

Selected consolidated financial data of Enea Group

	in PLN '000		in EUR '000	
	6 months ended 30.06.2017	6 months ended 30.06.2016	6 months ended 30.06.2017	6 months ended 30.06.2016
Net sales revenue	5 566 774	5 599 432	1 310 631	1 278 263
Operating profit	781 621	610 571	184 023	139 384
Profit before tax	768 655	587 833	180 971	134 193
Net profit for the reporting period	623 831	471 226	146 874	107 574
Net cash flows from operating activities	1 354 737	1 162 073	318 957	265 283
Net cash flows from investing activities	(2 235 821)	(1 392 491)	(526 398)	(317 884)
Net cash flow from financing activities	127 312	511 574	29 974	116 784
Total net cash flows	(753 772)	281 156	(177 467)	64 184
Weighted average number of shares	441 442 578	441 442 578	441 442 578	441 442 578
Net earnings per share (in PLN / EUR per share)	1.32	1.00	0.31	0.23
Diluted earnings per share (in PLN / EUR per share)	1.32	1.00	0.31	0.23
	Balance as at 30.06.2017	Balance as at 31.12.2016	Balance as at 30.06.2017	Balance as at 31.12.2016
Total assets	25 235 293	24 536 519	5 970 731	5 546 229
Total liabilities	11 763 130	11 524 790	2 783 185	2 605 061
Non-current liabilities	8 991 149	8 606 757	2 127 327	1 945 469
Current liabilities	2 771 981	2 918 033	655 857	659 592
Equity	13 472 163	13 011 729	3 187 546	2 941 168
Share capital	588 018	588 018	139 126	132 915
Book value per share (in PLN / EUR per share)	30.52	29.48	7.22	6.66
Diluted book value per share (in PLN/EUR per share)	30.52	29.48	7.22	6.66

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

- individual assets and liabilities – at the average exchange rate as of 30 June 2017 – 4.2265 PLN/EUR (as at 31 December 2016 – 4.4240 PLN/EUR),
- individual items from the statement of profit or loss and other comprehensive income and the statement of cash flows – as per the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the financial period from 1 January to 30 June 2017 – 4.2474 PLN/EUR (for the period from 1 January to 30 June 2016 – 4.3805 PLN/EUR).



**Condensed interim consolidated financial statements
of the Enea Group
for the period
from 1 January to 30 June 2017**

Poznań, 5 September 2017

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Enea Group

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2017

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

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

Members of the Management Board

President of the Management Board **Mirosław Kowalik**

Member of the Management Board **Piotr Adamczak**

Acting Member of the Management Board **Rafał Szymański**

Enea Centrum Sp. z o.o.

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

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

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Poznań, 5 September 2017

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2017

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

		Balance as at	
	Note	30.06.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	19 375 673	18 382 498
Perpetual usufruct of land		105 950	74 899
Intangible assets	8	402 205	370 638
Investment properties		27 506	28 020
Investments in subsidiaries, associates and jointly-controlled entities	9	355 568	2 518
Deferred tax assets	19	481 455	403 257
Financial assets available for sale		42 999	42 482
Financial assets measured at fair value through profit or loss	15	49 863	112
Derivatives	16	26 995	40 267
Trade and other receivables		48 403	30 690
Cash deposits at Mine Closure Fund		112 197	111 218
		21 028 814	19 486 599
Current assets			
CO2 emission rights		134 488	417 073
Inventories	12	625 679	448 941
Trade and other receivables		1 742 265	1 824 488
Current income tax assets		93 703	9 541
Financial assets held to maturity		481	478
Financial assets measured at fair value through profit or loss	15	22 488	4 852
Cash and cash equivalents	14	1 586 445	2 340 217
Non-current assets classified as held for sale	10	930	4 330
		4 206 479	5 049 920
Total assets		25 235 293	24 536 519

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

		Balance as at	
	Note	30.06.2017	31.12.2016
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the Parent Company			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Financial instruments revaluation reserve		734	744
Other capital		(27 101)	(25 652)
Reserve capital from valuation of hedging instruments		23 384	33 826
Retained earnings		8 386 254	7 946 612
		12 603 753	12 176 012
Non-controlling interests		868 410	835 717
Total equity		13 472 163	13 011 729
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	16	6 581 595	6 275 644
Trade and other liabilities		41 488	48 373
Finance lease liabilities		2 268	2 997
Deferred income due to subsidies, connection fees and other	18	648 539	660 032
Deferred tax liability	19	191 908	191 798
Liabilities due to employee benefits		857 413	792 156
Financial liabilities measured at fair value through profit or loss		2 302	269
Provisions for other liabilities and charges	20	665 636	635 488
		8 991 149	8 606 757
Current liabilities			
Loans, borrowings and debt securities	16	365 821	448 902
Trade and other liabilities		1 193 113	1 141 600
Finance lease liabilities		1 933	2 141
Deferred income due to subsidies, connection fees and other	18	86 064	84 150
Current income tax liability		2 663	32 071
Liabilities due to employee benefits		414 320	416 937
Liabilities due to an equivalent of the right to acquire shares free of charge		281	281
Financial liabilities measured at fair value through profit or loss		27 946	2 233
Derivatives		32	-
Provisions for other liabilities and charges	20	679 808	789 718
		2 771 981	2 918 033
Total liabilities		11 763 130	11 524 790
Total equity and liabilities		25 235 293	24 536 519

Consolidated statement of profit or loss and other comprehensive income

	6 months ended	3 months ended	6 months ended	3 months ended
Note	30.06.2017	30.06.2017	30.06.2016	30.06.2016
Sales revenue	5 696 438	2 918 177	5 724 721	2 719 438
Excise tax	(129 664)	(61 093)	(125 289)	(56 757)
Net sales revenue	5 566 774	2 857 084	5 599 432	2 662 681
Other operating revenue	59 331	43 093	56 698	26 534
Depreciation	(576 814)	(292 967)	(553 951)	(274 243)
Costs of employee benefits	(771 479)	(384 492)	(708 494)	(345 763)
Consumption of materials and supplies and costs of goods sold	(709 768)	(424 157)	(706 231)	(339 241)
Energy and gas purchase for sale	(1 573 422)	(781 006)	(2 076 235)	(953 193)
Transmission services	(527 438)	(265 615)	(418 078)	(227 689)
Other external services	(357 013)	(207 114)	(291 229)	(160 224)
Taxes and charges	(197 567)	(91 240)	(170 899)	(77 328)
Loss on sale and liquidation of property, plant and equipment	(8 037)	(4 250)	(10 583)	(10 164)
Impairment loss of non-financial non-current assets	-	-	(42 000)	(42 000)
Other operating expenses	(122 946)	(50 294)	(67 859)	(37 436)
Operating profit	781 621	399 042	610 571	221 934
Financial expenses	(81 942)	(35 985)	(65 168)	(29 432)
Financial revenue	62 519	(3 664)	42 282	28 218
Dividend income	526	526	148	148
Share in results of associates and jointly controlled entities	5 931	5 931	-	-
Profit before tax	768 655	365 850	587 833	220 868
Income tax	(144 824)	(63 209)	(116 607)	(40 047)
Net profit for the reporting period	623 831	302 641	471 226	180 821
Other comprehensive income				
Items that are or may be reclassified to profit or loss:				
- valuation of hedging instruments	(12 892)	(6 683)	(29 094)	(295)
- other	(10)	(6)	66	403
- income tax	2 450	1 270	5 528	56
Items that will not be reclassified to profit or loss:				
- remeasurement of defined benefit plan	(35 572)	(35 572)	(1 297)	(1 297)
- income tax	6 758	6 758	247	247
Net other comprehensive income	(39 266)	(34 233)	(24 550)	(886)
Total comprehensive income for the reporting period	584 565	268 408	446 676	179 935
Including net profit:				
attributable to Parent's shareholders	581 162	285 932	442 789	169 848
attributable to non-controlling interests	42 669	16 709	28 437	10 973
Including comprehensive income:				
attributable to Parent's shareholders	551 115	260 918	420 894	171 617
attributable to non-controlling interests	33 450	7 490	25 782	8 318
Net profit attributable to shareholders of the Parent	581 162	285 932	442 789	169 848
Weighted average number of ordinary shares	441 442 578	441 442 578	441 442 578	441 442 578
Basic earnings per share (in PLN per share)	1.32	0.65	1.00	0.38
Diluted earnings per share (in PLN per share)	1.32	0.65	1.00	0.38



Enea Group

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2017

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

Consolidated statement of changes in equity

(a) I half 2017

	Note	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Financial instruments revaluation reserve	Other capital	Reserve capital from valuation of hedging instruments	Retained earnings	Capital attributable to non-controlling interests	Total equity
Balance as at 01.01.2017		441 443	146 575	588 018	3 632 464	744	(25 652)	33 826	7 946 612	835 717	13 011 729
Net profit for the reporting period									581 162	42 669	623 831
Net other comprehensive income						(10)		(10 442)	(19 595)	(9 219)	(39 266)
Total comprehensive income for the period						(10)		(10 442)	561 567	33 450	584 565
Dividends	25								(121 925)	(456)	(122 381)
Redemption of non-controlling interests in subsidiaries							(1 449)			(301)	(1 750)
Balance as at 30.06.2017		441 443	146 575	588 018	3 632 464	734	(27 101)	23 384	8 386 254	868 410	13 472 163

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



Enea Group

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2017

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

(b) I half 2016

	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Financial instruments revaluation reserve	Other capital	Reserve capital from valuation of hedging instruments	Retained earnings	Capital attributable to non-controlling interests	Total equity
Balance as at 01.01.2016	441 443	146 575	588 018	3 632 464	814	(45 883)	3 980	7 158 352	784 858	12 122 603
Net profit for the reporting period								442 789	28 437	471 226
Net other comprehensive income					66		(23 566)	(1 050)		(24 550)
Total comprehensive income for the period					66		(23 566)	441 739	28 437	446 676
Other								(5 913)		(5 913)
Balance as at 30.06.2016	441 443	146 575	588 018	3 632 464	880	(45 883)	(19 586)	7 594 178	813 295	12 563 366

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

Enea Group

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2017

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

	6 months ended 30.06.2017	6 months ended 30.06.2016
Cash flows from operating activities		
Net profit for the reporting period	623 831	471 226
Adjustments::		
Income tax in the profit or loss	144 824	116 607
Depreciation	576 814	553 951
Loss on sale and liquidation of property, plant and equipment	8 037	10 583
Impairment loss of non-financial non-current assets	-	42 000
Gain on bargain purchase	(11 953)	-
Gain on disposal of financial assets	(34 195)	(3 404)
Interest income	(4 247)	(6 011)
Dividend income	(526)	(148)
Interest expense	41 293	44 682
Gain on measurement of financial assets	(48 965)	-
Share in results of associates and jointly-controlled entities	(5 931)	-
Other adjustments	(4 295)	(17 225)
	660 856	741 035
Income tax paid	(194 419)	(173 856)
Changes in working capital:		
CO2 emission rights	287 408	209 040
Inventory	46 256	21 923
Trade and other receivables	(457)	(130 191)
Trade and other liabilities	70 347	77 858
Liabilities due to employee benefits	1 975	(47 478)
Deferred income due to subsidies, connection fees and other	(9 621)	(7 382)
Non-current assets held for sale and related liabilities	-	(930)
Provisions for other liabilities and charges	(131 439)	828
	264 469	123 668
Net cash flows from operating activities	1 354 737	1 162 073
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(842 754)	(1 373 004)
Proceeds from disposal of property, plant and equipment and intangible assets	1 528	4 584
Acquisition of financial assets	(6 500)	(17 770)
Proceeds from disposal of financial assets	2 267	1 141
Acquisition of subsidiaries, associates and jointly-controlled entities adjusted by acquired cash	(1 397 615)	(2 991)
Outflows related to cash deposits at Mine Closure Fund	(978)	(10 488)
Interests received	4 113	4 444
Other proceeds from investing activities	4 118	1 593
Net cash flows from investing activities	(2 235 821)	(1 392 491)
Cash flows from financial activities		
Proceeds from loans and borrowings	272 767	404 247
Proceeds from bond issue	290 000	300 000
Loans and borrowings repaid	(40 272)	(6 896)
Repurchase of bonds	(300 000)	(100 000)
Payment of finance lease liabilities	(1 232)	(635)
Interests paid	(87 169)	(72 975)
Expenses related to future issue of bonds	(2 108)	(2 719)
Other payments from financing activities	(4 674)	(9 448)
Net cash flows from financial activities	127 312	511 574
Net cash flows	(753 772)	281 156
Balance at the beginning of the reporting period	2 340 217	1 822 094
Balance at the end of the reporting period	1 586 445	2 103 250

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

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2017

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

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

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

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

As at 30 June 2017 the shareholding structure of the Parent Entity was the following: the State Treasury of the Republic of Poland 51.5% of shares, PZU TFI 9.96% and other shareholders 38.54%.

As at 30 June 2017 the statutory share capital of Enea S.A. equaled PLN 441,443 thousand (PLN 588,018 thousand upon adoption of IFRS-EU and considering hyperinflation and other adjustments) and was divided into 441,442,578 shares.

As at 30 June 2017 the Group consisted of the parent company Enea S.A. ("the Company", "Parent Entity"), 13 subsidiaries, 9 indirect subsidiaries, 2 associates and 3 jointly controlled entities.

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

**Enea Group**

Condensed interim consolidated financial statements for the period from 1 January to 30 June 2017

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

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

2. Statement of compliance

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

The Management Board of the Parent Company has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the consolidated financial statements of the Enea Group in accordance with IFRS-EU as at 30 June 2017. The presented statements and explanations have been prepared using due diligence. These condensed interim consolidated financial statements have been reviewed by a certified auditor.

3. Accounting principles

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

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

4. Material estimates and assumptions

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

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

	Name and address of the Company	Share Enea S.A. in the total number of votes in % 30.06.2017	Share Enea S.A. in the total number of votes in % 31.12.2016
1.	Enea Operator Sp. z o.o. Poznań, Strzeszyńska 58	100	100
2.	Enea Wytwarzanie Sp. z o.o. Świerże Górne, commune Kozienice, Kozienice 1	100	100
3.	Enea Elektrownia Połaniec S.A. ⁶ Połaniec, Zawada 26	100	-
4.	Enea Oświetlenie Sp. z o.o. Szczecin, Ku Stońcu 34	100	100
5.	Enea Trading Sp. z o.o. Świerże Górne, commune Kozienice, Kozienice 1	100	100
6.	Enea Logistyka Sp. z o.o. Poznań, Strzeszyńska 58	100	100
7.	Enea Serwis Sp. z o.o. Lipno, Gronówko 30	100	100
8.	Enea Centrum Sp. z o.o. Poznań, Górecka 1	100	100
9.	Enea Pomiary Sp. z o.o. Poznań, Strzeszyńska 58	100	100
10.	ENERGO-TOUR Sp. z o.o. in liquidation Poznań, Strzeszyńska 58	100 ⁵	100 ⁵
11.	Enea Innovation Sp. z o.o. Warszawa, Jana Pawła II 25	100	100
12.	Lubelski Węgiel BOGDANKA S. A. Bogdanka, Puchaczów	65.99	65.99
13.	Annacond Enterprises Sp. z o.o. Warszawa, Jana Pawła II 25	61	61
14.	Polimex – Mostostal S.A. Warszawa, Jana Pawła II 12	16.48	-
15.	Polska Grupa Górnicza Sp. z o.o. Katowice, Powstańców 30	5.81 ⁸	-
16.	Elektrownia Ostrołęka S.A. Ostrołęka, Elektryczna 5	23.79 ⁷	-
17.	ENGIE Bioenergia Sp. z o.o. Połaniec, Zawada 26	100 ⁴	-
18.	Przedsiębiorstwo Energetyki Ciepłej Zachód Sp. z o.o. Białystok, Starosielce 2/1	100 ¹	100 ¹
19.	Centralny System Wymiany Informacji Sp. z o.o. Poznań, Strzeszyńska 58	20 ³	100 ³
20.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Oborniki, Wybudowanie 56	99.93 ¹	99.93 ¹
21.	Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Białystok, Warszawska 27	91.14 ¹	91.02 ¹
22.	Miejska Energetyka Ciepła Piła Sp. z o.o. Piła, Kaczorska 20	71.11 ¹	71.11 ¹
23.	EkoTRANS Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
24.	RG Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
25.	MR Bogdanka Sp. z o.o. Bogdanka, Puchaczów	65.99 ²	65.99 ²
26.	Łęczyńska Energetyka Sp. z o.o. Bogdanka, Puchaczów	58.53 ²	58.53 ²
27.	ElectroMobility Poland S.A. Warszawa, Mysia 2	25	25

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

On 17 September 2015, by Resolution no. 547/2015 adopted by the Management Board of Enea Wytwarzanie Sp. z o.o., a project titled "Purchase of employee shares of MPEC sp. z o.o. in Białystok" was launched. On 17 November 2015, by Resolution no. 661/2015, powers of attorney were granted in terms of concluding of the preliminary contracts and final agreements. The number of shares available for purchase is 75 thousand. The concluding of the Preliminary Agreements was planned for the period between 7 December 2015 and 27 January 2016. The Final Contracts shall be concluded after 16 September 2016. By the end of December 2015, Preliminary Agreements on Sale of shares worth in total PLN 747 thousand were concluded. In 2016, Enea Wytwarzanie Sp. z o.o. purchased 67,209 shares of MPEC Sp. z o.o. in Białystok for the amount of PLN 7,688 thousand, and as at the end of the year it owned 91.02% of shares in share capital. In the first half of 2017 Enea Wytwarzanie Sp. z o.o. purchased 1,749 shares of MPEC sp. z o.o. in Białystok for the amount of PLN 217 thousand and on 30 June 2017 it owned 91.14% of shares in share capital.

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

³ – an indirect subsidiary held through interests in Enea Operator Sp. z o.o., on 30 June Enea Operator Sp. z o.o. completed the sale of 16 shares in price PLN 2,500 each in total amount of PLN 40 thousand.

⁴ – an indirect subsidiary held through shares in Enea Elektrownia Połaniec S.A. On 16 March 2017, the Extraordinary General Meeting of Shareholders of the ENGIE Bioenergia Sp. z o.o. adopted a resolution concerning Change of Company Agreement by changing company's name to Enea Bioenergia Sp. z o.o. On 26 April 2017 the change of Company's Agreement was registered in the National Court Register.

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

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

⁷ – On 1 February 2017 Enea S.A. concluded with Energa S.A. an Agreement for the Purchase of 24,980,926 Shares in Elektrownia Ostrołęka S.A. and thereby acquiring an 11.89 % interest in the Company's share capital. On 13 April 2017, the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka S.A. adopted a resolution on increasing the Company's share capital in the private subscription from PLN 210,100 thousand to PLN 229,100 thousand i.e. by amount PLN 19,000 thousand by issuing new D series shares with a nominal value PLN 1 each. Shares issued in the private subscription were directed to Enea S.A. and ENERGA S.A. On the 27 April 2017 Enea S.A. signed a contract with Elektrownia Ostrołęka S.A. concerning coverage 9,500,000 shares. Increase the company's share capital was registered in the National Court Register on 30 May 2017. On 27 June 2017 Enea S.A. concluded an Agreement on the Purchase of 20,017,269 shares in Elektrownia Ostrołęka S.A. and thereby acquiring an 23.79 % shares in the Company's share capital.

⁸ – On 3 April 2017 Enea S.A. acquired 1,500,000 new shares with nominal value of PLN 100 each and total value of PLN 150,000 thousand in Polska Grupa Górnicza Sp. z o.o. On 14 June, the Extraordinary General Meeting of Shareholders of Polska Grupa Górnicza Sp. z o.o. adopted a resolution on increasing the Company's share capital by amount PLN 200,000 thousand, from PLN 3,416,718 thousand to PLN 3,616,718 thousand issuing 2,000,000 new shares with a nominal value of PLN 100 each. As a result Enea S.A. acquired 600,000 shares with total nominal value of PLN 60,000 thousand. The increase in the Company's share capital was registered in the National Court Register on 7 July 2017.

6. Segment reporting

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

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

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



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

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

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



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Financial results by segments:

(a) Segment reporting for the period from 1 January to 30 June 2017:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Net sales revenue	2 571 058	1 613 909	1 053 604	259 553	68 650	-	5 566 774
Inter-segment sales	227 977	14 751	1 093 437	642 564	195 778	(2 174 507)	-
Total net sales revenue	2 799 035	1 628 660	2 147 041	902 117	264 428	(2 174 507)	5 566 774
Total expenses	(2 694 438)	(1 354 808)	(1 864 039)	(754 943)	(261 606)	2 153 052	(4 776 782)
Segment profit/loss	104 597	273 852	283 002	147 174	2 822	(21 455)	789 992
Depreciation	(455)	(242 959)	(144 278)	(174 060)	(20 233)		
EBITDA	105 052	516 811	427 280	321 234	23 055		
% of net sales revenue	3.8%	31.7%	19.9%	35.6%	8.7%		
Gain on bargain purchase							11 953
Unassigned Group costs (general and administrative expenses)							(20 324)
Operating profit							781 621
Finance cost							(81 942)
Finance income							62 519
Dividend income							526
Shares in results of associates and jointly-controlled entities							5 931
Income tax							(144 824)
Net profit							623 831
Share of non-controlling interests							42 669

The notes presented on pages 10-44 constitute an integral part of the condensed interim consolidated financial statements.



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(b) Segment reporting for the period from 1 April to 30 June 2017:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Net sales revenue	1 237 101	778 960	722 259	84 716	34 048	-	2 857 084
Inter-segment sales	114 821	9 916	535 019	352 164	100 804	(1 112 724)	-
Total net sales revenue	1 351 922	788 876	1 257 278	436 880	134 852	(1 112 724)	2 857 084
Total expenses	(1 297 930)	(657 562)	(1 108 819)	(379 299)	(127 965)	1 114 712	(2 456 863)
Segment profit/loss	53 992	131 314	148 459	57 581	6 887	1 988	400 221
Depreciation	(238)	(123 124)	(76 574)	(85 384)	(10 103)		
EBITDA	54 230	254 438	225 033	142 965	16 990		
% of net sales revenue	4.0%	32.3%	17.9%	32.7%	12.6%		
Gain on bargain purchase							11 953
Unassigned Group costs (general and administrative expenses)							(13 132)
Operating profit							399 042
Finance cost							(35 985)
Finance income							(3 664)
Dividend income							526
Shares in results of associates and jointly-controlled entities							5 931
Income tax							(63 209)
Net profit							302 641
Share of non-controlling interests							16 709

The notes presented on pages 10-44 constitute an integral part of the condensed interim consolidated financial statements.



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(c) Segment reporting for the period from 1 January to 30 June 2016:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Net sales revenue	3 139 092	1 506 925	4 31 616	4 40 565	81 234	-	5 599 432
Inter-segment sales	307 585	24 336	1 257 643	408 097	187 314	(2 184 975)	-
Total net sales revenue	3 446 677	1 531 261	1 689 259	848 662	268 548	(2 184 975)	5 599 432
Total expenses	(3 396 451)	(1 202 514)	(1 520 694)	(748 305)	(252 735)	2 154 932	(4 965 767)
Segment profit/loss	50 226	328 747	168 565	100 357	15 813	(30 043)	633 665
Depreciation	(334)	(241 938)	(120 928)	(182 534)	(12 682)	-	-
Impairment loss of non-financial non-current assets	-	-	(42 000)	-	-	-	-
EBITDA	50 560	570 685	331 493	282 891	28 495		
% of net sales revenue	1.5%	37.3%	19.6%	33.3%	10.6%		
Unassigned Group costs (general and administrative expenses)							(23 094)
Operating profit							610 571
Finance cost							(65 168)
Finance income							42 282
Dividend income							148
Income tax							(116 607)
Net profit							471 226
Share of non-controlling interests							28 437



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(d) Segment reporting for the period from 1 April to 30 June 2016:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Net sales revenue	1 507 095	724 359	186 208	206 785	38 234	-	2 662 681
Inter-segment sales	142 876	18 553	626 223	221 591	91 340	(1 100 583)	-
Total net sales revenue	1 649 971	742 912	812 431	428 376	129 574	(1 100 583)	2 662 681
Total expenses	(1 617 389)	(587 164)	(786 742)	(395 452)	(121 319)	1 079 606	(2 428 460)
Segment profit/loss	32 582	155 748	25 689	32 924	8 255	(20 977)	234 221
Depreciation	(169)	(109 807)	(60 248)	(99 650)	(6 658)		
Impairment loss of non-financial non-current assets	-	-	(42 000)	-	-		
EBITDA	32 751	265 555	127 937	132 574	14 913		
% of net sales revenue	2.0%	35.7%	15.7%	30.9%	11.5%		
Unassigned Group costs (general and administrative expenses)							(12 287)
Operating profit							221 934
Finance cost							(29 432)
Finance income							28 218
Dividend income							148
Income tax							(40 047)
Net profit							180 821
Share of non-controlling interests							10 973

The notes presented on pages 10-44 constitute an integral part of the condensed interim consolidated financial statements.



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

Financial results by segments (continued)

(a) Other segment reporting information as at 30 June 2017:

	Trade	Distribution	Production	Mining	All other activities	Eliminations	Total
Property, plant and equipment	15 711	7 981 988	8 757 809	2 720 458	312 935	(425 925)	19 362 976
Trade and other receivables	870 831	475 120	573 577	354 525	933 430	(1 494 039)	1 713 444
Total	886 542	8 457 108	9 331 386	3 074 983	1 246 365	(1 919 964)	21 076 420
ASSETS excluded from segmentation							4 158 873
- including property, plant and equipment							12 697
- including trade and other receivables							77 224
TOTAL: ASSETS							25 235 293
Trade and other liabilities	323 727	767 359	905 087	263 788	376 497	(1 460 950)	1 175 508
Equity and liabilities excluded from segmentation							24 059 785
- including trade and other liabilities							59 093
TOTAL: EQUITY AND LIABILITIES							25 235 293

for the 6-month period ended 30 June 2017

Capital expenditure for tangible and intangible fixed assets	106	344 213	342 045	139 205	8 384	(22 152)	811 801
Capital expenditure for tangible and intangible fixed assets excluded from segmentation							-
Depreciation and amortization	455	242 959	144 278	174 060	20 233	(5 990)	575 995
Depreciation and amortization excluded from segmentation							819
Recognition/(derecognition/utilization) of receivables allowance	1 367	12 201	4 951	190	(830)	(2)	17 877

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

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

for the 6-month period ended 30 June 2016

Capital expenditure for tangible and intangible fixed assets	185	424 209	557 279	152 468	6 612	(28 556)	1 112 197
Capital expenditure for tangible and intangible fixed assets excluded from segmentation							-
Depreciation and amortization	334	241 938	120 928	182 534	12 682	(5 447)	552 969
Depreciation and amortization excluded from segmentation							982
Recognition/(derecognition/utilization) of receivables allowance	2 708	2 139	377	2 426	(67)	745	8 328

The notes presented on pages 10-44 constitute an integral part of the condensed interim consolidated financial statements.

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7. Property, plant and equipment

During the 6-month period ended 30 June 2017 the Group acquired property, plant and equipment for the total amount of PLN 798,722 thousand (during the period of 6 months ended 30 June 2016 it was PLN 1,076,717 thousand). The above mentioned amount relates mainly to the production segment (PLN 340,569 thousand) and distribution segment (PLN 314,054 thousand). Expenditures in the production segment relate primarily to the construction of a new power unit. As a result of the acquisition of the ENGIE Group the amount of property, plant and equipment increased by PLN 741,297 thousand.

During the 6-month period ended 30 June 2017 the Group completed the sale and liquidation of property, plant and equipment in the total net book value of PLN 9,862 thousand (during the 6 months ended 30 June 2016 respectively: PLN 14,827 thousand).

During the 6-month period ended 30 June 2017 impairment loss on the book amount of property, plant and equipment decreased by net amount of PLN 2,752 thousand (during 6 months ended 30 June 2016 the impairment loss on the book amount of property, plant and equipment increased by net amount of PLN 41,383 thousand).

As at 30 June 2017 the total allowance on the carrying amount of property, plant and equipment amounted to PLN 1,627,275 thousand (as at 31 December 2016 respectively: PLN 1,630,027 thousand).

As at 30 June 2017 there were no indicators of impairment of property, plant and equipment identified.

8. Intangible assets

During the 6-month period ended 30 June 2017 the Group acquired intangible assets for the total amount of PLN 13,079 thousand (during the period of 6 months ended 30 June 2016 it was PLN 66,159 thousand).

During the 6-month period ended 30 June 2017 the Group has brought into use intangible assets from intangible assets under construction in the amount of PLN 14,904 thousand (during the period of 6 months ended 30 June 2016 respectively: PLN 26,512 thousand).

During the 6-month period ended 30 June 2017 the Group did not complete significant sales and liquidations of intangible assets (neither during the period of 6 months ended 30 June 2016).

9. Acquisition of subsidiaries, associates and jointly controlled entities

	30.06.2017	31.12.2016
Opening balance	2 518	748
Share in net asset change	5 931	-
Acquisition of investments	348 716	1 770
Other changes	(1 597)	-
Closing balance	355 568	2 518

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

On 30 September 2016 Enea S.A. submitted an offer for the purchase of 100% of shares in ENGIE Energia Polska S.A. (EEP, currently Enea Elektrownia Połaniec S.A.). The offer was submitted according to the description in the process initiated by ENGIE, the owner of 100% of the shares in EEP. On 2 December 2016 the Company obtained exclusivity rights to further negotiations of the purchase of 100% of shares in EEP. On 23 December 2016, the Company signed with ENGIE International Holdings B.V. a conditional agreement on sale of 100% of shares of EEP (Agreement), and indirectly also on sale of 100% of shares of ENGIE Bioenergia Sp. z o.o.

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

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

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

On 14 March 2017 Enea S.A. acquired 100% of shares in EEP i.e. 7,135,000 shares entitled to the same amount of votes for the initial price of PLN 1,264,159,355. The estimated costs related to the purchase of the shares amounted to PLN 3.9 million. Transaction is consistent with Enea Capital Group's Development Strategy until 2030 approved in September 2016. With this transaction the Company will increase its share in domestic electricity production and will be vice-leader of Polish market of electricity producers. In this condensed interim consolidated financial statements the Company recognizes the allocation of the purchase price to the identifiable net assets acquired.

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

	<u>14.03.2017</u>
Price paid for shares	1 264 159
Property, plant and equipment	788 858
Intangible assets	18 764
Deferred tax assets	213 553
Cash and cash equivalents	230 065
Trade and other receivables	162 171
Inventories	394 373
Other assets	557
Liabilities	(532 229)
Net assets	<u>1 276 112</u>
Gain on bargain purchase	<u>11 953</u>

In the period from 14 March to 30 June 2017, the EEP Group generated net sales revenue in the amount of PLN 613,316 thousand and realized net profit of PLN 46,078 thousand. The Management Board estimates that if the acquisition had occurred on 1 January 2017 the consolidated net sales revenues for the six months period ended 30 June 2017 would have been PLN 5,910,270 thousand and consolidated net profit would have been PLN 635,522 thousand.



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There were no contingent liabilities that should be recognized as of the acquisition date.

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

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

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

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

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

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

Polimex is an engineering and construction company which offers a wide range of services provided on a general contracting basis. Polimex is a company listed on the Warsaw Stock Exchange.

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

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

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

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

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

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

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

On 19 December 2016, the special purpose vehicle announced a tender procedure to select the general contractor for the construction of the Ostrołęka C power plant with capacity of approx. 1,000 MW and net fuel efficiency of at least 45 per cent, operating on supercritical steam parameters. Elektrownia Ostrołęka S.A., if certain assumptions are implemented (including an adequate share of Enea S.A., Energa S.A. and possible Financial Investors), and assuming



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that Capacity Market or other assistance mechanisms are introduced, will be able to undertake the comprehensive implementation of the Project.

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

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

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

On 13 April 2017, the Extraordinary General Shareholders' Meeting of Elektrownia Ostrołęka S.A. adopted a resolution on increasing the company's share capital from PLN 210,100 thousand to PLN 229,100 thousand by issuing new shares. In a private subscription, Enea S.A. acquired 9,500,000 shares in consideration for the contribution in cash which was made on 28 April 2017. After taking up new issued shares, Enea increased its share in the share capital of Elektrownia Ostrołęka S.A. to 15.1%. On 27 June 2017 Enea S.A. with Energa S.A. concluded an Agreement on the Purchase of 20,017,269 shares in Elektrownia Ostrołęka S.A. for a total of PLN 19.2 million and increasing its share in the share capital in Elektrownia Ostrołęka S.A. to 23.79%.

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

In relation to the process of acquiring capital investors by Katowicki Holding Węglowy S.A., in July 2016 Enea S.A. started talks with possible investors on the possibility of implementation of the Investment and its possible parameters. On 28 October 2016, Enea S.A. signed with Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o. (Investors) a letter of intent expressing preliminary interest in financial involvement in Katowicki Holding Węglowy S.A. or KHW's assets.

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

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

On 31 March 2017, the Company concluded:

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



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

Investment Agreement

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

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

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

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

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

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

Investors' Arrangement

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

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

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10. Non-current assets held for sale

	30.06.2017	31.12.2016
Property, plant and equipment	930	4 330
Total non-current assets held for sale	930	4 330

The amount of PLN 930 thousand in the statement of financial position is related to assets of Zakład Ceramiki Budowlanej, which belongs to Lubelski Węgiel "Bogdanka" S.A. The sale of these assets will be completed in 2017.

11. Allowance on trade and other receivables

	30.06.2017	31.12.2016
Opening balance of receivables allowance	129 483	116 161
Acquisition of subsidiaries	6 139	-
Addition	23 537	25 977
Reversed	(5 929)	(1 744)
Utilized	(5 870)	(10 911)
Closing balance of receivables allowance	147 360	129 483

During the 6-month period ended 30 June 2017 the allowance on the carrying amount of trade and other receivables increased by PLN 17,877 thousand (during the period of 6 months ended 30 June 2016 the impairment allowance increased by PLN 8,328 thousand).

12. Inventory

	30.06.2017	31.12.2016
Raw materials	479 769	262 506
Semi-finished products and work in progress	815	245
Finished products	4 205	22 374
Certificates of origin	138 565	163 801
Merchandise	10 488	9 042
Gross carrying amount	633 842	457 968
Inventory allowances	(8 163)	(9 027)
Net carrying amount	625 679	448 941

During the 6-month period ended 30 June 2017 the inventory allowance decreased by PLN 864 thousand (during the period of 6 months ended 30 June 2016 the inventory allowance increased by PLN 7,071 thousand).

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(all amounts in PLN'000, unless specified otherwise)
13. Certificates of origin

	30.06.2017	31.12.2016
Net carrying amount opening balance	161 459	196 077
Acquisition of subsidiaries	48 672	-
Self-production	48 853	57 307
Acquisition	36 487	308 543
Redemption of emission rights	(128 200)	(397 934)
Sale	(31 047)	-
Change of impairment loss	1 403	(2 534)
Net carrying amount closing balance	137 627	161 459

14. Restricted cash

As at 30 June 2017 the restricted cash amounted to PLN 91,209 thousand. The restricted cash of the Group comprised transaction deposits related to trading in energy and CO2 emission rights, deposits received from suppliers, and blockade of cash to secure proper execution of works.

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

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

As at 30 June 2017, in “Financial assets measured at fair value through profit or loss” the Company presented call options on shares in Polimex-Mostostal S.A. On the basis of the agreement on call options on shares in Polimex-Mostostal S.A. dated 18 January 2017, Enea S.A. acquired call options from Towarzystwo Finansowe Silesia Sp. z o.o. This agreement provides for the purchase (in three tranches) of a total of 9 125 thousand of shares, at a nominal price of PLN 2 per share, on specific dates, i.e.: 30 July 2020, 30 July 2021 and 30 July 2022. The call options were measured at fair value using the Black-Scholes model. The book value of the options amounted to PLN 46,121 thousand as at 30 June 2017.

Moreover in financial assets measured at fair value through profit or loss the Group recognizes the valuation of forward contracts for the purchase of CO2 emission rights and related to property rights of PLN 26,230 thousand (as at 31 December 2016: PLN 4,964 thousand).

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(all amounts in PLN'000, unless specified otherwise)
16. Loans, borrowings and debt securities

	30.06.2017	31.12.2016
Bank loans	1 763 975	1 561 382
Borrowings	59 902	48 594
Bonds	4 757 718	4 665 668
Long-term	6 581 595	6 275 644
Bank loans	85 140	72 586
Borrowings	16 609	10 797
Bonds	264 072	365 519
Short-term	365 821	448 902
Total	6 947 416	6 724 546

During the 6-month period ended 30 June 2017 the carrying amount of loans, borrowings and debt securities increased by net amount of PLN 222,870 thousand (during the period of 6 months ended 30 June 2016 the carrying amount of loans, borrowings and debt securities increased by PLN 591,794 thousand).

Loans and borrowings

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

Enea S.A.

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

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

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

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(all amounts in PLN'000, unless specified otherwise)
Enea Wytwarzanie Sp. z o.o.

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

Investment loan from NFOŚiGW - the loan agreement concluded with NFOŚiGW on 22 December 2015 for the period from 1 April 2016 to 20 December 2026 with limit of PLN 60,075 thousand. The amount of used loan bears interest rate on the basis of WIBOR 3M - but not less than 2% per annum. The grace period ends on 29 September 2018. The total loans of Enea Wytwarzanie Sp. z o.o. at 30 June 2017 amount to PLN 47,570 thousand (31 December 2016: PLN 27,375 thousand).

Lubelski Węgiel Bogdanka S.A.

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

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

No.	Entity	Lender	Date of agreement	Total amount	Outstanding as at 30.06.2017	Outstanding as at 31.12.2016	Term of the agreement
1.	Enea S.A.	EBI	18 October 2012 and 19 June 2013 (A and B)	1 425 000	1 391 087	1 425 000	31 December 2030
2.	Enea S.A.	EBI	29 May 2015 (C)	946 000	450 000	200 000	31 March 2032
3.	Enea S.A.	PKO BP	28 January 2014, Annex no 1 from 25 January 2017	300 000	-	-	31 December 2019
4.	Enea S.A.	Pekao S.A.	28 January 2014, Annex no 1 from 25 January 2017	150 000	-	-	31 December 2019
5.	Enea Wytwarzanie Sp. z o.o.	NFOŚiGW	6 June 2012	17 850	5 911	8 269	30 September 2018
6.	Enea Wytwarzanie Sp. z o.o.	NFOŚiGW	22 December 2015	60 075	41 659	19 106	20 December 2026
7.	LWB	mBank	16 December 2016	100 000	-	-	30 November 2018
8.	Other	-	-	-	38 579	42 563	-
TOTAL				2 998 925	1 927 236	1 694 938	
Transaction costs and the valuation effect according to the effective interest rate					(1 610)	(1 579)	
TOTAL				2 998 925	1 925 626	1 693 359	

The notes presented on pages 10-44 constitute an integral part of the condensed interim consolidated financial statements.

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

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

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

No.	Name of bonds issue programme	Date of the conclusion of programme	Amount of the programme	Amount issued as at 30.06.2017	Amount issued as at 31.12.2016	Redemption date
1.	Bonds Issue Programme Agreement with PKO BP S.A., Bank Pekao S.A., BZ WBK S.A. and Bank Handlowy w Warszawie S.A (Enea S.A.)	21 June 2012	3 000 000	2 091 000	1 951 000	Redemption from June 2020 till June 2022.
2.	Bonds Issue Programme Agreement with Bank Gospodarstwa Krajowego (Enea S.A.)	15 May 2014	1 000 000	1 000 000	1 000 000	Redemption in instalments, final maturity is December 2026.
3.	Bonds Issue Programme Agreement with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A. (Enea S.A.)	30 June 2014	5 000 000	1 500 000	1 500 000	Redemption of a given series in February 2020 and September 2021.
4.	Bonds Issue Programme Agreement with Bank Gospodarstwa Krajowego (Enea S.A.)	3 December 2015	700 000	150 000	-	Redemption in instalments, final maturity is September 2027.
5.	Bonds Issue Programme Agreement with Bank PEKAO S.A. (LWB)	23 September 2013	300 000	300 021	300 041	Redemption in instalments, final maturity is December 2018.
6.	Bonds Issue Programme Agreement with Bank PEKAO S.A. and Bank Gospodarstwa Krajowego (LWB)	30 June 2014	300 000	-	300 039	Redemption in March 2017.
TOTAL			10 300 000	5 041 021	5 051 080	
Transaction costs and the valuation effect according to the effective interest rate				(19 231)	(19 893)	
TOTAL			10 300 000	5 021 790	5 031 187	

The notes presented on pages 10-44 constitute an integral part of the condensed interim consolidated financial statements.



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In the first half of 2017 Enea S.A. did not change the Programme Agreements, neither concluded any new agreements.

Bonds Issue Programme Agreement up to PLN 700,000 thousand

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

Bonds Issue Programme Agreement up to PLN 3,000,000 thousand

In April 2017 Enea S.A. under the Programme issued IX series of bonds of PLN 140,000 thousand. Bonds interest rate is based on a variable interest rate, and the bond redemption date is 15 June 2022.

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

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

Transactions hedging interest rate risk

During the 6-month period ended 30 June 2017 Enea S.A. did not conclude transactions to hedge interest rate risk (Interest Rate Swap). As at 30 June 2017 the total value of the IRS transactions amounted to PLN 4,435,000 thousand. Concluded transactions will substantially affect the predictability of cash flows and financial costs. The valuation of these financial instruments is presented in "Derivatives". As at 30 June 2017 the valuation of derivatives amounted to PLN 26,995 thousand (as at 31 December 2016: PLN 40,267 thousand).

Transactions hedging currency risk

During the 6-month period ended 30 June 2017 the Company entered into FX FORWARD transactions for the total volume EUR 497 thousands. Settlement date of the last transaction falls on December 2017. As at 30 June 2017 the valuation of instruments amounted PLN 32 thousand (as at 31 December 2016: PLN 0 thousand).

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(all amounts in PLN'000, unless specified otherwise)
Financing conditions – covenants

Financing agreements assume compliance by the Company and the Group with certain financial ratios. As at 30 June 2017 and the date of these condensed interim consolidated financial statements, the Group did not breach the regulations of loan agreements, on the basis of which the Group would be required to early repayment of long-term debt.

17. Financial instruments

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

	30.06.2017		31.12.2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets available for sale (shares in unrelated parties)	42 999	42 999	42 482	42 482
Non-current financial assets measured at fair value through profit or loss	49 863	49 863	112	112
Derivatives	26 995	26 995	40 267	40 267
Current financial assets held to maturity	481	481	478	478
Current financial assets measured at fair value through profit or loss	22 488	22 488	4 852	4 852
Trade and other receivables	1 380 858	(*)	1 435 353	(*)
Cash and cash equivalents	1 586 445	1 586 445	2 340 217	2 340 217
Cash deposits at Mine Closure Fund	112 197	112 197	111 218	111 218
Loans, borrowings and debt securities	6 947 416	6 998 431	6 724 546	6 778 513
Derivatives	32	32	-	-
Finance lease liabilities	4 201	4 201	5 138	5 138
Trade and other liabilities	1 019 582	(*)	985 504	(*)
Financial liabilities measured at fair value through profit or loss	30 248	30 248	2 502	2 502

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

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

Derivatives comprise the valuation of interest rate hedging transactions (Interest Rate Swap) and valuation of currency exchange rate hedging transaction (forward). The fair value of derivatives is determined by calculating the net present

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value based on two yield curves, i.e. the curve to determine the discount factor and curve used to estimate future rates of variable reference rates.

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

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

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

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

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

	30.06.2017			Total
	Level 1	Level 2	Level 3	
Derivatives				
Interest Rate Swap used for hedging	-	26 995	-	26 995
Financial assets measured at fair value through profit or loss				
Forward contracts	-	26 230	-	26 230
Call options	-	46 121	-	46 121
Financial assets available for sale				
Not listed equity instruments	-	-	1 097	1 097
Total	-	99 346	1 097	100 443
Financial liabilities measured at fair value through profit or loss				
Forward contracts	-	(30 248)	-	(30 248)
Hedging foreign exchange rate risk	-	(32)	-	(32)
Total	-	(30 280)	-	(30 280)

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

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

	30.06.2017	31.12.2016
Long-term		
Deferred income due to subsidies	198 561	206 198
Deferred income due to connection fees	408 732	416 906
Deferred income due to street lighting modernization services	41 246	36 928
	648 539	660 032
Short-term		
Deferred income due to subsidies	15 151	15 115
Deferred income due to connection fees	69 629	67 879
Deferred income due to street lighting modernization services	1 114	1 033
Valuation of building contracts	170	123
	86 064	84 150

Deferred income schedule

	30.06.2017	31.12.2016
Up to 1 year	86 064	84 150
1 to 5 years	135 500	142 411
Over 5 years	513 039	517 621
	734 603	744 182

During the 6-month period ended 30 June 2017 the carrying amount of deferred income from subsidies, connection fees and other decreased by the net amount of PLN 9,579 thousand (during the period of 6 months ended 30 June 2016 the carrying amount of deferred income from subsidies, connection fees and other decreased by PLN 7,145 thousand).

19. Deferred income tax

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

	30.06.2017	31.12.2016
Deferred tax asset – opening balance	403 257	616 795
Deferred tax liability – opening balance	191 798	388 117
Net deferred tax asset -opening balance	(211 459)	(228 678)
Acquisition of subsidiaries	(142 787)	-
Change recognized in profit or loss	73 907	8 425
Change recognized in other comprehensive income	(9 208)	8 794
Net deferred tax asset - closing balance, including:	(289 547)	(211 459)
Deferred tax asset – closing balance	481 455	403 257
Deferred tax liabilities – closing balance	191 908	191 798

During the 6-month period ended 30 June 2017, the Group's profit before tax was debited with PLN 73,907 thousand as a result of the decrease in net deferred tax asset (during the period of 6 months ended 30 June 2016 the Group's profit before tax was debited with PLN 21,392 thousand as a result of the decrease in net deferred tax asset).

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

	30.06.2017	31.12.2016
Non-current	665 636	635 488
Current	679 808	789 718
Total	1 345 444	1 425 206

During the 6-month period ended 30 June 2017 the provisions for other liabilities and charges decreased by the net amount of PLN 79,762 thousand (during the period of 6 months ended 30 June 2016 the provisions for other liabilities and charges decreased by the net amount of PLN 10,409 thousand).

Change in provisions for other liabilities and charges
for the period ended 30.06.2017

	Provision for non-contractual use of land	Provision for other claims	Provision for land reclamation	Provision for certificates of origin	Provision for CO2 emissions rights	Mine liquidation	Other	Total
Opening balance	203 291	41 347	49 893	275 162	285 184	110 188	460 141	1 425 206
Acquisition of subsidiaries	-	-	8 032	337	33 978	-	4 823	47 170
Unwinding of discount and discount rate change	-	-	4 442	-	-	1 763	-	6 205
Increase in provisions	12 753	47 712	517	142 584	180 679	-	14 293	398 538
Provisions used	(34)	(561)	-	(241 559)	(275 893)	-	(866)	(518 913)
Provision reversed	(5 319)	(705)	-	(6)	(3 260)	(1 766)	(1 706)	(12 762)
Closing balance	210 691	87 793	62 884	176 518	220 688	110 185	476 685	1 345 444

In the first half of 2017 Enea S.A. recognized provision in the amount of PLN 44,177 thousand for potential claims related to the termination by Enea S.A. contracts for the purchase of certificates of energy origin from renewable energy sources.

Other provisions relate mainly:

- wind farm Skoczyktody - PLN 129,000 thousand (as at 31 December 2016 PLN 129,000 thousand),
- potential liabilities related with electricity infrastructure and resulting from differences in interpretation of laws and regulations - PLN 157,299 thousand (as at 31 December 2016 PLN 148,259 thousand),
- costs of using forest lands managed by State Forests - PLN 107,487 thousand (as at 31 December 2016 PLN 108,245 thousand),
- real property tax in Lubelski Węgiel Bogdanka S.A. - PLN 37,560 thousand (as at 31 December 2016 PLN 32,456 thousand),
- ZUS claims arising from accident contribution in Lubelski Węgiel Bogdanka S.A. - PLN 20,685 thousand (as at 31 December 2016 PLN 20,042 thousand),
- restoration of mining damages - PLN 4,241 thousand (as at 31 December 2016 PLN 4,440 thousand).

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A description of material claims and contingent liabilities has been presented in note 23.

21. Related party transactions

The Group companies conclude transactions with the following related parties:

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

Transactions with members of the Group's governing bodies:

Item	Management Board of the Company		Supervisory Board of the Company	
	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Remuneration under managerial contracts and consultancy agreements	3 099**	8 844*	-	-
Remuneration relating to appointment of members of supervisory bodies	-	-	402	228
TOTAL	3 099	8 844	402	228

* Remuneration includes bonuses for 2015 and compensation resulting from non – competition agreements for former members of the Management Board in the amount of PLN 7,105 thousand,

** Remuneration includes bonuses for 2016 in the amount of PLN 1,749 thousand.

During the 6-month period ended 30 June 2017 there were no loans granted from the Company's Social Benefits Fund to the members of the Supervisory Board (PLN 0 thousand during the 6-month period ended 30 June 2016). During this period repayments of the loans amounted to PLN 2 thousand (PLN 8 thousand during the 6-month period ended 30 June 2016).

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

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

The transactions concern mainly:

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

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

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

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

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

	30.06.2017	31.12.2016
Acquisition of property, plant and equipment	1 468 859	1 644 896
Acquisition of intangible assets	37 905	38 134
	1 506 764	1 683 030

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

23.1. Sureties and guarantees

The table below presents actual relevant bank guarantees under the agreements concluded with BZ WBK S.A. as at 30 June 2017 to the limits specified therein:

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

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

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

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

As at 30 June 2017, the total of 17,931 cases brought by the Group were pending before common courts for the total amount of PLN 212,781 thousand (16,487 cases for the total amount of PLN 161,308 thousand as at 31 December 2016).

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

Actions brought against the Group

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

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

As at 30 June 2017 there were 2,411 cases pending before common courts which have been brought against the Group for the total amount of PLN 462,945 thousand (2,314 cases for the total amount of PLN 368,702 thousand as at 31 December 2016). Provisions related to the court cases are presented in note 20.

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

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

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

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

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

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

In the case against FITEN S.A. the court in the second instance dismissed the Enea S.A. appeal. Currently the Company expects a written justification of the verdict. In other proceedings, there have been no settlement of disputes.

23.4. Dispute concerning energy origin certificate prices

Before the District Court in Poznań the proceeding brought by PGE Górnictwo i Energetyka Konwencjonalna S.A. is pending against the Company for the payment of PLN 42,351 thousand concerning purchased certificates of origin. Enea S.A. made a deduction from the payment for certificates of origin (by offsetting with invoices for certificates of origin) in respect of a damage caused by PGE GiEK S.A. to Enea S.A. The damage resulted from the fact that PGE GiEK S.A. did not fulfill the contractual obligation to accede to renegotiate long-term contracts for certificates of origin in accordance with the adaptive clause applicable to both Parties.

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

There are two another similar cases proceeded by the District Court in Poznań. Furthermore, there are two cases proceeded by the District Court in Poznan to determine the ineffectiveness of termination (withdrawal) by Enea S.A. of contracts of sale of property rights.

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

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



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

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

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

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

25. Dividend

On 26 June 2017 the General Shareholders' Meeting of Enea S.A. adopted resolution no. 6 concerning net profit distribution for the financial period from 1 January 2016 to 31 December 2016 under which the dividend for the shareholders amount to PLN 110,361 thousand. Dividend per share amounted to PLN 0.25.

The Company did not pay out the dividend for the financial year from 1 January 2015 to 31 December 2015 due to the net loss incurred in that period. On 27 June 2016, the Extraordinary General Meeting of Shareholders of Enea S.A. adopted Resolution no. 7 on the coverage of the net loss of PLN 1,116,888 thousand for the financial year from 1 January 2015 to 31 December 2015 from retained earnings.

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

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

Enea Wytwarzanie Sp. z o.o. did not acknowledge the grounds for the above claim and in its response to the claim (and in other pleadings and in the preparatory document dated 7 January 2017) it filed a motion to dismiss the claim in its entirety and for adjudging the costs of the proceedings from the Claimants on its behalf. According to valuation of the shares of Eco-Power Sp. z o.o., the Group created provision in the amount of PLN 129,000 thousand, which results from the difference between agreement price considering base amount PLN 286,500,000.00 and the value calculated according to the Enea SA model.

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

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

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

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

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

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

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

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

28. Subsequent events

Subsequent to June 30, 2017, there were a number of regulatory changes, which could have impact on future performance of the Company. The most important changes are as follows:

- the adoption of the amendment to the Act on Renewable Energy Sources („RES Act”) on 20 July 2017. The objective of the amendment is to change the way in which the substitution fee is calculated so that the unit substitution fee will be 125% of the annual average price of property rights resulting from certificates of origin,
- the adoption of the amendment to the Act on Water Law („Water Law”) on 20 July 2017. Water Law introduced additional fees in the form of so-called fixed costs paid on quarterly basis to the State Water Company for using water and discharging wastewater. Water Law provides upper maximum rates of fees that may be reduced by regulation.

At present it is not possible to assess influence of changes in legislation on the financial result and the valuation of Group's assets due to, among others, unfinished legislative process and possible agreements with European Commission. In the near future the Group will conduct analysis of the impact of the above changes on the financial statements.

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Changes in the composition of the Management Board

On 24 August 2017 the Supervisory Board of Enea S.A. adopted resolutions to dismiss Mr Wiesław Piosik from the position of the Member of the Management Board responsible for Corporate Affairs and Mr Mikołaj Franzkowiak from the position of the Member of the Management Board responsible for Financial Affairs. Resolutions came into force on the day they were taken.

The Supervisory Board also delegated, effective immediately, Mr Rafał Szymański – the Member of the Supervisory Board to temporarily perform duties of the Member of the Management Board responsible for Corporate Affairs of Enea S.A. for the period no longer than 3 months, till appointment of the Member of the Management Board responsible for Corporate Affairs.