Extended consolidated quarterly report of the ENEA Group for the first quarter of 2018

Poznań, 22 May 2018

Contents of the extended consolidated quarterly report

1. Selected consolidated financial data of the ENEA Group for the period from 1 January 2018 to 31 March 2018 3
2. Condensed interim consolidated financial statements of the ENEA Group for the period from 1 January 2018 to 31 March 2018 4
3. Selected separate financial data for the period from 1 January 2018 to 31 March 2018 60
4. Condensed interim separate financial statements of the ENEA S.A. for the period from 1 January 2018 to 31 March 2018 61

Selected consolidated financial data of the ENEA Capital Group

	PLN '000		EUR '000	
	3 months ended 31.03.2018	3 months ended 31.03.2017	3 months ended 31.03.2018	3 months ended 31.03.2017
Net sales revenues	2 988 553	2 709 690	715 239	631 762
Operating profit	338 778	382 579	81 078	89 198
Profit before tax	306 908	402 805	73 451	93 914
Net profit of the reporting period	254 068	321 190	60 805	74 885
EBITDA	702 129	666 426	168 038	155 377
Cash flows from operating activities	733 332	572 270	175 505	133 424
Cash flows from investing activities	(730 302)	(1 732 991)	(174 780)	(404 045)
Cash flows from financial activities	(177 842)	55 166	(42 562)	12 862
Total net cash flows	(174 812)	(1 105 555)	(41 837)	(257 759)
Weighted average number of shares (in units)	441 442 578	441 442 578	441 442 578	441 442 578
Net earnings per share (in PLN / EUR per share)	0.55	0.67	0.13	0.16
Diluted earnings per share (in PLN / EUR per share)	0.55	0.67	0.13	0.16

	As at 31.03.2018	As at 31.12.2017	As at 31.03.2018	As at 31.12.2017
Total assets	28 019 678	28 312 994	6 657 878	6 788 222
Total liabilities	13 397 997	14 313 325	3 183 556	3 431 711
Long-term liabilities	9 809 804	10 063 012	2 330 950	2 412 672
Short-term liabilities	3 588 193	4 250 313	852 606	1 019 040
Equity	14 621 681	13 999 669	3 474 321	3 356 510
Share capital	588 018	588 018	139 722	140 981
Book value per share (in PLN / EUR per share)	33.12	31.71	7.87	7.60
Diluted book value per share (in PLN/EUR per share)	33.12	31.71	7.87	7.60

The above financial data for the first quarter of 2018 and for 2017 were converted into EUR according to the following principles:

- Individual items of assets and liabilities – according to the average exchange rate announced as at 31 March 2018 – 4.2085 PLN/EUR (as at 31 December 2017 – 4.1709 PLN/EUR),
- Individual items of the statement of profit and loss and other comprehensive income as well as the cash flow statement – according to an exchange rate being an arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the reporting period from 1 January to 31 March 2018 – 4.1784 PLN/EUR (between 1 January and 31 March 2017 – 4.2891 PLN/EUR).

Abbreviated Interim Consolidated Financial Statements of the ENEA Capital Group
for the period from 1 January to 31 March 2018

Poznań, 22 May 2018

Index to the Abbreviated Interim Consolidated Financial Statements

Consolidated Statement of Financial Position 7
Consolidated Statement of Profit and Loss and Other Comprehensive Income 9
Consolidated Statement of Changes in Equity 10
Consolidated Statement of Cash Flows 12
Notes to Abbreviated Interim Consolidated Financial Statements 13
1. General information about ENEA S.A. and the ENEA Capital Group 13
2. Statement of compliance 14
3. Accounting principles applied 14
4. Change of items presentation in the statement of financial position 22
5. Material estimates and assumptions 25
6. Composition of the Capital Group – list of subsidiaries, associates and jointly-controlled entities 26
7. Segment reporting 27
8. Property, plant and equipment 33
9. Intangible assets 33
10. Investments in associates and jointly controlled entities 33
10.1. Performance of the Investment Agreement with Energa S.A. and Elektrownia Ostrołęka Sp. z o.o. concerning construction and operation of a power unit at Elektrownia Ostrołęka Sp. z o.o. 34
10.2. Recapitalisation of Polska Grupa Górnicza S.A. 36
11. Trade and other receivables revaluation write-offs 38
12. Customer contract assets and liabilities 38
13. Analysis of the age structure of customer contract assets, trade accounts receivable and other accounts receivable constituting financial instruments 39
14. Debt financial assets measured at amortised cost 39
15. Inventory 40
16. Certificates of energy origin 40
17. Restricted access cash 40
18. Financial assets measured at fair value 40
19. Loans, borrowings and debt securities 41
20. Financial instruments 46
21. Deferred income due to subsidies, connection fees and other 48
22. Deferred income tax 49
23. Provisions for liabilities and other charges 49
24. Net sales revenue 51
25. Related party transactions 52
26. Future liabilities under contracts concluded as at the reporting date 53
27. Contingent liabilities and proceedings before courts, arbitration and public administration bodies 53
27.1. Sureties and guarantees 53
27.2. Proceedings pending before common courts of law 53
27.3. Arbitration proceedings. 54
27.4. Other court proceedings. 55
27.5. Cases concerning non-balanced energy trading in 2012. 56
27.6. Dispute concerning renewable energy origin certificates prices and terminated contracts for the purchase of property rights resulting from renewable energy certificates of origin. 56
28. Participation in the nuclear power plant construction programme 58
29. Acquisition agreement regarding Eco-Power Sp. z o.o. 59
30. Changes in the composition of the Supervisory Board 59

These Abbreviated Interim Consolidated Financial Statements were prepared in accordance with the requirements of the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*, as approved by the European Union and accepted by the Management Board of ENEA S.A.

Members of the Management Board

President of the Management Board	**Mirosław Kowalik**	…………………………………
Member of the Management Board	Piotr Adamczak	…………………………………
Member of the Management Board	Piotr Olejniczak	…………………………………..
Member of the Management Board	**Zbigniew Piętka**	…………………………………..

Prepared by: Robert Kiereta
Head of Consolidated Reporting Office ……………………………………

Poznań, 22 May 2018

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

Consolidated Statement of Financial Position

	Note	As at 31.03.2018	As at 31.12.2017 (converted data)*
ASSETS			
Non-current assets			
Property, plant and equipment	8	20 320 144	20 416 867
Perpetual usufruct of land		105 363	105 571
Intangible assets	9	414 723	418 248
Investment property		26 724	26 981
Investments in associates and jointly controlled entities	10	538 692	355 152
Deferred income tax assets	22	475 059	501 945
Financial assets measured at fair value	18	79 257	103 615
Debt financial assets measured at amortized cost	14	7 741	2 940
Trade and other receivables		47 087	27 789
Costs of contract conclusion		15 297	-
Cash deposits at Mine Closure Fund		121 833	121 806
Total assets		22 151 920	22 080 914
Current assets			
CO_2 emission rights		384 479	595 533
Inventory	15	805 199	846 187
Trade and other receivables		1 609 528	1 893 530
Costs of contract conclusion		16 733	-
Customer contract assets	12	283 563	-
Current income tax receivables		181 585	149 859
Financial assets measured at fair value	18	73 634	49 329
Debt financial assets measured at amortised cost	14	537	10 516
Cash and cash equivalents	17	2 512 314	2 687 126
Non-current assets classified as held for sale		186	-
Current assets		5 867 758	6 232 080
Total assets		28 019 678	28 312 994

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

	Note	As at 31.03.2018	As at 31.12.2017 (converted data)*
LIABILITIES			
Equity			
Equity attributable to shareholders of the Parent Company			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Financial instruments revaluation reserve		767	741
Other capital		(27 101)	(27 101)
Reserve capital from valuation of hedging instruments		2 980	25 967
Retained earnings		9 489 791	8 858 130
Equity attributable to shareholders of the Parent Company		13 686 919	13 078 219
Non-controlling interests		934 762	921 450
Equity		14 621 681	13 999 669
LIABILITIES			
Long-term liabilities			
Loans, borrowings and debt securities	19	7 659 797	7 720 091
Trade and other accounts payable		153 821	57 579
Customer contract liabilities	12	69 601	-
Financial lease liabilities		1 307	1 651
Deferred income due to subsidies, connection fees and other	21	178 343	645 443
Deferred income tax provision	22	331 451	245 240
Employee benefits liabilities		745 861	739 946
Financial liabilities measured at fair value		14 555	9 875
Provisions for other liabilities and charges	23	655 068	643 187
Long-term liabilities		9 809 804	10 063 012
Current liabilities			
Loans, borrowings and debt securities	19	476 938	539 429
Trade and other accounts payable		1 588 114	2 051 385
Customer contract liabilities	12	1 802	-
Finance lease liabilities		1 788	1 942
Deferred income due to subsidies, connection fees and other	21	11 208	92 422
Current income tax liabilities		3 095	1 797
Employee benefits liabilities		357 637	437 943
Liabilities due to an equivalent of the right to acquire shares free of charge		281	281
Financial liabilities measured at fair value		64 095	41 185
Provisions for other liabilities and other charges	23	1 083 235	1 083 929
Short-term liabilities		3 588 193	4 250 313
Total liabilities		13 397 997	14 313 325
Total equity and liabilities		28 019 678	28 312 994

* conversion of data for the comparative period for presentation purposes is presented in Note 4 to these Abbreviated Consolidated Financial Statements

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

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	3 months ended 31.03.2018	3 months ended 31.03.2017
Sales revenue		3 055 533	2 778 261
Excise tax		(66 980)	(68 571)
Net sales revenue	24	2 988 553	2 709 690
Other operating revenue		58 468	16 238
Depreciation		(363 351)	(283 847)
Costs of employee benefits		(410 009)	(386 987)
Consumption of materials and supplies and cost of goods sold		(605 657)	(285 611)
Energy and gas purchase for sale		(854 942)	(792 416)
Transmission services		(103 201)	(261 823)
Other outsourced services		(199 827)	(149 899)
Taxes and charges		(122 996)	(106 327)
Profit/(loss) on sale and liquidation of property, plant and equipment		(3 290)	(3 787)
Other operating expenses		(44 970)	(72 652)
Operating profit		338 778	382 579
Financial expenses		(62 384)	(45 957)
Financial revenue		17 905	66 183
Share in profits of affiliates and jointly controlled entities		12 609	-
Profit before tax		306 908	402 805
Income tax	22	(52 840)	(81 615)
Net profit for the reporting period		254 068	321 190
Other comprehensive income			
Subject to reclassification to profits or losses:			
- valuation of hedging instruments		(28 353)	(6 209)
- other		-	(4)
- income tax	22	5 392	1 180
Net other comprehensive income		(22 961)	(5 033)
Total income for the reporting period		231 107	316 157
whereof net profit:			
attributable to shareholders of Parent Company		240 756	295 230
attributable to non-controlling shares		13 312	25 960
whereof comprehensive income:			
attributable to shareholders of Parent Company		217 795	290 197
attributable to non-controlling shares		13 312	25 960
Net profit allocated to shareholders of Parent Company		240 756	295 230
Weighted average number of ordinary shares		441 442 578	441 442 578
Net profit per share (in PLN per share)		0,55	0,67
Diluted earnings per share (in PLN per share)		0,55	0,67

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

Consolidated Statement of Changes in Equity

(a) Q1 2018

	Share capital (nominal value)	Revaluation of share capital	Total share capital	Share premium	Financial instruments revaluation reserve	Other capital	Reserve capital from valuation of hedging instruments	Retained earnings	Capital attributable to non-controlling interests	Total equity
Balance as at 01.01.2018	441 443	146 575	588 018	3 632 464	741	(27 101)	25 967	8 858 130	921 450	13 999 669
Adjustment due to implementation of IFRS 9 and 15								390 905		390 905
Balance as at 01.01.2018 following adjustment	441 443	146 575	588 018	3 632 464	741	(27 101)	25 967	9 249 035	921 450	14 390 574
Net profit of the reporting period								240 756	13 312	254 068
Net other comprehensive income					26		(22 987)			(38 945)
Total net comprehensive income recognised in the period					26		(22 987)	240 756	13 312	231 107
Balance as at 31.03.2018	441 443	146 575	588 018	3 632 464	767	(27 101)	2 980	9 489 791	934 762	14 621 681

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

(b) Q1 2017

	Share capital (nominal value)	Revaluation of share capital	Total share capital	Share premium	Financial instruments revaluation reserve	Other capital	Reserve capital from valuation of hedging instruments	Retained earnings	Capital attributable to non-controlling interests	Total equity
Balance as at 01.01.2017	441 443	146 575	588 018	3 632 464	744	(25 652)	33 826	7 946 612	835 717	13 011 729
Net profit of the reporting period								295 230	25 960	321 190
Net other comprehensive income					(4)		(5 029)			(5 033)
Total net comprehensive income recognised in the period					(4)		(5 029)	295 230	25 960	316 157
Redemption of non-controlling interests in subsidiaries						(1 480)			(276)	(1 756)
Balance as at 31.03.2017	441 443	146 575	588 018	3 632 464	740	(27 132)	28 797	8 241 842	861 401	13 326 130

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

Consolidated Statement of Cash Flows

	3 months ended 31.03.2018	3 months ended 31.03.2017
Cash flows from operating activities		
Net profit for the reporting period	254 068	321 190
Adjustments:		
Income tax in profit or loss	52 840	81 615
Depreciation	363 351	283 847
Loss on sale and liquidation of property, plant and equipment	3 290	3 787
Loss/ (profit) on sale of financial assets	3 256	(50 556)
Interest income	(17 551)	(2 113)
Interest expense	55 718	21 031
Gain on measurement of financial instruments	(2 110)	(70 211)
Share in profit/loss of affiliates and jointly-controlled entities	(12 609)	-
Other adjustments	(2 427)	(2 998)
	443 758	264 402
Income tax paid	(59 608)	(104 302)
Changes in working capital:		
CO2 emission rights	9 702	13 874
Inventories	48 315	41 273
Trade and other receivables	(114 149)	(99 444)
Trade and other payables	16 172	140 462
Employee benefits liabilities	(74 538)	(30 879)
Deferred income due to subsidies, connection fees and other	20 835	(4 588)
Other provisions for liabilities and other charges	188 777	30 282
	95 114	90 980
Net cash flows from operating activities	733 332	572 270
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(574 457)	(559 046)
Inflows from disposal of property, plant and equipment and intangible assets	604	1 017
Acquisition of financial assets	(4 800)	(6 500)
Inflows from disposal of financial assets	12 394	1 223
Acquisition of subsidiaries, affiliates and jointly-controlled entities adjusted by acquired cash	(170 194)	(1 172 857)
Outflows due to cash deposited in the bank account of the Mine Closure Fund	(26)	(26)
Interest received	1 797	2 083
Other inflows from investing activities	4 380	1 115
Net cash flows from investing activities	(730 302)	(1 732 991)
Cash flows from financing activities		
Loans and borrowings received	700	250 000
Bond issue	-	150 000
Loans and borrowings repaid	(10 828)	(2 815)
Bonds redemption	(122 500)	(300 000)
Expenses related to payment of finance lease liabilities	(495)	(612)
Interest paid	(42 517)	(38 034)
Expenses related to future issue of bonds	-	(422)
Other expenses from financing activities	(2 202)	(2 951)
Net cash flows from financing activities	(177 842)	55 166
Total net cash flows	(174 812)	(1 105 555)
Opening balance of cash	2 687 126	2 340 217
Closing balance of cash	2 512 314	1 234 662

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

Notes to the Abbreviated Interim Consolidated Financial Statements

1. General information about ENEA S.A. and the ENEA Capital Group

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 – **District Court in Poznań**	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

The core business activity of the ENEA Capital Group (the „Group", the „Capital Group") includes:

- generation of electricity and thermal energy (ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A., Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki, Miejska Energetyka Cieplna Piła Sp. z o.o., ENEA Ciepło Sp. z o.o.);
- trading in electricity (ENEA S.A., ENEA Trading Sp. z o.o.);
- distribution of electricity (ENEA Operator Sp. z o.o.);
- distribution of heat (ENEA Wytwarzanie Sp. z o.o., Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki, Miejska Energetyka Cieplna Piła Sp. z o.o., ENEA Ciepło Sp. z o.o.);
- mining and cleaning of hard coal (Grupa Lubelski Węgiel „Bogdanka" S.A.).

As at 31 March 2018, the shareholding structure of the Parent Company 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 March 2018, the statutory share capital of ENEA S.A. amounted to PLN 441,443 thousand (PLN 588,018 thousand following conversion to the IFRS-EU taking into account hyperinflation and other adjustments) and it was divided into 441,442,578 shares.

As at 31 March 2018, the Capital Group comprised the parent company, ENEA S.A. (the „Company", the „Parent Company"), 13 subsidiaries, 10 indirect subsidiaries, 1 affiliate and 4 jointly-controlled entities.

These Abbreviated Interim Consolidated Financial Statements should be read together with the Consolidated Financial Statements of the ENEA Capital Group for the financial year ended 31 December 2017.

The Abbreviated Interim Consolidated Financial Statements The consolidated 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 Group's operation as a going concern.

2. Statement of compliance

These Abbreviated Interim Consolidated Financial Statements have been prepared in conformity with the requirements of the International Financial Reporting Standard IAS34 *Interim Financial Reporting*, which has been approved by the European Union and adopted by the Management Board of ENEA S.A.

The Management Board of the Parent Company has applied its best knowledge as to the application of the standards and interpretation as well as the methods and principles of measurement of individual items of the Abbreviated Interim Consolidated Financial Statements of the ENEA Capital Group in conformity with the IFRS-EU as at 31 March 2018. Due diligence has been applied while preparing the presented statements and explanations. These Abbreviated Interim Consolidated Financial Statements have not been reviewed by chartered accountant.

3. Accounting principles applied

These Abbreviated Interim Consolidated Financial Statements have been drawn up using the accounting principles consistent with the principles used upon drawing up the last annual consolidated financial statements for the financial year ended 31 December 2017, except for the accounting principles ensuing from the IFRS 9 *Financial Instruments* and IFRS 15 *Revenues from Contracts with Customers* that took effect on 1 January 2018.

3.1. Functional currency and presentation currency

The reporting currency of the presented Abbreviated Interim Consolidated Financial Statements is Polish zloty. Figures in the Abbreviated Interim Consolidated Financial Statements are presented in thousand Polish zlotys (PLN '000) , unless indicated otherwise.

3.2. Costs of contract conclusion

The costs of concluding a contract are costs incurred by the Group in order to enter into a contract with a customer that the Group would not have incurred had the contract not been concluded (including the costs of partner commissions due to the conclusion of contracts for the sale of electricity). The costs that would have been incurred irrespective of the fact of concluding the contract are presented in the result of the period in which they were incurred.

3.3. Financial assets

The Group classifies its financial instruments in the following categories:

- financial assets measured at fair value through profit or loss,
- equity instruments measured through other comprehensive income,
- financial assets measured at amortized cost,
- financial assets measured at fair value through other comprehensive income.

a) Financial assets measured at fair value through profit or loss include:
   - financial assets held for trading (including, among others, derivative instruments to which hedge accounting is not applied),
   - financial assets designated voluntarily for this category,
   - financial assets that do not meet the definition of a basic loan agreement, including equity instruments such as stocks and shares, except for those designated to equity instruments through other comprehensive income,
   - financial assets that meet the definition of a basic loan agreement that are not maintained in accordance with the business model to realize cash flows or to realize cash flows or sales.

Assets in this category are classified as current assets if they are held for trading or are expected to be realised within 12 months of the balance sheet date.

b) Financial assets measured at amortized cost

Financial assets measured at amortized cost are financial assets held within a business model, the purpose of which is to hold financial assets to collect the contractual cash flows and whose contractual terms meet the criteria of the basic loan agreement.

c) Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are financial assets held within a business model, the purpose of which is both to collect the contractual cash flows and to sell financial assets; and whose contractual terms meet the criteria of the basic loan agreement.

d) Equity instruments measured through other comprehensive income

Equity instruments measured through other comprehensive income include investments in an equity instrument classified voluntarily and irrevocably at the moment of initial recognition. Equity instruments meeting the criteria of assets held for trading and meeting the criteria of a conditional payment recognized by the acquiring company as part of a merger of companies may not be included in such classification.

At the moment of initial recognition, the Group measures a financial asset subject to classification for the purposes of its valuation at its fair value. An exception to this rule are trade receivables without a significant financial component, which are valued at the transaction price.

The fair value of financial assets not included in the fair value measurement through profit or loss is increased by transaction costs which can be directly attributed to the acquisition of these assets.

Financial assets measured at fair value through profit or loss are measured at fair value as at each balance sheet date. The fair value determined as at the balance sheet date is not adjusted for transaction costs that should be incurred for the realisation of a given item. Results of revaluation to fair value for assets in this category are recognized in the financial result. In the case of removing a given item from the books, the Group determines the gain or loss on disposal and recognizes it in the financial result for the period.

Financial assets measured at amortized cost assets are measured at amortized cost on each balance sheet date.

Amortized cost of a financial asset is an amount at which the financial asset is measured at the time of its initial recognition, reduced by repayment of the principal amount and increased or decreased by accumulated depreciation (determined using the effective interest rate) of all differences between such initial amount and the amount at maturity, and adjusted for any allowances for expected credit losses.

Financial assets measured at fair value through other comprehensive income are measured at fair value as at each balance sheet date. The fair value determined as at the balance sheet date is not adjusted for transaction costs that should be incurred for the realisation of a given item. Interest accrued for such items and revaluation write-offs for expected credit losses are recognized in the financial result of the period, and remaining revaluation to fair value is recognized as other comprehensive income.

Equity instruments classified as measured through other comprehensive income are measured at fair value at each balance sheet date. The fair value determined as at the balance sheet date is not adjusted for transaction costs that should be incurred for the realisation of a given item. Revaluation to fair value is recognized as other comprehensive income.

3.4. Hedge accounting and derivative instruments

Derivative instruments used by the Group to hedge against specific risks related, among others, to changes in interest rates and currency exchange rates, are measured at fair value. Derivative instruments are presented as assets if their value is positive and as liabilities if their value is negative.

The fair value of foreign currency contracts is determined by reference to current forward rates on contracts with the same maturity or based on a valuation received from independent entities. The fair value of interest rate swaps can be determined based on a valuation received from independent entities. The fair value of other derivative instruments is determined based on market data or based on a valuation obtained from independent institutions specialising in such valuation.

The Group may apply hedge accounting to a portion or the entire exposure to a specific risk if the hedging instrument and the hedged item that constitute the hedging relationship are part of the risk management objective and the hedging strategy.

The Group defines hedging relationships regarding various types of risk as a fair value hedge or cash flow hedge. Risk hedges in respect of probable future liabilities are settled as cash flow hedges.

When the hedging relationship is established, the Group documents the relationship between the hedging instrument and the hedged item and the risk management objectives, as well as the strategy for implementing various hedging transactions.

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

- at the time of establishment of the hedge, the hedging relationship, as well as the purpose of risk management by the Company and the hedging strategy were officially designated and documented,
- the hedging relationship includes only eligible hedging instruments and eligible hedged items,
- the hedge is expected to be highly effective in offsetting changes in fair value or cash flows arising from the hedged risk, in line with the risk management strategy for that particular hedging relationship,
- in the case of cash flow hedges, the planned transaction being the subject of 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,
- hedging efficiency can be credibly assessed.

If the Group identifies the ineffectiveness of the hedge beyond the adopted risk management objectives, and the hedging relationship continues to implement the risk management strategy and risk management objectives, the Company restores the balance of the hedging relationship.

The Group discontinues applying hedge accounting principles prospectively if:

- the hedge no longer meets the criteria for hedge accounting due to the fact that the hedging instrument expires, is sold, terminated or executed,
- the hedge no longer meets the criteria for hedge accounting in connection with a change of the risk management strategy or risk management objectives.

The Group does not dissolve the hedging relationship that:

- still meets the risk management objective on the basis of which the hedge was deemed eligible for inclusion in hedge accounting, and
- continues to meet all other eligibility criteria (taking into account, if applicable, restoring the balance of the hedging relationship).

If fair value hedges are applied to items other than an equity instrument classified as an equity instrument through other comprehensive income, the Group:

- recognizes gains or losses arising from the revaluation of the fair value of the derivative hedging instrument in the financial result, and
- adjusts the book value of the hedged item by the gain or loss related to the hedged item resulting from the risk being hedged and recognizes it in the financial result of the current period.

If fair value hedge is applied to an equity instrument classified as an equity instrument through other comprehensive income, the Group:

- recognizes gains and losses arising from the revaluation of the fair value of the hedging derivative instrument in other comprehensive income, and
- measures the equity instrument through other comprehensive income by recognising revaluation in other comprehensive income.

Cash flow hedge is a hedge against the threat of cash flow volatility, which can be attributed to a specific risk related to a recognized asset or liability or a highly probable planned transaction that could affect the financial result. The planned transaction is a transaction that is not yet a result of a concluded, binding contract (expected future transaction).

When using cash flow hedge accounting, the Group:

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

If the hedge of a planned transaction results in the recognition of a financial asset or financial liability, the related gain or loss that was included in the revaluation reserve is transferred to the financial result in the same period or periods in which the acquired asset or liability affects the financial result. However, if the Group expects that all or part of the losses recognized in the revaluation reserve 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 hedge of a 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 hedge is applied, the Group excludes the related gain or loss that was recognized in the revaluation reserve and includes it in the initial cost of acquisition or in another carrying amount of an assets or liabilities item.

If the Group ceases to apply cash flow hedge accounting in accordance with the criteria specified above, the accumulated profits or losses from the hedging instrument included in the revaluation reserve remain in them until the hedged transaction is performed. If the hedged transaction is not carried out (or is not expected), the cumulative net result included in the revaluation capital is transferred immediately to the profit and loss account.

3.5. CO_2 emission rights

Conversion of rights of different economic characteristics (e.g. EUA/CER) is reflected as two transactions:
transaction of disposal (sale) and transaction of purchase.
Profit/(loss) on disposal (sale) is recognised as a gain or expense in the financial result.
If rights are converted without financial settlement, the Group determines the profit or loss on the disposal of the transferred rights as the difference between the initial value of the newly acquired rights and balance sheet value (carrying amount) of the disposed (transferred) rights.
Each time upon conclusion of conversion contracts the Group assesses whether the acquired right is governed by the financial instruments regulations referred to in IFRS 9. If the acquired right is subject to the financial instruments regulations (IFRS 9), its initial value is determined based on its fair (market) value as at the date of contract conclusion. If the right acquired by conversion is not subject to IFRS 9, its initial value is determined on the basis of the fair (market) value of the transferred right.

3.6. Trade and other receivables

Trade receivables are initially recognised at the transaction price and subsequently they are measured at amortized cost using the effective interest rate, including impairment write-offs. In a situation where there are no differences between the initial value of receivables and the amount (amounts) on the due date (due dates), interest accrued using the effective rate does not appear

An impairment write-off on receivables is determined based on the expected credit losses. The expected credit losses account for both the occurrences of default of counterparties as well as potential estimated credit losses. The write-off is charged to costs recognized in the profit and loss account and other comprehensive income at the end of each reporting period.

3.7. Contract assets

In its statement of financial position, the Group recognizes a contract asset being the Group's right to remuneration in exchange for goods or services which the Group has provided to the customer. An asset is recognized if the Group has fulfilled its obligation by supplying goods or services to the customer before the customer has paid the remuneration or before the due date.

3.8. Cash and cash equivalents

Cash and cash equivalents include cash in a bank account, bank deposits payable on demand, other short-term investments with an initial maturity of up to three months and with high liquidity. Cash at hand is measured at each balance sheet date at face value. Cash in bank, bank deposits payable on demand and other short-term investments with an initial maturity of up to three months and with high liquidity are measured as at each balance sheet date at amortized cost (at the nominal/initial value plus interest accrued until the balance sheet date, adjusted for a write-off for anticipated credit losses).

3.9. Financial liabilities, including loans and credits, debt securities

Financial liabilities including trade accounts payable and other liabilities are initially recognized at fair value, less transaction costs incurred.

Financial liabilities including credits and loans and debt securities are classified as at the moment of their initial recognition in the following categories:

- financial liabilities measured at fair value through profit or loss,
- financial liabilities measured at amortised cost.

Financial liabilities measured at fair value through profit or loss include:

- financial liabilities that meet the definition of liabilities held for trading, including derivative instruments not used in hedge accounting,

- financial liabilities voluntarily designated by the Group as measured at fair value through profit or loss.

Financial liabilities measured at amortized cost include all financial liabilities subject to classification for the purposes of measurement, not included in financial liabilities measured at fair value through profit or loss.

At the moment of initial recognition, the Group measures a financial liability subject to classification for the purposes of measurement at its fair value.
The fair value of a financial liability not included in the fair value measurement through profit or loss is decreased by transaction costs that can be directly assigned to the issue (incurring/inception) of this liability.

The balance sheet valuation of a financial liability and the recognition of revaluations depend on the assignment of a given item to the appropriate category for the purposes of the valuation.

- financial liabilities classified as financial liabilities measured at fair value through profit or loss are measured at fair value as at each balance sheet date. The fair value determined as at the balance sheet date is not adjusted for transaction costs that should be incurred for the settlement of a given item. Revaluation to fair value is recognized in the profit or loss of the period,
- financial liabilities classified into the category of financial liabilities at amortized cost are measured at amortized cost as at each balance sheet date.

3.10. Contract liabilities

In its statement of financial position, the Group recognizes a contract liability being an obligation of the Group to supply goods or services to a customer in return for which the Group has received remuneration (or the amount of remuneration is due) from the customer.
If the customer has paid the remuneration or the Group is entitled to the amount of remuneration which is unconditional (i.e. payable) before the Group has supplied the goods or services to the customer, the Group presents the contract as a contract liability at the time of payment or when the payment becomes due (whichever happens first).

3.11. Recognition of revenues

The Group recognizes revenue when it meets (or in the course of fulfilling) the obligation to provide a performance by supplying the promised good or service (i.e. an asset) to the customer, at the same time acquiring the right to remuneration and the legal title to the asset. The transfer of an asset takes place when the customer gains control over this asset.
The transfer of control may take place over time, when the obligation to provide the performance is fulfilled and as time goes on, i.e. when:

- the customer simultaneously obtains and draws benefits derived from the performance provided by the Group, as the Group provides this performance,

- the provision of a performance by the Group results in the creation or improvement of an asset (for instance, work in progress), and control over this asset, as it is manufactured or improved, is exercised by the customer; or
- the provision of a performance by the Group does not result in the creation of an asset of an alternative use for the Group, and the Group has an enforceable right to receive payment for the performance provided to-date.

When determining the degree of fulfilment of an obligation, the method based on results and the method based on outlays are used, taking into account the nature of the good or service being transferred.

Under revenues from core operations, the Group recognizes revenues from the sale of the following groups of products and services:

- services provided on a continuous basis - the amount of revenue depends on consumption (for instance, supply of electricity, thermal energy, natural gas, provision of distribution services). Revenues are recognised when the Group transfers control over a part of the service provided. The Group recognizes revenues in the amount of remuneration from the customer to which it is entitled, which directly corresponds to the value to the customer of the performance provided so far - this value is the amount that the Group has the right to invoice,
- delivery of goods/services settled at a specified point in time (among others, sale of property rights). Revenues are recognized when control over the product/service is transferred. The transfer of control takes place when the goods are made available to the customer or when the provision of a given service is completed,
- services provided on a continuous basis - the amount of revenue depends on the passage of time (for instance, sale of lighting services, process support services). Revenues from the sale of services are settled over time: since such services are provided on a continuous basis, a part of the performance is transferred at each moment of the service provision process. Due to the fact that the value of the services provided to the customer does not differ during different settlement periods, the Group recognises revenues due to the provided services based on fixed monthly payments (independent of actual consumption),
- services provided on a continuous basis – based on the progress of the works (for instance, construction services). The obligation to perform the service is fulfilled over time, as the provision of the service results in the creation or improvement of an asset and control over this asset is exercised by the customer. Revenues from the provided services are recognised over time, using the method based on outlays (the cost method). That method is used to determine the degree of contract completion by comparing the amount of costs incurred on the contract performance with the total cost of the contract as per the budget.

The recognition of sales revenues in the amount of net remuneration occurs when the Group acts as an intermediary (agent), i.e. its obligation to provide a performance consists in ensuring delivery of goods or services by another entity. Such revenue is recognized in the form of a fee or commission to which - in accordance with the Group's expectations - it will be entitled in exchange for ensuring delivery of goods or services by another entity. The fee or commission due to the Group may be the amount of net remuneration which the Group retains after paying a remuneration to another entity in exchange for goods or services provided by that entity.

Interest revenues are recognized on an accrual basis using the effective interest rate, if obtaining them is not doubtful.

Dividend revenues are recognised at the time of acquisition of the right to receive payment.

3.12. Connection fees

Revenues from connection fees are presented on a one-off basis in revenues as at the time of completion of connection works. The connection fees that have so far been settled over time as at 1 January 2018 adjust the opening balance of retained earnings and are not subject to further settlement.

3.13. Methods of implementation of the new standards

IFRS 9 - the Group has implemented IFRS 9 retrospectively with the recognition of adjustments as at 01.01.2018. The Group applies IFRS 9 in accordance with its transitional provisions - it does not convert comparative data for previous periods, i.e. 01.01.2017 and 31.12.2017 to reflect the requirements of IFRS 9 in terms of valuation. As at 01.01.2018 the Group created trade and other receivables revaluation write-offs amounting to PLN 4,478 thousand net.
IFRS 15 - the Group has implemented IFRS 15 retrospectively with the combined effect of the first application and it recognizes the combined effect of the first application of the standard as an adjustment to the initial balance of retained earnings in the reporting period in which the first application date falls. Revenues from connection which have so far been settled over time (for tasks completed until 31 December 2009) were recognized as an adjustment of the opening balance of retained earnings amounting to PLN 417,392 thousand. Revenues due to assets received until 31 December 2009, were presented as an adjustment of the opening balance of retained earnings in an amount of PLN 70,735 thousand. The impact of the aforementioned adjustments on the opening balance of retained earnings amounted to PLN 395,383 thousand net.

4. Change of items presentation in the statement of financial position

In connection with the entry into force of IFRS 9 and the resulting new classification of financial assets, the Company's management has decided to change the presentation of financial assets in the statement of financial position, therefore in the financial statements in 2018 new categories of financial assets replacing the existing ones appear. They are respectively:

- Financial assets measured at fair value,
- Debt financial assets measured at amortized cost and
- Financial liabilities measured at fair value.

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

	Data approved 31.12.2017	Data converted 31.12.2017
ASSETS		
Non-current assets		
Property, plant and equipment	20 416 867	20 416 867
Perpetual usufruct of land	105 571	105 571
Intangible assets	418 248	418 248
Investment property	26 981	26 981
Investments in affiliates and jointly controlled entities	355 152	355 152
Deferred income tax assets	501 945	501 945
Financial assets measured at fair value	-	103 615
Debt financial assets measured at amortised cost	-	2 940
Financial assets available for sale	40 698	-
Financial assets measured at fair value through profit or loss	33 364	-
Derivative instruments	29 553	-
Trade and other receivables	30 729	27 789
Costs of contract conclusion	-	-
Cash deposited within the Mine Closure Fund	121 806	121 806
Total assets	22 080 914	22 080 914
Current assets		
CO_2 emission rights	595 533	595 533
Inventory	846 187	846 187
Trade and other receivables	1 903 568	1 893 530
Cost of contract conclusion	-	-
Customer contract assets	-	-
Current income tax receivables	149 859	149 859
Financial assets measured at fair value	-	49 329
Debt financial assets measured at amortised cost	-	10 516
Financial assets held until maturity	478	-
Financial assets measured at fair value through profit or loss	49 329	-
Cash and cash equivalents	2 687 126	2 687 126
Fixed assets held for sale	-	-
Current assets	6 232 080	6 232 080
Total assets	28 312 994	28 312 994

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

	Data approved 31.12.2017	Data converted 31.12.2017
LIABILITIES AND EQUITY		
Equity		
Equity attributable to shareholders of the Parent Company		
Share capital	588 018	588 018
Share premium	3 632 464	3 632 464
Financial instruments revaluation reserve	741	741
Other capital	(27 101)	(27 101)
Reserve capital from valuation of hedging instruments	25 967	25 967
Retained earnings	8 858 130	8 858 130
Equity attributable to shareholders of the Parent Company	13 078 219	13 078 219
Non-controlling shares	921 450	921 450
Equity	13 999 669	13 999 669
LIABILITIES		
Long-term liabilities		
Loans, borrowings and debt securities	7 720 091	7 720 091
Trade and other accounts payable	57 579	57 579
Customer contract liabilities	-	-
Financial lease liabilities	1 651	1 651
Settlement of income due to subsidies and connection fees and other	645 443	645 443
Provision for deferred income tax	245 240	245 240
Liabilities due to employee benefits	739 946	739 946
Financial liabilities measured at fair value	-	9 875
Financial liabilities measured at fair value through profit or loss	9 875	-
Provisions for other liabilities and other charges	643 187	643 187
Long-term liabilities	10 063 012	10 063 012
Current liabilities		
Loans, borrowings and debt securities	539 429	539 429
Trade and other accounts payable	2 051 385	2 051 385
Customer contract liabilities	-	-
Financial lease liabilities	1 942	1 942
Settlement of income due to subsidies and connection fees and other	92 422	92 422
Current income tax liabilities	1 797	1 797
Liabilities due to employee benefits	437 943	437 943
Liabilities due to an equivalent of the right to acquire shares free of charge	281	281
Financial liabilities measured at fair value	-	41 185
Financial liabilities measured at fair value through profit or loss	41 185	-
Provisions for other liabilities and other charges	1 083 929	1 083 929
Short-term liabilities	4 250 313	4 250 313
Total liabilities	14 313 325	14 313 325
Total equity and liabilities	28 312 994	28 312 994

Long-term financial assets measured at fair value

The following items have been moved to „Long-term financial assets measured at fair value":

- Financial assets available for sale – PLN 40,698 thousand;
- Financial assets measured at fair value through profit or loss – PLN 33,364 thousand;
- Derivative instruments – PLN 29,553 thousand.

Short-term financial assets measured at fair value

The following items have been moved to „Short-term financial assets measured at fair value":

- Financial assets measured at fair value through profit or loss – PLN 49,329 thousand.

Long-term debt financial assets measured at amortized cost

The following items have been moved to „Long-term debt financial assets measured at amortized cost:

- Long-term loans granted – PLN 2,940 thousand (from the "Long-term trade and other receivables " item).

Short-term debt financial assets measured at amortized cost

The following items have been moved to „Short-term debt financial assets measured at amortized cost":

- Short-term loans granted – PLN 10,038 thousand (from the "Short-term trade and other receivables" item);
- Financial assets held until maturity – PLN 478 thousand.

Long-term financial liabilities measured at fair value

The following items have been moved to „Long-term financial liabilities measured at fair value":

- financial liabilities measured at fair value through profit or loss of PLN 9,875 thousand.

Short-term financial liabilities measured at fair value

The following items have been moved to „Short-term financial liabilities measured at fair value":

- financial liabilities measured at fair value through profit or loss of PLN 41,185 thousand.

5. Material estimates and assumptions

Preparation of the Abbreviated Interim Consolidated Financial Statements in accordance with IAS 34 requires that the Management Board should adopt certain assumptions and make estimates that affect the adopted accounting principles and the amounts disclosed in the Abbreviated Interim Consolidated 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. Estimates adopted upon drawing up of the Abbreviated Interim Consolidated Financial Statements are consistent with the estimates adopted upon drawing up of the standalone financial statements for the last financial year. The estimates provided in previous financial years do not have a material impact on the current interim period.

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

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

	Name and address of company		ENEA S.A.'s share in the total number of votes [%] 31.03.2018	ENEA S.A.'s share in the total number of votes [%] 31.12.2017
1.	ENEA Operator Sp. z o.o. Poznań, ul. Strzeszyńska 58	subsidiary	100	100
2.	ENEA Wytwarzanie Sp. z o.o. Świerże Górne, al. Józefa Zielińskiego 1	subsidiary	100	100
3.	ENEA Elektrownia Połaniec S.A. Połaniec, ul. Zawada 26	subsidiary	100	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 Strzeszyńska 58	subsidiary	100[5]	100[5]
11.	ENEA Innowacje Sp. z o.o. [9] 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. in liquidation [7] Warszawa, ul. Jana Pawła II 25	subsidiary	61	61
14.	Polimex – Mostostal S.A. Warszawa, al. Jana Pawła II 12	associate	16,48	16,48
15.	Polska Grupa Górnicza S.A. Katowice, ul. Powstańców 30	jointly-controlled company	7,66[10]	5,81
16.	Elektrownia Ostrołęka Sp. z o.o. [6] Ostrołęka, ul. Elektryczna 5	jointly-controlled company	50[11]	23,79
17.	ENEA Bioenergia Sp. z o.o. Połaniec, ul. Zawada 26	indirect subsidiary	100[4]	100[4]
18.	ENEA Ciepło Serwis Sp. z o.o. Białystok, ul. Starosielce 2/1	indirect subsidiary	100[1]	100[1]
19.	Centralny System Wymiany Informacji Sp. z o.o. Poznań, ul. Strzeszyńska 58	jointly-controlled company	20[3]	20[3]
20.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. Oborniki, ul. Wybudowanie 56	indirect subsidiary	99,93[1]	99,93[1]
21.	ENEA Ciepło Sp. z o.o. Białystok, ul. Warszawska 27	indirect subsidiary	91,14[1]	91,14[1]
22.	Miejska Energetyka Cieplna Piła Sp. z o.o. Piła, ul. Kaczorska 20	indirect subsidiary	71,11[1]	71,11[1]
23.	EkoTRANS Bogdanka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	65,99[2]	65,99[2]
24.	RG Bogdanka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	65,99[2]	65,99[2]
25.	MR Bogdanka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	65,99[2]	65,99[2]
26.	Łęczyńska Energetyka Sp. z o.o. Bogdanka, Puchaczów	indirect subsidiary	58,53[2]	58,53[2]
27.	ElectroMobility Poland S.A. Warszawa, ul. Mysia 2	jointly-controlled company	25[8]	25
28.	ENEA Badanie i Rozwój Sp. z o.o. Świerże Górne, al. Józefa Zielińskiego 1	indirect subsidiary	100[1]	100[1]

[1] – indirect subsidiary through shares in ENEA Wytwarzanie Sp. z o.o.
[2] – indirect subsidiary through shares in Lubelski Węgiel BOGDANKA S.A.
[3] – jointly-controlled company through shares in ENEA Operator Sp. z o.o.
[4] – indirect subsidiary through shares in ENEA Elektrownia Połaniec S.A.
[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, formalities relating to deleting the company from the National Court Register were still underway.
[6] – 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 of Elektrownia Ostrołęka S.A. into a limited liability company was registered in the National Court Register.
[7] – On 28 February 2018, the Extraordinary Meeting of Shareholders of Annacond Enterprises Sp. z o.o. adopted a resolution under which the company was put to liquidation.
[8] – 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 PLN 3,000.00. The share capital increase was registered in the National Court Register on 23 April 2018.
[9] – 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, that is from PLN 305 thousand to PLN 3,805 thousand by creating 35,000 new shares with the nominal value of PLN 100.00 each. The share capital increase was registered in the National Court Register on 23 April 2018.
On 17 April 2018, the name of ENEA Innovation Sp. z o.o. was changed to ENEA Innowacje Sp. z o.o. in the National Court Register
[10] – On 31 January 2018, the Extraordinary Meeting of Shareholders of Polska Grupa Górnicza S.A. adopted a resolution on increasing the company's share capital by an amount of PLN 300,000 thousand, that is from PLN 3,616,718 thousand to PLN 3,916,718 thousand by way of issue of 3,000,000 new shares with the nominal value of PLN 100.00 each. ENEA S.A. acquired 900,000 shares with the total nominal value of PLN 90,000 thousand, thus increasing the share of ENEA S.A. in the company's share capital to 7.66%. On 6 April 2018, the share capital increase was registered with the National Court Register.
[11] – On 23 March 2018, ENEA S.A. concluded with ENERGA S.A. a contract of purchase of 1,201,036 shares of Elektrownia Ostrołęka Sp. z o.o. thus acquiring in total a 50% shareholding in the company's share capital. On 29 March 2018, the Extraordinary Meeting of Shareholders of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on increasing the company's share capital by PLN 35,000 thousand, that is from PLN 229,100 thousand to PLN 264,100 thousand by creating 700,000 new shares privileged in terms of voting in such a way that one share will correspond to two votes, with the nominal value of PLN 50.00 each and the total nominal value of PLN 35,000 thousand. On 29 March 2018, ENEA S.A. signed a declaration of acquisition of 350,000 shares and covering them with a cash contribution in an amount of PLN 17,500 thousand. On 30 March 2018, ENEA S.A. made the cash contribution. The registration of the share capital increase in the National Court Register is still pending.

7. Segment reporting

Management of the Group's business is broken down to business segments, determined on the basis of the products and services offered thereby. There are four business segments in the ENEA Capital Group:

- trade – purchase and sale of electricity,
- distribution – electricity distribution and transmission services,
- generation – generation of electricity and heat,
- mining – production and sale of coal, companies supporting the mining business,

and other business – maintenance and upgrading of road lighting equipment, transport services, overhaul and construction services.

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

Segment costs include the cost of goods sold to external customers and the cost of transactions carried out with other Group segments, which ensue from operations of a given segment and may be directly allocated to that segment.

In inter-segment transactions, arms' length prices are applied. They guarantee that individual entities generate an appropriate margin enabling them to be independent in the market. EBITDA is defined as operating profit/loss less depreciation and impairment loss on non-financial non-current assets.

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

Segments' performance:

(a) Segments' performance for the period from 1 January to 31 March 2018 are as follows:

	Trade	Distribution	Generation	Mining	Other business	Exclusions	Total
Net sales revenue	1 683 593	699 702	531 304	36 337	37 617	-	2 988 553
Inter-segment sales	254 946	5 989	1 113 009	362 360	102 954	(1 839 258)	-
Total net sales revenue	1 938 539	705 691	1 644 313	398 697	140 571	(1 839 258)	2 988 553
Total costs	(1 885 391)	(534 424)	(1 560 195)	(359 494)	(134 323)	1 838 351	(2 635 476)
Segment profit/loss	53 148	171 267	84 118	39 203	6 248	(907)	353 077
Depreciation	(142)	(126 202)	(143 091)	(84 077)	(12 831)		
EBITDA	53 290	297 469	227 209	123 280	19 079		
% of net sales revenues	2,8%	42,2%	13,8%	30,9%	13,6%		
Unallocated costs of the entire Group (overhead costs)							(14 299)
Operating profit							338 778
Financial expenses							(62 384)
Financial revenue							17 905
Share in profits of affiliates and jointly-controlled entities							12 609
Income tax							(52 840)
Net profit							254 068
Share in profit from non-controlling interests							13 312

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

(b) Segments' performance for the period from 1 January to 31 March 2017 are as follows:

	Trade	Distribution	Generation	Mining	Other business	Exclusions	Total
Net sales revenue	1 333 957	834 949	331 345	174 837	34 602	-	2 709 690
Inter-segment sales	113 156	4 835	558 418	290 400	94 974	(1 061 783)	-
Total net sales revenue	1 447 113	839 784	889 763	465 237	129 576	(1 061 783)	2 709 690
Total costs	(1 396 508)	(697 246)	(755 220)	(375 644)	(133 641)	1 038 340	(2 319 919)
Segment profit/loss	50 605	142 538	134 543	89 593	(4 065)	(23 443)	389 771
Depreciation	(217)	(119 835)	(67 704)	(88 676)	(10 130)		
EBITDA	50 822	262 373	202 247	178 269	6 065		
% of net sales revenues	3,5%	31,2%	22,7%	38,3%	4,7%		
Unallocated costs of the entire Group (overhead costs)							(7 192)
Operating profit							382 579
Financial expenses							(45 957)
Financial revenue							66 183
Income tax							(81 615)
Net profit							321 190
Share in profit from non-controlling interests							25 960

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

Segment reporting (continued)

(a) Other information regarding segments as at 31 March 2018 is as follows:

	Trade	Distribution	Generation	Mining	Other business	Exclusions	Total
Property, plant and equipment	15 473	8 383 954	9 286 935	2 741 373	338 122	(456 155)	20 309 702
Trade and other receivables	1 092 606	305 376	521 492	243 799	99 539	(606 222)	1 656 590
Costs of contract conclusion	32 030	-	-	-	-	-	32 030
Customer contract assets	60 137	219 681	209	-	2 001	1 535	283 563
Total	1 200 246	8 909 011	9 808 636	2 985 172	439 662	(1 060 842)	22 281 885
ASSETS excluded from segmentation							5 737 793
- whereof property, plant and equipment							10 442
- whereof trade and other receivables							25
TOTAL: ASSETS							28 019 678
Trade and other payables	286 194	291 639	620 292	248 949	279 542	(583 159)	1 143 457
Customer contract liabilities	21 528	70 314	-	1 089	-	(21 528)	71 403
Total	307 722	361 953	620 292	250 038	279 542	(604 687)	1 214 860
Equity and liabilities excluded from segmentation							26 804 818
- whereof trade and other payables							598 478
TOTAL: EQUITY AND LIABILITIES							28 019 678
for the period of 3 months ended on 31 March 2018							
Capital expenditure on property, plant and equipment and intangible assets	8	113 044	60 259	84 856	3 336	548	262 051
Capital expenditure on property, plant and equipment and intangible assets excluded from segmentation							-
Depreciation	142	126 202	143 091	84 077	12 831	(3 252)	363 091
Depreciation excluded from segmentation							260
Establishment/(termination /use) of receivables revaluation allowances	1 905	2 831	981	(4 490)	(66)	(1)	1 160

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

(b) Other information regarding segments as at 31 December 2017 is as follows:

	Trade	Distribution	Generation	Mining	Other business	Exclusions	Total
Property, plant and equipment	15 552	8 389 251	9 370 558	2 747 876	343 008	(460 228)	20 406 017
Trade and other receivables	1 004 500	515 632	654 299	209 966	107 015	(570 208)	1 921 204
Total	1 020 052	8 904 883	10 024 857	2 957 842	450 023	(1 030 436)	22 327 221
ASSETS excluded from segmentation							5 985 773
- whereof property, plant and equipment							10 850
- whereof trade and other receivables							115
TOTAL: ASSETS							28 312 994
Trade and other payables	332 284	454 598	1 040 323	278 978	369 194	(547 076)	1 928 301
Equity and liabilities excluded from segmentation							26 384 693
- whereof trade and other payables							180 663
TOTAL: EQUITY AND LIABILITIES							28 312 994
or the period of 3 months ended on 31 March 2017							
Capital expenditure on property, plant and equipment and intangible assets	106	150 439	322 958	65 467	2 366	(6 713)	534 623
Capital expenditure on property, plant and equipment and intangible assets excluded from segmentation							-
Depreciation	217	119 835	67 704	88 676	10 130	(2 979)	283 583
Depreciation excluded from segmentation							264
Establishment/(termination /use) of receivables revaluation allowances	913	13 609	6 094	14	(904)	(4)	19 722

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

8. Property, plant and equipment

Over the 3 months ended 31 March 2018, the Group purchased tangible fixed assets totalling at PLN 261,312 thousand (over the period of 3 months ended on 31 March 2017: PLN 529,050 thousand, respectively). Those amounts in particular refer to the generation segments (PLN 59,826 thousand), coal mining (PLN 84,845 thousand) and distribution (PLN 104,867 thousand).

Over the 3 months ended 31 March 2018, the Group sold and disposed of tangible fixed assets with the total net book value of PLN 6,594 thousand (Over the 3 months ended 31 March 2017: PLN 4,039 thousand, respectively).

Over the 3 months ended 31 March 2018, tangible fixed assets book value revaluation allowances were reduced by net amount of PLN 899 thousand (over the 3 months ended 31 March 2017 tangible fixed assets book value revaluation allowances were reduced by net amount of PLN 204 thousand).

As at 31 March 2018, the total tangible fixed assets book value revaluation write-off amounted to PLN 1,627,268 thousand (as at 31 December 2017, it amounted to PLN 1,628,167 respectively).

9. Intangible assets

Over the 3 months ended 31 March 2018, the Group acquired intangible assets totalling at PLN 739 thousand (over the 3 months ended 31 March 2017, the Group acquired intangible assets totalling at PLN 5,573 thousand).

Over the 3 months ended 31 March 2018, the Group recorded in the fixed assets register intangible assets originating from intangible assets under development totalling at PLN 8,005 thousand (over the 3 months ended 31 March 2017: PLN 9,294 thousand, respectively).

Over the 3 months ended 31 March 2018, the Group did not conduct any material transactions of sale or disposal of intangible assets (over the 3 months ended 31 March 2017, the Group did not conduct any material transactions of sale or disposal of intangible assets, either).

10. Investments in associates and jointly controlled entities

	31.03.2018	31.12.2017
Opening balance	355 152	2 518
Share in the net change in assets	12 609	9 282
Acquisition of investments	170 931	344 562
Other changes	-	(1 210)
Closing balance	538 692	355 152

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

	31.03.2018	31.12.2017
Polska Grupa Górnicza S.A.	312 777	210 000
Elektrownia Ostrołęka S.A.	128 048	52 335
Polimex - Mostostal S.A.	91 017	90 967
ElectroMobility Poland S.A.	6 850	1 850
	538 692	355 152

10.1. Performance of the Investment Agreement with Energa S.A. and Elektrownia Ostrołęka Sp. z o.o. concerning construction and operation of a power unit at Elektrownia Ostrołęka Sp. z o.o.

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 (Investment Project, Ostrołęka C).

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, the co-operation in principle will be organised in 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 SA 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.

The condition precedent for the entry into force of the Investment Agreement was obtaining consent for the concentration, consisting in the acquisition of shares of the SPV for the purpose of the Project implementation, from the President of the Office for Competition and Consumer Protection (UOKiK). This 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 participation of ENEA SA, Energa SA and Financial Investors, if any) and assuming that the Capacity Market or other support mechanisms are introduced, Elektrownia Ostrołęka SA will be able to undertake the comprehensive implementation of the Project.

In the performance of the Investment Agreement, in the period between 1 February 2017 and 23 March 2018, ENEA S.A. acquired from Energa S.A. in tranches shares/stock of Elektrownia Ostrołęka Sp. z o.o., corresponding in total to 50% in the share capital, at an amount of approximately PLN 101 million.

As a result of the aforesaid transactions, Energa S.A. and ENEA S.A. assumed joint control over Elektrownia Ostrołęka Sp. z o.o., with its registered address in Ostrołęka, whose business objective is the construction and operation of a new coal-fired power unit. Each of the parties holds 50% shares of Elektrownia Ostrołęka Sp. z o.o. and the same number of votes at the 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 a unanimous approval of both shareholders, who are entitled to net assets of Elektrownia Ostrołęka Sp. z o.o. In view of the foregoing, the investment project has been classified as a joint undertaking and it is recognized using the equity method.

In order to provide the company with sufficient funds, Energa S.A. and ENEA S.A. granted loans of PLN 10 million each to Elektrownia Ostrołęka Sp. z o.o. pursuant to an agreement of 23 November 2017. The loan granted by ENEA S.A. has been repaid.

On 27 February 2018, as a result of transformation, the legal form of Elektrownia Ostrołęka was changed from a joint-stock company to a limited liability company.

On 26 March 2018, the Company signed an Annexe to the Investment Agreement, under which the Parties increased the estimated total investment outlay resulting from commitments to be assumed at the Development Stage of the Ostrołęka C project, that is the time the Notice to Proceed is issued to the General Contractor.

The investment outlay to be made by ENEA S.A. may amount to approximately PLN 226 million. The increase of the investment outlays is due to the need to ensure funding of, among others, organisational work resulting from the contract with the General Contractor, related investment projects and the functioning of the company Elektrownia Ostrołęka Sp. z o.o.

As a result of increase of the share capital of Elektrownia Ostrołęka Sp. z o.o., on 29 March 2018, ENEA S.A. acquired 350,000 shares in the share capital worth PLN 17,500 thousand. On 30 March 2018, ENEA S.A. made a cash contribution to the bank account of the special purpose vehicle. Energa S.A. acquired the 350,000 remaining shares. Registration of the share capital increase in the National Court Register is pending. Following registration of the share capital increase, ENEA S.A.' s shareholding in the share capital of Elektrownia Ostrołęka Sp. z o.o. will not change and it will still amount to 50% as the new shares in the increased share capital were acquired by ENEA S.A. and Energa S.A. pro rata to their shareholdings, i.e. at the 50:50 ratio.

On 4 April 2018, Elektrownia Ostrołęka Sp. z o.o. completed the public tender procedure entitled "Construction of Ostrołęka C power plant with the capacity of 1.000 MW" by selecting the Consortium of GE Power Sp. z o.o. and Alstom Power System S.A.S as the General Contractor. The Consortium offered to complete the object of the procedure with the parameters specified in the offer for PLN 5,049,729 thousand net (PLN 6,023,035 thousand gross).

Completion of the tender procedure is not tantamount to:

- granting consent to the conclusion of a contract with the General Contractor – in order that such consent be granted, prior approval of the Issuer's Supervisory Board is required;
- granting consent to the issue of the Notice to Proceed – issue of the NTP requires, among others, a prior approval of the Issuer's Supervisory Board and a prior general approval of the Issuer's Shareholders' Meeting for proceeding with the Construction Stage.

It is estimated that the investment outlays in connection with the conclusion of a contract between the Employer and the General Contractor until the issue of the NTP will not exceed an equivalent of 4% of the contractual price.

10.2. 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 the assets of KHW.
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 (Annexe No. 1 to the Letter of Agreement concerning Polska Grupa Górnicza).

<u>Investment Agreement</u>

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 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,

a) 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;

b) within the third stage, the Company acquired by private subscription new B series shares of PGG with the nominal value of PLN 90 million in exchange for a cash contribution of PLN 90 million. ENEA S.A. increased its share in the share capital to 7.66%.

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

The Investment project 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 for 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., Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o. regarding an earlier analysed capital investment in Katowicki Holding Węglowy S.A. was terminated.

Joint control was assumed on 22 December 2017. Transaction costs relating to the acquisition of the shares amount to PLN 2 million.

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

The preliminary allocation of the purchase price of Polska Grupa Górnicza S.A. (based on initial valuation) to the fair value of net assets of Polska Grupa Górnicza S.A. as at 31 January 2018 (acquisition of the third tranche) is as follows:

	Polska Grupa Górnicza S.A.
Acquisition price	300 000
Share in the fair value of acquired net assets	229 870
Goodwill regarding the shares held	70 130

11. Trade and other receivables revaluation write-offs

	31.03.2018	31.12.2017
Receivables revaluation write-off at the beginning of the period	153 115	129 483
Adjustment due to implementation of IFRS 9	5 528	-
Opening balance following adjustment	158 643	129 483
Acquisition of subsidiary companies	-	5 537
Created	2 263	45 263
Reversed	(510)	(6 834)
Used	(6 121)	(20 334)
Closing balance of revaluation write-off	154 275	153 115

Over the 3 months ended 31 March 2018, the write-off for revaluation of the book value of trade and other receivables increased by PLN 1,160 thousand (during the period of 3 months ended 31 March 2017, the revaluation write-off increased by PLN 19,722 thousand).

12. Customer contract assets and liabilities

	Customer contract assets	Customer contract liabilities
Opening balance	245 026	67 707
Revenue presented in the period in which it was recognised in the opening balance of customer contract liabilities	-	(2 541)
Non-invoiced receivables	42 122	-
Increase due to advance payments	-	6 237
Transfer from contract assets to accounts receivable	(2 859)	-
Revaluation write-off	(726)	-
Closing balance	283 563	71 403

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

13. Analysis of the age structure of customer contract assets, trade accounts receivable and other accounts receivable which constitute financial instruments

	Nominal value	Revaluation write-off	Book value
31.03.2018			
Trade and other accounts receivable			
Current	1 124 713	(39 313)	1 085 400
Past due	291 244	(114 962)	176 282
0-30 days	94 899	(476)	94 423
31- 90 days	23 451	(2 309)	21 142
91-180 days	11 021	(3 939)	7 082
over 180 days	161 873	(108 238)	53 635
Total	1 415 957	(154 275)	1 261 682
Customer contract assets	284 289	(726)	283 563

31.12.2017	Nominal value	Revaluation allowance	Book value
Current	1 416 579	(20 264)	1 396 315
Past due	270 529	(132 851)	137 678
0-30 days	81 060	(193)	80 867
31- 90 days	18 264	(706)	17 558
91-180 days	8 894	(3 061)	5 833
Over 180 days	162 311	(128 891)	33 420
Total	1 687 108	(153 115)	1 533 993

14. Debt financial assets measured at amortised cost

	31.03.2018	31.12.2017 (converted data)*
Short-term debt financial assets measured at amortised cost		
Loans granted	57	10 038
Other	480	478
Short-term debt financial assets measured at amortised cost	537	10 516
Long-term debt financial assets measured at amortised cost		
Loans granted	7 741	2 940
Long-term debt financial assets measured at amortised cost	7 741	2 940
TOTAL	8 278	13 456

In these interim consolidated financial statements there are no revaluation write-offs for expected credit losses other than those listed in Note 13 regarding customer contract assets and other accounts receivable that constitute financial instruments.

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

15. Inventory

	31.03.2018	31.12.2017
Materials	519 703	573 051
Semi-finished products and work in progress	986	632
Finished products	30 949	10 452
Certificates of energy origin	248 695	257 471
Goods for sale	11 234	11 471
Gross value of inventory	811 567	853 077
Inventory revaluation write-off	(6 368)	(6 890)
Net value of inventory	805 199	846 187

During the period of 3 months ended 31 March 2018, inventory book value revaluation write-off was reduced by PLN 522 thousand (over 3 months ended 31 March 2017, revaluation write-off was reduced by PLN 3,298 thousand).

16. Certificates of energy origin

	31.03.2018	31.12.2017
Net value at the start of the period	257 046	161 459
Acquisition of subsidiaries	-	48 672
In-house generation	28 263	126 680
Acquisition	49 568	152 690
Redemption of emission allowances	(86 318)	(190 736)
Sales	(481)	(43 522)
Change of revaluation allowance	518	1 803
Net value at the end of the period	248 596	257 046

17. Restricted access cash

As at 31 March 2018, restricted access cash amounted to PLN 274,144 thousand. It primarily comprised cash for transaction deposits relating to trading in electricity and CO_2 emission allowances, tender bonds and deposits received from suppliers and blockage of cash to secure proper completion of works.

As at 31 December 2017, the total restricted access cash amounted to PLN 99,244 thousand.

18. Financial assets measured at fair value

As at 31 March 2018, under 'Financial assets measured at fair value' the Group presents, among others, 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 of 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 and 30 July2022. Valuation of the call options to fair value was conducted using the Black-

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

Scholes model. The book value of the shares as at 31 March 2018 amounted to PLN 22,249 thousand (the book value of the options as at 31 December 2017 amounted to PLN 23,836 thousand).

Additionally, under 'Financial assets measured at fair value' the Group presents, among others, valuation of forward contracts for the purchase of electricity and gas, CO_2 emission allowances and regarding property rights totalling at PLN 89,397 thousand (as at 31 December 2017, they amounted to PLN 58,857 thousand).

19. Loans, borrowings and debt securities

	31.03.2018	31.12.2017
Bank loans	2 195 267	2 207 341
Borrowings	67 698	69 959
Bonds	5 396 832	5 442 791
Long-term	7 659 797	7 720 091
Bank loans	113 837	102 365
Borrowings	12 315	12 741
Bonds	350 786	424 323
Short-term	476 938	539 429
Total	8 136 735	8 259 520

During the period of 3 months ended 31 March 2018, the net book value of loans, borrowings and debt securities decreased by PLN 122,785 thousand. (During the period of 3 months ended 31 March 2017, the book value of loans and borrowings increased by PLN 102,511 thousand).

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

Credits and loans

Presented below are loans and borrowings within the Group.

No.	Company	Lender	Date of contract conclusion	Total contract amount	Amount outstanding as at 31.03.2018	Amount outstanding as at 31.12.2017	Term of the contract
1.	ENEA S.A.	EIB	18 October 2012 and 19 June 2013 (A i B)	1 425 000	1 349 447	1 357 174	31 December 2030
2.	ENEA S.A.	EIB	29 May 2015 (C)	946 000	946 000	946 000	30 September 2032
3.	ENEA S.A.	PKO BP	28 January 2014 , Annex No. 1 dated 25 January 2017	300 000	-	-	31 December 2019
4.	ENEA S.A.	Pekao S.A.	28 January 2014 , Annex No. 1 dated 25 January 2017	150 000	-	-	31 December 2019
5.	ENEA Wytwarzanie Sp. z o.o.	NFOŚiGW	6 June 2012	17 850	2 383	3 564	30 September 2018
6.	ENEA Wytwarzanie Sp. z o.o.	NFOŚiGW	22 December 2015	60 075	52 099	52 017	20 December 2026
7.	LWB	mBank	16 December 2016	100 000	-	-	30 November 2018
8.	Other	-	-	-	33 805	35 847	-
	TOTAL			2 998 925	2 383 734	2 394 602	
	Transaction costs and valuation effect according to effective interest rate				5 383	(2 196)	
	TOTAL			2 998 925	2 389 117	2 392 406	

Presented below is brief characteristics of material loan and credit agreements in the ENEA Capital Group:

ENEA S.A.

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.

As at 15 March 2018, in conformity with the provisions of Contract A with the EIB, the Parties agreed on the change of the interest rate from floating to fixed for the second tranche of the loan amounting to PLN 170,000 thousand.

ENEA Wytwarzanie Sp. z o.o.

An investment loan from the National Fund for Environmental Protection and Water Management (NFOŚiGW) – the respective loan agreement was entered into on 6 June 2012 for a period between 1 October 2013 and 30 September 2018. The interest rate of the used amount of the loan of PLN 17,850 thousand is WIBOR 3M plus 50 basis point per annum.

An investment loan from the NFOŚiGW – a loan agreement of 22 December 2015 was entered into for a period from 1 April 2016 to 20 December 2026 with a limit of PLN 60,075 thousand. The interest rate of the used amount of the loan per annum is based on WIBOR 3M, but no less than 2 % . The grace period of the loan ends on 29 September 2018.

The total debt of ENEA Wytwarzanie Sp. z o.o. due to borrowings as at 31 March 2018 amounts to PLN 54,482 thousand (as at 31 December 2017: PLN 55,581 thousand).

Lubelski Węgiel Bogdanka S.A.

On 16 December 2016, the company entered into an overdraft facility agreement with mBank up to an amount of PLN 100,000,000.00. The facility has a floating interest rate. The maturity date falls on 30 November 2018. As at the reporting date, the company did not use the loan limit.

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

Bonds issue programmes

The table below presents the bonds issued by ENEA S.A. and Lubelski Węgiel Bogdanka S.A.

No.	Name of bond issue programme	Programme Date	Programme Amount	Value of bonds issued and not redeemed as at 31.03.2018	Value of bonds issued and not redeemed as at 31.12.2017	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 Warsaw S.A. (ENEA S.A.)	21 June 2012	3 000 000	3 000 000	3 000 000	One-off redemption between June 2020 and June 2022
2.	Bond Issue Programme Agreement entered into with Bank Gospodarstwa Krajowego (ENEA S.A.)	15 May 2014	1 000 000	920 000	960 000	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., BankPEKAO S.A. and mBank S.A. (ENEA S.A.)	30 June 2014	5 000 000	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 (ENEA S.A.)	3 December 2015	700 000	142 500	150 000	Redemption in instalments, last instalment payable in September 2027
5.	Agreement on Bond Issue Programme entered into with Bank PEKAO S.A. (LWB)	23 September 2013	300 000	225 030	301 911	Redemption in instalments, last instalment payable in December 2018
6.	Bond Issue Programme Agreement entered into with Bank PEKAO S.A. and Bank Gospodarstwa Krajowego (LWB)	30 June 2014	300 000	-	-	Redemption in March 2017
	TOTAL		10 300 000	5 787 530	5 911 911	
	Transaction costs and valuation effect according to effective interest rate			(39 912)	(44 797)	
	TOTAL		10 300 000	5 747 618	5 867 114	

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.

In the first quarter of 2018, ENEA S.A. . did not make any amendments to the Programme Agreements and did not enter into any new agreements. No new bonds have issued.

Lubelski Węgiel Bogdanka S.A. financial liabilities under bonds issued by LWB currently pertain one programme agreement. Under the Programme Agreement entered into by the company and Bank Polska Kasa Opieki S.A. on 23 September 2013, 3,000 bonds were issued with the total value of PLN 300,000 thousand and bonds redemption date of 31 December 2018. The maturity date of the respective tranches of bonds of PLN 75,000 thousand each falls on 30 June 2018, 30 September 2018 and 30 December 2018. Bonds interest is based on WIBOR 3M increased by a fixed margin. On 30 March 2018, LWB redeemed 750 bonds with the value of PLN 100 thousand each, with the total value of PLN 75,000 thousand.

Interest rate risk hedging transactions

During the period of 3 months ended 31 March 2018, ENEA S.A. did not conclude any interest rate risk hedging transactions (Interest Rate Swap). The total exposure under bonds and loans hedged with the IRS transactions as at 31 March 2018 amounted to PLN 5,402,520 thousand. The concluded transactions significantly affect the predictability of cash flows and financial costs. Valuation of those instruments is presented by the Group under „Financial assets measured at fair value". Derivative instruments are regarded cash flow hedges and consequently they are recognised and settled in the books using the principles of hedge accounting.

As at 31 March 2018, valuation of IRS amounted to PLN 347 thousand (as at 31 December 2017: PLN 29,553 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 March 2018 and as at the date of drawing up these Abbreviated Interim Consolidated 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.

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

20. Financial Instruments

The table below shows a statement of fair values and book values:

	31.03.2018		31.12.2017 (converted data)	
	Book value	Fair value	Book value	Fair value
Long-term financial assets measured at fair value	79 257	79 257	103 615	103 615
Long-term financial assets measured at amortised cost	7 741	7 741	2 940	2 940
Short-term financial assets measured at fair value	73 634	73 634	49 329	49 329
Short-term financial assets measured at amortised cost	537	537	10 516	10 516
Trade and other accounts receivable	1 261 682	(*)	1 533 993	(*)
Customer contract assets	283 563	283 563	-	-
Cash and cash equivalents	2 512 314	2 512 314	2 687 126	2 687 126
Cash deposited at the Mine Closure Fund	121 833	121 833	121 806	121 806
Credit, loans and debt securities	8 136 735	8 213 597	8 259 520	8 338 192
Financial lease liabilities	3 095	3 095	3 593	3 593
Trade and other liabilities	1 501 645	(*)	1 915 502	(*)
Financial liabilities measured at fair value	78 650	78 650	51 060	51 060

(*)The book value of trade and other receivables, trade and other liabilities is close to their fair value.

Financial assets measured at fair value include, among others:

- 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 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,
- options of purchase of shares of Polimex-Mostostal S.A.,
- derivative instruments which 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 values of variable reference rates,
- forward contracts for the purchase of electricity and gas, CO_2 emission allowances and regarding property rights.

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

Long-term debt financial assets measured at amortised cost include loans granted with maturity in excess of one year.

Short-term debt financial assets measured at amortised cost include, among others, loans granted with maturity below one year.

The table below shows an 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),

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

	31.03.2018			
	Tier 1	Tier 2	Tier 3	Total
Financial assets measured at fair value				
Derivative instruments used in hedge accounting (among others, Interest Rate Swaps)	-	398	-	398
Equity instruments measured at fair value through other comprehensive income			26 902	26 902
Call option (measured at fair value through profit or loss)	-	22 249	-	22 249
Other derivative instruments measured at fair value through profit or loss	-	88 557	-	88 557
Shares and stock measured at fair value through profit or loss	13 395		1 390	14 785
Total	13 395	111 204	28 292	152 891
Financial liabilities measured at fair value through profit or loss				
Derivative instruments measured at fair value through profit or loss	-	(78 650)	-	(78 650)
Total	-	(78 650)	-	(78 650)

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

	31.12.2017			
	Tier 1	Tier 2	Tier 3	Total
Derivative instruments				
Interest Rate Swaps	-	29 553	-	29 553
Financial assets measured at fair value through profit or loss				
Forward contracts	-	58 857	-	58 857
Call options	-	23 836	-	23 836
Financial assets available for sale				
Not listed equity instruments	-	-	1 391	1 391
Total	-	112 246	1 391	113 637
Financial liabilities measured at fair value through profit or loss				
Forward contracts	-	(51 060)	-	(51 060)
Total	-	(51 060)	-	(51 060)

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

	31.03.2018	31.12.2017
Long-term		
Deferred income due to subsidies	129 323	196 334
Deferred income due to connection charges	-	401 514
Deferred income due to street lighting upgrading services	49 020	47 595
	178 343	645 443
Short-term		
Deferred income due to subsidies	9 531	13 864
Deferred income due to connection fees	-	17 129
Advance payments received towards connection fees	-	59 125
Deferred income due to street lighting upgrading services	1 677	1 125
Building contracts - estimate	-	1 179
	11 208	92 422

Deferred income schedule

	31.03.2018	31.12.2017
Up to one year	11 208	92 422
From 1 to 5 years	50 141	134 426
Over 5 years	128 202	511 017
	189 551	737 865

During the period of 3 months ended 31 March 2018, the book value of deferred income due to subsidies, connection fees and other decreased by net amount of PLN 548,314 thousand. This is primarily due to changes in the accounting principles resulting from the implementation of IFRS 15. These changes have been described in Note 3.

During the period of 3 months ended 31 March 2017, the book value of deferred income due to subsidies, connection fees and other increased by a net amount of PLN 316 thousand.

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

22. Deferred income tax

Changes in assets and provision for deferred income tax (after asset and provision compensation at the Group level) are as follows:

	31.03.2018	31.12.2017
Opening balance of deferred income tax assets	501 945	403 257
Opening balance of provision for deferred income tax	245 240	191 798
Opening balance of net deferred income tax assets	(256 705)	(211 459)
Adjustment due to implementation of IFRS 9 and 15	91 694	-
Opening balance of net deferred income tax assets following adjustment	(165 011)	-
Acquisition of subsidiary companies	-	(142 936)
Amount recognised in the profit or loss	26 795	109 673
Amount recognised in other comprehensive income	(5 392)	(11 983)
Closing balance of net deferred income tax assets, whereof:	(143 608)	(256 705)
Closing balance of deferred income tax assets	475 059	501 945
Closing balance of provision for deferred income tax	331 451	245 240

During the period of 3 months ended 31 March 2018, as a result of reduction of the net deferred income tax asset, the amount recognised in the Group's profit before tax amounted to PLN 26,795 thousand (during the period of 3 months ended 31 March 2017, as a result of reduction of the net deferred income tax asset, the amount recognised in the Group's profit before tax amounted to PLN 22,114 thousand).

23. Provisions for other liabilities and other charges

Provisions for liabilities and other charges broken down into long-term and short-term	31.03.2018	31.12.2017
Long-term	655 068	643 187
Short-term	1 083 235	1 083 929
Total	1 738 303	1 727 116

During the period of 3 months ended 31 March 2018, net provisions for other liabilities and other charged increased by PLN 11,187 thousand (during the period of 3 months ended 31 March 2017, provisions for other liabilities and other charged increased by PLN 72,313 thousand).

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

Change in provisions for liabilities and other charges

for the period ended 31.03.2018

	Provision for non-contractual use of land	Provision for other claims filed	Provision for landfill reclamation	Provision for certificates of energy origin	Provision for the purchase of CO2 emission allowances	Mine decommissioning	Other	Total
Opening balance	200 830	132 918	59 712	265 553	487 359	105 441	475 303	1 727 116
Reversal of discount and discount rate change	-	-	-	-	-	859	-	859
Increase of existing provisions	8 554	8 772	118	103 792	157 115	778	24 169	303 298
Provisions used	(2)	(1 201)	-	(86 406)	(201 351)	-	(710)	(289 670)
Reversal of unused provision	(138)	(492)	(2 662)	-	-	-	(8)	(3 300)
Closing balance	209 244	139 997	57 168	282 939	443 123	107 078	498 754	1 738 303

In the first quarter of 2018, ENEA S.A. created a provision of PLN 5,533 thousand for prospective claims relating to the termination by ENEA S.A. of purchase contracts for certificates of energy origin from renewable sources and as at 31 March 2018, the value of that provision amounted to PLN 91,269 thousand.

Other provisions mainly concern:

- Skoczykłody wind farm: PLN 129 000 thousand (As at 31 December 2017: 129 000 thousand),
- prospective liabilities relating to grid assets due to differences in the interpretation of legal provisions of PLN 150,749 thousand (as at 31 December 2017: PLN 147,609 thousand),
- the cost of use of forests managed by Lasy Państwowe (State Forests) of PLN 114,600 thousand (as at 31 December 2017: PLN 113,547 thousand),
- real estate tax of Lubelski Węgiel Bogdanka S.A. of PLN 44,662 thousand (as at 31 December 2017: PLN 42,353 thousand),
- claims of the ZUS (Social Insurance Institution) regarding accident contribution at Lubelski Węgiel Bogdanka S.A. of PLN 21 669 thousand (as at 31 December 2017: PLN 21,340 thousand),
- repair of mining damages of PLN 4,346 thousand (as at 31 December 2017: PLN 4,434 thousand).

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

Description of material claims and contingent liabilities on that account are presented in Note 27.

24. Net sales revenue

	01.01.2018 31.03.2018	01.01.2017 31.03.2017
Revenue from sales of electricity	2 017 076	1 502 805
Revenue from sale of distribution services	692 829	828 528
Revenue from sale of goods and materials	18 291	14 882
Revenue from sale of other products and services	43 230	44 858
Revenue from sale of certificates of origin	1 693	161
Revenue from sale of CO2 emission rights	22 532	5 705
Revenue from sale of thermal energy	136 510	118 771
Revenue from sale of coal	23 438	158 429
Revenue from sale of gas	32 954	35 551
Total net sales revenue	2 988 553	2 709 690

The Group classified revenues based on the type of products/ services. Main product categories include revenues from sale of electricity (ENEA S.A., ENEA Wytwarzanie, ENEA Trading and ENEA Elektrownia Połaniec) and revenues from sale of distribution services (ENEA Operator).

Sale of electricity: the Group recognises revenues at the time of fulfilment or in the course of fulfilment of the obligation to provide performance by delivering the promised goods or service to the customer. Revenues are shown at prices determined in the respective sales contracts, reduced by estimated discounts and other reductions in sales. The main groups of contracts are electricity sale contracts (including comprehensive agreements) with individual, business, key and strategic customers. Under these contracts, service is provided continuously and the revenue depends on actual consumption. Sales to Izba Rozliczeniowa Giełd Towarowych S.A. and Towarowa Giełda Energii (Polish Power Exchange) are also recorded.

The standard term of payment of sales invoices for electricity at ENEA S.A. is 14 days from the date of issue of the VAT invoice. As far as business, key and strategic customers are concerned, that term may be subject to negotiations.

The term of payment of sales invoices regarding electricity sales to IRGiT is 1-3 days from the supply of energy and issue of the invoice. As far as trading at TGE is concerned, payment terms are determined in the Power Exchange Regulations.

Sale of distribution services: Upon sale of distribution services, ENEA Operator charges a fee including separate components: variable component of grid rate, quality fee rate, fixed component of grid rate, subscription fee rate, transition fee and renewable energy charge.

As regards the quality fee, transition fee and renewable energy charge, ENEA Operator plays the role of the fee-collecting entity forwarding relevant charges to other market participants, for instance to Polskie Sieci Elektroenergetyczne S.A. (PSE). The fees (i.e. quality fee, transition fee and renewable energy charge) may be classified as quasi-taxes collected on behalf of other entities. ENEA Operator acts as an intermediary collecting fees on behalf of other participants of the Energy market, including PSE. As a result, revenues from the sale of distribution services are reduced by the collected renewable energy charges, quality fees and transition fees. At the same time, costs relating to the acquisition of transmission services and costs relating to invoices received in connection with renewable energy support and generators support are adjusted.

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

25. Related party transactions

Capital Group companies concludes transactions with the following related parties:

- Companies forming the Capital Group – these transactions are eliminated at the consolidation stage,
- Transactions concluded between the Group and Members of its governing bodies which may be classified into two categories:
  - transactions resulting from appointments of Members of Supervisory Boards,
  - transactions under other civil law agreements;
- Transactions with entities controlled by the State Treasury of the Republic of Poland.

Transactions with members of the Group's governing bodies:

	Company's Management Board		**Company's Supervisory Board**	
	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017
Remuneration under managerial contracts and consultancy agreements	730*	675	-	-
Remuneration relating to appointment of members of management and supervisory bodies	-	-	215	201
TOTAL	730	675	215	201

* remuneration includes compensation under the non-competition clause for former Management Board Members amounting to PLN 55 thousand

During the period of 3 months ended 31 March 2018, z ZFŚS no loans were granted to Supervisory Board Members from the Company Social Benefits Fund (PLN 0.00 for the period of 3 months ended 31 March 2017). During that period loans totalling 1 thousand were repaid (PLN 1 thousand for the period of 3 months ended 31 March 2017).

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

The Group also concludes business transactions with state government and local government units owned by the State Treasury of the Republic of Poland.

Those transactions primarily concern:

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

- sale of electricity, distribution services, connection to the grid and other related charges and sale of coal, 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 with state institutions and State Treasury-controlled companies.

26. Future liabilities under contracts concluded as at the reporting date

Contractual liabilities relating to the acquisition of property, plant and equipment and intangible assets contracted as at the reporting date, not yet recognized in the statement of financial position are as follows:

	31.03.2018	31.12.2017
Acquisition of tangible fixed assets	1 222 322	1 138 756
Acquisition of intangible assets	33 211	34 029
	1 255 533	1 172 785

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

27.1. Sureties and guarantees

The table below shows significant bank guarantees under agreements entered into by and between ENEA S.A. and Bank BZ WBK S.A. up to the limit specified therein as at 31 March 2018.

Date of guarantee	Guarantee expiry date	Guarantee issued to	Issuing Bank	Guarantee amount in PLN '000
01.01.2016	11.08.2018	Górecka Projekt Sp. z o.o.	BZ WBK S.A.	1 944
Total bank guarantees granted				1 944

27.2. Proceedings pending before common courts of law

Proceedings brought by the Group

Proceedings instituted before common courts by ENEA S.A. and ENEA Operator Sp. z o.o. concern the recovery of receivables due to electricity supply (energy cases) and recovery of receivables on other accounts, e.g. illegal electricity consumption, connections to the grid and other specialist services (non-energy cases).

Proceedings instituted before common courts of law by ENEA Wytwarzanie Sp. z o.o. mostly concern compensations and liquidated damages from the company's counterparties.

As at 31 March 2018, the Group was pursuing a total of 15,591 actions with the value of the claims amounting to PLN 207,585 thousand (as at 31 December 2017, there were 16,176 cases totalling PLN 219,335 thousand).

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

Proceedings against the Group

Proceedings against the Group 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 and compensation for the Company's use of real estate on which power devices are located. The Group considers claims for non-contractual use of land not owned by the Group to be particularly important .

There are also claim due to terminated contracts for the purchase of property rights (Note 27.6).

Court proceedings against ENEA Wytwarzanie Sp. z o.o. concern, among others, compensations and payment of liquidated damages.

As at 31 March 2018, there were in total 2,346 cases brought against the Group totalling PLN 773,772 thousand (as at 31 December 2017, there were 2,431 cases totalling PLN 680,828 thousand). Provisions connected with these court cases are presented in Note 23.

27.3. Arbitration proceedings

Proceedings brought by Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. against Lubelski Węgiel Bogdanka S.A. are conducted before the Arbitration Court at the Polish Chamber of Commerce in Warsaw under file reference symbol SA 64/15. The arbitration proceedings were instituted on the basis of a call for arbitration made by the Consortium on 7 April 2015. The consortium's claim amounts to approximately PLN 16.2 million (the above claim consists of a bank guarantee allegedly obtained without grounds by LWB, interest, and costs incurred by the consortium due to the use by LWB of this guarantee).

On 29 September 2017, the Arbitration Court at the Polish Chamber of Commerce in Warsaw issued a judgment dismissing in full the action brought against LWB by the Consortium. The verdict ended the proceedings before the Arbitration Court. In October 2017, LWB filed a motion with the Lublin Court of Appeal for recognition of the arbitration award. At the same time, at the end of November 2017, the Consortium filed a complaint to set aside the Arbitration Court's award.

On 20 September 2016, LWB brought an action against the Consortium before the Regional Court in Lublin to establish a (negative) lack of obligation on the part of LWB to satisfy the consortium's claims under the contract for the extension of the Mechanical Coal Processing Plant.

At the end of the year, the parties unanimously requested the court to refer the parties to mediation and agreed on the person of the mediator. Following the mediation, on 29 March 2018, the parties signed a settlement agreement, which ultimately solves all disputes between LWB and the Consortium. Eventually, the settlement outcome proved to be favourable to LWB.

27.4. Other court proceedings

As far as LWB is concerned, proceedings are pending before the Regional Court in Lublin concerning claims of the ZUS (the Polish Social Insurance Institution) for the accident insurance contribution, namely the legitimacy of reclassifying accidents at work and the repeal of the sanction imposed on the company as a result of an audit carried out by the Lublin Branch of the ZUS. In order to cover any claims in this respect, LWB has established a provision which amounted to PLN 21,669 thousand.

On 21 November 2017, an appeal hearing was held, at which the Court of Appeal in Lublin considered the appeal filed by the ZUS against the judgement of 7 February 2017. The Court of Appeal issued a judgment in which it dismissed the appeal filed by the ZUS. At the moment, the judgement is not legally binding. On 15 January 2018, the Court of Appeals prepared the grounds for the judgment. On 12 March 2018, the Court of Appeal in Lublin received a cassation complaint from the ZUS. The expediency of accepting the complaint for consideration by the Supreme Court will be considered no earlier than at the end of 2018. If the Supreme Court resolves to accept the cassation complaint, the Management Board of LWB expects that the aforesaid dispute will be settled no earlier than at the end of 2019.
The Management Board of LWB is of the opinion that in view of the complicated nature of the case, there is a significant risk of loss of economic benefits until the final settlement of the dispute.

On 18 January 2018, ENEA Wytwarzanie Sp. z o.o. received a statement of claim of 28 December 2017 filed with the Regional Court in Białystok by the Municipality of Białystok against ENEA Wytwarzanie Sp. z o.o. regarding payment of PLN 29,445 thousand together with statutory interest on account of the sale price of 126,083 shares in Miejskie Przedsiębiorstwo Energetyki Cieplnej sp. z o.o. in Białystok (currently, ENEA Ciepło Sp. z o.o.), constituting the so-called "Remainder" in the performance of the obligation under the share purchase agreement regarding sales of ENEA Ciepło Sp. z o.o. entered into on 26 May 2014. On 23 February 2018, ENEA Wytwarzanie Sp. z o.o. submitted a reply to the statement of claim, objecting the standpoint expressed in the statement of claim and requesting its dismissal.
The dispute concerns the interpretation of the provisions of the share sale agreement of 2014 and determining whether ENEA Wytwarzanie Sp. z o.o. is still obligated to acquire the remaining shares, the so-called "Remainder". According to the opinion of ENEA Wytwarzanie Sp. z o.o., the Company fulfilled its obligation as per the share sale agreement of 2014 concerning the acquisition of shares in ENEA Ciepło Sp. z o.o. and is no longer obligated to acquire additional 121 863 shares.
Should the outcome of the dispute be unfavourable for ENEA Wytwarzanie Sp. z o.o., the company may be obligated to acquire the total of 126 083 shares for the price as per the agreement of 26 May 2014. i.e. for the total amount as per the statement of claim.

The Group believes (on the basis of the opinion of the legal representative of ENEA Wytwarzanie Sp. z o.o.) that the odds are higher that the court judgement will be favourable for the company.

27.5. Cases concerning not balanced energy trading in 2012

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

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

The object of the summonses were claims for payment for electrical energy incorrectly settled in the electricity 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 filed a cassation complaint with the Supreme Court. In the remaining cases no judgement has been issued.

27.6. Dispute concerning prices of renewable energy certificates and terminated contracts for the purchase of property rights resulting from certificates of origin of energy from renewable sources

ENEA S.A. is a party to 10 court proceedings regarding contracts for purchase of property rights under certificates of energy origin from renewable sources, which include:

- 7 actions for payment of money, where former business partners of ENEA S.A. pursue claims for remuneration or contractual penalties;
- 3 actions for declaration of ineffectiveness of termination/ withdrawal by ENEA S.A. from contracts of sale of property rights made on 28 October 2016; in one of the aforesaid actions, the demand for the declaration of ineffectiveness is pursued in parallel with a demand for payment.

ENEA S.A. set off 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 producers of energy from renewable sources. 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.

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).

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.

In principle, the contracts were terminated by the end of November 2016. The exact termination date of individual Contracts 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 and some other legal acts,

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

By terminating the Contracts the Company intends to avoid financial loses constituting the difference between contract prices and the market price of the green certificates. Due to the changing 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 with 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 connecting it with the market price.

The Company created a provision in an amount of PLN 91,269 for prospective claims arising from the terminated contracts, with reference to sales notifications of the counterparties concerning property rights submitted by 31 March 2018; the provision is presented in Note 23.

28. Participation in the nuclear power plant construction programme

On 3 September 2014, PGE Polska Grupa Energetyczna, Tauron Polska Energia, ENEA and KGHM Polska Miedź (Business Partners) entered into the Shareholder Agreement. On 15 April 2015, in conformity with the Shareholder Agreement, a shares acquisition agreement was concluded regarding shares of PGE EJ 1 Sp. z o.o. (PGE EJ 1), as a result of which each Business Partner acquired a 10% stake in PGE EJ 1. Following sale by PGE Polska Grupa Energetyczna of shares in PGE EJ 1 to the Business Partners, PGE Polska Grupa Energetyczna holds 70% in the share capital of PGE EJ 1, while the other Business Partners (Tauron Polska Energia, ENEA and KGHM Polska Miedź) hold 30 %, i.e. 10% each of them.

In conformity with the underlying assumptions., PGE Polska Grupa Energetyczna plays the role of the leader of the project of construction and operation of Poland's first nuclear power plant and PGE EJ 1 is to be the power plant's operator in the future.

In accordance with the Shareholder Agreement, the Parties jointly undertake to finance – pro rata to their respective shareholdings - the activities to be carried out within the preliminary phase of the Project (Development Stage). ENEA S.A.'s financial commitment during the Development Stage will not exceed PLN 107 million.

In the first quarter of 2018, PGE EJ 1 continued preparatory works for the construction of a nuclear power plant in Poland.

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 amount of the loan granted by ENEA S.A.as at the date of drawing up of these Abbreviated Interim Consolidated Financial Statements totalled approximately PLN 7.7 million.

Parties to the Shareholder Agreement expect that the decision regarding declaration of continued participation of each of them in the following stage of the Project will be taken after the Development Stage is completed.

29. Acquisition agreement regarding Eco-Power Sp. z o.o.

Fen Wind Farm B.V. with its registered office in Amsterdam and Wento Holdings S.à l. with its registered office in Luxembourg („Claimants") brought an action against ENEA Wytwarzanie Sp. z o.o. for the conclusion of a share purchase agreement regarding shares of Eco-Power Sp. z o. o. at a price including a base amount of PLN 286,500,000.00.

ENEA Wytwarzanie Sp. z o.o. denied the above claim and in its response to the statement of claim (and is subsequent letter of 7 January 2017) requested that the claim be dismissed in its entirety and that costs of the proceedings be charged to the Claimants. Based on the estimated value of shares of Eco-Power Sp. z o. o., the Group created a provision of PLN 129 million. This figure results from the difference between the price taking into account the base amount of PLN 286,500,000.00 and the value estimated according to the model of ENEA SA.

The first court session was held on 10 April 2017, and the following sessions were held on 15 and 29 May, 20, 22 and 24 November 2017 and 5 January 2018, The Court has interviewed a majority of the witnesses.

30. Changes in the composition of the Supervisory Board

On 13 March 2018, the Company received a letter (dated on the same day) from Mr Paweł Skopiński on his resignation from the function of Member of the Supervisory Board of ENEA S.A.

On 22 March 2018, the Company received a statement (dated on the same day) from the Minister of Energy on exercising thereby of the right to appoint, pursuant to § 24 item 1 of the Company's Statutes, a Member of the Supervisory Board of ENEA S.A. In line with the aforementioned right, as of 22 March 2018, Mr Ireneusz Kulka was appointed Member of the Company's Supervisory Board.

On 16 April 2018, the Management Board ENEA S.A. became aware of the statement of the Minister of Energy dated 13 April 2018 on the dismissal of Member of the Company's Supervisory Board in conformity with his right pursuant to § 24 item 1 of the Company's Statutes. In conformity with the aforementioned right, as of 15 April 2018, Mr Ireneusz Kulka was dismissed from the Company's Supervisory Board.

On 16 April 2018, the Extraordinary Meeting of Shareholders of ENEA S.A.:

- dismissed the following Members of the Supervisory Board of ENEA S.A., Mr Rafał Bargiel and Mr Piotr Kossak,
- appointed the following Members of the Supervisory Board: Mr Ireneusz Kulka and Mr Paweł Jabłoński, and the resolution on the appointment of Mr Paweł Jabłoński entered into force as of the date of its passing, however with effect as of the date of obtaining by the candidate of a positive opinion of the Council for State Treasury Controlled Companies and State-Owned Corporate Bodies, i.e. as of 20 April 2018.

Selected standalone financial data of ENEA S.A.

	PLN '000		EUR '000	
	3 months ended 31.03.2018	3 months ended 31.03.2017	3 months ended 31.03.2018	3 months ended 31.03.2017
Net sales revenues	1 173 388	1 490 101	280 822	347 416
Operating profit	32 611	41 426	7 805	9 658
Profit before tax	48 752	98 777	11 668	23 030
Net profit of the reporting period	44 119	79 703	10 559	18 583
EBITDA	33 167	42 180	7 938	9 834
Cash flows from operating activities	(303 178)	218 016	(72 558)	50 830
Cash flows from investing activities	(160 022)	(1 617 801)	(38 297)	(377 189)
Cash flows from financial activities	(97 476)	361 879	(23 329)	84 372
Total net cash flows	(560 676)	(1 037 906)	(134 184)	(241 987)
Weighted average number of shares (in units)	441 442 578	441 442 578	441 442 578	441 442 578
Net earnings per share (in PLN / EUR per share)	0.10	0.18	0.02	0.04
Diluted earnings per share (in PLN / EUR)	0.10	0.18	0.02	0.04

	As at 31.03.2018	As at 31.12.2017	As at 31.03.2018	As at 31.12.2017
Total assets	22 161 175	22 452 921	5 265 813	5 383 232
Total liabilities	9 510 354	9 820 944	2 259 797	2 354 634
Long-term liabilities	7 637 385	7 695 443	1 814 752	1 845 032
Short-term liabilities	1 872 969	2 125 501	445 044	509 602
Equity	12 650 821	12 631 977	3 006 017	3 028 597
Share capital	588 018	588 018	139 722	140 981
Book value per share (in PLN / EUR)	28.66	28.62	6.81	6.86
Diluted book value per share (in PLN / EUR)	28.66	28.62	6.81	6.86

The above financial data for 2017 and 2016 were converted into EUR according to the following principles:

- Individual items of assets and liabilities – according to the average exchange rate announced as at 31 March 2018 – 4.2085 PLN/EUR (as at 31 December 2017 – 4.1709 PLN/EUR),
- Individual items of the profit and loss account and the cash flow statement – according to an exchange rate being an arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the reporting period from 1 January to 31 March 2018 – 4.1784 PLN/EUR (between 1 January and 31 March 2017 – 4.2891 PLN/EUR).

Abbreviated Interim Standalone Financial Statements of ENEA S.A. for the period from 1 January to 31 March 2018

Poznań, 22 May 2018

Index to Abbreviated Interim Standalone Financial Statements

Standalone Statement of Financial Position 64
Standalone Statement of Profit and Loss and Other Comprehensive Income 65
Standalone Statement of Changes in Equity 66
Standalone Statement of Cash Flows 67
Notes to Standalone Financial Statements 68
1. General information about ENEA S.A. 68
2. Statement of compliance 68
3. Accounting principles applied 69
4. Change of items presentation in the statement of financial position 76
5. Material estimates and assumptions 78
6. Composition of the Capital Group – list of subsidiaries, associates and jointly-controlled entities 78
7. Property, plant and equipment 80
8. Intangible assets 80
9. Investments in subsidiaries, associates and jointly controlled entities 80
10. Financial assets measured at amortized cost 81
11. Trade and other receivables revaluation write-offs 83
12. Customer contract assets 83
13. Analysis of the age structure of customer contract assets, trade accounts receivable and leasing accounts receivable 83
14. Inventory 84
15. Cash and cash equivalents 84
16. Financial assets measured at fair value 84
17. Financial instruments 85
18. Loans, borrowings and debt securities 86
19. Other financial liabilities 89
20. Deferred income tax 89
21. Provisions for liabilities and other charges 89
22. Net sales revenue 90
23. Related party transactions 91
24. Future liabilities under contracts concluded at the end of the reporting period 92
25. Contingent liabilities and proceedings before courts, arbitration and public administration bodies 93
25.1. Sureties and guarantees granted by the Company for loans and borrowings 93
25.2. Proceedings pending before common courts of law 93
25.3. Cases concerning non-balanced energy trading in 2012 94
25.4. Dispute concerning renewable energy origin certificate prices, and terminated contracts for the purchase of property rights resulting from renewable energy certificates of origin 95
26. Participation in the nuclear power plant construction programme 96
27. Performance of the Investment Agreement with Energa S.A. and Elektrownia Ostrołęka Sp. z o.o. concerning construction and operation of a power unit at Elektrownia Ostrołęka Sp. z o.o. 97
28. Recapitalisation of Polska Grupa Górnicza S.A. 99
29. Changes in the composition of the Supervisory Board 100

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

These Abbreviated Interim Standalone Financial Statements were prepared in accordance with the requirements of the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*, as approved by the European Union and accepted by the Management Board of ENEA S.A.

Members of the Management Board

President of the Management Board	**Mirosław Kowalik**	....
Member of the Management Board	Piotr Adamczak	....
Member of the Management Board	Piotr Olejniczak	....
Member of the Management Board	**Zbigniew Piętka**	....

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 May 2018

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

Standalone Statement of Financial Position

	Note	As at 31.03.2018	As at 31.12.2017 (converted data)*
ASSETS			
Non-current assets			
Property, plant and equipment	7	25 441	25 905
Perpetual usufruct of land		1 211	1 215
Intangible assets	8	4 623	4 666
Investment property		14 720	14 855
Investments in subsidiaries, associates and jointly controlled entities	9	12 119 924	11 945 473
Deferred income tax assets	20	61 985	66 693
Financial assets measured at fair value	16	62 918	92 696
Debt financial assets measured at amortized cost	10	6 918 987	6 902 669
Trade and other receivables		157	14 793
Costs of contract conclusion		15 297	-
		19 225 263	19 068 965
Current assets			
Inventory	14	186 779	217 158
Trade and other receivables		896 902	1 090 313
Costs of contract conclusion		16 733	-
Customer contract assets	12	250 215	-
Current income tax receivables		160 749	126 336
Debt financial assets measured at amortized cost	10	238 784	203 723
Cash and cash equivalents	15	1 185 750	1 746 426
		2 935 912	3 383 956
Total assets		22 161 175	22 452 921
EQUITY			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Reserve capital from valuation of hedging instruments		2 980	25 967
Reserve capital		3 150 240	3 150 240
Retained earnings		4 281 910	4 240 079
Total equity		12 650 821	12 631 977
LIABILITIES			
Long-term liabilities			
Loans, borrowings and debt securities	18	7 585 644	7 643 223
Financial lease liabilities		182	248
Liabilities due to employee benefits		51 528	51 941
Provisions for other liabilities and other charges	21	31	31
		7 637 385	7 695 443
Current liabilities			
Loans, borrowings and debt securities	18	237 774	222 958
Trade and other liabilities		683 476	797 569
Financial lease liabilities		260	258
Liabilities due to employee benefits		19 078	19 885
Liabilities due to an equivalent of the right to acquire shares free of charge		281	281
Other financial liabilities		547 081	723 735
Provisions for other liabilities and other charges	21	385 019	360 815
		1 872 969	2 125 501
Total liabilities		9 510 354	9 820 944
Total equity and liabilities		22 161 175	22 452 921

* conversion of data for the comparative period is presented in Note 4 to these Abbreviated 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 3 months ended 31.03.2018	For a period of 3 months ended 31.03.2017
Sales revenue		1 240 201	1 558 581
Excise tax		(66 813)	(68 480)
Net sales revenue	22	1 173 388	1 490 101
Other operating revenue		2 895	3 147
Depreciation		(556)	(754)
Costs of employee benefits		(14 803)	(12 947)
Consumption of materials and supplies and cost of goods sold		(690)	(522)
Energy and gas purchase for sale		(1 063 674)	(938 257)
Transmission and distribution services		(534)	(420 499)
Other outsourced services		(43 460)	(40 559)
Taxes and charges		(1 525)	(1 592)
Profit/(loss) on sale and liquidation of property, plant and equipment		-	66
Other operating expenses		(18 430)	(36 758)
Operating profit		32 611	41 426
Financial expenses		(55 750)	(45 282)
Financial revenue		71 891	102 633
Profit before tax		48 752	98 777
Income tax		(4 633)	(19 074)
Net profit for the reporting period		44 119	79 703

Other comprehensive income		
Items that are or may be reclassified to profit or loss		
- valuation of hedging instruments	(28 379)	(6 209)
- income tax	5 392	1 180
Net other comprehensive income	(22 987)	(5 029)
Total comprehensive income	21 132	74 674

Profit attributable to the Company's shareholders	44 119	79 703
Weighted average number of ordinary shares	441 442 578	441 442 578
Basic earnings per share (in PLN per share)	0,10	0,18
Diluted earnings per share (in PLN per share)	0,10	0,18

The Standalone Statement of Profit and Loss and Other Comprehensive Income shall be read together with explanatory notes which constitute an integral part of the Abbreviated Interim Standalone Financial Statements

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

Standalone Statement of Changes in Equity

	Share capital (nominal 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 01.01.2018	441 443	146 575	588 018	4 627 673	25 967	3 150 240	4 240 079	12 631 977
Adjustment due to implementation of IFRS 9							(2 288)	(2 288)
Balance as at 01.01.2018 following adjustment	441 443	146 575	588 018	4 627 673	25 967	3 150 240	4 237 791	12 629 689
Net profit							44 119	44 119
Other comprehensive income					(22 987)			(22 987)
Net comprehensive income recognised in the period					(22 987)		44 119	21 132
Balance as at 31.03.2018	441 443	146 575	588 018	4 627 673	2 980	3 150 240	4 281 910	12 650 821

	Share capital (nominal value)	Share capital revaluation	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							79 703	79 703
Other comprehensive income					(5 029)			(5 029)
Net comprehensive income recognised in the period					(5 029)		79 703	74 674
Balance as at 31.03.2017	441 443	146 575	588 018	4 627 673	28 797	2 640 358	3 130 307	11 015 153

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

Standalone Statement of Cash Flows

	3 months ended 31.03.2018	3 months ended 31.03.2017
Cash flows from operating activities		
Net profit for the reporting period	44 119	79 703
Adjustments:		
Income tax as per the statement of profit and loss and other comprehensive income	4 633	19 074
Depreciation	556	754
Profit on sale and liquidation of property, plant and equipment	-	(66)
Loss /(profit) on sale of financial assets	351	(52 832)
Interest income	(62 542)	(38 988)
Interest expense	52 422	42 185
	(4 580)	(29 873)
Income tax paid	(56 345)	(90 935)
Tax of Capital Group	46 683	84 401
Changes in working capital		
Inventory	30 379	57 040
Trade and other receivables	(76 353)	(206)
Trade and other liabilities	(310 065)	176 862
Liabilities due to employee benefits	(1 220)	(1 064)
Provisions for other liabilities and other charges	24 204	(57 912)
	(333 055)	174 720
Net cash flows from operating activities	(303 178)	218 016
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	-	(170)
Inflows from disposal of property, plant and equipment and intangible assets	-	71
Inflows from disposal of financial assets	32 021	11 821
Acquisition of financial assets	(49 800)	(286 500)
Acquisition of subsidiaries, associates and jointly-controlled entities	(173 714)	(1 371 409)
Inflows relating to future acquisition of financial assets	-	173
Interest received	31 471	28 213
Net cash flows from investing activities	(160 022)	(1 617 801)
Cash flows from financing activities		
Loans and borrowings received	-	250 000
Repayment of loans and borrowings	(7 727)	-
Bond issue	-	150 000
Bonds redemption	(47 500)	-
Expenses related to payment of financial lease liabilities	(64)	(79)
Expenses related to future issue of bonds	(416)	(422)
Interest paid	(41 769)	(37 620)
Net cash flows from financing activities	(97 476)	361 879
Increase / (decrease) of net cash	(560 676)	(1 037 906)
Opening balance of cash	1 746 426	1 614 822
Closing balance of cash	1 185 750	576 916

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

Notes to Standalone Financial Statements

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 – **District Court in Poznań**	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 March 2018, the shareholding structure of ENEA S.A. was as follows: The State Treasury of the Republic of Poland held 51.5% of shares, PZU TFI – 9.96%, other shareholders – 38.54%.

As at 31 March 2018, the statutory share capital of ENEA S.A. amounted to PLN 441,443 thousand (PLN 588,018 thousand following conversion to the 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 (the „Group"). As at 31 March 2018, the Group comprised 13 subsidiary companies, 10 indirect subsidiaries, 1 affiliate and 4 jointly-controlled entities.

The Abbreviated Interim Standalone 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 ENEA S.A.'s operation as a going concern.

2. Statement of compliance

These Abbreviated Interim Standalone Financial Statements have been prepared in conformity with the requirements of the International Financial Reporting Standard IAS 34 *Interim Financial Reporting*, which has been approved by the European Union and adopted by the Management Board of ENEA S.A.

The Company's Management Board has applied its best knowledge as to the application of the standards and interpretation as well as the methods and principles of measurement of individual items of the Abbreviated Interim Standalone Financial Statements of ENEA S.A. in conformity with the IFRS-EU as at 31 March 2018. Due diligence has been applied while preparing the presented statements and explanations. These Abbreviated Interim Standalone Financial Statements have not been reviewed by chartered accountant.

The Company draws up the Abbreviated Interim Consolidated Financial Statements of the ENEA Capital Group in conformity with the IFRS-EU as at and for the period of three months ended 31 March 2018. These Abbreviated Interim Standalone Financial Statements shall be read together with the aforesaid Abbreviated Interim Consolidated Financial Statements of the ENEA Capital Group and the Standalone Annual Financial Statements of ENEA S.A. for the financial year ended 31 December 2017.

3. Accounting principles applied

These Abbreviated Interim Standalone Financial Statements have been drawn up using the accounting principles consistent with the principles used upon drawing up the last annual standalone financial statements for the financial year ended 31 December 2017, except for the accounting principles ensuing from the IFRS 9 *Financial Instruments* and IFRS 15 *Revenues from Contracts with Customers*, that took effect on 1 January 2018.

3.1. Functional currency and presentation currency

The currency of measurement and the reporting currency of the presented Abbreviated Interim Standalone Financial Statements is Polish zloty. Figures in the Abbreviated Interim Standalone Financial Statements are presented in thousand Polish zlotys (PLN '000), unless indicated otherwise.

3.2. Costs of contract conclusion

The costs of concluding a contract are costs incurred by the Company in order to enter into a contract with a customer that the Company would not have incurred had the contract not been concluded (including the costs of partner commissions due to the conclusion of contracts for the sale of electricity). The costs that would have been incurred irrespective of the fact of concluding the contract are presented in the result of the period in which they were incurred.

3.3. Financial assets

The Company classifies its financial instruments in the following categories:

- financial assets measured at fair value through profit or loss,
- equity instruments measured through other comprehensive income,
- financial assets measured at amortized cost,
- financial assets measured at fair value through other comprehensive income.

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

- financial assets held for trading (including derivative instruments to which hedge accounting is not applied),
- financial assets voluntarily assigned to this category,
- financial assets that do not meet the definition of a basic loan agreement, including equity instruments such as stocks and shares, except for those assigned to equity instruments through other comprehensive income,
- financial assets that meet the definition of a basic loan agreement that are not maintained in accordance with the business model to realize cash flows or to realize cash flows or sales.

Assets in this category are classified as current assets if they are held for trading or are expected to be realised within 12 months of the balance sheet date.

b) Financial assets measured at amortized cost

Financial assets measured at amortized cost are financial assets held within a business model, the purpose of which is to hold financial assets to collect the contractual cash flows and whose contractual terms meet the criteria of the basic loan agreement.

c) Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are financial assets held within a business model, the purpose of which is both to collect the contractual cash flows and to sell financial assets; and whose contractual terms meet the criteria of the basic loan agreement.

d) Equity instruments measured through other comprehensive income

Equity instruments measured through other comprehensive income include investments in an equity instrument classified voluntarily and irrevocably at the moment of initial recognition. Equity instruments meeting the criteria of assets held for trading and meeting the criteria of a conditional payment recognized by the acquiring company as part of a merger of companies may not be included in such classification.

At the moment of initial recognition, the Company measures a financial asset subject to classification for the purposes of its valuation at its fair value. An exception to this rule are trade receivables without a significant financial component, which are valued at the transaction price.

The fair value of financial assets not included in the fair value measurement through profit or loss is increased by transaction costs which can be directly attributed to the acquisition of these assets.

Financial assets measured at fair value through profit or loss are measured at fair value as at each balance sheet date. The fair value determined as at the balance sheet date is not adjusted for transaction costs that should be incurred for the realisation of a given item. Results of revaluation to fair value for assets in this category are recognized in the financial result. In the case of removing a given item from the books, the Company determines the gain or loss on disposal and recognizes it in the financial result for the period.

Financial assets measured at amortized cost assets are measured at amortized cost as at each balance sheet date. Amortized cost of a financial asset is an amount at which the financial asset is measured at the time of its initial recognition, reduced by repayment of the principal amount and increased or decreased by depreciation, determined using the effective interest rate, of all differences between such initial amount and the amount at maturity, and adjusted for any allowances for expected credit losses.

Financial assets measured at fair value through other comprehensive income are measured at fair value as at each balance sheet date. The fair value determined as at the balance sheet date is not adjusted for transaction costs that should be incurred for the realisation of a given item. Interest accrued for such items and revaluation write-offs for expected credit losses are recognized in the financial result of the period, and remaining revaluation to fair value is recognized as other comprehensive income.

Equity instruments classified as measured through other comprehensive income are measured at fair value at each balance sheet date. The fair value determined as at the balance sheet date is not adjusted for transaction costs that should be incurred for the realisation of a given item. Revaluation to fair value is recognized as other comprehensive income.

3.4. Hedge accounting and derivative instruments

Derivative instruments used by the Company to hedge against specific risks related, among others, to changes in interest rates and currency exchange rates, are measured at fair value. Derivative instruments are presented as assets if their value is positive and as liabilities if their value is negative.

The fair value of foreign currency contracts is determined by reference to current forward rates on contracts with the same maturity or based on a valuation received from independent entities. The fair value of interest rate swaps can be determined based on a valuation received from independent entities. The fair value of other derivative instruments is determined based on market data or based on a valuation obtained from independent institutions specialising in such valuation.

The Company may apply hedge accounting to a portion or the entire exposure to a specific risk if the hedging instrument and the hedged item that constitute the hedging relationship are part of the risk management objective and the hedging strategy.

The Company defines hedging relationships regarding various types of risk as a fair value hedge or cash flow hedge. Risk hedges in respect of probable future liabilities are settled as cash flow hedges.

When the hedging relationship is established, the Company documents the relationship between the hedging instrument and the hedged item and the risk management objectives, as well as the strategy for implementing various hedging transactions.

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

- at the time of establishment of the hedge, the hedging relationship, as well as the purpose of risk management by the Company and the hedging strategy were officially designated and documented,

- the hedging relationship includes only eligible hedging instruments and eligible hedged items,
- the hedge is expected to be highly effective in offsetting changes in fair value or cash flows arising from the hedged risk, in line with the risk management strategy for that particular hedging relationship,
- in the case of cash flow hedges, the planned transaction being the subject of 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,
- hedging efficiency can be credibly assessed.

If the Company identifies the ineffectiveness of the hedge beyond the adopted risk management objectives, and the hedging relationship continues to implement the risk management strategy and risk management objectives, the Company restores the balance of the hedging relationship.

The Company discontinues applying hedge accounting principles prospectively if:

- the hedge no longer meets the criteria for hedge accounting due to the fact that the hedging instrument expires, is sold, terminated or executed,
- the hedge no longer meets the criteria for hedge accounting in connection with a change of the risk management strategy or risk management objectives.

The company does not dissolve the hedging relationship that:

- still meets the risk management objective on the basis of which the hedge was deemed eligible for inclusion in hedge accounting, and
- continues to meet all other eligibility criteria (taking into account, if applicable, restoring the balance of the hedging relationship).

If fair value hedges are applied to items other than an equity instrument classified as an equity instrument through other comprehensive income, the Company:

- recognizes gains or losses arising from the revaluation of the fair value of the derivative hedging instrument in the financial result, and
- adjusts the book value of the hedged item by the gain or loss related to the hedged item resulting from the risk being hedged and recognizes it in the financial result of the current period.

If fair value hedge is applied to an equity instrument classified as an equity instrument through other comprehensive income, the Company:

- recognizes gains and losses arising from the revaluation of the fair value of the hedging derivative instrument in other comprehensive income, and
- measures the equity instrument through other comprehensive income by recognising revaluation in other comprehensive income.

Cash flow hedge is a hedge against the threat of cash flow volatility, which can be attributed to a specific risk related to a recognized asset or liability or a highly probable planned transaction that could affect the financial result. The planned transaction is a transaction that is not yet a result of a concluded, binding contract (expected future transaction).

When using cash flow hedge accounting, the Company:

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

If the hedge of a planned transaction results in the recognition of a financial asset or financial liability, the related gain or loss that was included in the revaluation reserve is transferred to the financial result 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 part of the losses recognized in the revaluation reserve 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 hedge of a 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 hedge is applied, the Company excludes the related gain or loss that was recognized in the revaluation reserve and includes it in the initial cost of acquisition or in another carrying amount of an assets or liabilities item.

If the Company ceases to apply cash flow hedge accounting in accordance with the criteria specified above, the accumulated profits or losses from the hedging instrument included in the revaluation reserve remain in them until the hedged transaction is performed. If the hedged transaction is not carried out (or is not expected), the cumulative net result included in the revaluation capital is transferred immediately to the profit and loss account.

3.5. Trade and other receivables

Trade receivables are initially recognised at the transaction price and subsequently they are measured at amortized cost using the effective interest rate, including impairment write-offs. In a situation where there are no differences between the initial value of receivables and the amount (amounts) on the due date (due dates), interest accrued using the effective rate does not appear.

An impairment write-off on receivables is determined based on the expected credit losses. The expected credit losses account for both the occurrences of default of counterparties as well as potential estimated credit losses. The write-off is charged to costs recognized in the profit and loss account and other comprehensive income at the end of each reporting period.

3.6. Contract assets

In its statement of financial position, the Company recognizes a contract asset being the Company's right to remuneration in exchange for goods or services which the Company has provided to the customer. An asset is recognized if the Company has fulfilled its obligation by supplying goods or services to the customer before the customer has paid the remuneration or before the due date.

3.7. Cash and cash equivalents

Cash and cash equivalents include cash in a bank account, bank deposits payable on demand, other short-term investments with an initial maturity of up to three months and with high liquidity. Cash at hand is measured at each balance sheet date at face value. Cash at bank, bank deposits payable on demand and other short-term investments with an initial maturity of up to three months and with high liquidity are measured as at each balance sheet date at amortized cost (at the nominal/initial value plus interest accrued until the balance sheet date, adjusted for a write-off for anticipated credit losses).

3.8. Financial liabilities, including loans and credits, debt securities

Financial liabilities including trade accounts payable and other liabilities are initially recognized at fair value, less transaction costs incurred.

Financial liabilities including loans and debt securities are classified as at the moment of their initial recognition in the following categories:

- financial liabilities measured at fair value through profit or loss,
- financial liabilities measured at amortized cost.

Financial liabilities measured at fair value through profit or loss include:

- financial liabilities that meet the definition of liabilities held for trading, including derivative instruments not used in hedge accounting,
- financial liabilities voluntarily designated by the Company as measured at fair value through profit or loss.

Financial liabilities measured at amortized cost include all financial liabilities subject to classification for the purposes of measurement, not included in financial liabilities measured at fair value through profit or loss.

At the moment of initial recognition, the Company measures a financial liability subject to classification for the purposes of measurement at its fair value.
The fair value of a financial liability not included in the fair value measurement through profit or loss is decreased by transaction costs that can be directly assigned to the issue (incurring/inception) of this liability.

The balance sheet valuation of a financial liability and the recognition of revaluations depend on the assignment of a given item to the appropriate category for the purposes of the valuation.

- financial liabilities classified as financial liabilities measured at fair value through profit or loss are measured at fair value as at each balance sheet date. The fair value determined as at the balance sheet date is not adjusted for transaction costs that should be incurred for the settlement of a given item. Revaluation to fair value is recognized in the profit or loss of the period,

- financial liabilities classified into the category of financial liabilities at amortized cost are measured at amortized cost as at each balance sheet date.

3.9. Contract liabilities

In its statement of financial position, the Company recognizes a contract liability being an obligation of the Company to supply goods or services to a customer in return for which the Company has received remuneration (or the amount of remuneration is due) from the customer.

If the customer has paid the remuneration or the Company is entitled to the amount of remuneration which is unconditional (i.e. payable) before the Company has supplied the goods or services to the customer, the Company presents the contract as a contract liability at the time of payment or when the payment becomes due (whichever happens first).

3.10. Recognition of revenues

The Company recognizes revenue when it meets (or in the course of fulfilling) the obligation to provide a performance by supplying the promised good or service (i.e. an asset) to the customer, at the same time acquiring the right to remuneration and the legal title to the asset. The transfer of an asset takes place when the customer gains control over this asset.

The transfer of control may take place over time, when the obligation to provide the performance is fulfilled and as time goes on, i.e. when:

- the customer simultaneously obtains and draws benefits derived from the performance provided by the Company, as the Company provides this performance,
- the provision of a performance by the Company results in the creation or improvement of an asset (for instance, work in progress), and control over this asset, as it is manufactured or improved, is exercised by the customer; or
- the provision of a performance by the Company does not result in the creation of an asset of an alternative use for the Company, and the Company has an enforceable right to receive payment for the performance provided to-date.

When determining the degree of fulfilment of an obligation, the method based on results and the method based on outlays are used, taking into account the nature of the good or service being transferred.

Under revenues from core operations, the Company recognizes revenues from the sale of the following groups of products and services:

- services provided on a continuous basis - the amount of revenue depends on consumption (for instance, supply of electricity, thermal energy, natural gas, provision of distribution services). Revenues are recognised when the Company transfers control over a part of the service provided. The Company recognizes revenues in the amount of remuneration from the customer to which it is entitled, which directly corresponds to the value to the customer of the performance provided so far - this value is the amount that the Company has the right to invoice,

- delivery of goods/services settled at a specified point in time (among others, sale of property rights). Revenues are recognized when control over the product/service is transferred. The transfer of control takes place when the goods are made available to the customer or when the provision of a given service is completed.

The recognition of sales revenues in the amount of net remuneration occurs when the Company acts as an intermediary (agent), i.e. its obligation to provide a performance consists in ensuring delivery of goods or services by another entity. Such revenue is recognized in the form of a fee or commission to which - in accordance with the Company's expectations - it will be entitled in exchange for ensuring delivery of goods or services by another entity. The fee or commission due to the Company may be the amount of net remuneration which the Company retains after paying a remuneration to another entity in exchange for goods or services provided by that entity.

Interest revenues are recognized on an accrual basis using the effective interest rate, if obtaining them is not doubtful.

Dividend revenues are recognised at the time of acquisition of the right to receive payment.

3.11. Methods of implementation of the new standards

IFRS 9 - the Company has implemented IFRS 9 retrospectively with the recognition of adjustments as at 01.01.2018. ENEA S.A. applies IFRS 9 in accordance with its transitional provisions - it does not convert comparative data for previous periods, i.e. 01.01.2017 and 31/12/2017 to reflect the requirements of IFRS 9 in terms of valuation.

IFRS 15 - the Company has implemented IFRS 15 retrospectively with the combined effect of the first application and it recognizes the combined effect of the first application of the standard as an adjustment to the initial balance of retained earnings in the reporting period in which the first application date falls.

4. Change of items presentation in the statement of financial position

In connection with the entry into force of IFRS 9 and the resulting new classification of financial assets, the Company's management has decided to change the presentation of financial assets in the statement of financial position, therefore in the financial statements in 2018 new categories of financial assets replacing the existing ones appear. They are respectively:

- Financial assets measured at fair value and
- Debt financial assets measured at amortized cost.

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

	Data approved 31.12.2017	Data converted 31.12.2017
ASSETS		
Non-current assets		
Property, plant and equipment	25 905	25 905
Perpetual usufruct of land	1 215	1 215
Intangible assets	4 666	4 666
Investment property	14 855	14 855
Investments in subsidiaries, associates and jointly controlled entities	11 945 473	11 945 473
Deferred income tax assets	66 693	66 693
Financial assets measured at fair value	-	92 696
Debt financial assets measured at amortized cost	-	6 902 669
Financial assets available for sale	39 307	-
Intragroup bonds	6 771 221	-
Financial assets measured at fair value through profit or loss	23 836	-
Derivative instruments	29 553	-
Trade and other receivables	146 241	14 793
	19 068 965	19 068 965
Current assets		
Inventory	217 158	217 158
Trade and other receivables	1 126 982	1 090 313
Current income tax receivables	126 336	126 336
Debt financial assets measured at amortized cost	-	203 723
Intragroup bonds	167 054	-
Cash and cash equivalents	1 746 426	1 746 426
	3 383 956	3 383 956
TOTAL ASSETS	22 452 921	22 452 921

Long-term financial assets measured at fair value

The following items have been moved to „Long-term financial assets measured at fair value":

- Financial assets available for sale – PLN 39,307 thousand;
- Financial assets measured at fair value through profit or loss – PLN 23,836 thousand;
- Derivative instruments – PLN 29,553 thousand.

Long-term debt financial assets measured at amortized cost

The following items have been moved to „Long-term debt financial assets measured at amortized cost":

- Long-term Intragroup bonds – PLN 6,771,221 thousand;
- Long-term loans granted – PLN 131,448 thousand (from the "Long-term trade and other receivables" item).

Short-term debt financial assets measured at amortized cost

The following items have been moved to „Short-term debt financial assets measured at amortized cost":

- Short-term intragroup bonds – PLN 167,054 thousand;
- Short-term loans granted – PLN 36,669 thousand (from the "Short-term trade and other receivables" item).

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

5. Material estimates and assumptions

Preparation of the Abbreviated Interim Standalone Financial Statements in accordance with IAS 34 requires that the Management Board should adopt certain assumptions and make estimates that affect the adopted accounting principles and the amounts disclosed in the Abbreviated Interim Standalone 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. Estimates adopted upon drawing up of the Abbreviated Interim Standalone Financial Statements are consistent with the estimates adopted upon drawing up of the standalone financial statements for the last financial year. The estimates provided in previous financial years do not have a material impact on the current interim period.

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

	Name and address of company		ENEA S.A.'s share in the total number of votes [%] 31.03.2018	ENEA S.A.'s share in the total number of votes [%] 31.12.2017
1.	ENEA Operator Sp. z o.o. Poznań, ul. Strzeszyńska 58	subsidiary	100	100
2.	ENEA Wytwarzanie Sp. z o.o. Świerże Górne, al. Józefa Zielińskiego 1	subsidiary	100	100
3.	ENEA Elektrownia Połaniec S.A. Połaniec, ul. Zawada 26	subsidiary	100	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. Strzeszyńska 58	subsidiary	100[5]	100[5]
11.	ENEA Innowacje Sp. z o.o. [9] 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. in liquidation [7] Warszawa, ul. Jana Pawła II 25	subsidiary	61	61
14.	ElectroMobility Poland S.A. Warszawa, ul. Mysia 2	jointly-controlled company	25[8]	25
15.	Elektrownia Ostrołęka Sp. z o.o. [6] Ostrołęka, ul. Elektryczna 5	jointly-controlled company	50[11]	23,79
16.	Polimex – Mostostal S.A. Warszawa, al. Jana Pawła II 12	associate	16,48	16,48
17.	Polska Grupa Górnicza S.A. Katowice, ul. Powstańców 30	jointly-controlled company	7,66[10]	5,81
18.	ENEA Bioenergia Sp. z o.o. Połaniec, ul. Zawada 26	indirect subsidiary	100[4]	100[4]
19.	ENEA Ciepło Serwis Sp. z o.o. Białystok, ul. Starosielce 2/1	indirect subsidiary	100[1]	100[1]
20.	ENEA Badania i Rozwój Sp. z o.o. Świerże Górne, municipality of Kozienice, Kozienice 1	indirect subsidiary	100[1]	100[1]

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

21.	**Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.** Oborniki, ul. Wybudowanie 56	indirect subsidiary	99,93[1]	99,93[1]
22.	ENEA **Ciepło Sp. z o.o.** Białystok, ul. Warszawska 27	indirect subsidiary	91,14[1]	91,14[1]
23.	**Miejska Energetyka Cieplna 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 company	20[3]	20[3]

[1] – indirect subsidiary through shares in ENEA Wytwarzanie Sp. z o.o.

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

[3] – jointly-controlled company through shares in ENEA Operator Sp. z o.o.

[4] – indirect subsidiary through shares in ENEA Elektrownia Połaniec S.A.

[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 standalone financial statements, formalities relating to deleting the company from the National Court Register were still underway.

[6] – 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

[7] – On 28 February 2018, the Extraordinary Meeting of Shareholders of Annacond Enterprises Sp. z o.o. adopted a resolution under which the company was put to liquidation.

[8] – 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 PLN 3,000.00. The share capital increase was registered in the National Court Register on 23 April 2018.

[9] – 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, that is from PLN 305 thousand to PLN 3,805 thousand by creating 35,000 new shares with the nominal value of PLN 100.00 each. The share capital increase was registered in the National Court Register on 23 April 2018.

On 17 April 2018, the name of ENEA Innovation Sp. z o.o. was changed to ENEA Innowacje Sp. z o.o. in the National Court Register

[10] – On 31 January 2018, the Extraordinary Meeting of Shareholders of Polska Grupa Górnicza S.A. adopted a resolution on increasing the company's share capital by an amount of PLN 300,000 thousand, that is from PLN 3,616,718 thousand to PLN 3,916,718 thousand by way of issue of 3,000,000 new shares with the nominal value of PLN 100.00 each. ENEA S.A. acquired 900,000 shares with the total nominal value of PLN 90,000 thousand, thus increasing the share of ENEA S.A. in the company's share capital to 7.66%. On 6 April 2018, the share capital increase was registered with the National Court Register

[11] – On 23 March 2018, ENEA S.A. concluded with ENERGA S.A. a contract of purchase of 1,201,036 shares of Elektrownia Ostrołęka Sp. z o.o. thus acquiring in total a 50% shareholding in the company's share capital. On 29 March 2018, the Extraordinary Meeting of Shareholders of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on increasing the company's share capital by PLN 35,000 thousand, that is from PLN 229,100 thousand to PLN 264,100 thousand by creating 700,000 new shares privileged in terms of voting in such a way that one share will correspond to two votes, with the nominal value of PLN 50.00 each and the total nominal value of PLN 35,000 thousand. On 29 March 2018, ENEA S.A. signed a declaration of acquisition of 350,000 shares and covering them with a cash contribution in an amount of PLN 17,500 thousand. On 30 March 2018, ENEA S.A. made the cash contribution. The registration of the share capital increase in the National Court Register is still pending.

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

7. Property, plant and equipment

Over the 3 months ended 31 March 2018, the Company did not purchase any property, plant or equipment (during the period of 3 months ended 31 March 2017: PLN 0 thousand, respectively).

Over the 3 months ended 31 March 2018, the Company disposed of the written-off plant, property and equipment totalling at PLN 0 thousand net (during the period of 3 months ended 31 March 2017: PLN 5 thousand net, respectively).

8. Intangible assets

Over the 3 months ended 31 March 2018, the Company did not acquire any intangible assets (during the period of 3 months ended 31 March 2017: PLN 0 thousand, respectively).

Over the 3 months ended 31 March 2018, the Company did not sell or dispose of any intangible assets (during the period of 3 months ended 31 March 2017, PLN 0 thousand, respectively).

9. Investments in subsidiaries, associates and jointly controlled entities

	31.03.2018	31.12.2017
Opening balance	11 945 473	9 448 433
Acquisition of investments	174 451	1 615 327
Repayable capital contributions	-	387
Other	-	2 056
Change in revaluation allowances	-	879 270
Closing balance	12 119 924	11 945 473

Investment revaluation allowances

	31.03.2018	31.12.2017
Opening balance	1 280 505	2 159 775
Reversed	-	(879 270)
Closing balance	1 280 505	1 280 505

On 3 January 2018, the Extraordinary Meeting of Shareholders 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 PLN 3,000.00. Following the aforesaid capital 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.

On 31 January 2018, the Extraordinary Meeting of Shareholders of Polska Grupa Górnicza S.A. adopted a resolution on increasing the company's share capital by PLN 300,000 thousand to PLN 3,916,718 thousand by issuing 3,000,000 new shares by private subscription. ENEA S.A. acquired 900,000 new shares by private subscription, with the nominal value of PLN 100 each and the total nominal value of PLN 90,000 thousand.

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.

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

On 23 March 2018, ENEA S.A. purchased from ENERGA S.A. 1,201,036 shares of Elektrownia Ostrołęka Sp. z o.o.; all shares were purchased for PLN 57,694 thousand. Following acquisition of the shares, ENEA S.A. holds 50% shareholding in the company's share capital.

On 29 March 2018, the Company purchased 350,000 shares of Elektrownia Ostrołęka Sp. z o.o. with the nominal value of PLN 50 each and the total nominal value of PLN 17,500 thousand.

10. Financial assets measured at amortized cost

	31.03.2018	31.12.2017 (converted data)*
Short-term debt financial assets measured at amortized cost		
Intragroup bonds	198 678	167 054
Loans granted	40 106	36 669
Short-term debt financial assets measured at amortized cost	238 784	203 723
Long-term debt financial assets measured at amortized cost		
Intragroup bonds	6 739 368	6 771 221
Loans granted	179 619	131 448
Long-term debt financial assets measured at amortized cost	6 918 987	6 902 669
TOTAL	7 157 771	7 106 392

Revaluation allowances for anticipated credit losses

	Nominal value	Revaluation write-off	Book value
31.03.2018			
Debt financial assets measured at amortized cost	7 158 705	(934)	7 157 771
Cash and cash equivalents	1 185 750	-	1 185 750
Financial assets measured at amortized cost	8 344 455	(934)	8 343 521

Intragroup bonds

The ENEA Capital Group adopted a model of financing 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 distributes them within the Group. The table below shows the current intra-group bond issue programmes as at 31 March 2018 and as at 31 December 2017:

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

Date of contract	Company issuing bonds	Redemption date	Amount granted PLN '000	Amount used PLN '000	Bonds not redeemed as at 31.03.2018 (principal amount) PLN '000	Bonds not redeemed as at 31.12.2017 (principal amount) 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	30 100	35 650
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 bond series issue; other amounts no later than on 15 June 2022	3 000 000	2 650 000	2 650 000	2 650 000
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, then 17 June 2030	1 425 000	1 425 000	1 349 447	1 357 174
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	239 200	249 600
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 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, then 15 December 2031	946 000	946 000	946 000	946 000
30 October 2015	Miejskie Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.	Redemption in instalments – final redemption date 31 March 2020	18 000	18 000	8 000	9 000
20 September 2017	ENEA Operator Sp. z o.o.	15 December 2019	350 000	350 000	350 000	350 000
			Total		6 954 747	6 979 424
Transaction costs and effect of effective interest rate valuation					(16 701)	(41 149)
			Total		6 938 046	6 938 275

Over the 3 months ended 31 March 2018, ENEA S.A. did not conclude any new Programme Agreements. As of 15 March 2018, ENEA S.A. and ENEA Operator Sp. z o.o. changed the interest rate from floating to fixed for series II of bonds issued under the Programme Agreement of 20 June 2013 amounting to PLN 170,000 thousand.

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

11. Trade and other receivables revaluation write-offs

	31.03.2018	31.12.2017
Receivables revaluation write-off at the beginning of the period	64 622	56 111
Adjustment due to implementation of IFRS 9	2 572	-
Receivables revaluation write-off at the beginning of the period following adjustment	67 194	56 111
Created	722	23 837
Used	(1 400)	(15 326)
Receivables revaluation write-off at the end of the period	66 516	64 622

Over the 3 months ended 31 March 2018, the write-off for revaluation of the balance sheet value of trade and other receivables increased by PLN 1,894 thousand (during the period of 3 months ended 31 March 2017, the revaluation write-off increased by PLN 391 thousand).

12. Customer contract assets

	Customer contract assets
Opening balance following adjustment	221 714
Non-invoiced receivables	28 521
Change in revaluation write-off	(20)
Closing balance	250 215

13. Analysis of the age structure of customer contract assets, trade accounts receivable and leasing accounts receivable

	Nominal value	Revaluation write-off	Book value
31.03.2018			
Trade accounts receivable and leasing accounts receivable			
Current	778 561	(514)	778 047
Past due			
0-30 days	56 934	(51)	56 883
31- 90 days	17 668	(1 298)	16 370
91-180 days	6 914	(2 323)	4 591
Over 180 days	81 462	(59 606)	21 856
Total trade accounts receivable and leasing accounts receivable	941 539	(63 792)	877 747
Customer contract assets	250 390	(175)	250 215

	Nominal value	Revaluation write-off	Book value
31.12.2017			
Current	1 127 284	(21)	1 127 263
Past due			
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)

14. Inventory

	31.03.2018	31.12.2017
Certificates of origin	186 038	216 494
Goods for sale	741	664
Total Inventory	186 779	217 158

Certificates of origin

	31.03.2018	31.12.2017
Opening balance	216 494	84 984
Acquired	58 419	322 090
Redeemed	(86 236)	(189 121)
Sold	(2 639)	(1 459)
Closing balance	186 038	216 494

Costs relating to redemption of certificates of energy origin are presented in the profit and loss account under item: Energy and gas purchase for sale.

15. Cash and cash equivalents

	31.03.2018	31.12.2017
Cash at bank	39 933	183 662
Other cash	1 145 817	1 562 764
- deposits	1 142 070	1 553 367
- other	3 747	9 397
Total cash and cash equivalents	1 185 750	1 746 426
Cash disclosed in the statement of cash flows	1 185 750	1 746 426

As at 31 March 2018 and 31 December 2017, ENEA S.A. did not have any restricted access cash.

16. Financial assets measured at fair value

As at 31 March 2018, under 'Financial assets measured at fair value' the Company presents, among others, 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 of 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 and 30 July2022. Valuation of the call options to fair value was conducted using the Black-Scholes model. The book value of the shares as at 31 March 2018 amounted to PLN 22,249 thousand.

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

17. Financial instruments

The table below shows a statement of the fair values and the book values.

	31.03.2018		31.12.2017 (converted data)	
	Book value	Fair value	Book value	Fair value
Long-term financial assets measured at fair value	62 918	62 918	92 696	92 696
Long-term debt financial assets measured at amortized cost	6 918 987	7 020 245	6 902 669	6 967 307
Short-term debt financial assets measured at amortized cost	238 784	238 784	203 723	203 723
Trade and other receivables	877 747	(*)	1 040 465	(*)
Customer contract assets	250 215	250 215	-	-
Cash and cash equivalents	1 185 750	1 185 750	1 746 426	1 746 426
Long-term bank loans, borrowings and debt securities	7 585 644	7 662 506	7 643 223	7 721 895
Short-term bank loans, borrowings and debt securities	237 774	237 774	222 958	222 958
Financial lease liabilities	442	442	506	506
Other financial liabilities	547 081	547 081	723 735	723 735
Trade and other liabilities	560 931	(*)	615 163	(*)

(*) – The book value of trade and other receivables, trade and other liabilities is close to their fair value.

Financial assets measured at fair value include, among others:

- 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 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,
- options of purchase of shares of Polimex-Mostostal S.A.,
- derivative instruments which 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 values of variable reference rates.

Long-term debt financial assets measured at amortized cost include acquired debt financial instruments – bonds and loans granted with maturity exceeding one year.

Short-term debt financial assets measured at amortized cost include acquired debt financial instruments – bonds and loans granted with maturity under one year.

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

The table below shows an 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),

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

	31.03.2018			
	Tier 1	Tier 2	Tier 3	Total
Financial assets measured at fair value				
Derivative instruments used in hedge accounting (among others, Interest Rate Swaps)	-	372	-	372
Equity instruments at fair value measured through other comprehensive income	-	-	26 902	26 902
Shares and stock at fair value measured through profit or loss	13 395	-	-	13 395
Call options	-	22 249	-	22 249
	13 395	22 621	26 902	62 918

	31.12.2017			
	Tier 1	Tier 2	Tier 3	Total
Derivative instruments				
Interest Rate Swaps	-	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

18. Loans, borrowings and debt securities

	31.03.2018	31.12.2017
Long-term		
Bank loans	2 188 812	2 200 432
Bonds	5 396 832	5 442 791
Total	7 585 644	7 643 223
Short-term		
Bank loans	112 018	100 546
Bonds	125 756	122 412
Total	237 774	222 958
Total loans, borrowings and debt securities	7 823 418	7 866 181

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

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 from the EIB are for financing of a multi-annual investment programme aimed 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.

On 15 March 2018, in conformity with the provisions of Contract A concluded with the EIB, the Parties changed the interest rate from floating to fixed for the second tranche of the loan of PLN 170,000 thousand.

No.	Lender	Date of contract conclusion	Total contract amount	Amount outstanding as at 31.03.2018	Amount outstanding as at 31.12.2017	Term of the contract
1.	European Investment Bank	18 October 2012 and 19 June 2013 (A and B)	1 425 000	1 349 447	1 357 174	31 December 2030
2.	European Investment Bank	29 May 2015 (C)	946 000	946 000	946 000	30 September 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	2 295 447	2 303 174	
	Transaction costs and valuation effect according to effective interest rate			5 383	(2 196)	
	TOTAL		2 821 000	2 300 830	2 300 978	

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.

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

No.	Name of bond issue programme	Programme Date	Programme Amount	Value of bonds issued as at 31.03.2018	Bonds not redeemed as at 31.03.2018 (principal amount)	Bonds not redeemed as at 31.12.2017 (principal amount)	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	3 000 000	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	920 000	960 000	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	142 500	150 000	Redemption in instalments, last instalment payable in September 2027
	TOTAL		9 700 000	5 650 000	5 562 500	5 610 000	
	Transaction costs and valuation effect according to effective interest rate				(39 912)	(44 797)	
	TOTAL		9 700 000	5 650 000	5 522 588	5 565 203	

In the first quarter of 2018, ENEA S.A. did not make any amendments to the Programme Agreements and did not enter into any new agreements. No new issues of bonds were carried out.

Interest rate risk hedging transactions

During the 3 months ended 31 March 2018, ENEA S.A. did not enter into any interest rate risk hedging transactions (Interest Rate Swap). The total exposure under bonds and loans hedged with IRS transactions as at 31 March 2018 was PLN 5,402,520 thousand. The concluded transactions significantly affect the predictability of cash outflows and financial costs. The Company presents measurement of those instruments under „Financial assets measured at fair value". Derivative instruments are deemed to hedge cash flows therefore they are recognised and settled in the books using the principles of hedge accounting.

As at 31 March 2018, the valuation of IRS transactions was PLN 347 thousand (as at 31 December 2017 it was PLN 29,553 thousand).

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

Financing conditions – covenants

Under financing agreements, the Company and the ENEA Capital Group are required, among others, to comply with certain financial ratios. As at 31 March 2018 and as at the date of drawing up these Abbreviated Interim Standalone Financial Statements, the Company did not breach any provisions of loan agreements as a result of which it would have been required to earlier repay its long-term debt.

19. Other financial liabilities

Cash management at 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 administrator's (ENEA S.A.'s) bank account. On the following day, balances of funds are reversed and returned to the companies' accounts.

20. Deferred income tax

Changes in deferred income tax assets (with the set-off of assets and provisions taken into account) are as follows:

	31.03.2018	31.12.2017
Opening balance	66 693	48 562
Adjustment due to implementation of IFRS 9	537	-
Opening balance following adjustment	67 230	48 562
Change recognized in profits and losses	(10 637)	15 441
Change recognized in other comprehensive income	5 392	2 690
Closing balance	61 985	66 693

During the 3 months ended 31 March 2018, charges to the Company's profit before tax due to the reduction of the deferred income tax assets amounted to PLN 10,637 thousand (during the period of 3 months ended 31 March 2017, charges to the Company's profit before tax due to the reduction of the deferred income tax assets amounted to PLN 22,442 thousand).

21. Provisions for liabilities and other charges

Provisions for liabilities and other charges broken down to long-term and short-term:

	31.03.2018	31.12.2017
Long-term	31	31
Short-term	385 019	360 815
Total	385 050	360 846

(all amounts given 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 01.01.2018	2 934	96 485	261 427	360 846
Increase in existing provisions	104	8 566	103 478	112 148
Provisions used	(2)	(1 076)	(86 236)	(87 314)
Unused provisions reversed	(138)	(492)	-	(630)
Balance as at 31.03.2018	2 898	103 483	278 669	385 050

A description of material claims and contingent liabilities relating thereto are presented in Note 25.4.

During the period of 3 months ended 31 March 2018, net provisions for liabilities and other charges increased by PLN 24,204 thousand, primarily due to the failure to fulfil the obligation regarding sale of electricity from renewable sources and cogeneration to end customers – lack of decision of the President of the Energy Regulatory Office regarding redemption of certificates of origin under the 'green' obligation for 2018 (during the period of 3 months ended 31 March 2017, provisions for liabilities and other charges decreased by PLN 57 912 thousand).

In the first quarter of 2018, the Company created a provision of PLN 5,533 thousand for prospective claims relating to the termination by ENEA S.A. of purchase contracts for certificates of energy origin from renewable sources and as at 31 March 2018, the value of that provision amounted to PLN 91,269 thousand.

22. Net sales revenue

	01.01.2018 31.03.2018	01.01.2017 31.03.2017
Revenues from sale of electricity	1 142 966	1 454 325
Revenues from sale of gas	28 321	34 796
Revenues from sale of other services	651	980
Revenues from certificates of origin	1 450	-
Total	1 173 388	1 490 101

The Company recognises revenues at the time of fulfilment or in the course of fulfilment of the obligation to provide performance by delivering the promised goods or service to the customer. Revenues are shown at prices determined in the respective sales contracts, reduced by estimated discounts and other reductions in sales.

The main groups of contracts are electricity sale contracts (including comprehensive agreements) with individual, business, key and strategic customers. Under these contracts, service is provided continuously and the revenue depends on actual consumption.

The standard term of payment of sales invoices is 14 days from the date of issue of the VAT invoice. As far as business, key and strategic customers are concerned, that term may be subject to negotiations.

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

23. Related party transactions

The Company concludes transactions with the following related parties:

1. Companies forming the ENEA Capital Group

	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017
Purchases, whereof:	1 443 970	1 203 072
purchase of materials	156	134
purchase of services	453 349	448 984
other (whereof energy and gas)	990 465	753 954
Sales, whereof:	84 947	80 625
sale of energy	77 035	70 502
sales of services	528	406
other	7 384	9 717
Interest income, whereof:	51 116	41 264
on bonds	49 713	41 210
on loans	1 403	54

	31.03.2018	31.12.2017
Accounts receivable	93 668	60 721
Financial assets – bonds	6 938 046	6 938 275
Loans granted	219 725	168 117
Liabilities	1 112 818	1 253 001

Regulations regarding application of market principles in conformity with provisions of the Corporate Income Tax Act do not apply to transactions carried out within the Tax Capital Group. Transactions with companies from the Capital Group that are not members of the Tax Capital Group are carried out on an arm's length basis, and the terms and conditions do not differ from those applied in transactions with other entities.

2. **Transactions concluded between the Company and Members of the Company's Governing Bodies, should be** divided into two categories:
   - due to appointment as Members of Supervisory Boards,
   - due to other civil law contracts.

Transaction amounts regarding the above categories are presented in the table below:

Title	**Company's Management Board**		**Company's Supervisory** Board	
	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017	01.01.2018 - 31.03.2018	01.01.2017 - 31.03.2017
Remuneration under managerial contracts and consultancy agreements	730*	675	-	-
Remuneration due to appointment as members of management or supervisory bodies	-	-	215	201
TOTAL	730	675	215	201

* remuneration includes compensation under the non-competition clause for former Management Board Members amounting to PLN 55 thousand.

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

In the period of 3 months ended 31 March 2018, no loans were granted to Supervisory Board Members from the Company Social Benefits Fund (PLN 0.00 for the period of 3 months ended 31 March 2017). During that period loans totalling PLN 1,000.00 were repaid (PLN 1,000.00 for the period of 3 months ended 31 March 2017).

Other transactions pursuant to civil law agreements concluded between ENEA S.A. 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 and other related charges, provided 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 Company 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 abbreviated Interim Standalone Financial Statements do not include details regarding transactions with State Treasury-controlled entities.

24. Future liabilities under contracts concluded at the end of the reporting period

Liabilities under contracts concerning acquisition of tangible and intangible fixed assets contracted as at the end of the reported period and not yet included in the statement of financial position amount to:

	31.03.2018	31.12.2017
Acquisition of property, plant, equipment	1 392	-
Total	1 392	-

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

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

25.1. Sureties and guarantees granted by the Company for loans and borrowings

In the first quarter of 2018, ENEA S.A. did not conclude any contracts of surety in the capacity of the Guarantor.

The table below shows significant bank guarantees in force as at 31 March 2018 issued at the request of ENEA S.A. under an agreement concluded with Bank BZ WBK S.A. up to the limit determined therein.

Date of guarantee	Guarantee expiry date	Obliged entity	Guarantee issued to	Issuing Bank	Guarantee amount in PLN '000
12.06.2015	11.08.2018	ENEA Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	100 000
29.06.2015	11.08.2018	ENEA Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	90 000
20.12.2017	11.08.2018	ENEA Elektrownia Połaniec	Izba Rozliczeniowa Giełd Towarowych S.A.	BZ WBK S.A.	60 000
19.03.2018	11.08.2018	ENEA Wytwarzanie Sp. z o.o.	Polskie Sieci Elektroenergetyczne	BZ WBK S.A.	20 000
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.	1 944
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					288 024

The value of other guarantees issued by the ENEA S.A. as at 31 March 2018 amounted to PLN 1,972 thousand.
The total value of guarantees and sureties granted by ENEA S.A. to secure liabilities of the ENEA Capital group as at 31 March 2018 amounted to PLN 413,532 thousand.

25.2. 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 March 2018, the Company was pursuing a total of 11,758 actions with the value of claims totalling at PLN 54,788 thousand (as at 31 December 2017, there were 12,262 cases pending totalling PLN 56,345 thousand).

The outcome of neither 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 21). The Company considers claims regarding the non-contractual use of real estate not owned by the Company to be particularly important.

As at 31 March 2018, there were 167 cases against the Company pending before common courts of law totalling PLN 493,627 thousand (as at 31 December 2017, there were 190 cases involving claims worth PLN 54,218 thousand). Provisions relating to the aforesaid court cases are presented in Note 21.

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

25.3. 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:

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

The 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 judgment has been issued.

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

ENEA S.A. is a party to court proceedings regarding contracts for purchase of property rights under certificates of energy origin from renewable sources, which include:

- 7 actions for payment of money, where former business partners of ENEA S.A. pursue claims for remuneration or contractual penalties;
- 3 actions for declaration of ineffectiveness of termination/ withdrawal by ENEA S.A. from contracts of sale of property rights made on 28 October 2016; in one of the aforesaid actions, the demand for the declaration of ineffectiveness is pursued in parallel with a demand for payment.

ENEA S.A. set off 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 producers of energy from renewable sources. 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.

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).

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.

In principle, 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 and some other legal acts,

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

By terminating the Contracts the Company intends to avoid financial loses constituting the difference between contract prices and the market price of the green certificates. Due to the changing 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 with 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 connecting it with the market price.

The Company created a provision in an amount of PLN 91,269 for potential claims arising from the terminated contracts, with reference to sales notifications of the counterparties concerning property rights submitted by 31 March 2018; the provision is presented in Note 21.

26. Participation in the nuclear power plant construction programme

On 3 September 2014, PGE Polska Grupa Energetyczna, Tauron Polska Energia, ENEA and KGHM Polska Miedź (Business Partners) entered into the Shareholder Agreement. On 15 April 2015, in conformity with the Shareholder Agreement, a shares acquisition agreement was concluded regarding shares of PGE EJ 1 Sp. z o.o. (PGE EJ 1), as a result of which each Business Partner acquired a 10% stake in PGE EJ 1. Following sale by PGE Polska Grupa Energetyczna of shares in PGE EJ 1 to the Business Partners, PGE Polska Grupa Energetyczna holds 70% in the share capital of PGE EJ 1, while the other Business Partners (Tauron Polska Energia, ENEA and KGHM Polska Miedź) hold 30 %, i.e. 10% each of them.

In conformity with the arrangements, PGE Polska Grupa Energetyczna plays the role of the leader of the project of construction and operation of Poland's first nuclear power plant and PGE EJ 1 is to be the power plant's operator in the future.

In accordance with the Shareholder Agreement, the Parties jointly undertake to finance – pro rata to their respective shareholdings - the activities to be carried out within the preliminary phase of the Project (Development Stage). ENEA S.A.'s financial commitment during the Development Stage will not exceed PLN 107 million.

In the first quarter of 2018, PGE EJ 1 continued preparatory works for the construction of a nuclear power plant in Poland.

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 amount of the loan granted by ENEA S.A.as at the date of drawing up of these Abbreviated Interim Standalone Financial Statements totalled approximately PLN 7.7 million.

Parties to the Shareholder Agreement expect that the decision regarding declaration of continued participation of each of them in the following stage of the Project will be taken after the Development Stage is completed.

27. Performance of the Investment Agreement with Energa S.A. and Elektrownia Ostrołęka Sp. z o.o. concerning construction and operation of a power unit at Elektrownia Ostrołęka Sp. z o.o.

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 (Investment Project, Ostrołęka C).

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 also includes 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 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, the co-operation in principle will be organised in 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 SA 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.

The condition precedent for the entry into force of the Investment Agreement was obtaining consent for the concentration, consisting in the acquisition of shares of the SPV for the purpose of the Project implementation, from the President of the Office for Competition and Consumer Protection (UOKiK). This 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 participation of ENEA SA, Energa SA and Financial Investors, if any) and assuming that the capacity market or other support mechanisms are introduced, Elektrownia Ostrołęka SA will be able to undertake the comprehensive implementation of the Project.

In the performance of the Investment Agreement, in the period between 1 February 2017 and 23 March 2018, ENEA S.A. acquired from Energa S.A. in tranches shares/stock of Elektrownia Ostrołęka Sp. z o.o., corresponding in total to a 50% shareholding in the share capital, at an amount of approximately PLN 101 million.

As a result of the aforesaid transactions, Energa S.A. and ENEA S.A. assumed joint control over Elektrownia Ostrołęka Sp. z o.o. with its registered address in Ostrołęka, whose business objective is the construction and operation of a new coal-fired power unit. Each party holds 50% shares of Elektrownia Ostrołęka Sp. z o.o. and the same number of votes at the 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 a unanimous approval of both shareholders, who are entitled to net assets of Elektrownia Ostrołęka Sp. z o.o. In view of the foregoing, the investment project has been classified as a joint undertaking and it is recognized using the equity method.

In order to provide the company with sufficient funds, Energa S.A. and ENEA S.A. granted loans of PLN 10 million each to Elektrownia Ostrołęka Sp. z o.o. pursuant to an agreement of 23 November 2017. The loan granted by ENEA S.A. has been repaid.

On 27 February 2018, as a result of transformation, the legal form of Elektrownia Ostrołęka was changed from a joint-stock company to a limited liability company.

On 26 March 2018, the Company signed an Annexe to the Investment Agreement, under which the Parties increased the estimated total investment outlay resulting from commitments to be assumed at the Development Stage of the Ostrołęka C project, that is until the time the Notice to Proceed is issued to the General Contractor. The investment outlay to be made by ENEA S.A. may amount to approximately PLN 226 million. The increase of the investment outlays is due to the need to ensure funding for, among others, organisational work resulting from the contract with the General Contractor, related investment projects and the functioning of Elektrownia Ostrołęka Sp. z o.o.

As a result of increase of the share capital of Elektrownia Ostrołęka Sp. z o.o., on 29 March 2018, ENEA S.A. acquired 350,000 shares in the share capital worth PLN 17,500 thousand. On 30 March 2018, ENEA S.A. made a cash contribution to the bank account of the special purpose vehicle. Energa S.A. acquired the 350,000 remaining shares. Registration of the share capital increase in the National Court Register is pending. Following registration of the share capital increase, ENEA S.A.' s shareholding in the share capital of Elektrownia Ostrołęka Sp. z o.o. will not change and it will still amount to 50% as the new shares in the increased share capital were acquired by ENEA S.A. and Energa S.A. pro rata to their shareholdings, i.e. at the 50:50 ratio.

On 4 April 2018, Elektrownia Ostrołęka Sp. z o.o. completed the public tender procedure entitled "Construction of Ostrołęka C power plant with the capacity of 1.000 MW" by selecting the Consortium of GE Power Sp. z o.o. and Alstom Power System S.A.S as the General Contractor. The Consortium offered to complete the object of the procedure with the parameters specified in the offer for PLN 5,049,729 thousand net (PLN 6,023,035 thousand gross).
Completion of the tender procedure is not tantamount to:

- granting consent to the conclusion of a contract with the General Contractor – in order that such consent be granted, prior approval of the Issuer's Supervisory Board is required;
- granting consent to the issue of the Notice to Proceed – issue of the NTP requires, among others, a prior approval of the Issuer's Supervisory Board and a prior general approval of the Issuer's Shareholders' Meeting for proceeding with the Construction Stage.

It is estimated that the investment outlays in connection with the conclusion of a contract between the Employer and the General Contractor until the issue of the NTP will not exceed an equivalent of 4% of the contractual price.

28. 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 the assets of KHW.

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 (Annexe No. 1 to the Letter of Agreement concerning Polska Grupa Górnicza).

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 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:

b) 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,

c) 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;

d) within the third stage, the Company acquired by private subscription new B series shares of PGG with the nominal value of PLN 90 million in exchange for a cash contribution of PLN 90 million. ENEA S.A. increased its share in the share capital to 7.66%.

The Agreement determines the rules of appointment of Members of the Supervisory Board, according to which each Investor and the State Treasury will be entitled to appoint one member of the Supervisory Board 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 for 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., Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o. regarding an earlier analysed capital investment in Katowicki Holding Węglowy S.A. was terminated.

29. Changes in the composition of the Supervisory Board

On 13 March 2018, the Company received a letter (dated on the same day) from Mr Paweł Skopiński on his resignation from the function of Member of the Supervisory Board of ENEA S.A.

On 22 March 2018, the Company received a statement (dated on the same day) from the Minister of Energy on exercising thereby of the right to appoint, pursuant to § 24 item 1 of the Company's Statutes, a Member of the Supervisory Board of ENEA S.A. In line with the aforementioned right, as of 22 March 2018, Mr Ireneusz Kulka was appointed Member of the Company's Supervisory Board.

On 16 April 2018, the Management Board ENEA S.A. became aware of the statement of the Minister of Energy dated 13 April 2018 on the dismissal of Member of the Company's Supervisory Board in conformity with his right pursuant to § 24 item 1 of the Company's Statutes. In conformity with the aforementioned right, as of 15 April 2018, Mr Ireneusz Kulka was dismissed from the Company's Supervisory Board.

On 16 April 2018, the Extraordinary Meeting of Shareholders of ENEA S.A.:

- dismissed the following Members of the Supervisory Board of ENEA S.A., Mr Raffa Bargiel and Mr Piotr Kossak,
- appointed the following Members of the Supervisory Board: Mr Ireneusz Kulka and Mr Paweł Jabłoński, and the resolution on the appointment of Mr Paweł Jabłoński entered into force as of the date of its passing, however with effect as of the date of obtaining by the candidate of a positive opinion of the Council for State Treasury Controlled Companies and State-Owned Corporate Bodies, i.e. as of 20 April 2018.