



**Standalone financial statements
of Enea S.A.
for the financial year ended
31 December 2017**

Poznań, 22 March 2018

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

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Standalone financial statements of Enea S.A. prepared in conformity with the EU IFRS for the financial year ended 31 December 2017

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

These standalone financial statements were prepared in accordance with the International Financial Reporting Standards as approved by the European Union and were accepted by the Company's Management Board for publication and for submission to the relevant governing bodies of the Company for approval in conformity with provisions of the Accountancy Act and the Commercial Companies Code.

Members of the Management Board

President of the Management Board **Mirostaw Kowalik**

Member of the Management Board **Piotr Adamczak**

Member of the Management Board **Piotr Olejniczak**

Member of the Management Board **Zbigniew Piętko**

Enea Centrum Sp. z o.o.

Company responsible for keeping books of account
and drawing up financial statements

Enea Centrum Sp. z o.o. ul. Górecka 1, 60-201 Poznań

[court registration] KRS 0000477231, NIP *[tax identification number]* 777-000-28-43

REGON *[statistical identification number]* 630770227

Poznań, 22 March 2018

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

Standalone Statement of Financial Position

	Note	As at	
		31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	4	25 905	29 063
Perpetual usufruct of land	5	1 215	1 970
Intangible assets	6	4 666	4 814
Investment property	7	14 855	15 405
Investments in subsidiaries, associates and jointly controlled entities	8	11 945 473	9 448 433
Deferred income tax assets	20	66 693	48 562
Financial assets available for sale	37	39 307	41 902
Intragroup bonds	9	6 771 221	5 136 547
Financial assets measured at fair value through profit or loss	13	23 836	-
Derivative instruments	15	29 553	40 267
Trade and other receivables	10	146 241	145 111
		19 068 965	14 912 074
Current assets			
Inventory	11	217 158	84 984
Trade and other receivables	10	1 126 982	1 119 479
Current income tax assets		126 336	-
Intragroup bonds	9	167 054	486 566
Cash and cash equivalents	12	1 746 426	1 614 822
		3 383 956	3 305 851
Total assets		22 452 921	18 217 925
EQUITY			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Reserve capital from valuation of hedging instruments		25 967	33 826
Reserve capital		3 150 240	2 640 358
Retained earnings		4 240 079	3 050 604
Total equity	14	12 631 977	10 940 479
LIABILITIES			
Long-term liabilities			
Loans, borrowings and debt securities	15	7 643 223	5 918 322
Financial lease liabilities	19	248	510
Liabilities due to employee benefits	21	51 941	49 060
Provisions for other liabilities and other charges	22	31	4 146
		7 695 443	5 972 038
Current liabilities			
Loans, borrowings and debt securities	15	222 958	136 206
Trade and other liabilities	17	797 569	667 226
Financial lease liabilities	19	258	262
Current income tax liabilities		-	31 564
Liabilities due to employee benefits	21	19 885	20 050
Liabilities due to an equivalent of the right to acquire shares free of charge		281	281
Other financial liabilities	16	723 735	166 653
Provisions for other liabilities and other charges	22	360 815	283 166
		2 125 501	1 305 408
Total liabilities		9 820 944	7 277 446
Total equity and liabilities		22 452 921	18 217 925

Standalone Statement of Financial Position shall be read jointly with explanatory notes constituting an integral part of these standalone financial statements

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

Standalone Statement of Profit and Loss and Other Comprehensive Income

	Note	For a period of	
		12 months ended 31.12.2017	12 months ended 31.12.2016
Sales revenue		5 894 629	5 678 726
Excise tax		(255 049)	(257 374)
Net sales revenue	23	5 639 580	5 421 352
Other operating revenue	26	34 819	27 697
Depreciation	24	(2 635)	(3 459)
Costs of employee benefits	24	(53 544)	(55 751)
Consumption of materials and supplies and cost of goods sold	24	(2 154)	(2 416)
Energy and gas purchase for sale	24	(3 582 160)	(3 577 904)
Transmission and distribution services	24	(1 592 446)	(1 498 807)
Other outsourced services	24	(179 415)	(162 450)
Taxes and charges	24	(3 272)	(3 103)
Profit/(loss) on sale and liquidation of property, plant and equipment		3 971	(1)
Other operating expenses	26	(140 864)	(36 873)
Operating profit		121 880	108 285
Financial expenses	28	(195 237)	(200 231)
Financial revenue	27	1 097 427	190 159
Dividend income		810 534	548 874
Profit before tax		1 834 604	647 087
Income tax	29	(21 280)	(26 844)
Net profit for the reporting period		1 813 324	620 243
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
- valuation of hedging instruments		(9 703)	36 847
- income tax		1 844	(7 001)
Items that will not be reclassified to profit or loss			
- remeasurement of defined benefit scheme	21	(4 452)	2 945
- income tax		846	(560)
Net other comprehensive income		(11 465)	32 231
Total comprehensive income		1 801 859	652 474
Profit attributable to the Company's shareholders		1 813 324	620 243
Weighted average number of ordinary shares		441 442 578	441 442 578
Basic earnings per share (in PLN per share)		4,11	1,41
Diluted earnings per share (in PLN per share)		4,11	1,41

The Standalone Statement of Profit and Loss and Other Comprehensive Income shall be read jointly with explanatory notes constituting an integral part of these standalone financial statements

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

Standalone Statement of Changes in Equity

Note	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Reserve capital from valuation of hedging instruments	Reserve capital	Retained earnings	Total equity
Balance as at 01.01.2017	441 443	146 575	588 018	4 627 673	33 826	2 640 358	3 050 604	10 940 479
Net profit							1 813 324	1 813 324
Other comprehensive income					(7 859)		(3 606)	(11 465)
Total comprehensive income recognised in the period					(7 859)		1 809 718	1 801 859
Net profit allocation						509 882	(509 882)	-
Dividends	30						(110 361)	(110 361)
Balance as at 31.12.2017	441 443	146 575	588 018	4 627 673	25 967	3 150 240	4 240 079	12 631 977

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

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

Standalone Statement of Cash Flows

	Note	For a period of	
		12 months ended 31.12.2017	12 months ended 31.12.2016
Cash flows from operating activities			
Net profit for the reporting period		1 813 324	620 243
Adjustments:			
Income tax in profit or loss	29	21 280	26 844
Depreciation	24	2 635	3 459
(Profit)/loss on sale and liquidation of property, plant and equipment		(3 971)	1
(Profit) on sale of financial assets		(13 568)	(4 815)
Interest income		(163 315)	(147 408)
Dividend income		(810 534)	(548 874)
Interest expense		179 288	151 445
Other financial (revenues)/ costs*		(879 270)	42 000
Other adjustments		382	-
		(1 667 073)	(477 348)
Income tax paid		(336 722)	(238 756)
Cash flows from settlements within the Tax Capital Group		263 370	213 642
Changes in working capital			
Inventory		(132 174)	67 334
Trade and other receivables		113	(30 371)
Trade and other liabilities		579 112	(86 518)
Liabilities due to employee benefits		(1 736)	304
Provisions for other liabilities and other charges		73 534	14 873
		518 849	(34 378)
Net cash flows from operating activities		591 748	83 403
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(265)	(1 787)
Inflows from disposal of property, plant and equipment and intangible assets		259	16
Acquisition of financial assets		(1 844 440)	(1 318 500)
Inflows from disposal of financial assets		475 234	252 030
Acquisition of subsidiaries, associates and jointly-controlled entities		(1 613 756)	(204 450)
Disposal of subsidiary		-	10 100
Dividends received		810 534	548 874
Inflows relating to future acquisition of financial assets		932	3 722
Interest received		162 366	148 148
Net cash flows from investing activities		(2 009 136)	(561 847)
Cash flows from financing activities			
Loans and borrowings received		746 000	100 000
Bond issue		1 199 000	750 000
Dividends paid	30	(110 361)	-
Repayment of loans and borrowings		(67 826)	-
Bonds redemption		(40 000)	-
Expenses related to payment of finance lease liabilities		(266)	(134)
Expenses related to future issue of bonds		(1 023)	(4 536)
Interest paid		(176 532)	(149 696)
Net cash flows from financing activities		1 548 992	695 634
Increase / (decrease) of net cash		131 604	217 190
Opening balance of cash	12	1 614 822	1 397 632
Closing balance of cash	12	1 746 426	1 614 822

* this item mainly presents reversal of revaluation of shares/ revaluation of shares

The Standalone Statement of Cash Flows shall be read jointly with explanatory notes constituting an integral part of these standalone financial statements

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

Notes to standalone financial statements

1. General information

1.1. General information about Enea S.A.

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

Enea S.A., acting under the business name Energetyka Poznańska S.A., was entered in the National Court Register of the District Court for Poznań on 21 May 2001, under registration number KRS 0000012483.

As at 31 December 2017 the shareholding structure of Enea S.A. was as follows: the State Treasury of the Republic of Poland held 51.50% of shares, PZU TFI - 9.96% and other shareholders - 38.54%.

As at 31 December 2017, the statutory share capital of Enea S.A., registered in the National Court Register, amounted to PLN 441,443 thousand (PLN 588,018 thousand following adoption of IFRS-EU and accounting for hyperinflation and other adjustments) and it was divided into 441,442,578 shares.

The core business of Enea S.A. („Enea”, the „Company”) is trading in electricity.

Enea S.A. is the Parent Company at the Enea Capital Group. As at 31 December 2017 it comprised 13 subsidiary companies, 10 indirect subsidiaries, 1 affiliate and 4 jointly-controlled entities.

The financial statements have been prepared based on the assumption that the Group will be able to continue as a going concern in the foreseeable future. No circumstances occur that would indicate a threat to the Enea S.A.'s operation as a going concern.

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

1.1. Composition of the Management Board and the Supervisory Board

Management Board

	31.12.2017	31.12.2016
President of the Management Board	Mirostaw Kowalik	Mirostaw Kowalik
Member of the Management Board for Financial Affairs	Piotr Olejniczak	Mikolaj Franzkowiak
Member of the Management Board for Commercial Affairs	Piotr Adamczak	Piotr Adamczak
Member of the Management Board for Corporate Affairs	Zbigniew Piętko	Wiestaw Piosik

On 24 August 2017, the Company's Supervisory Board adopted resolutions to dismiss Mr Wiestaw Piosik, Member of the Company's Management Board responsible for Corporate Affairs and Mr Mikolaj Franzkowiak, Member of the Company's Management Board responsible for Financial Affairs. At the same time, the Company's Supervisory Board delegated on that date Member of the Supervisory Board, Mr Rafal Szymański, to temporarily perform the duties of the Member of the Company's Management Board responsible for Corporate Affairs of Enea S.A. for a period not exceeding three months until the time of appointment of a new Member of the Company's Management Board responsible for Corporate Affairs of Enea S.A.

On 22 September 2017, the Company's Supervisory Board adopted a resolution to appoint Mr Piotr Olejniczak to the position of Member of the Company's Management Board responsible for Financial Affairs, effective as of 1 October 2017.

On 29 September 2017, the Company received a statement from Mr Rafal Szymański delegated by the Company's Supervisory Board to temporarily perform the duties of the Member of the Company's Management Board responsible for Corporate Affairs of Enea S.A. on his resignation from the delegation to perform the aforementioned duties effective as at 1 October 2017.

On 5 October 2017, the Supervisory Board adopted a resolution to appoint Mr Zbigniew Piętko to the position of Member of the Company's Management Board responsible for Corporate Affairs, effective as of 10 October 2017.

Supervisory Board

	31.12.2017	31.12.2016
Chairman of the Supervisory Board	Stanislaw Hebda	Malgorzata Niezgodna
Vice-Chairman of the Supervisory Board	Piotr Kossak	Piotr Kossak
Secretary of the Supervisory Board	Rafal Szymański	Rafal Szymański
Member of the Supervisory Board	Rafal Bargiel	Rafal Bargiel
Member of the Supervisory Board	Piotr Mirkowski	Piotr Mirkowski
Member of the Supervisory Board	Stawomir Brzeziński	Stawomir Brzeziński
Member of the Supervisory Board	Wojciech Klimowicz	Wojciech Klimowicz
Member of the Supervisory Board	Tadeusz Miklosz	Tadeusz Miklosz
Member of the Supervisory Board	Roman Stryjski	Roman Stryjski
Member of the Supervisory Board	Pawel Skopiński	Pawel Skopiński

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

On 24 August 2017, the Company's Supervisory Board delegated Member of the Supervisory Board, Mr Rafał Szymański, to temporarily perform the duties of Member of the Company's Management Board responsible Corporate Affairs of Enea S.A. for a period not exceeding three months until the time of appointment of a new Member of the Company's Management Board responsible for Corporate Affairs of Enea S.A.

On 29 September 2017, the Company received a statement from Mr Rafał Szymański delegated by the Company's Supervisory Board to temporarily perform the duties of the Member of the Company's Management Board responsible for Corporate Affairs of Enea S.A. on his resignation from the delegation to perform the aforementioned duties effective as at 1 October 2017.

On 27 December 2017, the Company received resignation of Ms Małgorzata Niezgodą from the function of Member of the Supervisory Board, effective as at 27 December 2017.

On 28 December 2017, the Extraordinary Shareholders' Meeting of Enea S.A. appointed a new Member of the Supervisory Board, Mr Stanisław Hebda, in the capacity of Chairman of the Supervisory Board.

On 13 March 2018, the Company received resignation of Mr Paweł Skopiński from the the function of Member of the Supervisory Board.

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

These standalone financial statements include financial information referred to in Article 44 section 2 of the Energy Law Act of 10 April 1997 (Official Journal of 2012, item 1059), which is presented in Note 42 („regulatory financial information”).

2. Material estimates and assumptions

Preparation of the financial statements in accordance with the EU IFRS requires the Management Board to adopt certain assumptions and make estimates that affect the adopted accounting principles and the amounts disclosed in the financial statements and in the notes to these financial statements. The assumptions and estimates are based on the best knowledge of the Management Board regarding current and future events and activities. Actual results, however, may differ from those anticipated.

The main areas in which the Management Board's estimates have a material impact on the financial statements are:

- **employee benefits during and after employment** - the valuation of provisions for employee benefits was made by determining the balance of liabilities at the end of the reporting period on account of anticipated future benefits payments, calculated in an actuarial manner; the discount rates and the rate of long-term increase in remuneration have an impact on the estimate made (Note 21),

- **trade receivables revaluation write-offs and other write-offs** - the amount of the write-off is the difference between the book value and the present value of estimated future cash flows, discounted at the original effective interest rate; changes in the value of estimated future cash flows will result in changes in the receivables revaluation write-offs estimate (Note 10),

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

- **non-invoiced sales revenues at the end of the financial period** - estimation of the amount of unsettled energy sales takes place on the basis of estimated energy consumption in the period from the day of the last billing reading to the end of the financial period (Note 10),

- **compensation for non-contractual use of land** - the estimation includes the potential payment of compensation for the so-called non-contractual use of land and rent and it is made by the technical personnel of the Company based on individual analysis of claims filed (Notes 22 and 34.3),

- **valuation of shares in subsidiaries** - impairment tests are carried out based on a number of assumptions, some of which being beyond control of Enea S.A. The main assumptions concern the adopted paths of electricity prices, certificates of energy origin, capacity market and the discount rate. Significant changes in those assumptions have an impact on the results of impairment tests and, consequently, on the financial standing and profit or loss of the Company (Note 8),

- **provisions** - recognition of provisions requires making the best estimate of the expenditure required to settle an obligation as at end of the reporting period.

3. Composition of the Capital Group – list of subsidiaries, associates and jointly-controlled entities

	Name and address of company		Enea S.A.'s share in total number of votes [%] 31.12.2017	Enea S.A.'s share in total number of votes [%] 31.12.2016
1.	Enea Operator Sp. z o.o. Poznań, ul. Strzeszyńska 58	subsidiary	100 ¹⁰	100
2.	Enea Wytwarzanie Sp. z o.o. Świerże Górne, municipality of Kozienice, Kozienice 1	subsidiary	100	100
3.	Enea Elektrownia Połaniec S.A. ⁶ Połaniec, ul. Zawada 26	subsidiary	100	-
4.	Enea Oświetlenie Sp. z o.o. Szczecin, ul. Ku Słońcu 34	subsidiary	100	100
5.	Enea Trading Sp. z o.o. Świerże Górne, municipality of Kozienice, Kozienice 1	subsidiary	100	100
6.	Enea Logistyka Sp. z o.o. Poznań, ul. Strzeszyńska 58	subsidiary	100	100
7.	Enea Serwis Sp. z o.o. Lipno, Gronówko 30	subsidiary	100	100
8.	Enea Centrum Sp. z o.o. Poznań, ul. Górecka 1	subsidiary	100	100
9.	Enea Pomiary Sp. z o.o. Poznań, ul. Strzeszyńska 58	subsidiary	100	100
10.	ENERGO-TOUR Sp. z o.o. in liquidation Poznań, ul. Marcinkowskiego 27	subsidiary	100 ⁵	100 ⁵
11.	Enea Innovation Sp. z o.o. Warszawa, ul. Jana Pawła II 25	subsidiary	100 ⁹	100
12.	Lubelski Węgiel BOGDANKA S. A. Bogdanka, Puchaczów	subsidiary	65,99	65,99
13.	Annacond Enterprises Sp. z o.o. ¹⁴ Warszawa, ul. Jana Pawła II 25	subsidiary	61	61
14.	ElectroMobility Poland S.A. Warszawa, ul. Mysia 2	jointly controlled entity	25	25
15.	Elektrownia Ostrotęka Sp. z o.o. ¹² Ostrotęka, ul. Elektryczna 5	jointly controlled entity	23,79 ⁷	-

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

16.	Polimex – Mostostal S.A. Warszawa, al. Jana Pawła II 12	associate	16,48	-
17.	Polska Grupa Górnicza S.A. ¹³ Katowice, ul. Powstańców 30	jointly controlled entity	5,81 ⁸	-
18.	Enea Bioenergia Sp. z o.o. Połaniec, ul. Zawada 26	indirect subsidiary	100 ⁴	-
19.	Enea Ciepło Serwis Sp. z o.o. ¹¹ Białystok, ul. Starosielce 2/1	indirect subsidiary	100 ¹	100 ¹
20.	Enea Badanie i Rozwój Sp. z o.o. Świerże Górne, municipality of Kozienice, Kozienice 1	indirect subsidiary	100 ¹	-
21.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Oborniki, ul. Wybudowanie 56	indirect subsidiary	99,93 ¹	99,93 ¹
22.	Enea Ciepło Sp. z o.o. ¹¹ Białystok, ul. Warszawska 27	indirect subsidiary	91,14 ^{1, 1a}	91,02 ¹
23.	Miejska Energetyka Ciepła Piła Sp. z o.o. Piła, ul. Kaczorska 20	indirect subsidiary	71,11 ¹	71,11 ¹
24.	EkoTRANS Bogdanka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	65,99 ²	65,99 ²
25.	RG Bogdanka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	65,99 ²	65,99 ²
26.	MR Bogdanka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	65,99 ²	65,99 ²
27.	Łęczyńska Energetyka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	58,53 ²	58,53 ²
28.	Centralny System Wymiany Informacji Sp. z o.o. Poznań, ul. Strzeszyńska 58	jointly controlled entity	20 ³	100 ³

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

^{1a} - On 17 September 2015, pursuant to Resolution No. 547/2015 of the Management Board of Enea Wytwarzanie Sp. z o.o. a project was launched entitled „Purchase of employee shares in MPEC Sp. z o.o. in Białystok”. On 17 November 2015, pursuant to Resolution No. 661/2015, powers of attorney were granted to enter into preliminary contracts and final contracts. There are 75 thousand shares available for purchase. Preliminary contracts were scheduled to be entered into between 7 December 2015 and 27 January 2016. Final contracts were entered into after 16 September 2016. By the end of December 2015, preliminary share sale contracts were concluded totalling at PLN 747 thousand. In 2016, Enea Wytwarzanie Sp. z o.o. purchased 67 209 shares of MPEC Sp. z o.o. in Białystok for PLN 7,688 thousand; as a result, at the of the year, its shareholding in the share capital was 91.02%. In 2017, Enea Wytwarzanie Sp. z o.o. purchased 1,749 shares of MPEC Sp. z o.o. in Białystok for PLN 217 thousand; as a result, as at 31 December 2017, its shareholding in the share capital was 91.14%. On 4 August 2017, Enea Wytwarzanie Sp. z o.o. and Enea S.A. established a company trading as Enea Badanie i Rozwój Sp. z o.o. Enea Wytwarzanie Sp. z o.o. holds 99 shares in that company while Enea S.A. holds one share. On 28 September 2017, the company was entered in the National Court Register.

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

³ – a jointly-controlled company through shareholding in Enea Operator Sp. z o.o., On 30 June 2017, Enea Operator Sp. z o.o. sold 16 shares of PLN 2,500.00 each, totalling at PLN 40,000.00.

⁴ – an indirect subsidiary held through shares in Enea Elektrownia Połaniec S.A. On 16 March 2017, the Extraordinary Shareholders’ Meeting of ENGIE Bioenergia Sp. z o.o. adopted a resolution on amending the Company’s Articles of Incorporation by changing its business name to Enea Bioenergia Sp. z o.o. On 26 April 2017, the amended Articles of Incorporation of the aforesaid company were registered with the National Court Register

⁵ – On 30 March 2015, the Extraordinary Shareholders’ Meeting of the company adopted a resolution on dissolution of the company following liquidation proceedings; the resolution took effect on 1 April 2015. On 5 November 2015, an application for deleting the company from the National Court Register was filed. As at the date of drawing up these consolidated financial statements, activities relating to deleting the company from the National Court Register were still underway.

⁶ – On 10 April 2017, the business name of ENGIE Energia Polska S.A. was changed to Enea Elektrownia Połaniec S.A. in the National Court Register.

⁷ – On 1 February 2017, Enea S.A. entered into a share purchase agreement with ENERGA S.A. regarding purchase of 24,980,926 shares of Elektrownia Ostrołęka S.A., thus acquiring 11.89% shares in the company’s share capital. On 13 April 2017, the Extraordinary Shareholders’ Meeting of Elektrownia Ostrołęka S.A. adopted a resolution on increasing the company’s share capital by way of private placement from PLN 210,100 thousand to PLN 229,100 thousand, i.e. by an amount of PLN 19,000 thousand by issuing 19,000,000 new D series share with the nominal value of PLN 1.00 each. Shares offered for

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

private placement were directed to Enea S.A. and ENERGA S.A. On 27 April 2017, Enea S.A. signed a contract of acquisition of 9,500,000 shares with Elektrownia Ostrołęka S.A. The share capital increase was registered in the National Court Register on 30 May 2017. On 27 June 2017, Enea S.A. entered into a contract of acquisition of 20,017,269 shares of Elektrownia Ostrołęka with ENERGA S.A. and in this way it acquired in total 23.79% shareholding in the share capital of the company.

⁸ – On 3 April 2017, Enea S.A. acquired 1,500,000 new shares with the nominal value of PLN 100.00 each and the total value of PLN 150,000,000.00 of Polska Grupa Górnicza Sp. z o.o. On 14 June, the Extraordinary Shareholders' Meeting of Polska Grupa Górnicza Sp. z o.o. adopted a resolution on increasing the company's share capital by an amount of PLN 200,000 thousand from an amount of PLN 3,416,718 thousand to PLN 3,616,718 thousand by creating 2,000,000 new shares with the nominal value of PLN 100.00 each. As a result of the aforesaid capital increase, Enea S.A. acquired 600,000 shares with the total nominal value of PLN 60 000 thousand. The increase of the share capital was registered in the National Court Register on 7 July 2017.

⁹ – On 2 August 2017, the Extraordinary Shareholders' Meeting of Enea Innovation Sp. z o.o. adopted Resolution No. 1 on increasing the company's share capital by PLN 300,000.00, that is from PLN 5,000 up to PLN 305,000.00 by creating 3,000 new shares with the nominal value of PLN 100.00 each.

¹⁰ – On 30 October 2017, the Extraordinary Shareholders' Meeting of Enea Operator Sp. z o.o. adopted a resolution in increasing the company's share capital by PLN 5 024 thousand, i.e. from PLN 4,678,050 thousand to PLN 4,683,074 thousand by creating 50,237 new share with the nominal value of PLN 100,00 each. On 20 December 2017, a declaration was made on the acquisition of 50,237 shares in the increased share capital of Enea Operator Sp. z o.o. and covering them in full with an in-kind contribution. On 20 December 2017, an agreement was concluded regarding the transfer of the title to real estate and right of perpetual usufruct of land (the in-kind contribution), under which the aforementioned rights were assigned onto Enea Operator Sp. z o.o. On 30 January 2018, the share capital increase was registered in the National Court Register.

¹¹ – On 17 November 2017, the Extraordinary Shareholders' Meeting of Przedsiębiorstwo Energetyki Ciepłej Zachód Sp. z o.o. adopted a resolution on amending the company's Articles of Incorporation by changing its business name to Enea Ciepło Serwis Sp. z o.o. while the Extraordinary Shareholders' Meeting of MPEC Sp. z o.o. in Białystok adopted a resolution on amending the company's Articles of Incorporation by changing its name to Enea Ciepło Sp. z o.o.

¹² – On 23 November 2017, the Extraordinary Shareholders' Meeting of Elektrownia Ostrołęka S.A. adopted a resolution on transforming the company into a limited liability company. On 27 February 2018, the transformation into a limited liability company was registered in the National Court Register.

¹³ – On 28 November 2017, the Extraordinary Shareholders' Meeting of Polska Grupa Górnicza Sp. z o.o. adopted a resolution on transforming the company into a joint-stock company. On 29 December 2017, the transformation was registered in the National Court Register.

¹⁴ – On 28 February 2018, the Extraordinary Shareholders' Meeting of Annacond Enterprises Sp. z o.o. adopted a resolution to put the company into liquidation.

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

4. Property, plant and equipment

	Land	Buildings and structures	Plant and machinery	Means of transport	Other tangible assets	Tangible assets under construction	Total
Balance as at 01.01.2017							
Gross value	1 376	38 508	21 411	7 656	4 155	92	73 198
Accumulated depreciation	-	(14 464)	(20 279)	(5 633)	(3 759)	-	(44 135)
Net book value	1 376	24 044	1 132	2 023	396	92	29 063
Changes during the 12 months period ended 31 December 2017							
Reclassifications	-	-	-	81	-	(81)	-
Acquisition	-	-	-	-	10	-	10
Depreciation	-	(640)	(642)	(740)	(180)	-	(2 202)
In-kind contribution (initial value)	(728)	-	-	-	-	-	(728)
Disposal (initial value)	-	(970)	(1 182)	(52)	(203)	-	(2 407)
Disposal (accumulated depreciation)	-	679	1 166	52	203	-	2 100
Other (initial value)	29	48	-	-	-	(8)	69
Balance as at 31.12.2017							
Gross value	677	37 586	20 229	7 685	3 962	3	70 142
Accumulated depreciation	-	(14 425)	(19 755)	(6 321)	(3 736)	-	(44 237)
Net book value	677	23 161	474	1 364	226	3	25 905

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

	Land	Buildings and structures	Plant and machinery	Means of transport	Other tangible assets	Tangible assets under construction	Total
Balance as at 01.01.2016							
Gross value	1 376	39 171	21 670	6 246	4 113	457	73 033
Accumulated depreciation	-	(14 463)	(19 483)	(4 976)	(3 412)	-	(42 334)
Net book value	1 376	24 708	2 187	1 270	701	457	30 699
Changes during the 12 months period ended 31 December 2016							
Reclassifications	-	-	-	550	-	(550)	-
Acquisition	-	-	-	863	42	272	1 177
Depreciation	-	(667)	(1 042)	(657)	(347)	-	(2 713)
Disposal (initial value)	-	(682)	(5)	-	-	-	(687)
Disposal (accumulated depreciation)	-	666	5	-	-	-	671
Other (initial value)	-	19	(254)	(3)	-	(87)	(325)
Other (accumulated depreciation)	-	-	241	-	-	-	241
Balance as at 31.12.2016							
Gross value	1 376	38 508	21 411	7 656	4 155	92	73 198
Accumulated depreciation	-	(14 464)	(20 279)	(5 633)	(3 759)	-	(44 135)
Net book value	1 376	24 044	1 132	2 023	396	92	29 063

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

Enea S.A. in the capacity of the lessee used the following property, plant and equipment under finance lease contracts:

	31.12.2017	31.12.2016
Gross value	772	1 423
- Means of transport	772	1 423
Accumulated depreciation	(258)	(651)
- Means of transport	(258)	(651)
Net book value	514	772
- Means of transport	514	772

No tangible fixed assets of the Company other than the tangible fixed assets used pursuant to financial lease agreements have been pledged as collateral.

5. Perpetual usufruct of land

	31.12.2017	31.12.2016
Gross value at the beginning of the period	2 230	2 230
In-kind contribution (initial value)	(573)	-
Disposal (initial value)	(439)	-
Other (initial value)	162	-
Gross value at the end of the period	1 380	2 230
Accumulated depreciation at the beginning of the period	(260)	(232)
Depreciation	(24)	(28)
In-kind contribution (accumulated depreciation)	114	-
Liquidation (accumulated depreciation)	5	-
Accumulated depreciation at the end of the period	(165)	(260)
Net value at the beginning of the period	1 970	1 998
Net value at the end of the period	1 215	1 970

6. Intangible assets

	Computer software, licenses, concessions, patents	
	31.12.2017	31.12.2016
Gross value at the beginning of the period	13 863	12 516
Acquisition	95	1 347
Disposal	(2 269)	-
Gross value at the end of the period	11 689	13 863
Accumulated depreciation at the beginning of the period	(9 049)	(8 511)
Depreciation	(237)	(538)
Disposal	2 263	-
Accumulated depreciation at the end of the period	(7 023)	(9 049)
Net value at the beginning of the period	4 814	4 005
Net value at the end of the period	4 666	4 814

No intangible fixed assets of the Company have been pledged as collateral.

7. Investment property

	31.12.2017	31.12.2016
Gross value at the beginning of the period	19 322	19 322
Gross value at the end of the period	19 322	19 322

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

Accumulated depreciation at the beginning of the period	(3 917)	(3 367)
Accumulated depreciation for the period	(550)	(550)
Accumulated depreciation at the end of the period	(4 467)	(3 917)
Net value at the beginning of the period	15 405	15 955
Net value at the end of the period	14 855	15 405

Under 'investment properties' the Company recognises, among others, an office building and other premises. The office building is a significant item of investment properties. On 9 January 2017, the rental agreement entered into in 2012 expired. Currently, the Company administers the building on its own. 93% of the building has been rented out to external tenants.

Revenues from rental of the office building in 2017 amounted to PLN 1,234 thousand, whereas the cost of the building maintenance amounts to approximately PLN 854 thousand.

The most valuable investment property was the seat of Enea S.A., recognized in the Company's book at the value of PLN 8,793 thousand. The Company estimates that its fair value is PLN 18,162 thousand.

8. Investments in subsidiaries, associates and jointly controlled entities

	31.12.2017	31.12.2016
Opening balance	9 448 433	8 323 493
Acquisition of investments	1 615 327	9 412
Repayable capital contributions	387	1 138 227
Other	2 056	19 301
Change in impairment allowance	879 270	(42 000)
Closing balance	11 945 473	9 448 433

2017

On 20 January 2017, Enea S.A. accepted an offer submitted by Polimex-Mostostal S.A. regarding acquisition – by way of private placement – of 37,500,000 shares at an issue price of PLN 2.00 per share, i.e. at the total issue price of PLN 75 million and it also acquired 1,500,000 shares of Polimex-Mostostal S.A. from its hitherto shareholder. The purchase price of all shares amounted to PLN 80.6 million. Following acquisition of the shares Enea S.A. holds a 16.48% in the company's share capital.

On 1 February 2017, Enea SA entered into a Share Purchase Agreement with ENERGA S.A. regarding acquisition of 24,980,926 shares of Elektrownia Ostrołęka S.A. The purchase price of all shares was PLN 24 million. On 28 April 2017, the Company acquired 9,500,000 shares with the nominal value of PLN 1.00 each by way of private placement. On 27 June 2017, Enea S.A. concluded a Share Purchase Agreement with ENERGA S.A. regarding acquisition of 20,017,269 shares of Elektrownia Ostrołęka S.A. The purchase price of all shares amounted to PLN 19,231 thousand. Following acquisition of the shares, Enea S.A. holds a 23.79% shareholding in the company's share capital.

On 14 March 2017, Enea S.A. acquired 100% shares of ENGIE Energia Polska S.A. from ENGIE International Holdings B.V., i.e. 7,135,000 shares for the total price of PLN 1,264,159 thousand.

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

On 3 April 2017, Enea S.A. acquired 1,500,000 new shares with the nominal value of PLN 100.00 each and the total value of PLN 150,000 thousand in Polska Grupa Górnicza Sp. z o.o. On 14 June 2017, the Extraordinary Shareholders' Meeting of Polska Grupa Górnicza Sp. z o.o. adopted a resolution on increasing the company's share capital. As a result of the aforesaid increase, Enea S.A. acquired 600,000 shares with the total nominal value of PLN 60,000 thousand.

On 11 May 2017, the Management Board of Enea S.A. adopted a resolution on the Company's resignation from participation in the transaction of acquisition of Polish assets owned by EDF International SAS and EDF Investment II B.V.

On 2 August 2017, the Extraordinary Shareholders' Meeting of Enea Innovation Sp. z o.o. adopted a resolution on increasing the company's share capital. As a result of the aforesaid increase, Enea S.A. acquired 3,000 shares with the total nominal value of PLN 300 thousand.

On 30 October 2017 the Extraordinary Shareholders' Meeting of Enea Operator Sp. z o.o., adopted a resolution on increasing the company's share capital. On 20 December 2017, Enea S.A. acquired 50,237 shares in the increased share capital of Enea Operator Sp. z o.o. against an in-kind contribution.

The item „repayable capital contributions” presents repayable contributions to the share capital of Annacond Enterprises Sp. z o.o. totalling at PLN 387 thousand.

On 31 January 2018, the Extraordinary Shareholders' Meeting of Polska Grupa Górnicza S.A. adopted a resolution on increasing the company's share capital by PLN 300,000 thousand up to an amount of PLN 3,916,718 thousand by issuing 3,000,000 new shares by way of private placement. Enea S.A. will acquire 900,000 new shares by way of private placement, with the nominal value of PLN 100.00 each share and with the total nominal value of PLN 90,000 thousand. Following registration of the share capital increase in the National Court Register, Enea S.A. will increase its share in the share capital up to 7.66%.

On 31 January 2018, the Extraordinary Shareholders' Meeting of Enea Innovation Sp. z o.o. adopted a resolution on increasing the company's share capital by PLN 3,500 thousand up to PLN 3,805 thousand by creating 35,000 new shares with the nominal value of PLN 100.00 each. The aforesaid increase of the share capital has not been registered in the National Court Register.

On 3 January 2018, the Extraordinary Shareholders' Meeting of ElectroMobility Poland S.A. adopted a resolution on increasing the company's share capital by PLN 20,000 thousand by way of increasing the nominal value of the existing shares from PLN 1,000.00 to 3,000.00. Following the aforesaid increase, Enea S.A. holds 2,500 shares of the company with the nominal value of PLN 3,000.00 with the total value of PLN 7,500 thousand.

2016

On 27 January 2016, the Extraordinary Shareholders' Meeting of Enea Wytwarzanie Sp. z o.o. adopted Resolution No. 1 on making repayable contributions to the company shares in the total amount of PLN 749,672 thousand, on the

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

following dates and in the following amounts:

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

25 May 2016 the Extraordinary Shareholders' Meeting of Enea Wytwarzanie Sp. z o.o. adopted Resolution No. 1 on making repayable contributions to the company shares in an amount of PLN 386,294 thousand by 31 May 2016.

On 14 March and 31 May 2016, Enea S.A. made repayable contribution to the share capital of Enea Wytwarzanie Sp. z o.o. in the total amount of PLN 1,135,966 thousand (in conformity with resolutions adopted by the Extraordinary Shareholders' Meeting of Enea Wytwarzanie Sp. z o.o. on 27 January 2016 and 25 May 2016). The funds will be used to finance capital expenditures at Enea Wytwarzanie Sp. z o.o. The date of repayment of the contributions has not been determined.

The „Repayable contributions” item also includes contributions made to the share capital of Enea Centrum Sp. z o.o. and Annacond Enterprises Sp. z o.o. with the total value of PLN 2,261 thousand.

Investment revaluation write-off

	31.12.2017	31.12.2016
Investment revaluation write-off at the beginning of the period	2 159 775	2 117 775
Reversed	(879 270)	-
Created	-	42 000
Investment revaluation write-off at the end of the period	1 280 505	2 159 775

Tests for impairment of shares of Enea Wytwarzanie Sp. z o.o. and Enea Elektrownia Połaniec S.A.

In the fourth quarter of 2017, due to substantial impairment allowances made in the previous years and uncertainty concerning the energy market in Poland, specifically the capacity market and the support system for the renewable energy sources, the Company carried out tests for impairment of shares of Enea Wytwarzanie Sp. z o.o. and Enea Elektrownia Połaniec S.A.

The calculation of the recoverable value of shares results from the total value of individual CGU included in Enea Wytwarzanie Sp. z o.o. and Enea Elektrownia Połaniec S.A. less the financial liabilities incurred. The utility values of CGU were determined using the discounted cash flow method for periods longer than 5 years. The time horizon of projections used is derived from the combination of economic useful lives of individual CGUs and the long-term impact of the new and announced changes in the legal regulations. For generation units whose assumed useful life period exceeds the period of the projection, the residual value was determined.

The recoverable value of shares in Enea Wytwarzanie Sp. o.o. determined in this way is PLN 4,492,130 thousand and the value of shares in Enea Elektrownia Połaniec S.A. is PLN 1,268,087 thousand. Taking into account an increase of the recoverable value of shares in relation to their book value covered by impairment allowances made in the previous years, the necessity of reversals of the allowances made in the years 2015 – 2016 by the amount of PLN 879,270 thousand was determined.

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

The key assumptions adopted in the tests are the result of the Company's and its subsidiaries' best knowledge and experience in generating electricity from various sources, taking into account the product specificity of individual CGUs, and actual events that took place and are planned to be undertaken in the future within the Enea Capital Group.

Presented below are the main assumptions used for the purpose of impairment tests:

- the recoverable value of shares was estimated by the Company on the basis of long-term financial projections for assets included in Enea Wytwarzanie Sp. z o.o. as part of five cash generating centres (i.e. CGU Elektrownie Systemowe Kozienice, CGU Białystok, CGU Wiatr, CGU Woda, CGU Biogaz), and Enea Elektrownia Połaniec S.A. as part of two cash generating centres (i.e. CGU Elektrownie Systemowe Połaniec, DGU Zielony Blok),
- the main price paths based, among others, on the forecasts prepared by Enea Trading (a company constituting a competence centre in the Enea Capital Group with regard to wholesale trade in electricity, property rights, emission allowances and fuels), taking into account product specificity and knowledge about already concluded contracts:
 - wholesale prices of electrical energy: an increase over the period covered by the projection,
 - prices of certificates of origin of energy from renewable energy sources and from co-generation: the existence of support systems for renewable energy sources also after 2025 for highly efficient co-generation until 2018,
 - prices of CO₂ emission allowances: an increase over the entire period covered by the projection,
 - coal prices: an increase over the entire period covered by the projection,
 - biomass price: an increase until 2029, and a decrease since 2030,
- the number of CO₂ emission allowances received free of charge for the years 2015-2020 was according to the derogation application (under Article 10c(5) of Directive 2003/87/EC of the European Parliament and of the Council),
- taking into account revenues related to the maintenance of production capacities from 2021 pursuant to the Capacity Market Law passed in December 2017, based on the analyses and estimates made by Enea Trading,
- inflation, taking into account the inflation target at the maximum level of 2.5%,
- the nominal discount rate of 6.44%,
- the rate of increase during the residual period – 0%.

The sensitivity analysis carried out indicates that important factors influencing the estimates of the recoverable value of cash flow generating units include, among others: discount rates, inflation, electricity prices and revenues from the Capacity Market. In addition, prices of certificates of origin of energy, CO₂ emission rights and coal prices will also have an impact on future financial performance and, consequently, on the use value of cash flow generating units.

Presented below is the statement of impact (in terms of value) of changes of the selected factors on the total recoverable value (initial value) of shares.

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

Impact of changes of the discount rate

Change of assumptions	-0,5 p.p.	Initial value	+0,5 p.p.
Change of recoverable value	768 374	5 760 217	(666 617)

Impact of changes of the change *

Change of assumptions	-0,5 p.p.	Initial value	+0,5 p.p.
Change of recoverable value	(717 297)	5 760 217	775 459

*sensitivity analysis does not take into account the impact of inflation on the discount rate

Impact of changes of electricity prices

Change of assumptions	-1,0 p.p.	Initial value	+1,0 p.p.
Change of recoverable value	(739 061)	5 760 217	739 061

Impact of changes of the Capacity Market

Change of assumptions	-10,0 p.p.	Initial value	+10,0 p.p.
Change of recoverable value	(626 072)	5 760 217	626 072

9. Financial assets – intragroup bonds

The Enea Capital Group adopted a model of financing of investments carried out by subsidiaries of Enea S.A. by way of intra-group funding. Enea S.A. obtains long-term funds in the financial market by contracting loans or issuing bonds, and subsequently distributed them within the Group. The table below shows the current intra-group bond issue programmes as at 31 December 2017 and 31 December 2016:

Date of contract	Company issuing bonds	Redemption date	Amount granted	Amount used	Bonds not redeemed as at 31.12.2017 (equity)	Bonds not redeemed as 31.12.2016 (equity)
			PLN '000	PLN '000	PLN '000	PLN '000
10 March 2011	Enea Wytwarzanie Sp. z o.o.	31 March 2023	26 000	26 000	26 000	26 000
29 September 2011	Enea Wytwarzanie Sp. z o.o.	29 September 2019	14 500	14 500	6 000	6 000
23 July 2012	Enea Wytwarzanie Sp. z o.o.	22 July 2019	158 500	158 500	35 650	57 850
8 September 2012 contract amounting to PLN 4,000,000 thousand reduced pursuant to Annexe No. 2 of 21 January 2015 to PLN 3,000,000 thousand	Enea Wytwarzanie Sp. z o.o.	From 15 June 2020 to 15 December 2020 depending on the date of issue of bond series issue; other amounts no later than on 15 June 2022	3 000 000	2 650 000	2 650 000	1 951 000
20 June 2013 amended pursuant to Annexe No. 1 of 9 October 2014 and Annexe No. 2 of 7 July 2015	Enea Operator Sp. z o.o.	Depending on bond issue dates, no later, however, than 17 June 2030	1 425 000	1 425 000	1 357 174	1 425 000

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

12 August 2014 for an amount of PLN 260,000 thousand, increased to PLN 1,000,000 thousand pursuant to Annexe No. 1 of 11 February 2015 and reduced to PLN 260,000 thousand pursuant to Annexe No. 2 of 30 December 2015	Enea Wytwarzanie Sp. z o.o.	Redemption in instalments – final redemption date 15 December 2026	260 000	260 000	249 600	260 000
17 November 2014	Enea Wytwarzanie Sp. z o.o.	31 March 2020	740 000	350 000	350 000	350 000
17 February 2015 for PLN 760,000 thousand, increased by Annexe No. 1 of 3 June 2015 to kwoty PLN 1,000,000 thousand	Enea Wytwarzanie Sp. z o.o.	10 February 2020	1 000 000	1 000 000	1 000 000	1 000 000
7 July 2015 amended pursuant to Annexe No. 1 of 28 March 2017	Enea Operator Sp. z o.o.	Depending on bond issue dates, no later, however, than 15 December 2031	946 000	946 000	946 000	200 000
30 October 2015	Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.	Redemption in instalments – final redemption date 31 March 2020	18 000	18 000	9 000	13 000
18 July 2016	Enea Operator Sp. z o.o.	15 December 2017	360 000	360 000	-	360 000
20 September 2017	Enea Operator Sp. z o.o.	15 December 2019	350 000	350 000	350 000	-
Total					6 979 424	5 648 850
Transaction costs and effect of effective interest rate valuation					(41 149)	(25 737)
Total					6 938 275	5 623 113

In January 2017, Enea S.A. acquired the 3rd series of bonds of PLN 250,000 thousand issued by Enea Operator Sp. z o.o. pursuant to Bond Issue Programme Agreement of 7 July 2015. The interest rate of the bonds is based on a floating interest rate + margin. The bonds will be redeemed in equal instalments, and the final redemption date falls in December 2031.

In April 2017, Enea S.A. acquired the 9th series of bonds of PLN 140,000 thousand issued by Enea Wytwarzanie Sp. z o.o. pursuant to the Programme Agreement of 8 September 2012. The interest rate of the bonds is based on a floating interest rate, and the bonds redemption date falls on 15 June 2022.

In September 2017, Enea S.A. acquired bonds of PLN 350,000 thousand issued by Enea Operator Sp. z o.o. pursuant to the Programme Agreement of 20 September 2017. The interest rate of the bonds is based on a floating interest rate, and the bonds redemption date falls on 15 December 2019.

Pursuant to the Bond Issue Programme Agreement regarding bonds worth PLN 360,000 thousand of 28 July 2016, Enea Operator Sp. z o.o. redeemed in December 2017, on behalf of ENEA S.A., bonds of PLN 360,000 thousand.

In December 2017, Enea S.A. acquired the 10th series of bonds of PLN 559,000 thousand issued by Enea Wytwarzanie Sp. z o.o. pursuant to the Programme Agreement of 8 September 2012. The interest rate of the bonds is based on a floating interest rate, and the bonds redemption date falls on 15 June 2022.

In December 2017, Enea S.A. acquired the 4th series of bonds of PLN 496,000 thousand issued by Enea Operator Sp. z o.o. pursuant to the Bond Issue Programme Agreement of 7 July 2015. The interest rate of the bonds is based on

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

a floating interest rate plus margin. The bonds will be redeemed in equal instalments, and the final redemption date falls in September 2032.

10. Trade and other receivables

	31.12.2017	31.12.2016
Short-term trade and other receivables		
Financial lease receivables	24	-
Trade receivables	884 297	826 431
Other receivables	37 570	89 747
Advance payments	36 669	10 038
Receivables due to uninvoiced sales	15 032	14 780
Other receivables	218 012	234 594
	1 191 604	1 175 590
Minus: Receivables revaluation write-off	(64 622)	(56 111)
Net short-term trade and other receivables	1 126 982	1 119 479
Long-term trade and other receivables		
Financial lease receivables	46	-
Loans granted	131 448	125 551
Other receivables	14 747	19 560
	146 241	145 111
Minus: Receivables revaluation write-off	-	-
Net long-term trade and other receivables	146 241	145 111

Trade and other receivables impairment allowances:

	31.12.2017	31.12.2016
Receivables revaluation write-off at the beginning of the period	56 111	52 697
Created	23 837	13 353
Released	(15 326)	(9 939)
Receivables revaluation write-off at the end of the period	64 622	56 111

Ageing structure of trade and other receivables, loans granted, lease receivables and receivables due to uninvoiced sales:

	Nominal value	Revaluation write-off	Book value
31.12.2017			
Current	1 127 284	(21)	1 127 263
Overdue			
0-30 days	39 522	(181)	39 341
31-90 days	14 498	(659)	13 839
91-180 days	5 750	(1 477)	4 273
over 180 days	83 442	(59 576)	23 866
TOTAL	1 270 496	(61 914)	1 208 582

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

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

11. Inventory

	31.12.2017	31.12.2016
Certificates of energy origin	216 494	84 984
Resale goods	664	-
Gross value of inventory	217 158	84 984

	31.12.2017	31.12.2016
Certificates of energy origin		
Opening balance	84 984	152 318
Purchase	322 090	330 497
Accumulated depreciation	(189 121)	(397 544)
Sale	(1 459)	(287)
Closing balance	216 494	84 984

Costs relating to redemption of certificates of origin of Energy are presented in profits and losses under item: Purchase of energy and gas to be sold.

12. Cash and cash equivalents

	31.12.2017	31.12.2016
Cash in hand and at bank	183 662	56 020
- cash at bank	183 662	56 020
Other cash	1 562 764	1 558 802
- deposits	1 553 367	1 554 631
- other	9 397	4 171
Total cash and cash equivalents	1 746 426	1 614 822
Cash disclosed in the statement of cash flows	1 746 426	1 614 822

As at 31 December 2017 and 31 December 2016, Enea S.A. did not have any restricted access cash.

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

As at 31 December 2017, under financial assets measured at fair value through profit or loss the Company presents share purchase options regarding shares of Polimex-Mostostal S.A. Pursuant to the share purchase option agreement regarding shares of Polimex-Mostostal S.A. dated 18 January 2017, Enea S.A. acquired call options from Towarzystwo Finansowe Silesia Sp. z o.o. The said agreement provides for the purchase of the total amount 9,125 thousand shares at the nominal price of PLN 2.00 per share in three tranches, on the prescribed dates, i.e. 30 July 2020, 30 July 2021

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

and 30 July 2022 Fair value call option pricing was carried out using the Black-Scholes model. The fair value of the options as at 31 December 2017 was PLN 23,836 thousand.

14. Equity

Equity as at 31 December 2017

Series of shares	Number of shares	Nominal value per share (in PLN)	Book value
„A” series	295 987 473	1	295 988
„B” series	41 638 955	1	41 639
„C” series	103 816 150	1	103 816
Total number of shares	441 442 578		
Share capital - nominal value			441 443
Capital from merger settlement			38 810
Hyperinflation adjustment of share capital			107 765
Total share capital			588 018
Share premium			4 627 673
Reserve capital			3 150 240
Reserve capital from valuation of hedging instruments			25 967
Retained earnings			4 240 079
Total equity			12 631 977

Equity as at 31 December 2016

Series of shares	Number of shares	Nominal value per share (in PLN)	Book value
„A” series	295 987 473	1	295 988
„B” series	41 638 955	1	41 639
„C” series	103 816 150	1	103 816
Total number of shares	441 442 578		
Share capital - nominal value			441 443
Capital from merger settlement			38 810
Hyperinflation adjustment of share capital			107 765
Total share capital			588 018
Share premium			4 627 673
Reserve capital			2 640 358
Reserve capital from valuation of hedging instruments			33 826
Retained earnings			3 050 604
Total equity			10 940 479

On 26 June 2017, the Annual General Meeting of Shareholders of Enea S.A. adopted Resolution No. 6 on the allocation of net profits for the financial year from 1 January 2016 to 31 December 2016, pursuant to which an amount of PLN 509,882 thousand was allocated to reserve capital. The remaining amount of PLN 110,361 thousand was paid out as dividend.

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

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

15. Loans, borrowings and debt securities

	31.12.2017	31.12.2016
Long-term		
Bank loans	2 200 432	1 552 654
Bonds	5 442 791	4 365 668
Total	7 643 223	5 918 322
Short-term		
Bank loans	100 546	70 767
Bonds	122 412	65 439
Total	222 958	136 206
Total loans, borrowing and debt securities	7 866 181	6 054 528

Loans

Enea S.A. currently has finance contracts entered into with the EIB totalling PLN 2,371,000 thousand (Contract A of PLN 950,000 thousand, Contract B of PLN 475,000 thousand and Contract C of PLN 946,000 thousand).

Funds obtained from the EIB are to be used to finance a multi-annual investment programme to modernise and extend the power grids of Enea Operator Sp. z o.o. Funds under Contracts A, B and C have been fully used. The availability period of Contract C expired in December 2017. Interest rate of the loans may be fixed or floating.

Under the Finance Contract entered into with the European Investment Bank, in 2017 the Bank disbursed to Enea S.A. the third and fourth tranche of the Loan amounting to, respectively, PLN 250,000 thousand (January) and PLN 496,000 thousand (December). Tranches of the loan were disbursed in Polish zloty. The interest rate is floating, based on WIBOR 6 months increased by the Bank's margin. Tranches are to be repaid in equal instalments, and the final loan repayment is scheduled to take place in December 2031 (3rd tranche) and September 2032 (4th tranche).

As of 15 December 2017, pursuant to provisions of Contract A with the EIB, the Parties changed the margin for the first tranche of the loan in an amount of PLN 780,000 thousand.

No.	Lender	Date of contract conclusion	Total contract amount	Amount outstanding as at 31.12.2017	Amount outstanding as at 31.12.2016	Term of the contract
1.	European Investment Bank	18 October 2012 and 19 June 2013 (A i B)	1 425 000	1 357 174	1 425 000	31 December 2030
2.	European Investment Bank	29 May 2015 (C)	946 000	946 000	200 000	31 March 2032
3.	Bank PKO BP S.A.	28 January 2014 , Annexe No. 1 of 25 January 2017	300 000	-	-	31 December 2019
4.	Bank PEKAO S.A.	28 January 2014 , Annexe No. 1 of 25 January 2017	150 000	-	-	31 December 2019
TOTAL			2 821 000	2 303 174	1 625 000	
Transaction costs and valuation effect according to effective interest rate				(2 196)	(1 579)	
TOTAL			2 821 000	2 300 978	1 623 421	

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

Bond issue programmes

Enea S.A. enters into agreements regarding bond issue programmes in order to finance its current business operations and the investment needs of Enea S.A. and its subsidiaries.

No.	Name of bond issue programme	Programme Date	Programme Amount	Value of bonds issued as at 31.12.2017	Bonds not redeemed as at 31.12.2017 (equity)	Bonds not redeemed as at 31.12.2016 (equity)	Redemption date
1.	Bond Issue Programme Agreement entered into with PKO BP S.A., Bank PEKAO S.A., BZ WBK S.A., Bank Handlowy w Warszawie S.A.	21 June 2012	3 000 000	3 000 000	3 000 000	1 951 000	One-off redemption between June 2020 and June 2022
2.	Bond Issue Programme Agreement entered into with Bank Gospodarstwa Krajowego.	15 May 2014	1 000 000	1 000 000	960 000	1 000 000	Redemption in instalments, last instalment payable in December 2026
3.	Bond Issue Programme Agreement entered into with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A.	30 June 2014	5 000 000	1 500 000	1 500 000	1 500 000	One-off redemption of a given series in February 2020 and September 2021
4.	Bond Issue Programme Agreement entered into with Bank Gospodarstwa Krajowego	3 December 2015	700 000	150 000	150 000	-	Redemption in instalments, last instalment payable in September 2027
TOTAL			9 700 000	5 650 000	5 610 000	4 451 000	
Transaction costs and valuation effect according to effective interest rate					(44 797)	(19 893)	
TOTAL			9 700 000	5 650 000	5 565 203	4 431 107	

During the period of 12 months ended 31 December 2017, Enea S.A. did not make any amendments to the Programme Agreements and did not enter into any new agreements.

Bond Issue Programme Agreement up to PLN 700,000 thousand

In March 2017, under that aforesaid Programme, Enea S.A. issued the first tranche of bonds worth PLN 150,000 thousand.

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

In April 2017, under the aforementioned Programme, Enea S.A. issued bonds of the 9th series of PLN 140,000 thousand, and in December, bonds of the 10th series of PLN 909,000 thousand. The interest rate of the bonds is based on a floating interest rate and the bonds redemption date falls on 15 June 2022. The availability of the Programme ended on 31 December 2017.

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

Interest rate risk hedging transactions

In 2017, Enea S.A. entered into two interest rate risk hedging transactions (Interest Rate Swap) for an exposure of PLN 1,091,000 thousand. The total exposure under bonds and loans hedged with the IRS transactions as at 31 December 2017 was PLN 5,442,520 thousand. The concluded transactions significantly affect the predictability of cash flows and financial costs. Valuation of those instruments is presented by the Group under „Derivative instruments”. Derivative instruments are regarded as securing cash flows and consequently they are recognised and settled in the books using the principles of hedge accounting.

As at 31 December 2017, the valuation of derivative instruments was PLN 29,553 thousand (as at 31 December 2016, it was PLN 40,267 thousand).

Financing conditions – covenants

Under financing agreements, the Company and the Enea Capital Group are required to comply with certain financial ratios. As at 31 December 2017 and as at the date of drawing up these standalone financial statements the Group did not breach any provisions of loan agreements under which it would be required to earlier repay its long-term debt.

16. Other financial liabilities

Cash management in the Enea Capital Group is performed at the level of Enea S.A., which enables effective management of surplus cash (economies of scale) as well as reduction of external financing costs. Cash management is done on behalf of companies members of the Enea Tax Capital Group under the cash pooling service "Cash management in accounts group".

Under the aforesaid service, bank account balances of service Participants are netted as at the end of each day, and subsequently surplus cash is transferred to the manager's (Enea S.A.) bank account. Each day, balances of funds are reversed and returned to the companies' accounts.

As at 31 December 2017, the balance of liabilities within the cash pooling mechanism amounted to PLN 723,735 thousand (as at 31 December 2016: PLN 166,653 thousand).

17. Trade and other liabilities

	31.12.2017	31.12.2016
Short-term trade and other accounts payable		
Trade accounts payable	615 163	515 468
Tax and similar accounts payable (excluding income tax)	78 447	107 348
Accounts payable due to purchase of property, plant and equipment and intangible assets	-	6 067
Other	103 959	38 343
Total	797 569	667 226

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

18. Financial instruments

18.1 Principles of financial risk management

The Company's business activity is subject to the following categories of risk associated with financial instruments:

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

This note contains information about the Company's exposure to each type of risk indicated above and describes the objectives and policies related to risk and capital management.

Responsibility for determining the framework and principles of risk management lies with the Management Board of Enea S.A.

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

Risk management is designed as a continuous process. Enea S.A. subjects risk to continuous analysis from the point of view of the impact of the external environment and changes in its structures and activities. On this basis, it takes actions aimed at limiting risk or its transfer outside the Company.

18.2 Credit risk

Credit risk is the risk of financial losses incurred by the Company as a result of the customer or business partner being a party to a financial instrument not meeting its contractual obligations.

Credit risk is mainly related to the collection of receivables. The main factors affecting the occurrence of credit risk in the case of the Company include:

- a large number of small customers influencing the increase of costs of controlling the inflow of receivables,
- the need to supply electricity to budgetary units in a difficult financial situation,
- legal requirements governing the suspension of electricity supply due to non-payment.

The Management Board follows a credit risk management policy in accordance with which credit risk exposure and measures taken to minimize credit risk are monitored on an ongoing basis. The main credit risk management tool is the analysis of the creditworthiness of Enea S.A.'s key counterparties, under which the terms of the contract with the counterparty are subject to appropriate structuring (payment terms, possible contract security, etc.).

The table below presents the structure of the items – financial assets showing the exposure of Enea S.A. to credit risk:

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

	31.12.2017	31.12.2016
Intragroup bonds	6 938 275	5 623 113
Derivative instruments	29 553	40 267
Financial assets measured at fair value through profit or loss	23 836	-
Trade and other receivables	1 208 582	1 143 424
Cash and cash equivalents	1 746 426	1 614 822
Total	9 946 672	8 421 626

At Enea S.A., the credit risk in relation to receivables differs for individual market segments in which the Company operates:

- sales of electricity and distribution services to individual customers - there is a considerable amount of overdue receivables in this segment. Although they do not represent a significant threat to the Company's finances, steps have been taken to reduce them. Actions aimed at improving the debt collection process are being successively carried out, consisting, among others, in the development of new and updated instructions and rules regarding debt collection, as well as establishing cooperation with specialized entities. Debt collection begins 20-25 days after the payment date. The introduction of uniform debt recovery rules, including soft debt collection, allows for shorter cash recovery times and makes it possible to avoid long-lasting and often ineffective hard debt collection, i.e. judicial and bailiff enforcement. Cases worth more than debt recovery cost-effectiveness limit are transferred to court for enforcement proceedings,
- sales of electricity and distribution services to business, key and strategic customers - amounts of overdue receivables in this segment are lower than in the case of individual customers. Due to the above and due to the considerably smaller number of customers in these segments, the principles of debt collection are mainly based on soft debt recovery. Actions in the area of soft debt recovery are taken no later than after 6 business days after the payment date and in principle do not last longer than 30 business days after the payment deadline,
- other receivables - in comparison with the two previous segments, the amount of overdue receivables is negligible.

Employees of the Debt Collection Department play a key role in the recovery process. These are the people monitoring the debt recovery process, who by contacting the customer try to recover overdue debts. Enea S.A. also co-operates in the field of debt collection with specialised third-party entities supporting the Company in the so-called hard debt recovery. Enea S.A. monitors the amount of overdue receivables on an ongoing basis, makes revaluation write-offs and, in justified cases, files legal claims.

18.3 Liquidity risk

Liquidity risk is perceived as the risk of the inability to meet payment obligations by Enea S.A. as of their maturity dates.

The aim of the Company's activities in the area of liquidity management and liquidity risk management is to limit the probability of losing the ability to settle liabilities. As a result of implementation of activities within the scope of the

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

adopted liquidity management and liquidity risk management policy the ability to effectively respond to the so-called liquidity crises, i.e. periods of significant demand for cash, is ensured.

As part of the adopted business policy, it is assumed to ensure the availability of cash at a level allowing the settlement of liabilities in the course of day-to-day operations. The implemented activities enable, at the same time, uninterrupted continuation of operations in situations of liquidity crisis for a period indispensable to launch an emergency financing plan, aimed at ensuring replenishment of the shortages.

In liquidity management, the Company focuses on a detailed analysis of cash flows, receivables and liabilities turnover, bank account balance monitoring. In order to ensure an adequate level of safety in unpredictable situations, Enea S.A. also conducts scenario analyses and develops solutions ensuring that liquidity risk is maintained at an acceptable level. The Company deposits financial surpluses in current assets in the form of term deposits. In order to ensure stable sources of financing, the Company diversifies the sources of external financing. With a view to limiting the concentration risk, surplus cash investment is diversified. Investment efficiency is constantly monitored.

Enea S.A. concentrates the activities regarding liquidity management and liquidity risk management between the Group's companies. In order to ensure financing of current operations and optimization of the liquidity management process, the companies included in the Enea Tax Capital Group use the cash pooling mechanism. The Group is also intensifying the implementation of intra-group bond issue programs. Thanks to these activities the effectiveness of using funds within the Capital Group is increasing.

Constant risk management in the aforementioned areas and the Company's market and financial position allow the statement that the risk of losing financial liquidity remains at the minimum level.

The Company manages liquidity risk also by maintaining open and unused credit lines, which as at 31 December 2017 amounted to PLN 450,000 thousand.

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

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

31.12.2017	Trade and other payables	Other financial liabilities	Financial lease liabilities	Bank loans and bonds	Cash and cash equivalents	Trade and other receivables	Financial assets measured at fair value through profit or loss	Derivative instruments	Intragroup bonds	Total
Book value	615 163	723 735	506	7 866 181	(1 746 426)	(1 208 582)	(23 836)	(29 553)	(6 938 275)	(741 087)
Undiscounted contractual cash flows	(615 163)	(723 735)	(524)	(8 920 450)	1 749 449	1 240 542	23 836	29 553	7 809 234	592 742
up to 6 months	(615 163)	(723 735)	(136)	(196 249)	1 749 449	1 061 774	-	-	160 011	1 435 951
6-12 months	-	-	(136)	(203 608)	-	22 256	-	-	167 027	(14 461)
1-2 years	-	-	(252)	(452 474)	-	30 464	23 836	29 553	736 135	367 262
2-5 years	-	-	-	(5 752 690)	-	126 048	-	-	4 944 909	(681 733)
Over 5 years	-	-	-	(2 315 429)	-	-	-	-	1 801 152	(514 277)

31.12.2016	Trade and other payables	Other financial liabilities	Financial lease liabilities	Bank loans and bonds	Cash and cash equivalents	Trade and other receivables	Derivative instruments	Intragroup bonds	Total
Book value	521 535	166 653	772	6 054 528	(1 614 822)	(1 143 424)	(40 267)	(5 623 113)	(1 678 138)
Undiscounted contractual cash flows	(521 535)	(166 653)	(815)	(6 939 430)	1 618 581	1 159 175	40 267	6 379 511	1 569 101
up to 6 months	(521 535)	(166 653)	(151)	(115 295)	1 618 581	1 015 875	-	123 560	1 954 382
6-12 months	-	-	(135)	(155 305)	-	3 062	-	492 320	339 942
1-2 years	-	-	(272)	(336 832)	-	25 148	40 267	286 853	15 164
2-5 years	-	-	(257)	(3 739 849)	-	64 376	-	3 386 456	(289 274)
Over 5 years	-	-	-	(2 592 149)	-	50 714	-	2 090 322	(451 113)

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

18.4 Commodity risk

Commodity risk is related to the possible occurrence of changes in the revenues/cash flows generated by the Company, in particular, due to the existing volatility of commodity prices, as well as fluctuations in the demand for products/services offered by Enea S.A. The objective of commodity risk management is to maintain exposure to this risk at an acceptable level while optimizing the return on risk.

A specific aspect of the Company's commodity risk is the fact that acting as an energy company playing the role of a last resort supplier, the Company is required to submit for approval electricity tariffs for G-tariff groups. The Company buys energy at market prices and calculates its tariff based on costs recognized by the President of the Energy Regulatory Office as justified and taking into account the (trading) margin planned for the next tariff period. In connection with the above, during the tariff period, the Company has limited possibilities of transferring the costs of its operations to end users of electricity that are unfavourable for the Company. The Company may submit a proposal for tariff adjustment to the President of the Energy Regulatory Office only in the event of a dramatic increase in costs due to reasons beyond the Company's control.

Commodity risk management to the extent of pricing is based on continuous monitoring of the size of the open trading position (both in the area of securing the volume of retail sales and in the proprietary trading area) and measurement - using value at risk tools - of the risk level resulting from possible fluctuations in electricity prices in relation to such open position. An appropriate risk mitigation technique in this case is to close an item that generates excessive (greater than accepted) value of potential loss. In this case, the management model is based on a system of value limits (VaR limits) defining the maximum permissible value of the open position, which is the carrier of the commodity (price) risk understood in this way.

Volumetric commodity risk management is based on the use of scenario methods and optimization of planning and control processes of commercial activities that allow one to estimate the expected volume of electricity and related goods traded in the most accurate way possible.

In addition, regardless of the above, Enea S.A. applies the management principles specified in the Company's strategic regulations (the Wholesale Trade Procedure), which determine the methods of operation with regard to the optimization of Enea's trading position, whose main objective is to minimize the risk of taking actions inconsistent with market trends, while taking into account the measured effectiveness aspect of the actions taken (obtaining results better than the market average).

18.5 Currency risk

Currency risk is related to the possible occurrence of changes in the cash flows generated by Company due to the fluctuations of the exchange rates of currencies in which the respective amounts are denominated.

During the reporting period, Enea S.A. was not exposed to the foreign exchange risk.

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

18.6 Interest rate risk

The risk of interest rates fluctuations, to which the Company is exposed, results from concluded loan agreements and agreements on bond issue programs entered into by Enea S.A. Arranged financing takes place on the basis of variable interest rates, calculated in correlation with market (interbank) rates.

Hedging in the area of interest rates risk is done on the basis of the *Currency exchange risk and interest rate risk management policy* in force in the Enea Group.

As at the reporting date of 31 December 2017, the Company had liabilities due to bank loans and debt securities amounting to PLN 7, 866,181 thousand. Floating interest rate financial liabilities as at 31 December 2017 account for a major part of liabilities due to bank loans and issued bonds which were hedged in 69% with interest rate hedging transactions (IRS instruments).

The table below presents the Company's profile of susceptibility to interest rate risk by presenting financial assets and liabilities broken down by variable and fixed interest rates:

	31.12.2017	31.12.2016
Fixed interest rate instruments		
Financial assets	5 475 234	5 318 169
Financial liabilities	(703 431)	(631 584)
Effect of interest rate swaps	(5 442 520)	(4 435 000)
Total	(670 717)	251 585
Fixed interest rate instruments		
Financial assets	4 249 932	2 927 603
Financial liabilities	(7 778 419)	(5 945 251)
Effect of interest rate swaps	5 442 520	4 435 000
Total	1 914 033	1 417 352

As part of financial assets with a fixed interest rate, the Company presents cash deposited in bank.

The table below presents the effective interest rate for assets and liabilities on which interest is charged according to a variable interest rate:

	As at 31 December 2017		As at 31 December 2016	
	Effective interest rate	Book value	Effective interest rate	Book value
Intragroup bonds	2,92	4 249 932	2,49	2 927 603
Bank loans, borrowings and debt securities	2,92	(2 335 899)	2,54	(1 510 251)
Total	-	1 914 033	-	1 417 352

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

The table below presents the impact of interest rate changes on the Company's net profit/ loss with regard to fixed interest rate instruments. The impact of interest rate changes on „Loans, borrowings and debt securities” is presented taking into account the impact of Interest Rate Swaps.

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

	Book value 31.12.2017	Interest rate risk impact on profit/loss (12-month period)		Book value 31.12.2016	Interest rate risk impact on profit/loss (12-month period)	
		+ 1 p.p.	- 1 p.p.		+ 1 p.p.	- 1 p.p.
Financial assets						
Intragroup bonds	4 249 932	42 499	(42 499)	2 927 603	29 276	(29 276)
Impact on profit/loss before tax		42 499	(42 499)		29 276	(29 276)
Tax of 19%		(8 075)	8 075		(5 562)	5 562
Impact on profit/loss after tax		34 424	(34 424)		23 714	(23 714)

	Book value 31.12.2017	Interest rate risk impact on profit/loss (12-month period)		Book value 31.12.2016	Interest rate risk impact on profit/loss (12-month period)	
		+ 1 p.p.	- 1 p.p.		+ 1 p.p.	- 1 p.p.
Financial liabilities						
Bank loans, borrowings and debt securities	(2 335 899)	(23 359)	23 359	(1 510 251)	(15 103)	15 103
Impact on profit/loss before tax		(23 359)	23 359		(15 103)	15 103
Tax of 19%		4 438	(4 438)		2 869	(2 869)
Impact on profit/loss after tax		(18 921)	18 921		(12 234)	12 234
Total		15 503	(15 503)		11 480	(11 480)

18.7 Management of funding sources

The basic assumption of the Company with regard to funding sources management is to obtain an optimal structure of liabilities in order to reduce the cost of financing operations, ensure a credit rating at the investment level and sources of financing for the operating and investment activities of the Company and its subsidiaries. The activities taken in this respect also aim at ensuring the Company's financial security and a satisfying value for its shareholders. While optimizing the structure of liabilities through the use of financial leverage, it is important to maintain the capital base at a level allowing for the building of trust of investors, lenders and the market. Enea S.A. monitors the efficiency and stability of equity using the debt ratio and return on equity ratios. The Company's objective is to increase the efficiency of capital while maintaining it at a safe level.

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

18.8 Fair value

The table below contains a comparison of fair values and book values.

	31.12.2017		31.12.2016	
	Book value	Fair value	Book value	Fair value
Long-term financial assets available for sale	39 307	39 307	41 902	41 902
Long-term intragroup bonds	6 771 221	6 835 859	5 136 547	5 206 010
Long-term financial assets measured at fair value through profit or loss				
Derivative instruments	23 836	23 836	-	-
Short-term intragroup bonds	29 553	29 553	40 267	40 267
Trade and other receivables	167 054	167 054	486 566	486 566
Cash and cash equivalents	1 208 582	(*)	1 143 424	(*)
Long-term bank loans, borrowings and debt securities	1 746 426	1 746 426	1 614 822	1 614 822
Short-term bank loans, borrowings and debt securities	7 643 223	7 721 895	5 918 322	5 972 289
Financial lease liabilities	222 958	222 958	136 206	136 206
Other financial liabilities	506	506	772	772
Trade and other payables	723 735	723 735	166 653	166 653
	615 163	(*)	521 535	(*)

(*) - Book value of trade receivables and other receivables, trade payables and other liabilities is close to their fair value.

Financial assets available for sale are shares and stocks in unrelated entities in which the participation in the equity is less than 20%. The item presents shares in PGE EJ1 Sp. z o.o. in the amount of PLN 26,902 thousand PLN for which there is no market price listed on the active market and whose fair value - due to the initial phase of the company's operation - is determined on the basis of the incurred cost.

Long-term intragroup bonds include purchased debt financial instruments, i.e. bonds with maturity in excess of one year.

Derivative instruments include the valuation of interest rate hedging transactions (Interest Rate Swaps). The fair value of derivative instruments is determined by calculating the net present value based on two yield curves, i.e. a curve to determine the discount factors, and a curve used to estimate future rates of variable reference rates.

Long-term financial assets measured at fair value through profit or loss are options to buy shares in Polimex-Mostostal S.A.

Short-term intragroup bonds include purchased debt financial instruments, i.e. bonds with maturity below one year.

The table below presents the analysis of financial instruments measured at fair value, grouped according to a three-tier hierarchy, where:

Tier 1 - fair value is based on stock prices (unadjusted) offered for identical assets or liabilities in active markets,

Tier 2 - fair value is determined on the basis of values observed in the market, however not being direct market quotations (e.g. determined by reference, directly or indirectly, to similar instruments existing in the market),

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

Tier 3 - fair value is determined based on various valuation techniques not based, however, on any observable market information.

	31.12.2017			
	Tier 1	Tier 2	Tier 3	Total
Derivative instruments				
Hedging interest rate swap transactions	-	29 553	-	29 553
Financial assets measured at fair value through profit or loss				
Call options	-	23 836	-	23 836
Total	-	53 389	-	53 389

	31.12.2016			
	Tier 1	Tier 2	Tier 3	Total
Derivative instruments				
Hedging interest rate swap transactions	-	40 267	-	40 267
Total	-	40 267	-	40 267

19. Financial lease liabilities

	31.12.2017	31.12.2016
Under one year	258	262
Between one and five years	248	510
Total	506	772

The leased items under financial leasing contracts are passenger cars.

	Financial lease liabilities	Interest	Total
Under one year	258	14	272
Between one and five years	248	4	252
Balance as at 31.12.2017	506	18	524

	Financial lease liabilities	Interest	Total
Under one year	262	24	286
Between one and five years	510	19	529
Balance as at 31.12.2016	772	43	815

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

20. Deferred income tax

Changes in deferred income tax are as follows:

Deferred income tax assets:

	Receivables revaluation write-offs	Employee benefits liabilities	Provision for the cost of certificates of origin redemption	Expenses deductible from taxable base after the end of the settlement period	Valuation of shares held	Provision for disputable claims	Other	Total
Balance as at 01.01.2016 - rate 19 %	894	9 864	46 548	84 110	6 303	-	35 078	182 797
Amount recognised in the profit or loss due to change in interim differences	604	126	4 984	24 994	-	-	(5 342)	25 366
Change recognised in other comprehensive income	-	(560)	-	-	-	-	(7 001)	(7 561)
Balance as at 31.12.2016 – rate 19 %	1 498	9 430	51 532	109 104	6 303	-	22 735	200 602
Amount recognised in the profit or loss due to change in interim differences	1 697	(415)	(1 861)	12 970	6	16 290	(5 317)	23 370
Change recognised in other comprehensive income	-	846	-	-	-	-	1 844	2 690
Balance as at 31.12.2017 – rate 19 %	3 195	9 861	49 671	122 074	6 309	16 290	19 262	226 662

Deferred income tax provision:

	Taxable income after the end of the accounting period	Non-invoiced sales	Tangible fixed assets valuation at fair value	Other	Total
Balance as at 1 January 2016 - rate 19%	94 631	26 307	(692)	(765)	119 481
Amount recognised in the profit or loss due to change in interim differences	30 756	2 382	220	(799)	32 559
Balance as at 31 December 2016 - rate 19 %	125 387	28 689	(472)	(1 564)	152 040
Amount recognised in the profit or loss due to change in interim differences	12 339	(3 947)	(72)	(391)	7 929
Balance as at 31 December 2017 - rate 19 %	137 726	24 742	(544)	(1 955)	159 969

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

	31.12.2017	31.12.2016
Deferred income tax assets	226 662	200 602
Set-off of deferred income tax assets and provisions	(159 969)	(152 040)
Deferred income tax assets after set-off	66 693	48 562
Deferred income tax provision	159 969	152 040
Set-off of deferred income tax assets and provisions	(159 969)	(152 040)
Deferred income tax provision after set-off	-	-

21. Liabilities due to employee benefits

	31.12.2017	31.12.2016
Defined benefit schemes		
Retirement and disability packages		
- long-term portion	1 196	992
- short-term portion	270	193
	1 466	1 185
Right to reduced payments for energy after retirement		
- long-term portion	39 597	37 778
- short-term portion	3 603	3 619
	43 200	41 397
Company Social Benefits Fund write-off for retired employees		
- long-term portion	6 183	6 175
- short-term portion	377	360
	6 560	6 535
Total defined benefit schemes		
long-term portion	46 976	44 945
short-term portion	4 250	4 172
	51 226	49 117
Jubilee bonuses		
- long-term portion	4 965	4 115
- short-term portion	319	298
	5 284	4 413
Payroll and other payables		
- short-term portion	15 316	14 300
Provision for the Voluntary Redundancy Programme – short-term	-	1 280
- long-term portion	51 941	49 060
- short-term portion	19 885	20 050
	71 826	69 110

Total liabilities due to employee benefits

Pursuant to an agreement between employee representatives and the Company's representatives, employees of Enea S.A. are entitled to specific benefits other than remuneration for work, i.e.:

- jubilee bonuses,
- retirement and disability benefits,
- discount on electricity,
- contribution to the Company Social Benefit Fund,

The aforesaid benefits are financed in whole by the Company.

The current value of future liabilities due to the above benefits has been determined based on actuarial valuation. The basic data for individual employees employed at Enea S.A. as at 31 December 2017 (taking into account the gender of the employee) were used for calculations, from the following areas:

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

- age of the employee,
- length of employment in the Group,
- total length of employment,
- remuneration constituting the basis for calculating the jubilee bonus and retirement and disability package.

In addition, the following assumptions were applied in the analysis:

- the probability of employees leaving was calculated on the basis of historical data on the employee turnover in the Company and statistical data on employees leaving in the industry,
- the value of the minimum remuneration in force in the national economy since 1 January 2018 in the amount of PLN 2,100.00 was used,
- on the basis of the announcements of the President of the Central Statistical Office, the average monthly salary in the national economy less contributions to pension, disability and sickness insurance deducted from insured persons in the amount of PLN 3,161.77 was used (the average for the second half of 2012, which will be the basis for calculating the Company Social Benefits Fund write-off in 2018),
- based on assumptions defined at the corporate level, the increase of the base for creating the CSBF write-off was determined on the basis of the increase of the monthly average pay in the national economy: 27.56% in 2019, 6.0% in 2020, 5.2% in 2021, 5.4% in 2022, 5.6% in the years 2023-2029, and 5.2% in the remaining years of the forecast. In the event of a change of the base in 2019, an increase of the average monthly pay in the national economy of 4.9% in 2017 and of 6.1% in 2018 was used. The remaining increase of the base in 2019 results from the full valorisation of the base for calculating the Company Social Benefits Fund as of 2019 assumed as at the date of drawing up the risk valuation,
- mortality rate and probability of survival were adopted in accordance with the Life Expectancy Tables 2016 published by the Central Statistical Office; it was assumed that the population of employees in the Company reflects the average for Poland in terms of mortality,
- no separate disability pension severance pay provision has been calculated; in return, those who started collecting a disability pension were not taken into account when calculating the probability of employees leaving,
- the standard retirement procedure was assumed in accordance with detailed rules set forth in the Pensions Act, except for those employed, who according to information provided by the Company meet the conditions required to exercise the right to early retirement,
- long-term annual rate of pay increase of 2.0% in 2018, 2.2% in 2019 and 2.5% in the following years (as at 31 December 2016 1.5% in 2017, 2.5% in the following years),
- discount rate for discounting future benefits pay-outs of 3.26% (as at 31 December 2016: 3.2%),
- the assumed electricity allowance paid out in 2018: PLN 1,407.37 (as at 31 December 2016: PLN 1,391.74),
- an increase of the cash equivalent paid out as part of the discounted electricity price was set in 2018 at 0.2%, in 2019 at 1.8%, in 2020 at 0.6%, in the years 2021 to 2025 at 4.7%, in 2026 at 4.8%, in subsequent years at 2.5% (as at 31 December 2016 at -1.0% for 2017, in 2018 an increase by 1.9%, in 2019 by 2.1%, in 2020 by 3.0%, in the years 2021 to 2026 at 3.1%, and in the following years at 2.5%).

The Projected Unit Credit Method was used to determine the provisions for employee benefits. The same method was applied in the sensitivity analysis of the defined specific benefit schemes.

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

Defined benefits schemes

	Retirement benefits	Right to electricity allowance after retirement	Contribution to the Company Social Benefits Fund for retired employees	Total
Balance as at 01.01.2017	1 185	41 397	6 535	49 117
Changes during the 12 months period ended 31 December 2017				
Costs recognised as profit or loss of the current period, whereof:	167	1 312	247	1 726
- current employment costs	135	103	49	287
- cost of interest	32	1 209	198	1 439
Costs recognised in other comprehensive income, whereof:	190	4 091	170	4 451
- net actuarial (profits)/ losses due to adjustment of ex-post assumptions	208	2 768	166	3 142
- net actuarial (profits)/ losses due to changes in demographic assumptions	3	888	159	1 050
- net actuarial (profits)/ losses due to changes in financial assumptions	(21)	435	(155)	259
Decrease in liabilities due to benefits paid	(76)	(3 600)	(392)	(4 068)
Total changes	281	1 803	25	2 109
Balance as at 31.12.2017	1 466	43 200	6 560	51 226

	Retirement benefits	Right to electricity allowance after retirement	Contribution to the Company Social Benefits Fund for retired employees	Total
Balance as at 01.01.2016	1 150	46 182	6 867	54 199
Changes during the 12 months period ended 31 December 2016				
Costs recognised as profit or loss of the current period, whereof:	255	1 508	299	2 062
- current employment costs	159	99	32	290
- past employment costs	64	221	88	373
- cost of interest	32	1 188	179	1 399
Costs recognised in other comprehensive income, whereof:	(220)	(2 463)	(262)	(2 945)
- net actuarial (profits)/ losses due to adjustment of ex-post assumptions	(85)	(3 968)	41	(4 012)
- net actuarial (profits)/ losses due to changes in demographic assumptions	(87)	(415)	(72)	(574)
- net actuarial (profits)/ losses due to changes in financial assumptions	(48)	1 920	(231)	1 641
Decrease in liabilities due to benefits paid	-	(3 830)	(369)	(4 199)
Total changes	35	(4 785)	(332)	(5 082)
Balance as at 31.12.2016	1 185	41 397	6 535	49 117

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

Sensitivity analysis for defined benefit schemes

	Impact of the actuarial assumptions change on defined benefit scheme liabilities	
	+ 1 pp	- 1 pp
Defined benefit scheme		
Discount rate	(4 585)	5 504
Expected salary increase rate	932	(779)
Average increase of the cash equivalent of electricity allowance	4 178	(3 572)

Maturity of defined benefit scheme liabilities

Weighted average term of the defined benefit scheme liability (in years)	31.12.2017	31.12.2016
Pension and disability benefits	20,9	21,6
Right to electricity allowance after retirement	9,8	9,4
Contribution to the Company Social Benefits Fund for retired employees	11,3	11,4

Other long-term employee benefits – jubilee bonuses

	31.12.2017	31.12.2016
Value at the start of the period	4 413	5 537
Changes during the 12 months until the end of the reporting period		
Costs recognised in profit/loss of the current period, whereof:	1 300	(891)
- current employment costs	646	764
- past employment costs	-	(806)
- net actuarial (profits)/ losses due to adjustment of ex-post assumptions	585	(408)
- net actuarial (profits)/ losses due to changes in demographic assumptions	6	(303)
- net actuarial (profits)/ losses due to changes in financial assumptions	(68)	(286)
- cost of interest	131	148
Decrease in liabilities due to benefits paid	(429)	(233)
Total changes	871	(1 124)
Value at the end of the period	5 284	4 413

22. Provision for liabilities and other charges

Provision for liabilities and other charges broken down into the long-term and short-term portion:

	31.12.2017	31.12.2016
Long-term	31	4 146
Short-term	360 815	283 166
Total	360 846	287 312

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

	Provision for non- contractual use of land	Provision for other claims filed	Provision for certificates of origin	Total
Balance as at 31.12.2016	9 220	6 872	271 220	287 312
Increase in provisions	440	101 299	228 596	330 335
Provisions used	(16)	(561)	(238 389)	(238 966)
Provision reversed	(6 710)	(11 125)	-	(17 835)
Balance as at 31.12.2017	2 934	96 485	261 427	360 846

Provisions for liabilities are measured at reasonable, reliably estimated value. Individual provisions are established for projected losses relating to the court action brought against the Company. The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation. The cost of provisions is recognized under other operating expenses. A description of material claims and contingent liabilities relating thereto have been presented in Note 34.

Provisions for non-contractual use of land pertain to claims that may be filed by holders of the real property of land used by the Company without a valid title. In a majority of cases, these claims are connected with demands to pay compensation for non-contractual use of land, rent or, in individual case, with demands to change the location of the facility (restore the land to the original conditions).

As at 31 December 2017, a significant majority of the claims filed were pursued at court. The Company creates adequate provisions, both for claims pursued at court and for pre-court claims.

Provisions for non-contractual use of land are recognised in whole as long-term liabilities.

Provisions for non-contractual use of land with regard to claims pursued at court, provisions for other claims and provisions for certificates of origin are presented in whole as short-term liabilities.

In 2017, the Company created a provision of PLN 85,684 thousand for prospective claims relating to termination by Enea S.A. of contract for the purchase of certificate of origin of energy from renewable sources.

23. Net sales revenue

	01.01.2017	01.01.2016
	31.12.2017	31.12.2016
Revenues from sale of electricity	5 514 891	5 240 269
Revenues from sale of gas	118 240	176 565
Revenues from sale of goods and materials	-	2
Revenues from sale of other services	4 698	4 027
Revenues from certificates of origin	1 751	489
Total	5 639 580	5 421 352

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

24. Costs by type

	01.01.2017	01.01.2016
	31.12.2017	31.12.2016
Depreciation	(2 635)	(3 459)
Costs of employee benefits	(53 544)	(55 751)
- salaries and wages	(41 810)	(46 686)
- social insurance contributions and other benefits	(11 734)	(9 065)
Consumption of materials and supplies and value of goods and materials sold	(2 154)	(2 416)
- consumption of materials and energy	(2 154)	(2 416)
Outsourced services	(1 771 861)	(1 661 257)
- transmission and distribution services	(1 592 446)	(1 498 807)
- other outsourced services	(179 415)	(162 450)
Taxes and charges	(3 272)	(3 103)
Value of purchased energy and gas	(3 582 160)	(3 577 904)
Total cost of products, goods and materials sold, cost of sale and marketing and overhead costs	(5 415 626)	(5 303 890)

25. Costs of employee benefits

	01.01.2017	01.01.2016
	31.12.2017	31.12.2016
Payroll expenses	(41 810)	(46 686)
- current salaries and wages	(41 648)	(46 222)
- jubilee bonuses	(740)	1 039
- retirement packages	(59)	(223)
- other	637	(1 280)
Cost of social insurance	(11 734)	(9 065)
- Social Insurance contributions	(6 632)	(5 944)
- contribution to the Company Social Benefits Fund	(1 370)	(894)
- other social benefits	(3 732)	(2 227)
	(53 544)	(55 751)

Employment guarantees

Pursuant to an agreement entered into by the Company and the trade unions, employment guarantees have been awarded to people employed by the Company before 29 June 2007, which expire on 31 December 2018.

Furthermore, the term of the aforementioned agreement was extended with regard to employees who on the guarantee expiry date will have no more than four years to serve before becoming eligible to retire. This implies that if the employer fails to comply with the guarantees the contracts of employment may not be terminated without payment of additional benefits to an employee who has no more than four years to serve before reaching the retirement age at the time of the guarantee expiry.

Under employment guarantees, in the event of termination of the contract of employment by the employer Enea S.A. shall be obliged to pay to the employee an amount equal to the product of the their monthly remuneration and the period remaining until the guarantee expiry date.

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

26. Other operating revenue and expenses

Other operating revenue

	01.01.2017	01.01.2016
	31.12.2017	31.12.2016
Release of provisions for compensation claims	6 726	8 626
Release of other provisions	4 880	9 579
Liquidated damages, fines, penalties	1 967	2 020
Refund of costs of unused bond issues	12 260	-
Other operating revenue	8 986	7 472
Total	34 819	27 697

Other operating expenses

	01.01.2017	01.01.2016
	31.12.2017	31.12.2016
Creating provisions for compensation claims	(440)	(685)
Creating other provisions	(94 493)	(6 163)
Receivables revaluation write-off	(8 731)	(3 367)
Bad debt written-off	(15 326)	(9 939)
Cost of court proceedings	(5 155)	(3 305)
Trade union related expenses	(75)	(59)
Other operating costs	(16 644)	(13 355)
Total	(140 864)	(36 873)

27. Financial revenue

	01.01.2017	01.01.2016
	31.12.2017	31.12.2016
Interest income	190 175	181 417
- bank accounts and deposits	16 041	22 937
- bonds	163 169	147 849
- other loans and accounts receivable	10 965	10 631
Change in fair value of financial instruments	27 754	7 052
Reversal of impairment loss on shares in subsidiaries	879 270	-
Other financial revenues	228	1 690
Total	1 097 427	190 159

28. Financial expenses

	01.01.2017	01.01.2016
	31.12.2017	31.12.2016
Interest expense	(179 449)	(152 080)
- on bank loans	(41 849)	(35 614)
- on bonds	(134 155)	(112 112)
- on leasing	(22)	(8)
- other interest	(3 423)	(4 346)
Discounting liabilities due to employee benefits and provisions	(1 570)	(1 547)
Change in fair value of financial instruments	(14 187)	(4 556)
Impairment loss on tangible fixed assets held for sale	-	-
Impairment loss on shares in subsidiaries	-	(42 000)
Loss on disposal of shares in subsidiary companies	-	-
Other financial costs	(31)	(48)
Total	(195 237)	(200 231)

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

29. Income tax

	01.01.2017 31.12.2017	01.01.2016 31.12.2016
current tax	(36 721)	(19 651)
deferred tax	15 441	(7 193)
Total	(21 280)	(26 844)

The income tax on the Company's profit before tax differs from the theoretical amount obtained using the nominal tax rate applicable to the Company's profit in the following way:

	01.01.2017 31.12.2017	01.01.2016 31.12.2016
Profit/(loss) before tax	1 834 604	647 087
Tax at a rate of 19%	(348 575)	(122 947)
Costs not classified as tax-deductible expenses (permanent differences) at a rate of 19%	173 294	(8 183)
Dividends received at a rate of 19%	154 001	104 286
Amount charged to profit or loss due to income tax	(21 280)	(26 844)

30. Dividend

The decision regarding payment of the dividend for the current financial year will be taken by shareholders at the General Annual Meeting in 2018. The Management Board of Enea S.A. is currently reviewing the possibility of payment of the dividend for 2017. As at the date of drawing up these standalone financial statements, the decision as to the allocation of profits for 2017 has not been taken. The Management Board of Enea S.A. will present a recommendation regarding the 2017 profit allocation at the turn of the first and second quarter of 2018.

On 26 June 2017, the Annual General Meeting of Shareholders of Enea S.A. adopted Resolution No. 6 on the allocation of net profits for the financial year from 1 January 2016 to 31 December 2016, under which an amount of PLN 110,361 thousand was allocated towards dividend to be paid to shareholders. Dividend per share amounted to PLN 0.25. Until the balance sheet date, the dividend was not paid to shareholders.

The Company did not pay the dividend for the financial year from 1 January 2015 to 31 December 2015 due to the fact that it generated a loss. On 27 June 2016, the Annual 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.

31. Related party transactions

The Company concludes transactions with the following related parties:

1. Companies forming the Enea Capital Group

	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Purchases, whereof:	4 748 794	4 299 684
investment purchases	427	-
purchase of materials	565	589
purchase of services	1 685 024	1 563 787
other (whereof energy and gas)	3 062 778	2 735 308

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

Sales, whereof:	325 049	268 006
sale of energy	288 702	239 178
sales of services	2 107	1 777
other	34 240	27 051
Interest income, whereof:	173 752	152 613
on bonds	173 587	152 410
on loans	165	203
Dividend income	810 534	548 874
	31.12.2017	31.12.2016
Accounts receivable	60 721	201 837
Liabilities	1 253 001	672 334
Financial assets – bonds	6 938 275	5 623 113
Loans granted	168 117	135 589

Regulations regarding application of market principles in conformity with provisions of the Personal Income Tax Act do not apply to transactions carried out within the Tax Capital Group.

2. Transactions concluded between the Company and Members of the Company's Governing Bodies, which should be divided into two categories:

- due to appointment as Members of Supervisory Boards,
- due to other civil law contracts.

Transaction amounts for the first category are presented in the table below:

Title	Company's Management Board		Company's Supervisory Board	
	01.01.2017	01.01.2016	01.01.2017	01.01.2016
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Remuneration under managerial contracts and consultancy agreements	4 928	12 578	-	-
Remuneration due to appointment as members of management or supervisory bodies	-	-	826	484
TOTAL	4 928	12 578	826	484

As at 31 December 2017, liabilities under managerial contracts and consultancy agreements with regard to members of the Management Board amounted to PLN 159 thousand. Provision for bonuses for Management Board Members as at 31 December 2017 amounted to PLN 1,755 thousand (as at 31 December 2016: PLN 3,082 thousand), provision amounts are not included in the table above.

In 2017, the remuneration under managerial contracts and consultancy agreements included a bonus for 2016 amounting to PLN 1,749 thousand (in 2016, a bonus for 2015 of PLN 2,653 thousand) and the non-competition compensation.

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

Transactions concerning borrowings from the Company Social Benefits Fund are presented in the table below:

Governing body	Balance as at	Granted as of	Repaid until	Balance as at
	01.01.2017	01.01.2017	31.12.2017	31.12.2017
Supervisory Board	16	-	(5)	11
TOTAL	16	-	(5)	11

Governing body	Balance as at	Granted as of	Repaid until	Balance as at
	01.01.2016	01.01.2016	31.12.2016	31.12.2016
Supervisory Board	27	-	(11)	16
TOTAL	27	-	(11)	16

Other transactions pursuant to civil law agreements concluded between the Company and members of the Company's governing bodies pertain exclusively to the use of company cars by the Company's Management Board Members for private purposes.

3. Transactions with entities controlled by the State Treasury of the Republic of Poland

Enea S.A. also concludes business transactions with state government and local government units and entities owned by the State Treasury of the Republic of Poland.

Those transactions primarily concern:

- purchase of electricity and property rights under certificates of energy origin regarding renewable energy and energy cogenerated with heat, from companies controlled by the State Treasury and
- sale of electricity, distribution services grid and other related charges, provided by the Group both to state and local administration units (sale to end consumers) and to companies controlled by the State Treasury (wholesale and retail sales to end consumers).

These transactions are concluded under arm's length terms and conditions which do not differ from the terms and conditions applied in transactions with other entities. The Group does not keep a register that would allow aggregating the value of all transactions carried out with all state institutions and State Treasury-controlled companies, therefore the sales and related-party transaction balances shown in these standalone financial statements do not include details regarding transactions with State Treasury-controlled entities.

Among the State Treasury- controlled companies, the largest customer of Enea S.A. is KGHM Polska Miedź S.A. Net sales in 2017 amounted to PLN 121,912 thousand (in 2016, it was Lubelski Węgiel „Bogdanka” S.A., net sales amounted to PLN 66,527 thousand), the largest supplier is PGE Polska Grupa Energetyczna S.A. with the net value of purchases in 2017 amounting to PLN 108,431 thousand (in 2016: PLN 353,113 thousand).

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

32. Concession agreements for the provision of public services

The core business activity of Enea S.A. is sale of electrical power and natural gas.

Pursuant to the Energy Law Act, President of the Energy Regulatory Office is responsible for granting concessions, exercising supervision over the activities of power-generating companies and for tariff approval. He approves of energy prices and charge rates as well as the rules for their application determined in the Tariff pursuant to administrative decisions. On 5 October 2007, a decision was issued to Enea S.A. on concession extension until 31 December 2025. On 12 September 2013, President of the Energy Regulatory Office granted to Enea S.A. a concession for trading in gaseous fuels, valid until 31 December 2030.

Tariffs for electrical energy covering activities not recognized by the President of the Energy Regulatory Office as being conducted under competitive conditions (for which the President of the Energy Regulatory Office has not issued a decision exempting from the obligation to submit tariffs for approval) are subject to the obligation to submit them to the President of the Energy Regulatory Office for approval).

Currently, the obligation to submit tariffs for approval to the President of the Energy Regulatory Office also extends to tariffs for natural gas for household consumers. According to the schedule of exemption from submitting gas tariffs for approval to the President of the Energy Regulatory Office, specified in the Energy Law, from 1 January 2017, sales at a virtual point, compressed natural gas CNG and liquefied natural gas LNG as well as tenders and auctions and public procurement are exempted from tariffs. In October 2017, prices for other end users, except households, were deregulated. Gas prices for these consumers will be deregulated as of 1 January 2024.

In the year 2017, Enea S.A. applied the following tariffs approved by the President of the Energy Regulatory Office:

- tariff for electricity for customers from tariff groups G, not exercising the right to choose a supplier, effective from 1 January 2017,
- methane-rich natural gas tariff effective from 20 November 2015 and methane-rich natural gas tariff in effect from 1 March 2017.

33. Future payments due to the right of perpetual usufruct of land and under lease, rental and operational lease agreements

Future liabilities due to the right of perpetual usufruct of land (based on 2017 fees) concern the period that has remained until the expiry of land use agreements (40 - 99 years). Such agreements are recognised as operational leases, with Enea S.A. being the lessee.

	31.12.2017	31.12.2016
Up to 1 year	5 850	5 577
1 - 5 years	17 511	20 634
over 5 years	59 039	62 646
Total	82 400	88 857

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

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

34.1 Sureties and guarantees

On 4 August 2016, Enea S.A. in the capacity of the Guarantor concluded a contract of surety with Polenergia Obrót S.A. The object of the contract is provision of a guarantee for liabilities of a subsidiary of Enea Trading Sp. z o.o. up to the maximum amount of PLN 5,000 thousand with regard to transactions of wholesale trade in electricity and property rights.

On 19 October 2016, Enea S.A. in the capacity of the Guarantor concluded a contract of surety with Shell Energy Europe Limited. The object of the contract is provision of a guarantee for liabilities of a subsidiary of Enea Trading Sp. z o.o. up to the maximum amount of EUR 3,500 thousand.

On 8 November 2016, Enea S.A. in the capacity of the Guarantor concluded a contract of surety with Polski Koncern Naftowy Orlen S.A. The object of the contract is provision of a guarantee for liabilities of a subsidiary of Enea Trading Sp. z o.o. up to the maximum amount of PLN 4 000 thousand with regard to transactions concerning natural gas.

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

Guarantees issued as at 31 December 2017

No.	Guarantee issued on behalf of	Total amount liabilities covered by the guarantee	Purpose of amounts covered by the guarantee	Period for which guarantee was issued	Relationship between the Company and entity that contracted the liability
1.	Enea Trading Sp. z o.o.	PLN 14,598 thousand (EUR 3, 500 thousand)	guarantee for liabilities of Enea Trading towards Shell Energy Europe Limited	30-11-2018	subsidiary
2.	Enea Wytwarzanie Sp. z o.o.	PLN 50,000 thousand	Guarantee for payment of the purchase price for shares in a subsidiary by Enea Wytwarzanie Sp. z o.o.	Purchase offer valid until 16.09.2018	subsidiary
3.	Miejska Energetyka Ciepła Piła Sp. z o.o.	PLN 11,806 thousand	guarantee for liabilities contracted by MEC Piła Sp. z o.o.	30-06-2020	subsidiary
4.	Enea Trading Sp. z o.o.	PLN 10,000 thousand	guarantee for liabilities of Enea Trading towards EDF Trading Limited	30-10-2020	subsidiary
5.	Enea Trading Sp. z o.o.	PLN 10,000 thousand	guarantee for liabilities of Enea Trading towards ČEZ a.s.	10-08-2018	subsidiary
6.	Enea Trading Sp. z o.o.	PLN 10,000 thousand	guarantee for liabilities of Enea Trading towards PAK zespół Elektrowni Pątnów-Adamów-Konin S.A.	25-10-2018	subsidiary
7.	Enea Trading Sp. z o.o.	PLN 2,000 thousand	guarantee for liabilities of Enea Trading towards Elektrownia Pątnów II Sp. z o.o.	25-10-2018	subsidiary
8.	Enea Trading Sp. z o.o.	PLN 10,000 thousand	guarantee for liabilities of Enea Trading towards PGE Polska Grupa Energetyczna S.A.	26-10-2018	subsidiary
9.	Enea Trading Sp. z o.o.	PLN 4,000 thousand	guarantee for liabilities of Enea Trading towards Polski Koncern Naftowy ORLEN S.A.	01-01-2018	subsidiary
10.	Enea Trading Sp. z o.o.	PLN 5,000 thousand	guarantee for liabilities of Enea Trading towards Polenergia Obrót S.A.	30-06-2019	subsidiary

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

Guarantees issued as at 31 December 2016

No.	Guarantee issued on behalf of	Total amount liabilities covered by the guarantee	Purpose of amounts covered by the guarantee	Period for which guarantee was issued	Nature of relationship between the Company and the entity contracting the liability
1.	Enea Trading Sp. z o.o.	PLN 15,484 thousand (EUR 3,500 thousand)	guarantee for liabilities of Enea Trading towards Shell Energy Europe Limited	30-11-2018	subsidiary
2.	Enea Trading Sp. z o.o.	PLN 50,000 thousand	guarantee for liabilities contracted by Enea Trading in connection with membership in the GIR [Exchange Clearing House]	01-08-2017	subsidiary
3.	Enea Wytwarzanie Sp. z o.o.	PLN 50,000 thousand	Securing payment of the purchase price for shares in a subsidiary by Enea Wytwarzanie Sp. z o.o.	the term of the purchase agreement	subsidiary
4.	Miejska Energetyka Ciepła Piła Sp. z o.o.	PLN 11,806 thousand	guarantee for liabilities contracted by MEC Piła Sp. z o.o.	30-06-2020	subsidiary
5.	Enea Trading Sp. z o.o.	PLN 10,000 thousand	guarantee for liabilities of Enea Trading towards EDF Trading Limited	30-10-2017	subsidiary
6.	Enea Trading Sp. z o.o.	PLN 10,000 thousand	guarantee for liabilities of Enea Trading towards ČEZ a.s.	10-08-2018	subsidiary
7.	Enea Trading Sp. z o.o.	PLN 24,000 thousand	guarantee for liabilities of Enea Trading towards PAK zespół Elektrowni Pątnów-Adamów-Konin S.A.	26-10-2018	subsidiary
8.	Enea Trading Sp. z o.o.	PLN 8,000 thousand	guarantee for liabilities of Enea Trading towards Elektrownia Pątnów II Sp. z o.o.	26-10-2018	subsidiary
9.	Enea Trading Sp. z o.o.	PLN 20,000 thousand	guarantee for liabilities of Enea Trading towards PGE Polska Grupa Energetyczna S.A.	27-10-2018	subsidiary
10.	Enea Trading Sp. z o.o.	PLN 4,000 thousand	guarantee for liabilities of Enea Trading towards Polski Koncern Naftowy ORLEN S.A. in Płock	01-01-2018	subsidiary
11.	Enea Trading Sp. z o.o.	PLN 5,000 thousand	guarantee for liabilities of Enea Trading towards Polenergia Obrót S.A.	30-06-2019	subsidiary

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

The table below shows significant bank guarantees as at 31 December 2017 issued at the request of Enea S.A. under an agreement with BZ WBK S.A. up to the limit specified therein.

Guarantees issued as at 31 December 2017

Date of guarantee	Guarantee expiry date	Obliged entity	Guarantee issued to	Issuing Bank	Guarantee amount in PLN '000
29.06.2015	31.05.2018	Enea Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	40 000
20.12.2017	11.08.2018	Enea Elektrownia Połaniec	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	30 000
12.06.2015	31.05.2018	Enea Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	25 000
07.07.2017	11.08.2018	Enea Elektrownia Połaniec	Polskie Sieci Elektroenergetyczne	BZ WBK S.A.	15 000
01.01.2016	11.08.2018	Enea S.A.	Górecka Projekt Sp. z o.o.	BZ WBK S.A.	1 662
21.12.2016	30.01.2018	Enea S.A.	Marshall's Office of Zachodniopomorskie Province in Szczecin	BZ WBK S.A.	1 325
12.12.2017	11.08.2018	Enea Logistyka Sp. z o.o.	Enea Operator Sp. z o.o.	BZ WBK S.A.	1 080
Total					114 067

Guarantees issued as at 31 December 2016

Date of guarantee	Guarantee expiry date	Obliged entity	Guarantee issued to	Issuing Bank	Guarantee amount in PLN '000
29.06.2015	31.05.2018	Enea Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	10 000
12.06.2015	31.05.2018	Enea Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	4 000
01.01.2016	11.08.2018	Enea S.A.	Górecka Projekt Sp. z o.o.	BZ WBK S.A.	1 662
21.12.2016	30.01.2018	Enea S.A.	Marshall's Office of Zachodniopomorskie Province in Szczecin	BZ WBK S.A.	1 325
Total					16 987

The value of other guarantees issued by the Enea S.A. as at 31 December 2017 amounts to PLN 3,640 thousand (as at 31 December 2016: PLN 3,733 thousand).

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

34.2 Proceedings pending before common courts of law

Proceedings brought by the Company

Proceedings brought before common courts by Enea S.A. concern the recovery of receivables due to electricity supply and recovery of receivables on other accounts: illegal electricity consumption, network connections and other specialist services performed by the Company.

As at 31 December 2017, the Company was pursuing a total of 12,262 actions with the value of the claims of PLN 56,345 thousand (as at 31 December 2016, there were 12,350 cases totalling PLN 55,196 thousand).

The outcome of neither individual case is material for the financial result of the Company.

Proceedings against the Company

Proceedings against the Company are brought both by natural and legal persons. They concern, among others, issues such as compensation for interruptions in energy supply, determination of illegal consumption of energy, compensation for the Company's use of real estate on which power devices are located and claims regarding the terminated contracts for the purchase of property rights (Note 34.5). The Company considers claims for non-contractual use of real estate not owned by the Company to be particularly important (Note 22, Note 34.3).

As at 31 December 2017, there were 167 cases against the Company pending before common courts of law totalling PLN 394,612 thousand (as at 31 December 2016, there were 190 cases involving claims worth PLN 54,218 thousand).

34.3 Risk connected with the legal status of the properties used by Enea S.A.

The risk connected with the legal status of the properties used by the Company (currently used by Enea Operator Sp. z o.o.) is due to the fact that the Company does not have a legal title to use all the plots where the transmission lines and auxiliary installations are located. In the future, the Company may be obligated to bear the costs of non-contractual use of real estate which took place in previous years until the separation of Enea Operator Sp. z o.o.

The absence of a clear legal status of the real estate belonging to the Company and used by Enea Operator Sp. z o.o. in order to establish the grid infrastructure causes a threat connected with claims to pay compensation for non-contractual use of land, rent or, exceptionally, in individual cases with demands to change the location of the facility (to restore the land to the original condition).

The Company created a provision for all claims filed by the owners of properties containing transmission lines and related equipment, including the most appropriate, in the opinion of the Management Board, estimation of expenditures necessary to settle claims concerning the period prior to the separation of the distribution system operator (DSO) i.e. by 1 July 2007. Since the DSO was separated, the claims have also been filed against Enea Operator Sp. z o.o. which currently owns the transmission lines and related devices.

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

34.4 Cases concerning non-balanced energy trading in 2012

On 30 and 31 December 2014, Enea S.A. applied for a summons to a conciliation hearing with regard of:

	<u>Amount in PLN '000</u>
PGE Polska Grupa Energetyczna S.A.	7 410
PKP Energetyka S.A.	1 272
TAURON Polska Energia S.A.	17 086
TAURON Sprzedaż GZE Sp. z o.o.	1 826
FITEN S.A.	207
Total	<u>27 801</u>

The object of the summonses were claims for payment for electrical energy incorrectly settled on the balancing market in 2012. The summoned companies obtained undue financial benefits by refusing to allow Enea S.A. to issue invoices for the year 2012.

Following its unsuccessful attempt at resolving the aforesaid cases amicably, Enea S.A. brought actions against:

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

In the case against FITEN S.A. Enea S.A. has now lodged a cassation with the Supreme Court. In the remaining cases no judgement has been issued.

34.5 Dispute concerning energy origin certificate prices, and terminated contracts for the purchase of property rights resulting from renewable energy certificates of origin

In connection with a dispute concerning prices in long-term agreements for the purchase of property rights from renewable energy sources, there are six proceedings pending in court concerning remuneration. Enea S.A. set off the payment of a portion of the receivables owed to counterparties of Enea S.A. due to the payment of the price for the property rights sold against the claim for damages filed by Enea S.A. against renewable energy producers. The damage suffered by Enea S.A. was created as a result of counterparties' failure to perform their contractual obligation to renegotiate in good faith the long-term agreements for sale of property rights in accordance with the adaptation clause binding on the parties.

Moreover, three cases are currently pending before the Regional Court in Poznań for declaration of ineffectiveness of termination/withdrawal of Enea S.A. from contract of sale of property rights made on 28 October 2016.

On 28 October 2016, Enea S.A. made representations, depending on the contract, on termination or withdrawal from long-term contracts for the purchase by the Company of property rights resulting from renewable energy certificates (so-called green certificates) (Contracts).

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

The Contracts were concluded in the years 2006-2014 with the following counterparties, owners of facilities producing energy from renewable sources ("Counterparties"):

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

As a rule, the Contracts were terminated by the end of November 2016. The exact termination date resulted from contractual provisions.

The Company terminated/withdrew from individual Contracts due to the impossibility of restoring contractual equilibrium and equivalency of performances of the parties caused by changes in the law.

Changes in the law which took place after the conclusion of the aforesaid Contracts, i.e. in particular:

- Regulation of the Minister of Economy of 18 October 2012 concerning detailed scope of obligations to obtain renewable energy certificates and present them for redemption, pay the substitution fee, purchase electricity and heat produced in renewable energy sources, and the obligation to confirm data concerning the amount of electrical energy produced in a renewable energy source (Journal of Laws of 2012, item 1229);
- The Renewable Energy Sources Act of 20 February 2015 (Journal of Laws of 2015, item 478) and the ensuing changes in the law and published Bills and draft regulations including, in particular:
 - The Act on the Amendment to the Renewable Energy Sources Act and Certain Other Acts of 22 June 2016 (Journal of Laws of 2016, item 925); and
 - The draft Regulation of the Minister of Energy concerning a change of the quantitative share of the sum of electrical energy resulting from redeemed certificates of origin confirming production of electrical energy from renewable energy sources, to be enacted under the delegation resulting from Article 12 section 5 of the Act on the Amendment to the Renewable Energy Sources Act and Certain Other Acts of 22 June 2016,

prevented the preparation of reliable models forecasting future prices of the green certificates.

By terminating the Contracts the Company intends to avoid financial losses constituting the difference between contract prices and the market price of the green certificates. Due to the changed legal conditions following termination of the Contracts in 2017, in particular resulting from the provisions of the Act of 20 July 2017 on amending the renewable energy sources act, the estimated value of future contractual liabilities would have been changed. In the current legal situation it would have been significantly lower in comparison to the amount of ca. PLN 1,187 million estimated as at the moment of termination of the contracts. The drop reflects the change in the method of determination of the substitution fee, which as per some of the contracts is the basis for the calculation of the contractual price and the connected market price. The Company created a provision in the amount of PLN 85,684

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thousand for potential claims arising from the terminated contracts, with reference to sales notifications of the counterparties concerning property rights submitted by 31 December 2017; the provision is presented in Note 22.

35. Employment at Enea S.A.

Average at the Company in the years 2017 and 2016 was as follows:

	31.12.2017	31.12.2016
White-collar jobs	352	281
Total	352	281

Information provided in the table refers to employment in FTE (full-time equivalents).

36. Tax Capital Group

On 18 September 2013, the Company concluded a tax capital group agreement, for a term of 3 years starting from 2014, between 9 companies of the Enea Capital Group: Enea S.A., Enea Operator Sp. z o.o., Enea Wytwarzanie Sp. z o.o., Enea Centrum Sp. z o.o., Enea Oświetlenie Sp. z o.o., Enea Trading Sp. z o.o., Enea Serwis Sp. z o.o., Enea Pomiary Sp. z o.o. and Enea Logistyka Sp. z o.o. The company representing the tax capital group is Enea S.A.

On 20 September 2016, the Company concluded a tax capital group agreement, for a term of the following 3 years starting from 2014, between 9 companies of the Enea Capital Group: Enea S.A., Enea Operator Sp. z o.o., Enea Wytwarzanie Sp. z o.o., Enea Centrum Sp. z o.o., Enea Oświetlenie Sp. z o.o., Enea Trading Sp. z o.o., Enea Serwis Sp. z o.o., Enea Pomiary Sp. z o.o. and Enea Logistyka Sp. z o.o. The company representing the tax capital group is Enea S.A.

The Corporate Income Tax Act treats a tax capital group as a separate income tax (CIT) taxpayer, which means that the companies included in the tax capital group lose their separate identity for CIT purposes and this identity is acquired by the tax capital group as a whole.

The object of taxation is the income determined on the basis of the total income of the group, calculated as the surplus of the total income of all companies forming the group over the sum of their losses. The stand-alone identity of a tax capital group exists exclusively in relation to corporate income tax. It should not be identified with a separate legal identity. It does not transfer to other taxes, in particular, each of the companies forming a tax capital group is a separate taxpayer of VAT, civil law transactions tax, property tax as well as a personal income tax remitter.

Companies forming a tax capital group must meet a number of requirements, including, among others: adequate capital level, share of the parent company in the capital of the companies forming the Tax Capital Group at a minimum level of 95%, lack of capital links between subsidiaries, lack of tax arrears, income's share in revenues at the level of at least 3% (calculated for the entire tax capital group) and conclusion of transactions with entities from outside the tax capital group only on market terms. Violation of the above requirements results in the dissolution of the tax capital group and the loss of its taxpayer status. As of the dissolution, each of the companies included in the tax capital group becomes an independent CIT taxpayer.

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

37. Participation in the nuclear power plant construction programme

On 15 April 2015, KGHM, PGE, TAURON and Enea concluded the PGE EJ 1 Shares Acquisition Agreement. KGHM, PGE, TAURON and Enea each acquired from PGE a 10% stake (a total of 30% shares) in PGE EJ 1. Enea paid for these shares PLN 16 million.

On 21 December 2016, the Extraordinary Shareholders' Meeting of PGE EJ 1 was held. During the Meeting the Shareholders resolved to raise the share capital of the Company by approximately PLN 35 million by way of creating 248,220 new shares with the par value of PLN 141 each, subscribe for the newly-created shares and finance them with cash contributions. Pursuant to the decision of the Extraordinary Shareholders' Meeting, Enea subscribed for shares with the total par value of approximately 3.5 million and financed them with a cash contribution of approximately PLN 3.5 million.

In accordance with the Shareholder Agreement, Enea S.A.'s financial commitment in the Initial Phase will not exceed PLN 107 million and is to consist in providing contributions up to this amount towards the increased share capital of PGE EJ 1 Sp. z o.o.

As a shareholder, Enea S.A. is obligated to vote in favour of increases of the share capital of PGE EJ 1 aimed at acquiring funds required for the implementation of the investment project and subscribe for shares in the increased share capital proportionately to its shares (10%) and finance shares with cash contributions in accordance with the relevant resolutions.

During the year 2017 there were no increases of the share capital of the company. In order to provide PGE EJ 1 with funds needed to finance its day-to-day operations, the Shareholders granted the company a loan. The loan granted by Enea S.A. was approximately PLN 2.9 million.

Under the Shareholder Agreement Enea S.A. participates in financing the activity of PGE EJ1 in accordance with the adopted financing schedule.

Contracts that PGE EJ 1 Sp. z o.o. plans to conclude are connected with the purpose of forming the Company, i.e. preparation of the investment process, construction, operation and decommissioning of a nuclear power plant with a capacity of approximately 3,000 MW in Poland. In view of the nature of the core activity of the company and the initial phase of the project, operating costs and investment outlays cannot be balanced with revenues, since they will be obtained after the conclusion of the investment project.

The risk to which Enea is exposed in connection with its participation in PGE EJ 1 Sp. z o.o. is also mitigated by provisions of the Articles of Association of PGE EJ 1. Pursuant to the aforesaid Articles of Association, the Management Board of PGE EJ 1 is obligated to obtain the consent of the Supervisory Board before disposing of a right or contracting an obligation exceeding PLN 1,000 thousand and not exceeding PLN 40,000 thousand (§ 17 section 2 clause 1), subject to additional provisos contained in the Articles of Association. The powers of the Shareholders' Meeting include, among others, granting consent to disposing of a right or contracting an obligation with a value in excess of PLN 40,000 thousand (§ 25 section 4 clause 2), subject to additional provisos contained in the Articles of Association.

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The parties providing financial support to PGE EJ 1 currently include all Company Shareholders, i.e. PGE S.A., KGHM S.A., TAURON S.A. and Enea S.A., holding 70%, 10%, 10%, 10% shares in the share capital of the company respectively.

As at 31 December 2017 and as at the date of drawing up these standalone financial statements, Enea S.A. holds 220,467 shares in the share capital of PGE EJ 1 Sp. z o.o. with the total nominal value of approximately PLN 31,085 thousand representing 10% of the total number of shares/votes. Pursuant to Article 5.3.7 of the Shareholder Agreement, resolutions on an increase of the share capital during the Development Phase are to stipulate that the share capital increase is effected only if all the Shareholders subscribe for and finance shares in the increased share capital proportionately to their shares, unless otherwise resolved by the Shareholders. In the light of the foregoing, the share of Enea S.A. in the share capital of the company will not change without its consent.

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

On 18 January 2017, Enea S.A. signed an investment agreement with Energa S.A., PGE Polska Grupa Energetyczna S.A., PGNiG Technologie S.A. (Investors) and with Polimex, under which the Investors committed to make investment in Polimex. The investment consisted in the acquisition by the Investors of the total of 150 million shares issued by Polimex. The Company committed to acquire 37.5 million new shares at the total issue price of PLN 75 million. The Agreement was concluded on conditions precedent described in detail in Current Report No. 2/2017. Together with the aforementioned agreement, agreements were signed aimed at fine-tuning of the principles of cooperation and the mutual rights and obligations of the Investors upon implementation of the aforesaid investment, as well as additional agreements regarding the implementation of the investment were concluded with creditors and hitherto shareholders of Polimex.

On 20 January 2017, in connection with the fulfilment of the conditions precedent stipulated in the investment agreement, referred to hereinabove, the Company accepted an offer submitted by the Management Board of Polimex of acquisition – by way of private placement – of 37.5 million shares at an issue price of PLN 2.00 per share, i.e. at the total issue price of PLN 75 million. Additionally, as a result of performance of one of the aforementioned 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 to PLN 80.6 million, costs relating the acquisition of the shares amounted to approximately PLN 1 million. Enea S.A. acquired 16.48% shares in the company's share capital.

On 21 March 2017, Investors made a call to subscribe for the shares of Polimex in connection with exceeding (as parties to the Letter of Agreement) the threshold of 33% of the total number of votes at the General Shareholders' Meeting of Polimex. The call was of a secondary nature and the Investors intended to acquire through the call shares accounting for the surplus above the number of shares currently held by the Investors (i.e. jointly 65.93% of the general number of votes at the General Shareholders' Meeting of Polimex) and ensuring reaching no more than 66% of the total number of votes at the General Shareholders' Meeting of Polimex. In connection with the call, each Investor (including Enea) intended to get no more than, approximately, 0.018% of the general number of votes at the General Shareholders' Meeting of Polimex. The call was finally settled on 28 April 2017: as a result, each Investor acquired 24 shares of Polimex. Currently, the Company holds 39,000,024 shares of Polimex, which represent a 16.48% shareholding in the share capital of Polimex. Together, the Investors hold 156,000,097 shares representing a 65.9% shareholding in the share capital of Polimex.

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

Pursuant to the Investment Agreement, in 2017 Polimex undertook actions aimed at admitting to trading at the Warsaw Stock Exchange the series T shares acquired by the Investors. On 20 October 2017, the Polish Financial Supervision Authority approved of the Polimex share issue prospectus prepared in connection with the issue of 150,000,000 T-series ordinary bearer shares. On 31 October, the Management Board of the Warsaw Stock Exchange (GPW) decided to admit T-series shares to trading in the GPW regulated market as of 3 November 2017 on condition of registration of those shares by Krajowy Depozyt Papierów Wartościowych S.A. (KDPW) by 3 November 2017. On 2 November 2017, the Operational Department of KDPW issued a communique informing of the registration of 150,000,000 T-series shares of the Company on 3 November 2017, with the code PLMSTSD00019.

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

On 30 September 2016, Enea S.A. made an offer for the purchase of 100% shares of ENGIE Energia Polska S.A. The offer was submitted in the way described in the course of the process initiated by ENGIE, holder of 100% shares of ENGIE Energia Polska.

On 2 December 2016, the Company was granted exclusivity for conducting negotiations regarding purchase of 100% of shares of ENGIE Energia Polska S.A.

On 23 December 2016, the Company signed with ENGIE International Holdings B.V. a conditional sale agreement of 100% shares of ENGIE Energia Polska S.A. (the Agreement), and indirectly also of 100% shares of ENGIE Bioenergia Sp. z o.o.

Transaction closing was contingent upon fulfilment of the following conditions precedent:

- obtaining consent of the Minister of Energy in conformity with the Act on control over certain investments,
- obtaining consent for the concentration from the President of the Office for Competition and Consumer Protection (UOKiK),
- waiver of the right of first refusal by President of the Agricultural Property Agency, and
- conversion of debt of ENGIE Energia Polska S.A. to companies – members of the ENGIE Group into equity of ENGIE Energia Polska S.A.

On 28 February 2017, the Company was notified about the fulfilment of the last of the aforementioned conditions, meaning that all conditions precedent had been duly fulfilled. On 2 March 2017, the Company was provided by ENGIE International Holdings B.V. with a calculation of the initial sale price of 100% shares of EEP amounting to PLN 1,264,159,355.

On 14 March 2017, Enea S.A. acquired 100% shares of ENGIE Energia Polska S.A., i.e. 7,135,000 shares which entitle their holder to the same number of votes, for an initial price of PLN 1,264,159,355.

The aforesaid transaction is in conformity with the Development Strategy of the ENEA Capital Group until 2030 approved in September 2016. As a result of that transaction, the Group will increase its share in domestic generation of electricity and will become the second leader of the Polish electricity producers.

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

40. Signing an Investment Agreement with Energa S.A. and Elektrownia Ostrołęka S.A. concerning construction and operation of a power unit at Elektrownia Ostrołęka S.A.

On 19 September 2016, Enea SA signed a Letter of Intent with Energa S.A. regarding initiating co-operation on the preparation, implementation and operation of a cutting-edge 1,000 MW coal-fired power unit at Elektrownia Ostrołęka (Ostrołęka C, Investment Project).

The Parties' intention is to jointly develop an efficient business model of Ostrołęka C, verify the design documents and optimize the technical and economic parameters of the new power unit. The co-operation will also include organisation of the tendering proceedings in order to select the general contractor of the Investment Project.

In the Parties' mutual opinion, implementation of the Investment Project, which fulfils the highest environmental standards, will significantly contribute to Poland's Energy security and it will provide another stable, highly efficient and low-emission source of power in the National Grid System.

On 8 December 2016, the Company entered into an Investment Agreement regarding implementation of the Ostrołęka C Project. The purpose of the Agreement is preparation, construction and operation of the power unit referred to hereinabove. Pursuant to the aforesaid Agreement, as a rule, the co-operation will be organised within three stages: the Development Stage – until the time the Notice to Proceed is issued to the General Contractor, the Construction Stage – until the commissioning of Ostrołęka C and the Operation Stage – commercial operation of Ostrołęka C. After the Development Stage is completed, Enea S.A. will be obliged to participate in the Construction Stage provided that the condition of the Project profitability is fulfilled and Project funding does not violate the Company's bank covenants. It is estimated that the total capital expenditure of Enea S.A. until completion of the Development Stage will amount to approximately PLN 128 million. For the purpose of Project implementation, Energa S.A. will sell to Enea S.A. shares of Elektrownia Ostrołęka S.A., representing 50% of the share capital, worth approximately PLN 101 million. A condition precedent for the execution of the Investment Agreement was obtaining consent from the President of the Office for Competition and Consumer Protection (UOKiK) for concentration consisting in the acquisition of shares of the special purpose vehicle established to implement the Project. The aforesaid condition was fulfilled on 11 January 2017.

On 19 December 2016, the special purpose vehicle announced a tender for selection of the general contractor for construction of the Ostrołęka C power plant with the capacity of approximately 1,000 MW and net efficiency of at least 45%, operating on steam supercritical parameters. Subject to the fulfilment of the pre-determined assumptions (including, among others, an adequate share of Enea S.A., Energa S.A. and Financial Investors, if any) and assuming that the Capacity Market or other support mechanisms are introduced, Elektrownia Ostrołęka S.A. will be able to undertake the comprehensive implementation of the Project.

On 1 February 2017, Enea S.A. entered into a Share Purchase Agreement with ENERGA S.A. regarding acquisition of 24,980,926 shares of Elektrownia Ostrołęka S.A. for the total amount of PLN 24 million, thus acquiring a 11.89% shareholding in the Company's share capital.

Pursuant to the aforementioned agreements, ENERGA S.A. and Enea S.A. assumed joint control over Elektrownia Ostrołęka S.A., based in Ostrołęka, whose main object of operation is the construction and operation of a new coal-fired power unit. Both parties will hold 50% shares of Elektrownia Ostrołęka S.A., and a corresponding number of votes at the General Shareholders' Meeting.

The Management Board and the Supervisory Board will be composed of the same number of representatives of both investors. Decisions regarding major activities will require unanimous approval of both shareholders who are entitled

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to net assets of Elektrownia Ostrołęka S.A. In view of the foregoing, the investment project has been classified as a joint venture and it is recognized according to the equity method of accounting.

Elektrownia Ostrołęka S.A. is a non-public company therefore there are no listed market prices of its shares.

On 13 April 2017, the Extraordinary Shareholders' Meeting of Elektrownia Ostrołęka S.A. adopted a resolution to increase the company's share capital from PLN 210,100 thousand to PLN 229,100 thousand by issuing new shares. By way of private placement Enea S.A. acquired 9,500,000 shares in exchange for a cash contribution, which was made on 28 April 2017. Following acquisition of the shares from the new issue Enea increased its shareholding in the share capital of Elektrownia Ostrołęka S.A. to 15.1%. On 27 June 2017, Enea S.A. concluded a Share Purchase Agreement with Energa S.A. regarding acquisition of 20,017,269 shares of Elektrownia Ostrołęka S.A., for the total amount of approximately PLN 19.2 million, thus increasing its share in the share capital of Elektrownia Ostrołęka S.A. to 23.79%. In order to provide the company with sufficient funds, pursuant to an agreement of 23 November 2017, ENERGA S.A. and Enea S.A. granted a loan to the company of PLN 10 million from each Shareholder.

On 23 November 2017, the Extraordinary Shareholders' Meeting of Elektrownia Ostrołęka S.A. adopted a resolution to transform the Company into a limited liability company. On 27 February 2018, the transformation into a limited liability company was registered in the National Court Register.

41. Recapitalisation of Polska Grupa Górnicza S.A.

In connection with sourcing of capital investors by Katowicki Holding Węglowy S.A., in July 2016 Enea S.A. initiated talks with prospective investors regarding the possibilities of implementing the prospective Project and its future parameters.

On 28 October 2016, Enea S.A. signed a Letter of Intent with Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o. (the Investors) in which preliminary interest was expressed with regard to financial involvement in Katowicki Holding Węglowy S.A. or with regard to its selected assets.

In view of the interest of Polska Grupa Górnicza S.A. (PGG) in the acquisition of selected assets of Katowicki Holding Węglowy S.A. and commencement of the process of recapitalisation of PGG, Enea S.A. – together with the hitherto Shareholders of PGG – carried out the necessary reviews of the Business Plan presented by PGG and expressed interest in committing capital to Polska Grupa Górnicza S.A.

On 30 March 2017, the Supervisory Board of Enea S.A. granted its consent for the Company's accession to Polska Grupa Górnicza S.A. and for the acquisition thereby of the new shares in the PGG capital with the nominal value of PLN 300 million in exchange for a cash contribution of PLN 300 million.

On 31 March 2017, the Company entered into:

- an investment agreement determining the terms and conditions of financial investment in PGG (Investment Agreement),
- a letter of agreement regarding exercising joint control over PGG (Investors' Agreement).

Investment Agreement

The parties to the Investment Agreement are: Enea S.A., ENERGA Kogeneracja Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A., Węglokoks S.A., Towarzystwo Finansowe Silesia Sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (the Investors) and Notes presented on pages 9-88 form an integral part of these standalone financial statements

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

PGG. The Investment Agreement provided that PGG would acquire selected mining assets from Katowicki Holding Węglowy S.A. pursuant to a preliminary agreement, that was entered into on 1 April 2017.

The Investment Agreement determines the method of conducting the investment project and the Company's accession to PGG, the principles of operation of PGG and its governing bodies as well as the principles of withdrawal from the investment in PGG by the parties.

Within the frame of recapitalisation of PGG, Enea S.A. committed itself to acquire new shares of PGG with the total nominal value of PLN 300 million in exchange for a cash contribution of PLN 300 million in three stages:

- a) within the first stage, the Company acquired new shares of PGG with the nominal value of PLN 150 million in exchange for a cash contribution of PLN 150 million. Following the acquisition of those shares, the Company held a 4.39% share in the share capital of PGG. The first recapitalization took place in April 2017,
- b) within the second stage, the Company acquired new shares of PGG with the nominal value of PLN 60 million in exchange for a cash contribution of PLN 60 million. Following the acquisition of those shares, the Company held a 5.81% share in the share capital of PGG. The second recapitalisation took place in June 2017;
- c) within the third stage, the Company acquired new shares of PGG with the nominal value of PLN 90 million in exchange for a cash contribution of PLN 90 million. Following the acquisition of those shares, the Company will hold a 7.66% share in the share capital of PGG. The third recapitalisation in January 2018.

The Agreement determines the rules of appointment of Members of the Supervisory Board, according to which each Investor and the State Treasury shall be entitled to appoint one member of the Supervisory which is to be composed of no more than eight members.

The Investment complies with the Development Strategy of the Enea Capital Group, where one of significant elements is securing raw material base for conventional power engineering.

Investors' Agreement

On 31 March 2017, the following Investors: 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 and Enea S.A. entered into a Letter of Agreement regulating the method of agreeing on their common position with regard to decisions concerning the Company and exercising joint control over the Company. As far as Enea S.A. is concerned, the Letter of Agreement was entered into on condition of obtaining consent from taking over joint control over the Company from the President of the Office for Competition and Consumer Protection (UOKiK). The consent of the UOKiK, referred to in the preceding sentence, was issued on 22 December 2017.

At the same time, on 31 March 2017, a letter of intent signed on 16 October 2016 by Enea S.A., Węgłokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o. regarding an earlier analysed capital investment in Katowicki Holding Węglowy S.A. was terminated.

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42. Disclosures under Article 44 of the Energy Law Act on individual business activities

42.1 General principles of drawing up regulatory financial information

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

Principle of causality

Identification of assets and liabilities is made in accordance with the purpose and use of these components for a specific type of activity or a specific service. Identification of revenues and costs is made in accordance with the principle of the cause of the creation of revenues and costs within the framework of a given activity.

Principle of objectivity and non-discrimination

The assignment of assets and liabilities, revenues and costs should be objective and aimed at equal treatment of customers.

Principle of stability and comparability

There should be stability of methods and principles for preparing regulatory financial information from year to year. In the event of significant changes in the reporting principles, detailed allocation methods or accounting principles having a significant impact on the reported financial information, comparative data for the previous year, in the part affected by the changes, are properly adjusted to ensure comparability.

Principle of transparency and consistency

The applied methods of preparing regulatory financial information should be transparent and consistent internally and, where applicable, consistent with the methods and principles used in other calculations prepared for regulatory purposes and with the methods and principles of preparing financial statements.

42.2 Definitions of business activity types

The Company has identified the following types of activity:

1. **Trade in gaseous fuels** – trade in gaseous fuels purchased from external suppliers and delivered to external customers;
2. **Other business activity** – other business activity, intra-group financing and activity connected with Capital Group management. The Company also included trade in electrical energy and in property rights in other business activity.

42.3 Principles of allocation

Allocation of items from the financial statements j

Item of the statement on financial position	Allocation key
Property, plant and equipment	depreciation costs structure
Perpetual usufruct of land	depreciation costs structure
Intangible assets	depreciation costs structure
Investment property	directly to other business activity
Investments in subsidiaries, associates and jointly-controlled entities	directly to other business activity

Notes presented on pages 9-88 form an integral part of these standalone financial statements

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

Deferred income tax assets	excluded from allocation
Financial assets available for sale	directly to other business activity
Intragroup bonds	directly to other business activity
Financial assets measured at the fair value through profit or loss	directly to other business activity
Derivative instruments	excluded from allocation
Trade and other receivables, whereof, - prepayments and deferred charges, settlements concerning assets insurance and other receivables - settlements of income tax with other entities forming the tax capital group	detailed identification method directly to other business activity excluded from allocation
Inventory (certificates of origin of energy)	directly to other business activity
Current income tax assets	excluded from allocation
Cash and cash equivalents	EBITDA of individual business activities or directly assigned to other business activity
Equity	excluded from allocation - element of the committed capital
Loans, borrowings and debt securities (long- term instruments)	excluded from allocation - element of the committed capital
Financial lease liabilities (long-term contracts)	excluded from allocation - element of the committed capital
Current income tax liabilities	excluded from allocation
Liabilities due to employee benefits	remuneration costs structure
Trade accounts payable and other accounts payable, whereof: - other accounts payable - VAT accounts payable	detailed identification method remuneration costs structure receivables structure and trade liabilities under individual business activities
Liabilities due to the equivalent of the right to free of charge subscription for shares	directly to other business activity
Other financial liabilities	directly to other business activity
Provisions for other liabilities and other charges	detailed identification method

Allocation of items of the profit and loss account and other comprehensive income

The Company presents costs according to the nature of expenses and function of expenses using cost centres.

The basic activity costs related to trading in electricity and gaseous fuels include cost centres assigned directly to these activities and part of general administrative expenses settled with the allocation key appropriate for a given cost centre. These costs are then divided by the volume of electricity and gas key into operations related to the trade in electricity (other business activity) and trade in gaseous fuels. The remaining part of the operating expenses was charged to other business activity.

The table below presents the allocation of the remaining items of the profit and loss account and other comprehensive income:

Item of the profit and loss statement and other comprehensive income	Allocation key
Sales revenues	detailed identification method
Other operating revenues	detailed identification method or structure of sales revenues in a given financial year within individual activities

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

Other operating expenses	detailed identification method or structure of sales revenues in a given financial year within individual activities
Profit /(loss) on sale and liquidation of property, plant and equipment	directly to other business activity
Financial revenue, whereof: - interest on untimely payments for electricity - interest on financial instruments - other	directly to other business activity directly to other business activity structure of sales revenues in a given financial year within individual activities
Financial expenses, whereof: - interest on long-term financial liabilities - other	excluded from allocation – element of the committed capital detailed identification method or structure of sales revenues in a given financial year within individual activities
Income tax	excluded from allocation
Other comprehensive income	excluded from allocation

42.4 Elimination of cross-subsidisation and ensuring equal treatment of customers

Striving to ensure equal treatment of customers and eliminate cross-subsidising between various types of business activity that are conducted, the Company keeps books of account in a manner enabling separate calculation of costs and revenues of its commercial activity to the extent specified in Article 44 section 1 of the Energy Law Act.

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

Statement of financial position

as at 31 December 2017

	Trading in gaseous fuels	Other business activity	Excluded from allocation	TOTAL
Non-current assets	512	18 972 207	96 246	19 068 965
Property, plant and equipment	417	25 488	-	25 905
Perpetual usufruct of land	20	1 195	-	1 215
Intangible assets	75	4 591	-	4 666
Investment properties	-	14 855	-	14 855
Investments in subsidiaries and jointly-controlled entities	-	11 945 473	-	11 945 473
Deferred income tax assets	-	-	66 693	66 693
Financial assets available for trading	-	39 307	-	39 307
Intragroup bonds	-	6 771 221	-	6 771 221
Financial assets measured at fair value through profit or loss	-	23 836	-	23 836
Derivative instruments	-	-	29 553	29 553
Trade accounts receivable and other receivables	-	146 241	-	146 241
Current assets	26 539	3 231 081	126 336	3 383 956
Inventory	-	217 158	-	217 158
Trade accounts receivable and other accounts receivable	26 539	1 100 443	-	1 126 982
Current income tax accounts receivable	-	-	126 336	126 336
Intragroup bonds	-	167 054	-	167 054
Cash and cash equivalents	-	1 746 426	-	1 746 426
ASSETS				22 452 921
Long-term liabilities	1 470	50 502	-	51 972
Liabilities due to employee benefits	1 470	50 471	-	51 941
Provisions for other liabilities and other charges	-	31	-	31
Short-term liabilities	15 573	1 786 447	100 265	1 902 285
Trade accounts payable and other accounts payable	14 017	683 287	100 265	797 569
Liabilities due to employee benefits	563	19 322	-	19 885
Liabilities due to the equivalent of the right to free of charge subscription for shares	-	281	-	281
Other financial liabilities	-	723 735	-	723 735
Provisions for other liabilities and other charges	993	359 822	-	360 815
Committed capital	10 008	20 366 339	(20 376 347)	-
Equity	-	-	12 631 977	12 631 977
Loans, borrowings and debt securities	-	-	7 866 181	7 866 181
Financial lease liabilities	-	-	506	506
LIABILITIES				22 452 921

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

Statement of financial position

as at 31 December 2016

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

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

**Statement of profit and loss and other comprehensive income for the period from
1 January 2017 to 31 December 2017**

	Trading in gaseous fuels	Other business activity	Excluded from allocation	TOTAL
Sales revenues	120 592	5 774 037	-	5 894 629
Excise tax	(2 352)	(252 697)	-	(255 049)
Net sales revenue	118 240	5 521 340	-	5 639 580
Other operating revenues	-	34 819	-	34 819
Depreciation	(42)	(2 593)	-	(2 635)
Costs of employee benefits	(1 514)	(52 030)	-	(53 544)
Consumptions of materials and cost of goods sold	(60)	(2 094)	-	(2 154)
Purchase of energy and gas to be sold	(85 309)	(3 496 851)	-	(3 582 160)
Transmission and distribution services	(32 474)	(1 559 972)	-	(1 592 446)
Other outsourced services	(3 601)	(175 814)	-	(179 415)
Taxes and charges	(101)	(3 171)	-	(3 272)
Profit on sale and liquidation of property, plant and equipment	-	3 971	-	3 971
Other operating costs	(113)	(140 751)	-	(140 864)
Operating profit/(loss)	(4 974)	126 854	-	121 880
Financial expenses	(8)	(1 723)	(193 506)	(195 237)
Financial revenue	-	1 097 427	-	1 097 427
Dividend income	-	810 534	-	810 534
Profit/(loss) before tax	(4 982)	2 033 092	(193 506)	1 834 604
Income tax			(21 280)	(21 280)
Net profit/(loss) of the reporting period			(214 786)	1 813 324
Other comprehensive income			(11 465)	(11 465)
Total income for the reporting period			(226 251)	1 801 859

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

Statement of profit and loss and other comprehensive income for the period from 1 January 2016 to 31 December 2016

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

43. Description of the key accounting principles

The key accounting principles applied in the preparation of these financial statements are presented below. These principles were applied continuously in all presented periods.

43.1 Basis for preparation

The standalone financial statements for the period from 1 January 2017 to 31 December 2017 have been prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

The Company prepares the standalone financial statements in connection with the obligation to submit the same with the appropriate court register, pursuant to provisions of Article 69 of the Accountancy Act.

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

These standalone financial statements have been prepared on the historical cost basis, with the exception of financial instruments measured at fair value.

The accounting principles adopted by the Company were applied on a continuous basis, and changes in standards that came into force during the reporting period did not have a material impact on the financial statements.

The Company prepares consolidated financial statements of the Enea Capital Group in conformity with the EU IFRS. In the consolidated financial statements the entities where the Company holds, directly or indirectly, shares that entitle their holder to at least 50% in the right of vote or where it exercises control in any other way, are fully consolidated. The consolidated financial statements of the Enea Capital Group were approved by the Management Board of Enea S.A. on the same that as the standalone financial statements.

The standalone financial statements of Enea S.A. should be read together with the consolidated financial statements of the Enea Capital Group for the period from 1 January to 31 December 2017 in order to obtain full information on the financial standing and the financial result of the Group as a whole.

43.2 Business combinations/acquisitions

Business combinations /acquisitions outside joint control are settled using the acquisition method in conformity with IFRS 3.

43.3 Methods of investment measurement in subsidiaries, associates and jointly-controlled entities

Subsidiaries are all entities in relation to which the Company is able to manage their financial and operating policies, which is usually accompanied by holding the majority of the total number of votes in the decision-making bodies. When assessing whether the Company controls a given entity, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are subject to full consolidation from the date of taking control over them by Enea S.A. They cease to be consolidated on the day the control ceases.

Associated entities are all entities over which the Company has significant influence, but which it does not control, which is usually accompanied by holding between 20% and 50% of the total number of votes in the decision-making bodies.

Jointly controlled entities are all entities which the Group controls jointly with other entities on the basis of contractual arrangements.

Investments in subsidiaries and associates (due to the fact that there is no active market for entities whose shares are held by the Company) are valued at the acquisition price less permanent impairment allowance. The permanent impairment allowance is charged to financial costs which are not recognised as tax-deductible at the time when the allowance has been made. If the reason for making the permanent impairment allowance ceases, an amount equivalent to the entire or part of the previously made allowance increases the value of the investment and is recognised as financial revenues (non-taxable).

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

43.4 Foreign currency transactions and measurement of foreign currency balances

(a) Functional currency and presentation currency

Items included in the financial statements of individual entities of the Group are measured in the currency of the primary economic environment in which the entity operates (in the functional currency). The consolidated financial statements are presented in Polish zloty (PLN), which is the functional and presentation currency. Items of the statements are presented rounded up to full thousands of zlotys.

(b) Transactions and balances

Transactions expressed in foreign currencies are translated as at the moment of initial recognition into the functional currency according to the exchange rate in force on the day of the transaction.

As at the balance sheet date, monetary items expressed in a foreign currency are converted using the closing rate (closing rate - this is the average NBP rate prevailing on the valuation day).

Foreign exchange gains and losses arising from the settlement of transactions in a foreign currency and the valuation of monetary assets and liabilities expressed in a foreign currency are recognized in the profit or loss of the current period, whereas gains or losses due to exchange rate differences on fixed assets under construction are recognized in expenditure on fixed assets under construction.

43.5 Property, plant and equipment

Property, plant and equipment are valued at the purchase price or production cost less accumulated depreciation and accumulated impairment allowances.

The Company chose the option to exclude IFRS 1 and used, as at the date of conversion to the UE IFRS, the fair value of selected item of tangible fixed assets as the assumed cost.

Subsequent expenditures are included in the book value of a given tangible fixed asset or are recognized as a separate tangible fixed asset (where appropriate) only when it is probable that this item will have a positive economic impact on the Company and the cost of the item may be reliably measured.

All other repair and maintenance expenses are recognized in the profit or loss in the financial period, in which they were incurred.

In case of replacement of a part of a fixed asset (partial liquidation) the cost of the replaced component of this asset is recognized in its carrying amount; at the same time, the carrying amount of the said component is removed from the statement on the financial situation, regardless of whether it was separately depreciated and recognized in the profit or loss of the current period.

Land is not subject to depreciation. Depreciation of other tangible fixed assets is calculated using the straight-line method over the estimated useful life. The basis for calculating depreciation is the initial value less the residual value.

Periods of useful life of tangible fixed assets are as follows:

- buildings and structures 20 – 70 years

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

- plant and machinery	2 – 40 years
- means of transport	3 – 20 years
- other tangible fixed assets	5 – 15 years

The verification of the residual value and periods of use of tangible fixed assets is carried out at least once a year. Each change in the depreciation period requires justification and results in an adjustment of depreciation write-offs made in subsequent financial years.

As at each balance sheet date ending the financial year, an assessment is made of premises indicating impairment of assets in accordance with IAS 36. If it is determined that such premises exist, an impairment test is performed in accordance with IAS 36.

Depreciation begins when the asset is made available for use. Depreciation ends when the asset is put up for sale in conformity with IFRS 5 or when it is removed from the report on the financial situation, whichever occurs earlier.

43.6 Perpetual usufruct of land

Land owned by the State Treasury, local governments or their associations, may be placed in perpetual usufruct (PULR). Perpetual usufruct is a special right in rem entitling the holder to use a real property to the exclusion of other persons and to dispose of this object (right).

Depending on the manner of rights acquisition, the Group makes the following classification:

1. PULR obtained free of charge by force of the law on the basis of a governor or local government unit decision – are treated as operational leasing.
2. PULR acquired against payment from third parties – are presented as PULR assets at the acquisition price less depreciation write-offs.
3. PULR acquired under a perpetual usufruct of land agreement concluded with the State Treasury or local government units – are recognised as the surplus of the first fee over the annual fee and presented as a PULR asset and depreciated.

Depreciation of the right of perpetual usufruct of law takes place over the period for which this right has been afforded (between 40 and 99 years).

43.7 Intangible assets

Intangible assets include computer software, licenses and other intangible assets.

Intangible assets are measured at the acquisition price or cost of development less accumulated depreciation or accumulated impairment allowances.

Depreciation is calculated using the straight-line method, according to the estimated useful life, which is:

- server licenses and software 2 - 10 years,
- work stations licenses and software and anti-virus programs 2 - 10 years,
- other intangible assets 2 – 10 years.

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

Every year, the Company verifies the correctness of the determined period of use of intangible assets. Each change in the depreciation period requires justification and results in an adjustment of depreciation write-offs made in subsequent years.

At each reporting day ending the financial year, an assessment of the occurrence of premises indicating the possible impairment of intangible assets is carried out. If it is determined that such premises exist, an impairment test is performed in accordance with IAS 36.

43.8 Research and development expenses

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

Research and development expenses that meet the criteria for their capitalization, described below, like other intangible assets, are valued at purchase price or production cost less accumulated depreciation and accumulated impairment allowances. Depreciation is calculated using the straight-line method according to the estimated useful life, which is 2-7 years.

Capitalisation criteria:

- the possibility, from a technical point of view, of completing an intangible asset so that it can be used or sold,
- the intention to complete an intangible asset and its use or sale,
- the ability to use or sell an intangible asset,
- the way in which an intangible asset will generate probable future economic benefits. Among others, an enterprise should prove the existence of a market for products arising from an intangible asset or for the component itself or - if the asset is to be used by the entity - the usefulness of an intangible asset,
- availability of appropriate technical, financial and other means to complete the development and use or sale of an intangible asset,
- the possibility to reliably determine the expenditures incurred during development work that can be assigned to this component of intangible assets.

43.9 Investment property

Investment property is maintained in order to obtain rental income, increase their value or for both reasons. For the valuation after the initial recognition, the Company chose the purchase price model.

Investments in real estate are depreciated using the straight-line method. Depreciation begins next month after accepting investment in real estate for use.

The estimated period of use is as follows:

- Buildings 25 – 35 years

Revenues from the lease of investment real estate are recognized in the profit or loss using the straight-line method over the term of the contract.

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43.10 Leasing

A lease agreement, under which substantially all risk and all benefits of ownership are vested in the Company, is classified as a financial lease. Leasing other than financial leasing is considered operational lease.

The financial lease item is recognized under assets as of the commencement of the lease at the lower of the two amounts: the fair value of the leased item or the present value of the minimum lease payments. Each financial leasing fee is divided into the amount decreasing the liability balance and the amount of financial costs in such a way as to maintain a fixed interest rate in relation to the outstanding part of the liability. The interest element of the leasing instalment is recognized in financial costs in the profit and loss account of the current period over the lease term. Depreciable assets acquired under financial leasing are depreciated over the useful life of the assets.

Leasing fees paid under operational leases (net of any special promotional offers obtained from the lessor) are recognized in costs using the straight-line method over the lease term.

43.11 Impairment of assets

Depreciable assets are analysed for impairment whenever there are indications that an asset could have lost its value.

Non-financial assets

An impairment loss is recognized in the amount by which the carrying amount of a given asset exceeds its recoverable amount. The recoverable value is determined as the higher of two amounts: fair value less costs of sale or utility value (i.e. the current estimated value of future cash flows expected to be obtained from the continued use of an asset or a cash-generating unit). For the purpose of impairment analysis, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

All impairment allowances are charged to profit or loss. Impairment allowances may be reversed in subsequent periods if events occurred justifying the lack of or a change in the impairment of assets.

Financial assets

Financial assets are analysed at the end of each reporting period in order to determine whether there are any indications of impairment of these assets. It is recognized that the assets have been impaired if there are objective indications that one or more events had a negative impact on the estimated future cash flows from this asset.

Individual financial instruments that are significant in terms of value are assessed individually in terms of impairment. Other financial assets are divided into groups with a similar level of credit risk to assess impairment.

The principles for making impairment allowances on financial assets are described in detail in Note 43.12.

43.12 Financial assets

The Company classifies its financial instruments into the following categories:

- financial assets measured at fair value through profit or loss,
- loans and borrowings,

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

- financial assets held to maturity,
- financial assets available for sale.

The classification is based on the criterion of the investment acquisition objective. The classification is made at the moment of initial recognition and then reviewed at the end of each reporting period if required or permitted by IAS 39.

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

This category includes two sub-categories:

- financial assets intended for trading; a financial asset is classified into this category, if it was acquired primarily for the purpose of being sold in the short term, it is part of a portfolio of specific financial instruments managed together and for which there is a probability of obtaining a profit in the short term, or is a derivative that does not constitute a hedging instrument;
- financial assets designated at their initial recognition as measured at fair value through profit or loss.

Assets in this category are classified as current assets if they are intended for trading or are expected to be realised within 12 months from the reporting date.

Financial assets measured at fair value through profit or loss are measured at fair value taking into account their market value as at the reporting date without taking into account the costs of the sale transaction. Changes in the value of these financial instruments are recognized in the profit or loss as financial revenues or costs. If the contract contains one or more embedded derivatives, the entire contract may be classified as a financial asset measured at fair value through profit or loss. This does not apply to cases where the embedded derivative does not have a material effect on cash flows from the contract or where separation of embedded instruments is expressly prohibited.

b) Borrowings and receivables

Borrowings and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They usually arise when the Group spends cash, delivers goods or services directly to the debtor, without the intention to classify these receivables as intended for trading.

Borrowings and receivables are classified as current assets, provided their maturity does not exceed 12 months from the balance sheet date. Borrowings and receivables with maturities exceeding 12 months from the balance sheet date are classified as fixed assets. Borrowings and receivables are disclosed in the financial statements under "trade receivables and other receivables". Borrowings and receivables are recognized at depreciated cost.

c) Investments held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company intends and is able to hold to maturity, other than:

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

Financial assets held to maturity are measured at depreciated cost using the effective interest rate method.

If there is evidence indicating an impairment of borrowings and receivables or held-to-maturity investments measured

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at depreciated cost, the impairment allowance is determined as the difference between the carrying value of assets and the present value of estimated future cash flows discounted with the original effective interest rate for these assets (i.e. the effective interest rate calculated as at the time of the initial recognition for the assets based on a fixed interest rate and the effective interest rate set at the moment of the last revaluation for assets based on a variable interest rate). The impairment allowance is recognized in the profit or loss. Reversal of an impairment allowance is recognized if in subsequent periods the impairment is reduced and this decrease can be attributed to events occurring after the impairment was recognized. As a result of the reversal of the allowance, the carrying amount of financial assets cannot exceed the amount of the depreciated cost that would have been determined if no impairment allowance had been previously recognized. The reversal of an allowance is recognized in the profit or loss.

d) Financial assets available for sale

Available-for-sale financial assets are non-derivative financial instruments designated as "available-for-sale" or not classified into any of the other categories. This category includes shares and stocks in unrelated entities. Available-for-sale financial assets are classified as non-current assets unless the Group intends to dispose of the investment within 12 months from the end of the reporting period.

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

Financial assets are derecognized from the books of account when the rights to receive cash flows on their account have expired or these rights have been transferred and the Company has transferred substantially all the risks and rewards of their ownership.

Financial assets available for sale and financial assets measured at fair value through profit or loss are measured at fair value after initial recognition. If it is not possible to determine their fair value and if they do not have a fixed maturity date financial assets available for sale are measured at cost less impairment allowances.

Financial assets held to maturity are measured at depreciated cost using the effective interest rate.

The effects of the measurement of financial assets at fair value through profit or loss are recognized in the profit or loss in the period in which they arise. The effects of the valuation of financial assets available for sale are recognized in other comprehensive income, except for impairment allowances and those profits and losses due to exchange rate differences that arise for monetary assets.

At the moment of removing from the books of account an asset classified as "available for sale", the total current profits and losses previously recognized in other comprehensive income are recognized in the profit or loss of the current period.

The fair value of investments for which there is an active market results from their current purchase price. If there is no active market for financial assets (or if securities are unquoted), the Company establishes fair value using appropriate valuation techniques that include the use of recent transactions under normal market conditions, comparison to other instruments that are essentially identical, discounted cash flows analysis, option pricing models and other valuation techniques / models commonly used in the market, tailored to the specific situation of the issuer.

If there are indications of impairment of unquoted equity instruments that are measured at the purchase price (due to the inability to reliably determine the fair value), the impairment allowance is determined as the difference between

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the carrying amount of the asset and the present value of estimated future cash flows discounted using the current market rate of return for similar financial assets. Such allowances are not reversed.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets has been impaired.

If such evidence exists for available-for-sale financial assets, the total current losses recognized in equity - determined as the difference between the purchase price and the current fair value, less any impairment losses previously recognized in the profit or loss - are excluded from equity and presented in profits or losses. Impairment losses recognized in the profit or loss and relating to equity instruments are not reversed in correspondence with profits or losses. The reversal of the impairment loss on debt financial instruments is recognized in profits or losses, if in subsequent periods after the impairment was recognized, the fair value of these financial instruments increased as a result of events occurring after recognition of the impairment allowance.

e) Hedge accounting and derivative instruments

Derivative instruments used by the Group to hedge against the risks related to changes in interest rates and foreign exchange rates are measured at fair value. Derivative instruments are shown as assets when their value is positive and as liabilities - when their value is negative.

The fair value of currency contracts is determined by reference to current forward rates on contracts with the same maturity or on the basis of the valuation obtained from financial institutions. The fair value of Interest Rate Swap contracts can be determined based on the valuation received from independent financial institutions.

The Company applies hedge accounting to a part of the hedged exposure.

The Company defines certain hedges of the foreign exchange risk, including derivative instruments, embedded derivatives and other instruments as fair value hedges or cash flows hedges. The hedges of the exchange rate risk with respect to probable future liabilities are settled as cash flow hedges.

At the start of the hedging relationship, the Company documents this relationship between the hedging instrument and the hedged item and the risk management objectives as well as the strategy for the execution of various hedging transactions.

Derivative instruments are recognized in accordance with the principles of fair value hedge accounting or cash flow hedge if the following conditions are met simultaneously:

- at the establishment of the hedge, the hedging relationship, as well as the Group's risk management objective and hedging strategy were officially designated and documented,
- the hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, in line with the originally documented risk management strategy for that particular hedging relationship,
- in the case of cash flow hedges, the planned transaction being the object of the hedge must be highly probable and must be subject to the risk of changes in cash flows, which as a result may affect the financial result,
- the effectiveness of the hedge can be reliably assessed,
- the hedge is assessed on an ongoing basis and its high effectiveness is stated in all reporting periods for which the hedge was established.

In the event of applying fair value hedge accounting, the Company:

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

- recognizes profits or losses resulting from revaluation of the fair value of the derivative hedging instrument in the profit/loss and
- adjusts the book value of the hedged item by the profit or loss related to the hedged item resulting from the risk being hedged and recognizes it in the profit or loss of the current period (also in relation to available-for-sale financial assets whose valuation effects are recognized in revaluation capital).

The Company ceases to apply fair value hedge accounting principles if:

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

Cash flow hedge is a hedge against a threat of cash flow volatility, which can be attributed to a specific risk associated with a recognized asset or liability or a highly probable planned transaction and which could affect the financial result. A planned transaction is a non-binding but anticipated future transaction.

When using cash flow hedge accounting, the Company:

- recognises the effective part of changes in the fair value of derivatives designated as cash flow hedges in revaluation capital,
- recognises the profit or loss related to the ineffective part in the financial result for the current period.

If the hedged planned transaction results in the recognition of a financial asset or financial liability, the related profit or loss that was included in the revaluation capital is transferred to the profit or loss in the same period or periods in which the acquired asset or liability affects the financial result. However, if the Company expects that all or some of the losses recognized in the revaluation capital will not be recovered in one or more future periods, it recognizes in the financial result the amount that is not expected to be recovered.

If the hedging of the planned transaction results in the recognition of a non-financial asset or non-financial liability or a planned transaction involving a non-financial asset or a non-financial liability becomes a probable future liability to which fair value hedging applies, the Company excludes the related profit or loss that was recognized in the revaluation capital and incorporates it into the initial cost of acquisition or into another carrying amount of an asset or liability.

The Company ceases to apply cash flow hedge accounting if the hedging instrument expires, is sold, terminated or realized or does not meet the criteria for hedge accounting. In this situation, the cumulative profit or loss on the hedging instrument included in the revaluation reserve capital remains in them until the hedged transaction is executed. If the hedged transaction is not carried out, the cumulative net result included in the revaluation capital is transferred immediately to the profit or loss.

In addition, the Company documents the effectiveness with which the hedging instrument offsets changes in the fair value or cash flows of the hedged item, both at the time of the creation of the link and on a regular basis in subsequent periods.

43.13 Inventory (including certificates of origin)

The components of inventories are measured at the acquisition price, which consists of the purchase price increased by the costs incurred for their purchase, i.e. in particular transport costs to the place of storage or at the production

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cost not higher than the net sale price less inventory revaluation write-offs, if any.

Inventory consumption is determined using the weighted average purchase price method.

Inventories presented by the Company consist of energy origin certificates acquired for redemption, acquired for the purpose of re-sale, and created by the Company.

Certificates of origin of energy are a confirmation of energy production in a renewable energy source (energy coming from, e.g. wind, water, sun, biomass - so-called green certificates, energy from agricultural biogas - so-called blue certificates) or energy generated in cogeneration (from three types of sources, i.e. gas sources or sources with a capacity of less than 1 MW - so-called yellow certificates, sources with a capacity above 1 MW other than those fired with gaseous fuels, methane and gas from biomass processing - so-called red certificates and gas-fired sources obtained from biomass processing or methane released in the process of methane removal from mines - so-called purple certificates). They are issued by the President of the Energy Regulatory Office at the request of an energy company involved in the production of energy in renewable sources and cogeneration.

Energy efficiency certificates, i.e. white certificates, are a confirmation of the declared energy savings resulting from the undertakings aimed at improving energy efficiency in three areas, i.e. increasing energy savings by end users, increasing energy savings by energy producers' own devices operated for own needs and reducing losses of electricity, heat or natural gas in transmission and distribution. For the aforementioned categories of undertakings, tenders for the so-called white certificates are held by the President of the Energy Regulatory Office. The certificates are issued by the President of the Energy Regulatory Office at the request of the entity that won the tendering procedure.

Property rights arising from energy certificates and energy efficiency certificates are established when energy certificates of origin and energy efficiency certificates are registered in the registers maintained by Towarowa Giełda Energii S.A. (TGE S.A.). These rights are transferable and constitute a commodity. The transfer of rights takes place at the moment of making an appropriate entry in the register of certificates of energy origin or in the register of energy efficiency certificates. Property rights expire upon redemption.

Acquired certificates of origin are valued at the purchase price less any impairment allowances.

Pursuant to the provisions of the Energy Law Act and the Energy Efficiency Act, an energy undertaking dealing in energy trading and selling this energy to end users shall be obliged to:

- a) obtain energy certificates and energy efficiency certificates and present them to the President of the Energy Regulatory Office for redemption or
- b) pay the substitution fee.

The Company is obligated to obtain and present for redemption:

- a) certificates of origin of energy corresponding to the amounts set in the regulations enacted on the basis of the Energy Law as a percentage of total energy sales to end consumers,
- b) energy efficiency certificates with a value expressed in tonnes of oil equivalent [toe], no more than 3% of the amount of revenue from the sale of electricity to end users, achieved for a given year in which this obligation is met and a single substitution fee. The amount of revenue from the sale of electricity to end users achieved for a given accounting year is reduced by the amounts and costs referred to in Article 12 section 4 of the Energy Efficiency Act. The amount of the obligation in individual accounting years is determined in a

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regulation enacted on the basis of the Energy Efficiency Act.

The deadline for fulfilling the obligation to redeem certificates of energy origin and energy efficiency certificates or to pay the substitution fees for a given year expires on the dates resulting from the applicable provisions of the law in force.

The Company presents certificates of energy origin and energy efficiency certificates to the President of the Energy Regulatory Office for redemption, on a monthly basis, in order to fulfil the obligation for a given financial year. In the books of account, redemption of energy origin certificates and energy efficiency certificates is recognised on the basis of the redemption decision issued by the President of the Energy Regulatory Office, the redeemed certificates being subject to detailed identification.

In the absence of a sufficient number of certificates required to fulfil the obligations imposed by the Energy Law and the Energy Efficiency Act as at the reporting date, the Company creates provisions for redemption of certificates of energy origin and energy efficiency certificates or for payment of the substitution fees.

43.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank, bank deposits payable on demand and other short-term investments with the original maturity of up to three months and with high liquidity. Cash is measured at the end of the reporting period in the nominal value.

43.15 Share capital

The share capital of the Company is presented in the amount specified and entered in the court register, adjusted accordingly for the effects of hyperinflation and settlement of the effects of the separation, merger, and acquisition of companies.

An increase in the share capital, which was covered at the balance sheet date and which is awaiting registration in the National Court Register is also presented as the share capital.

43.16 Financial liabilities, including loans, borrowings and debt securities.

Financial liabilities are initially recognized at fair value less transaction costs incurred.

After initial recognition, financial liabilities are measured at depreciated cost using the effective interest rate.

When determining the depreciated cost, the costs related to obtaining a credit or a loan as well as discounts or bonuses obtained in connection with the liability are taken into account.

43.17 Income tax (including deferred income tax)

Income tax presented in the statement of profit and loss and other comprehensive income consists of the current tax and deferred tax.

The current tax liability is calculated based on the taxable profit (tax base) for a given reporting period. Taxable profit/loss is different from the accounting net profit/loss due to the exclusion of taxable income and expenses that

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are deductible in subsequent years, as well as cost and revenue items that will never be subject to tax. Tax liabilities are calculated based on tax rates applicable in a given reporting period.

Deferred tax is the tax result of events in a given period, recognized in accordance with the accrual basis in the books of account of that period, but realized in the future. It arises when the tax effect of revenues and costs is the same as the balance sheet one, but occurs in other periods.

During the term of the agreement regarding the Tax Capital Group, Enea S.A. as the entity representing the Group makes calculations and settles the income tax of the Tax Capital Group. The object of taxation with income tax in tax capital groups is the income generated in the tax year which constitutes a surplus of the sum of income of all groups forming the group over the sum of their losses.

43.18 Employee benefits

There are the following types of employee benefits at Enea S.A.:

A. Short-term employee benefits

Short-term employee benefits at Enea S.A. include, among others: monthly salaries, annual bonus payments, reduced payment for energy purchase, short-term paid leave of absence with social insurance contributions due, the Energy Sector Day award and liabilities resulting from the Voluntary Redundancy Programme.

Liabilities due to short-term (accumulated) paid leave (remuneration for unused holidays) are recognized even if paid leave does not entitle the employee to a cash equivalent. The Company determines the expected cost of accumulated paid leave as an additional amount that it is expected to pay as a result of unused entitlement established as at the balance sheet date.

B. Defined benefit schemes

The defined benefit schemes of the Company include:

1) Retirement packages

Employees who retire (due to old age or disability) are entitled to receive retirement benefits in the form of cash. The amount of these benefits depends on the length of service and the amount of remuneration received by the employee. Actuarial methods are used to estimate liabilities in this respect.

2) Right to a reduced electricity price after retirement

Retiring employees who have worked for at least one year in the Company have the right to a reduced payment for the purchase of energy. Old-age and disability pensioners have the right to a monetary equivalent of 3,000 kWh x 80% of the electricity price and the variable component of the transmission charge as well as 100% of the fixed network charge and subscription charge according to the single-zone tariff generally applicable to households. The cash equivalent is paid out twice a year, in an amount representing half of the annual equivalent each time. The value of

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the equivalent is adjusted by the increase in the price of electricity according to the tariff generally applicable to households in the year preceding the payment.

This right passes on to the spouse of the deceased employee, provided the spouse receives a family pension.

- 3) Contribution to the Company Social Benefits Fund for old-age and disability pensioners covered by welfare provided by the Company

The contribution to the Company Social Benefits Fund for old-age and disability pensioners covered by welfare provided by the Group is made in the amount resulting from legal regulations in force.

Employee benefits are recognized in the statement of the financial position in liabilities due to employee benefits and the change in provisions is presented in the profit and loss account and other comprehensive income.

The estimation of liabilities on account of these benefits referred to in items 1-3, is made by the actuary using the "Projected Unit Credit Method" method. Actuarial profits and losses are fully recognized in other comprehensive income.

C. Other long-term employee benefits

Jubilee bonuses

Other long-term employee benefits of Enea S.A. include jubilee bonuses. The amount of these bonuses depends on the length of service and the amount of remuneration received by the employee. Actuarial methods are used to estimate liabilities in this respect. Actuarial profits and losses are recognized in full in the profit or loss of the current period.

D. Defined contributions programme

- 1) Social insurance contributions

The social insurance system operates on the basis of a state programme, according to which the Company is obliged to pay social security contributions for employees when they become due. The Company is not required either legally or customarily to pay future social security benefits. The Company recognizes the cost of contributions concerning the current period in the profit or loss of the current period as the cost of employee benefits.

- 2) Employee Pension Scheme

Pursuant to Appendix to the Collective Labour Agreement, the Company operates an Employee Pension Scheme in the form of unit-linked group employee insurance in line with the statutory principles and under conditions negotiated with the labour unions.

The Employee Pension Scheme is available to all employees of the Company after one year of service, irrespective of the type of their employment contract.

Employees join the Employee Pension Scheme under the following terms and conditions:

- insurance is concluded in the form of group life assurance with insurance protection,

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- the basic premium is set at 7% of the participant's remuneration,
- 90% of the basic premium goes to the investment premium and 10% towards insurance protection.

The Company recognizes the cost of premiums under the Employee Pension Scheme for the current period in the profit or loss as the cost of employee benefits.

43.19 Provisions

Provisions are created when the Group's companies are under a present obligation (legal or customary) resulting from past events and it is probable that the fulfilment of this obligation will result in the necessity to disburse resources embodying economic benefits and a reliable estimate of the amount of this obligation can be made.

The amount for which the provision is created is the most appropriate estimate of the outlays necessary to fulfil the current obligation, discounted as at the balance sheet date.

The use of a previously created provision for certain or highly probable future liabilities is recognized when the liabilities arise to decrease the provision. Unused provisions, if the risk justifying their creation decreases or ceases, increase financial revenues or other operating revenues, respectively.

The Company also creates provisions for pre-litigation claims filed by owners of properties where distribution networks and equipment are located, as well as other potential claims related to the foundation of the Group's grid assets on properties to which the Group has no legal title. The estimation of the value of claims covers the potential payment of compensation for the so-called non-contractual use of land or rent and is performed by technical services.

Provision for certificates of energy origin and energy efficiency certificates

The Company creates provisions for certificates of energy origin and energy efficiency certificates or for payment of the substitution fees.

The basis for determining the provisions for the redemption of certificates of energy origin for each item is the number of certificates that constitutes the difference between the number of certificates required for redemption in accordance with the Energy Law and the number of certificates redeemed as at a given reporting day.

The basis for determining the provisions for the redemption of energy efficiency certificates is the number of certificates expressed in tonnes of oil equivalent which is the difference between the number of certificates required for redemption in accordance with the Energy Efficiency Act and the number of certificates redeemed as at the reporting date.

The provision is valued:

1. in the first place on the basis of the purchase price for energy efficiency certificates held but not redeemed as at the balance sheet date,
2. in the second place on the basis of the purchase price resulting from the contracts of sale concluded by the Company, as regards the part of the certificates that the Company intends to receive in the first place,
3. in the third place, on the basis of the weighted average price in session transactions concluded on the Property Rights Market maintained by Towarowa Giełda Energii S.A. during the month in which the reporting day on which the value of the provision is determined falls,

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4. and in the absence of these transactions or in the event of a shortage in the market preventing the Company from purchasing the sufficient number of rights required for the fulfilment of the obligation, the outstanding provision is valued on the basis of the one-off substitution fee payable in a given financial year.

43.20 Revenue recognition

Sales revenues are recognized at the fair value of the consideration received or due, net of the goods and services tax, rebates, and discounts.

Revenues from the sale of energy and distribution services are recognized at the moment of energy delivery. For the purpose of determining the amount of revenues for the period between the last invoicing date and the balance sheet date, an estimate of revenues is made, which is shown in the statements of financial position under trade and other receivables.

Revenues from the sale of certificates of origin of energy acquired for resale are presented in accordance with the rules described in 43.13.

Revenues from the sale of goods, and materials are recognized when the entity has transferred significant risks and benefits of ownership of goods, and materials and is likely to obtain economic benefits from transactions.

Revenues from the lease of investment real estate are recognized in the profit or loss using the straight-line method over the term of the contract.

Interest income is recognized on an accrual basis using the effective interest rate, provided that it is certain.

Dividend revenue is recognized when the right to receive payment is acquired.

43.21 Dividend payment

Payments of dividends to shareholders are recognized as a liability in the Company's financial statements in the period in which they were approved.

43.22 Property, plant and equipment held for sale

Non-current assets intended for sale are assets that meet the following criteria:

- their carrying amount will be recovered through sales transactions and not through further use,
- the Management Board of the Company submitted a sales declaration and an active search for a potential buyer was initiated,
- assets are available for immediate sale in their current condition,
- the sale transaction is highly probable and it can be settled within 12 months of making the decision,
- the selling price is reasonable in relation to the current fair value,
- there is a low probability of introducing changes to the plan for the sale of these assets.

If the criteria are met after the end of the reporting period, the classification of assets at the end of the financial year preceding the event is not changed. The change in classification is reflected in the reporting period in which the criteria have been met. When the asset is designated for disposal, depreciation is discontinued.

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Assets held for sale are valued at the lower of two values: the net carrying amount or fair value less costs of sale.

43.23 Statement regarding the new standards and interpretation of the International Financial Reporting Standards

The following new Standards, amendments to Standards and Interpretations have not been adopted by the EU or are not yet effective for annual periods ending on 31 December 2017 and have not been applied in the standalone financial statements:

- IFRS 15 Revenue from contracts with customers - for periods beginning on 1 January 2018,
- Amendments to IFRS 15 Revenue from contracts with customers - for periods beginning on 1 January 2018,
- IFRS 9 Financial Instruments - for periods beginning on 1 January 2018,
- Amendments to IFRS 9 Financial Instruments - for periods beginning on 1 January 2019,
- IFRS 16 Leases - for periods beginning on 1 January 2019,
- IFRS 14 Regulatory prepayments and accruals - for periods beginning on 1 January 2016 - the European Commission has decided not to approve this interim Standard pending the Standard proper,
- Sale or Transfer of Assets between the Investor and the Associated Company or Joint Undertaking (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Associates) - for periods beginning on 1 January 2016 - The European Commission has decided to postpone the approval of these amendments indefinitely,
- Amendments to IFRS 2 Share-based Payments - for periods beginning on 1 January 2018,
- Amendments to International Financial Reporting Standards 2014-2016 - for periods beginning on 1 January 2018 (except for amendments to IFRS 12 that are effective in relation to annual periods starting on 1 January 2017 or later),
- IFRIC 22 Foreign Currency Transactions and Advances - for periods beginning on 1 January 2018,
- Amendments to IAS 40 Investment Property - for periods beginning on 1 January 2018,
- IFRIC 23 Uncertainty Related to the Income Tax Approach - for periods beginning on 1 January 2019,
- Amendments to IAS 28 Investments in Associates and Joint Ventures - for periods beginning on 1 January 2019,
- Amendments to the International Financial Reporting Standards 2015-2017 - for periods beginning on 1 January 2019.

The Company intends to apply them to the periods in which they will be effective for the first time.

As 1 January 2018, IFRS 9 Financial Instruments comes into force. The published standard introduces new principles of classification and measurement of financial assets and financial liabilities, determination of impairment allowances on financial assets and hedge accounting. In connection with the entry into force of IFRS 9 and the resulting new classification of financial assets, the Company is considering a change in the presentation of financial assets in the consolidated financial statements and, respectively, financial liabilities. The analysis carried out for the purposes of applying IFRS 9 indicates that as at 1 January 2018, additional write-offs will be recognized amounting to PLN 2,850 thousand for trade and other receivables. A write-off will be introduced in correspondence with retained earnings. The Company will apply IFRS 9 retrospectively with the recognition of adjustments to its requirements as at 1 January 2018.

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

As of 1 January 2018, IFRS 15 Income from contracts with customers comes into force. In accordance with the new Standard, the Company will use a five-stage model to determine the moment of recognition of revenues and their amount. The analysis conducted to determine the needs of applying IFRS 15 indicates significant differences between the requirements of this Standard and the current accounting practice when it comes to recognizing revenues from sales. The major changes anticipated by the Company are:

- the Company acting as an intermediary:
 - in comprehensive contracts comprising sale of electricity and provision of distribution services and in comprehensive contracts for the sale of gaseous fuels to the extent of distribution services (as a result of netting, a reduction in sales revenues and corresponding costs by approximately PLN 1,600,000 thousand);
 - in contracts for electricity sale to the extent of additional services (as a result of netting, a reduction in sales revenues and corresponding costs by approximately PLN 1,500 thousand);
- which will not change the consolidated financial result reported by the Company.

Enea S.A. will apply IFRS 15 retrospectively with the presentation of the total effect of the first application of this Standard as an adjustment to the initial balance of retained earnings in the annual reporting period in which the first application date falls.

As of 1 January 2019, IFRS 16 Leases enters into force. With regard to lessees, the new Standard eliminates the current distinction between financial and operational leases. The recognition of an operational lease in the consolidated statement of financial position will result in the recognition of a new asset - the right to use the leased asset - and a new liability - the liability to make a lease payment. The rights to use leased assets will be subject to amortisation, while interests will accrue on the liability. This will result in higher costs in the initial leasing phase, even if its parties have agreed on fixed annual fees. Recognition of lease agreements with the lessor will in most cases remain unchanged due to the retained division into operational and financial leases. Currently, the Company is reviewing Standard with an aim to determine the value of adjustments. The Company expects that upon initial recognition the Standard will have a significant impact on its consolidated financial statements. The new standard will increase the balance sheet total, change the classification of costs in the profit and loss account and the presentation of cash flows. In the profit and loss account, expenses due to renting and leasing, recognized under the new regulation as a lease, will be replaced by depreciation costs and interest cost (similar to the current recognition of financial leasing in accordance with IAS 17). As a result, the lease cost will appear at an early stage of the contract, which will reduce the revenue and equity immediately after the initial recognition of the lease, which is now recognized as operational lease. The new requirements eliminate the concept of operational lease, and consequently the off-balance sheet recognition of assets used on this basis. All assets used and the corresponding liabilities to pay rent will be included in the balance sheet. This will change the basis for calculating commonly used financial indicators, such as debt ratios or EBITDA. This will increase the comparability of data between companies, but it will also have an impact on covenants in loan agreements, credit ratings, financial costs and stakeholder perception of the company.

With respect to the other new Standards, amendments to Standards and Interpretations, the Company has not yet analysed their impact on its financial position and results of operations.