



Consolidated report on payments to public administration in 2017

Enea Group operations

There are six leading entities within Enea Capital Group which manage the individual areas of operations, i.e.:

- Enea SA – electricity and gas trading
- Enea Operator sp. z o.o. – electricity distribution
- Enea Wytwarzanie sp. z o.o. and Enea Elektrownia Połaniec S.A. – generation and sale of electricity and heat
- Enea Trading sp. z o.o. – wholesale electricity trading
- LW Bogdanka SA – coal production

The other entities within Enea Group render ancillary activities in relation to the aforesaid companies.

In Enea Group, the mining operations are performed by its subsidiary, Lubelski Węgiel Bogdanka SA. The mining activities are performed by Lubelski Węgiel Bogdanka SA based on its own mining licences issued by the Minister of the Environment.

Due to the fact that the mining operations are performed exclusively by LW Bogdanka SA within LW Bogdanka Group, payments to the public administration made by the entity correspond to total payments made for this purpose within LW Bogdanka Group, and also payments made for this purpose within Enea Group.

Basis of preparation

This consolidated report on payments to public administration was prepared pursuant to § 82a item 4 of the Regulation on current and periodic information [...] in relation to chapter 6a Article 63e-63j of the Accounting Act (“the Act”).

Enea Group companies do not pursue any business activity within the primary forest logging on the area of primary forests.

Due to the fact that Enea SA is not an entity which operates in the mining sector and is not an entity engaged in primary forest logging, the Issuer does not prepare any non-consolidated report on payments to public administration.



Coal mining in Enea Group

In Enea Group, the mining operations are performed by its subsidiary, LW Bogdanka SA.

The entity's core subject of activity is bituminous coal mining and beneficiation.

LW Bogdanka SA is a parent for four subsidiaries performing supporting mining operations:

- Łęczyńska Energetyka sp. z o.o. - provides services for the mine within supply of heat energy and performs water and sewage management. In the previous year, Łęczyńska Energetyka sp. z o.o. also carried out works related to the completion of the construction of the central air-conditioning system in the Bogdanka field. Additionally, the Company supplies heat energy to external entities such as housing developments and other objects in łączna. The entity operates also within the construction works and repairs of heating, water supply and sewage installations
- EkoTRANS Bogdanka sp. z o.o. - provides services for the mine within the operations relating to the recovery of waste created by flushing and cleaning of coal output
- RG Bogdanka sp. z o.o. - provides services for the mine mainly within the works performed in the mine and reconstructions
- MR Bogdanka sp. z o.o. - provides services for the mine within renovations, repair and construction works, performance of works in underground machine divisions, regeneration and production of steel structures

Scope of mining operations

The individual areas of operations in the Mining segment include :

- bituminous coal production
- bituminous coal sale
- securing the resource base for Enea Group

Bogdanka mine is located in the Central Coal Region (CCR) in the north-eastern part of the Lublin Coal Basin which is identified to the largest extent. Geographically, the Central Coal Region is within Polesie Lubelskie boundaries, and just small parts are located in Wyżyna Lubelska. As regards the administration, Bogdanka mine is located in the Lubelskie province, on the area of Puchaczów municipality.

The mining activities are performed by the Parent Company based on its own mining licences issued by the Minister of the Environment.

Mining area and production potential



LW Bogdanka holds three mining fields in which the mine shafts are located:

- Bogdanka
- Nadrybie
- Stefanów

The mining shafts are located in Bogdanka and Stefanów.



Principles adopted on the preparation of a Consolidated report on payments made for the account of the public administration

Pursuant to Article 63e item 6 of the Act, the payment shall mean the amount paid, in cash or in kind, from the operations mentioned in Article 63e item 1 or 2, in respect of :

- production receivables
- taxes collected from income, production or profits of companies, excluding tax on consumption, such as tax on goods and services, personal income tax or sales tax
- royalties
- Dividend
- licence fees and bonuses for discovery or production
- licence fees, lease charges, fees for commencement of operations and other provisions due to licence granting
- payments for infrastructural improvement

In this Consolidated report on payments to public administration, the following purposes were included :

The purpose of payment defined in Article 63e of the Act	In respect of tax and charges qualified for the given purpose of payment mentioned in the Act
Taxes collected from income, production or profits of companies, excluding tax on consumption, such as tax on goods and services, personal income tax or sales tax	Corporate tax - CIT
Licence fees and bonuses for discovery or production	Fees for mining use
Licence fees, lease charges, fees for commencement of operations and other provisions due to licence granting	<ul style="list-style-type: none"> • Service charge • Fees for perpetual usufruct of lands • Fee for using geological information

Payments to public administration in 2017

All the payments resulting from the mining operations were made for the account of the public administration in Poland.

The said payments were made by LW Bogdanka, however, due to the fact that in Enea Group the mining operations are performed exclusively by LW Bogdanka, the payments to public administration by this entity correspond to the total payments for this purpose within Enea Group.

The amounts presented in this Consolidated report constitute the value of cash transfers made in 2017 to public administration bodies in Poland for particular purposes, decreased by any potential returns received.

All the payments mentioned above were made in cash, i.e. no payments in kind were made.

In 2017 the payments to public administration bodies were not attributed to any particular projects.

In 2016, Lubelski Węgiel Bogdanka S.A. and its subsidiaries set up a Tax Group under the name of Podatkowa Grupa Kapitałowa Lubelski Węgiel Bogdanka with its registered office in Bogdanka (hereinafter referred to as "PGK LWB"), in which Lubelski Węgiel Bogdanka S.A. is represented. Apart from Lubelski Węgiel Bogdanka S.A., the Tax Group also includes the following subsidiaries: EKOTRANS Bogdanka Sp. z o.o., MR Bogdanka Sp. z o.o., and RG Bogdanka Sp. z o.o. PGK LWB became a corporate income tax payer (CIT) on 1 January 2017. The Corporate Income Tax Act treats a tax group as a separate income tax payer. This means that the companies comprising PGK LWB lost their separate corporate income tax entities, which are owned by PGK LWB as a whole. The subject of taxation in a tax group is the income determined on the total income of the group, calculated as the excess of the sum of the incomes of all the companies comprising the group over the sum of their losses. Therefore, since 2017 the corporate income tax has been transferred by the subsidiaries to Lubelski Węgiel Bogdanka S.A. and not directly to the tax authority. Only Lubelski Węgiel Bogdanka S.A. transfers the income tax calculated on the total income of PGK LWB to the tax authorities.

In view of the above circumstances, and as corporate income tax is calculated at the level of the entire Tax Group, in this consolidated report on payments to public administration it is disclosed in amounts transferred to the tax authority in full, calculated on the income of the entire Tax Group, and not only of the Parent Company on account of activities in the mining industry.

Payments to the relevant levels of public administration in 2017

Description	31 Dec 2017 [PLN k]	31 Dec 2016 [PLN k]
Government administration:	40,837	38,430
Lublin Tax Office*	28,889	25,874
Ministry of Environment in Warsaw	4,730	5,762
National Fund for Environmental Protection and Water Management	6,978	6,746
Tax Office in Nowy Targ	240	-
Customs Chamber	-	48
Local government administration:	12,696	10,325
Municipal Office	12,268	10,017
District Starost Office	428	308
TOTAL	53,533	48,755

* LWB pays corporate income tax to the relevant tax authority in the amount of the tax calculated on the income of the entire PGK LWB. The amount of income tax paid in 2017 in relation to LWB S.A., the Parent Company, amounted to PLN 27,842 thousand.

Payments to public administration in 2017 by purpose

Description	31 Dec 2017 [PLN k]	31 Dec 2016 [PLN k]
Government administration:	40,837	38,430
Taxes collected from income, production or profits of companies (excluding tax on goods and services, personal income tax or sales tax) *	29,129	25,922
Licence fee and bonus for discovery or production	379	283
Licence fee, lease charge, fee for commencement of operations and other provisions due to licence granting	11,329	12,225
Local government administration:	12,696	10,325
Licence fee and bonus for discovery or production	-	102
Licence fee, lease charge, fee for commencement of operations and other provisions due to licence granting	12,696	10,223
TOTAL	53,533	48,755

* LWB pays corporate income tax to the relevant tax authority in the amount of the tax calculated on the income of the entire PGK LWB. The amount of income tax paid in 2017 in relation to LWB S.A., the Parent Company, amounted to PLN 27,842 thousand.

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Signatures:

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