



Other information to the extended consolidated report of Enea SA for Q3 2016

Poznań, 10 November 2016





1. Operating Summary

RESOURCES



3.3 GW
installed
electrical power

3
mining
fields

135 thou. km²
distribution lines
including connections

15 thou.
Employees

2.5 mln
Customers

FINANCE
Q1-Q3 2016



PLN 8,304 mln
net sales revenue

PLN 1,829 mln
EBITDA

PLN 721 mln
net profit

1.8
net debt/EBITDA
ratio

GOALS
UNTIL 2025



10.9 mln tonnes
own demand
for bituminous coal

5.8 GW
installed
conventional
electrical power

20.1 GWh
electricity sales

144 min/1.69
SAIDI/SAIFI

PLN 26.4 bln
basic investment
budget



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In Q1-Q3 2016 Enea Capital Group generated:

- **PLN 8,304 mln** net sales revenue - growth by 16.1% yoy (growth by 21.1% excluding LTPPA)
- **PLN 1,829 mln** EBITDA - growth by 13.9% yoy (growth by 39.4% excluding LTPPA)
- **PLN 721 mln** net profit - drop by 14.0% yoy

In the reporting period, the highest EBITDA, PLN 857 mln (growth by 3.0% yoy), was realised in the area of Distribution. The yoy comparability of the results of the area of Generation was affected by one-off event being settlement in Q3 2015 of revenue from Long-term Agreements in the amount of PLN 293 mln. After exclusion of this event the said area reported the highest growth in EBITDA totalling to PLN 50 mln (growth by 12.0%). The segment of Trade's EBITDA, after a growth by 34.3% yoy, amounted to PLN 118 mln. In relation to the acquisition of LW Bogdanka, Enea CG's operations in Q4 2015 were extended with the area of Mining, which in January - September 2016 generated PLN 437 mln EBITDA.

<p>+</p> <ul style="list-style-type: none"> • Higher sale volumes of electricity • Dynamic growth in gaseous fuel sales • Higher sales of distribution services • Higher sales of heat energy • Higher sale volumes of proprietary interests • Sales of coal as a result of the takeover of LW Bogdanka • Implementation of the Fixed Costs Optimisation Programme 	<p>-</p> <ul style="list-style-type: none"> • Lower average electricity selling price • Lower average price of proprietary interests • Higher costs of purchasing transmission services • Higher costs of obligations
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In Q3 2016 alone the Group generated:

- **PLN 2,705 mln** net sales revenue - growth by 6.6% yoy (growth by 20.5% excluding LTPPA)
- **PLN 622 mln** EBITDA - drop by 12.5% yoy (growth by 48.8% yoy excluding LTPPA)
- **PLN 249 mln** net profit - drop by 40.6% yoy

In Q1-Q3 2016 Enea CG spent PLN 1,854 million on investments, which is by 5.1% less than in the same period of the previous year.

Net debt/EBITDA ratio as at the end of September 2016 was on a safe level of 1.8.

During the first nine months of 2016, the Group generated 10.2 TWh of electricity - growth by 4.8% yoy. Sales of distribution services to end users amounted to 13.9 TWh i.e. increased by 4.0% in relation to the same period of the previous year

In Q1-Q3 2016 Enea SA increased the sales volumes of electricity and gaseous fuel to retail users by 801 GWh, which is 6.4% yoy. The sale of gaseous fuel to business customers increased significantly - a growth by 465 GWh (97.5% yoy) from 477 GWh in Q1-Q3 2015.

IT IS CRUCIAL THAT ENEA TRANSFORMS INTO AN INNOVATIVE RAW MATERIALS AND ENERGY CONCERN, FLEXIBLY ADJUSTING TO THE MARKET ENVIRONMENT CHANGES



We are adjusting the Group's functioning model to market challenges

Facing the projected, material changes occurring in Enea Group's environment it is indispensable to optimise and adjust its functioning model to new market challenges. The Group will be an active participant of positive changes in the Polish economy and will strengthen the Polish energy security, becoming a part of the Responsible Development Plan for Poland and the national energy policy. It will be guaranteed by the implementation of Enea Capital Group's Development Strategy until 2030 of 29 September 2016. The document is the result of several months of analyses and hard work of the Group's employees distributed into competence groups selected from among particular competence areas. The new strategy will allow the Group to transform into an extraordinary, modern, dynamic and flexible organisation, which is able to use the market opportunities. It is not a predetermined scheme, but a jointly developed concept, whose prime goal is growth in the Group's value for Shareholders.

Multi-product and multi-service Enea in the future

According to our new vision, it will be a leading supplier of integrated raw materials and energy related products and services and other innovative services for a wide range of Customers, recognised for the quality, comprehensiveness and reliability. It will guarantee that for itself via delivering constantly improved products and services, exceeding Customers' expectations due to motivated teams working in a friendly, safe and innovative organisation. We wish to be a multi-service and multi-product company so that the Customer knows that when they turn to Enea, they will receive a good offer for the product or service they expect.

We secure electricity supplies for our Customers

Enea Group will pursue the growth in electricity sales volumes to end Customers to the level of 20.1 TWh in 2025 from 16.2 TWh in 2015. The Growth will relate to the extension of own, conventional generation capacity. Notwithstanding the start-up of a 1,075 MW unit in Koziencice Power Plant, we intend to increase our engagement in the construction of new, conventional sources or acquisitions of the existing ones on the level of additional 1,500-2,000 MW until 2025. At the same time, we foresee the modernisation of the existing 200 MW and 500 MW units in Koziencice Power Plant within the scope necessary for guaranteeing their operating efficiency and satisfaction of environmental standards, and as a consequence possibilities of assets functioning on the market until 2030. The total capacity of conventional sources of generation estimated for 2025 will amount to 5.8-6.3 GW against the present 3.2 GW. Due to that, electricity generation from own sources will grow to the level of 20.7-22.8 TWh. We estimate that a considerable element of the foreseen growth in electricity generation is to be the investment in the modern unit in the clean coal technology, the so-called IGCC (Integrated Gasification Combined Cycle) with the capacity totalling to 300-500 MW. Our priority will be also the development of distributed generation and cogeneration sources. Within the renewable energy sources our Group will focus mainly on a growth in the operating efficiency of already held assets perceiving its chance in the development of hybrid RES.

Balance of generation and bituminous coal mining

Increasing the share in the electricity market we have to balance the mining of bituminous coal and energy generation. Our main generation assets are based on bituminous coal, therefore we estimate that increasing own, conventional capacity will increase the demand for bituminous coal to ca. 10.9 million tonnes annually from the current 5.5 million tonnes. Thus, the coal consumption ratio for own needs will increase by 32 p.p. from 43 per cent in 2015 to 75 per cent in 2025. At the same time, we intend to keep the role of the efficiency leader within mining, e.g. via "Smart solutions mine" programme. Its main goal is implementation of technological and IT innovations leading to a further growth in the mining effectiveness and underground work automation. We plan to apply the best practices in mine management to develop a new business line - mining plants operator's services in the whole region of the Central and Eastern Europe.

We will provide our Customers with energy and services of constantly better quality

Our strategy foresees to keep the stable market and financial position due to further strengthening of the area of distribution. We will maximise the grid reliability improving SAIDI index to the level of 144 min, SAIFI to the level of 1.69 and grid loss ratio to the level of 5.9 until 2025. We will obtain that e.g. via the application of modern IT tools allowing for a quick detection of grid failures and separation of damaged sections (FDIR) and modernisation of overhead lines. We will also invest in a smart distribution network initiating the transformation from the electricity supplier towards a multi-service enterprise.

Over 50 per cent of innovative initiatives increasing the Group's business potential

We declare a considerable growth in the innovativeness of our actions and concentration on the Customer. From the total number of 60 strategic initiatives as many as 31 are innovative in nature and relate to the development of new business lines. Thanks to them our Group plans to diversify the revenue structure in the future, including via offering package products with added value for Customers. Enea Innovation will become one of the significant centres of implementing innovative solutions in the Group. Focusing on new, diversified added services is an unprecedented change in the model of energy groups functioning in Poland. With our innovative Strategy we wish to give an explicit signal that Polish concerns may be leaders of changes, and not only followers of market trends.

We are optimising the costs and capital expenditures

We estimate that the basic capital expenditures on maintaining the continuity of the Group's operation in 2016-2030 will amount to ca. PLN 26.4 billion. Additionally, we have planned the implementation of the capital expenditures efficiency growth programme which will enable the allocation of additional PLN 6.2 billion until 2025 and PLN 5.3 billion during 2026-2030 to development investments. Our priority is generating additional EBITDA due to the development of new, innovative business lines which, until 2025, will constitute ca. 5-10 per cent of the Group's EBITDA. Thus, we plan to obtain additional financial capabilities enabling investments in the development of innovative products on the level of PLN 3.2 billion until 2025 and PLN 2.5 billion in 2026-2030. Financing Enea's development plan will be also performed via strategic partnerships with external entities, including State-owned companies and small and medium enterprises, and also via acquisitions of dedicated entities. It will allow for the Group's value growth without any material increase of capital expenditures.

We foresee operating efficiency management within which we estimate the fixed cost optimisation by PLN 700 million until 2025 in relation to 2016 base year.

A consistent implementation of optimisation actions and a conscientious cost control enable us to estimate the value of the Group's return on equity (ROE) on the level of 10 per cent, and the return on assets (ROA) on the level of 5 per cent until 2025.

We are facing the task of drafting area strategies

Setting new directions of the Group development until 2030, we undertook to thoroughly reconstruct our enterprise. During the coming years we will adopt new area strategies, realising the Group's Development Strategy. Our whole organisation, which today employs ca. 15 thousand employees, faces new challenges and hard work. I believe, that due to the team commitment, we will manage to perform set tasks, implementing the general objective: growth in the Group's value for Shareholders.

Sincerely,

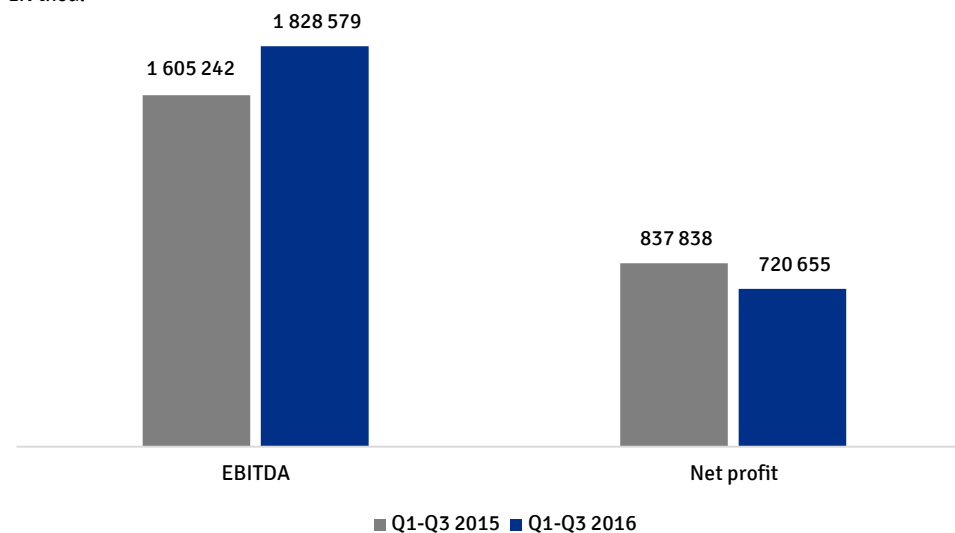
Mirosław Kowalik
President of the Board of Enea SA

[PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %
Net sales revenue	7 150 313	8 303 944	1 153 631	16.1%
Operating profit / (loss)	1 046 971	949 142	-97 829	-9.3%
Profit / (loss) before tax	1 046 231	897 585	-148 646	-14.2%
Net profit / (loss) for the reporting period	837 838	720 655	-117 183	-14.0%
EBITDA	1 605 242	1 828 579	223 337	13.9%
Net cash flows from:				
operating activities	1 345 599	1 822 395	476 796	35.4%
investing activities	- 1 389 124	- 1 990 244	-601 120	-43.3%
financing activities	2 413 310	328 782	-2 084 528	-86.4%
Balance of cash	3 057 101	1 983 027	-1 074 074	-35.1%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	1.89	1.53	-0.36	-19.0%
Diluted profit per share [PLN]	1.89	1.53	-0.36	-19.0%

[PLN '000]	Q3 2015	Q3 2016	Change	Change %
Net sales revenue	2 538 066	2 704 512	166 446	6.6%
Operating profit / (loss)	522 764	338 571	-184 193	-35.2%
Profit / (loss) before tax	523 383	309 752	-213 631	-40.8%
Net profit / (loss) for the reporting period	419 568	249 429	-170 139	-40.6%
EBITDA	711 101	622 057	-89 044	-12.5%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	0.95	0.53	-0.11	-23.9%
Diluted profit per share [PLN]	0.95	0.53	-0.11	-23.9%

[PLN '000]	31 June 2015	30 September 2016	Change	Change %
Total assets	22 988 996	23 616 470	627 474	2.7%
Total liabilities	10 866 393	10 787 376	-79 017	-0.7%
Non-current liabilities	8 457 838	8 667 862	210 024	2.5%
Current liabilities	2 408 555	2 119 514	-289 041	-12.0%
Equity	12 122 603	12 829 094	706 491	5.8%
Share capital	588 018	588 018	-	-
Book value per share [PLN]	27.46	29.06	1.60	5.8%
Diluted book value per share [PLN]	27.46	29.06	1.60	5.8%

PLN thou.



	unit	Q1-Q3 2015	Q1-Q3 2016	Change	Change %	Q3 2015	Q3 2016	Change	Change %
Net sales revenue	PLN thou.	7 150 313	8 303 944	1 153 631	16.1%	2 538 066	2 704 512	166 446	6.6%
EBITDA	PLN thou.	1 605 242	1 828 579	223 337	13.9%	711 101	622 057	-89 044	-12.5%
EBIT:	PLN thou.	1 046 971	949 142	-97 829	-9.3%	522 764	338 571	-184 193	-35.2%
Net profit	PLN thou.	837 838	720 655	-117 183	-14.0%	419 568	249 429	-170 139	-40.6%
Net cash flows from operating activities	PLN thou.	1 345 599	1 822 395	476 796	35.4%	562 674	660 322	97 648	17.4%
CAPEX	PLN thou.	1 953 701	1 854 079	-99 622	-5.1%	830 967	683 033	-147 934	-17.8%
Net debt / EBITDA ¹⁾	-	0.8	1.8	1.0	123.8%	0.8	1.8	1.0	123.8%
Return on assets (ROA) ¹⁾	%	5.2%	4.1%	-1.1 p.p.	-	7.8%	4.2%	-3.6 p.p.	-
Return on equity (ROE) ¹⁾	%	8.8%	7.5%	-1.3 p.p.	-	13.2%	7.8%	-5.4 p.p.	-
Trade									
Sales of electricity and gaseous fuel to end customers	GWh	12 495	13 296	801	6.4%	4 309	4 290	-19	-0.4%
Number of recipients (Power Delivery Points)	thou.	2 380	2 400	20	0.8%	2 380	2 400	20	0.8%
Distribution									
Sales of distribution services to end users	GWh	13 391	13 924	533	4.0%	4 399	4 592	193	4.4%
Number of customers (closing balance)	thou.	2 477	2 512	35	1.4%	2 477	2 512	35	1.4%
Generation									
Total generation of electricity (net), including:	GWh	9 698	10 166	468	4.8%	3 405	3 359	-46	-1.4%
<i>from conventional sources</i>	GWh	9 065	9 773	708	7.8%	3 270	3 244	-26	-0.8%
<i>from renewable sources of energy</i>	GWh	633	393	-240	-37.9%	135	115	-20	-14.8%
Gross generation of heat	TJ	3 601	3 495	-106	-2.9%	454	460	6	1.3%
Sale of electricity, including:	GWh	12 029	12 595	566	4.7%	4 034	4 075	41	1.0%
<i>from conventional sources</i>	GWh	11 396	12 202	806	7.1%	3 899	3 960	61	1.6%
<i>from renewable sources of energy</i>	GWh	633	393	-240	-37.9%	135	115	-20	-14.8%
Sales of heat	TJ	2 801	2 913	112	4.0%	297	329	32	10.8%
Mining ²⁾									
Gross output	thou. of tonnes	8 946	10 751	1 805	20.2%	3 188	3 831	643	20.2%
Net production	thou. of tonnes	5 930	6 682	752	12.7%	2 039	2 397	358	17.6%
Preparatory works	m	15 532	17 196	1,664	10.7%	5 377	5 118	-259	-4.8%

Q1-Q3 2016/Q1-Q3 2015:

**EBITDA higher
by PLN 223 mln**

**Growth in sales of
electricity and gaseous fuel
to end customers
by 801 GWh**

Q3 2016/Q3 2015:

**EBITDA higher
by PLN 204 mln
excl. LTPPA (one-off)**

Q3 2015 – PLN 293 mln

Q1-Q3 2016:

- EBITDA higher by 14% (by PLN 223 mln) - the greatest in the area of Generation (excl. LTPPA)
- consistent development of Enea CG: CAPEX totalling to PLN 1,854 mln with a safe value of net debt/EBITDA ratio (on the level of 1.8)
- higher sales of electricity and gaseous fuel to end users by 6.4% (by 801 GWh)
- greater total generation of electricity by 468 GWh

Q3 2016:

- increase of EBITDA by PLN 204 mln (excl. LTPPA)
- consistent development of Enea CG: CAPEX totalling to PLN 683 mln with a safe value of net debt/EBITDA ratio (on the level of 1.8)
- higher sales of distribution services to end users by 193 GWh
- higher sales of heat by 32 TJ

1) Ratio definitions are to be found on page 77

2) Data for Q1-Q3 and Q3 2015 is only informative. Enea took over LW Bogdanka in Q4 2015 and has consolidated its results since 1 November 2015

I quarter

Changes in Enea's authorities

On 7 January Wiesław Kowalik became the President of the Management Board of Enea, and Wiesław Piosik the Vice-President of the Management Board for Corporate Affairs, who in relation to the nomination into the Management Board resigned from the membership in the Supervisory Board. On the same day, the following people ceased to hold their functions: Dalida Gepfert, Vice-President of the Management Board for Financial Affairs and Grzegorz Kinelski, Vice-President of the Management Board for Commercial Affairs. The duties of the Vice-President for Commercial Affairs were temporarily taken by the Member of the Supervisory Board, Sławomir Brzeziński. On 15 January the following people were recalled from the composition of the Supervisory Board: Sandra Malinowska, Tomasz Gołębiowski and Radosław Winiarski, and the following people were nominated into it: Piotr Kossak, Rafał Bargiel, Roman Stryjski and Piotr Mirkowski. On 21 January the Supervisory Board nominated, as of 15 February, Mikołaj Franzkowiak to the position of the Vice-President of the Management Board for Financial Affairs and Piotr Adamczak to the position of the Vice-President of the Management Board for Commercial Affairs. On the same day Sławomir Brzeziński ceased to perform the duties of the Vice-President of the Management Board for Commercial Affairs.

Enea Wytwarzanie invests in new technologies

In Q1 2016 one of the most important stages of the new 1,075 MW_e power unit construction was successfully completed. A water test of the boiler was successfully performed. In April, on the other hand, the boiler underwent a positive pressure test. Enea Wytwarzanie's unit No. 11 will be the most modern generating unit based on bituminous coal in Poland and Europe.

A modern control station of Traffic Engineers on Duty was launched in Kozienice Power Plant. The room is the heart of the power plant, from which the electricity production may be managed. New posts are equipped with the most modern appliances, which enhances the safety and facilitates the work.

In care for the natural environment chemical laboratories belonging to Enea Wytwarzanie were equipped with the most modern control and metering devices of renowned companies. STARLIMS system which serves for the safe collection, archiving and browsing of data will be implemented there as well. It will be the first implementation of this type in the Polish power sector.

eCSC available for all Enea's Customers

In Q1 2016, the process of implementing a modern electronic system of the Customer Service Centre was completed. The solution is both for households and companies as well. Due to eCSC Enea's Customers may e.g. check the status of invoices, pay the bills and contact the company on any matter.

II quarter

Enea Wytwarzanie strengthens its capacity from renewable sources

In April a new Baczyzna wind farm with the capacity of 14.1 MW was commissioned. The project is located in Lubno, Lubiszyn municipality in Lubuskie province. Enea Serwis was engaged in the construction, and electricity generated by the farm goes to the distribution network of Enea Operator. The anticipated annual electricity production will amount to over 30 thou. MWh.

Enea Operator with a prolonged licence

On 31 May the President of ERO prolonged Enea Operator's licence for electricity distribution. The existing one is in force until 1 July 2017. The works over the preparation of the motion with all the required documents were conducted from March 2015. The new licence is valid until 1 July 2030.

Investments in innovative projects

On 7 June 2016 the National Centre for Nuclear Research, Warsaw University of Technology, Enea, Energa, PGE and Tauron Polska Energia signed a letter of intent relating to the joint actions towards the development, promotion and dissemination of electromobility in Poland and development of the industry connected with this area. Joining the powers of the power sector and scientific community is a chance for new, innovative services and products satisfying customers' growing expectations, assuming building a durable energy security.

Enea Operator implements new solutions

Enea Operator is consistently strengthening the security of electricity supplies in north-western Poland.

In Q2 2016, an innovative technology was introduced allowing for an automatic detection of damages (short circuits) and limitation of their coverage to the place of their occurrence. The application of an innovative solution was possible due to launching by the company of another function of SCADA dispatcher system, and more accurately the so-called FDIR model (Eng. Fault Detection, Isolation and Restoration), which is able to "omit" the damaged section of the grid.

Enea Operator launched the Connection Portal also for its customers. The new platform is an electronic connection Customer service centre.

Additionally, the distribution company from Enea Group granted access on its website to new functions enabling Customers to obtain information on failures on the area interested for them or on cancellation of planned power switch-offs.

III quarter

Changes in the authorities of Enea's core subsidiaries in Q1-Q3 2016

- **LW Bogdanka**

Krzysztof Szlaga became a new President of LW Bogdanka. The other newly appointed Members of the Management Board are: Stanisław Misterek – Vice-President of the Management Board for Economic and Commercial Affairs and Adam Partyka – Vice-President of the Management Board for HR and Social Affairs. The new Management Board commenced their work on 1 April. At the same time, as of 31 March, the so far Members of the Management Board were recalled: Zbigniew Stopa, Waldemar Bernaciak, Piotr Janicki and Jakub Stęchły. On 13 May the Company's Supervisory Board adopted resolutions in the area of nomination as of 23 May of Stawomir Karlikowski to the position of a Vice-President of the Management Board for Production - Head of Traffic in Zakład Górniczy and Marcin Kapkowski to the position of the Vice-President of the Management Board for purchases and investment.

- **Enea Operator**

Two new Members were nominated into the Management Board of Enea Operator as of 1 April. Wojciech Drożdż became the Vice-President for Economic and Financial Affairs, and Dariusz Szymczak the Vice-President for Distribution Service. Marek Lelątko retired from the Management Board. The President of Enea Operator is still Michał Jarczyński, and the Vice-President: Marek Szymankiewicz. Jakub Kamyk was re-appointed to the position of the Vice-President from among the Employees. In July, Enea Operator's Meeting of Shareholders appointed the Management Board for a new term. Since 11 July Andrzej Kojro has presided it. The following people remain in the composition of the Management Board: Marek Szymankiewicz, Wojciech Drożdż and Jakub Kamyk. The existing President, Michał Jarczyński, and Vice-President, Dariusz Szymczak, left the company. On 30 September Wojciech Drożdż was nominated to the position of Vice-President for Innovation and Logistics of Enea Operator who previously was the Vice-President of this Company for Economic and Financial Affairs. And the Extraordinary General Meeting of Shareholders nominated Stawomir Mirkowski to the position of the Vice-president of Enea Operator for Economic and Financial Affairs. Changes entered into force on 10 October. On 2 November the Extraordinary General Meeting of Shareholders recalled Jakub Kamyk - Vice-President for HR.

- **Enea Wytwarzanie**

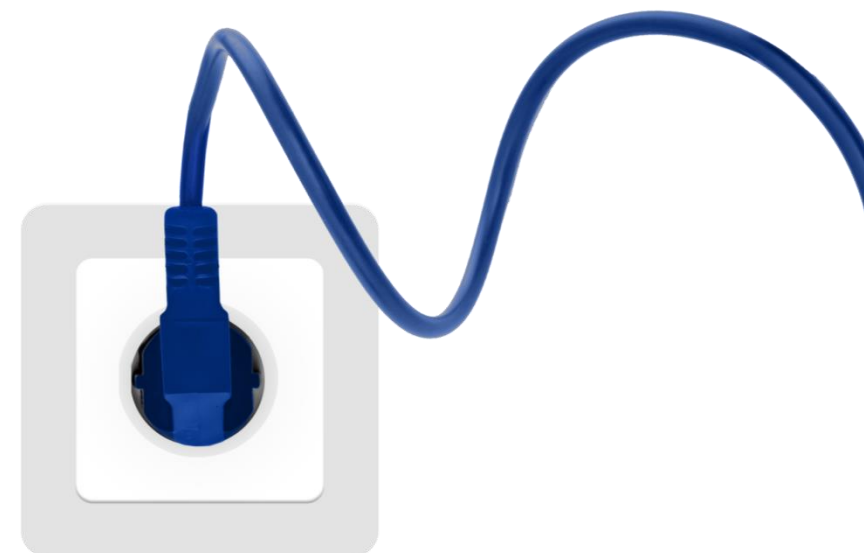
Wacław Bilnicki became a new President of the Company which is responsible for the production of energy and heat in Enea Group. The other new Members of Enea Wytwarzanie's Management Board are: Grzegorz Kotte – Vice-President for Technical Affairs, Elżbieta Piwoński – Vice-President for Corporate Affairs, Stefan Pacyński – Vice-President for Development Strategy and Dariusz Skiba – Vice-President for Economic and Financial Affairs. The sixth Member of the Board remains, selected by the team, the Vice-President for HR Affairs, Grzegorz Mierzejewski. The new Management Board commenced their work on 14 March. As of 13 March, the so far Members of the Board of Enea Wytwarzanie were recalled: Krzysztof Sadowski, Piotr Andrusiewicz, Grzegorz Staniewski and Michał Prażyński. On 12 August Enea Wytwarzanie's Supervisory Board suspended Wacław Bilnicki holding the position of the President of the Management Board and Elżbieta Piwoński holding the position of a Member of the Management Board of this Company. At the same time, the Board delegated Dawid Klimczak, out of its composition, to temporarily act as the President of the Management Board of Enea Wytwarzanie. On 30 September the Extraordinary General Meeting of Shareholders of Enea Wytwarzanie nominated Krzysztof Figat to the position of the President of the Company. Jan Mazurkiewicz was also appointed to the Management Board on the position of the Vice-President for Corporate Affairs. Krzysztof Figat and Jan Mazurkiewicz held their positions on 17 October.

Bogdanka further integrates with Enea Group

Enea continues the process of integration of LW Bogdanka with the Group commenced last year. The course of the integration process is evolutionary from the moment Enea became a strategic investor in the mine from Lublin. In mid April the first stage of this process was completed a part of which was amendment to the Statute of LW Bogdanka as regards the duty of acting in the interest of Enea Group by this Company. The second phase, finalised during the Extraordinary General Meeting of Shareholders of LW Bogdanka on 17 August, consisted in the maximum possible adaptation of Enea Group's standard, adoption of Enea Group's Code and joining Enea Group by LW Bogdanka. Due to the integration the whole chain of values will be utilised optimally, and it will be possible to mutually exchange experiences and competences and develop the whole Group.

Enea joined TUV PZUW

On 7 September Enea joined the Mutual Insurance Company PZUW (TUV PZUW). Enea's membership in TUV PZUW is part of the cooperation between strategic State owned enterprises. A cooperative insurance association dedicated to Enea was created as part of TUV PZUW. The company will use the possibility of concluding an agreement with the mutual insurance company of which it became a member, which will allow for achieving not only favourable terms but also shorten the process of concluding insurances. TUV PZUW insures only its members based on the mutuality principle. TUV members are its owners at the same time. The insurance company is supervised by KNF (Polish Financial Supervision Authority) and PZU SA is the capital guarantor.



III quarter

The Group wishes to increase its generating and mining capacities in a balanced way

- **Preliminary offer submitted with partners for the acquisition of EDF assets in Poland**

On 16 September Enea, PGE, Energa and PGNiG Termika made a joint preliminary, non-binding offer for the purchase of shares in companies belonging to EDF in Poland. These are conventional generation assets conducting business activities, including in particular: Rybnik Power Plant, Combined heat and power plant in Cracow, Combined heat and power plant in Gdańsk, Combined heat and power plant in Gdynia, Combined heat and power plant and heating network in Toruń, Combined heat and power plant and heating network in Wrocław agglomeration, Combined heat and power plant and heating network in Zielona Góra and a gaseous unit in Toruń. In the event of admission to the next stage of the transaction the business partners will conduct a detailed due diligence analysis which will constitute the basis for the decision on further steps in the transaction, including the submission of a potential bidding offer, after obtaining the required corporate approvals.

- **Letter of intent relating to the construction and operation of the power unit in Ostrołęka Power Plant**

On 19 September Enea and Energa signed a letter of intent relating to undertaking the cooperation on the preparation, implementation and operation of a modern 1,000 MW unit in Ostrołęka Power Plant (Ostrołeka C). The intention of the both companies is joint elaboration of an effective business model, verification of the design documentation and optimisation of technical and economic parameters of Ostrołeka C. The cooperation will also include preparation of the tender and selection of the investment general contractor. Energa and Enea agree that the implementation of Ostrołeka C project will positively affect the Polish energy security, will satisfy the highest environmental standards and will guarantee a next highly-efficient and low-emission source of energy in the Polish Power System. The Companies foresee that the construction of the new unit will be completed in H2 2023 and the expenditures on the implementation of the investment will total to ca. 5.5-6 billion PLN/MW.

- **Offer for the acquisition of 100% shares in ENGIE Energia Polska**

On 30 September Enea submitted an offer for the purchase of 100% of shares in ENGIE Energia Polska, the owner of Połaniec power plant. The intention to take over these assets will strengthen the Group's position on the market of electricity producers. ENGIE Energia Polska is currently the fifth largest producer of electricity in Poland. Together with ca. 1.9 GW Połaniec power plant the company accounts for 5% of electricity generation in Poland.

- **Letter of intent relating to the preliminary interest in the financial participation in Katowicki Holding Węglowy**

In relation to the process of obtaining capital investors by Katowicki Holding Węglowy SA, in July the Company commenced talks with potential investors relating to a possibility of implementing a potential investment and its potential parameters. On 28 October Enea SA, Węglokoks SA and Towarzystwo Finansowe Silesia sp. z o.o. signed a letter of intent expressing a preliminary interest in the financial participation in Katowicki Holding Węglowy SA or KHW's assets. The Investors' final decisions as regards the participation in KHW will be made e.g. after the analysis of the due-diligence performed and after the determination of the final shape of all the other arrangements.

Enea CG with the new development strategy until 2030

On 29 September the Company adopted Enea Capital Group's Development Strategy until 2030 for implementation. The main goal of the strategy is increasing Enea CG's value for Shareholders. Enea optimises and adjusts the raw materials and energy concern's functioning model to the market environment. The Group will be an active participant of positive changes in the Polish economy and will strengthen the Polish energy security, becoming a part of the Responsible Development Plan for Poland and development of the national energy policy. Enea will significantly increase its shares in particular market segments and focus on the development of new, innovative business lines and technologies.

The Company estimates that the basic capital expenditures on maintaining the continuity of the Group's operation in 2016 - 2030 will total to ca. PLN 26.4 billion. Enea plans to implement the capital expenditures efficiency growth programme as well. As a result of conducted analyses, the Group optimised the capital expenditures on RES, cogeneration sources and heating networks planned in the previous strategy until 2020. CAPEX potential generated this way and the Group's financial situation will enable Enea to designate additional PLN 6.2 billion until 2025 and PLN 5.3 billion in 2026-2030 on development investments. The expenditures constitute the maximum investment budget the Group may allocate to economically attractive investments, including acquisitions.

The Company will realise efficiency improvement programme, which foresees operating efficiency management within which it estimates the fixed cost optimisation by PLN 700 million until 2025 in relation to 2016 base year.

EuroRating maintained the credit rating of Enea

On 26 September EuroRating affirmed, again this year, the credit rating of Enea on the level of BBB with a stable outlook. The rating was awarded by the agency on its own initiative, in reply to the information needs of market participants, and the credit risk assessment process was based on the publicly known information.

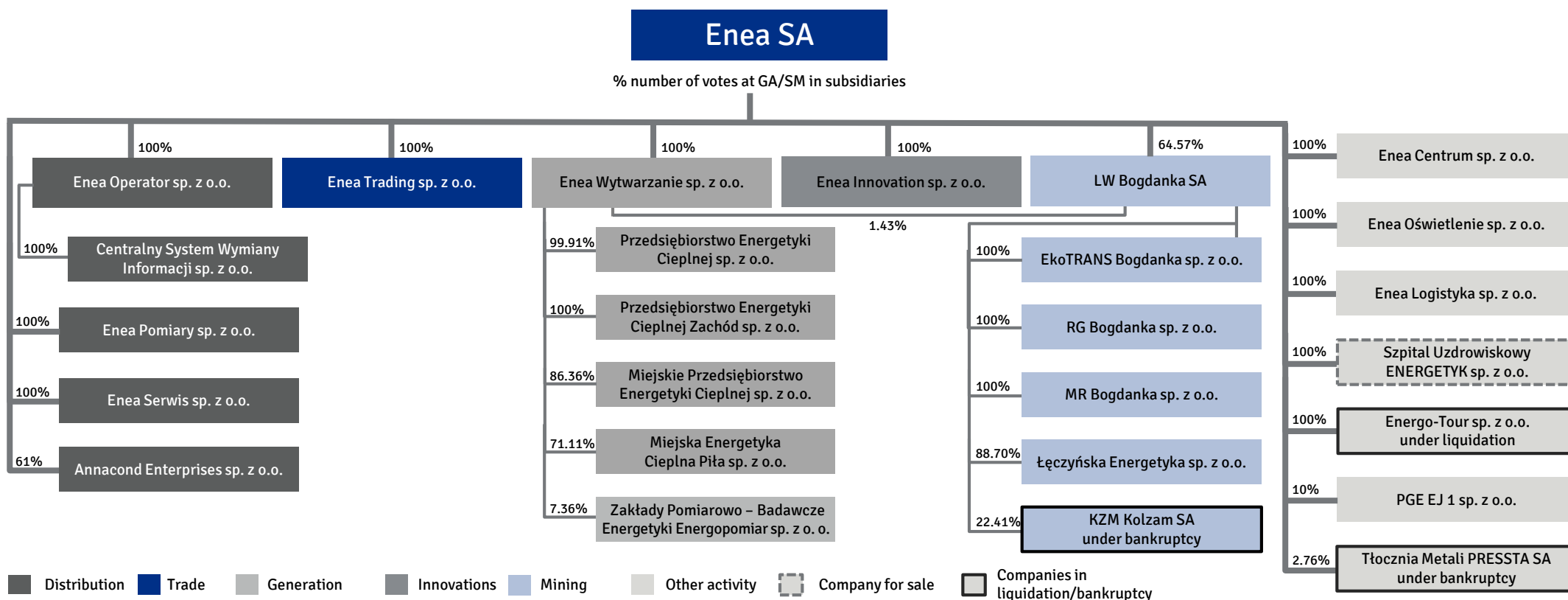
Contract for flue gases denitrification installation in Koziencice Power Plant signed

On 30 September Enea Wytwarzanie and RAFAKO signed a contract for the construction of a modern flue gases denitrification installation together with the modernisation of electrostatic precipitators in Koziencice Power Plant. The value of the contract is PLN 289.2 million net. The completion of the investment is planned for the end of 2018. The subject of the contract is delivery and assembly of a modern installation of the catalytic denitrogenation of flue gases (SCR) together with replacement of flue gas ventilators for AP-1650 boilers on 9 and 10 power units, 500 MW each. RAFAKO will also execute the project and replacement of the electrostatic precipitator with ash removal system and corresponding flue gas channels, and will also modernise the flue gas desulphurisation plant (IOS) for unit No. 9. The goal of the investment is guaranteeing an over five times reduction in the emission of nitric oxides from the current level of 500 - 550 mg/Nm³ to the level of below 100 mg/Nm³ NO_x.



2. Enea Group's organisation and operations

As at 30 September 2016 the Capital Group comprised the parent company, Enea SA, and 13 direct subsidiaries. All the direct subsidiaries are subject to consolidation. 5 leading entities operate within Enea Group, i.e. Enea SA (trade in electricity and gaseous fuel), Enea Operator sp. z o.o. (distribution of electricity) and Enea Wytwarzanie sp. z o.o. (generation and sales of electrical and heat energy), Enea Trading sp. z o.o. (wholesale trade in electricity) and LW Bogdanka SA (coal mining). The other entities render supplementary services in relation to the aforementioned companies. The Group's structure includes also minority interests in entities held by Enea SA's subsidiaries, i.e. in particular Enea Wytwarzanie sp. z o.o. oraz LW Bogdanka SA.



Asset restructuring

After performing, in previous years, key organisational changes in Q1-Q3 2016 Enea Group, apart from the initiatives related to the planned changes, did not conduct any significant activities within assets restructuring.

Area	Company	Event
Other activity	Szpital Uzdrawiskowy ENERGETYK	Sales process

Equity disinvestments

In the period of January-September 2016 no significant activities were performed as regards equity disinvestments.

Equity investments

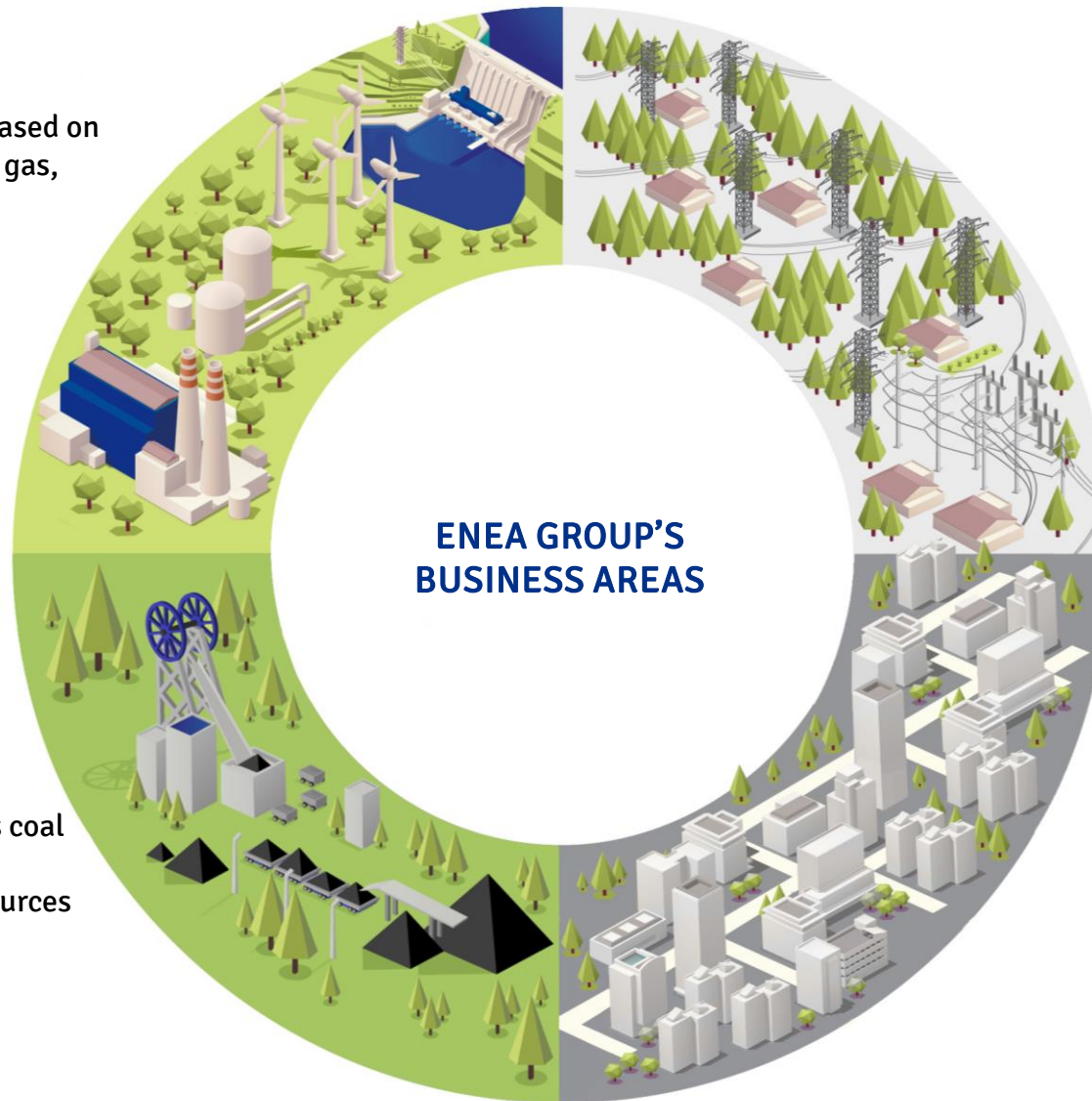
Area	Date	Company	Event
Other activity	11 March 2016	Enea Centrum	Raising the share capital by PLN 502,500 and subscription for all new shares in the amount of 5,025 by Enea SA which paid for them in whole with a contribution in kind being SAP Business Objects Planning and Consolidation (SAP BPC) constituting an element of fixed assets of Enea SA. On 11 March 2016, KRS (National Court Register) entered the raised share capital to the register.
Generation	13 July 2016	Przedsiębiorstwo Energetyki Ciepłej Zachód	Enea Wytwarzanie in order to arrange the capital structure purchased 1 share from Enea Logistyka in PEC Zachód and thus became a sole shareholder in this Company.

GENERATION

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

MINING

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



DISTRIBUTION

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

TRADE

Retail sales:

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

Wholesale trading:

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

Mining



- Area of occurrence of carbon deposits without perspective resources of bituminous coal
- Unverified deposits (forecast cat. D2)
- Unverified deposits (forecast cat. D1)
- Deposit cat. C2
- Perspective deposits for LW Bogdanka (deposit category C1)
- Deposits being currently used by LW Bogdanka

- Distribution network of Enea Operator
- Lublin Coal Basin

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

Enea took over LW Bogdanka in Q4 2015 and has consolidated its results since 1 November 2015. The table below is only informative and presents the key data of the area of Mining in Q1-Q3 and Q3 2015 and 2016.

Description	Q1-Q3 2015	Q1-Q3 2016	Change	Q3 2015	Q3 2016	Change
Gross output ['000 tonnes]	8 946	10 751	20.2%	3 188	3 831	20.2%
Net production ['000 tonnes]	5 930	6 682	12.7%	2 039	2 397	17.6%
Sale of coal ['000 tonnes]	6 008	6 739	12.2%	2 187	2 360	7.9%
Stock (closing balance) ['000 tonnes]	228 ¹⁾	172	-24.6%	228 ¹⁾	172	-24.6%
Length of performed excavations [km]	15.5	17.2	11.0%	5.4	5.1	-5.6%
Yield [%]	66.3%	62.2%	-4.1 p.p.	64.0%	62.6%	-1.4 p.p.

¹⁾ The level of stock presented as at 30 September 2015 includes the coal deposit (23 thou. tonnes) realised for one of coal recipients. The deposit was fully accounted for by the Parent (supplied to recipients) until the end of 2015.

Generation



- Kozienice Power Plant
- Białystok Heat and Power Plant, MEC Piła, PEC Oborniki, PEC Zachód, MPEC Białystok
- Wind farms: Bardy, Darżyno, Baczyzna
- 21 hydroelectric power plants
- Biogas plants: Gorzestaw, Liszkowo
- Distribution network of Enea Operator

Enea Group's generating assets

Description	Installed electrical capacity [MW _e]	Attainable electrical capacity [MW _e]	Installed heating capacity [MW _h]
Kozienice Power Plant	2 960.0	2 925.0	105.0
Białystok Heat and Power Plant	203.5	156.6	383.7
Wind Farms: Bardy, Darżyno and Baczyzna	70.1	70.1	-
Liszkowo and Gorzestaw Biogas Plants	3.8	3.8	3.1
Hydroelectric Power Plants	60.4	57.6	-
MEC Piła	10.0	10.0	151.3
PEC Oborniki ¹⁾	-	-	30.4
MPEC Białystok	-	-	185.0
TOTAL	3 307.8	3 223.1	858.5

1) Sale of generation sources

Description	Q1-Q3 2015	Q1-Q3 2016	Change	Q3 2015	Q3 2016	Change
Total generation of electricity (net) [GWh], including:	9 698	10 166	4.8%	3 405	3 359	-1.4%
Net production from conventional sources [GWh], including:	9 065	9 773	7.8%	3 270	3 244	-0.8%
Enea Wytwarzanie – segment of System Power Plants (excluding biomass co-combustion)	8 905	9 578	7.6%	3 259	3 232	-0.8%
Enea Wytwarzanie - segment of Heat (Białystok Heat and Power Plant - excluding biomass co-combustion)	125	150	20.0%	3	2	-33.3%
MEC Piła	35	45	28.6%	8	10	25.0%
Production from renewable energy sources [GWh], including:	633	393	-37.9%	135	115	-14.8%
Co-combustion of biomass	198	0	-100.0%	12	0	-100.0%
Combustion of biomass	231	201	-13.0%	71	60	-15.5%
Enea Wytwarzanie - segment of RES (hydroelectric plants)	83	79	-4.8%	17	24	41.2%
Enea Wytwarzanie - segment of RES (wind farms)	110	107	-2.7%	32	29	-9.4%
Enea Wytwarzanie - segment of RES (biogas plants)	11	6	-45.5%	3	2	-33.3%
Heat production [TJ]	3 601	3 495	-2.9%	454	460	1.3%

Purchase of electricity by Enea Wytwarzanie on the wholesale market

In Q1-Q3 2016 the volume-related electricity purchases in the segment of System Power Plants amounted to 1,445 GWh. The purchases were made for the needs of energy trading activities. Additionally, 710 GWh of energy was purchased within the Balancing Market.

In the segment of Heat the purchase volume in Q1-Q3 2016 amounted to 27.416 GWh - acquisition on the Balancing Market is 11.405 GWh, purchase in the trade of 16.011 GWh.

Energy trading (sales=purchases) is performed within market possibilities guaranteeing achievement of the anticipated financial result and in order to limit the failure consequences.

Purchase of electricity as part of Q1-Q3 2016 trade related mainly to the segment of System Power Plants and constituted 67% of the whole energy purchases. Purchase of electricity within the Balancing Market accounted for 33%. Purchases within the trade in the segment of Heat stemmed from activities reducing the costs of generating units' failures and lack of available power vs. concluded contracts.

Generation

Sales of electricity as part of the segment of RES - area of wind

Description [PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Q3 2015	Q3 2016	Change
Steady price	18 561	17 658	-4.9%	5 262	4 816	-8.5%
Average weighted price	168.52	166.16	-1.4%	163.58	168.14	2.8%

Sales of electricity by Enea Wytwarzanie

Sales volumes of electricity in Enea Wytwarzanie in Q1-Q3 2016 amounted to 12,595 GWh. Sales were performed by particular segments depending on the statutory obligations and concluded agreements.

Sales of electricity as a part of the segment of System Power Plants

Sales of electricity within the segment of System Power Plants in Q1-Q3 2016 amounted to 11,979 GWh. In that period, Enea Wytwarzanie had a statutory duty to sell 15% of generated electricity on the commodity exchange. The other sales is sales within Enea CG 83% and to the balancing market (PSE SA) 2%.

Sales of electricity as part of the segment of Heat

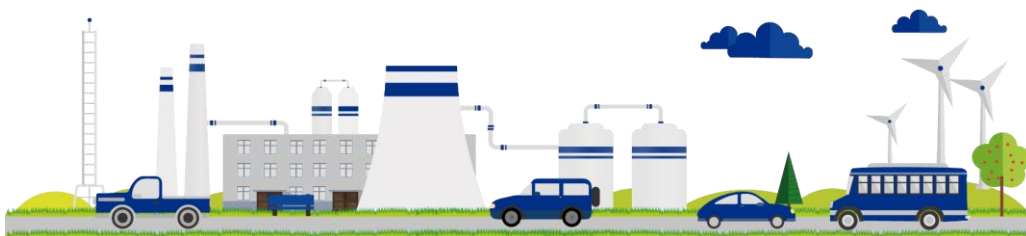
In the segment of Heat sales of electricity in Q1-Q3 2016 amounted to 379 GWh - sales within Enea CG accounted for 93.5%, sales within the balancing market (PSE SA) 4% and sales to end users totalled to 2.5%.

Sales of electricity as part of the segment of RES

In the segment of RES sales of electricity in Q1-Q3 2016 amounted to 192 GWh (beyond Enea CG - 46%, and within Enea CG - 54%).

Sales of electricity within Subsidiaries

Sales of electricity within the Subsidiaries in Q1-Q3 2016 amounted to 45 GWh.



Supply of coal

Fuel type	Q1-Q3 2015		Q1-Q3 2016		Change	
	Volume ['000 tonnes]	Costs ¹⁾ [PLN mln]	Volume ['000 tonnes]	Costs ¹⁾ [PLN mln]	Volume	Costs ¹⁾
Bituminous coal	4 529	1 010	4 275	893	-5.6%	-11.6%
Biomass	476	131	339	64	-28.8%	-51.1%
Fuel oil (heavy) ²⁾	6	7	6	5	0.0%	-28.6%
Gas ['000 m ³] ³⁾	9 753	14	11 546	17	18.4%	21.4%
TOTAL		1 162		979		

1) Including transport

2) Light-up fuel in Kozenice Power Plant

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

Enea Wytwarzanie – segment of System Power Plants:

The basic fuel used to produce electricity is bituminous coal (fuel dust). In Q1-Q3 2016, the main supplier of coal to Enea Wytwarzanie was LW Bogdanka SA (around 74% of coal supplies). Additionally, supplies were performed by Katowicki Holding Węglowy SA (ca. 13% of supplies), Jastrzębska Spółka Węglowa SA (ca. 7%) and Polska Grupa Węglowa [(formerly: Kompania Węglowa SA) ca. 6%].

Enea Wytwarzanie - segment of System Power Plants did not perform biomass co-firing in Q1-Q3 2016.

Enea Wytwarzanie - segment of Heat:

The basic fuel used in Enea Wytwarzanie - segment of Heat (Elektrociepłownia Białystok) is biomass, mainly as wood chips, energetic willow chips and sunflower husk pellets.

In Q1-Q3 2016, the volume of supplied biomass amounted to 338,915.82 tonnes, and the deliveries were performed by 12 entities. Around 30% of biomass was delivered to the area of Enea Wytwarzanie - segment of Heat, using a rail transport.

In Q1-Q3 2016, supplies of coal to Enea Wytwarzanie - segment of Heat were performed by: Kompania Węglowa SA (ca. 7%), Katowicki Holding Węglowy SA (ca. 53% dostaw), Jastrzębska Spółka Węglowa SA (ca. 40%).

Coal Transport

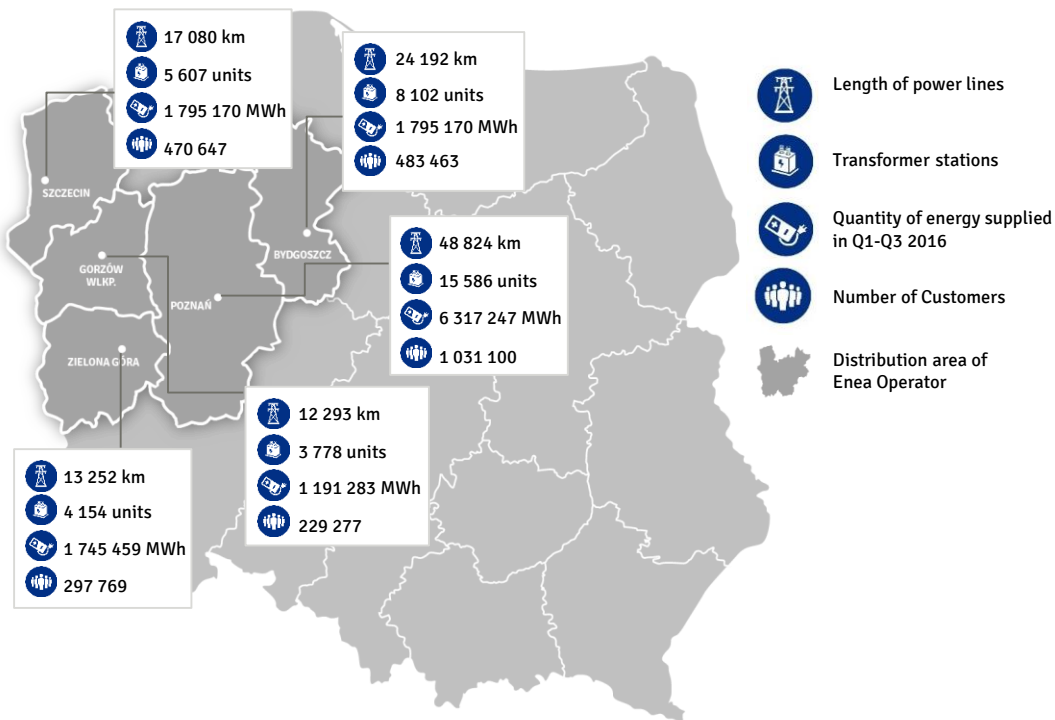
Enea Wytwarzanie – segment of System Power Plants:

The only means of transport used to deliver bituminous coal to the segment of System Power Plants in Q1-Q3 2016 was a rail transport. PKP Cargo forwarder realised 100% of supplies.

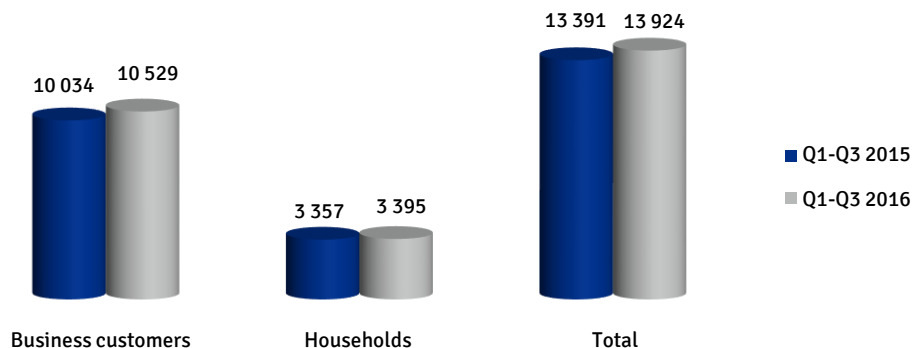
Enea Wytwarzanie - segment of Heat:

Supplies of coal to Enea Wytwarzanie - segment of Heat in Q1-Q3 2016 were realised by rail transport by PKP Cargo SA (ca. 75%) and Freightliner PL sp. z o.o. (ca. 25%).

Distribution



Sales of distribution services [GWh]



Technical indicators:

Description:	Q1-Q3 2015	Q1-Q3 2016	Change	Q3 2015	Q3 2016	Change
SAIDI unplanned interruptions including catastrophic ones (HV, MV) [minutes]	361.34	197.38	-45.38%	233.27	99.15	-57.50%
SAIDI unplanned interruptions including catastrophic ones (HV, MV) [pcs]	4.41	2.99	-32.20%	2.10	1.28	-39.05%
% of contract performance in the reference term 18 months (group IV) [%]	84.82%	86.63%	1.8 p.p.	87.75%	87.18%	-0.57 p.p.
% of contract performance in the reference term 18 months (group V) [%]	89.41%	95.60%	6.19 p.p.	88.97%	96.85%	7.88 p.p.

Other technical indicators

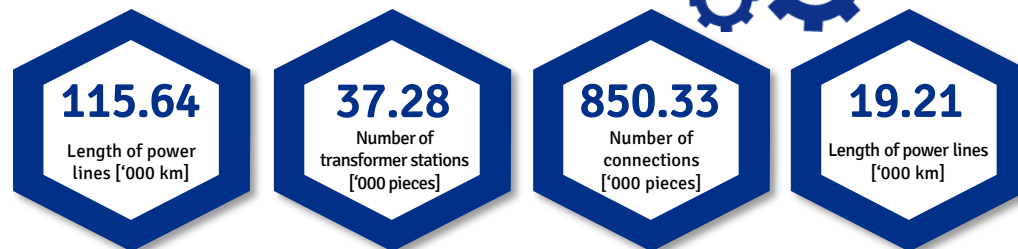
Description:	Q1-Q3 2015	Q1-Q3 2016	Change	Q3 2015	Q3 2016	Change
Grid losses index [%]	5.82	4.70	-1.12 p.p.	5.84	5.36	-0.48 p.p.

Sales of distribution services

Description:	Q1-Q3 2015	Q1-Q3 2016	Change	Q3 2015	Q3 2016	Change
Sales of distribution services [GWh]	13 391	13 924	3.98%	4 398	4 593	4.43%

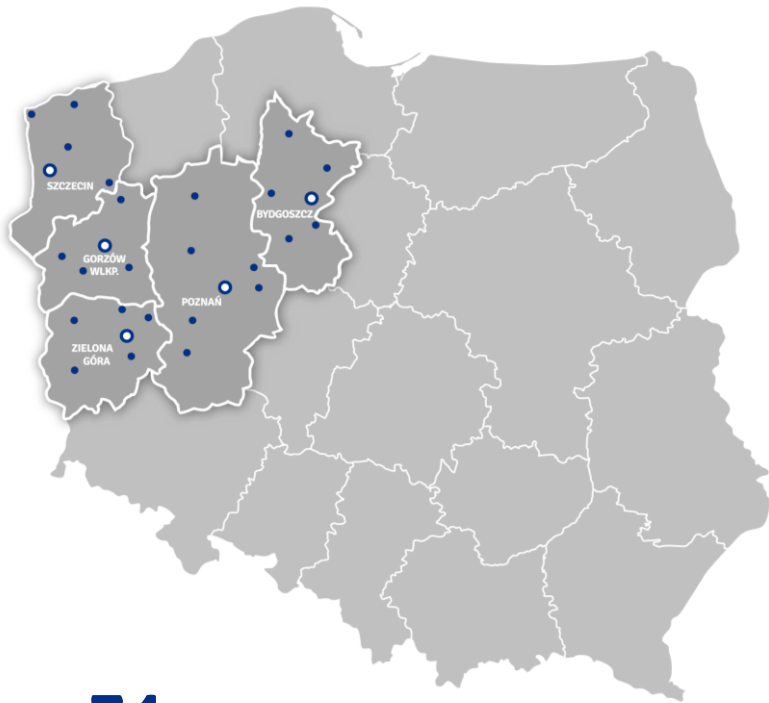
RAB, number of customers

Description:	2015	2016
RAB [PLN '000]	6 910 924	7 252 486
Number of customers [pcs]	2 487 023	2 512 256 ¹⁾



1) (as at 31 March 2015):

Trade

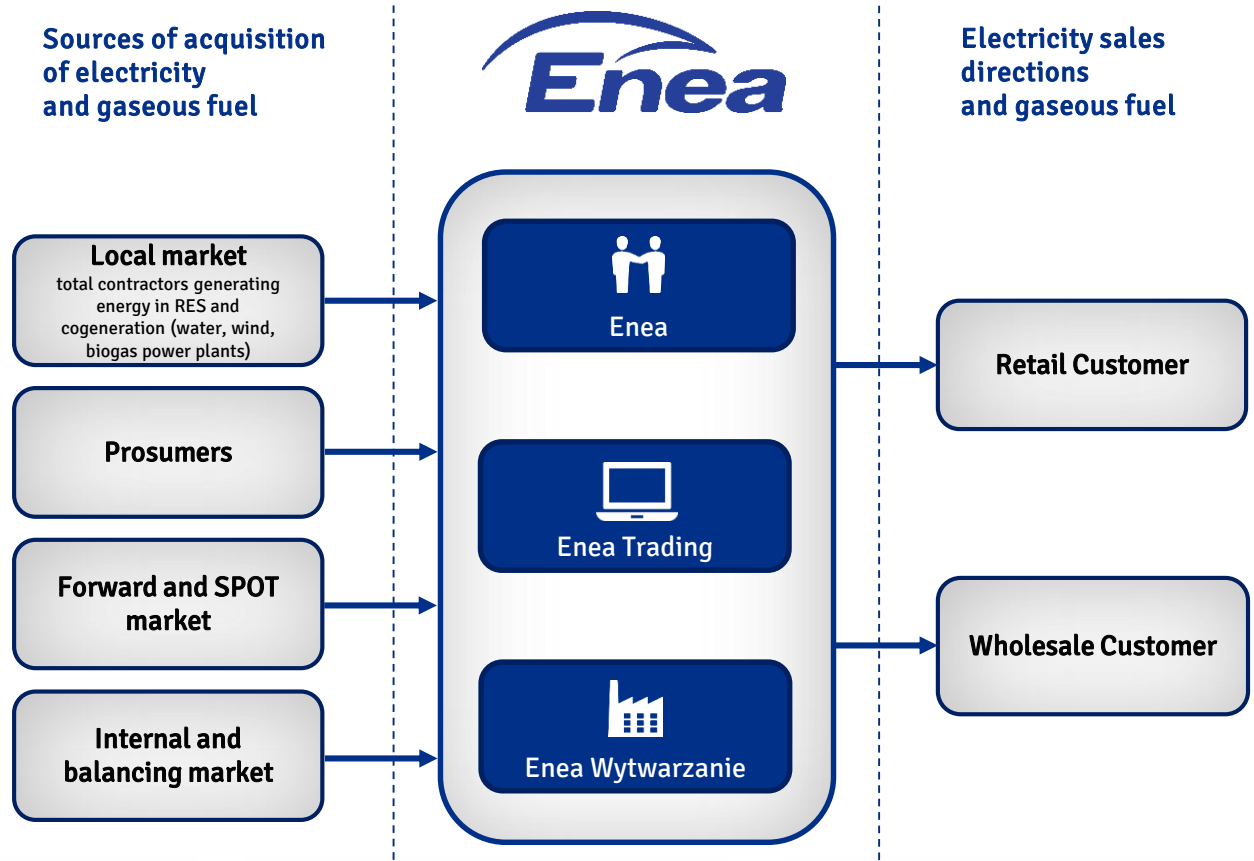


31 modern Customer Service Centres

● Customer Service Centre

Distribution network of Enea Operator

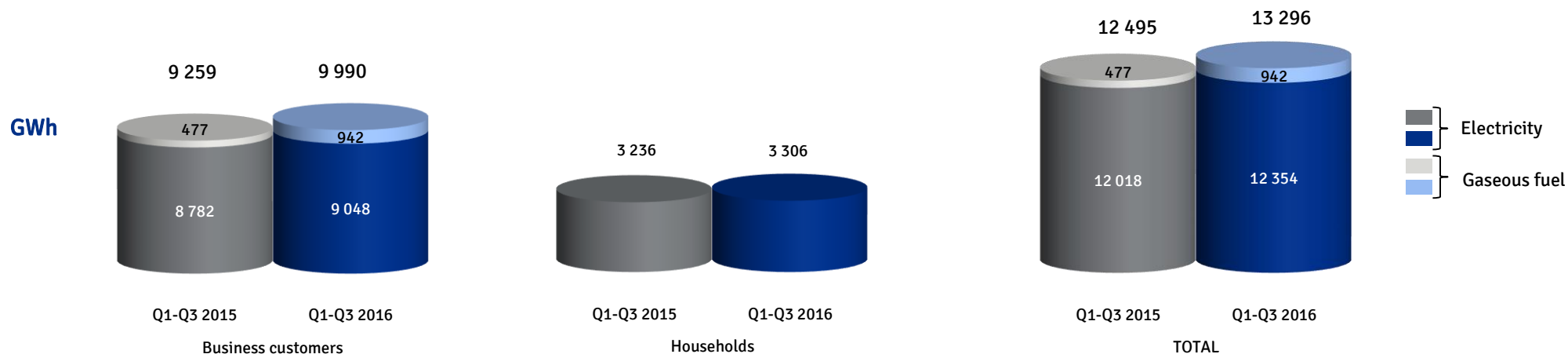
The diagram below presents the operating dependencies between Enea Group companies and business partners and Customers in the area of Trade:



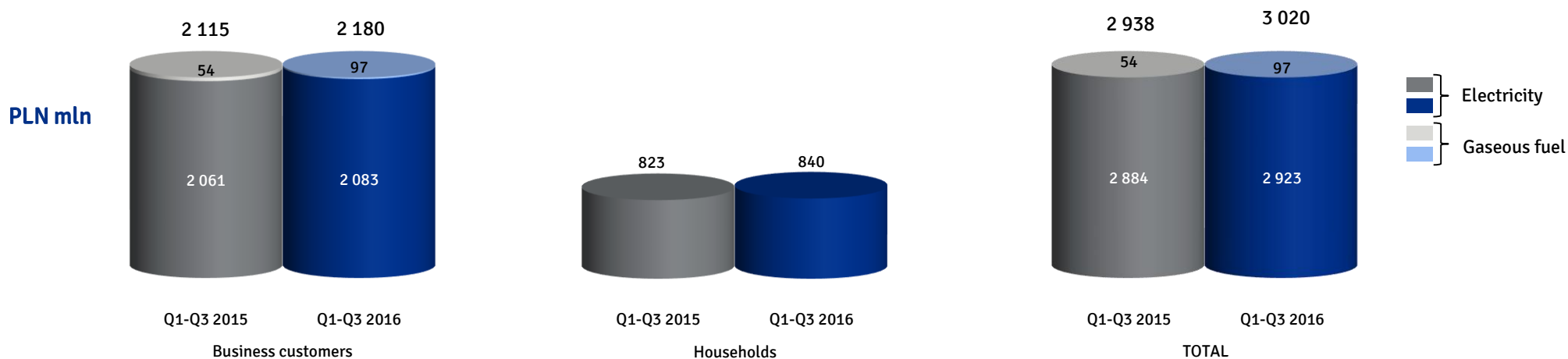
Trade

Sales of electricity and gaseous fuel to retail users are performed mainly by Enea SA. In Q1-Q3 2016, as compared to the same period of 2015, there was a growth in the total volumes of electricity and gaseous fuel sold to retail users by 801 GWh, i.e. by over 6%. The growth occurred both in the segment of business recipients (by 731 GWh i.e. by almost 8%) and in the segment of households (70 GWh, i.e. by over 2%). The growth in the sale volumes in the segment of business customers resulted from a growth in sale volumes of electricity (by 266 GWh, i.e. by 3%) and mainly from the dynamic growth in sales of gaseous fuel (by 465 GWh, i.e. by 97%). The total volume growth in sales of electricity and gaseous fuel translated into a growth in total sales revenue by PLN 82 million, i.e. by almost 3%, in relation to the same period of 2015.

Sales of electricity and gaseous fuel to retail customers of Enea SA



Revenue from sales of electricity and gaseous fuel to retail customers of Enea SA



Enea Capital Group’s Development Strategy until 2030

Mission

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

Vision

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

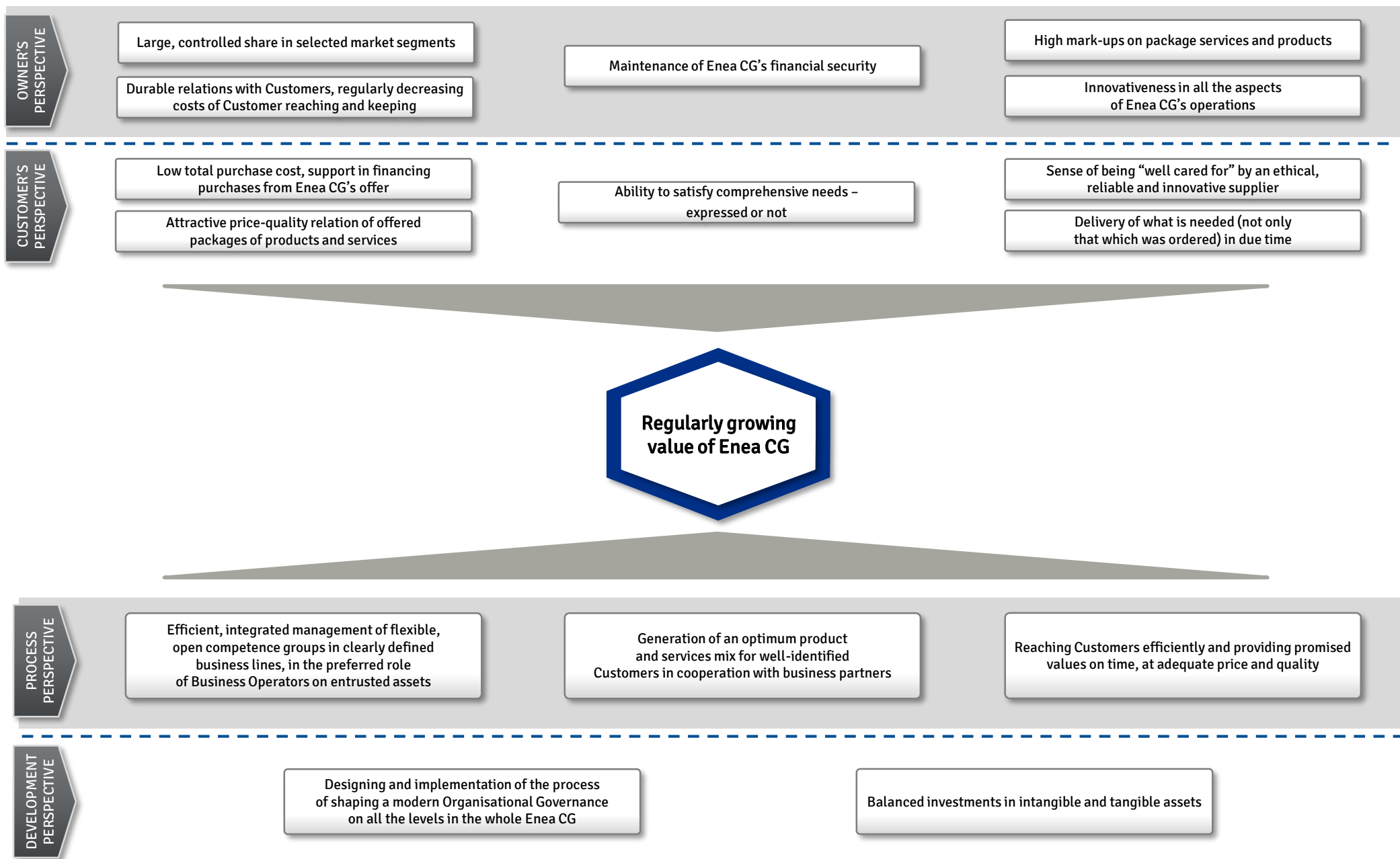


On 29 September 2016 the Supervisory Board of Enea approved the document titled: “Enea Capital Group’s Development Strategy until 2030”. The new development directions defined in the Strategy anticipate that Enea CG will be:

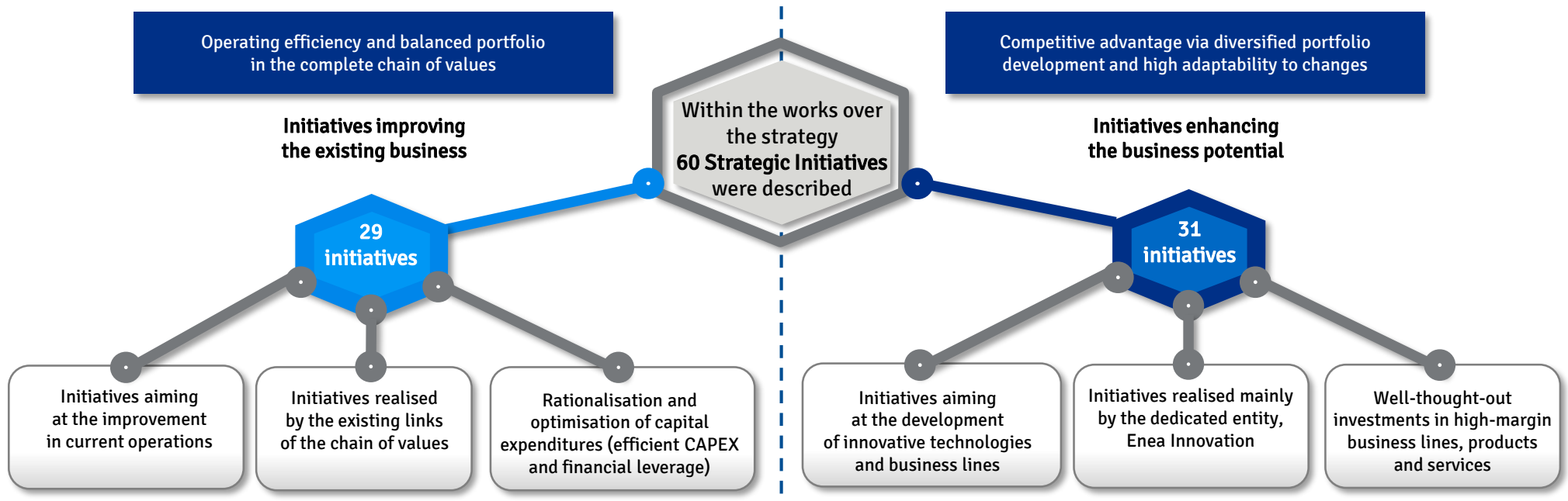


1. **INNOVATIVE:** a leader in identification, assessment of the potential and implementation of innovative undertakings on a large scale
2. **MULTISERVICE:** diversified portfolio of provided services, stable income sources
3. **HIGHLY-SPECIALIST:** specialist knowledge, competences and maturity in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

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



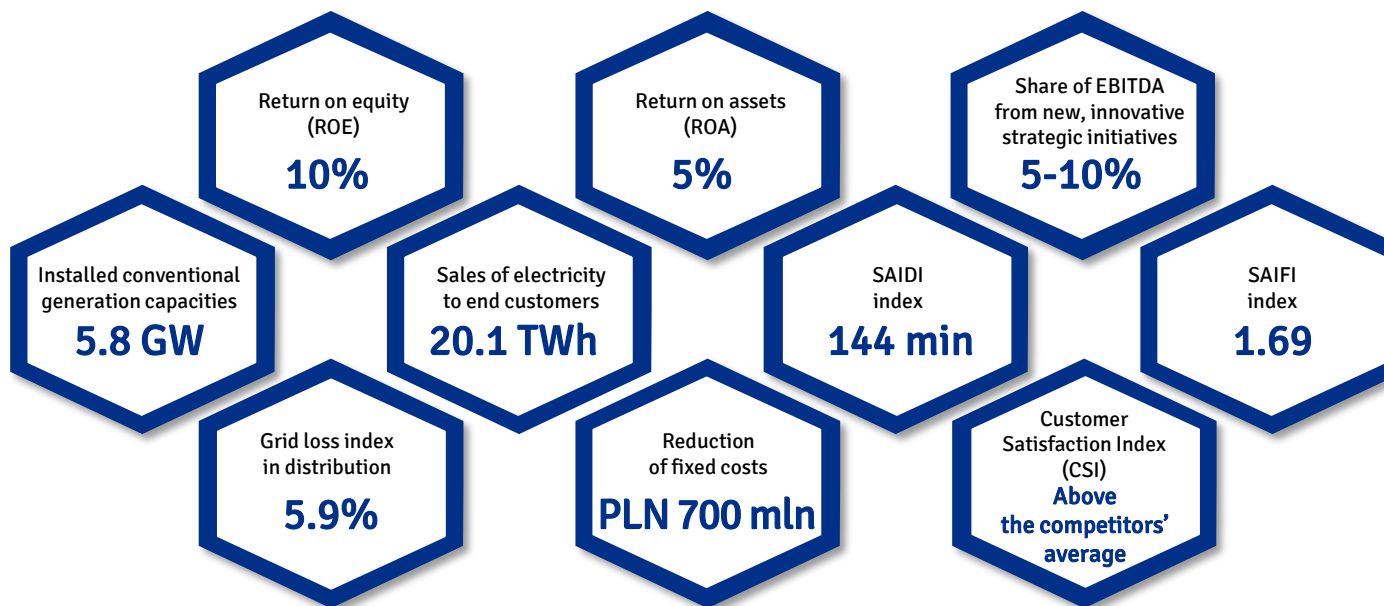
Enea defined over 50% of innovative initiatives increasing the business potential ...



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



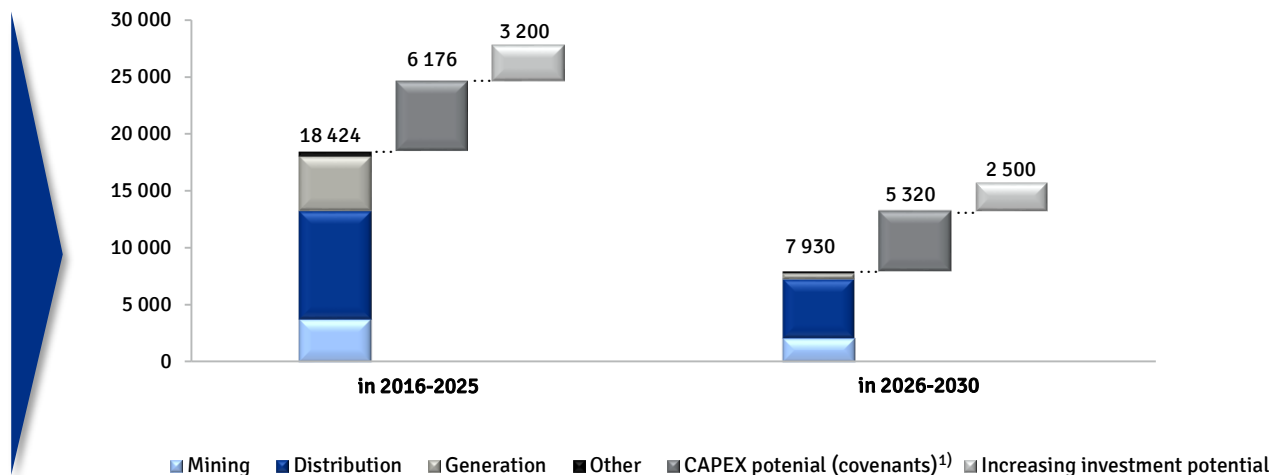
Enea CG's ratios as a result of the Strategy implementation



Basic investment fund in the amount of PLN 26.4 billion

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

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



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

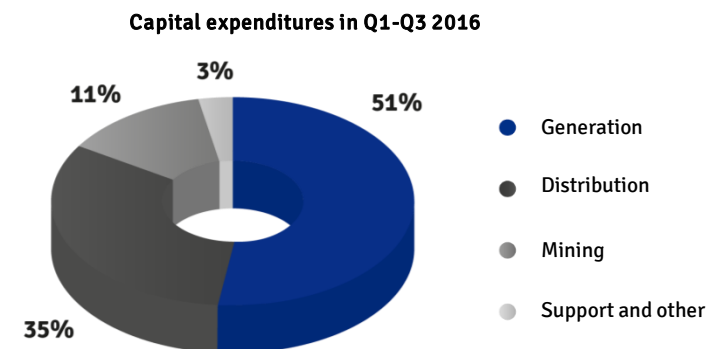
2) Increasing the investment potential by PLN 5.7 billion as a result of the implementation of innovative strategic initiatives (growth in EBITDA)

Growth perspectives in 2016

Area	2015 vs. 2016 perspective	Perspective	Key factors	Implementation
Mining	Drop	Neutral	<ul style="list-style-type: none"> (-) Lower price of coal (+) Construction of new roadways (+) Assets modernisation (+) Constant enhancement of efficiency 	<ul style="list-style-type: none"> (-) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective
Conventional power engineering	Neutral	Neutral	<ul style="list-style-type: none"> (-) Lower price of energy (-) Lower limit of free CO₂ (+) Lower price of coal (+) Greater generation of electricity (+) Internal processes optimisation 	<ul style="list-style-type: none"> (-) Upholding the perspective (-) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective
Renewable energy sources	Growth	Drop	<ul style="list-style-type: none"> (-) Drop in price and volume of RES Proprietary Interests (+) Greater generation of electricity (+) Optimisation of costs of the area of Water 	<ul style="list-style-type: none"> (-) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective
Distribution	Drop	Drop	<ul style="list-style-type: none"> (-) Drop of WACC to 5.675% may result in EBITDA lower by ca. PLN 58 mln (-) Lower volumes of electricity for covering book-tax difference in the Tariff (+) Management optimisation in the segment (+) Works over the improvement of service quality (SAIDI and SAIFI index reduction) 	<ul style="list-style-type: none"> (-) Upholding the perspective (-) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective
Trade	Drop	Drop	<ul style="list-style-type: none"> (-) Threat from the side of new energy sellers (+) Sales channels development (+) Development of the range of products (-) Lower gas prices as a result of collapse in oil prices (-) Lower price of electricity 	<ul style="list-style-type: none"> (-) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective (+) Higher gas prices (-) Upholding the perspective

Capital expenditures in Q1-Q3 2016

Capital expenditures [PLN mln]	Q1-Q3 2015	Q1-Q3 2016	Change %	2016 Plan
Generation	1 394.5	938.4	-32.7%	1 969.5
Distribution	490.7	645.5	31.5%	847.7
Mining	-	215.1	-	437.9
Support and other	68.5	55.1	-19.6%	155.1
TOTAL	1 953.7	1 854.1	-5.1%	3 410.2



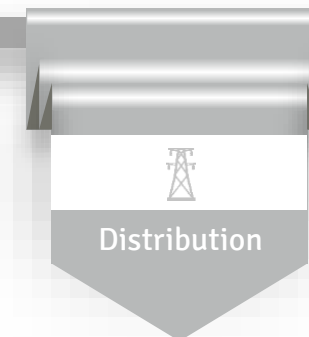
Investments implemented in Q1-Q3 2016



- Obtaining new licences:
 - application for a new licence for the mining use in K-6 and K-7 area of “Cyców” deposit
 - acquisition of access to the geological information of “Ostrów” deposit
 - completion of drilling works by research holes of “Ostrów” area
- Maintaining the machinery and equipment - acquisition and assembly of machinery and equipment, and periodic repairs of cars, purchase of ventilation dams and conveyor belt sets
- Other development and replacement investments:
 - execution of 17.2 km of new excavations
 - central air-conditioning for Bogdanka field
 - extension of the plant for mining waste neutralisation
 - continuation of the power grids extension and modernisation of elements of the switching station and 110/6 kV station in Nadrybie



- Successive stages of the construction of a supercritical bituminous coal fired 1,075 MW_e power unit
- 14.1 MW Baczyna wind farm commissioning
- Unit No. 1 - obtaining the operating permit and commissioning of the installation of the catalytic denitrogenation of flue gases (SCR)
- Continuation of the SCR installation for units No. 4-8 and 1-2
- Commencement of the modernisation of cooling water intake - temporary stabilising checkdam on the Vistula River
- Commencement of the SCR installation and modernisation of electrostatic precipitators for units No. 9 and 10 as part of the 2 x 500 MW units modernisation programme



- Completion of the realisation of a range of investments on medium and high voltage related to the extension, automation and modernisation of the unit and power grids, including:
 - Pakość- Żnin 110 kV line reconstruction
 - Stęszew-Kościan 110 kV line reconstruction
 - Drawski Młyn - Wronki 110 kV line reconstruction
 - Pniewy - Sieraków 110 kV line reconstruction
 - GPZ Pniewy reconstruction
- Continuation of improving the connections of Customers to the power grid
- Continuation of the development of information tools supporting the grid management

Investments planned until the end of 2016 within the currently held assets

Mining

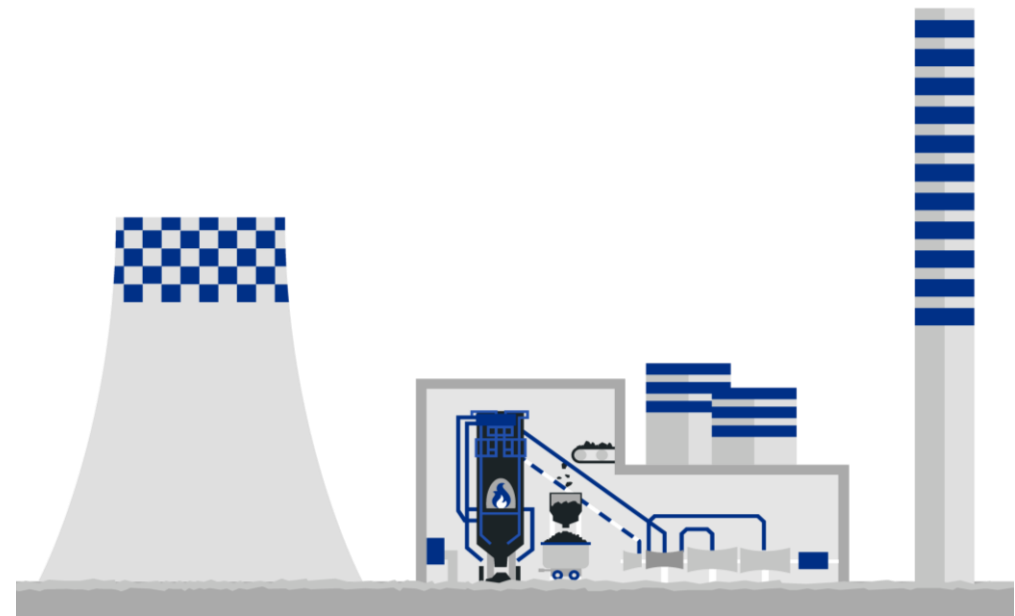
Development investments	<p>Obtaining new licences:</p> <ul style="list-style-type: none"> • continuation of the process of applying for a licence as regards K-6 and K-7 and "Ostrów" and "Orzechów" areas • commencement of exploratory works in "Orzechów" <p>Maintaining the machine park:</p> <ul style="list-style-type: none"> • purchase and assembly of new machines and equipment • modernisation and renovations of machinery and equipment
Operating investments	<p>New excavations and modernisation of the existing ones:</p> <ul style="list-style-type: none"> • performance of excavations, mainly wall roadways, face lines and other technological and access excavations, enabling exploitation of walls • reconstruction of mining excavations
Other investments	<p>Other development and replacement investments:</p> <ul style="list-style-type: none"> • central air conditioning of Bogdanka field - the other expenditures will be devoted for the installation of a heat exchanger for fire water cooling • extension of the mining waste neutralisation in Bogdanka - continuation of the acquisition of plots located on the area of Stage II and Stage III • continuation of the power grids expansion

Distribution

New	<ul style="list-style-type: none"> • Construction of GPZ Śmiłowo • Reconstruction of GPZ Niemierzyn • Reconstruction of GPZ Tanowska • Reconstruction of GPZ Załom • Reconstruction of GPZ Stargard Wschód
Continuation	<ul style="list-style-type: none"> • Continuation of the programme of smart grid solutions development (AMI) within the application test of smart meters and installation of balancing meters • Continuation of a programme enhancing grid reliability • Continuation of the Grid Information System project • Construction and modernisation of a range of grid infrastructure elements, such as HV, MV and LV lines and transformer stations

Generation

Segment of System Power Plants	New	<ul style="list-style-type: none"> • Modernisation of unit No. 4
	Continuation	<ul style="list-style-type: none"> • Construction of power unit No. 11 (completion in 2017) • IOS IV Flue Gas Desulphurisation Plant - within flue gas channels • Installation of flue gases denitrification - SCR for units No. 4-8 and 1-2 (completion in 2017) • Installation of flue gases denitrification - SCR for units No. 9-10 (completion in 2018) • Construction of industrial waste and rainwater treatment • Modernisation of cooling water intake - temporary stabilising checkdam on the Vistula River (completion in 2017) • Modernisation of the slag and ash depot - modernisation of field 5
Segment of Heat		<ul style="list-style-type: none"> • Construction of flue gas desulphurisation plant on K7 and K8 boilers (completion in 2017)
Segment of RES		<ul style="list-style-type: none"> • Searching for bargain investment and acquisition projects



Status of works on the key investment projects

Investment	Project status	CAPEX Q1-Q3 2016 [PLN mln]	Total CAPEX [PLN mln]	Work progress (%)	Anticipated date of completion
Construction of a 1,075 MW power unit No. 11	<p>In Q3 2016 the following works were completed on the construction site:</p> <ul style="list-style-type: none"> • Assembly of air installation - AKPiA (Instrumentation and Automated Control Systems) in boiler house and machine room • Assembly of steel structures of the technological flyover, inclined coal conveyor, distribution tower of the coal conveyor • Assembly of coal transfer points 	742.5	5 922.0	90%	2017
IOS IV flue gas desulphurisation plant	<ul style="list-style-type: none"> • Successfully completed hydraulic test of live steam pipelines • Voltage supply to reserve and start-up transformer • Connecting voltage to 10 kV switching station • Construction works of the oil management building with pumping station • Hydraulic test of high-pressure pipelines on boiler • Electrostatic precipitator mechanical assembly 	9.1	288.3	99%	2016
IOS IV flue gas desulphurisation plant	Main unit of IOS IV, flue gas channels, auxiliary ventilators, chimney No. 3, IOS IV power supply were commissioned. All the devices and installations operate according to the technical parameters included in the agreements. What is still to be executed is the scope relating to the COD "chemical oxygen demand" in treated waste-water from IOS IV installation.	9.1	288.3	99%	2016
Modernisation of unit No. 4	Significant part of design and disassembly works was performed on unit No. 4. Main steam pipelines are being tested, modernisation was commenced of the generator's rotor, modernisation works are in progress on the generator's stator, turbine set gears were disassembled. Unit's transfer to a major renovation - 1 August 2016 planned start-up of the unit after the major renovation - 13 December 2016	12.7	31.8	45%	2017
Modernisation of unit No. 5	On 7 June 2016 unit No. 5 was commissioned. The other works are in progress which are not related to the unit outage.	74.4	87.9	99%	2016
Construction of industrial waste and rainwater treatment	On 9 May 2016 Annex No 3 was signed in which works related to the laying of the power feeding cable were prolonged until 31 July 2016, some scope of works related to the disassembly and construction of the internal road was however cancelled (the Agreement value was reduced). On 15 September 2016 Enea Wytwarzanie obtained a new Integrated Permit decision. The procedure is in progress relating to the preparation of the order for the completion of the scope of works, which was resigned form in the original Contract.	7.2	29.4	97%	2016
Installation of flue gases denitrification - SCR for units No. 1 and 2	SCR installation on unit No. 2 was commissioned. A successful completion of the adjustment operation and test run of SCR installation on unit No. 1. A decision on operating permit was obtained for SCR installation on unit No. 1 and the installation was commissioned. Annex to the Agreement is being arranged with the Contractor relating to the amendment of the unit parameters and reducing the contract value due to the resignation from some scope of the Agreement.	6.3	97.9	98%	2016
Modernisation of unit No. 9 as a part of 2 x 500 MW units modernisation programme	In 2017 the modernisation of unit No. 9 is planned. Currently, the material scopes and tender documents are being prepared relating to the works connected with the modernisation.	0	90.0	1%	2017
Modernisation of cooling water intake - stabilising checkdam on the Vistula River	The project is at the stage of preparation for realisation. The environmental decision is pending (the Environmental Impact Assessment Report is being completed)	0.4	33.0	2%	2017
Installation of the catalytic denitrogenation of flue gases and modernisation of electrostatic precipitators for AP - 1650 boilers of units No. 9 and 10 as a part of the 2 x 500 MW units modernisation programme.	On 30 September 2016 Enea Wytwarzanie and RAFAKO SA signed a contract for the construction of a modern flue gases denitrification installation together with the modernisation of electrostatic precipitators in Kozienice Power Plant. The value of the contract is PLN 289.2 million net. The investment is planned to be completed at the end of 2018.	1.2	321.9	1% ¹⁾	2017
Installation of flue gases denitrification - SCR for units No. 4-8	Completion of the SCR installation of flue gases denitrification on units No. 5, 6 and 7 and the common part for SCR installation for units No. 4-8. Some works were also performed relating to the SCR installation on unit No. 8. Currently, SCR installation for unit No. 4 is being performed.	44.2	203.7	80%	2017
Installation of flue gases denitrification - SNCR for unit No. 3	Notwithstanding IED or BAT environmental standards it is not planned to construct a SCR/SNCR installation on unit No. 3. As a result of the modernisation/replacement of burners for low-emission ones, the unit is currently capable, using natural methods, of a long-lasting maintenance of NO _x emissions on the level of 300 - 350 mg/Nm ³ . Lack of an installation of flue gases denitrification on unit No. 3 imposes however some operating conditions of the unit which will have to operate jointly with other neighbouring units equipped with SCR installations.	0	42.6	1%	2017
Construction of flue gas desulphurisation plant on K7 and K8 boilers	Construction works related to the construction of the flue gas desulphurisation plant for K7 and K8 boilers commenced on 6 May 2016. Until that time, the IOS main building, ventilator, sorbent and PPR and flue gas channels' foundations were performed. Currently, the IOS main building steel structure, reactor and bag filter are being assembled. The Agreement's planned completion date (guarantee measurement, Agreement completion) - 15 December 2017.	33.7	105.5	50%	2017
Modernisation of unit No. 10 as a part of 2 x 500 MW units modernisation programme	In 2018 the modernisation of unit No. 10 is planned. Currently, the material scopes and tender documents are being prepared relating to the works connected with the modernisation of unit No. 10.	0	88.1	1%	2018

1) The execution status of the tender stage was presented in H1 2016 report. Currently, the project's financial progress is presented.

Activities implemented in Q1-Q3 2016

Activities to be realised until the end of 2016



Area of Retail Sales

- Launching the e-commerce platform (Purchaser Zone)
- Conducting e-CSC promotional campaign
- Comprehensive research of the Customer service quality
- Implementation of the offer for households for sales - "ENERGY+ Specialist" and launching the advertising campaign promoting the offer and Purchaser Zone
- Extending the product portfolio within gaseous fuel

- Continuation of the advertising campaign for households promoting "ENERGY+ Specialist" product and Purchaser Zone
- Launching the promotional campaign directed to C1 segment
- Conducting Customer satisfaction surveys
- Implementation of the analytic system aiding the sale-purchase portfolio management and projection
- Drafting the development concept for the product offer for the coming years



Area of Customer Service

- Completion of a migration process of Customer data to the central billing system - CCSS-T, CCSS-D
- Launching an Electronic Customer Service Centre for all Customers
- Termination of the proceeding for the selection of a mass printout provider (reducing print costs)
- Opening a modernised monumental office building with a Customer Service Centre in the centre of Szczecin
- Launching new services for all Enea CG Companies on Enea Group's on-line service

- Optimisation of CSC, visualisation of selected CSCs
- Higher quality and scope of services by remote contact channels as a result of increasing the catalogue of Customer matters realised by first contact
- Commencement of the purchase process of a new contact centre multichannel platform whose implementation is planned for January 2017 - it will grant access for Customers to new contact channels
- Development of new concepts of functioning of Customer service and settlement support areas and preparation of the implementation plan



Area of Wholesale Trade

- Development and approval of the "Method of managing the portfolio of proprietary interests resulting from certificates of origin of electricity from RES in Enea Group"
- Development and implementation of the methodology and a tool for constructing futures curves for natural gas on the Polish market
- Development of the assessment and estimation methods relating to the risk of growth and drop in electricity prices
- Development and implementation of a model of long-term price paths for products listed on wholesale markets
- Standardisation of the terms of Long-term Agreements for supply of coal from LW Bogdanka - execution of relevant annexes

- Improvement of competences and development of trading strategies on the German wholesale market (EPEX, EEX)
- Integration of TT trade supporting systems (LuxTrade, MidOSS and MidOSS-RISK applications)
- Improvement of tools and methods of portfolio management and securing the position within the full chain of added value in the field of trading in electricity, derivative products and natural gas



Financing sources of the investment programme

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



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

Enea SA holds the programme agreement relating to the bond issue programme up to the amount of PLN 3 billion with banks operating as Underwriters, i.e.: PKO BP SA, Bank Pekao SA, BZ WBK SA and Bank Handlowy w Warszawie SA. The financing is not hedged on Enea Capital Group's assets. The funds obtained from the programme are allocated to the realisation of investment projects in Enea Group, including e.g. for the construction of the 1,075 MW_e gross supercritical bituminous coal fired power unit, which is being constructed as a part of Enea Wytwarzanie's operations. In Q3 2016 Enea SA, within the said programme, issued PLN million value of bonds. As at 30 September 2016 the value of the bonds issued within the aforementioned Programme totalled to PLN 1,651 mln.



Rate of utilisation of the financing source



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

On 30 June 2014, Enea SA concluded a programme agreement relating to the bond issue programme up to the amount of PLN 5 billion with five banks acting as dealers: ING Bank Śląski SA, PKO BP SA, Bank Pekao SA and mBank SA. As a part of the Programme Enea may issue bonds with the maturity of up to 10 years, and Bank dealers have the duty of care when offering the sale of bonds to market investors. As at 30 September 2016 the value of the bonds issued within the aforementioned Programme totalled to PLN 1.500 mln.



Rate of utilisation of the financing source



The Programme Agreements on the bond issue programme guaranteed by BGK

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

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

On 3 December 2015, Enea SA concluded another programme agreement relating to the bond issue programme up to the amount of PLN 700 million guaranteed by Bank Gospodarstwa Krajowego. The funds from that programme are allocated e.g. to the realisation of the investments and financing the current operations of Enea SA and its subsidiaries. As at 30 September 2016 Enea SA did not issue bonds within the aforementioned Programme.



Rate of utilisation of the financing source



Investment loans granted by the European Investment Bank

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

On 29 May 2015 another loan agreement was concluded based on which EIB provided the Company with new financing in the amount of PLN 946 mln or its equivalent in EUR (tranche "C"). The funds obtained from the loan will be designated for the financing of a multiannual investment plan in order to modernise and extend the power infrastructure of Enea Operator. The financing is not hedged on Enea Capital Group's assets. The interest rate is floating based on WIBOR rate for 6-month deposits increased with the Bank's margin. The tranches will be paid in instalments, and the final repayment will be made in June 2030. In January 2016 the loan tranche was disbursed in the amount of PLN 100 mln. As at 30 September 2016, the amount of the used loan within tranche "C" was PLN 200 mln.



Rate of utilisation of the financing source



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

LW Bogdanka SA has two bond issue programmes. Within the first Programme Agreement concluded on 23 September 2013 with Bank Pekao SA LW Bogdanka SA issued bonds of the total value of PLN 300 mln. The redemption date is in 2018. The interest rate of the bonds is based on WIBOR 3M rate increased with the fixed margin. The other Programme Agreement was concluded on 30 June 2014 with Bank Pekao SA and Bank Gospodarstwa Krajowego up to the total amount of PLN 600 mln (two Tranches No. 1 and 2, PLN 300 mln each) and then on 27 June 2016 it was amended with an annex, within which LWB02B300616 series bonds were redeemed according to the Agreement totalling to PLN 100 mln. The redemption of LWB01B300616 series totalling to 300 mln was performed through roll-up, i.e. the issue of new LWB01C300617 series of the total amount of PLN 300 mln. The Availability Period for Tranche II ended on 30 May 2016. The redemption date for LWB01C300617 series totalling to PLN 300 mln is 30 June 2017. It should be added that in accordance with the Agreement the Company may issue subsequent series of bonds within a given tranche to refinance the previous issue. The Programme ends on 31 December 2019. The interest rate of the bonds is based on WIBOR 3M rate increased with the fixed margin. As at 30 September 2016 PLN 600 mln worth of bonds were issued within the two above mentioned agreements.



Rate of utilisation of the financing source

Issue of Enea SA's securities in 2016

Enea SA issued securities of the total amount of PLN 450 mln in 2016. The nominal debt for the bonds issued by Enea SA as at 30 September 2016 totalled to PLN 4,151 mln.

Granted sureties and guarantees

During Q1-Q3 2016, Enea Group companies did not issue any guarantees or sureties, the total value of which would constitute at least 10% of Enea SA's equity.

As at 30 September 2016 the total value of corporate sureties and guarantees granted by Enea SA for hedging the liabilities of Enea Group companies amounted to PLN 203.806 thou., and the total value of bank guarantees issued on request of Enea SA and being the security for the liabilities of Enea Group companies for the account of external entities amounted to PLN 26.046,4 thou.

Interest rate risk hedging transactions

Implementing the Interest Rate Risk Management Policy Enea SA concluded transactions in the period of nine months of 2016 which hedge the interest rate risk (Interest Rate Swap) for the total equivalence of the debt in the amount of PLN 1,440 mln. The concluded transactions hedge the level of settlements and payments resulting from the debt through the permanent change of variable interest streams.

Agreements of significance to Enea Capital Group operations

In the period of the three quarters of 2016 and until the publication of this report, Enea Capital Group companies did not conclude any agreements significant for the Group's operations.

Transactions with related parties

During January - September 2016 Enea and its subsidiaries did not conclude any transactions with related entities on non-market conditions.

Information on transactions with related entities concluded by Enea or its related entity are described in note 20 to the condensed interim consolidated financial statements of Enea Group for the period from 1 January to 30 September 2016.

Subsidiaries' equity contributions

On 21 March 2016, Enea SA made additional redistributable capital payments of Enea Wytwarzanie sp z o.o in the amount of PLN 199,899 thou. On 31 May 2016, Enea SA made subsequent tranches of additional redistributable capital payments of Enea Wytwarzanie sp z o.o in the total amount of PLN 936,067.6 thou. The funds will be allocated to the funding of Enea Wytwarzanie's investment expenditures. The repayment date was not determined.



Distribution of cash - subsidiaries' bond issue programme

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

As at 30 September 2016, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 1,651 mln.

PLN 1,425 mln - Enea Operator's Bonds

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

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

On 17 February 2015, Enea Wytwarzanie, Enea and PKO Bank Polski concluded the Bond Issue Programme Agreement for the amount of PLN 760 mln. On 3 June 2015 an annex was concluded to the agreement based on which the parties increased the amount of the Programme to PLN 1 billion. As at 30 September 2016, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 1 billion. The programme fully utilised by Enea Wytwarzanie.

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

The Executive Bond Issue Programme Agreement for the amount of PLN 946 mln was concluded between Enea as guarantor, Enea Operator as issuer and PKO Bank Polski as agent. Within the agreement Enea Operator may perform up to 10 issues of bonds until March 2017. The bond redemption date - in instalments, however not later than within 15 years of the date of issue. The bonds may bear the fixed rate or floating rate interest based on WIBOR rate plus margin, with the interest rate revision after 4 or 5 years. As at 30 September 2016, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 200 mln.

PLN 936 mln - Programme Agreement of 16 July 2013 Enea Wytwarzanie

On 30 May 2016 an agreement was reached between Enea, Enea Wytwarzanie and mBank amending the Bond Issue Terms of 13 July 2015 within which the maturity of bonds was amended to 31 May 2016. On that date Enea Wytwarzanie redeemed all the bonds issued within the Programme of All07/2015 series in the total amount of PLN 936 mln.

PLN 740 mln - Bond Issue Programme Agreement Enea Wytwarzanie

As at 30 September 2016, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 350 mln.

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

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

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

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

Other agreements

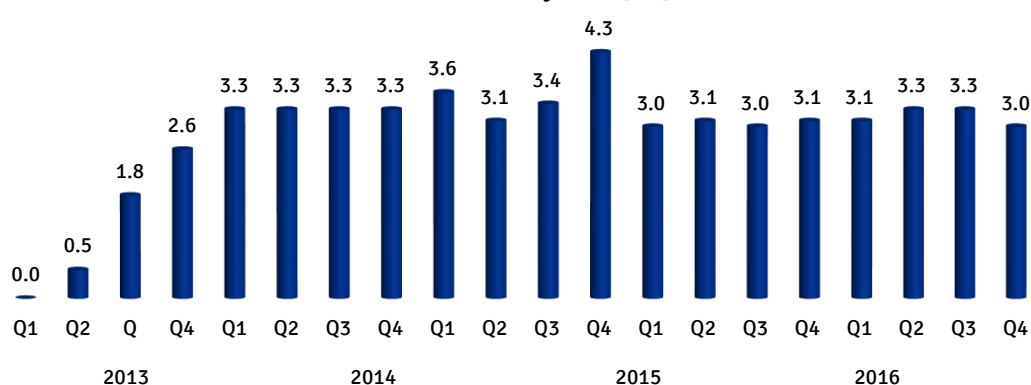
In previous years, Enea SA concluded also intergroup bond issue programme agreements via subsidiary companies which are to finance the investments in the segment of RES and Heat. These programmes are fully used and redeemed in instalments. The total amount of the bonds for redemption within these programmes was PLN 112,900 thou. as at 30 September 2016.

Macroeconomic situation

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

According to the preliminary data of the Gdańsk Institute for Market Economics (IBnGR, Institute) in Q3 2016 the economic growth rate was 3.0%, i.e. the same as in Q1 and a little less than in Q2. It testifies of the economic process dynamics stabilisation in Poland on a not very high level. Taking into account the seasonal factors, the GDP growth rate in Q3 2016 was higher by 0.8% in relation to the previous quarter.

2013-2016 GDP dynamics [8%]



The key factor of the economic growth in Q3 2016 was the domestic demand. The growth in the domestic demand was affected the most by a growth in the total consumption. From among the elements of the domestic demand the lowest dynamics in Q3 were reported for gross expenditures on fixed assets, i.e. capital expenditures. As regards sectors the fastest growing area of economy in Q3 2016 was market services.

Pursuant to the forecast of IBnGR the rate of growth of the gross domestic product in 2016 will amount to 3.0%, which means it will be considerably lower than in the preceding year. In 2017, the Institute anticipates a little faster growth rate - GDP will actually grow by 3.2%. The macroeconomic situation in 2017 will be very similar to the one this year. The best economic situation should be in mid-2017, when the GDP growth rate in Q2 and Q3 will amount to 3.3%.

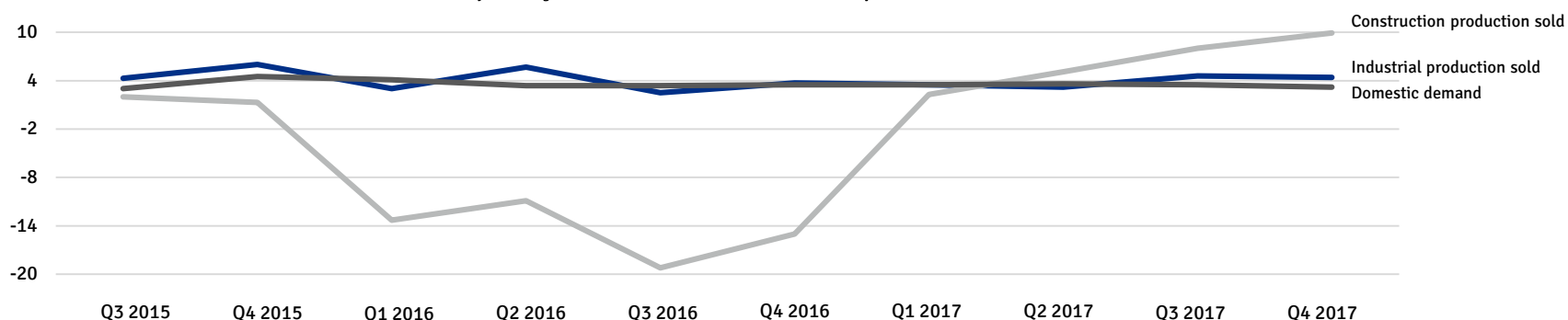
In 2016, the added value in the industry will grow by 4.0%. A considerably worse result at that time will be reported in the construction industry undergoing a crisis, where the drop in the value added comes near 11%. In the sector of market services, having the greatest share in GDP creation, a growth in the added value will be 4.2% in 2016.

According to IBnGR forecast, in Q4 2016 the deflation persisting in Poland for over two years, and the level of prices will be exactly the same in that period as in the preceding year. In December 2016 prices will grow by 0.2%. In 2017, the growth in prices of consumer goods and services will amount to 1.1% on average, and inflation in December will amount to 1.9%.

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

Description	unit	2015	2016	2017
GDP	% growth	3.6	3.0	3.2
Value added in industry	% growth	5.6	4.0	4.3
Value added in construction sector	% growth	4.6	(-) 10.9	7.5
Domestic demand	% growth	3.4	3.3	3.4
Gross expenditures on fixed assets	% growth	5.8	(-) 1.9	3.1
Industrial production sold	% growth	4.8	3.7	3.9
Construction production sold	% growth	2.9	(-) 14.9	7.0
Inflation	in %	(-) 0.9	(-) 0.7	1.1

Projected dynamics of domestic demand and sold production [%]



Source: Developments by IBnGR and economic situation forecast No. 92 (October 2016)

Legal frames of energy market functioning

Regulatory surrounding

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

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

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

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

Amendments within regulatory surrounding

Act of 20 February 2015 on renewable energy sources

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

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

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

The act amendment finally settles two issues:

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

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

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

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

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

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

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

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

The above mentioned regulations forced the Company to make the decision on the write-down in H1 2016 totalling to PLN 42 mln, of which it informed in the current report No. 23/2016.

1) Amendments to the consolidated text of the above mentioned act were published in J. L. of 2015 item 443, 774, 1265, 1434, 1713, 1777, 1830 and 1890

REMIT

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

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

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

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

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

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

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

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



Allowances for emissions of CO₂

Poland, until the launching of the national trading platform, is organising sales of Polish EUA allowances on the community auction platform. The existing 8 offers managed to reach the sale of 25.56 mln EUA. On 25 May 0216 EEX exchange established in Germany cancelled the auction in which Poland offered 3,526,000 allowances. The reason for cancelling was occurrence of grounds included in Art. 7 item 6 of the Commission Regulation (EU) No. 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community (O. J. EU L 302 of 18 November 2010, p. 1, as amended), pursuant to which the auction settlement price did not reach the so-called reference price, i.e. "(...) the settlement price was significantly lower than the price on the secondary market in the period and directly before the period of submission of tenders (...)". In relation to the above EUA were distributed evenly in three next auctions. At the end of August the validity term expired for the agreement between the German EEX exchange and the Polish Government which regulated the principles of selling EUA allowances on EEX auction platform. Due to the negotiations in progress between the Polish government and EEX aiming at the presentation of the agreement for sale of Polish EUA allowances, not even one auction has been realised since September. At least 50% of inflows from the auctions is to be allocated to purposes strictly defined in the act and related to the climate policy.

Auction date	Volume	Auction price [EUR]	Volume, cumulatively	% volume, cumulatively
3 February 2016	3 526 000	5.70	3 526 000	9%
2 March 2016	3 526 000	4.80	7 052 000	17%
30 March 2016	3 526 000	4.77	10 578 000	26%
27 April 2016	3 526 000	6.94	14 104 000	35%
25 May 2016	3 526 000	-	14 104 000	35%
22 June 2016	4 407 500	5.55	18 511 000	46%
20 July 2016	4 407 500	4.65	22 919 000	57%
17 August 2016	2 644 500	4.65	25 563 500	63%

Reduction of emission of pollutants

Pursuant to the EU regulations, in particular the Directive of the European Parliament and the Council No. 2010/75/EU dated 24 November 2010 on industrial emissions - IED (integrated pollution prevention and control), new, stricter standards of environmental protection have been in force since 1 January 2016. In relation to the above, all producers of electricity in Poland who use mainly high-emission coal technologies, are obliged to adjust the units to new environment requirements. The law, meeting the problems of entrepreneurs, provides for a possibility of using derogatory mechanisms. Mitigation of the requirements of the IED directive in the form of derogations, allows to achieve additional time for adaptation of generating units to stricter standards of pollutant emissions into the air. Due to the IOS IV flue gas desulphurisation plant commissioned in 2015 and operation of three formerly commissioned flue gas desulphurisation plants, Kozienice Power Plant reduced emissions of SO₂ for the period f Q1-Q3 2016 by 70.7% as compared to the same period of 2015 despite a growth in the gross production of electricity in that period by 5.2%.

2016/2015	SO ₂			NO _x			Dust			Gross generation of electricity [MWh]
	SO ₂ emission [Mg]	SO ₂ emission ratio [kg/MWh]	SO ₂ emission fee [PLN '000]	NO _x emission [Mg]	NO _x emission ratio [kg/MWh]	NO _x emission fee [PLN '000]	Dust emissions [Mg]	Dust emission ratio [kg/MWh]	Dust emission fee [PLN '000]	
Q1-Q3 2016	7 014,77	0.677	3 717.826	10 905.00	1.052	5 779.652	323.4	0.031	113.189	10 364 772.9
Q1-Q3 2015	23 926.46	2.429	12 681.024	12 002.30	1.218	6 361.219	706.9	0.072	247.415	9 850 868.9
Change %	-70.7	-72.1	-70.7	-9.1	-13.6	-9.1	-54.3	-56.9	-54.3	5.2

Observing regulatory and formal requirements

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

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

In the period of TNP validity, i.e. from 1 January 2016 to 30 June 2020, annual emission thresholds are in force. Pollutant emission within TNP for Q1-Q3 2016 and the level of using annual emission thresholds was listed in the table below.

Installation		SO ₂		Dust		NO _x	
		[Mg]	% used	[Mg]	% used	[Mg]	% used
Koźienice Power Plant	emission	6 421.87		264.03		n/a	
	annual threshold	15 027.00	42.74%	1 878.40	14.06%		n/a
Białystok Heat and Power Plant	emission	808.48		63.63		398.91	
	annual threshold	3 644.77	23.08%	288.02	27.62%	1 728.50	23.09%
Total	emission	7 230.35		261.36		398.91	
	annual threshold	18 671.77	26.95%	2 166.42	12.06%	1 728.50	23.09%

In Q1-Q3 2016:

- CO₂ emissions annual report of 2015 was verified with a positive result
- emission standards specified in the integrated permit were not exceeded

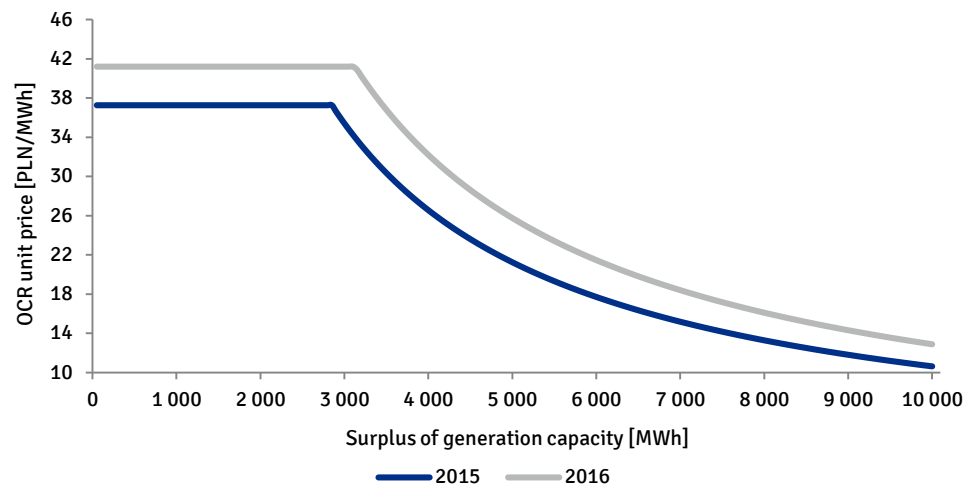
Koźienice Power Plant obtained an integrated permit for the modernised treatment plant of rainwater and industrial waste from 500 MW units and unit No. 11 (1,075 MW) and

- an integrated permit for rainwater and industrial waste treatment plant for 500 MW units
- integrated permit for unit No. 11's run up boiler house
- amendment to the integrated permit for unit No. 11
- new decision granting a greenhouse gas emissions permit

Operating Capacity Reserve (OCR)

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

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



Parameters of the OCR settlement model for 2015-2016:

Parameter	2015	2016
Hourly budget [PLN]	106 246.72	128 758.72
Reference price [PLN/MWh]	37.28	41.20
Hourly volume of required OCR [MWh]	4 155.37	3 451.09
Number of demand peak hours	3 810	3 780
OCR annual budget [PLN mln]	404.8	486.7

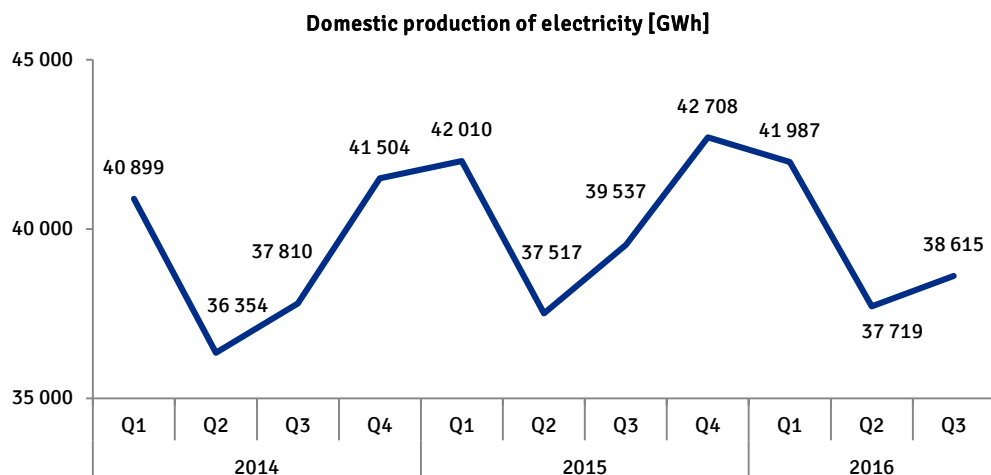
OCR settlement rules in force in 2015 resulted in the fact that in the hours during which the OCR unit price reached the maximum level OTS did not fully use the budget designated for that service. In relation to this fact, in 2015, with an active participation of Enea Wytwarzanie, there were consultations and works which aimed at the modification of the OCR mechanism with the complementary settlement of the OCR budget unused by OTS.

The result of these works is updating, as of 1 January 2016, of the Transmission Network Traffic and Exploitation Guidance, introducing e.g. monthly and annual settlements complementing the unused, hourly OCR budget of OTSs.

Situation on the electricity market

Production of electricity

Pursuant to the data published by Polskie Sieci Energetyczne the domestic production of electricity in Q1-Q3 2016 amounted to 118,321 GWh.

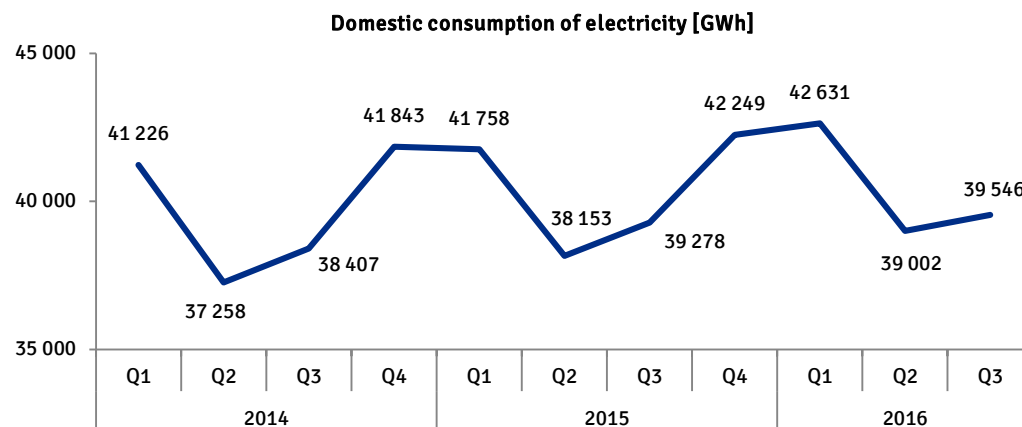


Electricity generation structure in Polish power plants [GWh]

Types of power plants	Q1-Q3 2015	Q1-Q3 2016
Commercial on bituminous coal	60 373	59 427
Commercial on brown coal	40 423	38 159
Industrial	7 048	7 227
Gaseous	2 850	4 205
Commercial hydroelectric	1 741	1 682
Wind	6 574	7 513
Other renewable	55	109

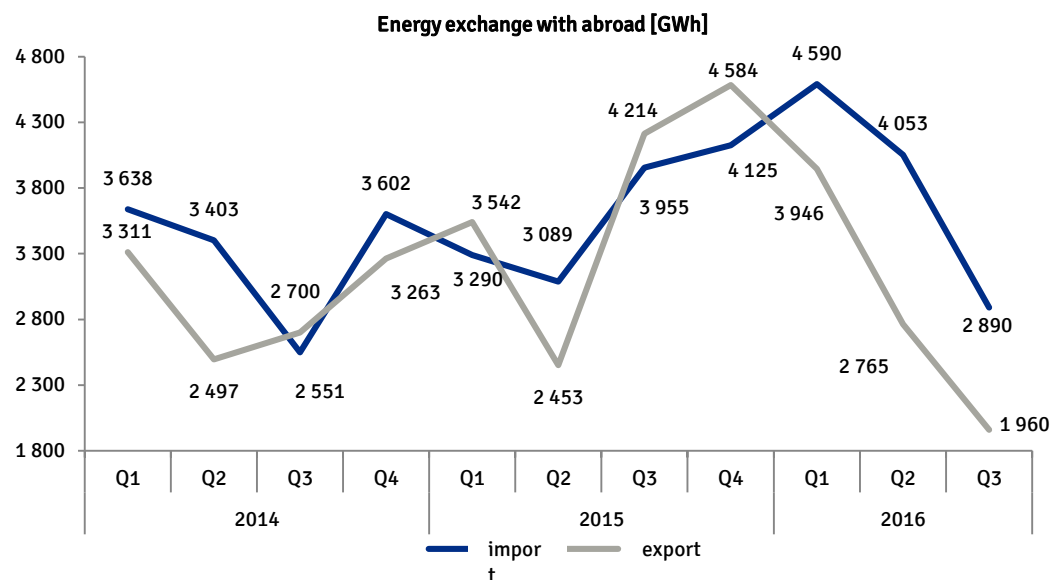
Domestic consumption of electricity

Pursuant to the data published by Polskie Sieci Energetyczne, in Q1-Q3 2016 the domestic consumption of electricity was greater by 1.67% as compared to the energy consumption in the same period of 2015.



Intersystemic exchange

In Q1-Q3 2016 a negative balance of intersystemic exchange was generated as a result of a surplus of energy imported from abroad over the energy exported in the amount of (-) 2,857 GWh. For comparison, in Q1-Q3 2015 the balance of intersystemic exchange of electricity amounted to (-) 125 GWh. In Q1-Q3 2016, in January alone, the monthly balance of electricity exchange with abroad was positive which indicated prevalence of energy exports.



Market coal prices

The beginning of the year 2016 characterised with low coal prices on the global market. In Europe, the reason for this state was a moderate economic growth rate, weak seasonal demand (due to mild winter and spring), growing supply of energy from renewable sources and increasing energy efficiency as well.

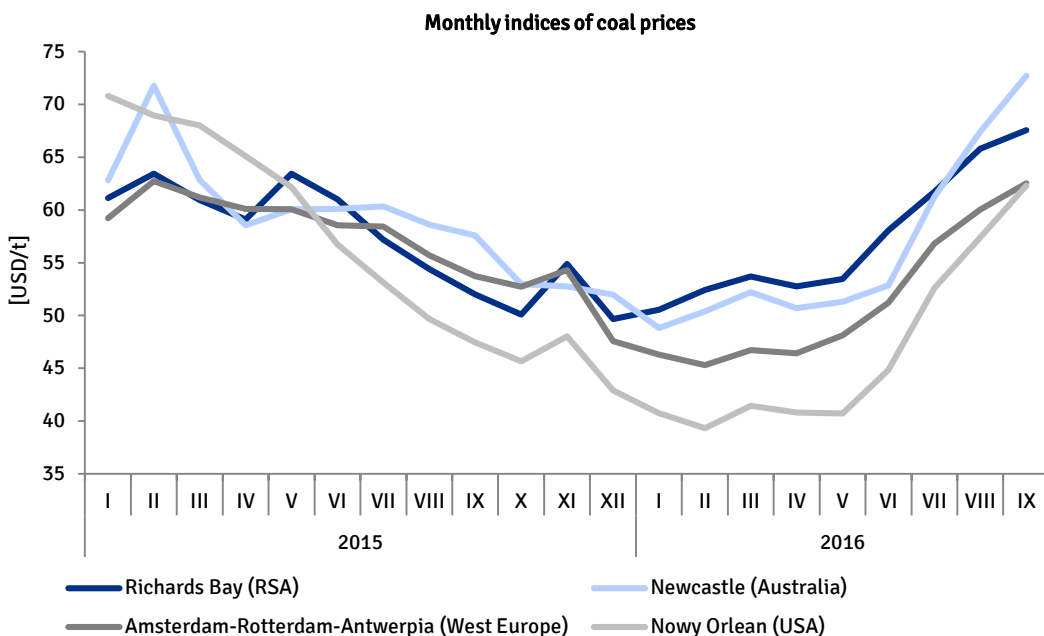
Slight growths in prices were reported by sellers from Newcastle and Richard Bay ports. The former, due to a growing demand for imported coal in India, achieved the most favourable prices as compared to the other ports at that time. The situation of the latter was however affected by typical climatic conditions in this region (intense raindrops and floods in Indonesia) and higher oil prices which translated in turn into higher freight rates from Newcastle to South China.

Coal prices in all the presented ports did not exceed 55 USD/t at that time. There was a significant rebound from low prices in June. The most important factor from which this situation derived was greater demand from China. The reason for that was limitation by the country of the domestic mining volumes and greater consumption of coal during summer stemming from the use of air-conditioning machines. The situation affected the most the Australian coal. Its price as at the end of Q3 2016 amounted to over 67 USD/t and was the highest on the global market.

The coal price in ARA ports grew as a result of the limitation of supplies from Colombia (as a result of restrictions imposed on exporters during 27-30 August due to exceeding pollution limits) and also disturbances in the supplies from Russia resulting from a shortage of railroad cars to transport coal. Additionally, coal stocks in ARA ports dropped to the level of 2.7 million tonnes (from 3.4 million tonnes in the previous year). Coal prices on the east coast of USA followed that trend as well.

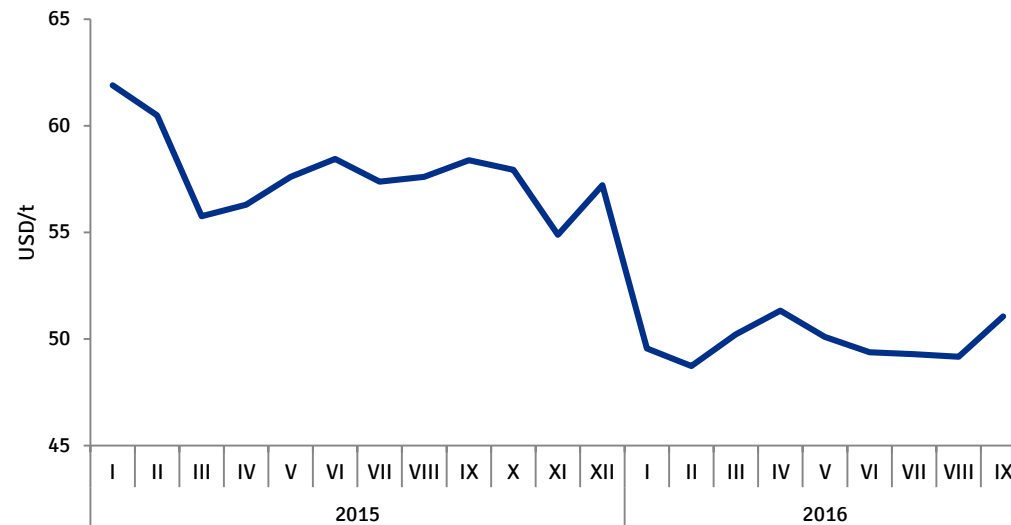
Facing the new trend, the least dynamic growth was reported by the coal offered in Richards Bay port. The reason for this situation was a drop in demand in India or Pakistan, for which coal from RSA, despite proper parameters, remains too excessive. For these recipients it is more beneficial to replace this coal with low-class coal from Indonesia.

PSCMI1 index in September went closer to the level from January (-0.22%), which may mean reversal of the trend in prices below 50 USD/t. The reasons include mainly the increase in power coal prices on global coal markets, especially on the European market and upcoming winter as well. September growths in the indices did not however allow for making up the drops occurring in July and August, and indices in Q3 2016 remained slightly lower than in Q2.



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

Polish Steam Coal Market Index - PSCMI1



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



Wholesale electricity prices

The average price on SPOT market in Q1-Q3 2016 was higher by 0.5% in comparison with the same period of 2015. It was a result of e.g. higher prices in January and April, and most of all in June 2016, which stemmed from the following factors:

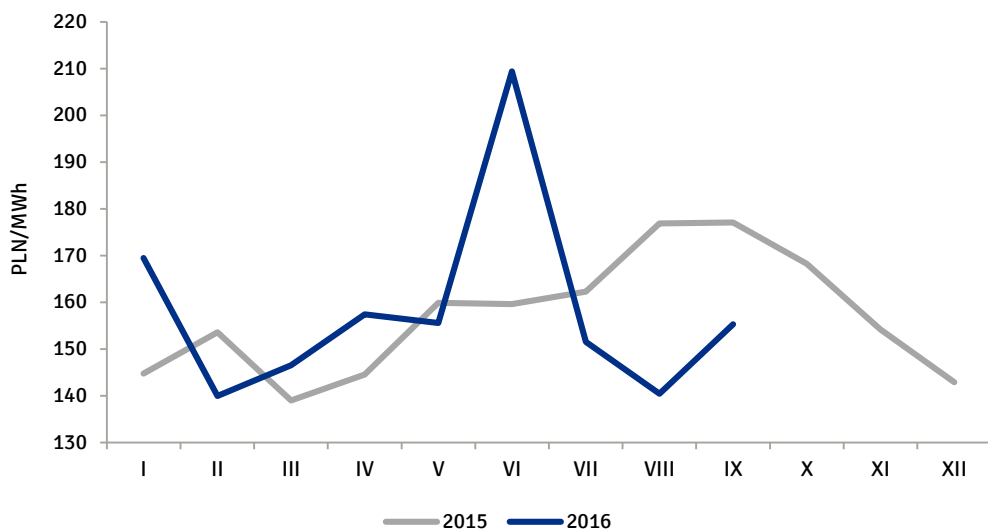
- no capacity in PPS
- low wind generation
- hydrological problems
- growth in demand for energy

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

Period	Average price [PLN/MWh]	Change [%]
Q1-Q3 2015	157.56	-
Q1-Q3 2016	158.38	↑ 0.5%

Source: Own paper based on data from PPE.

Average electricity prices on Day Ahead Market



Source: Own paper based on data from PPE.

We observed drops in electricity prices on the forward market. In Q1-Q3 2016, the price of the most liquid product, BASE Y-17, dropped from 165.00 PLN/MWh at the beginning of January to 158.00 PLN/MWh at the end of March.

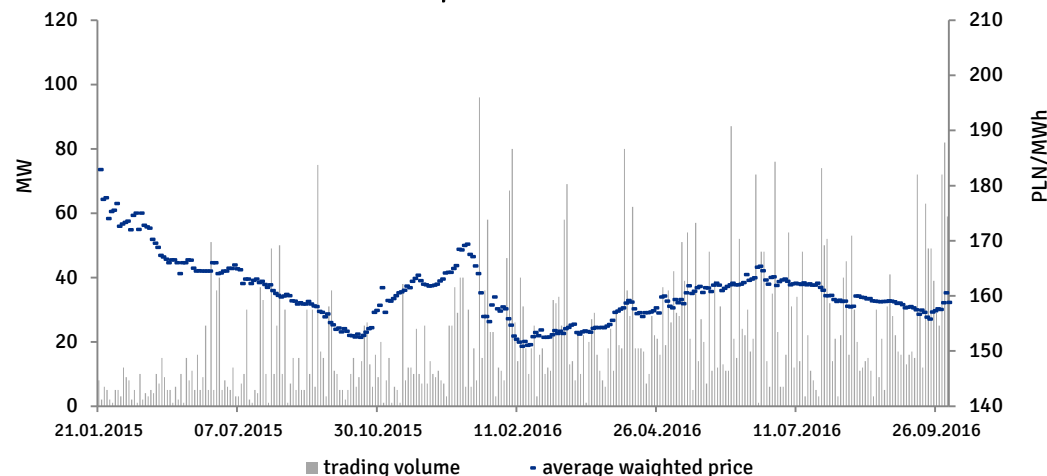
Table 2. Prices on the forward market

Product	Price at the end of quotations [PLN/MWh]	Change yoy [%]	Average price from quotations [PLN/MWh]	Change yoy [%]
BASE Y-14	151.00	-	160.27	-
BASE Y-15	177.00	↑ 17.2%	168.13	↑ 4.9%
BASE Y-16	167.50	↓ 5.4%	166.49	↓ 1.0%
BASE Y-17	158.50 ¹⁾	↓ 5.4%	160.23	↓ 3.8%

1) at the end of September 2016

Source: own development based on data from PPE, TFS and WSEInfoEngine.

Transaction prices and volumes - BASE Y-17



Source: own development based on data from PPE, TFS and WSEInfoEngine.

On PPE forward market a very low liquidity is observed - when comparing turnover in Q1-Q3 of 2015 and 2016 then the turnover drop for e.g. BASE-Y amounts to ca. 50%. The main reason for this situation may be extinguishing of the so-called 100% exchange obligation related to Long-term Agreements.

The prices of BASE Y-17 changed similarly to PEAK Y-17 prices. At the beginning of January the market valuation for this product amounted to 225.00 - 227.00 PLN/MWh, and at the end of September 2016 to 208.00 - 210.00 PLN/MWh.

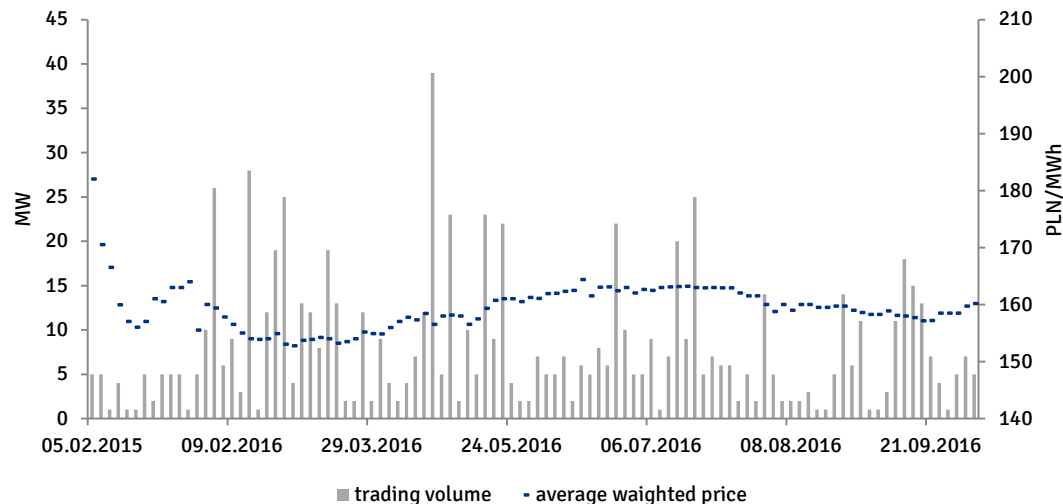
In Q1-Q3 2016, the forward market reported slow growth in electricity prices. It was related to e.g. a great volatility in prices of allowances for emissions of CO₂ (a range between the maximum and minimum - 3.63 EUR/t). What had a great importance for the shaping of the market situation was also a significantly decreased, as compared to the volume of trade in BASE Y-16 in the same period of the previous year, volume of trade in BASE Y-17 on PPE.

Some factors of uncertainty are still:

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

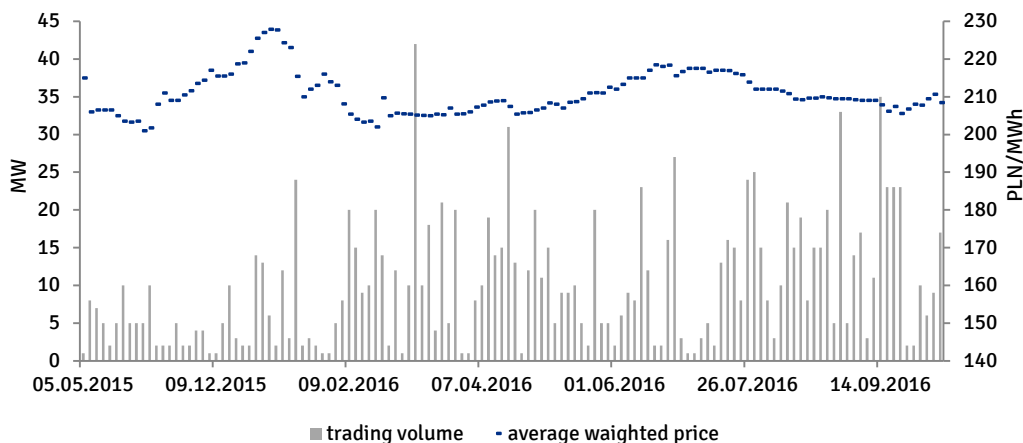
Hence, potential moderate growths in prices cannot be ruled out.

Transaction prices and volumes - BASE Y-18



Source: own development based on data from PPE, TFS and WSEInfoEngine.

Transaction prices and volumes - PEAK Y-17



Source: own development based on data from PPE, TFS and WSEInfoEngine.

In Q1-Q3 2016, transactions were also concluded for BASE Y-18, however due to a distant delivery horizon, the trading volumes were significantly lower than for BASE Y-17.

Obligations with respect to obtaining energy certificates of origin

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

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

The contracting price structure on the PPE's session market for particular proprietary interests in Q1-Q3 2016 is presented on the next page. The analysis excludes PMOZE "green" PIs due to lack of trading volumes and their entire replacement with PMOZE_A.

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

	Average price Q1-Q3 2016		Change in relation to Q4 2015		Maximum price	Minimum price
			%	PLN/MWh	PLN/MWh	PLN/MWh
OZEX_A ("green" proprietary interests)	86.18		↓ -26.8%	↓ -31.51	118.98	32.00
OZEX_BIO ("light blue" proprietary interests)	277.67		-	-	295.00	273.00
KGMX ("yellow" proprietary interests)	2015	118.85	↑ 0.9%	↑ 1.09	122.00	118.00
	2016	119.99	-	-	122.00	114.00
KECX ("red" proprietary interests)	2015	10.77	↑ 0.3%	↑ 0.03	11.00	9.20
	2016	10.63	-	-	10.70	10.00
KMETX ("violet" proprietary interests)	2015	62.24	↑ 0.4%	↑ 0.23	63.00	61.80
	2016	61.48	-	-	62.00	61.00
EFX ("white" proprietary interests) ¹⁾	980.45		↑ 1.8%	↑ 17.50	1 100.00	930.00

1) Values in PLN/toe

Source: Own paper based on data from PPE.

Limits of CO₂ emission allowances and their market prices

In Q1-Q3 2016, the prices of allowances for emissions of CO₂ (EUA), apart from fundamental factors, were affected e.g. by the macroeconomic situation in the world, issue of free allowances for the industry and progress of works within the reform of EU ETS system. Price levels were significantly affected also by events of December 2015, i.e. COP21 climate conference and a complaint lodged by Poland relating to an amendment to the start date of MSR (mechanism of steering the supply of emission allowances whose introduction is to eliminate the surplus to which units withdrawn from the market as part of the so-called backloading will be directed). The Polish government approved lodging a complaint for declaring invalidity of the decision determining operation of MSR before 2021, referring to the breach of e.g. the principles of: a loyal cooperation, legal certainty, protection of legitimate expectations and proportionality.



The European Union ratified the climate agreement adopted during COP21 in Paris, and therefore the criterion relating to the entry into force of its assumptions was satisfied (ratification of the agreement by at least 55 countries generating at least 55% of the emissions in the world). For many followers of making the climate policy stricter the adopted obligations are insufficient, mainly due to a small engagement of the largest issuers (USA, China, India) and as a result will not translate into the actual reduction of emissions during the coming years.

The second, sudden price reduction in allowances for emissions of CO₂ occurring in June was a result of a referendum in Great Britain as a consequence of which the majority of citizens was in favour of Brexit. Even though the country announced that it would remain in the EU ETS system, determining the budget for the activities reducing the emission for 2028-2032, it confirmed the continuation of the climate policy, the prices of allowances significantly dropped.

Table 4. EUA and CER price change

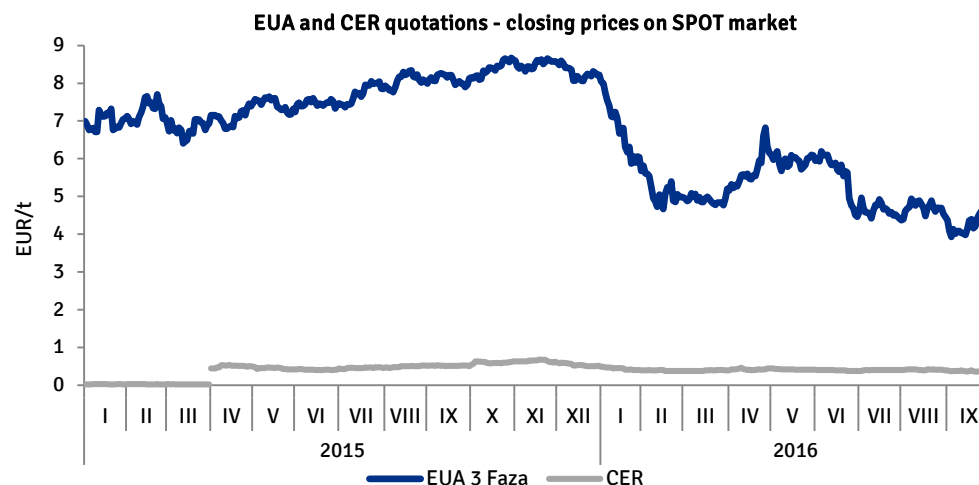
Product	Price [EUR/t]		Change %	
	Beginning of January 2016	The end of September 2016		
EUA Spot	8.04	4.96	↓	38.3%
CER SPOT	0.49	0.38	↓	22.4%
EUA Dec-16	8.11	4.96	↓	38.8%
CER Dec-16	0.47	0.38	↓	19.1%

Source: own development based on data from ICE.

Pursuant to the most up-to-date data published by the European Commission over 97% of free allowances was issued for the industry (there are still ca. 22 mln allowances mainly for Spain, Italy and Great Britain). The allowances were issued with a delay. Italy issued the allowances for 2015 as late as in March.

According to the European Commission's publication dated 19 May 2016 the surplus of EUA in the system amounted to 1.78 billion after the realisation of the duty for 2015 (drop by 0.3 billion). The emissiveness in the Union dropped by 0.4%. The annual minimum achieved by the most liquid of forward products (Dec-16) was set on the level of 3,87 EUR/t.

The upward trend commenced at the beginning of September is a result of an agreement between the environmental (ENVI) and industry (ITRE) committees within the changes in the EU ETS system after 2020. The most important changes include withdrawing the allowances for the lost generation capacity or cancelling a specified pool of allowances withdrawn from the market to MSR.



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



3. Financial position

Consolidated Profit and Loss Statement - Q1-Q3 2016

[PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %
Revenue from sale of electricity ¹⁾	4 226 348	4 878 317	651 969	15.4%
Revenue from sale of heat energy	185 057	210 255	25 198	13.6%
Revenue from sale of natural gas ¹⁾	69 653	135 830	66 177	95.0%
Revenue from sale of distribution services	2 183 229	2 217 278	34 049	1.6%
Revenue from certificates of origin	9 213	12 981	3 768	40.9%
Revenue from sales of CO ₂ emission allowances	-	21 939	21 939	100.0%
Revenue from sale of goods and materials ¹⁾	71 656	65 680	-5 976	-8.3%
Revenue from sale of other services	112 010	123 823	11,813	10.5%
Recovery of stranded costs	293 147	-	-293 147	-100.0%
Sale of coal	-	637 841	637 841	100.0%
Net sales revenue	7 150 313	8 303 944	1 153 631	16.1%
Amortisation/depreciation	558 271	830 085	271 814	48.7%
Employee benefit costs	679 914	1 074 547	394 633	58.0%
Consumption of materials and raw materials and value of goods sold	1 343 167	1 014 474	-328 693	-24.5%
Costs of energy purchases for resale	2 427 563	3 046 927	619 364	25.5%
Transmission services	571 312	634 732	63 420	11.1%
Other outsourced services	243 265	449 465	206 200	84.8%
Taxes and charges	213 654	246 004	32 350	15.1%
Cost of sales	6 037 146	7 296 234	1 259 088	20.9%
Other operating revenue	47 055	98 680	51 625	109.7%
Other operating expenses	110 342	88 444	-21 898	-19.8%
Profit / (loss) on sales and liquidation of tangible fixed assets	- 2 909	- 19 452	-16 543	-568.7%
Non-financial fixed assets impairment write-down	-	49 352	49 352	100.0%
Operating profit/(loss)	1 046 971	949 142	-97 829	-9.3%
Financial expenses	45 475	99 594	54 119	119.0%
Financial revenue	42 902	47 889	4 987	11.6%
Dividend revenue	1 833	148	-1 685	-91.9%
Profit / (loss) before tax	1 046 231	897 585	-148 646	-14.2%
Income tax	208 393	176 930	-31 463	-15.1%
Net profit / (loss) for the reporting period	837 838	720 655	-117 183	-14.0%
EBITDA	1 605 242	1 828 579	223 337	13.9%

Q1-Q3 2016:

Change factors of EBITDA of Enea CG (growth by PLN 223 mln):

- (+) growth in revenue from sales of electricity by PLN 652 mln stems from a greater volume of energy sales by 4,287 GWh with a drop in the average selling price by 4.4%
- (+) growth in sales of distribution services by PLN 34 mln stemming from a growth in the electricity supplied to end customers with a concurrent drop of rates by 3.8 PLN/MWh
- (+) higher sales of natural gas by PLN 66 mln stem from higher volumes of sales by 611 GWh despite the average selling price lower by 13.5%
- (+) higher sales of heat energy by PLN 25 mln result from higher sales volumes of heat energy by 12% (acquisition of LW Bogdanka) and concurrently lower average selling price
- (+) higher revenue from certificates of origin by PLN 4 mln resulting from higher volumes of sales of RES PIs despite a drop in the average selling price by 18.7%
- (-) higher costs of employee benefits by PLN 395 mln resulting from LW Bogdanka's takeover
- (+) lower costs of materials consumption and value of goods sold by PLN 329 mln stem from the takeover of the key coal supplier
- (-) higher costs of outsourced services by PLN 206 mln resulting from the takeover of LW Bogdanka
- (-) higher costs of transmission services by PLN 63 mln stem from higher transitory charge and quality charge
- (+) higher costs of electricity purchases by PLN 619 mln:
 - (+) higher average purchase price by 0.6% with a concurrent growth in volumes by 3,874 GWh
 - (-) higher costs of obligations by PLN 24 mln
- (+) higher result on the other operating activity by PLN 57 mln:
 - (+) provisions for claims for damages and litigation PLN 28 mln
 - (+) higher revenue from shift of electrical equipment to the assets by PLN 20 mln
 - (+) written-off receivables PLN 12 mln
 - (+) impairment of receivables PLN 5 mln
 - (-) loss on liquidation of tangible assets PLN 17 mln, stems mainly from the liquidation and reconstruction of excavations

Q1-Q3 2016:

Settlement of non-financial fixed assets impairment write-down:

- (-) tangible assets impairment write-down within the area of energy generation from wind sources (PLN 42 mln)
- (-) write-down on expenditures for capital work in progress in LW Bogdanka SA (PLN 7.4 mln)

1) Change in presentation of data published for Q1-Q3 2015

Consolidated Profit and Loss Statement - Q3 2016

[PLN '000]	Q3 2015	Q3 2016	Change	Change %
Revenue from sale of electricity ¹⁾	1 389 618	1 605 790	216 172	15.6%
Revenue from sale of heat energy	30 428	39 603	9 175	30.2%
Revenue from sale of natural gas ¹⁾	29 066	33 063	3 997	13.8%
Revenue from sale of distribution services	727 141	733 742	6 601	0.9%
Revenue from certificates of origin	4 203	2 216	-1 987	-47.3%
Revenue from sales of CO ₂ emission allowances	-	9 295	9 295	100.0%
Revenue from sale of goods and materials ¹⁾	25 276	21 219	-4 057	-16.1%
Revenue from sale of other services	39 187	33 299	-5 888	-15.0%
Recovery of stranded costs	293 147	-	-293 147	-100.0%
Sale of coal	-	226 285	226 285	100.0%
Net sales revenue	2 538 066	2 704 512	166 446	6.6%
Amortisation/depreciation	188 337	276 134	87 797	46.6%
Employee benefit costs	206 441	366 053	159 612	77.3%
Consumption of materials and raw materials and value of goods sold	408 029	308 243	-99 786	-24.5%
Costs of energy purchases for resale	822 371	970 692	148 321	18.0%
Transmission services	190 366	216 654	26 288	13.8%
Other outsourced services	103 062	158 236	55 174	53.5%
Taxes and charges	66 280	75 105	8 825	13.3%
Cost of sales	1 984 886	2 371 117	386 231	19.5%
Other operating revenue	15 388	41 982	26 594	172.8%
Other operating expenses	43 214	20 585	-22 629	-52.4%
Profit / (loss) on sales and liquidation of tangible fixed assets	-2 590	-8 869	-6 279	-242.4%
Non-financial fixed assets impairment write-down	-	7 352	7 352	100.0%
Operating profit/(loss)	522 764	338 571	-184 193	-35.2%
Financial expenses	14 884	34 426	19 542	131.3%
Financial revenue	15 503	5 607	-9 896	-63.8%
Profit / (loss) before tax	523 383	309 752	-213 631	-40.8%
Income tax	103 815	60 323	-43 492	-41.9%
Net profit / (loss) for the reporting period	419 568	249 429	-170 139	-40.6%
EBITDA	711 101	622 057	-89 044	-12.5%

Q3 2016:

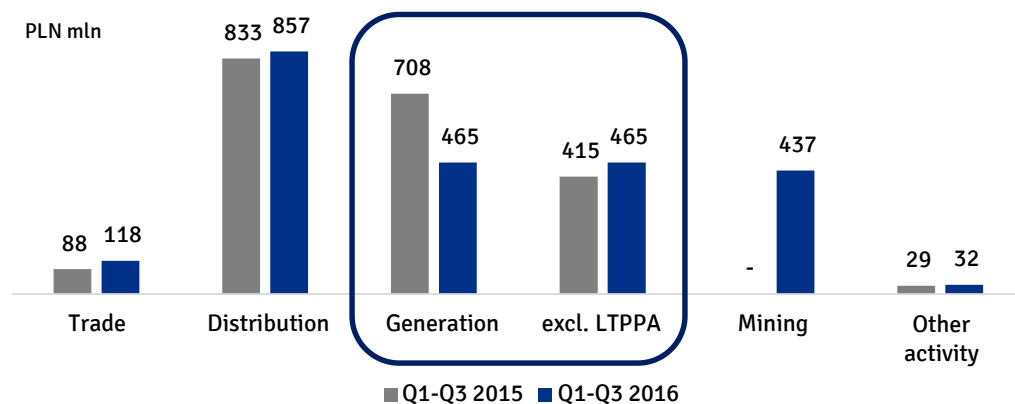
Change factors of EBITDA of Enea CG (drop by PLN 89 mln):

- (+) growth in revenue from sales of electricity by PLN 216 mln stems from a greater volume of energy sales by 1,340 GWh with a drop in the average selling price by 3.9%
- (+) higher revenue from sales of heat energy by PLN 9 mln results from volumes higher by 22% (acquisition of LW Bogdanka) despite lower average selling price by 7%
- (+) higher sales of natural gas by PLN 4 mln stem from higher volumes of sales (19 GWh) despite the average selling price lower by 4.5%
- (-) lower revenue from certificates of origin by PLN 2 mln resulting from lower price of RES PIs by 59.3% despite higher sales volumes
- (-) higher costs of employee benefits by PLN 160 mln resulting from LW Bogdanka's takeover
- (+) lower costs of consumption of materials by PLN 100 mln stem from the takeover of the key coal supplier
- (-) higher costs of outsourced services by PLN 55 mln resulting from the takeover of LW Bogdanka
- (-) higher costs of transmission services by PLN 26 mln stem from higher costs of the transitory charge and quality charge
- (+) higher costs of electricity purchases by PLN 148 mln:
 - (+) higher average purchase price by 8.2% with a growth in volumes by 1,650 GWh
 - (+) lower costs of obligations by PLN 8 mln
- (+) higher result on the other operating activity by PLN 43 mln:
 - (+) provisions for claims for damages and litigation PLN 18 mln
 - (+) higher revenue from shift of electrical equipment to the assets by PLN 5 mln
 - (+) written-off receivables PLN 4 mln
 - (+) impairment of receivables PLN 11 mln
 - (-) loss on liquidation of tangible assets PLN 6 mln, stems mainly from the liquidation and reconstruction of excavations

1) Change in presentation of data published for Q1-Q3 2015

Results on particular segments of operations of Enea Capital Group

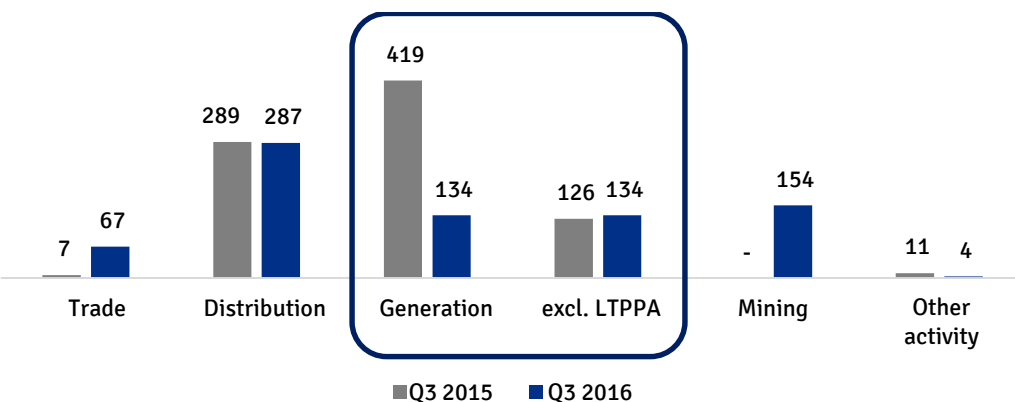
EBITDA [PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %	Q3 2015	Q3 2016	Change	Change %
Trade	87 639	117 690	30 051	34.3%	6 574	67 130	60 556	921.1%
Distribution	832 852	857 469	24 617	3.0%	289 292	286 784	-2 508	-0.9%
Generation	708 296	465 111	-243 185	-34.3%	419 224	133 618	-285 606	-68.1%
excluding LTPPA	415 149	465 111	49 962	12.0%	126 077	133 618	7 541	6.0%
Mining	-	437 057	437 057	100.0%	-	154 166	154 166	100.0%
Other activity	29 123	32 379	3 256	11.2%	10 786	3,884	-6 902	-64.0%
Undistributed items and exclusions	-52 668	-81 127	-28 459	-54.0%	-14 775	-23 525	-8 750	-59.2%
Total EBITDA	1 605 242	1 828 579	223 337	13.9%	711 101	622 057	-89 044	-12.5%



Enea CG Q1-Q3 2016:

The highest EBITDA in the area of Distribution

The greatest growth in EBITDA in the area of Generation by PLN 50 mln (excluding one-off – LTPPA in Q3 2015)



Enea CG Q3 2016:

The highest EBITDA in the area of Distribution

The highest growth in EBITDA in the area of Trade by PLN 61 mln

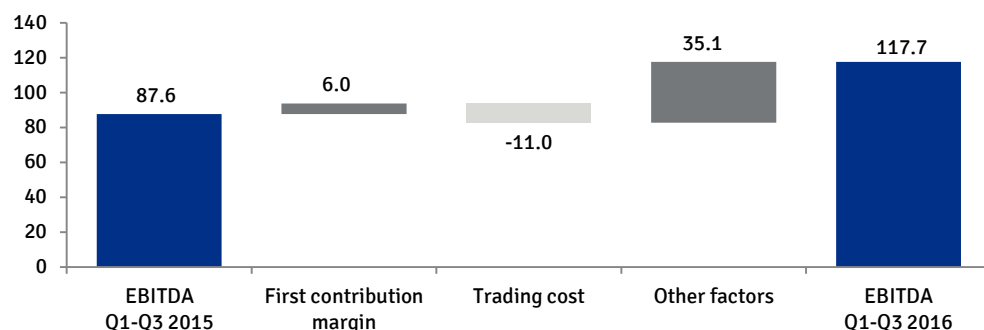
Area of Trade

[PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %	Q3 2015	Q3 2016	Change	Change %
Sales revenue	4 217 884	5 100 962	883 078	20.9%	1 373 007	1 654 285	281 278	20.5%
EBIT	87 050	117 140	30 090	34.6%	6 353	66 914	60 561	953.3%
Amortisation/depreciation	589	550	-39	-6.6%	221	216	-5	-2.3%
EBITDA	87 639	117 690	30 051	34.3%	6 574	67 130	60 556	921.2%
CAPEX	23 848	1 148	-22 700	-95.2%	6 775	236	-6 539	-96.5%
Share of sales revenue of the segment in the Group's sales revenue	44%	44%	-		41%	44%	3 p.p.	

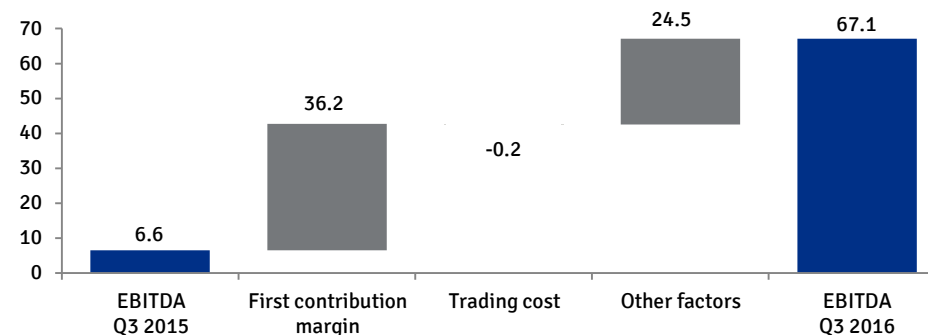
Enea SA conducts retail sales of electricity and gaseous fuel

Wholesale trade is realised by Enea Trading sp. z o.o.

PLN mln



PLN mln



Q1-Q3 2016 Change factors of EBITDA:

First contribution margin

- (-) lower average selling price by 1.4%
- (-) higher costs of ecological obligations by 9.1%
- (+) lower average purchase price of energy by 1.3%
- (+) growth in sale volumes by 2.8%
- (+) result on gaseous fuel

Internal costs

- (-) higher direct costs of common services by PLN 8 mln
- (-) higher general and administrative costs by PLN 1 mln
- (-) higher costs of common services by PLN 2 mln

Other factors

- (+) lower costs of impairment of receivables by PLN 12 mln
- (+) lower provisions for litigation by PLN 15 mln
- (+) lower impairment of receivables by PLN 3 mln

Q3 2016 Change factors of EBITDA:

First contribution margin

- (+) higher average selling price by 1.1%
- (+) lower costs of ecological obligations by 6.0%
- (+) lower average purchase price of energy by 3.0%
- (-) drop of the volume of energy sales by 1.5%
- (-) result on gaseous fuel

Other factors

- (+) lower costs of impairment of receivables by PLN 4 mln
- (+) lower provisions for litigation by PLN 10 mln
- (-) lower impairment of receivables by PLN 9 mln

Distribution Area

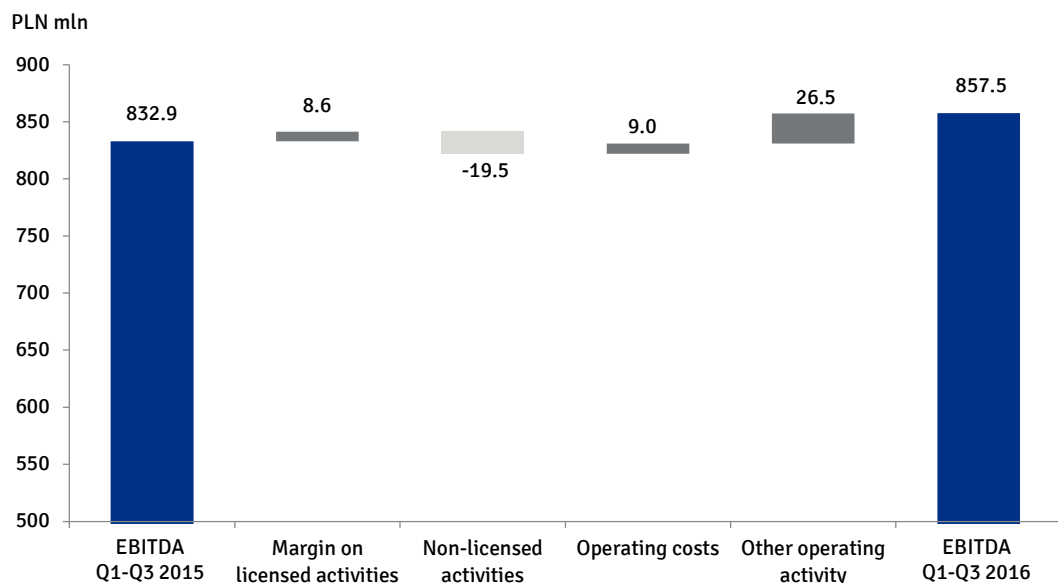
[PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %	Q3 2015	Q3 2016	Change	Change %
Sales revenue	2 268 272	2 273 545	5 273	0.2%	767 917	742 284	-25 633	-3.3%
<i>distribution services to end users</i>	2 102 556	2 141 090	38 534	1.8%	693 726	708 221	14 495	2.1%
<i>fees for grid connection</i>	54 476	47 719	-6 757	-12.4%	23 315	16 421	-6 894	-29.6%
<i>other</i>	111 240	84 736	-26 504	-23.8%	50 876	17 642	-33 234	-65.3%
EBIT	504 195	496 131	-8,064	-1.6%	177 873	167 384	-10 489	-5.9%
Amortisation/depreciation	328 657	361 338	32 681	9.9%	111 419	119 400	7 981	7.2%
EBITDA	832 852	857 469	24 617	3.0%	289 292	286 784	-2,508	-0.9%
CAPEX	490 712	645 476	154 764	31.5%	233 067	221 161	-11 906	-5.1%
Share of sales revenue of the segment in the Group's net sales revenue	24%	20%	-4 p.p.		23%	20%	-3 p.p.	

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

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

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

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



Q1-Q3 2016 Change factors of EBITDA:

Margin on the licensed operations:

- (+) higher revenue from sale of distribution services to end users by PLN 39 mln
- (+) higher revenue from sale of distribution services to other entities by PLN 3 mln
- (+) lower costs of purchasing electricity for coverage of book-tax difference and own needs by PLN 2 mln
- (-) lower revenue from grid connection fees by PLN 7 mln
- (-) higher costs of purchase of transmission services by PLN 28 mln

Non-licensed operations:

- (-) lower revenue in relation to the resignation from rendering the street lighting maintenance services by PLN 10 mln
- (-) optimisation of the area of distribution service within:
 - operational activity and realisation of connections - PLN 6.4 mln (Enea Serwis)
 - meter reading, legalisation and repairs - PLN 3.1 mln (Enea Pomiary)

Operating expenses:

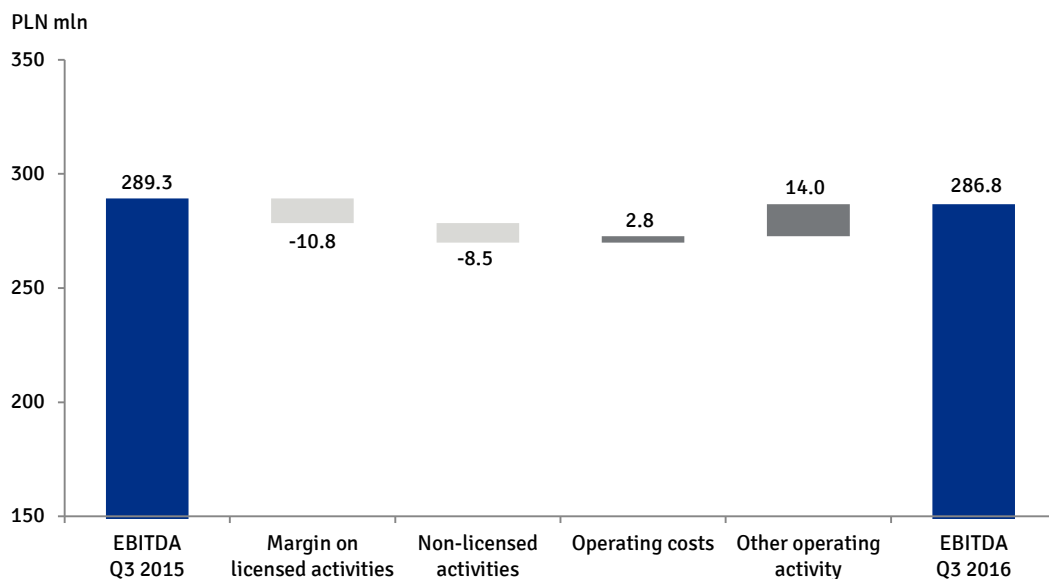
- (+) optimisation of employee, materials and outsourced services costs by PLN 18.5 mln
- (-) higher costs of taxes and charges by PLN 10 mln (greater value of grid assets as a result of performed investments)

Other operating activity:

- (+) higher revenue from shift of electrical equipment to the assets by PLN 20 mln
- (+) lower costs of provisions relating to grid assets PLN 3 mln
- (+) lower costs of removing fortuitous events (balance) PLN 9 mln
- (-) higher liquidation costs (balance) by PLN 3 mln
- (-) higher other operating expenses by PLN 2.5 mln

Distribution Area

[PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %	Q3 2015	Q3 2016	Change	Change %
Sales revenue	2 268 272	2 273 545	5 273	0.2%	767 917	742 284	-25 633	-3.3%
<i>distribution services to end users</i>	2 102 556	2 141 090	38 534	1.8%	693 726	708 221	14 495	2.1%
<i>fees for grid connection</i>	54 476	47 719	-6 757	-12.4%	23 315	16 421	-6 894	-29.6%
<i>other</i>	111 240	84 736	-26 504	-23.8%	50 876	17 642	-33 234	-65.3%
EBIT	504 195	496 131	-8 064	-1.6%	177 873	167 384	-10 489	-5.9%
Amortisation/depreciation	328 657	361 338	32 681	9.9%	111 419	119 400	7 981	7.2%
EBITDA	832 852	857 469	24 617	3.0%	289 292	286 784	-2 508	-0.9%
CAPEX	490 712	645 476	154 764	31.5%	233 067	221 161	-11 906	-5.1%
Share of sales revenue of the area in the Group's net sales revenue	24%	20%	-4 p.p.		23%	20%	-3 p.p.	



Q3 2016 Change factors of EBITDA:

Margin on the licensed operations:

- (+) higher revenue from sale of distribution services to end users by PLN 14 mln
- (-) higher costs of purchase of transmission services by PLN 18 mln
- (-) higher costs of purchasing energy for coverage of book-tax difference by PLN 1 mln
- (-) lower revenue from grid connection fees by PLN 7 mln
- (+) higher revenue from sale of distribution services to other entities by PLN 1 mln

Non-licensed operations:

- (-) lower revenue in relation to the resignation from rendering the street lighting maintenance services by PLN 4.5 mln
- (-) optimisation of the area of distribution service within:
 - operational activity and realisation of connections - PLN 3 mln (Enea Serwis)
 - meter reading, legalisation and repairs - PLN 1 mln (Enea Pomiar)

Operating expenses:

- (-) lower costs related to the area of support by PLN 3 mln

Other operating activity:

- (+) higher revenue from shift of electrical equipment to the assets by PLN 5 mln
- (+) lower costs of provisions relating to grid assets by PLN 8 mln
- (-) higher liquidation costs PLN 1 mln

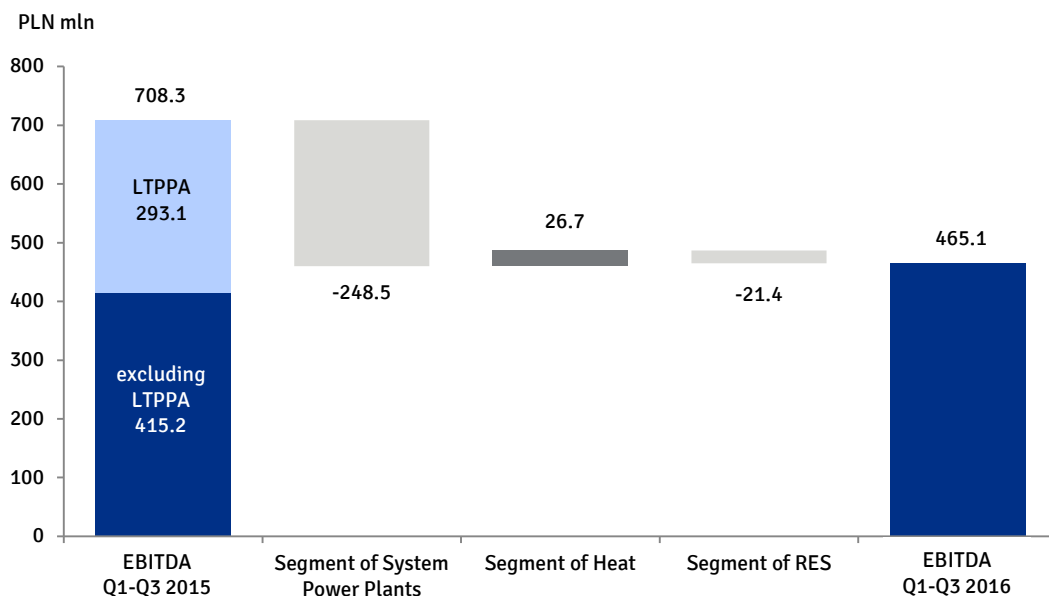
Area of Generation

[PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %	Q3 2015	Q3 2016	Change	Change %
Sales revenue	2 656 304	2 457 787	-198 517	-7.5%	1 047 856	768 528	-279 328	-26.7%
<i>electricity</i>	2 075 612	2 181 900	106 288	5.1%	699 059	706 078	7 019	1.0%
<i>certificates of origin</i>	84 063	35 597	-48 466	-57.7%	20 365	8 673	-11 692	-57.4%
<i>sale of allowance for emissions of CO₂</i>	-	22 071	22 071	100.0%	-	9 509	9 509	100.0%
<i>heat</i>	189 397	199 266	9 869	5.2%	33 770	36 474	2 704	8.0%
<i>recovery of stranded costs</i>	293 147	-	-293 147	-100.0%	293 147	-	-293 147	-100.0%
<i>other</i>	14 085	18 953	4 868	34.6%	1 515	7 794	6 279	414.5%
EBIT	488 361	238 961	-249 400	-51.1%	345 363	70 396	-274 967	-79.6%
Amortisation/depreciation	219 935	184 150	-35 785	-16.3%	73 861	63 222	-10,639	-14.4%
Non-financial fixed assets impairment write-down	-	42 000	42 000	100.0%	-	-	-	-
EBITDA	708 296	465 111	-243 185	-34.3%	419 224	133 618	-285 606	-68.1%
CAPEX	1 394 487	938 379	-456 108	-32.7%	573 192	381 598	-191 594	-33.4%
Share of sales revenue of the area in the Group's net sales revenue	28%	21%	-7 p.p.		31%	20%	-11 p.p.	

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

Enea Wytwarzanie holds e.g. 10 highly-efficient and modernised power units in the segment of System Power Plants.

Annual generation capacity amounts to ca. 16 TWh electricity in this segment.



Q1-Q3 2016 Change factors of EBITDA:

Segment of System Power Plants:

- (-) in 2015 recognition of LTPPA revenue PLN 293.1 mln (LTPPA program termination)
- (+) higher margin on generation by PLN 66.8 mln
- (-) higher fixed costs by PLN 13 mln
- (-) lower margin on trade and the Balancing Market by PLN 7.1 mln
- (-) lower result on other activity by PLN 2.8 mln

Segment of Heat:

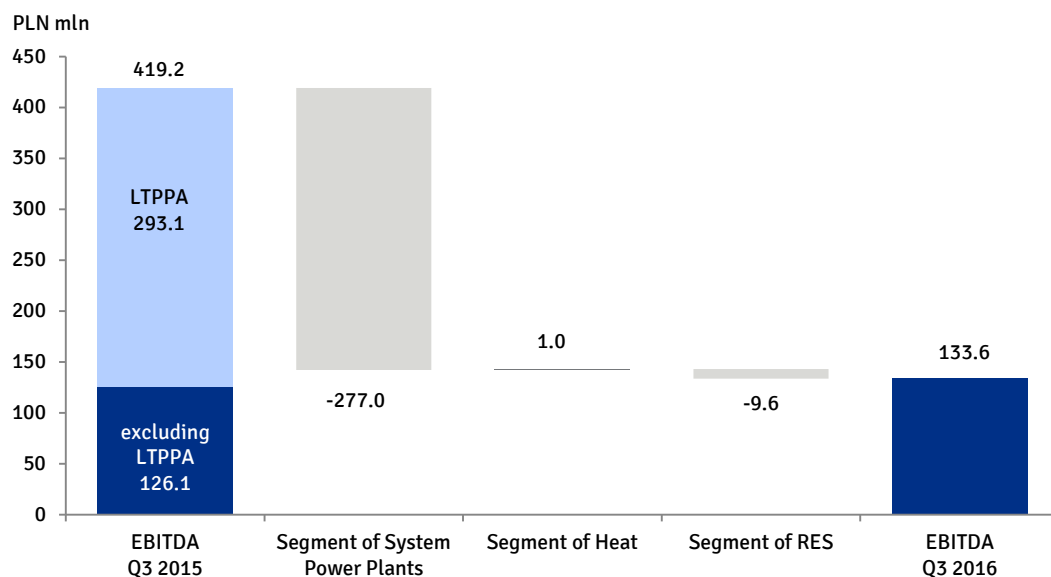
- (+) higher revenue from sales of heat by PLN 11.2 mln
- (+) higher revenue from electricity by PLN 7.4 mln
- (+) lower costs of materials consumption by PLN 19.1 mln
- (-) lower revenue from certificates of origin by PLN 11.9 mln (e.g. lower prices)

Segment of RES:

- (-) area of Water (PLN -9.5 mln): lower revenue from certificates of origin by PLN 6.8 mln (e.g. lower prices)
- (-) area of Wind (PLN -11.6 mln): lower revenue from certificates of origin by PLN 7.4 mln (e.g. lower prices) and lower revenue from electricity by PLN 0.9 mln
- (-) area of Biogas (PLN -0.3 mln)

Area of Generation

[PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %	Q3 2015	Q3 2016	Change	Change %
Sales revenue	2 656 304	2 457 787	-198 517	-7.5%	1 047 856	768 528	-279 328	-26.7%
<i>electricity</i>	2 075 612	2 181 900	106 288	5.1%	699 059	706 078	7 019	1.0%
<i>certificates of origin</i>	84 063	35 597	-48 466	-57.7%	20 365	8 673	-11 692	-57.4%
<i>sale of allowance for emissions of CO₂</i>	-	22 071	22 071	100.0%	-	9 509	9 509	100.0%
<i>heat</i>	189 397	199 266	9 869	5.2%	33 770	36 474	2 704	8.0%
<i>recovery of stranded costs</i>	293 147	-	-293 147	-100.0%	293 147	-	-293 147	-100.0%
<i>other</i>	14 085	18 953	4 868	34.6%	1 515	7 794	6 279	414.5%
EBIT	488 361	238 961	-249 400	-51.1%	345 363	70 396	-274 967	-79.6%
Amortisation/depreciation	219 935	184 150	-35 785	-16.3%	73 861	63 222	-10 639	-14.4%
Non-financial fixed assets impairment write-down	-	42 000	42 000	100.0%	-	-	-	-
EBITDA	708 296	465 111	-243 185	-34.3%	419 224	133 618	-285 606	-68.1%
CAPEX	1 394 487	938 379	-456 108	-32.7%	573 192	381 598	-191 594	-33.4%
Share of sales revenue of the area in the Group's net sales revenue	28%	21%	-7 p.p.		31%	20%	-11 p.p.	



Q3 2016 Change factors of EBITDA:

Segment of System Power Plants:

- (-) in 2015 recognition of LTPPA revenue PLN 293.1 mln (LTPPA program termination)
- (-) lower result on the other operating activity by PLN 8.5 mln
- (-) higher fixed costs by PLN 5.2 mln
- (+) higher margin on generation by PLN 16.5 mln
- (+) higher margin on trade and the Balancing Market by PLN 6.2 mln
- (+) higher revenue from Regulatory System Services by PLN 4.8 mln

Segment of RES:

- (-) area of Wind (PLN -6,6 mln): revenue from certificates of origin lower by PLN 2.8 mln (e.g. lower prices), higher costs of repair and maintenance services by PLN 2.3 mln
- (-) area of Water (PLN -2.3 mln): lower revenue from certificates of origin by PLN 1.2 mln (e.g. lower prices), lower other operating revenue by PLN 2 mln, higher revenue from electricity by PLN 1.4 mln
- (-) area of Biogas (PLN -0.7 mln)

Area of Mining

[PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %	Q3 2015	Q3 2016	Change	Change %
Sales revenue	-	1 314 103	1 314 103	100.0%	-	465 441	465 441	100.0%
<i>coal</i>	-	1 272 373	1 272 373	100.0%	-	453 004	453 004	100.0%
<i>other products and services</i>	-	32 673	32 673	100.0%	-	9 615	9 615	100.0%
<i>goods and materials</i>	-	9 057	9 057	100.0%	-	2 822	2 822	100.0%
EBIT	-	158 939	158 939	100.0%	-	58 582	58 582	100.0%
Amortisation/depreciation	-	270 766	270 766	100.0%	-	88 232	88 232	100.0%
Non-financial fixed assets impairment write-down	-	7 352	7 352	100.0%	-	7 352	7 352	100.0%
EBITDA	-	437 057	437 057	100.0%	-	154 166	154 166	100.0%
CAPEX	-	215 109	215 109	100.0%	-	62 345	62 345	100.0%
Share of sales revenue of the area in the Group's net sales revenue	-	11%	11 p.p.		-	12%	12 p.p.	

LW Bogdanka CG

Financial data:

- 2016 - area of Mining
- 2015 LW Bogdanka CG (data published on WSE)

Mining performed on three fields: Bogdanka, Nadrybie, Stefanów

Production assortment: fine coal (ca. 99%), pea coal, nut coal

Key recipients: commercial and industrial power industry

Q1-Q3 2016 Factors of generated EBITDA:

- (-) 33.3% EBITDA profitability at 12.1% EBIT profitability
- (+) quantitative sales of coal in the analysed period higher by over 12%
- (-) lower selling price of coal –the price dropped by ca. 11% yoy
- (-) other products and services - lower revenue from coal transport services rendered by the Parent for some coal consumers (neutral as regards EBIT)
- (+) growth in revenue from sales of materials is a derivative of greater sales of scrap metal (ca. 98% of revenue in this group)

One-off events:

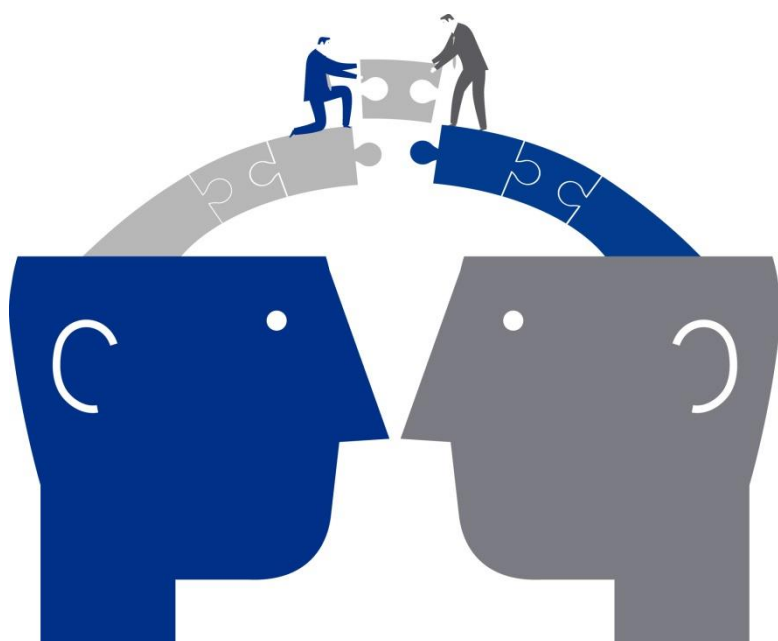
- (+) release of provisions for potential disputed claims in relation to a decision of the Court of Appeal favourable for LW Bogdanka
- (+) revaluation of management options
- (-) investment written-off with no result (impact on EBIT PLN -7.35 mln)

Q3 2016 Factors of generated EBITDA:

- (-) 33.1% EBITDA profitability at 12.6% EBIT profitability
- (-) drop of sale revenue by almost 4%
- (+) quantitative sales of coal in the analysed period higher by almost 8%
- (-) lower selling price of coal in Q3 2016 in relation to Q3 2015 (drop by ca. 11%)
- (-) other products and services - lower revenue from coal transport services rendered by the Parent for some coal consumers (neutral as regards EBIT)
- (+) lower revenue from sales of goods and materials derives from lower scrap metal sales

One-off events:

- (-) investment written-off with no result (impact on EBIT PLN -7.35 mln)



Area of Other activity

[PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %	Q3 2015	Q3 2016	Change	Change %
Sales revenue	386 850	394 989	8 139	2.1%	139 135	126 441	- 12 694	-9.1%
EBIT	15 837	12 451	- 3 386	-21.4%	6 499	- 3 362	- 9 861	-151.7%
Amortisation/depreciation	13 286	19 928	6 642	50.0%	4 287	7 246	2 959	69.0%
EBITDA	29 123	32 379	3 256	11.2%	10 786	3 884	- 6 902	-64.0%
CAPEX	44 654	53 967	9 313	20.9%	17 933	17 693	- 240	-1.3%
Share of sales revenue of the area in the Group's net sales revenue	4%	3%	-1 p.p.		4%	3%	-1 p.p.	

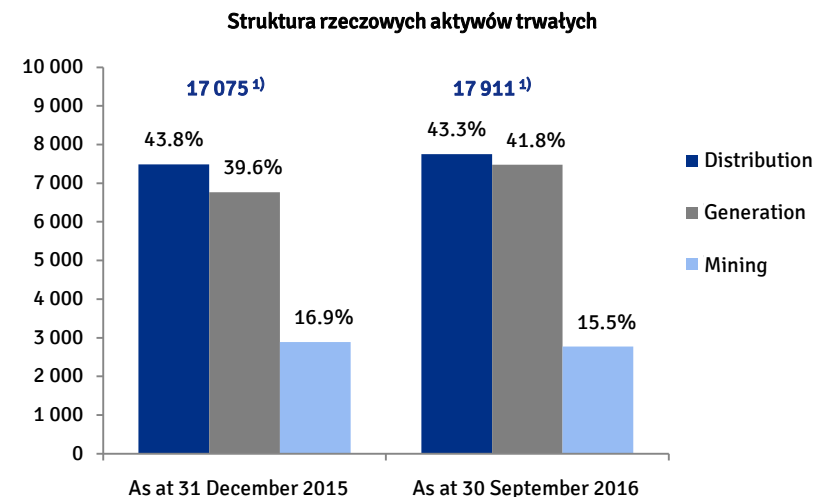


In the Other Activity companies from three areas are presented:

- support for the other Group companies:**
 Enea Centrum sp. z o.o. - being the Shared Service Centre in the Group within accounting, staff, teleinformation, Customer service
 Enea Logistyka sp. z o.o. - the company specialising in the logistics, warehousing, supply operations
- supplementary operations:**
 Enea Oświetlenie sp. z o.o. - the company specialising in lighting the interior and exterior of buildings; designs, constructs street lighting, illumination of urban areas, lighting monumental buildings and public utility objects, and also rendering construction services and comprehensive servicing of photovoltaic power plants
- other operations:**
 The Group conducts restructuring activities whose objective is keeping in the structure only those companies from the basic value chain and companies supporting and supplementing them. This group includes Szpital Uzdrawiskowy ENERGETYK

Assets - structure of assets and liabilities of Enea Capital Group

Assets [PLN '000]	As at:		Change	Change %
	31 June 2015	30.09.2016		
Fixed assets	18 203 442	18 987 892	784 450	4.3%
Tangible fixed assets	17 074 978	17 911 450	836 472	4.9%
Perpetual usufruct	74 160	73 570	-590	-0.8%
Intangible assets	272 116	346 116	74 000	27.2%
Investment properties	20 624	24 567	3 943	19.1%
Investments in subsidiaries, joint subsidiaries and associates	748	3 769	3 021	403.9%
Deferred tax assets	616 795	400 476	-216 319	-35.1%
Financial assets available for sale	23 982	38 982	15 000	62.5%
Derivatives	844	-	-844	-100.0%
Trade and other receivables	28 323	87 602	59 279	209.3%
Funds gathered within Mine Liquidation Fund	90 872	101 360	10 488	11.5%
Current assets	4 785 554	4 628 578	-156 976	-3.3%
Allowances for emissions of CO ₂	307 521	83 710	-223 811	-72.8%
Inventories	649 509	673 166	23 657	3.6%
Trade and other receivables	1 732 744	1 641 586	-91 158	-5.3%
Current income tax assets	31 956	3 023	-28 933	-90.5%
Financial assets held to maturity	479	477	-2	-0.4%
Financial assets valued at fair value through profit or loss	222 011	223 493	1 482	0.7%
Cash and cash equivalents	1 822 094	1 983 027	160 933	8.8%
Fixed assets for sale	19 240	20 096	856	4.4%
Total assets	22 988 996	23 616 470	627 474	2.7%



1) including exclusions

Change factors of fixed assets (growth by PLN 784 mln):

- increase of tangible assets by PLN 836 mln stems from higher expenditures in relation to the implementation of Enea CG's investment strategy, mainly acceptance of subsequent stages of unit No. 11 construction
- higher intangible assets by PLN 74 mln stem mainly from the development of software for the Group being the support in the companies' operations and granting licences
- lower deferred tax assets (by PLN 216 mln) relates mainly to the last year's impairment of fixed assets
- higher trade receivables by PLN 59 mln stem from e.g. opening of forward contracts position

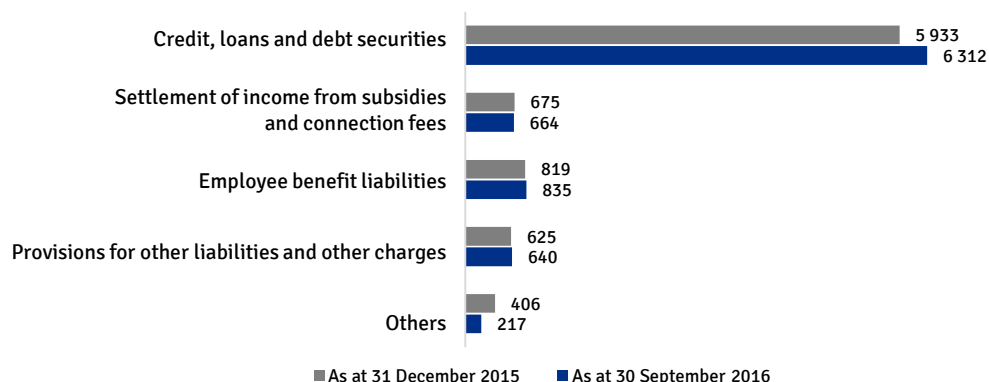
Change factors of current assets (drop PLN 157 mln):

- drop in CO₂ emission allowances by PLN 224 mln stems from redemption and sales of CO₂ emission allowances
- drop in trade receivables by PLN 91 mln, mainly due to sales of electricity and gas
- growth in cash and cash equivalents by PLN 160 mln stemming from the decision on non-payment of dividend and allocating it to Enea CG's investment strategy implementation

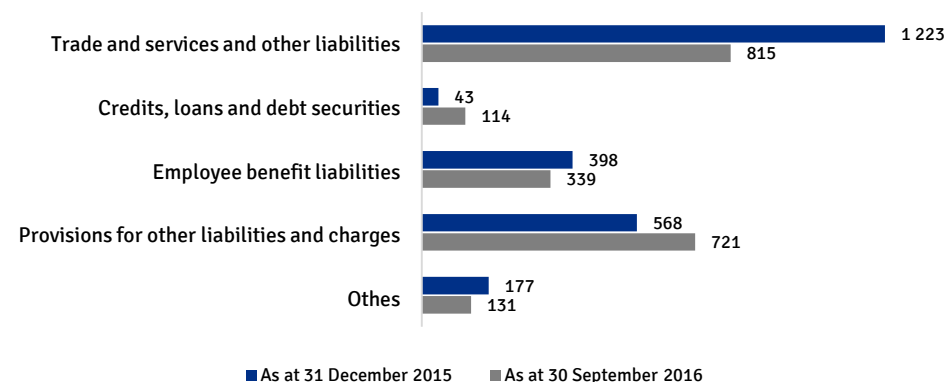
Assets - structure of assets and liabilities of Enea Capital Group

Liabilities [PLN '000]	As at:		Change	Change %
	31 June 2015	30.09.2016		
Total equity	12 122 603	12 829 094	706 491	5.8%
Share capital	588 018	588 018	-	-
Share premium	3 632 464	3 632 464	-	-
Financial instruments revaluation reserve	814	590	-224	-27.5%
Other reserves	-45 883	-45 883	-	-
Reserve capital from valuation of hedging instruments	3 980	-2 997	-6 977	-175.3%
Retained earnings	7 158 352	7 827 277	668 925	9.3%
Non-controlling interests	784 858	829 625	44 767	5.7%
Total liabilities	10 866 393	10 787 376	-79 017	-0.7%
Non-current liabilities	8 457 838	8 667 862	210 024	2.5%
Current liabilities	2 408 555	2 119 514	-289 041	-12.0%
Total equity and liabilities	22 988 996	23 616 470	627 474	2.7%

Structure of non-current liabilities



Structure of current liabilities



Change factors of non-current liabilities (growth by PLN 210 mln):

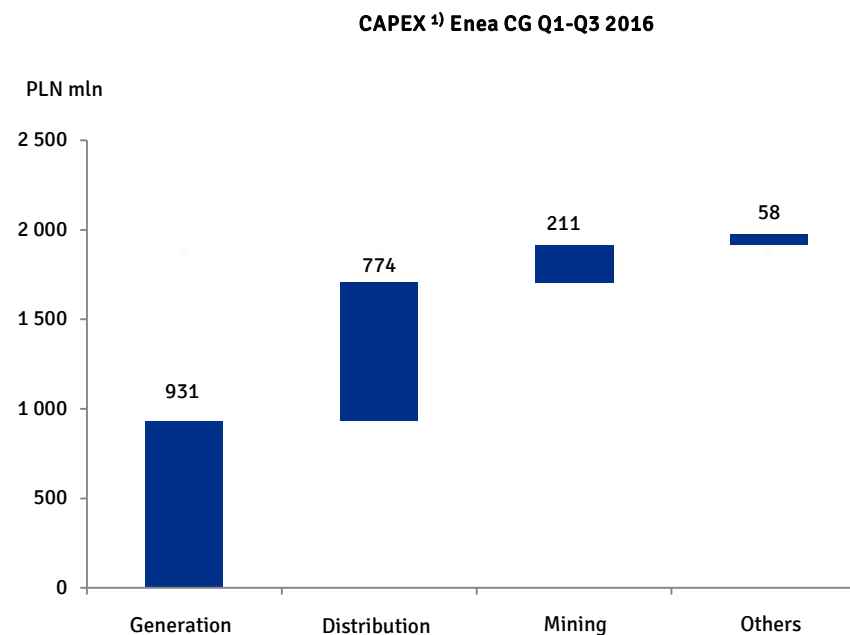
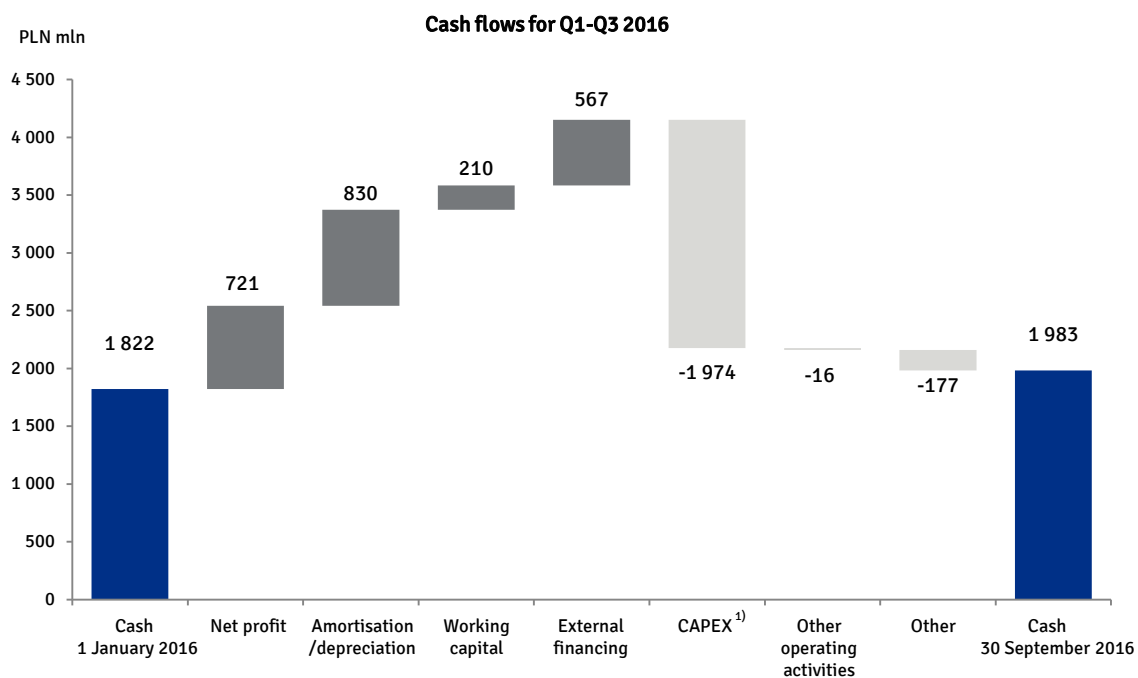
- PLN 379 mln growth in credits, loans and debt securities stemming e.g. from: drawing a loan in EIB in the amount of PLN 100 mln; bond issue in the amount of PLN 300 mln and PLN 150 mln (within PLN 3 billion Guaranteed Programme); redemption of bonds in LW Bogdanka in the amount of PLN 100 mln
- PLN 220 mln drop in deferred income tax provisions

Change factors of current liabilities (drop by PLN 289 mln):

- PLN 408 mln drop in trade and other liabilities, e.g. as a result of lower investment liabilities, acquisition of electricity and coal
- PLN 44 mln drop in current income tax liability
- PLN 59 mln drop in employee benefit liabilities
- PLN 153 mln growth in provisions for other liabilities and other benefits

Cash situation of Enea Capital Group

Cash flow statement [PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %
Net cash flows from operating activities	1 345 599	1 822 395	476 796	35.4%
Net cash flows from investing activities	-1 389 124	-1 990 244	-601 120	-43.3%
Net cash flows from financing activities	2 413 310	328 782	-2 084 528	-86.4%
Net increase / (decrease) in cash and cash equivalents	2 369 785	160 933	-2 208 852	-93.2%
Opening balance of cash and cash equivalents	687 316	1 822 094	1 134 778	165.1%
Closing balance of cash and cash equivalents	3 057 101	1 983 027	-1 074 074	-35.1%



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

Ratio analysis ¹⁾

	Q1-Q3 2015	Q1-Q3 2016	Q3 2015	Q3 2016
Profitability ratios				
ROE - return on equity	8.8%	7.5%	13.2%	7.8%
ROA - return on assets	5.2%	4.1%	7.8%	4.2%
Net profitability	11.7%	8.7%	16.5%	9.2%
Operating profitability	14.6%	11.4%	20.6%	12.5%
EBITDA profitability	22.4%	22.0%	28.0%	23.0%
Liquidity and financial structure ratios				
Current ratio	3.2	2.2	3.2	2.2
Equity-to-fixed assets ratio	0.8	0.7	0.8	0.7
Total debt ratio	0.4	0.5	0.4	0.5
Net debt / EBITDA	0.8	1.8	0.8	1.8
Economic activity ratios				
Current receivables turnover in days	62	56	58	57
Turnover of trade and other payables in days	60	45	60	47
Inventory turnover in days	32	31	32	32

Principles of preparation of financial statements

Condensed financial statements of Enea SA and Enea Group, respectively, included in the extended consolidated report of Enea SA for Q1-Q3 2016 were prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) approved by the European Union. Condensed financial statements were prepared with an assumption of going concern in the foreseeable future. The Company's Management Board states, as at the execution date of the condensed financial statements, no facts or circumstances that could indicate any threats to the possibility of continuing the activity during the period of 12 months after the balance sheet date as a result of a wilful or mandatory negligence or substantial limitation of the so far activities. Financial data presented in the statements, if not stated otherwise, was presented in thousands of PLN.

1) Ration definitions are to be found on page 77

Anticipated financial position

A large share of the regulated area of Distribution in Enea CG's EBITDA (in Q1-Q3 2016 Distribution accounted for 47% of the Group's EBITDA) affects the predictability of cash flows and stabilises them over time. However, two facts are of some importance for this area: a drop in the average weighted average cost of capital adopted by the Energy Regulatory Office (ERO) for tariff calculation (WACC) by 1.522 p.p. (from 7.197% in 2015 to 5.675% in 2016) and introduction of the so called "quality tariff" as of 2016 by ERO. The introduced mechanism of clearing accounts with distributors of electricity based on SAIDI and SAIFI indices realised in a given year, may significantly affect reduction of EBITDA in the area of Distribution. Reduction of WACC will decrease EBITDA in the area by ca. PLN 58 mln in 2016.

Area of Generation which in January-September 2016 accounted for 25% EBITDA of Enea CG, is still under the influence of the demanding situation on the energy market. The production concentrated on bituminous coal involves the exposure to risk related to carbon dioxide emission costs.

In Q4 2015, as a result of LW Bogdanka's acquisition Enea CG's chain of values was supplemented with the area of Mining. In Q1-Q3 2016 LW Bogdanka CG generated very good financial results in the sector, however its operations are still under the pressure of an unstable coal market situation. In 2016 the full compensation of the forecast drop in coal prices with a higher volume of its sales will not be probably achieved. Therefore, keeping the unit costs on a relevant level and optimisation of investment expenditures will be a priority.

In the area of Trade the operations focus on increasing sales of electricity and gaseous fuel - due to an attractive product range new Customers are obtained, and the volume of sold energy and gas increases. An increasing competition on the market putting pressure on the realised prices, higher costs of ecological duties and a significant reduction in market prices of proprietary interests have a negative impact on the area's financial results.

Despite difficult market and regulatory conditions, due to the consistently realised operating costs optimisation, Enea CG generates financial results on an anticipated level. In the face of a more and more demanding situation on the energy market the Management Board will undertake subsequent activities in order to maintain a positive result of operations.

The Group's financial standing is safe, supported with a significant volume of cash, which as at the end of September 2016, including current financial assets kept to maturity and financial assets evaluated at fair value through result, amounted to over PLN 2.2 billion. The amount included the cash on the Companies' accounts, bank deposits, and also cash and cash equivalents managed by an external company. Due to the consistently maintained cost discipline and optimum allocation of held resources the Group is guaranteed a favourable financing of the investments due to:

- Agreement relating to the bond issue programme up to the amount of PLN 3 billion concluded with PKO BP, Bank Pekao, BZ WBK and Bank Handlowy w Warszawie
- Agreement relating to the bond issue programme up to the maximum amount of PLN 5 billion concluded with PKO BP, ING Bank Śląski, Pekao and mBank
- two Programme Agreements relating to the issue of long-term bonds totalling to PLN 1.7 billion concluded with Bank Gospodarstwa Krajowego
- three Loan agreements with the European Investment Bank for the total amount of PLN 2,371 billion

Enea Group implements a vast CAPEX programme (capital expenditures) covering mainly the area of generation and the distribution network, and also acquisitions constituting market opportunities (as the recent acquisition of LW Bogdanka).

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

Financial results forecasts

The Management Board of Enea SA did not publish any financial forecasts for 2016.



4. Shares and shareholding

Share capital structure

Enea SA's share capital as at the publication date of this report for Q3 2016 amounts to PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares of the nominal value of PLN 1 each.

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

Shareholding structure

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

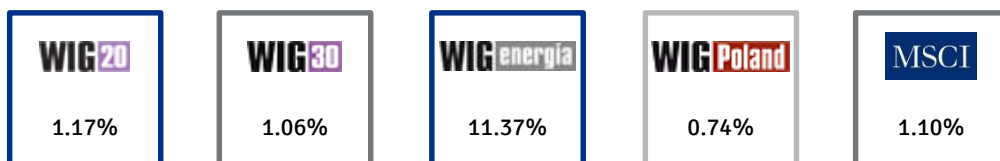
The table below presents Enea SA's shareholding structure as at the publication date of the periodic report for Q3 2016, i.e. 10 November 2016.

Shareholder	Number of shares/number of votes during GM	Share in the share capital/share in the total number of votes
State Treasury	227 364 428	51.5%
PZU TFI	22 788 363	5.2%
Others	191 289 787	43.3%
TOTAL	441 442 578	100.0%

From the publication of the previous quarterly report, i.e. 16 May 2016, the single change in the shareholding structure related to the exceeding by the funds managed by TFI PZU SA of a threshold of 5% of the total number of votes in the Company. Detailed information within this scope were published in the current report No. 31/2016 of 17 October 2016.

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

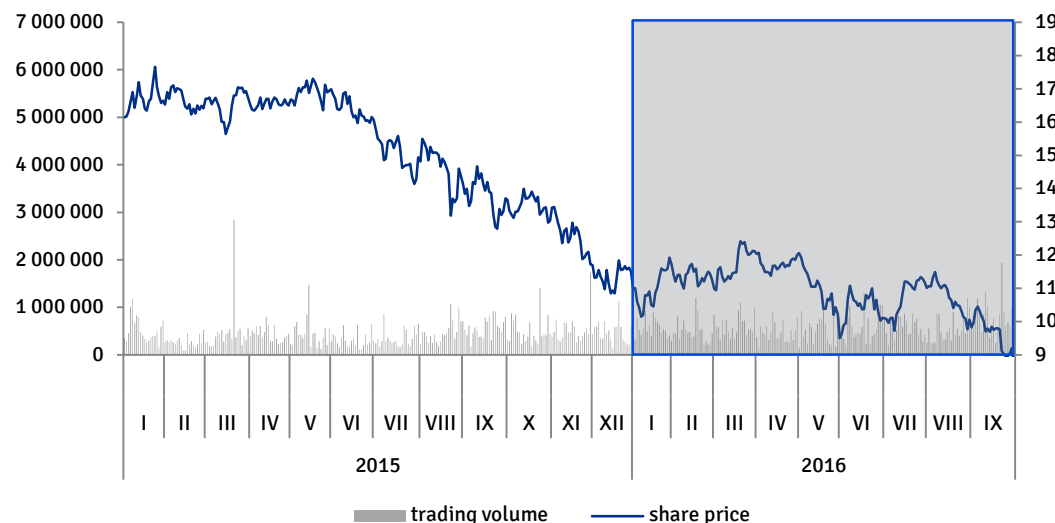
Enea SA's shares have been listed on the Warsaw Stock Exchange (WSE) since 17 November 2008. Percentage of the Company's shares in the indices as at 30 September 2016



The table below demonstrates data relating to the Company's shares in Q1-Q3 2016.

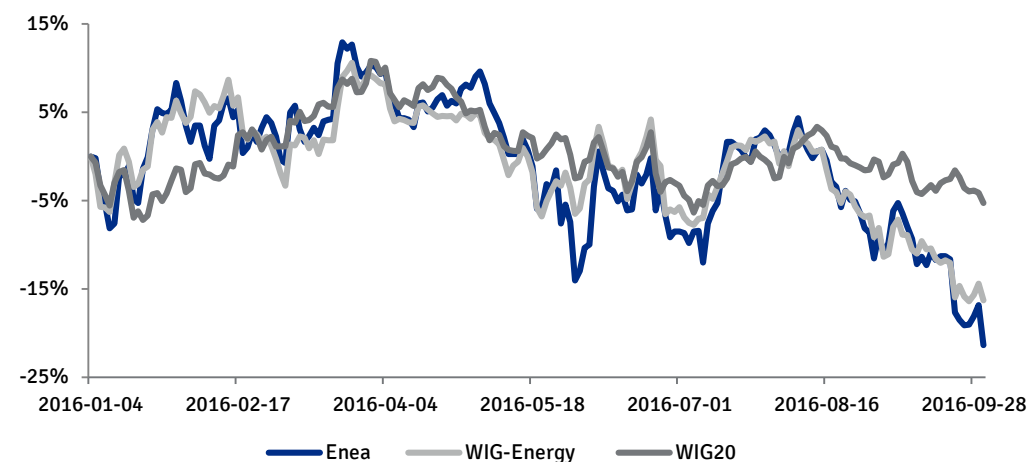
Data	Q1-Q3 2016
Number of shares[pcs]	441 442 578
Minimum [PLN]	8.51
Maximum [PLN]	12.30
Closing price [PLN]	8.51
Opening price [PLN]	10.82
Average volume [pcs]	585 264

Prices of Enea's shares in 2015-2016



In the period from 1 January to 30 September 2016 the price of Enea's shares dropped from PLN 10.82 to PLN 8.51, i.e. by PLN 2.31 or 21.3%. The highest price in the period was achieved for Enea's shares on 22 March, and the lowest - on 30 September 2016.

Change in the price of Enea SA's shares in relation to the changes of WIG20 and WIG-Energy indices





5. Authorities

Personal composition of Enea SA's Management Board

As at the date of publication this report, i.e. 10 November 2016, the Company's Management Board operates in the following composition:



Mirosław Kowalik

President of the Management Board

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

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

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

Wiesław Piosik

Vice-President of the Management Board for Corporate Affairs

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

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

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



Piotr Adamczak

Vice-President of the Management Board for Commercial Affairs

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

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

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



Mikołaj Franzkowiak

Vice-President of the Management Board for Financial Affairs

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

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

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



Personal composition of Enea SA' Supervisory Board

As of the date of publication of this report, i.e. 10 November 2016, the Supervisory Board of the Company of the 9th term is composed of ten members and operates in the following composition:

Małgorzata Niezgoda, Chairman of the Supervisory Board

Date of appointment: 2 July 2015

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

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

Piotr Kossak, Vice-Chairman of the Supervisory Board

Date of appointment: 15 January 2016

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

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

Rafał Szymański, Secretary of the Supervisory Board

Date of appointment: 2 July 2015

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

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

Wojciech Klimowicz, Member of the Supervisory Board

Date of appointment: 2 July 2015

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

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

Tadeusz Mikłosz, Member of the Supervisory Board

Date of appointment: 2 July 2015

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

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

Stawomir Brzeziński, Member of the Supervisory Board

Date of appointment: 2 July 2015

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

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

Roman Stryjski, Member of the Supervisory Board

Date of appointment: 15 January 2016

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

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

Piotr Mirkowski, Member of the Supervisory Board

Date of appointment: 15 January 2016

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

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

Rafał Bargiel, Member of the Supervisory Board

Date of appointment: 15 January 2016

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

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

Paweł Skopiński, Member of the Supervisory Board

Date of appointment: 5 September 2016

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

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

Changes in the composition of the Management Board of Enea SA

Date	Event
	The Supervisory Board of Enea SA adopted resolutions on recalling, as of 7 January 2016, the following people from the composition of the Management Board of Enea SA: <ul style="list-style-type: none"> • Dalida Gepfert - Vice-President of the Management Board for Financial Affairs • Grzegorz Kinelski - Vice-President of the Management Board for Commercial Affairs
	Enea SA's Supervisory Board adopted a resolution regarding cancellation of the delegation as of 7 January 2016 of the Member of the Supervisory Board, Wiesław Piosik, to temporarily act as the President of the Board of Enea SA
30 December 2015	Enea SA's Supervisory Board adopted a resolution regarding nomination as of 7 January 2016 Mirosław Kowalik to the position of the President of the Management Board of Enea SA for the subsequent term which commenced on 7 January 2016
	Enea SA's Supervisory Board adopted a resolution regarding nomination as of 7 January 2016 Wiesław Piosik to the position of the Vice-President of the Management Board of Enea SA for Corporate Affairs for the subsequent term which commenced on 7 January 2016
	Enea SA's Supervisory Board adopted a resolution regarding delegation as of 7 January 2016 the Member of the Supervisory Board, Sławomir Brzeziński, to temporarily act as the Vice-President of the Management Board of Enea SA for Commercial Affairs until a new Vice-President for Commercial Affairs is nominated
21 January 2016	The Company's Supervisory Board adopted a resolution regarding the nomination as of 15 February 2016: <ul style="list-style-type: none"> • Piotr Adamczak to the position of the Vice-President of the Management Board for Commercial Affairs • Mikołaj Franzkowiak to the position of the Vice-President of the Management Board for Financial Affairs

Changes in the composition of the Supervisory Board of Enea SA

Date	Event
30 December 2015	Enea SA's Supervisory Board adopted a resolution regarding cancellation of the delegation as of 7 January 2016 of the Member of the Supervisory Board, Wiesław Piosik, to temporarily act as the President of the Board of Enea SA
30 December 2015	Enea SA's Supervisory Board adopted a resolution regarding delegation as of 7 January 2016 the Member of the Supervisory Board, Sławomir Brzeziński, to temporarily act as the Vice-President of the Management Board of Enea SA for Commercial Affairs until a new Vice-President for Commercial Affairs is nominated
7 January 2016	The Company received the resignation of Wiesław Piosik from the position of a Member of Enea SA's Supervisory Board effective as of 7 January 2016 - the resignation was filed in connection with the nomination of the above mentioned person into the composition of the Company's Management Board as of 7 January 2016
15 January 2016	Enea SA's EGM recalled Sandra Malinowska, Radosław Winiarski and Tomasz Gołebowski - independent member - from the composition of Enea SA's Supervisory Board
15 January 2016	Enea SA's EGM nominated into the composition of the Supervisory Board 4 new members: Piotr Kossak as an independent member, Rafał Bargiel, Roman Stryjski and Piotr Mirkowski
5 September 2016	The Company received the statement of the Minister of Energy of the same date on exercising by the Minister of Energy the right to appoint, pursuant to § 24 item 1 of the Company's Statute, a Member of the Supervisory Board of Enea SA, namely Paweł Skopiński

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

Audit Committee

Name:	Position
Małgorzata Niezgodą	Chairman
Sławomir Brzeziński	Member
Piotr Kossak ¹⁾	Member
Roman Stryjski	Member
Wojciech Klimowicz	Member
Paweł Skopiński	Member

Nominations and Remuneration Committee

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

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

Name:	Position	Number of Enea SA's shares as at 16 May 2016	Number of Enea SA's shares as at 10 November 2016
Wiesław Piosik	Vice-President of the Management Board	4 140	4 140
Tadeusz Mikłosz	Member of the Supervisory Board	4 140	4 140

As at the date of publication of this periodic report the other people from the Management and Supervisory Board do not hold Enea SA's shares.

As at the date of publication of this periodic report the other persons from the Management and Supervisory Board do not hold any entitlement to Enea SA's shares.

In the period from the publication of the previous quarterly report, i.e. the extended consolidated periodic report for Q1 2016, members of the Management Board and members of the Supervisory Board did not acquire/sell shares or allotment certificates relating to Enea SA's shares.

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



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

Demand for energy

According to the Ministry of Economy the demand for electricity in the next years will grow in all the sectors of economy. Net production of electricity will increase until 2030 to 193.3 TWh - as results from forecasts by the Ministry of Economy included in "Update of the projection of demand for fuels and energy until 2030". At the same time, pursuant to the document titled "Conclusions from forecast analyses for the needs of the Energy Policy of Poland until 2050" until 2050 the production of electricity will increase by ca. 40% - from 158 TWh until 2010 to 223 TWh in 2050.¹⁾

Exemption from the obligation to tariff households

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

Quality tariff

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

Growth in the number of energy sellers

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

Additionally, it must be noted that more and more customers decide to change their energy seller. The number of TPA recipients (Third Party Access) among enterprises (tariff group sets A, B, C) as at the end of September 2016 amounted to 172,486, thus grew from the end of March 2016 by 13,890 (8.8%). And among households (tariff group set G) the TPA principle was used, as at the end of September 2016, by 445,439 customers, which means a growth by 54,088 (13.8%) in relation to the end of December 2015.²⁾

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

On 3 September 2014, PGE Polska Grupa Energetyczna, Tauron Polska Energia, Enea and KGHM Polska Miedź (Business Partners) concluded a Shareholder Agreement. On 15 April 2015, pursuant to the Shareholder Agreement, an agreement on sale of shares in PGE EJ 1 sp. z o.o. was concluded, as a result of which each of the Business Partners acquired 10% of shares in PGE EJ 1. As a consequence of selling shares in PGE EJ 1 by PGE Polska Grupa Energetyczna to Business Partners, PGE Polska Grupa Energetyczna holds 70% in the share capital of PGE EJ 1, and each of the Business Partners - 10%. In May 2015, the National Court Register registered the new wording of the Company's Articles of Association, resulting from the Shareholder Agreement, and in May and June 2015, the composition of the Company's Supervisory Board was extended with Business Partners' representatives.

Pursuant to the assumptions PGE Polska Grupa Energetyczna will be the leader of the construction project and exploitation of the first Polish atomic power plant with the capacity of ca. 3,000 MW, and PGE EJ 1 is to be a future operator of the power plant. Pursuant to the Shareholder Agreement, the Parties jointly undertake, in the proportion to number of shares held, to finance the operations as part of the preliminary stage of the Project (Development Stage). The development stage is to specify such elements as potential partners, including the strategic partner, providers of technologies, EPC (Engineering, Procurement, Construction) contractors, suppliers of atomic fuel and obtaining the financing for the project, and also organisational and competence based preparation of PGE EJ 1 to the role of the future atomic power plant's operator, responsible for its safe and efficient exploitation (Integrated Proceedings). Enea's financial engagement at the Development stage will not exceed the amount of ca. PLN 107 mln.

On 29 July 2015 the Extraordinary General Meeting of Shareholders of PGE EJ 1 was held during which the Shareholders decided to issue the share capital of the Company by ca. PLN 70 mln, through the issue of 496,450 new shares of the nominal value of PLN 141 each, subscribe for the newly created shares and cover them with cash contribution. Pursuant to the decision of the EGM Enea took up 49,645 shares of the total nominal value of ca. PLN 7 mln and covered them with cash totalling to ca. PLN 7 mln.

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

Continuation of the construction of the power unit

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

On 22 August 2016 the consortium submitted a proposal to Enea Wytwarzanie of an updated schedule for the contract with the offer to postpone the date of the investment commissioning from 21 July 2017 to 19 December 2017, of which Enea SA informed in the current report No. 24/2016. The proposal of postponing the completion date of the investment results from technical and organisational issues presented by the contractor. The Schedule they submitted is being analysed, pursuant to the agreement in force. The analysis relates in particular to the presented reasons for postponing the completion date, efficiency of the proposed corrective actions and consequences resulting from postponing the date of the Investment completion.

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

Structure of generating portfolio

Notwithstanding the start-up of 1,075 MW unit in Koźnice Power Plant, Enea plans its engagement in the construction of new sources or acquisitions of the already existing ones on the level of additional 1,500-2,000 MW until 2025. Some of these activities will be implemented via partnerships with other energy groups. The implementation of the strategy will mean a significant growth in Enea's importance in electricity generation for the needs of the Public Power System. The total installed capacity of conventional sources is to increase from the current level of 3.2 GW to 5.8-6.3 GW in 2025. It will allow the Group to generate 20.7-22.8 TWh electricity from own sources, which will mean electricity generation and sales balance.

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

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

Rating

Maintaining on 29 October 2015 by Fitch Ratings agency of a long-term rating of Enea SA in national and foreign currency on the level of "BBB" and a long-term national rating on the level of "A(pol)" in relation to LW Bogdanka's takeover is of a key importance as to the realisation of the investment intentions of the Group. On 3 August 2016, due to methodological changes, Enea's rating was raised to "A+(pol)", which is a result of decreasing the long-term rating of Poland in national currency to "-A" from "A" (resulting also from methodological changes). The outlook of Enea's ratings is stable. Fitch Ratings has performed the Company's credit rating since 2011.

On 30 September EuroRating affirmed, again this year, the credit rating of Enea on the level of BBB with a stable outlook. The rating mentioned above was awarded by EuroRating on its own initiative, in reply to the information needs of market participants, and the credit risk assessment process was based on the publicly available information.

Collective disputes

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

Court and administrative proceedings

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

A detailed description of proceedings is presented in note 22 to the condensed interim consolidated financial statements of Enea CG for the period from 1 January to 30 September 2016.

Limits of allowances for emissions of CO₂

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

Long-term development of energy market

On 16 February 2016 the Government of Poland adopted "Plan for Responsible Development of Poland"¹⁾. The document specifies the key directions of the state functioning and new impulses which will ensure its stable development in the future. The plan foresees that the development of the Polish economy will be based on five pillars: reindustrialisation, innovations, capital, foreign expansion and social and regional development.

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

In 2016, the process was commenced of implementing a dual-product market on which, apart from electricity, also capacity will be traded. The Ministry of Energy, in the document titled "Functional solutions of the capacity market" published on 30 September 2016 justifies the necessity of introducing a new market. In order to guarantee the continuity and stability of electricity supplies to all end users in Poland in the middle- and long-term perspective, the Minister of Energy, at the beginning of 2016, decided to commence works over the capacity market project aiming at the establishment of an incentive to make investment and modernisation decisions and withdraw from the intention of premature termination of the exploitation of the existing generating sources, determinative of the PPS's safe operation.

New projections for energy price paths

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

Incorporation of ElectroMobility Poland SA

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

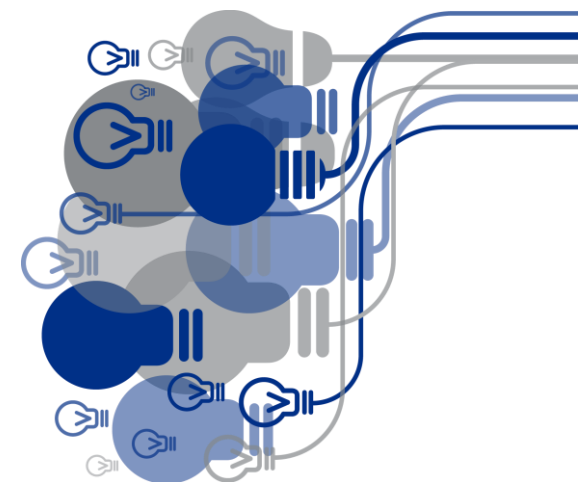
The new company's share capital will be PLN 10 million. Each of the companies incorporating ElectroMobility Poland will hold 25% in the share capital with 25% of votes at a general meeting.

Submission, with partners, of a preliminary offer for the purchase of EDF assets in Poland

On 16 September 2016 Enea and PGE SA, Energa SA and PGNiG Termika SA jointly made a preliminary, non-binding offer to EDF International SAS for the purchase of shares in companies belonging to EDF in Poland, holding conventional generating assets and conducting service operations.

These assets include in particular: Rybnik Power Plant, Combined heat and power plant in Cracow, Combined heat and power plant in Gdańsk, Combined heat and power plant in Gdynia, Combined heat and power plant and heating network in Toruń Combined heat and power plant and heating network in Wrocław agglomeration, Combined heat and power plant an heating network in Zielona Góra and an investment in a gaseous unit in Toruń.

In the event of admission to the next stage of the transaction a detailed due diligence analysis will be conducted which will constitute the basis for the decision on further steps in the transaction, including the submission of a potential bidding offer, after obtaining the required corporate approvals.



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

Signing of the Letter of Intent with Energa SA relating to the construction and operation of the power unit in Ostrołęka Power Plant

On 19 September 2016, Enea SA and Energa SA signed a Letter of Intent relating to undertaking the cooperation on the preparation, implementation and operation of a modern 1,000 MW unit in Ostrołęka Power Plant (investment, Ostrołęka C).

The Parties' intention is joint elaboration of Ostrołęka C effective business model, verification of its design documentation and optimisation of technical and economic parameters of the new unit. The cooperation will also include drafting of documents necessary for the initiation of a tender procedure and selecting the Investment's general contractor.

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

The Parties assume that the rules of cooperation agreed upon in the Letter of Intent should contribute to making a decision on the tender announcement in 2016 with the aim of completing the Investment in the second half of 2023.

The potential expenditures are estimated to total to ca. 5.5-6 mln PLN/MW. The Parties do not rule out the participation of other partners in the Investment. Its further parameters, such as the scale and commitment of each Party will be analysed.

Submission of an offer for the acquisition of 100% shares in ENGIE Energia Polska SA

On 30 September 2016 the Company submitted an offer for the acquisition of 100% shares in ENGIE Energia Polska SA. The offer was submitted compliant with the process initiated by ENGIE, the owner of 100% of shares in ENGIE Energia Polska, which is considering their sale.

Termination/withdrawal from proprietary interests purchase agreements by Enea SA

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

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

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

Signing of a letter of intent relating to the preliminary interest in the financial participation in Katowicki Holding Węglowy

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

On 28 October 2016 Enea SA, Węglokoks SA and Towarzystwo Finansowe Silesia sp. z o.o. (Investors) signed a letter of intent expressing the preliminary interest in the financial participation in Katowicki Holding Węglowy or in KHW's assets.

Investors' participation in KHW depends on the satisfaction of numerous conditions related to e.g. presentation of an acceptable business plan and financial model and obtaining the required corporate consents.

The Investors' final decisions as regards the participation in KHW will be made e.g. after the analysis of the due-diligence performed and after the determination of the final shape of all the other arrangements.



Enea Group's Corporate social responsibility in Q1-Q3 2016 was concentrated on the implementation of the following actions:

Enea Group's corporate social responsibility report for 2015

With the end of Q2 2016 Enea Group published the fifth "Corporate Social Responsibility Report of Enea Group for 2015" covering the period from 1 January to 31 December 2015. This year's reporting of non-financial data was prepared compliant with the guidelines of the international standard - Global Reporting Initiative G4, on the level of Core application. This is the fourth report of Enea disclosing non-financial data on-line, only the first one was issued traditionally. The document is available on a dedicated, interactive [website](#) and [in English](#).

The report presents the most important issues from Enea Group's responsible business and sustainable development perspective, i.e. the so-called significant aspects of reporting sustainable development. They describe the scale and nature of the Group's impact on the social environment and implemented and planned investments for the environmental protection. Employees from all the reporting companies: both CSR coordinators in the Group companies and employees responsible for crucial areas take part in works over the development of data for the CSR report. The reporting process is coordinated by a dedicated organisational unit responsible for CSR in Enea SA.

This year's report is opened with a transparent animation presenting the complete, after the takeover in 2015 of Lubelski Węgiel Bogdanka SA, supply chain which was completed with the last (after generation, energy distribution and its sale to Customers) link - mining the raw material.

Enea Sports Academy Programme

In the period of three quarters of 2016 Enea Group continued Enea Sports Academy programme dedicated to children and youth aiming at the promotion of a healthy and active lifestyle. Additional volleyball classes were held in some schools within physical education in selected schools.

As part of the project also Enea Mini-Volleyball League was launched. It is an open cycle of matches for schools on the area of Poznań agglomeration.



Corporate volunteering

Enea Group's corporate volunteering operations in the period of January - September 2016 focused e.g. on:

- active participation in "School bag full of smiles" campaign organised by Caritas each year. Enea Group employees collected school accessories and stationery which went to 200 school bags and were given to children from poor families.
- supporting the Poznań edition of Poland Business Run - the largest charity run in Poland. 65 people ran from the side of Enea. Their participation in this sports event helped to raise money for "Poza Horyzonty" Jaś Mela Foundation which helps people after amputations.
- continuation of the development of competence volunteering via the realisation of "Power-not so scary" and "First aid - pre-medical rescue" programmes, not only during individual trainings and shows, but also during promotional actions closely related to the promotion of Enea brand.

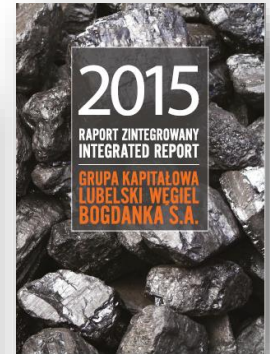
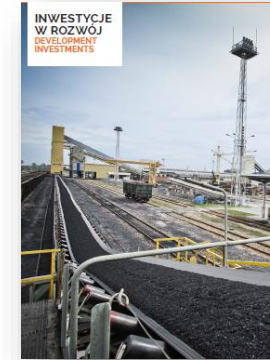
Activities connected with the programmes: "Power-not so scary" and "Pre-medical rescue" and accompanied activation of activities during the image-related projects and sponsoring actions of Enea Group



LW Bogdanka's Corporate social responsibility in Q1-Q3 2016 was concentrated on the implementation of the following actions:

Corporate responsibility report of LW Bogdanka for 2015

The Integrated Report of LW Bogdanka published in June for 2015 was given the Main Award in the jubilee, 10th competition of Social Reports, organised by Responsible Business Forum and Deloitte and Minister's of Development Award handed within he same competition. The report joins both financial results and non-financial data.



Supply chain audit

In February 2016 LW Bogdanka successfully underwent an audit of the supplier's chain performed by one of the recipients. At the same time, continuously working on the improvement of knowledge propagating methods among employees, the following guidelines were enforced in the Company:

- mode and method of organising trainings
- surveys and propagating knowledge on the observance and spreading of the rules of the code of conduct and preventing malpractice

Social responsibility, good employment conditions, caring for the development of managerial staff's competences or Ethical Code in force in the Company are one of the factors due to which LW Bogdanka received the title of "TOP Employer in Eastern Europe".

Corporate volunteering in LW Bogdanka

As corporate volunteering LW Bogdanka realised the following initiatives in Q1-Q3 2016:

- **Great Power of Helping campaign** - collection of Easter gifts for the needs of the Juvenile Shelter (SDN) in Dominów near Lublin
- **School bag full of smiles** - preparation of several dozen school starter kits with school accessories for pupils commencing 2016/17 school year deriving from the poorest families in the Lubelskie province
- **Charitable waste paper collection** - funds coming from the sale of the waste paper collected by the employees went to "Vault of Good Education" (scholarship fund fr talented youth from Lublin)

The regular fund-raising actions are also continued:

- **"Positively stoked" campaign** – collection of caps for children and young people of Lublin Hospice under the name of Small Prince
- **Gold Rush** - collection of low-denomination coins lingering in the wallet - 1, 2 or 5 grosz, which are transferred to the Lublin branch of Polish Red Cross
- **Increasing knowledge on blood and bone marrow donations** – meetings of representatives of the Regional Centre of Blood Donation and Treatment in Lublin with the management of LW Bogdanka and co-organisation of mobile and stationary blood donation campaigns

Relations with local community

Local community support

LW Bogdanka supports local social initiatives with the goal of developing the areas of culture, science, education, health, developing the municipal infrastructure and securing other needs of the local community. The Company took care for the enhancement of security for employees and all the citizens in the region, e.g. via the co-funding of the acquisition of rescue and fire vehicle for the OTS unit neighbouring with LW Bogdanka and a specialist device for testing hearing for a hospital in Łęczna. These was e.g. for such actions in June 2016 that the Company was honoured with the Angel of Goodness by WTZ centre supported by it within PSOUU Łęczna.

Intersectoral Agreement for life and health

In March 2016, LW Bogdanka, Fundacja Solidarni Górniczy and Regional Center of Blood Donation and Treatment in Lublin agreed upon the scope of joint actions for 2016, including blood donation campaigns and meetings propagating knowledge in this area among employees. In order to widen the knowledge on blood and bone marrow donation meetings were held of representatives of the Regional Center of Blood Donation and Treatment in Lublin with LW Bogdanka's managerial staff.

Other initiatives

Mine close to the nature

As the founder and co-organiser (with OTOP) of Nadrybie Educational Path, LW Bogdanka is planning to continue the extension of this infrastructure. In January 2016, a meeting was held with representatives of Parczew Forest District who shared their knowledge on the preparation and use of educational paths on naturally valuable areas.

The previous efforts and works over the Educational Path were appreciated in the 19th edition of the contest for the title of the Benefactor of the year in which LW Bogdanka won.

Education in C-Zone (multimedia exhibition presenting the history of Bogdanka and Lublin Coal Basin) - LW Bogdanka willingly shares its history, tradition and achievements with children and young people, via organisation of meetings with employees, who in specially designed multimedia rooms, familiarise them with the mining issues.



Attachments

Profit and loss statement of Enea SA - Q1-Q3 2016

[PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %
Sales of electricity to retail users	2 884 359	2 923 686	39 327	1.4%
Sales of gaseous fuel to retail users	53 972	96 680	42 708	79.1%
Sales of distribution services to users holding comprehensive agreements	1 101 725	1 112 134	10 409	0.9%
Sales of energy and gaseous fuel to other entities	127 474	75 098	-52 376	-41.1%
Sales of services	2 603	2 931	328	12.6%
Other revenue	9 143	638	-8 505	-93.0%
Excise tax	171 209	185 838	14 629	8.5%
Net sales revenue	4 008 067	4 025 329	17 262	0.4%
Amortisation/depreciation	4 398	2 660	-1 738	-39.5%
Employee benefit costs	33 685	40 792	7,107	21.1%
Consumption of materials and energy and value of sold materials	1 277	1 643	366	28.7%
Purchase of energy and gas for resale	2 674 768	2 675 254	486	0.0%
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	1 101 774	1 112 260	10 86	1.0%
Other outsourced services	104 205	117 069	12 864	12.3%
Taxes and charges	2 405	2 573	168	7.0%
Cost of sales	3 922 512	3 952 251	29 739	0.8%
Other operating revenue	4 979	22 027	17 048	342.4%
Other operating expenses	37 110	20 127	-16 983	-45.8%
Profit / loss on sales of fixed assets	1 081	-8	-1 089	-100.7%
Operating profit	54 505	74 970	20 465	37.5%
Financial revenue	119 871	139 737	19 866	16.6%
Dividend revenue	874 236	548 874	-325 362	-37.2%
Financial expenses	86 688	157 582	70 894	81.8%
Profit before tax	961 924	605 999	-355 925	-37.0%
Income tax	23 966	20 464	-3 502	-14.6%
Net profit	937 958	585 535	-352 423	-37.6%
EBITDA	58 903	77 630	18 727	31.8%

Q1-Q3 2016:**Change factors of EBITDA of Enea SA (growth by PLN 19 mln):**

- (+) higher first contribution margin by PLN 6 mln:
- (-) lower average selling price by 1.4%
- (-) higher costs of ecological obligations by 9.1%
- (+) lower average purchase price of energy by 1.3%
- (+) growth in sale volumes by 2.8%
- (+) result on gaseous fuel
- (-) higher employee benefits costs by PLN 7 mln
- (-) higher costs of outsourced services by PLN 13 mln:
 - (-) higher selling costs of customer service by PLN 6 mln
 - (-) higher costs of consulting and legal services by PLN 1 mln
 - (-) higher costs of advertising and sponsorship by PLN 3 mln
 - (-) higher costs of common services by PLN 3 mln
- (+) higher result on the other operating activity by PLN 33 mln:
 - (+) lower costs of written-off receivables by PLN 12 mln
 - (+) lower provisions for litigation by PLN 15 mln
 - (+) lower impairment of receivables by PLN 3 mln

Q1-Q3 2016:**Settlement of share value impairment write-down (impact on net result):**

- (-) performed tests on the impairment of share value demonstrated the need of recognising a write-down in the amount of PLN 42 mln (recognised as financial costs)

Profit and loss statement of Enea SA - Q3 2016

[PLN '000]	Q3 2015	Q3 2016	Change	Change %
Sales of electricity to retail users	959 264	955 247	-4 017	-0.4%
Sales of gaseous fuel to retail users	21 684	23 069	1 385	6.4%
Sales of distribution services to users holding comprehensive agreements	355 821	359 183	3 362	0.9%
Sales of energy and gaseous fuel to other entities	29 091	11 812	-17 279	-59.4%
Sales of services	898	1 075	177	19.7%
Other revenue	657	-	-657	-100.0%
Excise tax	56 530	60 669	4 139	7.3%
Net sales revenue	1 310 885	1 289 717	-21 168	-1.6%
Amortisation/depreciation	1 444	876	-568	-39.3%
Employee benefit costs	10 647	13 658	3 011	28.3%
Consumption of materials and energy and value of sold materials	520	671	151	29.0%
Purchase of energy and gas for resale	893 737	832 841	-60 896	-6.8%
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	355 834	359 232	3 398	1.0%
Other outsourced services	32 548	38 297	5 749	17.7%
Taxes and charges	538	561	23	4.3%
Cost of sales	1 295 268	1 246 136	-49 132	-3.8%
Other operating revenue	-6 446	14 388	20 834	323.2%
Other operating expenses	8 933	4 665	-4 268	-47.8%
Profit / loss on sales of fixed assets	70	-	-70	-100.0%
Operating profit	308	53 304	52 996	17 206.5%
Financial revenue	44 916	44 816	-100	-0.2%
Dividend revenue	-	-	-	-
Financial costs	42 155	41 531	-624	-1.5%
Profit before tax	3 069	56 589	53 520	1 743.9%
Income tax	6 510	9 796	3 286	50.5%
Net profit	-3 441	46 793	50 234	1 459.9%
EBITDA	1 752	54 180	52 428	2 992.5%

Q3 2016:**Change factors of EBITDA of Enea SA (growth by PLN 52 mln):**

- (+) higher first contribution margin by PLN 36 mln:
 - (+) higher average selling price by 1.1%
 - (+) lower costs of ecological obligations by 6.0%
 - (+) lower average purchase price of energy by 3.0%
 - (-) drop of the volume of energy sales by 1.5%
 - (-) result on gaseous fuel
- (-) higher employee benefits costs by PLN 3 mln
- (-) higher costs of outsourced services by PLN 6 mln:
 - (-) higher costs of advertising and sponsorship by PLN 3 mln
 - (-) higher selling costs of customer service by PLN 2 mln
 - (-) higher costs of common services by PLN 2 mln
 - (+) lower costs of consulting and legal services by PLN 2 mln
- (+) higher result on the other operating activity by PLN 25 mln:
 - (+) lower provisions for litigation by PLN 10 mln
 - (+) lower impairment of receivables by PLN 9 mln
 - (+) lower costs of written-off receivables by PLN 4 mln

Profit and loss statement of Enea Operator sp. z o.o. - Q1-Q3 2016

[PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %
Revenue from sales of distribution services to end users	2 110 312	2 140 933	30 621	1.5%
Revenue from additional fees	3 602	4 209	607	16.9%
Revenue from non-invoiced sales of distribution services	-7 756	157	7 913	102.0%
Clearing of the Balancing Market	2 735	1 708	-1 027	-37.6%
Fees for customer grid connection	54 476	47 719	-6 757	-12.4%
Revenue from the illegal collection of electricity	4 638	4 017	-621	-13.4%
Revenue from services	32 611	22 654	-9 957	-30.5%
Sales of distribution services to other entities	15 222	18 536	3 314	21.8%
Sales of goods and services and other revenue	2 015	1 965	-50	-2.5%
Sales revenue	2 217 855	2 241 898	24 043	1.1%
Depreciation and amortisation of fixed and intangible assets	324 220	356 499	32 279	10.0%
Employee benefit costs	283 287	273 761	-9 526	-3.4%
Consumption of materials and raw materials and value of goods sold	23 147	22 307	-840	-3.6%
Purchase of energy for own needs and grid losses	184 598	181 589	-3 009	-1.6%
Costs of transmission services	575 512	604 010	28 498	5.0%
Other outsourced services	182 392	174 235	-8 157	-4.5%
Taxes and charges	123 457	133 056	9 599	7.8%
Cost of sales	1 696 613	1 745 457	48 844	2.9%
Other operating revenue	12 573	38 488	25 915	206.1%
Other operating expenses	49 577	46 239	-3 338	-6.7%
Profit / loss on sales and liquidation of tangible fixed assets	-3 319	-6 085	-2 766	-83.3%
Operating profit/loss	480 919	482 605	1 686	0.4%
Financial revenue	3 649	2 626	-1 023	-28.0%
Financial costs	21 730	29 810	8 080	37.2%
Profit/loss before tax	462 838	455 421	-7 417	-1.6%
Income tax	92 279	85 221	-7,058	-7.6%
Net profit/loss	370 559	370 200	-359	-0.1%
EBITDA	805 139	839 104	33 965	4.2%

Q1-Q3 2016:**Change factors of EBITDA of Enea Operator sp. z o.o. (growth by PLN 34 mln):**

- (+) higher volume of sales of distribution services to end users by PLN 533 GWh with rates lower by 3.8 PLN/MWh (PLN 31 mln)
- (+) higher revenue from sale of distribution services to other entities (PLN 3 mln) – greater volume of electricity exported to neighbouring ODSs by 77.9 GWh
- (-) lower revenue from services - resignation from the street lighting maintenance services (PLN 10 mln)
- (+) lower costs of employee benefits as a result of enhanced effectiveness of works performed using the in-house system and performed optimisation of use of resources (PLN 10 mln)
- (+) volumes lower by 6.9 GWh and lower purchase price of electricity for own needs and grid losses by 0.76 zł/MWh (PLN 2 mln)
- (-) higher costs of transmission services - stemming from higher quality charge and transitory charge in 2016 (PLN 28 mln)
- (+) reduction in the costs of the other outsourced services - lower costs of telecom services, insurance and administration costs (PLN 8 mln)
- (-) higher property tax in relation to new investments commissioning and fees for using the roads (PLN 9.5 mln)
- (+) higher other operating revenue from shifting the energy equipment to the assets and higher revenue from insurance (PLN 25.9 mln)
- (-) lower growth in costs of legal provisions relating to grid assets (PLN 3.3 mln)
- (-) higher liquidation costs - balance (PLN 2.8 mln)

Profit and loss statement of Enea Operator sp. z o.o. - Q3 2016

[PLN '000]	Q3 2015	Q3 2016	Change	Change %
Revenue from sales of distribution services to end users	700 808	708 622	7 814	1.1%
Revenue from additional fees	1 185	1 442	257	21.7%
Revenue from non-invoiced sales of distribution services	-7 082	-401	6 681	94.3%
Clearing of the Balancing Market	2 305	677	-1 628	-70.6%
Fees for customer grid connection	23 315	16 421	-6 894	-29.6%
Revenue from the illegal collection of electricity	1 292	986	-306	-23.7%
Revenue from services ¹⁾	10 597	6 704	-3 893	-36.7%
Sales of distribution services to other entities	5 317	5 996	679	12.8%
Sales of goods and services and other revenue	1 221	733	-488	-40.0%
Sales revenue	738 958	741 180	2 222	0.3%
Depreciation and amortisation of fixed and intangible assets	109 913	117 591	7 678	7.0%
Employee benefit costs	88 803	90 215	1 412	1.6%
Consumption of materials and raw materials and value of goods sold	6 989	7 048	59	0.8%
Purchase of energy for own needs and grid losses	56 696	55 672	-1 024	-1.8%
Costs of transmission services	189 559	208 017	18 458	9.7%
Other outsourced services	59 061	61 604	2 543	4.3%
Taxes and charges	37 215	40 042	2 827	7.6%
Cost of sales	548 236	580 189	31 953	5.8%
Other operating revenue ¹⁾	3 672	9 622	5 950	162.0%
Other operating expenses	16 075	7 331	-8 744	-54.4%
Profit / loss on sales and liquidation of tangible fixed assets	-1 964	-2 625	-661	-33.7%
Operating profit/loss	176 355	160 657	-15 698	-8.9%
Financial revenue	-1 015	217	1 232	121.4%
Financial costs	6 841	10 843	4 002	58.5%
Profit/loss before tax	168 499	150 031	-18 468	-11.0%
Income tax	34 528	28 266	-6 262	-18.1%
Net profit/loss	133 971	121 765	-12 206	-9.1%
EBITDA	286 268	278 248	-8 020	-2.8%

Q3 2016:**Change factors of EBITDA of Enea Operator sp. z o.o. (drop by PLN 8 mln):**

- (+) higher volume of sales of distribution services to end users by PLN 193 GWh with rates lower by 4.8 PLN/MWh (PLN 8 mln)
- (-) lower revenue from services - resignation from the street lighting maintenance services (PLN 4 mln)
- (-) growth in costs of employee benefits (PLN 1.4 mln) - faster growth in costs of employee provisions by PLN 2.1 mln than drop of costs of current benefits by PLN 0.6 mln
- (-) higher volumes of energy purchased for own needs and grid losses by 6.4 GWh with a purchase price lower by 1.59 PLN/MWh (PLN 1 mln)
- (+) higher costs of transmission services - higher quality charge and transitory charge in 2016 (PLN 18 mln)
- (+) higher costs of the other services - favourable weather conditions in 2016 enabled continuous performance of maintenance works (PLN 2.5 mln)
- (-) higher property tax in relation to new investments commissioning (PLN 2.5 mln)
- (+) higher other operating revenue from shifting the energy equipment to the assets and higher revenue from insurance (PLN 6 mln)
- (+) lower costs of legal provisions relating to grid assets (PLN 9 mln)

1) Presentation change of recognising revenue from performance of contracts relating to the reconstruction of the power infrastructure on request of an external entity

Profit and loss statement of Enea Wytwarzanie sp. z o.o. - Q1-Q3 2016

[PLN '000]	Q1-Q3 2015	Q1-Q3 2016	Change	Change %
Revenue from sale of electricity	2 069 521	2 174 479	104 958	5.1%
<i>generating licence</i>	1 831 660	1 905 876	74 216	4.1%
<i>trade licence</i>	237 861	268 603	30 742	12.9%
Revenue from certificates of origin	79 745	29 904	-49 841	-62.5%
Revenue from sales of CO ₂ emission allowances	-	22 071	22 071	100.0%
Revenue from sale of heat	113 647	115 785	2 138	1.9%
Recovery of stranded costs	293 147	-	-293 147	-100.0%
Revenue from services	10 200	9 177	-1 023	-10.0%
Sales of goods and services and other revenue	8 939	8 642	-297	-3.3%
Excise tax	177	155	-22	-12.4%
Sales revenue	2 575 022	2 359 903	-215 119	-8.4%
Depreciation and amortisation of fixed and intangible assets	203 969	165 440	-38 529	-18.9%
Employee benefit costs	184 997	189 985	4 988	2.7%
Consumption of materials and raw materials and value of goods sold	1 240 212	1 275 489	35 277	2.8%
Costs of energy purchases for resale	309 821	313 779	3 958	1.3%
Costs of transmission services	1 941	1 696	-245	-12.6%
Other outsourced services	97 270	96 184	-1 086	-1.1%
Taxes and charges	68 989	57 007	-11 982	-17.4%
Cost of sales	2 107 199	2 099 580	-7 619	-0.4%
Other operating revenue	20 146	13 967	-6 179	-30.7%
Other operating expenses	8 960	9 484	524	5.8%
Profit / loss on sales and liquidation of tangible fixed assets	120	539	419	349.2%
Non-financial fixed assets impairment write-down	-	42 000	42 000	100.0%
Operating profit/loss	479 129	223 345	-255 784	-53.4%
Financial revenue	8 237	2 916	-5 321	-64.6%
Financial costs	14 428	14 520	92	0.6%
Dividend revenue	3 890	2 740	-1,150	-29.6%
Profit/loss before tax	476 828	214 481	-262 347	-55.0%
Income tax	85 035	43 618	-41 417	-48.7%
Net profit/loss	391 793	170 863	-220 930	-56.4%
EBITDA	683 098	430 785	-252 313	-36.9%

Q1-Q3 2016:**Change factors of EBITDA of Enea Wytwarzanie sp. z o.o. (drop by PLN 252.3 mln):****Segment of System Power Plants - drop in EBITDA by PLN 248.5 mln:**

- (-) in 2015 recognition of LTPPA revenue PLN 293.1 mln (LTPPA program termination)
- (+) higher margin on generation by PLN 66.8 mln
- (-) higher fixed costs by PLN 13 mln
- (-) lower margin on trade and the Balancing Market by PLN 7.1 mln
- (-) lower result on other activity by PLN 2.8 mln

Segment of Heat - growth in EBITDA by PLN 17.6 mln:

- (+) drop of costs: of material consumption by PLN 21.2 mln, outsourced services (mainly intergroup transactions) by PLN 7.2 mln
- (-) growth in costs: of energy purchased for resale by PLN 3.2 mln, employee benefits by PLN 1.5 mln
- (+) higher revenue from sales of electricity and heat by PLN 9.4 mln
- (-) lower revenue from certificates of origin by PLN 13.3 mln (e.g. lower prices)

Segment of RES - EBITDA lower by PLN 21.4 mln:

- (-) area of Water (PLN -9.5 mln): lower revenue from certificates of origin by PLN 6.8 mln (e.g. lower prices)
- (-) area of Wind (PLN -11.6 mln): lower revenue from certificates of origin by PLN 7.4 mln (e.g. lower prices) and lower revenue from electricity by PLN 0.9 mln
- (-) area of Biogas (PLN -0.3 mln)

Profit and loss statement of Enea Wytwarzanie sp. z o.o. - Q3 2016

[PLN '000]	Q3 2015	Q3 2016	Change	Change %
Revenue from sale of electricity	697 485	704 373	6 888	1.0%
<i>generating licence</i>	641 963	622 147	-19 816	-3.1%
<i>trade licence</i>	55 522	82 226	26 704	48.1%
Revenue from certificates of origin	19 163	7 307	-11 856	-61.9%
Revenue from sales of CO ₂ emission allowances	-	9 509	9 509	100.0%
Revenue from sale of heat	21 998	22 222	224	1.0%
Recovery of stranded costs	293,147	-	-293 147	-100.0%
Revenue from services	3 292	2 984	-308	-9.4%
Sales of goods and services and other revenue	3 517	3 421	-96	-2.7%
Excise tax	58	52	-6	-10.3%
Sales revenue	1 038 544	749 764	-288 780	-27.8%
Depreciation and amortisation of fixed and intangible assets	68 149	56 968	-11 181	-16.4%
Employee benefit costs	52 863	57 998	5 135	9.7%
Consumption of materials and raw materials and value of goods sold	429 404	422 900	-6 504	-1.5%
Costs of energy purchases for resale	87 501	86 897	-604	-0.7%
Costs of transmission services	753	505	-248	-32.9%
Other outsourced services	37 323	32 654	-4 669	-12.5%
Taxes and charges	22 352	15 634	-6 718	-30.1%
Cost of sales	698 345	673 556	-24 789	-3.5%
Other operating revenue	15 336	5 773	-9 563	-62.4%
Other operating expenses	4 007	5 671	1 664	41.5%
Profit / loss on sales and liquidation of tangible fixed assets	107	54	-53	-49.5%
Operating profit/loss	351 635	76 364	-275 271	-78.3%
Financial revenue	1 665	1 090	-575	-34.5%
Financial costs	4 372	4 306	-66	-1.5%
Profit/loss before tax	348 928	73 148	-275 780	-79.0%
Income tax	62 199	14 679	-47 520	-76.4%
Net profit/loss	286 729	58 469	-228 260	-79.6%
EBITDA	419 784	133 332	-286 452	-68.2%

Q3 2016:**Change factors of EBITDA of Enea Wytwarzanie sp. z o.o. (drop by PLN 286.5 mln):****Segment of System Power Plants - drop in EBITDA by PLN 278.5 mln:**

- (-) in 2015 recognition of LTPPA revenue PLN 293.1 mln (LTPPA program termination)
- (-) lower result on the other operating activity by PLN 8.5 mln
- (-) higher fixed costs by PLN 5.2 mln
- (+) higher margin on generation by PLN 16.5 mln
- (+) higher margin on trade and the Balancing Market by PLN 6.2 mln
- (+) higher revenue from Regulatory System Services by PLN 4.8 mln

Segment of Heat - growth in EBITDA by PLN 1.6 mln:

- (+) lower costs of outsourced services by PLN 7.5 mln (mainly intergroup transactions)
- (+) lower costs of materials by PLN 7.0 mln
- (+) higher result on the other operating activity by PLN 2.6 mln
- (-) lower revenue from sales of heat by PLN 4.5 mln
- (-) lower revenue from certificates of origin sales by PLN 10.6 mln (e.g. lower prices)

Segment of RES - EBITDA lower by PLN 9.6 mln:

- (-) area of Wind (PLN -6,6 mln): revenue from certificates of origin lower by PLN 2.8 mln (e.g. lower prices), higher costs of repair and maintenance services by PLN 2.3 mln
- (-) area of Water (PLN -2.3 mln): lower revenue from certificates of origin by PLN 1.2 mln (e.g. lower prices), lower other operating revenue by PLN 2 mln, higher revenue from electricity by PLN 1.4 mln
- (-) area of Biogas (PLN -0.7 mln)

Profit and loss statement of LW Bogdanka SA - Q1-Q3 2016

[PLN '000]	Q1-Q3 2016
Net sales revenue	1 314 103
Depreciation and amortisation of fixed and intangible assets	270 766
Employee benefit costs	405 303
Consumption of materials and raw materials and value of goods sold	223 698
Other outsourced services	212 199
Taxes and charges	34 596
Cost of sales	1 146 562
Other operating revenue	13 700
Other operating expenses	3 479
Profit / loss on sales and liquidation of tangible fixed assets	-14 688
Tangible assets impairment write-down	7 352
Operating profit/loss	155 722
Financial revenue	12 940
Financial costs	23 738
Profit/loss before tax	144 924
Income tax	25 388
Net profit/loss	119 536
EBITDA	433 840

Q1-Q3 2016:**Factors of generated EBITDA of LW Bogdanka:**

- (-) EBITDA profitability 33.0%
- (-) EBIT profitability 11.9%
- (+) production of commercial coal +12.7%
- (+) coal sales +12.2%
- (-) drop in the price of sold coal by ca. 11 %

One-off events:

- (+) release of provisions for potential disputed claims in relation to a decision of the Court of Appeal favourable for LW Bogdanka
- (+) revaluation of management options
- (-) investment written-off with no result (impact on EBIT PLN -7.35 mln)

Profit and loss statement of LW Bogdanka SA - Q3 2016

[PLN '000]	Q3 2016
Net sales revenue	465 441
Depreciation and amortisation of fixed and intangible assets	88 232
Employee benefit costs	144 161
Consumption of materials and raw materials and value of goods sold	76 265
Other outsourced services	71 781
Taxes and charges	12 742
Cost of sales	-393 181
Other operating revenue	586
Other operating expenses	696
Profit / loss on sales and liquidation of tangible fixed assets	-6 216
Tangible assets impairment write-down	7 352
Operating profit/loss	58 582
Financial revenue	2 139
Financial costs	7 139
Profit/loss before tax	53 582
Income tax	8 528
Net profit/loss	45 054
EBITDA	154 166

Q3 2016:**Factors of generated EBITDA of LW Bogdanka:**

- (-) EBITDA profitability 33.1%
- (-) EBIT profitability 12.6%
- (+) production of commercial coal +17.6%
- (+) coal sales +7.9%
- (-) drop in the price of sold coal by ca. 11%

One-off events:

- (-) investment written-off with no result (impact on EBIT PLN -7.35 mln)

Financial ratios

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

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

Sectoral terms/abbreviations

Abbreviation/term	Full name/explanation
ACER	European Agency for the Cooperation of Energy Regulators - EU agency established pursuant to the third energy package. The objective of the Agency is coordination and supporting the national regulatory authorities. A full list of duties is specified in Regulation No. 713/2009
AMI	Advanced systems measuring, collecting and analysing energy consumption and enabling two-way communication between the end user and central system. AMI includes both intelligent meters and smart power grids
CAPEX	Capital expenditures
CO₂	Carbon dioxide
Price of baseload (BASE)	Price of contract with delivery of the same volume of energy on each day hour
Price of euro-peak (PEAK)	Price of contract with delivery of the same volume of energy in euro-peak (i.e. from 7:00 to 22:00 on business days)
CER	Certified Emission Reduction
EUA	EU Emission Allowance - allowances for emissions within the European Emissions Trading System
European Emissions Trading System EU ETS	European system supporting reduction of greenhouse gases emissions
GPZ	Transformer/Switching Station - transformer station, responsible for amending of high or medium voltage into low voltage for end users on a specific area
Tariff Group A	Energy sold and delivered to customers connected to a high-voltage grid
Tariff Group B	Energy sold and delivered to customers connected to a medium-voltage grid
Tariff Group C	Energy sold and delivered to customers connected to a low-voltage grid, with the exception of end users using electricity for household purposes
Tariff Group G	Energy sold and delivered to end users using electricity for household purposes, regardless of voltage of the grid to which they are connected
ICE	Trading platform enabling trade in allowances for emissions of CO ₂ (EUA) and units of certified reduction of emissions (CER) on futures market

Abbreviation/term	Full name/explanation
IOS installation	Fue gas desulphurisation plant
SCR installation	Installation of the catalytic denitrogenation of flue gases
MW_e	Megawatt of electrical power
MWh	Megawatthour (1 GWh = 1,000 MWh)
MW_t	Megawatt of heating power
NO_x	Nitric oxides
ODS	Operator of the Distribution System
OTS	Operator of the Transmission System
RES	Energy renewable sources
PMOZE	Proprietary interests from certificates of origin for energy from renewable sources of energy
"Green" proprietary interests	Same as PMOZE
OZEX_A	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for energy generated in energy renewable sources whose production period (indicated in the certificate of origin) commenced on 1 March 2009 inclusive.
"Yellow" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in a gas cogeneration unit or in a unit of the total installed capacity of up to 1 MW
KGMX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in a gas cogeneration unit or in a unit of the total installed capacity of up to 1 MW
"Red" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in other cogeneration sources
KECX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in other cogeneration sources

Abbreviation/term	Full name/explanation
"Purple" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
KMETX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
"White" proprietary interests	Proprietary interests in certificates of origin resulting from energy efficiency certificates, the so called "white" certificates
EFX	Index for session transactions the subject of which are contracts for proprietary interests resulting from energy efficiency certificates, the so called "white" certificates
REMIT Regulation	Regulation on integrity and transparency of wholesale energy market, specifies the framework of monitoring wholesale energy markets, in order to detect and prevent unfair practice on EU level
Forward market	Electricity market on which forward products are listed
SPOT market	Cash market (spot)
Balancing market	Technical market by an Operator of the transmission system Its objective is balancing, in real time, the demand for electricity with its production in the public power system (PPS, Polish "KSE")

Abbreviation/term	Full name/explanation
SAIDI	System Average Interruption Duration Index - for long and very long interruptions (expressed in minutes/customer)
SAIFI	System Average Interruption Frequency Index - for long interruptions in energy supply (expressed in number of interruptions/customer)
SO₂	Sulphur dioxide
TFS	Tradition Financial Services, electricity trading platform designated for concluding various types of transactions, purchase and sale of conventional energy, proprietary interests, renewable energy and allowances for emissions of CO ₂
TJ	Terajoule
TGE (PPE)	Towarowa Giełda Energii (Polish Power Exchange)
TPA	Third Party Access - the principle of third party access to the power grid which enables the purchase of electricity and services of its distribution based on separate agreements
Energy Law	The Act of 10 April 1997 - Energy Law (Journal of Laws 1997 No. 54 item 348, as amended)
WIBOR	Warsaw Interbank Offered Rate - interest rate for loans on the Polish interbank market

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