval). Currently, also tariffs for natural gas for final customers are subject to the obligation of submitting to the President of the Office for Energy Regulation, however the Energy Law Act specifies a schedule of exemption from this obligation (as of 1 January 2017, sale at a virtual point of sale of compressed natural gas (CNG) and liquefied natural gas (LNG) is exempt from the tariff rules, as well as sale conducted as part of bids, auctions, and public procurement. As of October 2017, prices for final customers other than customers in households will be deregulated. Gas prices for the mentioned customers will be deregulated as of 1 January 2024).

In 2016 Enea S.A. applied the following tarriffs approved by the President of Energy Regulatory Office:

- tariff for electricity for G-tariff group, not using the right to choose the supplier, effective from 1 January 2016,
- tariffs for methane natural gas (effective from 20 November 2015).

On 12 September 2013 Enea S.A. received license to trade in gas fuels from the President of the Energy Regulatory

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

Office. The license is valid for the period from 1 January 2014 up to 31 December 2030.

34. Future payments due to the right of perpetual usufruct of land as well as rental and operating lease agreements

The future liabilities arising from the right of perpetual usufruct of land (estimated based on 2016 fees) apply to the remaining term of agreements for the use of land (40-99 years). Such agreements are recognized as operating leases, where Enea S.A. acts as a lessee:

	31.12.2016	31.12.2015
Up to 1 year	5 577	5 780
1 – 5 years	20 634	4 193
Over 5 years	62 646	56 937
Total	**88 857**	**66 910**

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

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

	31.12.2016	31.12.2015
Acquisition of intangible assets	-	2 097
Total	-	**2 097**

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

36.1. Sureties and guaranties

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

On 19 October 2016 Enea S.A. entered into contract of surety with Shell Energy Europe Limited. Under this contract Enea S.A. guarantees liabilities in future of its subsidiary Enea Trading Sp. z o.o. to the maximum amount of EUR 3 500 thousand.

On 8 November 2016 Enea S.A. entered into contract of surety with Polski Koncern Naftowy Orlen S.A. Under this contract Enea S.A. guarantees liabilities of its subsidiary Enea Trading Sp. z o.o. regarding transactions related to natural gas up to the maximum amount of PLN 4 000 thousand.

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

Sureties as at 31 December 2016

No.	Name of the beneficiary of the guarantee or surety	Total liabilities subject to guarantee or surety	Purpose of the amount covered by surety	Tenor	Relation between the Company and the entity which incurred the liability
1.	Enea Trading Sp. z o.o.	PLN 15 484 thousand (EUR 3 500 thousand)	security for the liabilities of Enea Trading to Shell Energy Europe Limited	30-11-2018	subsidiary
2.	Enea Trading Sp. z o.o.	PLN 50 000 thousand	security for liabilities incurred by Enea Trading in connection with membership in GIR	01-08-2017	subsidiary
3.	Enea Wytwarzanie Sp. z o.o.	PLN 50 000 thousand	secure payment of the sale price of shares in subsidiary purchased by Enea Wytwarzanie S.A.	validity period of bids	subsidiary
4.	Miejska Energetyka Cieplna Piła Sp. z o.o.	PLN 11 806 thousand	security for liabilities incurred by MEC Piła Sp. z o.o	30-06-2020	subsidiary
5.	Enea Trading Sp. z o.o.	PLN 10 000 thousand	security for the liabilities of Enea Trading to EDF Trading Limited	30-10-2017	subsidiary
6.	Enea Trading Sp. z o.o.	PLN 10 000 thousand	security for the liabilities of Enea Trading to ČEZ a.s.	10-08-2018	subsidiary
7.	Enea Trading Sp. z o.o.	PLN 24 000 thousand	security for the liabilities of Enea Trading to PAK zespół Elektrowni Pątnów-Adamów-Konin S.A.	26-10-2018	subsidiary
8.	Enea Trading Sp. z o.o.	PLN 8 000 thousand	security for the liabilities of Enea Trading to Elektrownia Pątnów II Sp. z o.o.	26-10-2018	subsidiary
9.	Enea Trading Sp. z o.o.	PLN 20 000 thousand	security for the liabilities of Enea Trading to PGE Polska Grupa Energetyczna S.A	27-10-2018	subsidiary
10.	Enea Trading Sp. z o.o.	PLN 4 000 thousand	security for the liabilities of Enea Trading to Polski Koncern Naftowy ORLEN SA in Płock	01-01-2018	subsidiary
11.	Enea Trading Sp. z o.o.	PLN 5 000 thousand	security for the liabilities of Enea Trading to Polenergia Obrót S.A.	30-06-2019	subsidiary

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

Sureties as at 31 December 2015

No.	Name of the beneficiary of the guarantee or surety	Total liabilities subject to guarantee or surety	Purpose of the amount covered by surety	Tenor	Relation between the Company and the entity which incurred the liability
1.	Enea Serwis Sp. z o.o.	PLN 209 thousand (EUR 49 thousand)	in order to meet the statutory conditions for obtaining a license conducting gainful transport activity	31-08-2017	subsidiary
2.	Enea Trading Sp. z o.o.	PLN 50 000 thousand	security for liabilities incurred by Enea Trading in connection with membership in GIR	01-08-2017	subsidiary
3.	Enea Wytwarzanie Sp. z o.o.	PLN 50 000 thousand	secure payment of the sale price of shares in subsidiary purchased by Enea Wytwarzanie S.A.	validity period of bids	subsidiary
4.	Miejska Energetyka Cieplna Piła Sp. z o.o.	PLN 11 806 thousand	security for liabilities incurred by MEC Piła Sp. z o.o.	30-06-2020	subsidiary
5.	Enea Trading Sp. z o.o.	PLN 10 000 thousand	security for the liabilities of Enea Trading to EDF Trading Limited	30-10-2017	subsidiary
6.	Enea Trading Sp. z o.o.	PLN 10 000 thousand	security for the liabilities of Enea Trading to ČEZ a.s.	08-10-2018	subsidiary
7.	Enea Trading Sp. z o.o.	PLN 24 000 thousand	security for the liabilities of Enea Trading to PAK zespół Elektrowni Pątnów-Adamów-Konin S.A.	26-10-2018	subsidiary
8.	Enea Trading Sp. z o.o.	PLN 8 000 thousand	security for the liabilities of Enea Trading to Elektrownia Pątnów II Sp. z o.o.	26-10-2018	subsidiary
9.	Enea Trading Sp. z o.o.	PLN 20 000 thousand	security for the liabilities of Enea Trading to PGE Polska Grupa Energetyczna S.A.	27-10-2018	subsidiary
10.	Enea Trading Sp. z o.o.	PLN 15 000 thousand	security for the liabilities of Enea Trading to Polski Koncern Naftowy ORLEN SA in Płock	01-01-2018	subsidiary

The table below presents actual bank relevant guarantees issued by Enea S.A. under the agreements concluded with BZ WBK S.A. and Pekao S.A. to the height limits specified therein as at 31 December 2016:

Date of guarantee	Guarantee period	Company from Enea Group	Guarantee for	Bank - issuer	Guarantee value in PLN thousand
29.06.2015	31.05.2018	Enea Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	10 000
12.06.2015	31.05.2018	Enea Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	4 000
01.01.2016	11.08.2018	Enea S.A.	Górecka Projekt Sp. z o.o.	BZ WBK S.A.	1 662
21.12.2016	30.01.2018	Enea S.A.	Urząd Marszałkowski Województwa Zachodniopomorskiego in Szczecin	BZ WBK S.A.	1 325
Total of guarantees issued					**16 987**

Guarantees issued at 31 December 2015

Date of guarantee	Guarantee period	Company from Enea Group	Guarantee for	Bank - issuer	Guarantee value in PLN thousand
29.06.2015	31.05.2018	Enea Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	15 000
01.01.2015	31.12.2015	Enea Wytwarzanie Sp. z o.o.	PSE S.A.	Pekao S.A.	15 000
12.06.2015	31.05.2018	Enea Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	2 000
01.01.2015	31.12.2015	Enea S.A.	Górecka Projekt Sp. z o.o.	Pekao S.A.	1 600
Total of guarantees issued					**33 600**

The value of remaining guarantees granted by Enea S.A as at 31 December 2016 amounted to PLN 3 733 thousand (as at 31 December 2015 PLN 5 076 thousand).

36.2. Pending proceedings before courts of general jurisdiction

Actions brought by the Company

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

As at 31 December 2016, the total of 12 350 cases brought by the Company were pending before common courts for the total amount of PLN 55 196 thousand (7 066 cases for the total amount of PLN 51 978 thousand as at 31 December 2015).

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

Actions brought against the Company

Actions against the Company are brought both by natural and legal persons. They mainly refer to such issues as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for the Company's use of real property where electrical devices are located. The Company considers actions concerning non-contractual use of real property not owned by the Company as particularly important (Note 23, Note 36.3).

As at 31 December 2016 the total of 190 cases against the Company were pending before common courts for the total amount of PLN 54 218 thousand (117 cases for the total amount of PLN 18 229 thousand as at 31 December 2015).

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

36.3. Risk related to the legal status of property used by Enea S.A.

The risk related to the legal status of the property used by the Company (currently used by Enea Operator Sp. z o.o.) results from the fact that the Company does not have all legal titles to use the land where transmission networks and the related devices are located. In the future the Company may have to incur costs related to non-contractual use of property, for the past period until the separation off of Enea Operator Sp. z o.o.

There is a risk of 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).

Court decisions related to these issues are important as they considerably affect the Company's strategy towards persons who raised pre-court claims related to devices located on their land.

The Company recognized a provision for all claims lodged by owners of property on which transmission networks and devices are located, based on best estimates of expenditures necessary to settle the claims adopted by the Management Board for the period until separation of the distribution system operator. Since the date of separation of the distribution system operator such claims have also been filed to Enea Operator Sp. z o.o., which is currently the owner of the transmission networks and the related devices.

36.4. 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 some 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 entities mentioned above:

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

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

36.5. Dispute concerning energy origin certificate prices.

Before the District Court in Poznań the proceeding brought by PGE Górnictwo i Energetyka Konwencjonalna S.A. is pending against the Company for the payment of PLN 42 351 thousand concerning the payment for purchased certificates of origin (lawsuit of 30 May 2016).
Enea SA made a deduction from the payment part of labilities for certificates of origin (resulting from invoices for certificates of origin) in respect of a damage caused by PGE GiEK S.A. to Enea S.A. The damage resulted from the fact that PGE GiEK S.A. did not fulfill the contractual obligation to accede to renegotiate long-term contracts for certificates of origin in accordance with the adaptive clause applicable to both Parties.
A reply to the action brought by PGE GIEK S.A. was made on 11 August 2016. In respose Enea S.A. filed to dismiss the lawsuit. Currently the parties are participating in mediation proceedings.

Before the District Court in Poznan, roll four more cases of identical nature (two lawsuits of 2017).

36.6. Terminated contracts for the purchase of property rights resulting from certificates of origin from renewable sources

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

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

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

Contracts were terminated as a rule by the end of November 2016. The exact date solutions to individual agreements stemmed from the contract provisions.

The reason for withdrawal from particular Agreements by the Company was exhaustion of the possibilities to restore the contractual balance and equivalence of benefits for parties resulting from law amendments.
The following law amendments occurring after the conclusion date of the above mentioned Agreements, in particular:

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

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

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

The financial implications resulting from the termination of the Agreement is to avoid losses by the Company, representing the difference between contract prices and the market price of green certificates.

Estimated total discounted value of contractual obligations Enea SA on 31 December 2016 is approximately PLN 1 187 millions net. The Company creates a provision for potential claims arising from the terminated in references to presents to 31 December 2016 transactional applications sale of property rights by contractors.

37. Employment at Enea S.A.

The average number of employees in the Company in 2016 and 2015 was as follows:

	31.12.2016	31.12.2015
White-collar positions	281	271
Total	**281**	**271**

The data in the table are presented in full time employee equivalent.

38. 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 Operator Sp. o.o., Enea Wytwarzanie Sp. o.o., Enea CentrumSp. o.o., Enea Oświetlenie Sp. o.o., Enea Trading Sp. o.o., Enea Serwis Sp. o.o., Enea Pomiary Sp. o.o. Enea and Logistyka Sp. o.o. Company representing the tax capital group is Enea SA.

On 20 September 2016 the Company concluded a tax group agreement for a period of three years from 2017, 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.

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.

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

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

21 December 2016 (on 16 December 2016 the Extraordinary Shareholders' Meeting began however, it has been declared a break till 21.12.2016) the Extraordinary Shareholders' Meeting of PGE EJ 1 adopted a resolution to increase the share capital of the Company approximately by around PLN 35 million through issue of 248 220 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. shares in the total nominal value of approximately around PLN 3.5 million, and covered them with cash of approximately around PLN 3.5 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 EJ1 with funds required to realize investment. Furthermore, Enea S.A. is obliged to aquire 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 2016 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 (selection 17. paragraph 2 point 1.) 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 (selection 17. paragraph 2 point 1.), 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 2016 and the date of preparation of these separate financial statement, Enea S.A. holds 220 467 shares in the share capital of PGE EJ 1 Sp. z o.o. with a total nominal value of approximately PLN 31 085 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.

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

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

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

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

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

On 20 January 2017, due to the fulfilment of the conditions precedent contained in the investment agreement referred to above the Company accepted the offer, submitted by the management board of Polimex, of private subscription for 37.5 million shares at the issue price of PLN 2 per share, i.e. for the total issue price of PLN 75 million. In addition, under one of the above additional agreements, on 20 January 2017, the Company acquired 1.5 million shares of Polimex from its hitherto shareholder. The purchase price of all shares amounted of PLN 80.6 millions the costs associated the acquisition of shares amounted of PLN 1 million.

On 21 March 2017 Investors announced a tender offer for shares of Polimex as a result of exceeding the 33% threshold of the total number of votes at the general meeting of Polimex. Tender offer is of secondary nature and Investors intend to aquire in tender offer shares in excess of number of shares currently held by Investors (i.e. in total 65.93% of the total number of votes in Polimex) and get no more than 66% of total votes at the general meeting of Polimex. As a result of tender offer each of Investors (including Enea) intends to get no more than approximately 0.018% of total votes at the general meeting of Polimex.

41. Acquisition of shares of ENGIE Energia Polska S.A.

On 30 September 2016 Enea S.A. submitted an offer for the purchase of 100% of shares in ENGIE Energia Polska S.A. The offer was submitted according to the description in the process initiated by ENGIE, the owner of 100% of the shares in ENGIE Energia Polska, which considered their sale. On 2 December 2016 the Company obtained exclusivity rights to further negotiations of the purchase of 100% of shares in ENGIE Energia Polska S.A., owned by ENGIE.

On 23 December 2016, the Company signed with ENGIE Energia Polska S.A. a conditional agreement on sale of 100% of shares of ENGIE Energia Polska S.A. (Agreement). On the basis of the Agreement, the Company will purchase 100% of shares in the share capital of ENGIE Energia Polska S.A., and indirectly also 100% of shares in ENGIE Bioenergia Sp. z o.o. ENGIE Energia Polska S.A. is the owner of Połaniec Power Plant. The value of the undertaking of ENGIE Energia Polska S.A. (i.e. calculated with the exclusion of net debt) was agreed at PLN 1 073 140 672.00. The final price for 100% of shares of ENGIE Energia Polska S.A. will be calculated on the basis of the determined value of the undertaking, with account taken of the net debt level and the working capital as at 31 December 2016.

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

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

The Agreement will cease to apply after the lapse of 6 months as of its signing if within this period 100% of shares of ENGIE Energia Polska S.A. are not acquired due to a failure to comply with the conditions precedent.

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

On 2 March 2017 the Company received the calculation of the initial selling price of 100% of shares in ENGIE Energia Polska SA in the amount of PLN 1 264 159 355 from ENGIE International Holdings B.V. The initial selling price was determined in accordance with the terms of the Agreement, and will be subject to verification by the Company and to potential adjustments in the period occurring directly after taking the control over ENGIE Energia Polska S.A., under the terms specified in the Agreement, compliant with the market standards applying to such transactions. Transaction is consistent with Enea Capital Group's Development Strategy until 2030 approved in September 2030. With this transaction the Company will increase its share in domestic electicity production and will be vice-leader of Polish market of electricity producers.

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

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

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

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

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

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

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

43. Signing the letter of intent on the preliminary interest in financial involvement in Katowicki Holding Weglowy S.A.

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

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

The participation of Investors in KHW depends on meeting of many conditions related, among other things, to the presentation of an acceptable business plan and financial model as well as obtaining required corporate consents.

The final decisions of the Investors as regards the involvement in KHW will be adopted, among other things, after the analysis of the due diligence process and after determining the final shape of all other arrangements.

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

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

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

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

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

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

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

45. Disclosures arising from Article 44 of the Energy Law related to particular types of activities

45.1. General principles for drawing up regulatory financial information

The Company draws up regulatory financial information in accordance with the following principles:

Cause-effect principle

Assets and liabilities are classified in accordance with their intended purpose and use of these assets and liabilities for the needs of a specific type of activity or a specific service. Revenues and expenses are classified in accordance with the principle of cause of occurrence of the revenues and expenses as part of specific activities.

Principle of objectivity and non-discrimination

Classification of assets and liabilities, revenues and expenses should be objective and aimed at treating the customers equally.

Principle of fixedness and comparability

The methods and principles followed when drawing up regulatory financial information should be fixed year over year. If there are significant changes in the principles for drawing up financial statements, detailed methods of classification, or accounting principles, with material impact on the financial information reported, comparative data for the preceding year in the part possibly affected by the changes shall be adequately adjusted to ensure comparability.

Principle of transparency and consistency

The methods applied when drawing up regulatory financial information should be transparent and internally consistent and, where applicable, consistent with the methods and principles applied in other calculations drawn up for regulatory purposes, as well as with methods and principles for drawing up financial statements.

45.2. Description of types of activity

The company distinguished the following activity types:

1. **Gaseous fuel trading** - trading in gas fuels purchased from external suppliers and supplied to external customers,
2. **Other activities** - other activities, intra-group financing and activities related to the management of the Capital Group. To other activities, the Company has also classified trading in electrical energy and trading in property rights.

45.3. Allocation key

Allocation of items of the balance sheet

Items of the financial statements	**Allocation key**
Property, plant and equipment	depreciation cost structure
Perpetual usufruct of land	depreciation cost structure
Intangible assets	depreciation cost structure
Investment properties	directly to other activities
Investments in subsidiaries and jointly controlled entity	directly to other activities
Deferred tax assets	excluded from allocation
Financial assets available for sale	directly to other activities
Intercompany bonds	directly to other activities
Derivatives	excluded from allocation
Trade and other receivables, including: - accruals, settlements on property insurance and other receivables - settlements on account of income tax and with other entities within the tax group	specific identification method directly to other activities excluded from allocation
Inventories (certificates of origin)	directly to trading in electric energy
Receivables on account of current income tax	excluded from allocation
Financial assets at fair value through profit or loss	directly to other activities
Cash and cash equivalents	EBITDA of individual activity types or allocated directly to other activities – in 2015, surplus of funds resulting from cash flows from dividends allocated to other activities
Non current assets classified as held for sale	directly to other activities
Equity	excluded from allocation – an item of employed capital
Loans, borrowings and debt securities (longterm instruments)	excluded from allocation – an item of employed capital
Finance lease liabilities (longterm contracts)	excluded from allocation – an item of employed capital
Liabilities due to an equivalent of the right to acquire shares	excluded from allocation
Liabilities due to employee benefits	remuneration cost structure
Trade and other liabilities, including: - other liabilities - VAT liabilities	specific identification method remuneration cost structure structure of trade liabilities as part of individual activity types
Zobowiązania z tytułu ekwiwalentu prawa do nieodpłatnego nabycia akcji	directly to other activities
Other financial liabilities	directly to other activities
Provisions for other liabilities and charges	specific identification method

Allocation of items of the income statement and other comprehensive income

The company keeps the records of expenses by nature and by function with the use of CC (Cost Centres).

Core activity costs related to trading in: electricity and gaseous fuels include CCs allocated directly to these activity types and part of the costs of general management settled with the allocation key relevant for a given CC. The costs are then divided with the use of the volume key for electricity and gas into activities related to trading in electricity and trading in gaseous fuels. The other part of operating costs has been classified to other activities.

The table below presents the allocation of other items of the income statement and other comprehensive income:

Items of the income statement and other comprehensive income	**Allocation key**
Sales revenue	specific identification method
Other operating revenue	specific identification method or structure of revenues from sales in a given financial year as part of individual activity types
Other operating expenses	specific identification method or structure of revenues from sales in a given financial year as part of individual activity types
Profit/(loss) on sale and liquidation of property, plant and equipment	directly to other activities
Financial revenue, including: - interest on the overdue payments for electricity - interest on financial instruments - other	 directly to other activities directly to other activities structure of revenues from sales in a given financial year
Financial expenses, including: - interest on long-term financial liabilities - other	 excluded from allocation – an item of employed capital specific identification method or structure of revenues from sales in a given financial year as part of individual activity types
Income tax	excluded from allocation
Net other comprehensive income	excluded from allocation

45.4. Elimination of cross-subsidising and ensuring equal treatment of customers

The company, striving to treat the customers equally and to eliminate cross-subsidising between the activities conducted, keeps accounting records in a manner making it possible to separately calculate costs and revenues for the business activity conducted in the scope of the activity types listed below and presented in Article 44 of the Energy Law.

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

Statement of financial position
at 31 December 2016

	Trade in gas fuels	Other activity	Excluded from allocation	TOTAL
Non-current assets	**491**	**14 822 754**	**88 829**	**14 912 074**
Property, plant and equipment	398	28 665	-	**29 063**
Perpetual usufruct of land	27	1 943	-	**1 970**
Intangible assets	66	4 748	-	**4 814**
Investment properties	-	15 405	-	**15 405**
Investments in subsidiaries and jointly-controlled entities	-	9 448 433	-	**9 448 433**
Deferred tax assets	-	-	48 562	**48 652**
Financial assets available for sale	-	41 902	-	**41 902**
Intercompany bonds	-	5 136 547	-	**5 136 547**
Derivatives	-	-	40 267	**40 267**
Trade and other receivables	-	145 111	-	**145 111**
Current assets	**34 906**	**3 249 941**	**21 004**	**3 305 851**
Inventories	-	84 984	-	**84 984**
Trade and other receivables	34 008	1 064 467	21 004	**1 119 479**
Intercompany bonds	-	486 566	-	**486 566**
Financial assets measured at fair value through profit or loss	-	-	-	**-**
Cash and cash equivalents	898	1 613 924	-	**1 614 822**
ASSETS				**18 217 925**
Non-current liabilities	**1 840**	**51 366**	**-**	**53 206**
Liabilities due to employee benefits	1 840	47 220	-	**49 060**
Provisions for other liabilities and charges	-	4 146	-	**4 146**
Current liabilities	**20 190**	**1 117 186**	**-**	**1 137 376**
Trade and other liabilities	17 827	649 399	-	**667 226**
Liabilities due to employee benefits	752	19 298	-	**20 050**
Liabilities due to an equivalent of the right to acquire shares free of charge	-	281	-	**281**
Other financial liabilities	-	166 653	-	**166 653**
Provisions for other liabilities and charges	1 611	281 555	-	**283 166**
Capital employed	**13 367**	**16 904 143**	**(16 917 510)**	**-**
Equity	-	-	10 940 479	**10 940 479**
Loans, borrowings and debt securities	-	-	6 054 528	**6 054 528**
Finance lease liabilities	-	-	772	**772**
Current income tax liabilities	-	-	31 564	**31 564**
EQUITY AND LIABILITIES				**18 217 925**

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

Statement of financial position

at 31 December 2015

	Trade in gas fuels	Other activity	Excluded from allocation	TOTAL
Non-current assets	**231**	**13 812 230**	**64 160**	**13 876 621**
Property, plant and equipment	193	30 506	-	**30 699**
Perpetual usufruct of land	13	1 985	-	**1 998**
Intangible assets	25	3 980	-	**4 005**
Investment properties	-	15 955	-	**15 955**
Investments in subsidiaries and jointly-controlled entities	-	8 323 493	-	**8 323 493**
Deferred tax assets	-	-	63 316	**63 316**
Financial assets available for sale	-	23 402	-	**23 402**
Intercompany bonds	-	5 339 352	-	**5 339 352**
Derivatives	-	-	844	**844**
Trade and other receivables	-	73 557	-	**73 557**
Current assets	**41 940**	**2 859 678**	**69 071**	**2 970 689**
Inventories	-	152 318	-	**152 318**
Trade and other receivables	41 096	1 031 641	69 071	**1 141 808**
Intercompany bonds	-	55 033	-	**55 033**
Financial assets measured at fair value through profit or loss	-	215 488	-	**215 488**
Cash and cash equivalents	844	1 396 788	-	**1 397 632**
Assets classified as held for sale	-	8 410	-	**8 410**
ASSETS				**16 847 310**
Non-current liabilities	**1 227**	**64 943**	**-**	**66 170**
Liabilities due to employee benefits	1 227	54 038	-	**55 265**
Provisions for other liabilities and charges	-	10 905	-	**10 905**
Current liabilities	**19 824**	**1 168 619**	**-**	**1 188 443**
Trade and other liabilities	19 458	563 366	-	**582 824**
Liabilities due to employee benefits	366	16 120	-	**16 486**
Liabilities due to an equivalent of the right to acquire shares free of charge	-	281	-	**281**
Other financial liabilities	-	327 318	-	**327 318**
Provisions for other liabilities and charges	-	261 534	-	**261 534**
Capital employed	**21 120**	**15 438 346**	**(15 459 466)**	**-**
Equity	-	-	10 288 005	**10 288 005**
Loans, borrowings and debt securities	-	-	5 219 286	**5 219 286**
Finance lease liabilities	-	-	43	**43**
Current income tax liabilities	-	-	85 363	**85 363**
EQUITY AND LIABILITIES				**16 847 310**

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

Statement of profit or loss and other comprehensive income

for period from 1 January 2016 to 31 December 2016

	Trade in gas fuels	Other activities	Excluded from allocation	TOTAL
Sales revenue	179 944	5 498 782	-	5 678 726
Excise tax	(3 379)	(253 995)	-	(257 374)
Net sales revenue	**176 565**	**5 244 787**	**-**	**5 421 352**
Other operating revenue	-	27 697	-	27 697
Depreciation	(47)	(3 412)	-	(3 459)
Costs of employee benefits	(2 094)	(53 657)	-	(55 751)
Consumption of materials and supplies and costs of goods sold	(106)	(2 310)	-	(2 416)
Energy and gas purchase for sale	(125 171)	(3 452 733)	-	(3 577 904)
Transmission and distribution services	(42 311)	(1 456 496)	-	(1 498 807)
Other external services	(4 314)	(158 136)	-	(162 450)
Taxes and charges	(125)	(2 978)	-	(3 103)
Profit on sale and liquidation of property, plant and equipment	-	(1)	-	(1)
Other operating expenses	(167)	(36 706)	-	(36 873)
Operating profit	**2 230**	**106 055**	**-**	**108 285**
Financial expenses	(44)	(44 186)	(156 001)	(200 231)
Financial revenue	-	190 159	-	190 159
Dividend income	-	548 874	-	548 874
Profit before tax	**2 186**	**800 902**	**(156 001)**	**647 087**
Income tax			(26 844)	(26 844)
Net profit for the reporting period			**(182 845)**	**620 243**
Other comprehensive income			32 231	32 231
Total comprehensive income for the reporting period			**(150 614)**	**652 474**

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

Statement of profit or loss and other comprehensive income

for period from 1 January 2015 to 31 December 2015

	Trade in gas fuels	Other activities	Excluded from allocation	TOTAL
Sales revenue	129 616	5 533 055	-	5 662 671
Excise tax	(2 226)	(230 221)	-	(232 447)
Net sales revenue	**127 390**	**5 302 834**	**-**	**5 430 224**
Other operating revenue	-	18 334	-	18 334
Depreciation	(35)	(5 622)	-	(5 657)
Costs of employee benefits	(1 085)	(47 883)	-	(48 968)
Consumption of materials and supplies and costs of goods sold	(56)	(1 810)	-	(1 866)
Energy and gas purchase for sale	(95 875)	(3 526 386)	-	(3 622 261)
Transmission and distribution services	(27 094)	(1 455 758)	-	(1 482 852)
Other external services	(2 955)	(143 350)	-	(146 305)
Taxes and charges	(50)	(3 084)	-	(3 134)
Profit on sale and liquidation of property, plant and equipment	-	1 754	-	1 754
Other operating expenses	(115)	(56 870)	-	(56 985)
Operating profit	**125**	**82 159**	**-**	**82 284**
Financial expenses	(3)	(2 106 165)	(109 778)	(2 215 946)
Financial revenue	-	173 521	-	173 521
Dividend income	-	874 236	-	874 236
Profit before tax	**122**	**(976 249)**	**(109 778)**	**(1 085 905)**
Income tax			(30 983)	(30 983)
Net profit for the reporting period			**(140 761)**	**(1 116 888)**
Other comprehensive income			9 845	9 845
Total comprehensive income for the reporting period			**(130 916)**	**(1 107 043)**

46. Description of key accounting principles

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

46.1. Basis for preparation

These separate financial statements for the period from 1 January 2016 to 31 December 2016 have been prepared in compliance with the requirements of the International Financial Reporting Standards as endorsed by the European Union ("IFRS-EU").

In line with the guidelines laid down in article 69 of the Polish Accounting Act the Company prepares the separate financial statements with requirement to provide to appropriate Court Register.

These financial statements have been prepared on the historical cost basis, except for financial assets measured at fair value through profit or loss, financial assets available for sale payments.

The Companys's accounting policies have been applied consistently and ammendmends to standards, that became effective in the reporting period, did not have any material impact on the financial statements.

The Company prepares the consolidated financial statements of the Enea Group in accordance with the IFRS EU. In the consolidated financial statements the entities in which the Company holds shares, directly or indirectly, giving the right to at least 50% of votes or over which it exercises effective control in any other way, have been subject to consolidation using the full consolidation method. The consolidated financial statements of the Enea Group were approved by the Management Board of Enea S.A. on the same date as the separate financial statements.

The separate financial statements of Enea S.A. ought to be read together with the consolidated financial statements of the Enea Group for the period from 1 January to 31 December 2016 in order to obtain complete information on the financial position as well as the financial result of the Group as a whole.

46.2. Business combinations / acquisitions

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 Company adopted an accounting policy according to which such transactions are recognized at carrying amounts. The acquirer recognizes the assets, equity and liabilities of the acquire (starting from purchase date) at their current carrying amounts adjusted only for the purpose of applying the same accounting principles for the combined entities. Goodwill and a gain on a bargain purchase are not recognized. Any differences 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 are recognized in the equity of the Company.

Comparative data for the previous periods presented is not restated when the method based on carrying amounts is used.
Business combinations/acquisitions of entities beyond common control are settled using the acquisition method, in accordance with IFRS 3.

46.3. Measurement of investments in subsidiaries, associates and jointly controlled entities

Subsidiaries include all entities whose financial and operational policy may be managed by Enea S.A., which usually results from the majority of votes in the Company's decision-making bodies. When assessing whether the Company 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. Subsidiaries are subject to consolidation using the full method as from the date of Enea S.A.'s assumption of control over such entities. They are not consolidated starting from the date when the Company loses control over them.

Associates include all entities over which the Company 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.

Jointly controlled entities include all entities over which the Company exercises control together with other companies.

Due to the fact that there is no active market for the entities whose shares are held by the Company, investments in subsidiaries and associates entities are measured at acquisition price less impairment losses. Impairment losses on investments are charged to financial expenses not deductible for tax purposes. If the circumstances based on which an impairment loss was recognized are no longer present, the equivalent of the total amount or an appropriate portion of the impairment loss recognized previously increases the value of investments and is recognized as financial revenue (not subject to tax).

46.4. Foreign currency transactions and measurement of foreign currency balance

(a) Functional and presentation currency

Balance presented in the financial statements are measured in the currency of the primary economic environment in which the entity carries out its business activity (functional currency). The financial statements are presented in the Polish zloty (PLN), which is the functional and presentation currency. Captions of the financial statements are presented rounded to thousands.

(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, denominated in foreign currency monetary items 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 balance sheet measurement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss of the period, while gains or losses on exchange differences on fixed assets under construction are capitalized as part of fixed assets under construction.

46.5. Property, plant and equipment

Property, plant and equipment is measured at acquisition price or manufacturing cost less accumulated depreciation and accumulated impairment losses.
The Company chose the optional exemption of IFRS 1 and adopted the fair value of certain items of property, plant and equipment as deemed cost at the date of transition to EU IFRS.

Further expenditures are recognized in the carrying amount of a given tangible fixed asset or recognized as a separate tangible fixed asset (where appropriate) only if it is probable that the Company 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 is recognized in profit or loss in the period when they are incurred.
If a tangible fixed asset is replaced (partially liquidated), 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.

Land is not subject to depreciation. Other tangible 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.
The useful lives of fixed assets are as follows:

- buildings and structures	20 – 70 years
- technical equipment and machines	2 – 40 years
- vehicles	3 – 20 years
- other fixed assets	5 – 15 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 balance sheet 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 in accordance with IFRS 5 or derecognized in financial statement, depending on what occurs earlier.

46.6. Perpetual usufruct right 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 Company 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).

46.7. Intangible assets

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 other intangible assets	2 – 10 years.

The residual value and useful lives of intangible 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 is carried out at each balance sheet date of a financial year. Impairment test in accordance with IAS 36 is carried out if there is any evidence indicating the possible impairment.

46.8. Research and development expenses

Research and development expenses are recognized in the profit or loss in the period in which they are incurred.

Like other intangible assets, R&D expenses meeting the capitalization criteria presented below are measured at acquisition 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 from 2 to 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.

46.9. Investment property

Investment property is maintained in order to generate rental income, for capital appreciation or for both. For measurement investment property after the initial recognition, Enea S.A. selected the acquisition cost model. Investments property are depreciated according to the straight-line method. Depreciation begins in the month following the month it is brought into use.

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.

46.10. Leases

Lease agreements that transfer substantially all the risks and rewards incidental to ownership to Enea S.A. are classified as finance leases. Leases other than finance leases are regarded 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 constant rate of interest on the remaining balance of the liability. The interest portion of a lease payment is recognized under financial expenses in profit or loss over the lease term. 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.

46.11. Impairment of assets

The Company's assets are tested for impairment whenever there are indicators that an impairment loss might have occurred.

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 if events occur justifying the lack or change in the impairment of assets.

Financial assets

Financial assets are analyzed for impairment at the end of each reporting period 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.

Individually significant financial instruments are tested for impairment on a case-by-case basis. Other financial assets are tested for impairment by groups with a similar credit risk level.

The principles for recognition of impairment losses on financial assets have been presented in detail in Note 46.12.

46.12. Financial assets

Financial instruments are classified by Enea S.A. to the following categories:

- financial assets measured at fair value through profit or loss,
- loans and receivables,
- investments held to maturity,
- 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 the end of each reporting period, 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 trading. 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 expense. 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 that do not constitute derivative instruments are financial assets with determined or determinable payments, which are not quoted on an active market. They arise when the Company spends money, supplies goods or services directly to a debtor with no intention of classifying these receivables as 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 as well as financial assets held to maturity are measured at amortized cost using the effective interest rate.

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 Enea S.A. 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 profit or loss. 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 are non-derivative financial instruments designated as available for sale or not included in any other category. This category includes mainly shares in unrelated parties.
Financial assets available for sale are recognized as non-current assets if the Company 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 Company undertakes to purchase or sell a given asset. Financial assets are initially recognized at fair value increased by transaction costs, except while investments are classified at fair value through profit or loss, and 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 Company has transferred substantially all the risks and rewards incidental to their ownership.

AFS financial assets and those measured at fair value through profit or loss are initially recognized at fair value. AFS 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), the Company 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, Enea S.A. 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 and derivative financial instruments

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 start of the hedging, the Company documents the relationship between the hedging instrument and the hedged item and the risk management objectives and also the strategy for the implementation of various hedge transactions.

Derivative instruments are recognized in accordance with the rules of fair value hedges accounting or cash flow hedges if they satisfy the following conditions:

- at the moment of establishing hedge there was formal designation and documentation of the hedging relationship, as well as the risk management objective of the Company and the hedging strategy,
- it is expected that the hedge will be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, according to the originally documented risk management strategy for that particular hedging relationship.
- in the case of cash flow hedges, a planned transaction that is the subject of the hedge has to 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 is determined to be highly effective throughout the reporting periods for which the hedge was established.

In the case of fair value hedges accounting, the Company:

- recognizes gains or losses resulting from the revaluation of fair value of the hedging instrument in profit or loss and
- adjusts the carrying amount of the hedged item for gains or losses on the hedged item attributable to the hedged risk and recognize them in profit or loss of the current period (also in relation to financial assets available for sale, whose changes in valuation are recognized in the revaluation reserve).

The Company discontinues using fair value hedge accounting if:

- the hedging instrument expires, is sold, terminated or performed
- the hedge no longer meets the criteria for hedge accounting or
- the Company invalidate the hedge relationship.

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 planned transaction and that could affect profit or loss. The planned transaction is an uncommitted but anticipated future transaction.

In the case of cash flow hedges accounting, the Company:

- the effective part of changes in fair value of derivative instruments designated as cash flow hedges is recognized in the revaluation reserve,

- the gain or loss related to the ineffective part is recognized in profit or loss for the current period.

If the hedged planned transaction results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in the revaluation reserve, are transferred to profit or loss in the same period or periods during which the acquired asset or assumed liability has an impact on profit or loss. However, if the Company expects that all or part of losses recognized in the revaluation reserve will not be recovered in one or more future periods, the Company recognized in profit or loss the amount that is expected that will not be recovered.

If the hedge of a planned transaction results in the recognition of non-financial asset or non-financial liability or a planned transaction for a non-financial asset or non-financial liability becomes a probable future liability, for which fair value hedge is applicable, the Company removes the associated gains or losses that were recognized in the revaluation reserve and includes them in the initial acquisition cost or in other carrying amount of the asset or liability.

The Company ends to apply cash flow hedge accounting if the hedging instrument expires or is sold, terminated or performed, or the hedge no longer meets the criteria for hedge accounting. In this case, the accumulated gains or losses on the hedging instrument recognized in the revaluation reserve remain there until the hedged transaction is realized. If the hedged transaction will not be realized, the accumulated net result recognized in the revaluation reserve is transferred immediately to the profit or loss.

Furthermore, the Company documents the effectiveness that adopted hedging instrument offsets changes in fair value or cash flows of the hedged item, at the time of relationship creation and on an ongoing basis in subsequent periods.

46.13. Inventories (including certificates of energy origin)

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 less any inventory allowances.

The cost of inventories is based on the weighted average cost method.

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

Certificates of energy confirm the manufacture of electricity in a renewable energy source (energy from wind, water, sun, biomass – the so-called green certificates, energy from farming biogass – the so-called blue 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. 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 certificates 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 Company 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 Company 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 balance sheet 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.

46.14. Cash and cash equivalents

Cash and cash equivalents include cash at bank, call bank deposits 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.

46.15. Share capital

The share capital of the Company is recognized in the amount specified in the Company's by-laws and registered in the court register, adjusted by the effects of hyperinflation as well as settlement of the effects of business combinations and acquisitions. An increase 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 is also disclosed as share capital.

46.16. Loans, borrowings and debt securities

Upon initial recognition financial liabilities are measured at fair value less transaction costs incurred by the Company.

Following their initial recognition, financial liabilities as loans, borrowings and debt securities 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.

46.17. 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.

46.18. Employee benefits

The following types of employee benefits are provided by Enea S.A.:

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 Company 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 Enea S.A. 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) Right to energy allowance after retirement

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 preceeding 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.
Liabilities relating to the benefits referred to in points 1-3 are estimated by an actuary using the projected unit credit method. The total value of actuarial gains and losses is recognized in other comprehensive income.

C. Other long-term employee benefits

Jubilee bonuses

Other long-term employee benefits at Enea S.A. include jubilee benefits. 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 of the current period.

D. Defined contribution plan

1) Social security contributions

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

46.19. Provisions

Provisions are created if Enea S.A. has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation, discounted 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 efficiency 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 colour 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 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 reporting 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 Company, 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 Company 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.

46.20. 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 energy delivery 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 46.13.

Revenue from the sales of goods 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 the lease of investment property is recognized in profit by straight-line method over the term of the contract.

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.

46.21. Dividend payment

Payments of dividends to shareholders are recognized as a liability in the financial statements of Enea S.A. for the period when they were approved by the shareholders.

46.22. 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 reclassified to assets 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.

46.23. Statement regarding application of new International Financial Reporting Standards and Interpretations

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 2016 and were not used in the separate financial statements:

- IFRS 14 Regulatory Deferral Accounts – for annual periods beginning on 1 January 2016. The standard in the present version will not be valid in the EU,
- 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) – the effective date has not been arranged,
- 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 on 1 January 2017,
- Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows) - for annual periods beginning on 1 January 2017,
- IFRS 15 Revenue from Contracts with Customers – for annual periods beginning om 1 January 2018,
- Amendments to IFRS 2 (Share-based Payment) - for annual periods beginning on 1 January 2018,

- Amendments to IFRS 4 (insurance contracts) - for annual periods beginning on 1 January 2018,
- Improvements to International Financial Reporting Standards (2014-2016) - for annual periods beginning on 1 January 2018 (except improvements to IFRS 12, which apply for annual periods beginning on or after 1 January 2017),
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - for annual periods beginning on 1 January 2018,
- Amendments to IAS 40 Investment Property - for annual periods beginning on 1 January 2018.
- IFRS 9 Financial Instruments - classification and measurement – for periods beginning on 1 January 2018.

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

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