Selected consolidated financial data of the ENEA Capital Group

	PLN '000		EUR '000	
	6 months ended 30.06.2018	6 months ended 30.06.2017 (converted data)*	6 months ended 30.06.2018	6 months ended 30.06.2017 (converted data)*
Net sales revenues	6 039 555	5 568 224	1 424 591	1 310 972
Operating profit	632 883	781 621	149 282	184 023
Profit before tax	558 256	768 655	131 680	180 971
Net profit of the reporting period	462 030	623 831	108 982	146 874
EBITDA	1 304 064	1 358 435	307 599	319 827
Net cash flows from operating activities	1 893 828	1 354 737	446 710	318 957
Net cash flows from investing activities	(1 261 161)	(2 235 821)	(297 479)	(526 398)
Net cash flows from financial activities	(280 276)	127 312	(66 111)	29 974
Total net cash flows	352 391	(753 772)	83 121	(177 467)
Weighted average number of shares (in units)	441 442 578	441 442 578	441 442 578	441 442 578
Net earnings per share attributable to shareholders of Parent Company (in PLN / EUR per share)	0.98	1.32	0.23	0.31
Diluted earnings per share (in PLN / EUR per share)	0.98	1.32	0.23	0.31

	Balance as at 30.06.2018	Balance as at 31.12.2017	Balance as at 30.06.2018	Balance as at 31.12.2017
Total assets	28 389 420	28 312 994	6 508 946	6 788 222
Total liabilities	13 589 269	14 313 325	3 115 661	3 431 711
Long-term liabilities	9 851 074	10 063 012	2 258 592	2 412 672
Short-term liabilities	3 738 195	4 250 313	857 070	1 019 040
Equity	14 800 151	13 999 669	3 393 285	3 356 510
Share capital	588 018	588 018	134 817	140 981
Book value per share (in PLN / EUR per share)	33.53	31.71	7.69	7.60
Diluted book value per share(in PLN/EUR per share)	33.53	31.71	7.69	7.60

* Conversion of data for the comparative period for presentation purposes is described in Note 4 of these Interim Consolidated Financial Statements

The above financial data for the first half of 2018 and 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 30 June 2018 – 4.3616 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 30 June 2018 – 4.2395 PLN/EUR (for the period from 1 January to 30 June 2017: 4.2474 PLN/EUR).

Condensed Interim Consolidated Financial Statements of the ENEA Capital Group for the period from 1 January to 30 June 2018

Poznań, 11 September 2018

Index to Condensed Interim Consolidated Financial Statements

These Condensed 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 adopted 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, 11 September 2018

(all amounts in PLN'000 unless specified otherwise)

Consolidated Statement of Financial Position

	Note	As at 30.06.2018	As at 31.12.2017
ASSETS			
Non-current assets			
Property, plant and equipment	8	20 395 723	20 416 867
Perpetual usufruct of land		105 163	105 571
Intangible assets	9	413 556	418 248
Investment property		25 988	26 981
Investments in associates and jointly controlled entities	10	549 096	355 152
Deferred income tax assets	22	444 768	501 945
Financial assets available for sale		-	40 698
Financial assets measured at fair value through profit or loss		-	33 364
Derivative instruments		-	29 553
Financial assets measured at fair value	18	91 637	-
Debt financial assets measured at amortized cost	14	7 742	-
Trade and other receivables		98 445	30 729
Costs of contract conclusion		14 165	-
Cash deposits at Mine Closure Fund		120 126	121 806
		22 266 409	**22 080 914**
Current assets			
CO_2 emission rights		92 823	595 533
Inventory	15	835 288	846 187
Trade and other receivables		1 598 295	1 903 568
Costs of contract conclusion		15 753	-
Customer contract assets	12	238 888	-
Current income tax receivables		56 206	149 859
Financial assets held to maturity		-	478
Financial assets measured at fair value through profit or loss		-	49 329
Financial assets measured at fair value	18	94 369	-
Debt financial assets measured at amortized cost	14	111	-
Other short-term investments		151 761	-
Cash and cash equivalents	17	3 039 517	2 687 126
		6 123 011	**6 232 080**
Total assets		**28 389 420**	**28 312 994**

(all amounts in PLN'000 unless specified otherwise)

	Note	As at 30.06.2018	As at 31.12.2017
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		933	741
Other capital		(27 101)	(27 101)
Reserve capital from valuation of hedging instruments		3 695	25 967
Retained earnings		9 651 464	8 858 130
		13 849 473	**13 078 219**
Non-controlling interests		950 678	921 450
Equity		**14 800 151**	**13 999 669**
LIABILITIES			
Long-term liabilities			
Loans, borrowings and debt securities	19	7 604 963	7 720 091
Trade and other liabilities		244 722	57 579
Customer contract liabilities	12	19 962	-
Financial lease liabilities		2 120	1 651
Deferred income due to subsidies, connection fees and other	21	179 034	645 443
Deferred income tax provision	22	336 494	245 240
Employee benefits liabilities		794 141	739 946
Financial liabilities measured at fair value through profit or loss		-	9 875
Financial liabilities measured at fair value		12 492	-
Provisions for other liabilities and charges	23	657 146	643 187
		9 851 074	**10 063 012**
Current liabilities			
Loans, borrowings and debt securities	19	491 704	539 429
Trade and other accounts payable		1 844 294	2 051 385
Customer contract liabilities	12	45 453	-
Finance lease liabilities		2 193	1 942
Deferred income due to subsidies, connection fees and other	21	9 673	92 422
Current income tax liabilities		1 007	1 797
Employee benefits liabilities		381 628	437 943
Liabilities due to an equivalent of the right to acquire shares free of charge		281	281
Financial liabilities measured at fair value through profit or loss		-	41 185
Financial liabilities measured at fair value		102 733	-
Provisions for other liabilities and other charges	23	859 229	1 083 929
		3 738 195	**4 250 313**
Total liabilities		**13 589 269**	**14 313 325**
Total equity and liabilities		**28 389 420**	**28 312 994**

(all amounts in PLN'000 unless specified otherwise)

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	6 months ended 30.06.2018	3 months ended 30.06.2018	6 months ended 30.06.2017 *	3 months ended 30.06.2017 *
Sales revenue		6 166 111	3 110 578	5 697 888	2 919 627
Excise tax		(126 556)	(59 576)	(129 664)	(61 093)
Net sales revenue	24	**6 039 555**	**3 051 002**	**5 568 224**	**2 858 534**
Other operating revenue		89 857	31 389	59 331	43 093
Depreciation		(722 546)	(359 195)	(576 814)	(292 967)
Costs of employee benefits		(825 657)	(415 648)	(771 479)	(384 492)
Consumption of materials and supplies and cost of goods sold		(1 148 199)	(542 542)	(709 768)	(424 157)
Energy and gas purchase for resale		(1 886 320)	(1 031 378)	(1 574 872)	(782 456)
Transmission services		(204 390)	(101 189)	(527 438)	(265 615)
Other outsourced services		(410 287)	(210 460)	(357 013)	(207 114)
Taxes and charges		(216 026)	(93 030)	(197 567)	(91 240)
Loss on sale and liquidation of property, plant and equipment		(13 855)	(10 565)	(8 037)	(4 250)
Reversal of impairment loss on non-financial fixed assets		51 365	51 365	-	-
Other operating expenses		(120 614)	(75 644)	(122 946)	(50 294)
Operating profit		**632 883**	**294 105**	**781 621**	**399 042**
Financial costs		(186 128)	(123 744)	(81 942)	(35 985)
Financial revenue		87 536	69 631	62 519	(3 664)
Dividend revenue		215	215	526	526
Share in profits of affiliates and jointly-controlled entities		23 750	11 141	5 931	5 931
Profit before tax		**558 256**	**251 348**	**768 655**	**365 850**
Income tax	22	(96 226)	(43 386)	(144 824)	(63 209)
Net profit for the reporting period		**462 030**	**207 962**	**623 831**	**302 641**
Other comprehensive income					
Reclassified to profits or losses:					
- valuation of hedging instruments		(27 496)	857	(12 892)	(6 683)
- other		192	192	(10)	(6)
- income tax	22	5 224	(168)	2 450	1 270
Not reclassified to profits or losses:					
- remeasurement of the defined benefit scheme		(38 406)	(38 406)	(35 572)	(35 572)
- income tax	22	7 297	7 297	6 758	6 758
Net other comprehensive income		**(53 189)**	**(30 228)**	**(39 266)**	**(34 233)**
Total income for the reporting period		**408 841**	**177 734**	**584 565**	**268 408**
whereof net profit:					
attributable to shareholders of Parent Company		431 190	190 434	581 162	285 932
attributable to non-controlling shares		30 840	17 528	42 669	16 709
whereof comprehensive income:					
attributable to shareholders of Parent Company		379 613	161 818	551 115	260 918
attributable to non-controlling shares		29 228	15 916	33 450	7 490
Net profit allocated to shareholders of Parent Company		431 190	190 434	581 162	285 932
Weighted average number of ordinary shares		441 442 578	441 442 578	441 442 578	441 442 578
Net profit per share (in PLN per share)		**0,98**	**0,43**	**1,32**	**0,65**
Diluted earnings per share (in PLN per share)		**0,98**	**0,43**	**1,32**	**0,65**

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

(all amounts in PLN'000 unless specified otherwise)

Consolidated Statement of Changes in Equity

(a) 1H 2018

	Share capital (nominal value)	Remeasurement 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								391 641		**391 641**
Balance as at 01.01.2018 following adjustment	441 443	146 575	**588 018**	**3 632 464**	**741**	**(27 101)**	**25 967**	**9 249 771**	**921 450**	**14 391 310**
Net profit of the reporting period								431 190	30 840	462 030
Net other comprehensive income					192		(22 272)	(29 497)	(1 612)	(53 189)
Total net comprehensive income recognised in the period					**192**		**(22 272)**	**401 693**	**29 228**	**408 841**
Balance as at 30.06.2018	441 443	146 575	**588 018**	**3 632 464**	**933**	**(27 101)**	**3 695**	**9 651 464**	**950 678**	**14 800 151**

(all amounts in PLN'000 unless specified otherwise)

(b) 1H 2017

	Note	Share capital (nominal value)	Remeasurement 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									581 162	42 669	623 831
Net other comprehensive income						(10)		(10 442)	(19 595)	(9 219)	(39 266)
Total net comprehensive income recognised in the period						**(10)**		**(10 442)**	**561 567**	**33 450**	**584 565**
Dividends	28								(121 925)	(456)	(122 381)
Redemption of non-controlling interests in subsidiaries							(1 449)			(301)	(1 750)
Balance as at 30.06.2017		441 443	146 575	**588 018**	**3 632 464**	**734**	**(27 101)**	**23 384**	**8 386 254**	**868 410**	**13 472 163**

(all amounts in PLN'000 unless specified otherwise)

Consolidated Statement of Cash Flows

	6 months ended 30.06.2018	6 months ended 30.06.2017
Cash flows from operating activities		
Net profit for the reporting period	462 030	623 831
Adjustments:		
Income tax in profit or loss	96 226	144 824
Depreciation	722 546	576 814
Loss on sale and liquidation of property, plant and equipment	13 855	8 037
Reversal of impairment loss on non-financial fixed assets	(51 365)	-
Profit on bargain purchase	-	(11 953)
Loss/ (profit) on sale of financial assets	20 263	(34 195)
Interest income	(23 120)	(4 247)
Dividend income	(215)	(526)
Interest expense	112 817	41 293
Loss/(profit) on measurement of financial instruments	12 422	(48 965)
Share in profit/loss of affiliates and jointly-controlled entities	(23 750)	(5 931)
Other adjustments	(2 400)	(4 295)
	877 279	**660 856**
Income tax paid	70 963	(194 419)
Changes in working capital:		
CO2 emission rights	301 358	287 408
Inventories	19 592	46 256
Trade and other receivables	(57 295)	(457)
Trade and other payables	348 175	70 347
Employee benefits liabilities	(40 525)	1 975
Deferred income due to subsidies, connection fees and other	(59 845)	(9 621)
Other provisions for liabilities and other charges	(27 904)	(131 439)
	483 556	**264 469**
Net cash flows from operating activities	**1 893 828**	**1 354 737**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(942 813)	(842 754)
Inflows from disposal of property, plant and equipment and intangible assets	980	1 528
Acquisition of financial assets	(164 800)	(6 500)
Inflows from disposal of financial assets	10 000	2 267
Acquisition of subsidiaries adjusted by acquired cash	-	(1 065 633)
Acquisition of affiliated and jointly-controlled entities	(171 153)	(331 982)
Inflows/(outflows) due to cash deposited in the bank account of the Mine Closure Funds	1 680	(978)
Interest received	4 078	4 113
Other inflows from investing activities	867	4 118
Net cash flows from investing activities	**(1 261 161)**	**(2 235 821)**
Cash flows from financing activities		
Loans and borrowings received	1 480	272 767
Bond issue	-	290 000
Loans and borrowings repaid	(52 502)	(40 272)
Bonds redemption	(122 500)	(300 000)
Expenses related to payment of finance lease liabilities	(612)	(1 232)
Interest paid	(105 399)	(87 169)
Expenses related to future issue of bonds	(449)	(2 108)
Other expenses from financing activities	(294)	(4 674)
Net cash flows from financing activities	**(280 276)**	**127 312**
Total net cash flows	**352 391**	**(753 772)**
Opening balance of cash	2 687 126	2 340 217
Closing balance of cash	**3 039 517**	**1 586 445**

(all amounts in PLN'000 unless specified otherwise)

Notes to Condensed 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 heat (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 30 June 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 30 June 2018, the State Treasury is the ultimate entity controlling the Parent Company.

As at 30 June 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 considering hyperinflation and other adjustments) and it was divided into 441,442,578 shares.

As at 30 June 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 Condensed 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 Condensed Interim 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 Condensed 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 Condensed Interim Consolidated Financial Statements of the ENEA Capital Group in conformity with the IFRS-EU as at 30 June 2018. Due diligence has been applied while preparing the presented statements and explanations. These Condensed Interim Consolidated Financial Statements have been reviewed by chartered accountant. Accounting principles presented below have been consistently applied during all the presented periods, unless indicated otherwise.

3. Accounting principles applied

These Condensed 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 and presentation currency

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

3.2. Cost 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 be 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 measured 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 measurement at fair value. An exception to this rule are trade receivables without a significant financial component, which are measured 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 remeasurement 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 profit or loss 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 profit or loss of the period, and remaining remeasurements to fair value are 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. Remeasurements to fair value are 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 be in line with the risk management strategy and risk management objectives, the Group 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 (considering, 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 remeasurement 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 remeasurement of the fair value of the hedging derivative instrument in other comprehensive income, and
- measures the equity instrument through other comprehensive income by recognising remeasurements 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.

The Group presents CO_2 emission rights, which are intangible assets, under current assets since they are used over a period of 12 months.

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. Customer 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 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 classified 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 remeasurements depend on the assignment of a given item to the appropriate category for the purposes of the measurement.

- 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. Remeasurement 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. Customer 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. Revenue recognition

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, considering 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 3,741 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. The Group does not convert the comparative data for the previous periods, i.e. 01.01.2017 and 31.12.2017. 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 417,391 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 395,382 thousand net, which represents the sum total of the above amount adjusted by the deferred income tax asset.
In the light of IFRS15, the Group acts as an intermediary that collects fees for and 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 renewables fee, quality fee and interim fee. At the same, cost of purchase of transmission services as well as cost relating to received invoices due to renewable energy sources support and generators' support are adjusted. In these

(all amounts in PLN'000 unless specified otherwise)

Condensed Interim Consolidated Financial Statements, the Company has made a set- off the revenues from the sale of distribution services and the cost of transmission services amounting to PLN 296,054 thousand.

	31.12.2017	Impact of IFRS 9	Impact of IFRS 15	01.01.2018
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	878	(92 744)	410 079
Financial assets measured at fair value	-	103 615	-	103 615
Debt financial assets measured at amortized cost	-	2 940	-	2 940
Financial assets available for sale	40 698	(40 698)	-	-
Financial assets measured at fair value through profit or loss	33 364	(33 364)	-	-
Derivative instruments	29 553	(29 553)	-	-
Trade and other receivables	30 729	(2 940)	(14 747)	13 042
Cost of contract conclusion	-	-	14 747	14 747
Cash deposited within the Mine Closure Fund	121 806	-	-	121 806
	22 080 914	**878**	**(92 744)**	**21 989 048**
Current assets				
CO_2 emission rights	595 533	-	-	595 533
Inventory	846 187	-	-	846 187
Trade and other receivables	1 903 568	(14 657)	(262 811)	1 626 100
Cost of contract conclusion	-	-	17 785	17 785
Customer contract assets	-	-	245 026	245 026
Current income tax receivables	149 859	-	-	149 859
Financial assets measured at fair value	-	49 329	-	49 329
Debt financial assets measured at amortized cost	-	10 516	-	10 516
Financial assets held until maturity	478	(478)	-	-
Financial assets measured at fair value through profit or loss	49 329	(49 329)	-	-
Cash and cash equivalents	2 687 126	-	-	2 687 126
Fixed assets held for sale	-	-	-	-
	6 232 080	**(4 619)**	**-**	**6 227 461**
Total assets	**28 312 994**	**(3 741)**	**(92 744)**	**28 216 509**

(all amounts in PLN'000 unless specified otherwise)

	31.12.2017	Impact of IFRS 9	Impact of IFRS 15	01.01.2018
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	(3 741)	395 382	9 249 771
	13 078 219	**(3 741)**	**395 382**	**13 469 860**
Non-controlling shares	921 450			921 450
Equity	**13 999 669**	**(3 741)**	**395 382**	**14 391 310**
LIABILITIES				
Non-current liabilities				
Loans, borrowings and debt securities	7 720 091	-	-	7 720 091
Trade and other liabilities	57 579	-	(20 989)	36 590
Customer contract liabilities	-	-	20 989	20 989
Financial lease liabilities	1 651	-	-	1 651
Deferred income due to subsidies, connection fees and other	645 443	-	(466 780)	178 663
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	-	9 875
Financial liabilities measured at fair value through profit or loss	9 875	(9 875)	-	-
Provisions for other liabilities and other charges	643 187	-	-	643 187
	10 063 012	**-**	**(466 780)**	**9 596 232**
Current liabilities				
Loans, borrowings and debt securities	539 429	-	-	539 429
Trade and other liabilities	2 051 385	-	(46 718)	2 004 667
Customer contract liabilities	-	-	46 718	46 718
Financial lease liabilities	1 942	-	-	1 942
Deferred income from subsidies, connection fees and other	92 422	-	(21 346)	71 076
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	-	41 185
Financial liabilities measured at fair value through profit or loss	41 185	(41 185)	-	-
Provisions for other liabilities and other charges	1 083 929	-	-	1 083 929
	4 250 313	**-**	**(21 346)**	**4 228 967**
Total liabilities	**14 313 325**	**-**	**(488 126)**	**13 825 199**
Total equity and liabilities	**28 312 994**	**(3 741)**	**(92 744)**	**28 216 509**

(all amounts in PLN'000 unless specified otherwise)

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

In the first quarter 2018, the Group converted comparative data as at 31 December 2017 due to the fact that new categories of financial assets occurred in the financial statements in 2018, ones replacing the existing, i.e.:

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

After having analysed the market practices, the Group decided that comparative data in these condensed interim financial statements as well as in the subsequent financial statements will be compliant with the data as presented in the approved „Consolidated Financial Statements of the ENEA Capital Group for the financial year ended 31 December 2017."

	Converted data* 31.12.2017	Reversal of adjustment of comparative data presentation	Approved data 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 associates and jointly-controlled entities	355 152	-	355 152
Deferred income tax assets	501 945	-	501 945
Financial assets measured at fair value	103 615	(103 615)	-
Debt financial assets measured at amortized cost	2 940	(2 940)	-
Financial assets available for sale	-	40 698	40 698
Financial assets measured at fair value through profit or loss	-	33 364	33 364
Derivative instruments	-	29 553	29 553
Trade and other receivables	27 789	2 940	30 729
Finds deposited within the Mine Closure Fund	121 806	-	121 806
	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	1 893 530	10 038	1 903 568
Current income tax receivables	149 859	-	149 859
Financial assets measured at fair value	49 329	(49 329)	-
Debt financial assets measured at amortized cost	10 516	(10 516)	-
Financial assets held until maturity	-	478	478
Financial assets measured at fair value through profit or loss	-	49 329	49 329
Cash and cash equivalents	2 687 126	-	2 687 126
Non-current assets held for sale	-	-	-
	6 232 080	**-**	**6 232 080**
Total assets	**28 312 994**	**-**	**28 312 994**

(all amounts in PLN'000 unless specified otherwise)

	Converted data* 31.12.2017	Reversal of adjustment of comparative data presentation	Approved data 31.12.2017
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	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
	13 078 219	**-**	**13 078 219**
Non-controlling interests	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 liabilities	57 579	-	57 579
Financial lease liabilities	1 651	-	1 651
Deferred income due to subsidies, connection fees and other	645 443	-	645 443
Deferred income tax provision	245 240	-	245 240
Employee benefits liabilities	739 946	-	739 946
Financial liabilities measured at fair value	9 875	(9 875)	-
Financial liabilities measured at fair value through profit or loss	-	9 875	9 875
Provisions for other liabilities and charges	643 187	-	643 187
	10 063 012	**-**	**10 063 012**
Current liabilities			
Loans, borrowings and debt securities	539 429	-	539 429
Trade and other liabilities	2 051 385	-	2 051 385
Finance lease liabilities	1 942	-	1 942
Deferred income due to subsidies, connection fees and other	92 422	-	92 422
Current income tax liabilities	1 797	-	1 797
Employee benefits liabilities	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	(41 185)	-
Financial liabilities measured at fair value through profit or loss	-	41 185	41 185
Provisions for other liabilities and other charges	1 083 929	-	1 083 929
	4 250 313	**-**	**4 250 313**
Total liabilities	**14 313 325**	**-**	**14 313 325**
Total equity and liabilities	**28 312 994**	**-**	**28 312 994**

* converted data in the „Condensed Interim Consolidated Financial Statements of the ENEA Capital Group for the period from 1 January to 31 March 2018".

(all amounts in PLN'000 unless specified otherwise)

Certificates of origin

In these Condensed Interim Consolidated Financial Statements the Group has made a presentation change with regard to the measurement and cost of sale of property rights.

	Approved data 01.01.2017 30.06.2017	Adjustment	Converted data 01.01.2017 30.06.2017
Sales revenue	5 696 438	1 450	5 697 888
Excise tax	(129 664)	-	(129 664)
Net sales revenue	**5 566 774**	**1 450**	**5 568 224**
Purchase of energy and gas for resale	(1 573 422)	(1 450)	(1 574 872)

5. Material estimates and assumptions

Preparation of the Condensed 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 Condensed Interim Consolidated Financial Statements and in the notes to these financial statements. Actual results, however, may differ from those anticipated. Estimates adopted upon drawing up of the Condensed Interim Consolidated Financial Statements are consistent with the estimates adopted upon drawing up of the consolidated 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 and the Group's interest in associates and jointly-controlled entities

	Name and address of company		ENEA S.A.'s share in the total number of votes [%] 30.06.2018	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

(all amounts in PLN'000 unless specified otherwise)

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 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. On 30 July 2018, the share capital increase was registered in the National Court Register.

7. Segment reporting

The Group presents information regarding operating segments in conformity with IFRS 8 *Operating segments*. Management of the Group's business is broken down to operating segments, determined on the basis of the products and services offered thereby. The business of the ENEA Capital Group is classified into four operating segments:

- 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. While analysing the performance of individual operating segments the Group pays attention primarily to EBITDA. It is defined as the operating profit/loss (calculated as profit/loss before tax adjusted by share in profits/loss of associate and jointly-controlled companies, financial revenues, dividend revenues and financial costs) reduced by deprecation and impairment loss on non-financial fixed assets.

Principles applied to determine the profit/loss and assets and liabilities of the segments are compliant with the accounting principles adopted for the purpose of drawing up the consolidated financial statements.

(all amounts in PLN'000 unless specified otherwise)

Segments' performance:

(a) Business results of segments in the period from 1 January to 30 June 2018 are as follows:

	Trade	Distribution	Generation	Mining	Other business	Exclusions	Total
Net sales revenue	3 385 155	1 356 285	1 120 910	106 909	70 296	-	6 039 555
Inter-segment sales	614 784	14 692	2 270 971	749 043	215 386	(3 864 876)	-
Total net sales revenue	**3 999 939**	**1 370 977**	**3 391 881**	**855 952**	**285 682**	**(3 864 876)**	**6 039 555**
Total costs	(3 971 134)	(1 045 933)	(3 178 430)	(755 963)	(276 070)	3 851 681	(5 375 849)
Segment profit/loss	**28 805**	**325 044**	**213 451**	**99 989**	**9 612**	**(13 195)**	**663 706**
Depreciation	(293)	(254 766)	(274 530)	(173 560)	(25 474)		
Impairment loss on non-financial fixed assets	-	-	51 365	-	-		
EBITDA	**29 098**	**579 810**	**436 616**	**273 549**	**35 086**		
% of net sales revenues	**0,7%**	**42,3%**	**12,9%**	**32,0%**	**12,3%**		
Unallocated costs of the entire Group (overhead costs)							(30 823)
Operating profit							**632 883**
Financial costs							(186 128)
Financial revenue							87 536
Dividend revenue							215
Share in profits of affiliates and jointly-controlled entities							23 750
Income tax							(96 226)
Net profit							**462 030**
Share in profit from non-controlling interests							30 840

(all amounts in PLN'000 unless specified otherwise)

(b) Business results of segments in the period from 1 April to 30 June 2018 are as follows:

	Trade	Distribution	Generation	Mining	Other business	Exclusions	Total
Net sales revenue	1 701 562	656 583	589 606	70 572	32 679	-	3 051 002
Inter-segment sales	359 838	8 703	1 157 962	386 683	112 432	(2 025 618)	-
Total net sales revenue	**2 061 400**	**665 286**	**1 747 568**	**457 255**	**145 111**	**(2 025 618)**	**3 051 002**
Total costs	(2 085 743)	(511 509)	(1 618 235)	(396 469)	(141 747)	2 013 330	(2 740 373)
Segment profit/loss	**(24 343)**	**153 777**	**129 333**	**60 786**	**3 364**	**(12 288)**	**310 629**
Depreciation	(151)	(128 564)	(131 439)	(89 483)	(12 643)		
Impairment loss on non-financial fixed assets	-	-	51 365	-	-		
EBITDA	**(24 192)**	**282 341**	**209 407**	**150 269**	**16 007**		
% of net sales revenues	**(1,2%)**	**42,4%**	**12,0%**	**32,9%**	**11,0%**		
Unallocated costs of the entire Group (overhead costs)							(16 524)
Operating profit							**294 105**
Financial costs							(123 744)
Financial revenue							69 631
Dividend revenue							215
Share in profits of affiliates and jointly-controlled entities							11 141
Income tax							(43 386)
Net profit							**207 962**
Share in profit from non-controlling interests							17 528

(all amounts in PLN'000 unless specified otherwise)

(c) Business results of segments in the period from 1 January to 30 June 2017 were as follows:

	Trade	Distribution	Generation (converted data) *	Mining	Other business	Exclusions (converted data) *	Total (converted data) *
Net sales revenue	2 571 058	1 613 909	1 055 054	259 553	68 650	-	5 568 224
Inter-segment sales	227 977	14 751	1 091 987	642 564	195 778	(2 173 057)	-
Total net sales revenue	**2 799 035**	**1 628 660**	**2 147 041**	**902 117**	**264 428**	**(2 173 057)**	**5 568 224**
Total costs	(2 694 438)	(1 354 808)	(1 864 039)	(754 943)	(261 606)	2 151 602	(4 778 232)
Segment profit/loss	**104 597**	**273 852**	**283 002**	**147 174**	**2 822**	**(21 455)**	**789 992**
Depreciation	(455)	(242 959)	(144 278)	(174 060)	(20 233)		
EBITDA	**105 052**	**516 811**	**427 280**	**321 234**	**23 055**		
% of net sales revenues	**3,8%**	**31,7%**	**19,9%**	**35,6%**	**8,7%**		
Profit on bargain purchase							11 953
Unallocated costs of the entire Group (overhead costs)							(20 324)
Operating profit							**781 621**
Financial costs							(81 942)
Financial revenue							62 519
Dividend revenue							526
Share in profits of affiliates and jointly-controlled entities							5 931
Income tax							(144 824)
Net profit							**623 831**
Share in profit from non-controlling interests							42 669

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

(all amounts in PLN'000 unless specified otherwise)

(d) Business results of segments in the period from 1 April to 30 June 2017 were as follows:

	Trade	Distribution	Generation (converted data)*	Mining	Other business	Exclusions (converted data)*	Total (converted data)*
Net sales revenue	1 237 101	778 960	723 709	84 716	34 048	-	2 858 534
Inter-segment sales	114 821	9 916	533 569	352 164	100 804	(1 111 274)	-
Total net sales revenue	**1 351 922**	**788 876**	**1 257 278**	**436 880**	**134 852**	**(1 111 274)**	**2 858 534**
Total costs	(1 297 930)	(657 562)	(1 108 819)	(379 299)	(127 965)	1 113 262	(2 458 313)
Segment profit/loss	**53 992**	**131 314**	**148 459**	**57 581**	**6 887**	**1 988**	**400 221**
Depreciation	(238)	(123 124)	(76 574)	(85 384)	(10 103)		
EBITDA	**54 230**	**254 438**	**225 033**	**142 965**	**16 990**		
% of net sales revenues	**4,0%**	**32,3%**	**17,9%**	**32,7%**	**12,6%**		
Profit on bargain purchase							11 953
Unallocated costs of the entire Group (overhead costs)							(13 132)
Operating profit							**399 042**
Financial costs							(35 985)
Financial revenue							(3 664)
Dividend revenue							526
Share in profits of affiliates and jointly-controlled entities							5 931
Income tax							(63 209)
Net profit							**302 641**
Share in profit from non-controlling interests							16 709

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

(all amounts in PLN'000 unless specified otherwise)

Segment reporting (continued)

(a) Other information regarding segments as at 30 June 2018 is as follows:

	Trade	Distribution	Generation	Mining	Other business	Exclusions	Total
Property, plant and equipment	15 522	8 445 069	9 275 590	2 764 615	342 501	(458 265)	20 385 032
Trade and other receivables	1 081 441	260 169	508 071	264 421	758 537	(1 195 089)	1 677 550
Costs of contract conclusion	29 918	-	-	-	-	-	29 918
Customer contract assets	35 480	200 954	132	-	3 306	(984)	238 888
Total	1 162 361	8 906 192	9 783 793	3 029 036	1 104 344	(1 654 338)	22 331 388
ASSETS excluded from segmentation							6 058 032
- whereof property, plant and equipment							10 691
- whereof trade and other receivables							19 190
TOTAL: ASSETS							**28 389 420**
Trade and other payables	255 020	647 006	988 233	265 941	240 192	(1 135 845)	1 260 547
Customer contract liabilities	60 228	64 953	-	462	-	(60 228)	65 415
Total	315 248	711 959	988 233	266 403	240 192	(1 196 073)	1 325 962
Equity and liabilities excluded from segmentation							27 063 458
- whereof trade and other payables							828 469
TOTAL: EQUITY AND LIABILITIES							**28 389 420**
<u>for the period of 6 months ended 30 June 2018.</u>							
Capital expenditure on property, plant and equipment and intangible assets	498	300 889	127 312	199 506	15 197	(5 334)	638 068
Capital expenditure on property, plant and equipment and intangible assets excluded from segmentation							283
Depreciation	293	254 766	274 530	173 560	25 474	(6 614)	722 009
Depreciation excluded from segmentation							537
Establishment/(termination /use) of receivables revaluation allowances	1 769	4 523	1 005	(2 335)	88	(1 389)	3 661

(all amounts 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							13 093
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**
For the period of 6 months ended 30 June 2017							
Capital expenditure on property, plant and equipment and intangible assets	106	344 213	342 045	139 205	8 384	(22 152)	811 801
Capital expenditure on property, plant and equipment and intangible assets excluded from segmentation							-
Depreciation	455	242 959	144 278	174 060	20 233	(5 990)	575 995
Depreciation excluded from segmentation							819
Establishment/(termination /use) of receivables revaluation allowances	1 367	12 201	4 951	190	(830)	(2)	17 877

8. Property, plant and equipment

Over the period of 6 months ended 30 June 2018, the Group purchased property, plant and equipment for the total amount of PLN 634,636 thousand (in the period of 6 months ended 30 June 2017: PLN 798,722 thousand, respectively). These amounts in particular refer to the generation segment (PLN 126,876 thousand), mining segment (PLN 199,492 thousand) and distribution segment (PLN 278,542 thousand).

Over the period of 6 months ended 30 June 2018, the Group sold and disposed of property, plant and equipment with the total net book value of PLN 18,640 thousand (in the period of 6 months ended 30 June 2017: PLN 9,862 thousand, respectively).

Over the period of 6 months ended 30 June 2018, tangible fixed assets revaluation allowances were reduced by a net amount of PLN 51,977 thousand (in the period of 6 months ended 30 June 2017, tangible fixed assets revaluation allowances were reduced by a net amount of PLN 2,752 thousand).

As at 30 June 2018, the total tangible fixed assets book value revaluation allowance amounted to PLN 1,576,190 thousand (as at 31 December 2017, it amounted to PLN 1,628,167 thousand, respectively).

Reversal of impairment loss on non-financial fixed assets

In connection with the amendment of 29 June 2018 to the Renewable Energy Sources Act which introduced provisions changing the rules of real property taxation for wind farms, with effect as of 1 January 2018, the Group has renewed the impairment tests carried out in previous years with regard to energy generation from wind sources and estimated the impact of the decrease of tax encumbrance on the use value of wind farms. On the basis of the conducted analysis, entries regarding impairment of non-financial fixed assets in the area of energy generation from wind sources totalling at PLN 51,365 thousand were reversed. Reversal of the impairment loss resulted in the increase of the Group's net result by PLN 41,606 thousand.

9. Intangible assets

Over the 6 months ended 30 June 2018, the Group acquired intangible assets totalling at PLN 3,715 thousand (over the 6 months ended 30 June 2017, the Group acquired intangible assets totalling at PLN 13,079 thousand).

Over the period of 6 months ended 30 June 2018, the Group recorded in the fixed assets register intangible assets originating from intangible assets under development totalling at PLN 15,848 thousand (over the 6 months ended 30 June 2017: PLN 14,904 thousand, respectively).

Over the period of 6 months ended 30 June 2018, the Group did not conduct any material transactions of sale or disposal of intangible assets (over the 6 months ended 30 June 2017, the Group did not conduct any material transactions of sale or disposal of intangible assets, either).

(all amounts in PLN'000 unless specified otherwise)

10. Investments in associates and jointly controlled entities

	30.06.2018	31.12.2017
Opening balance	355 152	2 518
Share in the net change in assets	23 750	9 282
Acquisition of investments	170 194	344 562
Other changes	-	(1 210)
Closing balance	**549 096**	**355 152**

	30.06.2018	31.12.2017
Polska Grupa Górnicza S.A.	323 542	210 000
Elektrownia Ostrołęka S.A.	127 020	52 335
Polimex - Mostostal S.A.	91 684	90 967
ElectroMobility Poland S.A.	6 850	1 850
	549 096	**355 152**

Balance as at 30.06 2018	Polimex Mostostal	Polska Grupa Górnicza	Elektrownia Ostrołęka	ElectroMobility Poland
Non-current assets	716 762	8 582 958	231 513	242
Current assets	1 448 251	2 370 809	25 827	27 382
Long-term liabilities	783 125	4 294 816	-	-
Short-term liabilities	922 360	3 350 704	3 301	223
Net assets	**459 528**	**3 308 247**	**254 039**	**27 401**
Share in votes	16,48%	7,66%	50,00%	25%
Share in net assets	**75 730**	**253 412**	**127 020**	**6 850**
Goodwill	15 954	70 130	-	-
Investments measured using the equity method	**91 684**	**323 542**	**127 020**	**6 850**

Balance as at 31.12 2017	Polimex Mostostal	Polska Grupa Górnicza	Elektrownia Ostrołęka	ElectroMobility Poland
Non-current assets	654 262	8 600 774	214 212	241
Current assets	1 586 019	1 879 009	25 832	7 382
Long-term liabilities	809 979	4 168 218	703	-
Short-term liabilities	973 960	3 407 357	32 821	223
Other differences	(1 165)	-	13 468	-
Net assets	**455 177**	**2 904 208**	**219 988**	**7 400**
Share in votes	16,48%	5,81%	23,79%	25%
Share in net assets	**75 013**	**168 734**	**52 335**	**1 850**
Goodwill	15 954	41 266	-	-
Investments measured using the equity method	**90 967**	**210 000**	**52 335**	**1 850**

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. On 30 July 2018, the share capital increase was registered in the National Court Register. Following registration of the share capital increase, ENEA S.A.' s shareholding in the share capital of Elektrownia Ostrołęka Sp. z o.o. did not change and it continues to 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.

On 6 July 2018, the Extraordinary Shareholders' Meeting of Elektrownia Ostrołęka Sp. z o.o. granted consent for conclusion of a public procurement contract with the General Contractor, the Consortium of GE Power Sp. z o.o. –

as the Consortium Leader and ALSTOM Power Systems S.A.S., selected in the course of the public procurement proceedings organized by the company in the form of a competitive dialogue, titled "Construction of Ostrołęka C Power Plant with the capacity of approximately 1000 MW".

The Contract with the General Contractor, the Consortium of GE Power Sp. z o.o.as the Consortium Leader and ALSTOM Power Systems S.A.S. was signed by the Management Board of Elektrownia Ostrołęka Sp. z o.o. on 12 July 2018.

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).

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.

(all amounts in PLN'000 unless specified otherwise)

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

a) within the first stage, the Company acquired new shares of PGG with the nominal value of PLN 150 million in exchange for a cash contribution of PLN 150 million. Following the acquisition of those shares, the Company held a 4.39% share in the share capital of PGG. The first recapitalization took place in April 2017,

b) within the second stage, the Company acquired new shares of PGG with the nominal value of PLN 60 million in exchange for a cash contribution of PLN 60 million. Following the acquisition of those shares, the Company held a 5.81% share in the share capital of PGG. The second recapitalisation took place in June 2017;

c) within the third stage, the Company acquired 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 third recapitalisation took place in January 2018.

The Agreement determines the rules of appointment of Members of the Supervisory Board, according to which each Investor and the State Treasury 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.

<u>Investors' Agreement</u>

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.
Allocation of the acquisition price of Polska Grupa Górnicza S.A. using fair value measurement 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 with respect to the shares held	**70 130**

(all amounts in PLN'000 unless specified otherwise)

11. Trade and other receivables revaluation write-offs

	30.06.2018	31.12.2017
Receivables revaluation write-off at the beginning of the period	153 115	129 483
Adjustment due to implementation of IFRS 9	4 619	-
Opening balance following adjustment	**157 734**	**129 483**
Acquisition of subsidiary companies	-	5 537
Created	7 804	45 263
Reversed	(655)	(6 834)
Used	(8 107)	(20 334)
Closing balance of revaluation write-off	**156 776**	**153 115**

Over the period of 6 months ended 30 June 2018, the write-off for revaluation of the book value of trade and other receivables increased by PLN 3,661 thousand (over the period of 6 ended 30 June 2017, the revaluation write-off increased by PLN 17,877 thousand).

Write-offs are created, mainly, with regard to trade receivables. Write-offs with regard to other receivables are insignificant.

12. Customer contract assets and liabilities

	Customer contract assets*	Customer contract liabilities*
Opening balance following adjustment	**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	5 649	-
Increase due to advance payments	-	475
Transfer from contract assets to accounts receivable	(11 061)	-
Revaluation write-off	(654)	-
Other changes	(72)	(226)
Closing balance	**238 888**	**65 415**

* as at 31 December 2017, customer contract assets and liabilities did not exist; conversion of data as at 1 January 2018 is presented in Note 3.13.

(all amounts 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	Carrying amount
30.06.2018			
Trade and other accounts receivable			
Current	1 070 365	(37 244)	1 033 121
Past due	329 707	(119 532)	210 175
0-30 days	130 889	(483)	130 406
31- 90 days	19 737	(1 729)	18 008
91-180 days	12 080	(4 008)	8 072
over 180 days	167 001	(113 312)	53 689
Total	**1 400 072**	**(156 776)**	**1 243 296**
Customer contract assets	**239 542**	**(654)**	**238 888**

31.12.2017	Nominal value	Revaluation allowance	Carrying amount
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 amortized cost

	30.06.2018	31.12.2017*
Short-term debt financial assets measured at amortized cost		
Loans granted	111	-
Short-term debt financial assets measured at amortized cost	**111**	**-**
Long-term debt financial assets measured at amortized cost		
Loans granted	7 742	-
Long-term debt financial assets measured at amortized cost	**7 742**	**-**
TOTAL	**7 853**	**-**

* as at 31 December 2017, debt financial assets measured at amortized cost did not exist; conversion of data as at 1 January 2018 is presented in Note 3.13.

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, trade accounts receivable and other accounts receivable that constitute financial instruments.

(all amounts in PLN'000 unless specified otherwise)

15. Inventory

	30.06.2018	31.12.2017
Materials	558 323	573 051
Semi-finished products and work in progress	2 420	632
Finished products	37 635	10 452
Certificates of energy origin	231 451	257 471
Goods for sale	11 326	11 471
Gross value of inventory	**841 155**	**853 077**
Inventory revaluation write-off	(5 867)	(6 890)
Net value of inventory	**835 288**	**846 187**

Over the period of 6 months ended 30 June 2018, inventory book value revaluation write-off was reduced by PLN 1,023 thousand (over the period of 6 months ended 30 June 2017, the revaluation write-off was reduced by PLN 864 thousand).

16. Certificates of energy origin

	30.06.2018	31.12.2017
Net value at the start of the period	**257 046**	**161 459**
Acquisition of subsidiaries	-	48 672
In-house generation	72 030	126 680
Acquisition	148 427	152 690
Redemption of certificates of origin	(237 222)	(190 736)
Sale	(9 399)	(43 522)
Change of revaluation allowance	519	1 803
Net value at the end of the period	**231 401**	**257 046**

17. Restricted access cash

As at 30 June 2018, restricted access cash amounted to PLN 241,412 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 30 June 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 July 2022. Valuation of the call options to fair value was conducted using the Black-Scholes model. The book value of the shares as at 30 June 2018 amounted to PLN 15,598 thousand (the book value of the options as at 31 December 2017 amounted to PLN 23,836 thousand).

(all amounts in PLN'000 unless specified otherwise)

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 120,967 thousand (as at 31 December 2017, they amounted to PLN 58,857 thousand). Their nominal value is PLN 3,433,797 thousand and maturity dates fall in the years 2018-2020.

19. Loans, borrowings and debt securities

	30.06.2018	31.12.2017
Bank loans	2 135 922	2 207 341
Borrowings	65 585	69 959
Bonds	5 403 456	5 442 791
Long-term	**7 604 963**	**7 720 091**
Bank loans	129 966	102 365
Borrowings	13 567	12 741
Bonds	348 171	424 323
Short-term	**491 704**	**539 429**
Total	**8 096 667**	**8 259 520**

Over the period of 6 months ended 30 June 2018, the net book value of loans, borrowings and debt securities decreased by PLN 162,853 thousand (in the period of 6 months ended 30 June 2017, the book value of loans and borrowings increased by PLN 222,870 thousand).

(all amounts 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 30.06.2018	Amount outstanding as at 31.12.2017	Contract expiry date
1.	ENEA S.A.	EBI	18 October 2012 and 19 June 2013 (A i B)	1 425 000	1 310 772	1 357 174	31 December 2030
2.	ENEA S.A.	EBI	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	1 191	3 564	30 September 2018
6.	ENEA Wytwarzanie Sp. z o.o.	NFOŚiGW	22 December 2015	60 075	52 185	52 017	20 December 2026 r.
7.	LWB	mBank	16 December 2016	100 000	-	-	30 November 2018
8.	Other	-	-	-	33 595	35 847	-
	TOTAL			**2 998 925**	**2 343 743**	**2 394 602**	
	Transaction costs and effect of measurement according to effective interest rate				1 297	(2 196)	
	TOTAL			**2 998 925**	**2 345 040**	**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 30 June 2018 amounts to PLN 53,376 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 in PLN'000 unless specified otherwise)

Bond 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 30.06.2018	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	226 401	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**	**5 788 901**	**5 911 911**	
	Transaction costs and the effect of measurement according to effective interest rate			(37 274)	(44 797)	
	TOTAL		**10 300 000**	**5 751 627**	**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 half 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 been 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. On 2 July 2018, the next 750 bonds valued at PLN 75,000 thousand were redeemed.

Interest rate risk hedging transactions

Over the period of 6 months ended 30 June 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 30 June 2018 amounted to PLN 5,380,780 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 30 June 2018, IRS were measured at PLN 1,653 thousand (as at 31 December 2017: at PLN 29,553 thousand).

Currency risk hedging transactions

Over the period of 6 months ended 30 June 2018, the Group concluded FX FORWARD transactions with the total volume of EUR 497 thousand. Date of settlement of the last transaction falls on December 2018. As at 30 June 2018, measurement of those instruments amounted to PLN 84 thousand (as at 31 December 2017: PLN 0 thousand).

Financing conditions – covenants

Under financing agreements, the Company and the ENEA Capital Group are required to comply with certain financial ratios. As at 30 June 2018, as at the date of drawing up these Condensed Interim Consolidated Financial Statements and in the course of the year 2018, 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 in PLN'000 unless specified otherwise)

20. Financial instruments

The table below presents a statement of fair values and carrying amounts:

	30.06.2018		31.12.2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term financial assets available for sale (shares and stock in unrelated companies)	-	-	40 698	40 698
Long-term financial assets measured at fair value through profit or loss	-	-	33 364	33 364
Derivative instruments	-	-	29 553	29 553
Short-term financial assets held to maturity	-	-	478	478
Short-term financial assets measured at fair value through profit or loss	-	-	49 329	49 329
Long-term financial assets measured at fair value	91 637	91 637	-	-
Long-term debt financial assets measured at amortized cost	7 742	7 742	-	-
Short-term financial assets measured at fair value	94 369	94 369	-	-
Short-term debt financial assets measured at amortized cost	111	111	-	-
Other short-term investments	151 761	151 761	-	-
Trade and other accounts receivable	1 243 296	(*)	1 533 993	(*)
Customer contract assets	238 888	238 888	-	-
Cash and cash equivalents	3 039 517	3 039 517	2 687 126	2 687 126
Funds deposited within the Mine Closure Fund	120 126	120 126	121 806	121 806
Credits, loans and debt securities	8 096 667	8 174 051	8 259 520	8 338 192
Financial lease liabilities	4 313	4 313	3 593	3 593
Trade and other liabilities	1 867 907	(*)	1 915 502	(*)
Financial liabilities measured at fair value through profit or loss	-	-	51 060	51 060
Financial liabilities measured at fair value	115 225	115 225	-	-

(*) the carrying amount of trade and other receivables and 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, which is close to the fair value;

  If shares and stocks in unrelated entities are listed on Stock Exchanges, their fair value is determined on the basis of stock exchange listings,

(all amounts in PLN'000 unless specified otherwise)

- 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.

Long-term debt financial assets measured at amortized cost include loans granted with maturity in excess of one year. Short-term debt financial assets measured at amortized cost include, among others, loans granted with maturity below one year. The 'other short-term investments' item included deposits with maturity dates exceeding 3 months.

Fair value of loans, borrowings and debt securities is calculated for fixed interest rate based financial instruments on the basis of the current WIBOR.

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 using various measurement techniques not based, however, on any observable market information.

	30.06.2018			
	Tier 1	**Tier 2**	**Tier 3**	**Total**
Financial assets measured at fair value				
Derivative instruments used in hedge accounting (among others, Interest Rate Swaps)	-	1 929	-	1 929
Equity instruments measured at fair value through other comprehensive income			26 902	26 902
Call options (measured at fair value through profit or loss)	-	15 598	-	15 598
Other derivative instruments measured at fair value through profit or loss	-	120 967	-	120 967
Shares and stock measured at fair value through profit or loss	19 525		1 085	20 610
Total	**19 525**	**138 494**	**27 987**	**186 006**

(all amounts in PLN'000 unless specified otherwise)

	Tier 1	Tier 2	Tier 3	Total
Financial liabilities measured at fair value through profit or loss				
Derivative instruments measured at fair value through profit or loss	-	(115 225)	-	(115 225)
Total	**-**	**(115 225)**	**-**	**(115 225)**

	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

	30.06.2018	31.12.2017
Long-term		
Deferred income due to subsidies	126 662	196 334
Deferred income due to connection fees	-	401 514
Deferred income due to street lighting upgrading services	52 372	47 595
	179 034	**645 443**
Short-term		
Deferred income due to subsidies	7 921	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	1 752	1 125
Building contracts - estimate	-	1 179
	9 673	**92 422**

Deferred income schedule

	30.06.2018	31.12.2017
Up to one year	9 673	92 422
From 1 to 5 years	50 989	134 426
Over 5 years	128 045	511 017
	188 707	**737 865**

(all amounts in PLN'000 unless specified otherwise)

Over the period of 6 months ended 30 June 2018, the book value of deferred income due to subsidies, connection fees and other decreased by net amount of PLN 549,158 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.
Over the period of 6 months ended 30 June 2017, the book value of deferred income due to subsidies, connection fees and other decreased by net amount of PLN 9,579 thousand.

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:

	30.06.2018	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	91 866	-
Opening balance of net deferred income tax assets following adjustment	(164 839)	(211 459)
Acquisition of subsidiary companies	-	(142 936)
Amount debited from/ (credited to) recognised in the profit or loss	69 086	109 673
Amount debited from/ (credited to) other comprehensive income	(12 521)	(11 983)
Closing balance of net deferred income tax assets, whereof:	**(108 274)**	**(256 705)**
Closing balance of deferred income tax assets	**444 768**	**501 945**
Closing balance of provision for deferred income tax	**336 494**	**245 240**

Over the period of 6 months ended 30 June 2018, as a result of reduction of net deferred income tax asset, the amount debited from the Group's profit before tax was PLN 69,086 thousand (over the period of 6 months ended 30 June 2017, the amount debited from the Group's profit before tax as a result of reduction of the net deferred income tax asset was PLN 73,907 thousand).

23. Provisions for other liabilities and charges

Provision for other liabilities and other charges broken down into long-term and short-term	30.06.2018	31.12.2017
Long-term	657 146	643 187
Short-term	859 229	1 083 929
Total	**1 516 375**	**1 727 116**

Over the period of 6 months ended 30 June 2018, net provisions for other liabilities and other charged decreased by PLN 210,741 thousand (over the period of 6 months ended 30 June 2017, provisions for other liabilities and charges decreased by PLN 79,762 thousand).

(all amounts in PLN'000 unless specified otherwise)

Change in provisions and other charges

for the period ended 30.06.2018

	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	-	-	-	-	-	1 719	-	1 719
Increase of existing provisions	362	23 144	5 332	207 699	295 265	8 362	21 981	562 145
Provisions used	(7 425)	(1 250)	-	(255 250)	(481 999)	-	(5 493)	(751 417)
Reversal of unused provision	(252)	(718)	(7 273)	-	(14 407)	-	(538)	(23 188)
Closing balance	**193 515**	**154 094**	**57 771**	**218 002**	**286 218**	**115 522**	**491 253**	**1 516 375**

During the first half of 2018, ENEA S.A. created a provision of PLN 11,409 thousand for prospective claims relating to the termination by ENEA S.A. of contracts for the purchase of certificates of energy origin from renewable sources and as at 30 June 2018, the value of that provision amounted to PLN 97,144 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 153,891 thousand (as at 31 December 2017: PLN 147,609 thousand),
- the cost of use of forests managed by Lasy Państwowe (State Forests) of PLN 114,944 thousand (as at 31 December 2017: PLN 113,547 thousand),
- real estate tax of Lubelski Węgiel Bogdanka S.A. of PLN 46,877 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 21,996 thousand (as at 31 December 2017: PLN 21,340 thousand),
- repair of mining damages of PLN 4,233 thousand (as at 31 December 2017: PLN 4,434 thousand).

(all amounts 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 30.06.2018	01.01.2017 30.06.2017
Revenue from sales of electricity	4 219 299	3 327 553
Revenue from sale of distribution services	1 342 551	1 601 160
Revenue from sale of goods and materials	37 653	34 805
Revenue from sale of other products and services	74 789	83 066
Revenue from sale of certificates of origin	2 094	19 542
Revenue from sale of CO2 emission rights	25 977	10 130
Revenue from sale of thermal energy	197 473	189 435
Revenue from sale of coal	85 504	232 429
Revenue from sale of gas	54 215	70 104
Total net sales revenue	**6 039 555**	**5 568 224**

The Group classifies 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 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:

Item	Company's Management Board 01.01.2018 - 30.06.2018	Company's Management Board 01.01.2017 - 30.06.2017	Company's Supervisory Board 01.01.2018 - 30.06.2018	Company's Supervisory Board 01.01.2017 - 30.06.2017
Remuneration under managerial contracts and consultancy agreements	1 405*	3 099**	-	-
Remuneration relating to appointment of members of management and supervisory bodies	-	-	413	402
TOTAL	**1 405**	**3 099**	**413**	**402**

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

** remuneration includes bonuses for 2016 amounting to PLN 1,749 thousand

Over the period of 6 months ended 30 June 2018, no loans were granted to the Supervisory Board Members from the Company Social Benefits Fund (PLN 0 thousand for the period of 6 months ended 30 June 2017). During that period, loans totalling PLN 3 thousand were repaid (PLN 2 thousand for the period of 6 months ended 30 June 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:

	30.06.2018	**31.12.2017**
Acquisition of tangible fixed assets	1 411 707	1 138 756
Acquisition of intangible assets	35 553	34 029
	1 447 260	**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 30 June 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

<u>Proceedings brought by the Group</u>

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 30 June 2018, the Group was pursuing a total of 11,560 actions with the value of claims amounting to PLN 136,613 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 real estate 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 30 June 2018, there were in total 2,332 cases brought against the Group totalling PLN 790,537 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 21,996 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.

On 14 August 2018 the Regional Court in Białystok (1st instance) admitted the whole claim of the Municipality of Białystok. The sentence is not final yet. On 10 September 2018, ENEA Wytwarzanie Sp. z o.o. appealed against the judgement.

On 29 June 2018, the President of Energy Regulatory Office initiated administrative proceedings concerning submitting to the President of Energy Regulatory Office applications to issue certificates of origin for years 2010 – 2018. In this condensed consolidated financial statements no provision on that account has been recognized.

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 of PLN 97,144 thousand for prospective claims arising from terminated contracts, with reference to sales notifications of counterparties concerning property rights submitted by 30 June 2018; the provision is presented in Note 23.

28. Dividend

On 25 June 2018, the Annual General Meeting of Shareholders of ENEA S.A. adopted Resolution No. 6 on the allocation of the net profits for the financial year covering the period from 1 January 2017 to 31 December 2017, under which 100% net profit for 2017 was allocated to reserve capital to be used for investment financing.

On 26 June 2017, the Annual General Meeting of Shareholders of ENEA S.A. adopted Resolution No. 6 on the allocation of the net profits for the financial year covering the period from 1 January 2016 to 31 December 2016, under which an amount of PLN 110,361 thousand was allocated as dividend payable to shareholders. The dividend per share amounted to PLN 0.25.

29. 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 half 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 Condensed 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.

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

Fen Wind Farm B.V. with its registered office in Amsterdam and Went 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 considering 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 and 18 May 2018. The Court has interviewed a majority of the witnesses.

31. 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.

On 31 July 2018, the Company received a letter (dated on the same day) from Mr Rafał Szymański on his resignation from the function of Member of the Supervisory Board of ENEA S.A.

32. Events after the balance sheet date

On 9 July 2018, the Extraordinary General Meeting of Shareholders of ENEA Oświetlenie Sp. z o.o. adopted a resolution on increasing the company's share capital by an amount of PLN 16,000 thousand, that is from PLN 166,127 thousand up to PLN 182,127 thousand, by creating 32,000 new shares with the total value of PLN 16,000 thousand (the nominal value of PLN 500.00 per share). On 11 July 2018, ENEA S.A. acquired 32,000 shares in the company's share capital against a cash contribution. The registration of the share capital increase in the National Court Register is still pending.

As a result of another increase of the share capital of Elektrownia Ostrołęka Sp. z o.o., 30 July 2018, ENEA S.A. acquired 2,870,000 shares in the share capital worth PLN 143,500 thousand and on 2 August 2018, ENEA S.A. made a cash contribution to the account of the special purpose vehicle. Energa S.A. acquired 2,870,000 remaining shares. The registration of the share capital increase with the National Court Register is still pending. Following registration of the share capital increase, the share of ENEA S.A. in the share capital of Elektrownia Ostrołęka Sp. z o.o. will not change and it will continue to amount to 50% since new shares in the increased share capital were acquired by ENEA S.A. and Energa S.A. pro rata to the shares held thereby, i.e. at the ratio of 50:50.

In the court proceedings brought 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" (as described in note No 27.4), on 14 August 2018, the Regional Court in Białystok (1st instance) admitted the claim of the Municipality of Białystok. The sentence is not final yet. On 10 September 2018, ENEA Wytwarzanie Sp. z o.o. appealed against the judgement.

On 9 August 2018, the Extraordinary Shareholders' Meeting of PGE EJ 1 Sp. z o.o. adopted Resolution No 5 on increasing the company's share capital by PLN 60,000 thousand, that is from PLN 310,858 thousand to PLN 370,858 thousand. As a result of this increase, on 21 August 2018, ENEA S.A. acquired 42,553 shares in the company's share capital valued at PLN 6,000 thousand. The registration of the share capital increase with the National Court Register is still pending.

On 4 September 2018, ENEA S.A. concluded an agreement with Energa S.A., Elektrownia Ostrołęka Sp. z o.o. (the SPV) and Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych "Energia" ("Energia"-Non-public Assets Closed-end Investment Fund) (the Fund) concerning the capital involvement of the Fund in the project currently being executed by the SPV, this concerning the preparation, erection and operation of a bituminous coal fired power unit with a gross installed capacity of approximately 1,000 MW (the Project). The involvement of the Fund in the SPV is dependent on the fulfilment of a number of legal, corporate and financial conditions, and also on the market situation.
The text of the agreement specifies the initial financing structure of the Project, with a total of PLN 2 billion being the capital introduced to the SPV by ENEA S.A. and Energa S.A. (PLN 1 billion each), this sum including funds contributed by ENEA S.A. and Energa S.A. before the date of conclusion of a possible investment contract with the Fund, and a maximum of PLN 1 billion being the capital introduced to the Company by the Fund, with the remaining amount coming from other forms of financing.