



**Extended consolidated quarterly report  
of the Enea Group  
for the third quarter of 2018**

**Poznań, 20 November 2018**

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## ENEA Group's selected consolidated financial data

	in PLN 000s		in EUR 000s	
	9 months ended 30.09.2018	9 months ended 30.09.2017 (restated data)*	9 months ended 30.09.2018	9 months ended 30.09.2017 (restated data)*
Net revenue from sales	9 384 198	8 362 198	2 206 230	1 964 525
Operating profit	920 248	1 069 855	216 351	251 340
Profit before tax	763 780	1 036 030	179 565	243 394
Net profit for the reporting period	620 289	837 949	145 830	196 859
EBITDA	1 973 339	1 947 255	463 933	457 467
Net cash flows from operating activities	2 834 248	2 234 993	666 333	525 065
Net cash flows from investing activities	(1 754 164)	(2 828 149)	(412 405)	(664 415)
Net cash flows from financing activities	(454 223)	(67 845)	(106 788)	(15 939)
Total net cash flows	625 861	(661 001)	147 140	(155 288)
Weighted average number of shares	441 442 578	441 442 578	441 442 578	441 442 578
Net profit attributable to the Parent's shareholders, per share (in PLN/EUR per share)	1.32	1.78	0.31	0.42
Diluted profit per share (in PLN/EUR per share)	1.32	1.78	0.31	0.42
	<b>As at 30.09.2018</b>	<b>As at 31.12.2017</b>	<b>As at 30.09.2018</b>	<b>As at 31.12.2017</b>
Total assets	29 596 840	28 312 994	6 929 072	6 788 222
Total liabilities	14 639 193	14 313 325	3 427 259	3 431 711
Non-current liabilities	10 149 518	10 063 012	2 376 157	2 412 672
Current liabilities	4 489 675	4 250 313	1 051 102	1 019 040
Equity	14 957 647	13 999 669	3 501 814	3 356 510
Share capital	588 018	588 018	137 664	140 981
Book value per share (in PLN/EUR per share)	33.88	31.71	7.93	7.60
Diluted book value per share (in PLN/EUR per share)	33.88	31.71	7.93	7.60

\* The restatement of data for the comparative period for presentation purposes is presented in note 4 to these condensed consolidated financial statements.

The above financial data for the third quarter of 2018 and 2017 was translated into EUR in accordance with the following rules:

- assets and equity and liabilities - using the average exchange rate published for 30 September 2018 – EURPLN 4.2714 (EURPLN 4.1709 as at 31 December 2017)
- items in the statement of profit and loss and other comprehensive income and statement of cash flows - using an exchange rate constituting the arithmetic average of the average exchange rates published by the National Bank of Poland for the last day of each month in the period from 1 January to 30 September 2018 - EURPLN 4.2535 (EURPLN 4.2566 for the period from 1 January to 30 September 2017)



**ENEA Group**  
**Condensed consolidated interim**  
**financial statements**  
**for the period from 1 January to 30 September 2018**

**Poznań, 20 November 2018**

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**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 September 2018

*(unless stated otherwise, all amounts expressed in PLN 000s)*

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

**Members of the Management Board**

**President of the Management Board**      **Mirosław Kowalik**      .....

**Member of the Management Board**      **Piotr Adamczak**      .....

**Member of the Management Board**      **Piotr Olejniczak**      .....

**Member of the Management Board**      **Zbigniew Piętko**      .....

Prepared by: Robert Kiereta  
Head of Consolidated Reporting      .....

**Poznań, 20 November 2018**



**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 September 2018

*(unless stated otherwise, all amounts expressed in PLN 000s)*

**Consolidated statement of financial position**

	Note	As at	
		30.09.2018	31.12.2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	20 495 165	20 416 867
Perpetual usufruct of land		104 840	105 571
Intangible assets	9	410 840	418 248
Investment properties		25 826	26 981
Investments in associates and jointly controlled entities	10	718 550	355 152
Deferred income tax assets	22	448 168	501 945
Available-for-sale financial assets		-	40 698
Financial assets at fair value through profit or loss		-	33 364
Derivative instruments		-	29 553
Financial assets at fair value	18	81 473	-
Debt financial assets at amortised cost	14	7 741	-
Trade and other receivables		219 213	30 729
Costs related to the conclusion of agreements		14 868	-
Funds in the Mine Decommissioning Fund		120 126	121 806
		<b>22 646 810</b>	<b>22 080 914</b>
<b>Current assets</b>			
CO <sub>2</sub> emission rights		95 135	595 533
Inventories	15	1 061 319	846 187
Trade and other receivables		1 993 860	1 903 568
Costs related to the conclusion of agreements		16 350	-
Assets arising from contracts with customers	12	230 364	-
Current income tax receivables		71 250	149 859
Financial assets held to maturity		-	478
Financial assets at fair value through profit or loss		-	49 329
Financial assets at fair value	18	92 021	-
Debt financial assets at amortised cost	14	178	-
Other short-term investments		76 566	-
Cash and cash equivalents	17	3 312 987	2 687 126
		<b>6 950 030</b>	<b>6 232 080</b>
<b>Total assets</b>		<b>29 596 840</b>	<b>28 312 994</b>

The consolidated statement of financial position should be analysed in conjunction with explanatory notes, which constitute an integral part of the condensed consolidated interim financial statements.

		<b>As at</b>	
	<b>Note</b>	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Equity attributable to shareholders of the parent</b>			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Revaluation reserve - measurement of financial instruments		760	741
Other equity		(27 101)	(27 101)
Revaluation reserve - measurement of hedging instruments		3 105	25 967
Retained earnings		9 804 391	8 858 130
		<b>14 001 637</b>	<b>13 078 219</b>
<b>Non-controlling interests</b>		956 010	921 450
<b>Equity</b>		<b>14 957 647</b>	<b>13 999 669</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Credit facilities, loans and debt securities	19	7 552 831	7 720 091
Trade and other payables		589 572	57 579
Liabilities arising from contracts with customers	12	20 712	-
Finance lease liabilities		2 370	1 651
Accounting for income from grants, connection fees and other	21	179 071	645 443
Deferred income tax provision	22	338 434	245 240
Employee benefit liabilities		798 787	739 946
Financial liabilities at fair value through profit or loss		-	9 875
Financial liabilities at fair value		18 212	-
Provisions for liabilities and other charges	23	649 529	643 187
		<b>10 149 518</b>	<b>10 063 012</b>
<b>Current liabilities</b>			
Credit facilities, loans and debt securities	19	427 144	539 429
Trade and other payables		2 374 639	2 051 385
Liabilities arising contracts with customers	12	47 181	-
Finance lease liabilities		2 494	1 942
Accounting for income from grants, connection fees and other	21	11 492	92 422
Current income tax liabilities		2 985	1 797
Employee benefit liabilities		390 436	437 943
Liabilities concerning the equivalent for right to free purchase of shares		281	281
Financial liabilities at fair value through profit or loss		-	41 185
Financial liabilities measured at fair value		110 119	-
Provisions for liabilities and other charges	23	1 122 904	1 083 929
		<b>4 489 675</b>	<b>4 250 313</b>
<b>Total liabilities</b>		<b>14 639 193</b>	<b>14 313 325</b>
<b>Total equity and liabilities</b>		<b>29 596 840</b>	<b>28 312 994</b>

The consolidated statement of financial position should be analysed in conjunction with explanatory notes, which constitute an integral part of the condensed consolidated interim financial statements.



**Consolidated statement of profit and loss and other comprehensive income**

	<b>9 months ended</b>	<b>3 months ended</b>	<b>9 months ended</b>	<b>3 months ended</b>
<b>Note</b>	<b>30.09.2018</b>	<b>30.09.2018</b>	<b>30.09.2017 *</b>	<b>30.09.2017 *</b>
Revenue from sales	9 571 486	3 405 375	8 552 781	2 854 893
Excise duty	(187 288)	(60 732)	(190 583)	(60 919)
<b>Net revenue from sales</b>	<b>9 384 198</b>	<b>3 344 643</b>	<b>8 362 198</b>	<b>2 793 974</b>
Other operating revenue	140 680	50 823	77 036	17 705
Amortisation	(1 104 456)	(381 910)	(877 400)	(300 586)
Employee benefit costs	(1 235 498)	(409 841)	(1 142 215)	(370 736)
Use of materials and raw materials and value of goods sold	(1 845 163)	(696 964)	(1 257 840)	(548 072)
Purchase of electricity and gas for sales purposes	(3 087 195)	(1 200 875)	(2 289 160)	(714 288)
Transmission services	(308 325)	(103 935)	(788 274)	(260 836)
Other third-party services	(636 404)	(226 117)	(545 389)	(188 376)
Taxes and fees	(310 102)	(94 076)	(286 099)	(88 532)
Loss on sale and liquidation of property, plant and equipment	(22 157)	(8 302)	(11 062)	(3 025)
Reversal of impairment losses on non-financial non-current assets	51 365	-	-	-
Other operating costs	(106 695)	13 919	(171 940)	(48 994)
<b>Operating profit</b>	<b>920 248</b>	<b>287 365</b>	<b>1 069 855</b>	<b>288 234</b>
Finance costs	(255 045)	(68 917)	(102 756)	(20 814)
Finance income	48 443	(39 093)	61 003	(1 516)
Dividend income	430	215	526	-
Share of profit of associates and jointly controlled entities	49 704	25 954	7 402	1 471
<b>Profit before tax</b>	<b>763 780</b>	<b>205 524</b>	<b>1 036 030</b>	<b>267 375</b>
Income tax	(143 491)	(47 265)	(198 081)	(53 257)
<b>Net profit for the reporting period</b>	<b>620 289</b>	<b>158 259</b>	<b>837 949</b>	<b>214 118</b>
<b>Other comprehensive income</b>				
Subject to reclassification to profit or loss:				
- measurement of hedging instruments	(28 225)	(729)	(10 396)	2 496
- other	19	(173)	20	30
- income tax	5 363	139	1 976	(474)
Not subject to reclassification to profit or loss:				
- restatement of defined benefit programme	(38 406)	-	(37 302)	(1 730)
- income tax	7 297	-	6 757	(1)
<b>Net other comprehensive income</b>	<b>(53 952)</b>	<b>(763)</b>	<b>(38 945)</b>	<b>321</b>
<b>Comprehensive income for the reporting period</b>	<b>566 337</b>	<b>157 496</b>	<b>799 004</b>	<b>214 439</b>
<b>Including net profit:</b>				
attributable to shareholders of the Parent	584 117	152 927	785 532	204 370
attributable to non-controlling interests	36 172	5 332	52 417	9 748
<b>Including comprehensive income:</b>				
attributable to shareholders of the Parent	531 777	152 164	755 806	204 691
attributable to non-controlling interests	34 560	5 332	43 198	9 748
Net profit attributable to shareholders of the parent	584 117	152 927	785 532	204 370
Weighted average number of ordinary shares	441 442 578	441 442 578	441 442 578	441 442 578
<b>Net profit per share (in PLN per share)</b>	<b>1.32</b>	<b>0.35</b>	<b>1.78</b>	<b>0.46</b>
<b>Diluted profit per share (in PLN per share)</b>	<b>1.32</b>	<b>0.35</b>	<b>1.78</b>	<b>0.46</b>

\* The restatement of data for the comparative period for presentation purposes is presented in note 4 to these condensed consolidated financial statements.



**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 September 2018

*(unless stated otherwise, all amounts expressed in PLN 000s)*

**Consolidated statement of changes in equity**

**(a) Q3 2018**

	Share capital (nominal amount)	Restatement of share capital	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Other equity	Revaluation reserve - measurement of hedging instruments	Retained earnings	Equity attributable to non-controlling interests	Total equity
<b>As at 01.01.2018</b>	441 443	146 575	<b>588 018</b>	<b>3 632 464</b>	<b>741</b>	<b>(27 101)</b>	<b>25 967</b>	<b>8 858 130</b>	<b>921 450</b>	<b>13 999 669</b>
Adjustment due to implementation of IFRS 9 and 15								391 641		<b>391 641</b>
<b>As at 01.01.2018, adjusted</b>	441 443	146 575	<b>588 018</b>	<b>3 632 464</b>	<b>741</b>	<b>(27 101)</b>	<b>25 967</b>	<b>9 249 771</b>	<b>921 450</b>	<b>14 391 310</b>
Net profit for the reporting period								584 117	36 172	620 289
Net other comprehensive income					19		(22 862)	(29 497)	(1 612)	(53 952)
<b>Net comprehensive income recognised in the period</b>					<b>19</b>		<b>(22 862)</b>	<b>554 620</b>	<b>34 560</b>	<b>566 337</b>
<b>As at 30.09.2018</b>	441 443	146 575	<b>588 018</b>	<b>3 632 464</b>	<b>760</b>	<b>(27 101)</b>	<b>3 105</b>	<b>9 804 391</b>	<b>956 010</b>	<b>14 957 647</b>

The consolidated statement of changes in equity should be analysed in conjunction with explanatory notes, which constitute an integral part of the condensed consolidated interim financial statements.



**ENE A Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 September 2018

*(unless stated otherwise, all amounts expressed in PLN 000s)*

**(b) Q3 2017**

	Note	Share capital (nominal amount)	Restatement of share capital	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Other equity	Revaluation reserve - measurement of hedging instruments	Retained earnings	Equity attributable to non-controlling interests	Total equity
<b>As at 01.01.2017</b>		441 443	146 575	<b>588 018</b>	<b>3 632 464</b>	<b>744</b>	<b>(25 652)</b>	<b>33 826</b>	<b>7 946 612</b>	<b>835 717</b>	<b>13 011 729</b>
Net profit for the reporting period									785 532	52 417	837 949
Net other comprehensive income						19		(8 421)	(21 324)	(9 219)	(38 945)
<b>Net comprehensive income recognised in the period</b>						<b>19</b>		<b>(8 421)</b>	<b>764 208</b>	<b>43 198</b>	<b>799 004</b>
Dividends	28								(121 926)	(456)	(122 382)
Buy-out of non-controlling interests in subsidiaries							(1 449)			(301)	(1 750)
<b>As at 30.09.2017</b>		441 443	146 575	<b>588 018</b>	<b>3 632 464</b>	<b>763</b>	<b>(27 101)</b>	<b>25 405</b>	<b>8 588 894</b>	<b>878 158</b>	<b>13 686 601</b>

The consolidated statement of changes in equity should be analysed in conjunction with explanatory notes, which constitute an integral part of the condensed consolidated interim financial statements.



**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 September 2018

*(unless stated otherwise, all amounts expressed in PLN 000s)*

**Consolidated statement of cash flows**

	<b>9 months ended 30.09.2018</b>	<b>9 months ended 30.09.2017</b>
<b>Cash flows from operating activities</b>		
Net profit for the reporting period	620 289	837 949
Adjustments:		
Income tax in profit or loss	143 491	198 081
Amortisation	1 104 456	877 400
Loss on sale and liquidation of property, plant and equipment	22 157	11 062
Reversal of impairment losses on non-financial non-current assets	(51 365)	-
Gain on bargain purchase	-	(11 953)
Loss/(gain) on sale of financial assets	28 340	(20 048)
Interest income	(27 546)	(7 679)
Dividend income	(430)	(526)
Interest costs	161 266	61 429
Loss on measurement of financial instruments	39 536	119 435
Share of profit of associates and jointly controlled entities	(49 704)	(7 402)
Other adjustments	(9 426)	(6 986)
	<b>1 360 775</b>	<b>1 212 813</b>
Paid income tax	(190)	(278 473)
Changes in working capital:		
CO <sub>2</sub> emission rights	299 046	292 407
Inventories	(214 924)	(41 659)
Trade and other receivables	(609 496)	5 050
Trade and other payables	1 176 356	141 467
Employee benefit liabilities	(29 293)	(5 575)
Accounting for income from grants, connection fees and other	1 156	(16 098)
Provisions for liabilities and other charges	230 529	87 112
	<b>853 374</b>	<b>462 704</b>
<b>Net cash flows from operating activities</b>	<b>2 834 248</b>	<b>2 234 993</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible and intangible assets	(1 364 173)	(1 422 581)
Proceeds from sale of tangible and intangible assets	1 201	1 463
Purchase of financial assets	(173 898)	(6 500)
Proceeds from sale of financial assets	88 901	2 254
Purchase of subsidiaries adjusted by acquired cash	-	(1 065 633)
Purchase of associates and jointly controlled entities	(314 985)	(349 553)
Received dividends	430	526
Inflows/(outflows) concerning funds at Mine Decommissioning Fund bank account	1 680	(1 421)
Received interest	5 781	8 132
Other inflows from investing activities	899	5 164
	<b>(1 754 164)</b>	<b>(2 828 149)</b>
<b>Cash flows from financing activities</b>		
Credit facilities and loans received	7 862	284 638
Bond issuance	-	290 000
Repayment of credit facilities and loans	(65 044)	(43 298)
Bond buy-back	(245 000)	(340 000)
Dividends paid	-	(122 382)
Expenditures concerning finance lease payments	(1 414)	(1 739)
Interest paid	(150 238)	(127 486)
Expenditures concerning future bond issues	(797)	(2 528)
Other inflows/(outflows) from financing activities	408	(5 050)
	<b>(454 223)</b>	<b>(67 845)</b>
<b>Total net cash flows</b>	<b>625 861</b>	<b>(661 001)</b>
Cash at the beginning of reporting period	2 687 126	2 340 217
<b>Cash at the end of reporting period</b>	<b>3 312 987</b>	<b>1 679 216</b>

The consolidated statement of cash flows should be analysed in conjunction with explanatory notes, which constitute an integral part of the condensed consolidated interim financial statements.

**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 September 2018

*(unless stated otherwise, all amounts expressed in PLN 000s)***Notes to the condensed consolidated interim financial statements****1. General information on ENEA S.A. and ENEA Group**

<b>Name:</b>	ENEA Spółka Akcyjna
<b>Legal form:</b>	joint-stock company (spółka akcyjna)
<b>Country of registered office:</b>	Poland
<b>Registered office:</b>	Poznań
<b>Address:</b>	ul. Górecka 1, 60-201 Poznań
<b>National Court Register - District Court in Poznań</b>	KRS 0000012483
<b>Telephone number:</b>	(+48 61) 884 55 44
<b>Fax number:</b>	(+48 61) 884 59 59
<b>E-mail:</b>	<a href="mailto:enea@enea.pl">enea@enea.pl</a>
<b>Website:</b>	<a href="http://www.enea.pl">www.enea.pl</a>
<b>REGON number:</b>	630139960
<b>NIP number:</b>	777-00-20-640

ENEA Group's principal business activities are as follows:

- electric power and industrial heat generation (ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach, Miejska Energetyka Ciepła Piła Sp. z o.o., ENEA Ciepło Sp. z o.o.);
- trade of electricity (ENEA S.A., ENEA Trading Sp. z o.o.);
- distribution of electricity (ENEA Operator Sp. z o.o.);
- distribution of industrial heat (ENEA Wytwarzanie Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach, Miejska Energetyka Ciepła Piła Sp. z o.o., ENEA Ciepło Sp. z o.o.);
- mining and enriching of hard coal (LW Bogdanka S.A.)

As at 30 September 2018, the Parent's shareholding structure was as follows: the State Treasury of the Republic of Poland held a 51.50% stake, PZU TFI held 9.96% and the other shareholders held 38.54%. As at 30 September 2018, the Parent's highest-level controlling entity was the State Treasury.

As at 30 September 2018, ENEA S.A.'s statutory share capital amounted to PLN 441 443 thousand (PLN 588 018 thousand after restatement to EU IFRS, taking into account hyperinflation and other adjustments) and was divided into 441 442 578 shares.

As at 30 September 2018, the Group consisted of the parent - ENEA S.A. ("Company," "Parent"), 13 subsidiaries, 10 indirect subsidiaries, 1 associate and 4 jointly controlled entities.

**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 September 2018

*(unless stated otherwise, all amounts expressed in PLN 000s)*

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These condensed consolidated interim financial statements should be read in conjunction with ENEA Group's consolidated financial statements for the financial year ended 31 December 2017.

These condensed consolidated interim financial statements are prepared on a going concern basis for the foreseeable future. There are no circumstances such as would indicate a threat to the Group's going concern.

## **2. Statement on compliance**

These condensed consolidated interim financial statements are prepared in accordance with the requirements of IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and have been approved by the Management Board of ENEA S.A.

The Parent's Management Board used its best knowledge as to the application of standards and interpretations as well as methods and rules for the measurement of items in ENEA Group's condensed consolidated interim financial statements in accordance with EU IFRS as at 30 September 2018. The presented tables and explanations are prepared with due diligence. These condensed consolidated interim financial statements have not been reviewed by a statutory auditor. The accounting rules below are applied consistently across all of the presented periods unless stated otherwise.

## **3. Applied accounting rules**

The accounting rules applied in preparing these condensed consolidated interim financial statements are consistent with those applied in preparing the most recent annual consolidated financial statements, for the financial year ended 31 December 2017, except for accounting rules arising under IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*, which entered into force on 1 January 2018.

### **3.1. Functional currency and presentation currency**

The Polish zloty is the reporting currency for these condensed consolidated interim financial statements. Data in these condensed consolidated interim financial statements is presented in PLN 000s unless stated otherwise.

### **3.2. Costs related to the conclusion of agreements**

Costs related to the conclusion of agreements are costs incurred by the Group in order to conclude an agreement with a customer that would not have been incurred by the Group had the agreement not been concluded (including the costs of commissions for partners for concluding electricity sale agreements). Costs that would have been incurred regardless of agreement conclusion are recognised in results for the period in which they are incurred.

### **3.3. Financial assets**

The Group classifies its financial instruments in the following categories:

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

- financial assets at fair value through other comprehensive income.
  
- a) Financial assets at fair value through profit or loss include:
  - financial assets held for trading (including derivative instruments for which no hedging policy is designated),
  - financial assets voluntarily assigned to this category,
  - financial assets that do not meet the definition of basic lending arrangement, including equity instruments such as shares, except instruments designated as equity instruments measured through other comprehensive income,
  - financial assets that meet the definition of basic lending arrangement and are not held in accordance with a business model for the purpose of obtaining cash flows or in order to obtain cash flows and for sale.

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

b) Financial assets at amortised cost

Financial assets measured at amortised cost are financial assets that are held in accordance with a business model that aims to hold financial assets to generate contractual cash flows and whose contractual terms meet the criteria of basic lending arrangement.

c) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are financial assets that are held in accordance with a business model that aims to both receive contractual cash flows and sell financial asset items as well as whose contractual terms meet the criteria of basic lending arrangement.

d) Equity instruments through other comprehensive income

Equity instruments through other comprehensive income include investments in equity instruments that are voluntarily and irreversibly classified as such at initial recognition. Equity instruments that meet the definition of held for trading and meet the criteria for mandatory payment recognised by the acquiring company in a business combination may not be subject to this classification.

At initial recognition, the Group measures a financial asset that is subject to classification for the purposes of fair value measurement. Trade receivables without a financial component that are measured at transaction prices are an exception to this rule.

The fair value of financial assets not classified as at fair value through profit or loss is increased by transaction costs that may be directly assigned to the purchase/acquisition of these assets.

Financial assets at fair value through profit or loss are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to perform the given item. Restatement to fair value for assets in this category is recognised in profit or loss. If a given item is removed from accounts, the Group determines the profit or loss on the disposal and recognises it in the period's result.

Financial assets at amortised cost are measured at amortised cost on every balance sheet date. The amortised cost of a financial asset is the amount at which the given financial asset is measured at initial recognition, decreased by repayment of principal and increased or decreased by accumulated depreciation, determined using the effective interest rate method, of any differences between the initial amount and the amount at maturity, and adjusted by any allowances for expected credit losses.

Financial assets at fair value through other comprehensive income are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to perform the given item. Interest charged on such items and allowances for expected credit losses are recognised in the period's result, while other restatements to fair value are recognised as other comprehensive income.

Equity instruments through other comprehensive income are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to perform the given item. Restatements to fair value are recognised as other comprehensive income.

### **3.4. Hedge accounting and derivative instruments**

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

The fair value of currency contracts is determined by reference to current forward rates for contracts with the same maturity or based on valuation by independent entities. The fair value of interest rate swaps may be determined based on valuation by independent entities. The fair value of other derivative instruments is determined based on market data or valuation by independent institutions specialised in this type of valuation.

For some or all of its exposure to a particular risk, the Group may apply hedge accounting if the hedging instrument and the hedged item that create a hedging relationship are in line with risk management objectives and the hedging strategy.

The Group defines hedging relationships concerning various types of risk as fair value hedges or cash flow hedges. Hedging a risk that concerns likely future obligations is treated as a cash flow hedge.

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

Derivatives that are hedging instruments are recognised by the Group in accordance with rules concerning fair value or cash flow hedges if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge,
- the hedging relationship covers only qualified hedging instruments and qualified hedged items,



- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship,
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,
- the effectiveness of the hedge can be reliably measured.

If the Group identifies an ineffectiveness of a hedge that goes beyond the risk management objective and the hedging relationship continues to implement the risk management strategy and risk management objectives, the Group re-balances the hedging relationship.

The Group discontinues to prospectively apply hedge accounting rules if:

- the hedge no longer meets the criteria for hedge accounting if the hedging instrument expires or is sold, terminated or exercised,
- the hedge no longer meets the criteria for hedge accounting if the risk management strategy or risk management objectives change.

The Group does not discontinue a hedging relationship that:

- continues to meet the risk management objectives based on which it had qualified for hedge accounting, and
- continues to meet all of the other qualification criteria (after taking into account the re-balancing of the hedging relationship, if applicable).

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

- recognises the gains or losses from the fair value restatement of a derivative hedge in profit or loss, and
- adjusts the book value of the hedged item by the gains or losses related to the hedged item, resulting from the hedged risk, and recognises this in the current period's financial result.

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

- recognises the gains or losses from the fair value restatement of a derivative hedge in other comprehensive income, and
- measures the equity instrument through other comprehensive income, recognising restatements in other comprehensive income.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and which might affect profit or loss. A forecast transaction is a transaction that is not based on a concluded binding agreement (expected future transaction).

For cash flow hedges, the Group:

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

If a hedge of a forecast transaction results in the recognition of a financial asset or financial liability, the related gains or losses that were recognised in the revaluation reserve are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. However, if the Group expects that all or a portion of an impairment loss recognised directly in equity will not be recovered in one or more future periods, it reclassifies into profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the Group reclassifies the associated gains and losses that were recognised directly in the revaluation reserve into the initial purchase cost or another book value in assets or liabilities.

If the Group discontinues a cash flow hedge in accordance with the aforementioned criteria, the cumulative gain or loss on a hedging instrument recognised in the revaluation reserve remains in it until the hedging transaction is exercised. If the hedging transaction will not be exercised (or is not expected to be exercised), cumulative net profit recognised in the revaluation reserve is immediately reclassified into profit or loss.

### **3.5. CO<sub>2</sub> emission rights**

The exchange of allowances with different economic parameters (e.g. EUA/CER) is reflected as two transactions: sale, purchase.

The gain/(loss) on a sale is recognised as either income or cost in profit or loss.

If an exchange of allowances takes place without a cash settlement, the Group determines the gain or loss on the disposal of allowances as the difference between the initial value of newly acquired allowances (rights) and the book (accounting) value of the sold (transferred) allowances.

For every exchange contract, the Group assesses whether the acquired right is subject to IFRS 9 requirements for financial instruments. If an acquired right is subject to financial instrument regulations (IFRS 9), then the initial value is determined on the basis of its fair (market) value at the contract date. If a right acquired by way of exchange is not subject to IFRS 9, then the initial value is determined on the basis of the fair (market) value of the transferred allowances.

The Group recognises CO<sub>2</sub> emission allowances as intangible assets under current assets because they will be used within 12 months.

### **3.6. Trade and other receivables**

Trade receivables are initially recognised at the transaction price and subsequently measured at amortised cost using effective interest rates, less impairment. If there is no difference between the initial value and the amount (amounts) at maturity (maturities) (payment), interest charged using the effective rate does not apply.

Impairment of receivables is determined on the basis of expected credit losses. Expected credit losses take into account the counterparty's previous default events as well as potential estimated credit losses. An impairment loss is recognised in the statement of profit and loss and other comprehensive income at the end of each reporting period.

### **3.7. Assets arising from contracts with customers**

In its statement of financial position, the Group recognises a contract asset that is the Group's right to remuneration in exchange for goods or services that the Group transfers to the customer. An asset is recognised if the Group satisfies its obligation by transferring goods or services to the customer before the customer pays or before the payment deadline.

### **3.8. Cash and cash equivalents**

Cash and cash equivalents include cash in bank accounts, on-demand bank deposits, other highly liquid short-term investments with initial maturity of up to three months. Cash on hand is measured at nominal value on every balance sheet date. Cash in bank accounts, on-demand bank deposits, other highly liquid short-term investments with initial maturity of up to three months are measured at amortised cost on each balance sheet date (at nominal/initial value plus interest accrued until the balance sheet date, adjusted by expected credit losses).

### **3.9. Financial liabilities, including credit facilities, loans and debt securities**

Financial liabilities that include trade and other payables are initially recognised at fair value less transaction costs.

Financial liabilities that include credit facilities, loans and debt securities are classified at initial recognition as:

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

Financial liabilities at fair value through profit or loss include:

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

Financial liabilities at amortised cost include all financial liabilities that are subject to classification for the purposes of measurement that are not classified as financial liabilities at fair value through profit or loss.

At initial recognition, the Group measures a financial liability that is subject to classification for the purposes of fair value measurement.

The fair value of financial liabilities not classified as at fair value through profit or loss is decreased by transaction costs that can be directly assigned to the origination of the liability.

The balance sheet measurement of a financial liability and the recognition of restatements depend on the classification of the given item to the relevant category for measurement purposes:

- financial liabilities classified as financial liabilities at fair value through profit or loss are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to settle the given item. Restatements to fair value are recognised in the period's result,
- financial liabilities at amortised cost are measured at amortised cost on every balance sheet date.

### **3.10. Liabilities arising from contracts with customers**

In its statement of financial position, the Group recognises contract liabilities that are an obligation for the Group to provide goods or services to customers in exchange for which the Group has received remuneration (or upon which the amount of remuneration depends) from customers.

If the customer paid the remuneration or the Group has the right to an unconditional amount of remuneration (i.e. a receivable), then prior to the transfer of goods or services to the customer the Group treats the contract as a contract liability when payment is made or becomes due (depending on which is sooner).

### **3.11. Revenue recognition**

The Group recognises revenue when an obligation to provide a consideration by providing a promised good or service (i.e. asset item) to the customer is performed (or is being performed), thus obtaining the right to remuneration and legal title to the asset. The asset is transferred when the customer obtains control over it.

The transfer of control may be gradual if the obligation to provide a consideration is satisfied over time, i.e. when:

- the customer simultaneously receives and consumes all of the benefits provided by the Group as the Group performs,
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced (for example, production in progress), or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The performance-based method and overlay approach are used to determine the level of completion, taking into account the nature of the good or service being transferred.

In the item revenue from core activities, the Group recognises revenue from the sale of the following product and service groups:

- services provided in a continuous manner - level of revenue depends on consumption (including supply of electricity, industrial heat, natural gas, provision of distribution services). Revenue is recognised when the Group transfers control over a part of the service being provided. The Group recognises revenue in the amount of remuneration from the customer to which it has a right and which corresponds directly to the value to the customer of the obligation performed so far - this value constitutes the amount that the Group has the right to invoice for,
- provision of goods/services at a point in time (including the sale of property rights). Revenue is recognised when control over the product/service is transferred. Control is transferred when the customer receives the goods or when service is rendered,
- services provided in a continuous manner - level of revenue depends on time passage (including the sale of lighting services, process support services). Revenue from the sale of services is recognised over time because such services are provided in a continuous manner therefore a certain portion of the consideration is due to be transferred in each moment that the service is being provided. Given the fact that the value of services provided to the customer does not differ in particular settlement periods, the Group recognises revenue from the provision of services based on fixed monthly payments (regardless of usage),
- services provided in a continuous manner - based on the level of work progress (including construction work). A performance obligation is completed over time because as a result of the service an asset is created or enhanced, and the customer exercises control over this asset. Revenue from the provision of service is recognised over time - using the overlay approach - cost approach, based on which the level of contract progress is determined by comparing the amount of costs incurred to perform the contract to the overall costs budgeted in the contract.

Revenue from sales is recognised in the net amount of remuneration when the Group acts as agent, i.e. its performance obligation is subject to the delivery of goods or services by another entity. Such revenue is recognised in the form of fee or commission to which - according to the Group's expectations - the Group will be entitled in exchange for the provision of goods or services by another entity. The fee or commission due for the Group may be a net amount that the Group retains after payment to another entity of consideration in exchange for goods or services provided by this entity.

Interest income is recognised on an accrual basis using the effective interest rate approach, provided that this income is not in doubt.

Dividend income is recognised when the right to receive payment is obtained.

### **3.12. Connection fees**

Revenue from connection fees is recognised on a one-off basis as revenue when connection works are completed. Connection fees so far settled over time adjusted the beginning balance of retained earnings as of 1 January 2018 and are not subject to further settlement.

### **3.13. Methods for implementing new standards**

IFRS 9 - the Group implemented IFRS 9 retrospectively, with recognition of adjustments as at 1 January 2018. The Group applies IFRS 9 in accordance with its transition regulations – without restating comparative data for previous periods, i.e. 1 January 2017 and 31 December 2017, to reflect IFRS 9 requirements concerning measurement. As at 1 January 2018, the Group recognised an impairment loss on trade and other receivables amounting to PLN 3 741 thousand net.

IFRS 15 - the Group implemented IFRS 15 retrospectively, with overall first-time adoption effect, and recognised the overall effect of first-time adoption as an adjustment of the balance of initial retained earnings in the reporting period into which the first-adoption date falls. The Group does not restate comparative data for previous periods, i.e. 1 January 2017 and 31 December 2017. Revenue from connection fees thus far settled over time (for tasks completed prior to 31 December 2009) has been recognised as an adjustment of the beginning balance of retained earnings in the amount of PLN 417 391 thousand. Revenue from assets received prior to 31 December 2009 was recognised as an adjustment of the beginning balance of retained earnings in the amount of PLN 70 735 thousand. The impact of the above adjustments on the beginning balance of retained earnings reached PLN 395 382 thousand net, which constitutes the sum total of the amounts, adjusted by deferred income tax asset.

Under IFRS 15, the Group acts as agent collecting fees for other energy market participants, including PSE. In consequence, revenue from the sale of distribution services is decreased by the amount of renewables fee, quality fee and transition fee collected. Costs related to the procurement of transmission services and costs related to invoices for renewables support and support for producers are subject to adjustment. In these condensed consolidated interim financial statements, the Group offset revenue from the sale of distribution services and the cost of transmission services for a total amount of PLN 441 371 thousand.

**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 September 2018

*(unless stated otherwise, all amounts expressed in PLN 000s)*

	31.12.2017	Impact of IFRS 9	Impact of IFRS 15	01.01.2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
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 properties	26 981	-	-	26 981
Investments in associates and jointly controlled entities	355 152	-	-	355 152
Deferred income tax assets	501 945	878	(92 744)	410 079
Financial assets at fair value	-	103 615	-	103 615
Debt financial assets at amortised cost	-	2 940	-	2 940
Available-for-sale financial assets	40 698	(40 698)	-	-
Financial assets 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
Costs related to the conclusion of agreements	-	-	14 747	14 747
Funds in the Mine Decommissioning Fund	121 806	-	-	121 806
	<b>22 080 914</b>	<b>878</b>	<b>(92 744)</b>	<b>21 989 048</b>
<b>Current assets</b>				
CO <sub>2</sub> emission rights	595 533	-	-	595 533
Inventories	846 187	-	-	846 187
Trade and other receivables	1 903 568	(14 657)	(262 811)	1 626 100
Costs related to the conclusion of agreements	-	-	17 785	17 785
Assets arising from contracts with customers	-	-	245 026	245 026
Current income tax receivables	149 859	-	-	149 859
Financial assets at fair value	-	49 329	-	49 329
Debt financial assets at amortised cost	-	10 516	-	10 516
Financial assets held to maturity	478	(478)	-	-
Financial assets at fair value through profit or loss	49 329	(49 329)	-	-
Cash and cash equivalents	2 687 126	-	-	2 687 126
Available-for-sale non-current assets	-	-	-	-
	<b>6 232 080</b>	<b>(4 619)</b>	<b>-</b>	<b>6 227 461</b>
<b>Total assets</b>	<b>28 312 994</b>	<b>(3 741)</b>	<b>(92 744)</b>	<b>28 216 509</b>


**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 September 2018

*(unless stated otherwise, all amounts expressed in PLN 000s)*

	31.12.2017	Impact of IFRS 9	Impact of IFRS 15	01.01.2018
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Equity attributable to shareholders of the parent</b>				
Share capital	588 018	-	-	588 018
Share premium	3 632 464	-	-	3 632 464
Revaluation reserve - measurement of financial instruments	741	-	-	741
Other equity	(27 101)	-	-	(27 101)
Revaluation reserve - measurement of hedging instruments	25 967	-	-	25 967
Retained earnings	8 858 130	(3 741)	395 382	9 249 771
	<b>13 078 219</b>	<b>(3 741)</b>	<b>395 382</b>	<b>13 469 860</b>
<b>Non-controlling interests</b>	921 450			921 450
<b>Equity</b>	<b>13 999 669</b>	<b>(3 741)</b>	<b>395 382</b>	<b>14 391 310</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Credit facilities, loans and debt securities	7 720 091	-	-	7 720 091
Trade and other payables	57 579	-	(20 989)	36 590
Liabilities arising from contracts with customers	-	-	20 989	20 989
Finance lease liabilities	1 651	-	-	1 651
Accounting for income from grants, connection fees and other	645 443	-	(466 780)	178 663
Deferred income tax provision	245 240	-	-	245 240
Employee benefit liabilities	739 946	-	-	739 946
Financial liabilities at fair value	-	9 875	-	9 875
Financial liabilities at fair value through profit or loss	9 875	(9 875)	-	-
Provisions for liabilities and other charges	643 187	-	-	643 187
	<b>10 063 012</b>	<b>-</b>	<b>(466 780)</b>	<b>9 596 232</b>
<b>Current liabilities</b>				
Credit facilities, loans and debt securities	539 429	-	-	539 429
Trade and other payables	2 051 385	-	(46 718)	2 004 667
Liabilities arising from contracts with customers	-	-	46 718	46 718
Finance lease liabilities	1 942	-	-	1 942
Accounting for income from grants, connection fees and other	92 422	-	(21 346)	71 076
Current income tax liabilities	1 797	-	-	1 797
Employee benefit liabilities	437 943	-	-	437 943
Liabilities concerning the equivalent for right to free purchase of shares	281	-	-	281
Financial liabilities at fair value	-	41 185	-	41 185
Financial liabilities at fair value through profit or loss	41 185	(41 185)	-	-
Provisions for other liabilities and other charges	1 083 929	-	-	1 083 929
	<b>4 250 313</b>	<b>-</b>	<b>(21 346)</b>	<b>4 228 967</b>
<b>Total liabilities</b>	<b>14 313 325</b>	<b>-</b>	<b>(488 126)</b>	<b>13 825 199</b>
<b>Total equity and liabilities</b>	<b>28 312 994</b>	<b>(3 741)</b>	<b>(92 744)</b>	<b>28 216 509</b>

The notes presented on pages 13 - 61 constitute an integral part of these condensed consolidated interim financial statements.



**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 September 2018

*(unless stated otherwise, all amounts expressed in PLN 000s)*
**4. Presentation changes in the statement of profit and loss and other comprehensive income**

In these condensed consolidated financial statements, the Group made a presentation change as regards the measurement and own cost of property right sales.

	<b>Approved data as at 1 January 2017 30.09.2017</b>	<b>Adjustment</b>	<b>Restated data as at 1 January 2017 30.09.2017</b>
Revenue from sales	8 588 745	(35 964)	8 552 781
Excise duty	(190 583)	-	(190 583)
<b>Net revenue from sales</b>	<b>8 398 162</b>	<b>(35 964)</b>	<b>8 362 198</b>
Purchase of electricity and gas for sales purposes	(2 325 124)	35 964	(2 289 160)

**5. Significant estimates and assumptions**

Drafting condensed consolidated interim financial statements in accordance with IAS 34 requires the Management Board to adopt certain assumptions and make estimates that have an impact on the application of accounting rules and on amounts being presented in the condensed consolidated interim financial statements and notes to these financial statements. Such assumptions and estimates are based on the Management Board's best knowledge regarding current and future events and activities. Actual results may significantly differ from forecasts. Estimates used in preparing these condensed consolidated interim financial statements are consistent with the estimates used in preparing the consolidated financial statements for the most recent financial year. The estimated values presented in previous financial years do not have a material impact on the present interim period.

**6. Group structure - list of the Group's subsidiaries and stakes in associates and jointly controlled entities**

	<b>Company name and address</b>		<b>ENEA S.A.'s stake in total number of voting rights in % 30.09.2018</b>	<b>ENEA S.A.'s stake in total number of voting rights in % 31.12.2017</b>
1.	<b>ENEA Operator Sp. z o.o.</b> Poznań, ul. Strzeszyńska 58	subsidiary	100	100
2.	<b>ENEA Wytwarzanie Sp. z o.o.</b> Świerże Górne, al. Józefa Zielińskiego 1	subsidiary	100	100
3.	<b>ENEA Elektrownia Połaniec S.A.</b> Połaniec, ul. Zawada 26	subsidiary	100	100
4.	<b>ENEA Oświetlenie Sp. z o.o.</b> Szczecin, ul. Ku Słońcu 34	subsidiary	100 <sup>12</sup>	100
5.	<b>ENEA Trading Sp. z o.o.</b> Świerże Górne, Kozienice municipality, Kozienice 1	subsidiary	100	100
6.	<b>ENEA Logistyka Sp. z o.o.</b> Poznań, ul. Strzeszyńska 58	subsidiary	100	100
7.	<b>ENEA Serwis Sp. z o.o.</b> Lipno, Gronówko 30	subsidiary	100	100
8.	<b>ENEA Centrum Sp. z o.o.</b> Poznań, ul. Górecka 1	subsidiary	100	100
9.	<b>ENEA Pomiary Sp. z o.o.</b> Poznań, ul. Strzeszyńska 58	subsidiary	100	100
10.	<b>ENERGO-TOUR Sp. z o.o. w likwidacji</b> Poznań, ul. Strzeszyńska 58	subsidiary	100 <sup>5</sup>	100 <sup>5</sup>
11.	<b>ENEA Innowacje Sp. z o.o.</b> <sup>9</sup> Warsaw, ul. Jana Pawła II 12	subsidiary	100 <sup>9</sup>	100

The notes presented on pages 13 - 61 constitute an integral part of these condensed consolidated interim financial statements.

**ENEA Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 September 2018

(unless stated otherwise, all amounts expressed in PLN 000s)

12.	<b>Lubelski Węgiel BOGDANKA S.A.</b> Bogdanka, Puchaczów	subsidiary	65.99	65.99
13.	<b>Annacond Enterprises Sp. z o.o. w likwidacji</b> <sup>7</sup> Warsaw, ul. Jana Pawła II 12	subsidiary	61	61
14.	<b>Polimex – Mostostal S.A.</b> Warsaw, ul. Jana Pawła II 12	associate	16.48	16.48
15.	<b>Polska Grupa Górnicza S.A.</b> Katowice, ul. Powstańców 30	jointly controlled entity	7.66 <sup>10</sup>	5.81
16.	<b>Elektrownia Ostrołęka Sp. z o.o.</b> <sup>6</sup> Ostrołęka, ul. Elektryczna 5	jointly controlled entity	50 <sup>11</sup>	23.79
17.	<b>ENEA Bioenergia Sp. z o.o.</b> Połaniec, ul. Zawada 26	indirect subsidiary	100 <sup>4</sup>	100 <sup>4</sup>
18.	<b>ENEA Ciepło Serwis Sp. z o.o.</b> Białystok, ul. Starosielce 2/1	indirect subsidiary	100 <sup>1</sup>	100 <sup>1</sup>
19.	<b>Centralny System Wymiany Informacji Sp. z o.o.</b> Poznań, ul. Strzeszyńska 58	jointly controlled entity	20 <sup>3</sup>	20 <sup>3</sup>
20.	<b>Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.</b> Oborniki, ul. Wybudowanie 56	indirect subsidiary	99.93 <sup>1</sup>	99.93 <sup>1</sup>
21.	<b>ENEA Ciepło Sp. z o.o.</b> Białystok, ul. Warszawska 27	indirect subsidiary	91.14 <sup>1</sup>	91.14 <sup>1</sup>
22.	<b>Miejska Energetyka Ciepła Piła Sp. z o.o.</b> Piła, ul. Kaczorska 20	indirect subsidiary	71.11 <sup>1</sup>	71.11 <sup>1</sup>
23.	<b>EkoTRANS Bogdanka Sp. z o.o.</b> Bogdanka, Puchaczów	indirect subsidiary	65.99 <sup>2</sup>	65.99 <sup>2</sup>
24.	<b>RG Bogdanka Sp. z o.o.</b> Bogdanka, Puchaczów	indirect subsidiary	65.99 <sup>2</sup>	65.99 <sup>2</sup>
25.	<b>MR Bogdanka Sp. z o.o.</b> Bogdanka, Puchaczów	indirect subsidiary	65.99 <sup>2</sup>	65.99 <sup>2</sup>
26.	<b>Łęczyńska Energetyka Sp. z o.o.</b> Bogdanka, Puchaczów	indirect subsidiary	58.53 <sup>2</sup>	58.53 <sup>2</sup>
27.	<b>ElectroMobility Poland S.A.</b> Warsaw, ul. Mysia 2	jointly controlled entity	25 <sup>8</sup>	25
28.	<b>ENEA Badanie i Rozwój Sp. z o.o.</b> Świerże Górne, al. Józefa Zielińskiego 1	indirect subsidiary	100 <sup>1</sup>	100 <sup>1</sup>

<sup>1</sup> – indirect subsidiary through stake in ENEA Wytwarzanie Sp. z o.o.

<sup>2</sup> – indirect subsidiary through stake in Lubelski Węgiel BOGDANKA S.A.

<sup>3</sup> – jointly controlled entity through stake in ENEA Operator Sp. z o.o.

<sup>4</sup> – indirect subsidiary through stake in ENEA Elektrownia Połaniec S.A.

<sup>5</sup> – on 30 March 2015 the company's extraordinary general meeting adopted a resolution on dissolution of the company following a liquidation proceeding; the resolution entered into force on 1 April 2015. An application for the company to be removed from the National Court Register was filed on 5 November 2015. At the date on which these consolidated financial statements were prepared, procedural activities connected with removing the entity from the National Court Register were in progress.

<sup>6</sup> – on 23 November 2017 an extraordinary general meeting of Elektrownia Ostrołęka S.A. adopted a resolution to transform the company into a limited company (sp. z o.o.). The National Court Register on 27 February 2018 registered a change in the legal form of Elektrownia Ostrołęka S.A. into a limited company.

<sup>7</sup> – on 28 February 2018 the extraordinary general meeting of Annacond Enterprises Sp. z o.o. adopted a resolution to liquidate the company.

<sup>8</sup> – on 3 January 2018 an extraordinary general meeting of ElectroMobility Poland S.A. adopted a resolution on a PLN 20 000 thousand increase in the company's share capital by increasing the nominal value of shares from PLN 1 thousand to PLN 3 thousand. The share capital increase was registered at the National Court Register on 23 April 2018.

<sup>9</sup> – on 31 January 2018 an extraordinary general meeting of ENEA Innovation Sp. z o.o. adopted a resolution to increase the company's share capital by PLN 3 500 thousand, i.e. from PLN 305 thousand to PLN 3 805 thousand, by issuing 35 000 new shares with a nominal value of PLN 100.00 each. The share capital increase was registered at the National Court Register on 23 April 2018.

The company's name was changed in the National Court Register from ENEA Innovation Sp. z o.o. to ENEA Innowacje Sp. z o.o. on 17 April 2018.

<sup>10</sup> – on 31 January 2018 an extraordinary general meeting of Polska Grupa Górnicza S.A. adopted a resolution to increase the company's share capital by PLN 300 000 thousand, i.e. from PLN 3 616 718 thousand to PLN 3 916 718 thousand, by issuing 3 000 000 new shares with a nominal value of PLN 100.00 each. ENEA S.A. acquired 900 000 shares with total nominal value of PLN 90 000 thousand, increasing ENEA S.A.'s stake in the company's share capital to 7.66%. The share capital increase was registered at the National Court Register on 6 April 2018.

<sup>11</sup> – on 23 March 2018 ENEA S.A. executed an agreement with ENERGA S.A. to purchase 1 201 036 shares in Elektrownia Ostrołęka

Sp. z o.o., thus acquiring a 50% stake in this company's share capital. On 29 March 2018 an Extraordinary General Meeting of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on a PLN 35 000 thousand share capital increase, from PLN 229 100 thousand to PLN 264 100 thousand, through the issue of 700 000 new shares with voting preference, i.e. with two votes for one share, with nominal value of PLN 50.00 each and total nominal value of PLN 35 000 thousand. On 29 March 2018 ENEA S.A. signed a commitment to acquire 350 000 shares in exchange for a cash contribution of PLN 17 500 thousand. On 30 March 2018 ENEA S.A. provided its cash contribution. The share capital increase was registered at the National Court Register on 30 July 2018. On 27 July 2018 an Extraordinary General Meeting of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on a PLN 287 000 thousand share capital increase, from PLN 264 100 thousand to PLN 551 100 thousand, through the issue of 5 740 000 new shares with voting preference, i.e. with two votes for one share, with nominal value of PLN 50.00 each and total nominal value of PLN 287 000 thousand. On 30 July 2018 ENEA S.A. signed a commitment to acquire 2 870 000 shares in exchange for a cash contribution of PLN 143 500 thousand. On 2 August 2018, ENEA S.A. provided its cash contribution. The share capital increase was registered at the National Court Register on 16 October 2018.

<sup>12</sup> – on 9 July 2018 an extraordinary general meeting of ENEA Oświetlenie Sp. z o.o. adopted a resolution on a PLN 16 000 thousand share capital increase from PLN 166 127 thousand to PLN 182 127 thousand through the issue of 32 000 new shares with total nominal value of PLN 16 000 thousand and nominal value of PLN 500.00 each.

On 11 July 2018 ENEA S.A. acquired 32 000 shares in the company's increased share capital in exchange for a cash contribution. The share capital increase was registered in the National Court Register on 5 November 2018.

## 7. Segment reporting

The Group presents segment information in accordance with IFRS 8 *Operating Segments*. The Group's activities are managed in operating segments that are distinct in terms of products and services. ENEA Group reports four operating segments:

- trade - the purchase and sale of electricity,
- distribution - electricity distribution and transmission services,
- generation - the generation of electricity from conventional and renewable sources, generation of industrial heat,
- mining - the production and sale of coal, companies providing support services to mines,

and other activities - maintenance and modernisation of road lighting equipment, transport services, repair and construction services.

Segment revenue is revenue generated from sales to external customers and transactions with other segments that can be directly attributed to the given segment.

Segment costs include the cost of sales to external customers and costs of transactions with other segments within the Group that result from the operating activities of a given segment and can be directly attributed to the given segment.

Market prices are applied to inter-segment transactions, which makes it possible for units to generate margins sufficient to independently operate on the market. In analysing segment results, the Group especially focuses on EBITDA. EBITDA is defined as operating profit (calculated as result before tax adjusted by the share of results of associates and jointly controlled entities, finance income, dividend income and finance costs) less amortisation and impairment of non-financial non-current assets.

Rules for determining segment results and segment assets and liabilities are in compliance with the accounting rules used in preparing consolidated financial statements.



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**Segment results:**

(a) Segment results for the period from 1 January to 30 September 2018 are as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
<b>Net revenue from sales</b>	5 345 404	2 007 370	1 740 564	183 404	107 456	-	9 384 198
Inter-segment sales	999 359	24 688	3 561 525	1 152 236	334 202	(6 072 010)	-
<b>Total net revenue from sales</b>	<b>6 344 763</b>	<b>2 032 058</b>	<b>5 302 089</b>	<b>1 335 640</b>	<b>441 658</b>	<b>(6 072 010)</b>	<b>9 384 198</b>
Total costs	(6 307 426)	(1 552 491)	(4 994 292)	(1 210 638)	(418 957)	6 067 031	(8 416 773)
<b>Segment result</b>	<b>37 337</b>	<b>479 567</b>	<b>307 797</b>	<b>125 002</b>	<b>22 701</b>	<b>(4 979)</b>	<b>967 425</b>
Amortisation	(485)	(392 150)	(407 062)	(274 847)	(39 106)		
Impairment losses on non-financial non-current assets	-	-	51 365	-	-		
<b>EBITDA</b>	<b>37 822</b>	<b>871 717</b>	<b>663 494</b>	<b>399 849</b>	<b>61 807</b>		
<b>% of net revenue from sales</b>	<b>0.6%</b>	<b>42.9%</b>	<b>12.5%</b>	<b>29.9%</b>	<b>14.0%</b>		
Unallocated costs at Group level (administration expenses)							(47 177)
<b>Operating profit</b>							<b>920 248</b>
Finance costs							(255 045)
Finance income							48 443
Dividend income							430
Share of profit of associates and jointly controlled entities							49 704
Income tax							(143 491)
<b>Net profit</b>							<b>620 289</b>
Share of profit attributable to non-controlling interests							36 172



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(b) Segment results for the period from 1 July to 30 September 2018 are as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Net revenue from sales	1 960 249	651 085	619 654	76 495	37 160	-	3 344 643
Inter-segment sales	384 575	9 996	1 290 554	403 193	118 816	(2 207 134)	-
<b>Total net revenue from sales</b>	<b>2 344 824</b>	<b>661 081</b>	<b>1 910 208</b>	<b>479 688</b>	<b>155 976</b>	<b>(2 207 134)</b>	<b>3 344 643</b>
Total costs	(2 336 292)	(506 558)	(1 815 862)	(454 675)	(142 887)	2 215 350	(3 040 924)
<b>Segment result</b>	<b>8 532</b>	<b>154 523</b>	<b>94 346</b>	<b>25 013</b>	<b>13 089</b>	<b>8 216</b>	<b>303 719</b>
Amortisation	(192)	(137 384)	(132 532)	(101 287)	(13 632)		
<b>EBITDA</b>	<b>8 724</b>	<b>291 907</b>	<b>226 878</b>	<b>126 300</b>	<b>26 721</b>		
<b>% of net revenue from sales</b>	<b>0.4%</b>	<b>44.2%</b>	<b>11.9%</b>	<b>26.3%</b>	<b>17.1%</b>		
Unallocated costs at Group level (administration expenses)							(16 354)
<b>Operating profit</b>							<b>287 365</b>
Finance costs							(68 917)
Finance income							(39 093)
Dividend income							215
Share of profit of associates and jointly controlled entities							25 954
Income tax							(47 265)
<b>Net profit</b>							<b>158 259</b>
Share of profit attributable to non-controlling interests							5 332



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*(unless stated otherwise, all amounts expressed in PLN 000s)*

(c) Segment results for the period from 1 January to 30 September 2017 are as follows:

	Trade	Distribution	Generation (restated data)*	Mining	Other activity	Exclusions (restated data)*	Total (restated data)*
Net revenue from sales	3 860 384	2 402 970	1 648 412	342 189	108 243	-	8 362 198
Inter-segment sales	343 020	23 988	1 731 389	964 941	309 804	(3 373 142)	-
<b>Total net revenue from sales</b>	<b>4 203 404</b>	<b>2 426 958</b>	<b>3 379 801</b>	<b>1 307 130</b>	<b>418 047</b>	<b>(3 373 142)</b>	<b>8 362 198</b>
Total costs	(4 073 146)	(2 000 540)	(2 992 515)	(1 115 694)	(407 240)	3 318 837	(7 270 298)
<b>Segment result</b>	<b>130 258</b>	<b>426 418</b>	<b>387 286</b>	<b>191 436</b>	<b>10 807</b>	<b>(54 305)</b>	<b>1 091 900</b>
Amortisation	(713)	(371 413)	(222 295)	(259 632)	(31 201)		
<b>EBITDA</b>	<b>130 971</b>	<b>797 831</b>	<b>609 581</b>	<b>451 068</b>	<b>42 008</b>		
<b>% of net revenue from sales</b>	<b>3.1%</b>	<b>32.9%</b>	<b>18.0%</b>	<b>34.5%</b>	<b>10.0%</b>		
Gain on bargain purchase							11 953
Unallocated costs at Group level (administration expenses)							(33 998)
<b>Operating profit</b>							<b>1 069 855</b>
Finance costs							(102 756)
Finance income							61 003
Dividend income							526
Share of profit of associates and jointly controlled entities							7 402
Income tax							(198 081)
<b>Net profit</b>							<b>837 949</b>
Share of profit attributable to non-controlling interests							52 417

\* The restatement of data for the comparative period for presentation purposes is presented in note 4 to these condensed consolidated financial statements.



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(d) Segment results for the period from 1 July to 30 September 2017 are as follows:

	Trade	Distribution	Generation (restated data)*	Mining	Other activity	Exclusions (restated data)*	Total (restated data)*
Net revenue from sales	1 289 326	789 061	593 358	82 636	39 593	-	2 793 974
Inter-segment sales	115 043	9 237	639 402	322 377	114 026	(1 200 085)	-
<b>Total net revenue from sales</b>	<b>1 404 369</b>	<b>798 298</b>	<b>1 232 760</b>	<b>405 013</b>	<b>153 619</b>	<b>(1 200 085)</b>	<b>2 793 974</b>
Total costs	(1 378 708)	(645 732)	(1 128 476)	(360 751)	(145 634)	1 167 235	(2 492 066)
<b>Segment result</b>	<b>25 661</b>	<b>152 566</b>	<b>104 284</b>	<b>44 262</b>	<b>7 985</b>	<b>(32 850)</b>	<b>301 908</b>
Amortisation	(258)	(128 454)	(78 017)	(85 572)	(10 968)		
<b>EBITDA</b>	<b>25 919</b>	<b>281 020</b>	<b>182 301</b>	<b>129 834</b>	<b>18 953</b>		
<b>% of net revenue from sales</b>	<b>1.8%</b>	<b>35.2%</b>	<b>14.8%</b>	<b>32.1%</b>	<b>12.3%</b>		
Unallocated costs at Group level (administration expenses)							(13 674)
<b>Operating profit</b>							<b>288 234</b>
Finance costs							(20 814)
Finance income							(1 516)
Share of profit of associates and jointly controlled entities							1 471
Income tax							(53 257)
<b>Net profit</b>							<b>214 118</b>
Share of profit attributable to non-controlling interests							9 748

\* The restatement of data for the comparative period for presentation purposes is presented in note 4 to these condensed consolidated financial statements.



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**Segment reporting (continued)**

(a) Other information concerning segments as at 30 September 2018 is as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	15 430	8 583 178	9 241 275	2 761 594	345 730	(462 740)	20 484 467
Trade and other receivables	1 480 275	276 793	796 449	258 437	133 757	(737 342)	2 208 369
Costs related to the conclusion of agreements	31 218	-	-	-	-	-	31 218
Assets concerning contracts with customers	42 967	190 801	38	-	1 428	(4 870)	230 364
<b>Total</b>	<b>1 569 890</b>	<b>9 050 772</b>	<b>10 037 762</b>	<b>3 020 031</b>	<b>480 915</b>	<b>(1 204 952)</b>	<b>22 954 418</b>
ASSETS excluded from segments							6 642 422
- including property, plant and equipment							10 698
- including trade and other receivables							4 704
<b>TOTAL ASSETS</b>							<b>29 596 840</b>
Trade and other payables	381 252	378 536	758 931	257 104	172 393	(556 160)	1 392 056
Liabilities concerning contracts with customers	186 052	67 162	-	731	-	(186 052)	67 893
<b>Total</b>	<b>567 304</b>	<b>445 698</b>	<b>758 931</b>	<b>257 835</b>	<b>172 393</b>	<b>(742 212)</b>	<b>1 459 949</b>
Equity and liabilities excluded from segments							28 136 891
- including trade and other payables							1 572 155
<b>TOTAL EQUITY AND LIABILITIES</b>							<b>29 596 840</b>

**for the 9-month period ended 30 September 2018**

Investment expenditures on property, plant and equipment and intangible assets	923	570 337	223 233	295 924	26 614	(13 590)	1 103 441
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							282
Amortisation	485	392 150	407 062	274 847	39 106	(10 008)	1 103 642
Amortisation excluded from segments							814
Recognition/(reversal/usage) of impairment losses on receivables	1 514	5 519	11 502	(2 152)	685	(1 389)	15 679





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

	Trade	Distribution	Generation	Mining	Other activity	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 segments							5 985 773
- including property, plant and equipment							10 850
- including trade and other receivables							13 093
<b>TOTAL ASSETS</b>							<b>28 312 994</b>
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 segments							26 384 693
- including trade and other payables							180 663
<b>TOTAL EQUITY AND LIABILITIES</b>							<b>28 312 994</b>

**for the 9-month period ending 30 September 2017**

Investment expenditures on property, plant and equipment and intangible assets	205	593 396	631 749	254 440	12 689	(34 796)	1 457 683
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							-
Amortisation	713	371 413	222 295	259 632	31 201	(8 995)	876 259
Amortisation excluded from segments							1 141
Recognition/(reversal/usage) of impairment losses on receivables	6 967	11 349	4 544	226	(1 444)	-	21 642

## 8. Property, plant and equipment

In the 9-month period ended 30 September 2018 the Group purchased property, plant and equipment items for a total of PLN 1 094 514 thousand (in the 9-month period ending 30 September 2017: PLN 1 433 401 thousand). These amounts mainly concern the generation (PLN 222 451 thousand), mining (PLN 295 651 thousand) and distribution (PLN 532 590 thousand) segments.

In the 9-month period ended 30 September 2018 the Group sold and liquidated property, plant and equipment items with total net book value of PLN 26 908 thousand (in the 9 months ended 30 September 2017: PLN 13 483 thousand).

In the 9-month period ended 30 September 2018, impairment losses on property, plant and equipment decreased by PLN 53 481 thousand on a net basis (in the 9-month period ended 30 September 2017 impairment of property, plant and equipment decreased by PLN 2 822 thousand on a net basis).

As at 30 September 2018, total impairment of property, plant and equipment amounted to PLN 1 574 686 thousand (as at 31 December 2017: PLN 1 628 167 thousand).

In connection with an update dated 29 June 2018 of the Act on renewable energy sources, which introduced regulations that change the property tax treatment for wind assets, effective from 1 January 2018, the Group updated impairment tests conducted in previous years for its activities in the generation of electricity from wind-based sources and estimated the impact of reduced tax burden on the usable value of its wind farms. Based on this analysis, impairment losses worth a total of PLN 51 365 thousand on non-financial non-current assets in the wind generation area were reversed. The reversal increased the Group's net result by PLN 41 606 thousand.

## 9. Intangible assets

In the 9-month period ended 30 September 2018 the Group purchased intangible assets worth PLN 9 209 thousand (in the 9-month period ended 30 September 2017 the Group purchased intangible assets worth PLN 24 282 thousand).

In the 9-month period ended 30 September 2018, the Group received intangible assets from intangible assets under construction worth PLN 21 008 thousand (in the 9-month period ended 30 September 2017: PLN 17 818 thousand).

In the 9-month period ended 30 September 2018, the Group did not conduct significant sales or liquidations of intangible assets (in the 9-month period ended 30 September 2017 the Group also did not conduct significant sales or liquidations of intangible assets).

## 10. Investments in associates and jointly controlled entities

	<b>30.09.2018</b>	<b>31.12.2017</b>
As at the beginning of period	355 152	2 518
Share of change in net assets	49 704	9 282
Purchase of investments	313 694	344 562
Other changes	-	(1 210)
<b>As at the reporting date</b>	<b>718 550</b>	<b>355 152</b>

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	<b>30.09.2018</b>	<b>31.12.2017</b>
Polska Grupa Górnicza S.A.	339 839	210 000
Elektrownia Ostrołęka S.A.	269 465	52 335
Polimex – Mostostal S.A.	102 396	90 967
ElectroMobility Poland S.A.	6 850	1 850
	<b>718 550</b>	<b>355 152</b>

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

On 19 September 2016, ENEA S.A. signed a Letter of Intent with Energa S.A. concerning joint work on preparing, implementing and operating a modern coal-based 1000-MW unit at Elektrownia Ostrołęka (Investment, Ostrołęka C).

The parties' intention is to jointly develop an effective business model for Ostrołęka C, validate project documentation and optimise the new unit's technical and economic parameters. This cooperation also includes a tender procedure to select a general contractor for the Investment.

The parties agree that the Investment will positively impact Poland's energy security, meet the highest environmental standards and provide another stable, highly efficient and low-emission energy source in the National Power System.

On 8 December 2016, the Company executed an Investment Agreement concerning the Ostrołęka C project. The subject of the Agreement is preparation, construction and operation of the aforementioned power unit. Under the Agreement, cooperation will generally be organised in three stages: Development Stage - until a notice to proceed is issued (NTP) to the general contractor, Construction Stage - until Ostrołęka C is put into commercial operation, and Operational Stage - the commercial operation of Ostrołęka C. Once the Development Stage is complete, ENEA S.A. is required to participate in the Construction Stage, assuming that the Project will be profitable and that the Project's financing will not breach the Company's bank covenants.

The Investment Agreement included a condition precedent in the form of approval from the President of the Office of Competition and Consumer Protection (UOKiK) for concentration, consisting of a purchase of shares in a special purpose vehicle (SPV) intended to implement the Project. This condition was satisfied on 11 January 2017.

On 19 December 2016, the SPV announced a tender procedure to select the general contractor to build the Ostrołęka C unit, with approx. 1000 MW and net efficiency of at least 45%, operating on supercritical steam. Under certain assumptions (including the appropriate participation of ENEA S.A., Energa S.A. and potential Financial Investors) and a support mechanism resulting from the introduction of a capacity market or other support mechanisms, Elektrownia Ostrołęka Sp. z o.o. will be able to implement the project in a comprehensive manner.

Performing the Investment Agreement, ENEA S.A. from 1 February 2017 to 23 March 2018 purchased from Energa S.A. shares of Elektrownia Ostrołęka Sp. z o.o. in tranches that add up to a 50% stake in share capital and amount to approx. PLN 101 million.

As a result of the above transactions, Energa S.A. and ENEA S.A. assumed joint control over Elektrownia Ostrołęka Sp. z o.o., based in Ostrołęka, the aim of which is to build and operate a new coal-based unit. Each of the parties has a 50% stake in Elektrownia Ostrołęka Sp. z o.o. and an equal number of General Meeting votes. An equal number

The notes presented on pages 13 - 61 constitute an integral part of these condensed consolidated interim financial statements.

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of representatives of both of the investors will seat on the Management Board and Supervisory Board. Decisions pertaining to significant activities will require unanimous consent of the two shareholders that have rights to the net assets of Elektrownia Ostrołęka Sp. z o.o. Taking the above into account, the investment is classified as a joint venture and is accounted for using the equity method.

In order to secure sufficient funding for the company, Energa S.A. and ENEA S.A. each made a PLN 10 million loan to Elektrownia Ostrołęka Sp. z o.o. based on an agreement dated 23 November 2017. The loan issued by ENEA S.A. has been repaid.

Following a transformation, on 27 February 2018 the company's legal form changed from a joint-stock company (spółka akcyjna) to a limited company (sp. z o.o.).

On 26 March 2018 the Company executed an Annex to the Investment Agreement, pursuant to which the parties increased the total estimated investment expenditures resulting from their commitments that will be made during the Development Stage of the Ostrołęka C project, i.e. until a notice to proceed is issued to the General Contractor. ENEA S.A.'s investment expenditures might reach approx. PLN 226 million. The increase in investment expenditures results from the need to secure funding for organisational works that will result from the contract with the General Contractor, as well as associated investments and the operation of Elektrownia Ostrołęka Sp. z o.o., among other things.

As a result of this increase in Elektrownia Ostrołęka Sp. z o.o.'s share capital, ENEA S.A.:

- on 29 March 2018 purchased 350 000 shares worth PLN 17 500 thousand. On 30 March 2018 ENEA S.A. transferred its cash contribution to the SPV's account. The remaining 350 000 shares were acquired by Energa S.A. The share capital increase was registered at the National Court Register on 30 July 2018.
- on 30 July 2018 purchased 2 870 000 shares worth PLN 143 500 thousand. On 2 August 2018 ENEA S.A. transferred its cash contribution to the SPV's account. The remaining 2 870 000 shares were acquired by Energa S.A. The share capital increase was registered at the National Court Register on 16 October 2018.

ENEA S.A.'s stake in Elektrownia Ostrołęka Sp. z o.o.'s share capital did not change and remains at 50% because the new shares in increased share capital were acquired by ENEA S.A. and Energa S.A. proportionally to their stakes, i.e. on a 50:50 basis.

On 4 April 2018 Elektrownia Ostrołęka Sp. z o.o. concluded a procedure for the award of a public contract entitled "Construction of 1000-MW Elektrownia Ostrołęka C" by selecting a consortium consisting of GE Power Sp. z o.o. and Alstom Power System S.A.S as the General Contractor, which offered to perform the subject of the tender in parameters specified in the proposal for PLN 5 049 729 thousand net, PLN 6 023 035 thousand gross.

Award of the tender does not constitute:

- approval for execution of a contract with the General Contractor - such approval requires consent from the Issuer's Supervisory Board,
- approval for issue of an order to proceed - issue of the NTP requires consent from the Issuer's Supervisory Board and directional consent from the Issuer's General Meeting to move on to the Construction Stage.

It is estimated that investment expenditures related to the execution of contract between the Ordering Party and the General Contractor until the NTP is issued will not exceed the equivalent of 4% of the contract price.

On 6 July 2018 an extraordinary general meeting of Elektrownia Ostrołęka Sp. z o.o. granted consent to execute a public supply contract with the General Contractor: Consortium of GE Power Sp. z o.o. (consortium leader) and ALSTOM Power Systems S.A.S., selected by the SPV in a procedure for the award of a public contract by way of competitive dialogue entitled "Construction of 1000-MW Elektrownia Ostrołęka C."

The agreement with the General Contractor: Consortium of GE Power Sp. z o.o. (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.

On 4 September 2018 a memorandum was signed by ENEA S.A., Energa S.A., Elektrownia Ostrołęka Sp. z o.o. and FIZAN Energia ("Fund") concerning the Fund's equity investment (by purchasing shares in the SPV's share capital) in the project being implemented by the SPV to prepare, build and operate a hard coal-fired power unit with gross output of approx. 1000 MW ("Agreement," "Project").

The Fund's investment in Elektrownia Ostrołęka Sp. z o.o. is subject to several legal, corporate and financial conditions being met, including the market situation.

The memorandum solely constitutes a commitment to conduct negotiations in good faith regarding execution of an investment agreement between the Fund and ENEA S.A., Energa S.A. and the Company or the Fund's accession to the existing investment agreement. The memorandum is valid from execution to 30 November 2018.

The memorandum specifies the Project's initial financing structure, where a total of PLN 2 billion constitutes equity contributed by ENEA S.A. and Energa S.A. to the SPV (PLN 1 billion each), with this amount including funds contributed by ENEA S.A. and Energa S.A. prior to an investment agreement being executed with the Fund, and a maximum of PLN 1 billion in equity contributed to Elektrownia Ostrołęka Sp. z o.o. by the Fund, while the remaining amount will be covered by other forms of financing.

On 7 September 2018, an extraordinary general meeting of Elektrownia Ostrołęka Sp. z o.o. granted consent for the SPV to incur a conditional liability by the SPV's participation in certification for the main capacity market auction, planned for 21 December 2018, on the condition that:

- approval of the form of financial collateral or exemption from the requirement to put up such collateral in the meaning of Chapter 8 of the Act on the capacity market of 8 December 2017,
- definition of an auction strategy by 20 December 2018, specifying an exit price for the main capacity market auction planned for 21 December 2018,

will each time require separate resolutions by the General Meeting, adopted at the request of the SPV's Management Board.

This resolution allowed Elektrownia Ostrołęka Sp. z o.o. to begin certification for the main auction, at the same time protecting the interests of ENEA and Energa as shareholders by providing them with appropriate control mechanisms at this stage of work on the Ostrołęka C project. On 12 October 2018, Polskie Sieci Energetyczne S.A. (operator) issued a conditional certificate for Elektrownia Ostrołęka Sp. z o.o. as a new generating unit, allowing it to participate in the main Capacity Market auction on 21 December 2018 (delivery year 2023), after establishing collateral for the benefit of the operator, as required by the Act on the capacity market.

On 24 September 2018, an Extraordinary General Meeting of ENEA S.A. granted directional approval to join the Construction Stage of the Ostrołęka C project, i.e. the stage from the moment Elektrownia Ostrołęka Sp. z o.o. issues an order to proceed to the general contractor until the power unit being built as part of the Ostrołęka C project is put into commercial operation. This consent is one of a number of corporate approvals that precede the issue of the NTP. Through Resolution 73/IX/2018 of 10 October 2018, ENEA S.A.'s Supervisory Board increased the limit of funds for Project financing by PLN 13 million to PLN 239.5 million. The reason for the increased limit was the need to take into account the full amount of a liability arising from insurance contracts executed by Elektrownia Ostrołęka Sp. z o.o., as required under the contract with the General Contractor. At the same time, payment of insurance contributions was split into instalments throughout the duration of the Project, which is why ENEA S.A. does not expect to increase expenditures until the NTP is issued.

### **10.2. Re-capitalisation of Polska Grupa Górnicza S.A.**

In connection with a process to seek out equity investors by Katowicki Holding Węglowy S.A., in July 2016 ENEA S.A. began talks with potential investors concerning implementation of a potential investment and its 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. (Investors), expressing preliminary interest in a financial investment in Katowicki Holding Węglowy S.A. or KHW's assets.

With Polska Grupa Górnicza S.A. (PGG) being interested in acquiring selected assets from Katowicki Holding Węglowy S.A. and given that a re-capitalisation process had begun at PGG, ENEA S.A. and PGG's other shareholders analysed a business plan presented by PGG and expressed interest in an equity investment in Polska Grupa Górnicza S.A.

On 30 March 2017 ENEA S.A.'s Supervisory Board allowed the Company to invest in Polska Grupa Górnicza S.A. and acquire new PGG shares with nominal value of PLN 300 million in exchange for a PLN 300 million cash contribution.

On 31 March 2017 the Company executed:

- an investment agreement setting out the conditions for a financial investment in PGG (Investment Agreement),
- a memorandum between the Investors concerning exercise of joint control over PGG (Annex 1 to the Memorandum concerning Polska Grupa Górnicza).

#### Investment Agreement

The parties to the Investment Agreement are as follows: 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 (Investors) and PGG. Under the Investment Agreement, PGG were to purchase selected mining assets from Katowicki Holding Węglowy S.A. pursuant to a preliminary agreement, which had been signed on 1 April 2017.

The Investment Agreement determines the way in which the investment is to be carried out and the manner in which the Company will invest in PGG, along with operational rules for PGG and its corporate bodies as well as rules for the parties' exit from the PGG investment.

As part of the PGG re-capitalisation, ENEA S.A. committed to purchasing new PGG shares with total nominal value of PLN 300 million in exchange for a PLN 300 million cash contribution in three stages:

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- a) in the first stage, the Company purchased new PGG shares with nominal value of PLN 150 million in exchange for a PLN 150 million cash contribution. After this purchase, the Company held a 4.39% stake in PGG. The first re-capitalisation took place in April 2017.
- b) in the second stage, the Company purchased new PGG shares with nominal value of PLN 60 million in exchange for a PLN 60 million cash contribution. After this purchase, the Company held a 5.81% stake in PGG. The second re-capitalisation took place in June 2017.
- c) in the third stage, the Company purchased, in a private subscription, PGG's series B shares with nominal value of PLN 90 million in exchange for a PLN 90 million cash contribution. ENEA S.A. increased its stake in PGG's share capital to 7.66%. The third re-capitalisation took place in January 2018.

The agreement sets out rules for appointing Supervisory Board members, pursuant to which each of the Investors and the State Treasury will be entitled to appoint one member to the Supervisory Board, which will consist of no more than eight persons.

The investment is in line with ENEA Group's Development Strategy, one element of which involves securing a raw material base for conventional power generation.

As a result of Polska Grupa Górnicza Sp. z o.o. being transformed into a joint-stock company (spółka akcyjna) and a change in rules for preparing financial statements, i.e. adoption by Polska Grupa Górnicza Sp. z o.o. of IFRS, Annex 1 to the Investment Agreement of 31 March 2017 entered into force on 31 August 2018, taking into account the aforementioned changes, among other things.

**Investor memorandum**

On 31 March 2017, the Investors: ENERGA Kogeneracja Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and ENEA S.A. executed a Memorandum that governs the way in which the Parties come to agreement on decisions concerning the company and exercise of joint control over the company. For ENEA S.A., the Memorandum was executed on the condition that the President of the UOKiK approves the acquisition of joint control over the company. The UOKiK approval mentioned in the preceding sentence was issued on 22 December 2017.

At the same time, a letter of intent which had been signed on 16 October 2016 by ENEA S.A., Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o. concerning the previously contemplated equity investment in Katowicki Holding Węglowy S.A. was terminated on 31 March 2017.

Joint control was assumed on 22 December 2017. The purchase price for Polska Grupa Górnicza S.A., allocated with the application of fair value measurement for Polska Grupa Górnicza S.A.'s assets as at 31 January 2018 (purchase of the third tranche), is as follows:

	<b>Polska Grupa Górnicza S.A.</b>
Purchase price	300 000
Share in the fair value of acquired net assets	229 870
<b>Goodwill arising from the stake held</b>	<b>70 130</b>

**11. Impairment of trade and other receivables**

	<b>30.09.2018</b>	<b>31.12.2017</b>
Impairment at the beginning of period	153 115	129 483
Adjustment due to implementation of IFRS 9	4 619	-
<b>As at the beginning of period, adjusted</b>	<b>157 734</b>	<b>129 483</b>
Purchase of subsidiaries	-	5 537
Created	23 171	45 263
Reversed	(1 040)	(6 834)
Used	(11 071)	(20 334)
<b>Impairment at the end of period</b>	<b>168 794</b>	<b>153 115</b>

In the 9-month period ended 30 September 2018, impairment of trade and other receivables increased by PLN 15 679 thousand (in the 9-month period ended 30 September 2017 impairment grew by PLN 21 642 thousand).

Impairment losses are mainly created on trade receivables. Impairment of other receivables is negligible.

**12. Assets and liabilities arising from contracts with customers**

	<b>Assets arising from contracts with customers*</b>	<b>Liabilities arising from contracts with customers*</b>
<b>As at the beginning of period, adjusted</b>	<b>245 026</b>	<b>67 707</b>
Revenue recognised in period that was taken into account in the opening balance for liabilities arising from contracts with customers	-	(2 541)
Non-invoiced receivables	4 876	-
Increase due to prepayments	-	775
Transfer from contract assets to receivables	(18 813)	-
Impairment	(626)	-
Other changes	(99)	1 952
<b>As at the end of period</b>	<b>230 364</b>	<b>67 893</b>

\* as at 31 December 2017, assets and liabilities arising from contracts with customers did not exist; data restatement as at 1 January 2018 is presented in note 3.13.

**13. Analysis of the age structure of assets arising from contracts with customers and trade and other receivables constituting financial instruments**

	<b>Nominal value</b>	<b>Impairment</b>	<b>Book value</b>
<b>30.09.2018</b>			
<b>Trade and other receivables</b>			
Current	1 263 207	(17 931)	1 245 276
Overdue	287 385	(150 863)	136 522
0-30 days	86 590	(10 167)	76 423
31-90 days	18 679	(1 488)	17 191
91-180 days	12 246	(4 435)	7 811
over 180 days	169 870	(134 773)	35 097
<b>Total</b>	<b>1 550 592</b>	<b>(168 794)</b>	<b>1 381 798</b>
<b>Assets arising from contracts with customers</b>	<b>230 990</b>	<b>(626)</b>	<b>230 364</b>



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<b>31.12.2017</b>	<b>Nominal value</b>	<b>Impairment</b>	<b>Book value</b>
Current	1 416 579	(20 264)	1 396 315
Overdue	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
<b>Total</b>	<b>1 687 108</b>	<b>(153 115)</b>	<b>1 533 993</b>

**14. Debt financial assets at amortised cost**

	<b>30.09.2018</b>	<b>31.12.2017*</b>
<b>Current debt financial assets at amortised cost</b>		
Loans granted	178	-
<b>Current debt financial assets at amortised cost</b>	<b>178</b>	<b>-</b>
<b>Non-current debt financial assets at amortised cost</b>		
Loans granted	7 741	-
<b>Non-current debt financial assets at amortised cost</b>	<b>7 741</b>	<b>-</b>
<b>TOTAL</b>	<b>7 919</b>	<b>-</b>

\* as at 31 December 2017, debt securities at amortised cost did not exist; data restatement as at 1 January 2018 is presented in note 3.13.

No impairment allowances for expected credit losses are presented in these condensed consolidated financial statements aside from impairment presented in note 13 concerning assets arising from contracts with customers and trade and other receivables constituting financial instruments.

**15. Inventories**

	<b>30.09.2018</b>	<b>31.12.2017</b>
Materials	626 329	573 051
Semi-finished products and production in progress	3 942	632
Finished products	11 782	10 452
Energy origin certificates	414 449	257 471
Goods	10 621	11 471
<b>Gross value of inventory</b>	<b>1 067 123</b>	<b>853 077</b>
Impairment of inventory	(5 804)	(6 890)
<b>Net value of inventory</b>	<b>1 061 319</b>	<b>846 187</b>

In the 9-month period ended 30 September 2018, impairment of inventory decreased by PLN 1 086 thousand on a net basis (in the 9-month period ended 30 September 2017 impairment of inventory decreased by PLN 1 462 thousand on a net basis).

## 16. Energy origin certificates

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>Net value at the beginning of period</b>	<b>257 046</b>	<b>161 459</b>
Purchase of subsidiaries	-	48 672
In-house manufacture	117 442	126 680
Purchase	297 596	152 690
Redemption of origin certificates	(248 471)	(190 736)
Sale	(9 776)	(43 522)
Change in impairment	582	1 803
<b>Net value at the end of period</b>	<b>414 419</b>	<b>257 046</b>

## 17. Restricted cash

As at 30 September 2018, restricted cash amounted to PLN 878 582 thousand. This mainly included cash in deposits for electricity and CO<sub>2</sub> emission allowance transactions, collateral paid to suppliers and cash withholding as collateral for due performance of work.

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

## 18. Financial assets at fair value

As at 30 September 2018, financial assets at fair value included call options for Polimex-Mostostal S.A. shares, among other things. Pursuant to a call option agreement for Polimex-Mostostal S.A. shares of 18 January 2017, ENEA S.A. purchased call options from Towarzystwo Finansowe Silesia Sp. z o.o. This agreement sees the purchase, in three tranches, of 9 125 thousand shares at nominal value of PLN 2 per share within specified deadlines, i.e. 30 July 2020, 30 July 2021 and 30 July 2022. Fair value measurement of the call options was conducted using the Black-Scholes model. The book value of the options as at 30 September 2018 amounted to PLN 15 127 thousand (at 31 December 2017: PLN 23 836 thousand).

Moreover, financial assets at fair value include the measurement of derivative contracts for the purchase of electricity and gas and concerning property rights worth PLN 105 719 thousand (as at 31 December 2017: PLN 58 857 thousand). The nominal value of contracts for the purchase and sale of electricity, gas and property rights maturing in 2018-2020, presented as financial assets and liabilities at fair value, amounts to PLN 3 433 797 thousand.

## 19. Credit facilities, loans and debt securities

	<b>30.09.2018</b>	<b>31.12.2017</b>
Bank credit	2 123 784	2 207 341
Loans	68 917	69 959
Bonds	5 360 130	5 442 791
<b>Long-term</b>	<b>7 552 831</b>	<b>7 720 091</b>
Bank credit	138 028	102 365
Loans	12 330	12 741
Bonds	276 786	424 323
<b>Short-term</b>	<b>427 144</b>	<b>539 429</b>
<b>Total</b>	<b>7 979 975</b>	<b>8 259 520</b>

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In the 9-month period ended 30 September 2018, the book value of credit facilities, loans and debt securities declined by PLN 279 545 thousand on a net basis (in the 9-month period ended 30 September 2017, the book value of credit facilities, loans and debt securities increased by PLN 201 053 thousand).

**Credit facilities and loans**

Presented below is a list of the Group's credit facilities and loans.

No.	Company	Lender	Contract date	Total contract amount	Liability at 30 September 2018	Liability at 31 December 2017	Contract period
1.	ENEA S.A.	EIB	18 October 2012 and 19 June 2013 (A and B)	1 425 000	1 303 044	1 357 174	31 December 2030
2.	ENEA S.A.	EIB	29 May 2015 (C)	946 000	946 000	946 000	30 September 2032
3.	ENEA S.A.	PKO BP	28 January 2014, Annex 1 of 25 January 2017	300 000	-	-	31 December 2019
4.	ENEA S.A.	Pekao S.A.	28 January 2014, Annex 1 of 25 January 2017	150 000	-	-	31 December 2019
5.	ENEA Wytwarzanie Sp. z o.o.	NFOŚiGW	6 June 2012	17 850	-	3 564	30 September 2018
6.	ENEA Wytwarzanie Sp. z o.o.	NFOŚiGW	22 December 2015	60 075	56 875	52 017	20 December 2026
7.	LWB	mBank	16 December 2016	100 000	-	-	30 November 2018
8.	Other	-	-	-	31 736	35 847	-
<b>TOTAL</b>				<b>2 998 925</b>	<b>2 337 655</b>	<b>2 394 602</b>	
Transaction costs and effect of measurement using effective interest rate					5 404	(2 196)	
<b>TOTAL</b>				<b>2 998 925</b>	<b>2 343 059</b>	<b>2 392 406</b>	

The notes presented on pages 13 - 61 constitute an integral part of these condensed consolidated interim financial statements.

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Presented below is a short description of ENEA Group's significant credit and loan agreements:

**ENEA S.A.**

ENEA S.A. currently has credit agreements with the EIB for a total amount of PLN 2 371 000 thousand (Agreement A PLN 950 000 thousand, Agreement B PLN 475 000 thousand and Agreement C PLN 946 000 thousand).

Funds from the EIB are intended to finance a multi-year investment plan aimed at modernising and expanding ENEA Operator Sp. z o.o.'s power network. Funds from Agreements A, B and C are fully used. Agreement C's availability ended in December 2017. Interest on these credit facilities may be fixed or variable.

As of 15 March 2018, pursuant to the provisions of Agreement A with the EIB the parties changed the interest rate from variable to fixed for the second tranche of the credit facility, amounting to PLN 170 000 thousand.

**ENEA Wytwarzanie Sp. z o.o.**

Loan from the National Fund for Environmental Protection and Water Management (NFOŚiGW) - agreement executed on 6 June 2012 for the period from 1 October 2013 to 30 September 2018. The loan amounted to PLN 17 850 thousand and interest was WIBOR 3M+50 basis points. The loan was fully repaid.

Loan from NFOŚiGW - agreement executed on 22 December 2015 for the period from 1 April 2016 to 20 December 2026, with a PLN 60 075 thousand limit. The loan has annual interest based on WIBOR 3M of no less than 2%. A grace period is in effect until 29 September 2018.

The total loan-related debt of ENEA Wytwarzanie Sp. z o.o. as at 30 September 2018 amounted to PLN 56 875 thousand (at 31 December 2017: PLN 55 581 thousand).

**Lubelski Węgiel Bogdanka S.A.**

On 16 December 2016, the company executed a current account credit facility agreement with mBank for up to PLN 100 000 thousand. The credit facility has a variable interest rate. The repayment deadline is 30 November 2018. The credit facility remained unused as of the reporting date.



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**Bond issue programmes**

Presented below is a list of bonds issued by ENEA S.A. and Lubelski Węgiel Bogdanka S.A.

Item	Bond issue programme name	Programme start date	Programme amount	Value of outstanding bonds at 30 September 2018	Value of outstanding bonds at 31 December 2017	Buy-back deadline
1.	Bond issue programme agreement executed with PKO BP S.A., Bank PEKAO S.A., BZ WBK S.A., Bank Handlowy w Warszawie S.A. (ENE A S.A.)	21 June 2012	3 000 000	3 000 000	3 000 000	One-time buy-back between June 2020 and June 2022
2.	Bond issue programme agreement with BGK (ENE A S.A.)	15 May 2014	1 000 000	880 000	960 000	Buy-back in tranches, last tranche due in December 2026
3.	Bond issue programme agreement with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A. (ENE A S.A.)	30 June 2014	5 000 000	1 500 000	1 500 000	One-time buy-back of each series, in February 2020 and September 2021
4.	Bond issue programme agreement with BGK (ENE A S.A.)	3 December 2015	700 000	135 000	150 000	Buy-back in tranches, last tranche due in September 2027
5.	Bond issue programme agreement with Bank PEKAO S.A. (LWB)	23 September 2013	300 000	150 939	301 911	Buy-back in tranches, last tranche due in December 2018
6.	Bond issue programme agreement with Bank PEKAO S.A. and BGK (LWB)	30 June 2014	300 000	-	-	Buy-back in March 2017
<b>TOTAL</b>			<b>10 300 000</b>	<b>5 665 939</b>	<b>5 911 911</b>	
Transaction costs and effect of measurement using effective interest rate				(29 023)	(44 797)	
<b>TOTAL</b>			<b>10 300 000</b>	<b>5 636 916</b>	<b>5 867 114</b>	

The notes presented on pages 13 - 61 constitute an integral part of these condensed consolidated interim financial statements.



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**ENEA S.A.** executes bond issue programme agreements in order to issue bonds to finance on-going operations and the investment needs of ENEA S.A. and its subsidiaries.

On 17 July 2018 ENEA S.A. executed Annex 1 to a Programme Agreement of 3 December 2015 with BGK concerning a bond issue programme for up to PLN 700 000 thousand. Pursuant to the annex, the programme's availability period was changed from 1 March 2018 to 31 December 2018. In the reporting period ended 30 September 2018 ENEA S.A. did not execute new agreements and no new bond issues were conducted.

**Lubelski Węgiel Bogdanka S.A.** - financial liabilities concerning LWB's bonds are currently limited to one programme agreement. Under a Programme Agreement executed by the company on 23 September 2013 with Bank Polska Kasa Opieki S.A., 3000 bonds with par value of PLN 300 000 thousand were issued, with a buy-back deadline of 31 December 2018. Bonds worth PLN 75 000 thousand mature on 30 September 2018 and bonds worth PLN 75 000 thousand mature on 30 December 2018. Interest on the bonds is based on WIBOR 3M plus a fixed margin. On 30 March 2018 LWB bought back 750 bonds worth PLN 100 thousand each and PLN 75 000 thousand in total. Another 750 bonds worth PLN 75 000 thousand in total were bought back on 2 July 2018. Another buy-back took place on 1 October 2018 - also PLN 75 000 thousand.

### **Interest rate swaps**

In the 9-month period ended 30 September 2018 ENEA S.A. did not execute interest rate swaps. The total bond and credit exposure hedged with IRS transactions as at 30 September 2018 amounted to PLN 5 590 700 thousand. These transactions have material impact on the predictability of expense flows and finance costs. The Group presents the measurement of these instruments in the item "Financial assets at fair value." Derivative instruments are treated as cash flow hedges, which is why they are recognised and accounted for using hedge accounting rules. As at 30 September 2018, IRS measurement amounted to PLN -1 182 thousand (at 31 December 2017: PLN 29 553 thousand).

### **FX forwards**

In the 9-month period ending 30 September 2018 the Group executed FX forward transactions for a total volume of EUR 497 thousand. The last transaction's settlement date is in December 2018. As at 30 September 2018, these instruments were measured at PLN 17 thousand (at 31 December 2017: PLN 0 thousand).

### **Financing terms - covenants**

Financing agreements require the Company and ENEA Group to maintain certain financial ratios. As at 30 September 2018 and at the date on which these condensed consolidated interim financial statements were prepared and in the course of 2018 the Group did not breach any credit agreement provisions such as would require early re-payment of long-term debt.

## 20. Financial instruments

The following table contains a comparison of fair values and book values:

	30.09.2018		31.12.2017	
	Book value	Fair value	Book value	Fair value
Available-for-sale non-current financial assets (shares in unrelated entities)	-	-	40 698	40 698
Non-current financial assets at fair value through profit or loss	-	-	33 364	33 364
Derivative instruments	-	-	29 553	29 553
Current financial assets held to maturity	-	-	478	478
Current financial assets at fair value through profit or loss	-	-	49 329	49 329
Non-current financial assets at fair value	81 473	81 473	-	-
Non-current debt financial assets at amortised cost	7 741	7 741	-	-
Current financial assets at fair value	92 021	92 021	-	-
Current debt financial assets at amortised cost	178	178	-	-
Other short-term investments	76 566	76 566	-	-
Trade and other receivables	1 381 798	(*)	1 533 993	(*)
Assets arising from contracts with customers	230 364	230 364	-	-
Cash and cash equivalents	3 312 987	3 312 987	2 687 126	2 687 126
Funds in the Mine Decommissioning Fund	120 126	120 126	121 806	121 806
Credit facilities, loans and debt securities	7 979 975	8 052 511	8 259 520	8 338 192
Finance lease liabilities	4 864	4 864	3 593	3 593
Trade and other payables	2 822 628	(*)	1 915 502	(*)
Financial liabilities measured at fair value through profit or loss	-	-	51 060	51 060
Financial liabilities measured at fair value	128 331	128 331	-	-

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

Financial assets at fair value include:

- interests in unrelated entities, the stake in which is below 20%. This item includes shares in PGE EJ1 Sp. z o.o. amounting to PLN 32 902 thousand, for which no price quoted on an active market is available and whose fair value - given the early stage of the company's business - is determined on the basis of costs, which is close to fair value. If interests in unrelated entities are listed on the Warsaw Stock Exchange, then their fair value is based on quoted prices,
- Polimex-Mostostal S.A. call options,

- derivative instruments that include the measurement of interest rate swaps. The fair value of derivative instruments is established by calculating the net present value based on two yield curves, i.e. a curve to determine discount factors and a curve used to estimate future variable reference rates,
- forward contracts for the purchase of electricity and gas and property rights

Non-current debt financial assets at amortised cost cover loans maturing in over one year.

Current debt financial assets at amortised cost cover loans maturing in less than one year. The item 'other short-term investments' includes deposits with maturity over 3 months.

The fair value of bank credit, loans and debt securities is calculated for financial instruments that are based on a fixed rate of interest, based on current WIBOR.

The following table contains an analysis of financial instruments at fair value, grouped into a three-level hierarchy, where:

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

Level 2 - fair value is determined on the basis of values observed on the market, which are not a direct market quote (e.g. they are established by direct or indirect reference to similar instruments on a market),

Level 3 - fair value is determined using various measurement techniques that are not based on observable market data.

	<b>30.09.2018</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at fair value</b>				
Derivative instruments used in hedge accounting	-	36	-	36
Equity instruments at fair value through other comprehensive income			32 902	32 902
Call options (at fair value through profit or loss)	-	15 127	-	15 127
Other derivative instruments at fair value through profit or loss	-	105 719	-	105 719
Interests at fair value through profit or loss	18 625		1 085	19 710
<b>Total</b>	<b>18 625</b>	<b>120 882</b>	<b>33 987</b>	<b>173 494</b>
<b>Financial liabilities at fair value</b>				
Derivative instruments at fair value through profit or loss	-	(127 107)	-	(127 107)
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(1 224)	-	(1 224)
<b>Total</b>	<b>-</b>	<b>(128 331)</b>	<b>-</b>	<b>(128 331)</b>



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*(unless stated otherwise, all amounts expressed in PLN 000s)*

	<b>31.12.2017</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Derivative instruments</b>				
Interest rate swaps	-	29 553	-	29 553
<b>Financial assets at fair value through profit or loss</b>				
Forward contracts	-	58 857	-	58 857
Call options	-	23 836	-	23 836
<b>Available-for-sale financial assets</b>				
Unquoted equity instruments	-	-	1 391	1 391
<b>Total</b>	<b>-</b>	<b>112 246</b>	<b>1 391</b>	<b>113 637</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Forward contracts	-	(51 060)	-	(51 060)
<b>Total</b>	<b>-</b>	<b>(51 060)</b>	<b>-</b>	<b>(51 060)</b>

**21. Accounting for income from grants, connection fees and other**

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>Long-term</b>		
Accounting for deferred revenue - grants	124 008	196 334
Accounting for revenue from connection fees	-	401 514
Accounting for deferred revenue - road lighting modernisation services	55 063	47 595
	<b>179 071</b>	<b>645 443</b>
<b>Short-term</b>		
Accounting for deferred revenue - grants	9 714	13 864
Accounting for revenue from connection fees	-	17 129
Advances received for connection fees	-	59 125
Accounting for deferred revenue - road lighting modernisation services	1 778	1 125
Construction contracts - measurement	-	1 179
	<b>11 492</b>	<b>92 422</b>
<b>Schedule for accounting for deferred revenue</b>		
	<b>30.09.2018</b>	<b>31.12.2017</b>
Up to one year	11 492	92 422
Between one and five years	49 124	134 426
Over five years	129 947	511 017
	<b>190 563</b>	<b>737 865</b>

In the 9-month period ended 30 September 2018, the book value of revenue concerning grants, connection fees and other decreased by a net amount of PLN 547 302 thousand. This was mainly caused by changes in accounting rules due to adoption of IFRS 15. These changes are described in note 3.

In the 9-month period ended 30 September 2017, the book value of revenue concerning grants, connection fees and other decreased by a net amount of PLN 16 056 thousand.

## 22. Deferred income tax

Changes in deferred income tax assets and provision (after offsetting assets and provision) are as follows:

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>Deferred income tax assets at the beginning of period</b>	<b>501 945</b>	<b>403 257</b>
<b>Deferred income tax provision at the beginning of period</b>	<b>245 240</b>	<b>191 798</b>
Net deferred income tax assets at the beginning of period	(256 705)	(211 459)
Adjustment due to implementation of IFRS 9 and 15	91 866	-
Net deferred income tax assets at the beginning of period, adjusted	(164 839)	(211 459)
Purchase of subsidiaries	-	(142 936)
Charge/(addition) to profit or loss	67 765	109 673
Charge/(addition) to other comprehensive income	(12 660)	(11 983)
<b>Net deferred income tax assets at the end of period, including:</b>	<b>(109 734)</b>	<b>(256 705)</b>
<b>Deferred income tax assets at the end of period</b>	<b>448 168</b>	<b>501 945</b>
<b>Deferred income tax provision at the end of period</b>	<b>338 434</b>	<b>245 240</b>

In the 9-month period ended 30 September 2018, the Group's profit before tax was charged as a result of a decrease in net deferred income tax assets by PLN 67 765 thousand (in the 9-month period ended 30 September 2017 the charge to the Group's profit before tax as a result of a decrease in net deferred income tax assets amounted to PLN 66 751 thousand).

## 23. Provisions for liabilities and other charges

### Total provision for liabilities and other charges, categories as short- or long-term

	<b>30.09.2018</b>	<b>31.12.2017</b>
Long-term	649 529	643 187
Short-term	1 122 904	1 083 929
<b>Total</b>	<b>1 772 433</b>	<b>1 727 116</b>

In the 9-month period ended 30 September 2018, provisions for liabilities and other charges increased by a net amount of PLN 45 317 thousand (in the 9-month period ended 30 September 2017, provisions for liabilities and other charges increased by PLN 140 262 thousand).

**Change in provisions for liabilities and other charges**
**for the period ended 30 September 2018**

	Provision for non-contractual use of land	Provision for other claims	Provision for landfill site reclamation	Provision for energy origin certificates	Provision for CO2 emission allowance purchases	Mine liquidation	Other	Total
<b>As at the beginning of period</b>	<b>200 830</b>	<b>132 918</b>	<b>59 712</b>	<b>265 553</b>	<b>487 359</b>	<b>105 441</b>	<b>475 303</b>	<b>1 727 116</b>
Reversal of discount and change of discount rate	-	-	-	-	-	2 578	-	2 578
Increase in existing provisions	2 314	29 096	7 486	306 876	446 998	7 879	30 710	831 359
Use of provisions	(17 300)	(1 554)	-	(255 590)	(481 999)	-	(6 325)	(762 768)
Reversal of unused provision	(327)	(723)	(9 820)	(28)	(14 407)	-	(547)	(25 852)
<b>As at the end of period</b>	<b>185 517</b>	<b>159 737</b>	<b>57 378</b>	<b>316 811</b>	<b>437 951</b>	<b>115 898</b>	<b>499 141</b>	<b>1 772 433</b>

In the first nine months of 2018, ENEA S.A. created a PLN 16 361 thousand provision for potential claims related to the termination by ENEA S.A. of agreements to purchase energy origin certificates for renewables, and the value of this provision as at 30 September 2018 was PLN 102 096 thousand.

Other provisions mainly concern:

- wind farm Skoczyloty: PLN 129 000 thousand (as at 31 December 2017: PLN 129 000 thousand),
- potential liabilities related to grid assets resulting from differences in the interpretation of regulations: PLN 157 031 thousand (as at 31 December 2017: PLN 147 609 thousand),
- costs to use forest land managed by State Forests: PLN 114 752 thousand (as at 31 December 2017: PLN 113 547 thousand),
- property tax at Lubelski Węgiel Bogdanka S.A.: PLN 48 926 thousand (as at 31 December 2017: PLN 42 353 thousand),
- ZUS claims concerning accident contributions at Lubelski Węgiel Bogdanka S.A.: PLN 22 323 thousand (as at 31 December 2017: PLN 21 340 thousand),
- rectification of mining damages: PLN 3 450 thousand (as at 31 December 2017: PLN 4 434 thousand),

A description of significant claims and the associated conditional liabilities is presented in note 27.

## 24. Net revenue from sales

	<b>01.01.2018</b>	<b>01.01.2017</b>
	<b>30.09.2018</b>	<b>30.09.2017</b>
Revenue from sale of electricity	6 717 906	5 115 088
Revenue from sale of distribution services	1 986 165	2 383 249
Revenue from sale of goods and materials	61 171	58 325
Revenue from sale of other products and services	111 914	125 260
Revenue from origin certificates	3 239	20 301
Revenue from sale of CO2 emission allowances	25 977	13 938
Revenue from sale of industrial heat	248 544	242 030
Revenue from sale of coal	151 655	303 257
Revenue from sale of gas	77 627	100 750
<b>Total net revenue from sales</b>	<b>9 384 198</b>	<b>8 362 198</b>

The Group classifies revenue by type of product/service. The key revenue groups are revenue from the sale of electricity (ENE A S.A., ENE A Wytwarzanie, ENE A Trading and ENE A Elektrownia Połaniec) and revenue from the sale of distribution services (ENE A Operator).

**Sale of electricity:** The Group recognises revenue when an obligation to provide a consideration by providing a promised good or service to the customer is performed (or is being performed). Revenue is recognised on the basis of prices specified in sale agreements, less estimated rebates and other deductions. The key groups of contracts include electricity sale contracts (including framework contracts) for retail, business, key and strategic customers. Under these contracts, service is provided in a continuous manner and the level of revenue depends on usage. Sales to the clearing-house Izba Rozliczeniowa Giełd Towarowych S.A. and the TGE power exchange also take place.

The standard payment deadline for invoices for the sale of electricity at ENE A S.A. is 14 days from VAT invoice date. In the case of business, key and strategic customers, payment deadlines may be negotiated.

Payment deadlines for invoices concerning electricity sales to the clearing-house IRGiT are 1-3 days from delivery and invoice issue. For sales to TGE, payment deadlines are governed by TGE's regulations.

**Sale of distribution services:** In the case of distribution services sales, ENE A Operator charges a fee that contains separate components: grid fee (variable component), quality fee, grid fee (fixed component), instalment fee, transition fee and renewables fee.

In the case of the quality fee, transition fee and renewables fee, ENE A Operator serves, as a rule, as entity collecting fees and providing this consideration to other market participants, e.g. to Polskie Sieci Elektroenergetyczne S.A. (PSE). These fees (quality fee, transition fee, renewables fee) constitute quasi-taxes collected on behalf of other entities. ENE A Operator acts as agent collecting fees for other energy market participants, including PSE. In consequence, revenue from the sale of distribution services is decreased by the amount of renewables fee, quality fee and transition fee collected. Costs related to the procurement of transmission services and costs related to invoices for renewables support and support for producers are subject to adjustment.

## 25. Related-party transactions

Group companies execute transactions with the following related parties:

- Group companies - these transactions are eliminated at the consolidation stage;
- Transactions between the Group and members of the Group's corporate authorities, which should be divided into two categories:
  - resulting from being appointed as Supervisory Board members,
  - resulting from other civil-law contracts;
- Transactions with the State Treasury's subsidiaries.

Transactions with members of the Group's corporate authorities:

Item	Company's Management Board		Company's Supervisory Board	
	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017
Remuneration under management contracts and consulting contracts	2 080*	4 082**	-	-
Remuneration under appointment to management or supervisory bodies	-	-	594	626
<b>TOTAL</b>	<b>2 080</b>	<b>4 082</b>	<b>594</b>	<b>626</b>

\* this remuneration includes a non-compete clause for former Management Board members, amounting to PLN 55 thousand

\*\* this remuneration covers bonuses for 2016 of PLN 1 749 thousand

In the 9-month period ended 30 September 2018, no loans were made to Supervisory Board members from the Company Social Benefit Fund (PLN 0 thousand for the 9-month period ended 30 September 2017). During this period, PLN 4 thousand in loans was repaid (PLN 4 thousand in the 9-month period ended 30 September 2017).

Other transactions resulting from civil-law contracts executed between the Parent and members of the Parent's corporate authorities mainly concern the use of company cars by members of ENEA S.A.'s Management Board for private purposes.

The Group also executes commercial transactions with state and local administration units and entities owned by Poland's State Treasury.

The subject of these transactions mainly is as follows:

- purchases of coal, electricity, property rights resulting from energy origin certificates as regards renewable energy and energy produced in cogeneration with heat, transmission and distribution services that the Group provides to the State Treasury's subsidiaries,
- sale of electricity, distribution services, connection to the grid and other associated fees, as well as coal, that the Group provides for both state and local administration authorities (sale to end customers) and to the State Treasury's subsidiaries (wholesale and retail sale - to end customers).

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These transactions are executed on market terms, which do not differ from the terms applied in transactions with other entities. The Group does not keep records that would make it possible to aggregate the amounts of all transactions executed with all state institutions and the State Treasury's subsidiaries.

## 26. Future liabilities resulting from executed contracts as at the reporting date

Contract liabilities related to the purchase of tangible and intangible assets incurred as at the reporting date but not yet recognised in the statement of financial position are as follows:

	<b>30.09.2018</b>	<b>31.12.2017</b>
Purchase of property, plant and equipment	1 355 096	1 138 756
Purchase of intangible assets	44 401	34 029
	<b>1 399 497</b>	<b>1 172 785</b>

## 27. Conditional liabilities and on-going proceedings in courts, arbitration bodies or public administration bodies

### 27.1. Sureties and guarantees

The following table presents significant bank guarantees valid as of 30 September 2018 under an agreement between ENEA S.A. and PKO BP S.A. up to a limit specified in the agreement.

Guarantee issue date	Guarantee validity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
12.08.2018	12.08.2020	Górecka Projekt Sp. z o.o.	PKO BP S.A.	1 944
13.09.2018	11.12.2018	Olsztyn municipality	PKO BP S.A.	1 000
18.09.2018	16.12.2018	MPEC w Krakowie	PKO BP S.A.	1 000
<b>Total bank guarantees</b>				<b>3 944</b>

### 27.2. On-going proceedings in courts of general competence

#### Proceedings initiated by the Group

Proceedings in courts of general competence initiated by ENEA S.A. and ENEA Operator Sp. z o.o. concern receivables related to electricity supplies (electricity cases) and receivables related to other matters - illegal uptake of electricity, grid connections and other specialised services (non-electricity cases).

Proceedings in courts of general competences initiated by ENEA Wytwarzanie Sp. z o.o. mainly concern compensation for damages and contractual penalties from the company's counterparties.

At 30 September 2018, a total of 11 487 cases initiated by the Group were in progress before courts of general competence, worth in aggregate PLN 163 200 thousand (31 December 2017: 16 176 cases worth PLN 219 335 thousand).

The outcome of individual cases is not significant from the viewpoint of the Group's financial result.

#### Proceedings against the Group

Proceedings against the Group are initiated by both natural persons and legal entities. They concern issues such as: compensation for electricity supply disruptions, illegal uptake of electricity and compensation for the Group's use of properties on which power equipment is located. The Group considers cases related to non-contractual use of properties that are not owned by the Group as especially significant.

There are also claims concerning terminated agreements for purchase of property rights (note 27.6).

Court proceedings against ENEA Wytwarzanie Sp. z o.o. concern compensation for damages and contractual penalties.

At 30 September 2018, a total of 2 231 cases against the Group were in progress before courts of general competence, worth in aggregate PLN 782 168 thousand (31 December 2017: 2 431 cases worth PLN 680 828 thousand). Provisions related to these court cases are presented in note 23.

#### **27.3. Arbitration proceedings**

A proceeding initiated by Mostostal Warszawa S.A. and Acciona Infraestructuras S.A. against Lubelski Węgiel Bogdanka S.A. was conducted before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw under file no. SA 64/15. This arbitration proceeding was initiated on the basis of a demand for arbitration submitted by the Consortium on 7 April 2015. The Consortium's claim is approx. PLN 16.2 million (this claim includes the amount of a bank guarantee that was allegedly unduly exercised by LWB, interest and costs that the Consortium incurred in connection with LWB using the guarantee).

On 29 September 2017, the Court of Arbitration at the Polish Chamber of Commerce in Warsaw ruled to reject the Consortium's claim against LWB in its entirety. This ruling ended proceedings at the Court of Arbitration. In October 2017, LWB filed a motion with the Court of Appeals in Lublin to acknowledge the arbitration ruling. At the same time, at the end of November 2017 the Consortium filed a motion with the Court of Arbitration to rescind its ruling.

On 20 September 2016, LWB initiated a proceeding against the Consortium before the District Court in Lublin to establish (negatively) a lack of requirement for LWB to satisfy the Consortium's claims resulting from a contract to expand its mechanical coal processing facility. At the end of the year, the parties mutually requested that the Court refers them for mediation and agreed on a mediator. After mediation, on 29 March 2018 the parties signed a settlement

that conclusively resolved all disputes between LWB and the Consortium. The settlement outcome ultimately proved to be positive for LWB.

#### **27.4. Other court proceedings**

A proceeding involving LWB is in progress at the District Court in Lublin with regard to claims by the Polish Social Insurance Institution (ZUS) concerning accident contributions and the appropriateness of re-classifying workplace accidents and rescinding a penalty imposed on the company as a result of an inspection by ZUS's Lublin office. In order to cover potential claims in this regard, LWB has established a provision amounting to PLN 22 323 thousand.

An appeal hearing took place on 21 November 2017, during which the Court of Appeals in Lublin examined ZUS's appeal of a ruling issued on 7 February 2017. The Court of Appeals ruled to reject ZUS's appeal. This ruling is not final as of this moment. On 15 January 2018 the Court of Appeals drafted a justification for its ruling. On 12 March 2018 a cassation appeal from ZUS was received by the Court of Appeals in Lublin. The appropriateness of accepting the appeal for examination by the Supreme Court will be examined at the end of 2018 at the earliest. If the Supreme Court rules to accept the cassation appeal, LWB's Management Board believes that this dispute will not be resolved sooner than by the end of 2019.

According to LWB's Management Board, given the complex nature of the case, there is a significant risk of an outflow of economic benefits until the final ruling is issued.

On 18 January 2018 ENEA Wytwarzanie Sp. z o.o. received a lawsuit dated 28 December 2017, which had been filed with the District Court in Białystok by the Municipality of Białystok against ENEA Wytwarzanie Sp. z o.o., for the payment of PLN 29 445 thousand together with statutory interest for the sale of 126 083 shares of Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o., based in Białystok (currently ENEA Ciepło Sp. z o.o.), constituting a residual stake, as part of an obligation arising under an agreement to sell ENEA Ciepło Sp. z o.o. shares executed on 26 May 2014. On 23 February 2018 ENEA Wytwarzanie Sp. z o.o. responded to the lawsuit, disagreeing with the position presented in it and requesting that the lawsuit be rejected in its entirety.

The dispute concerns interpretation of a provision in the share sale agreement of 2014 regarding whether or not ENEA Wytwarzanie Sp. z o.o. is obligated to purchase the remaining shares, i.e. residual stake. According to ENEA Wytwarzanie Sp. z o.o., the company has fulfilled all of its obligations specified in the share sale agreement of 2014 as regards the purchase of ENEA Ciepło Sp. z o.o. shares and is not required to additionally purchase the 121 863 shares.

If the dispute is resolved unfavourably for ENEA Wytwarzanie Sp. z o.o., the company might be required to purchase up to 126 083 shares at a price resulting from the agreement of 26 May 2014, i.e. for the overall amount indicated in the lawsuit. On 14 August 2018 the District Court in Białystok (first instance) ruled in favour of the lawsuit brought by the Municipality of Białystok in its entirety. This ruling is not final. On 10 September 2018 ENEA Wytwarzanie Sp. z o.o. appealed the ruling. The case before the Court of Appeals in Białystok was registered under ref. no. I A Gc 169/18. The first hearing before the Court of Appeals is scheduled for 21 December 2018.

On 29 June 2018 the President of the Energy Regulatory Office (URE) initiated an administrative proceeding regarding submission to the URE President of applications for issue of origin certificates for years 2010-2018. No provision was created for this matter in these condensed consolidated financial statements.



## 27.5. Cases concerning 2012 non-balancing

On 30 and 31 December 2014, ENEA S.A. submitted demands for settlement to:

	<b>Demanded amount in PLN 000s</b>
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
<b>Total</b>	<b>27 801</b>

The subject of these demands is claims for the payment for electricity that was incorrectly settled on the balancing market in 2012. The companies receiving these demands obtained unjustified proceeds by not allowing ENEA S.A. to issue invoices for 2012.

Given a lack of amicable resolution in this case, ENEA S.A. brought lawsuits against:

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

In the case against FITEN S.A., ENEA S.A. had submitted a cassation appeal to the Supreme Court, which was rejected on 9 November 2018. The other disputes have not been resolved.

## 27.6. Dispute concerning prices for origin certificates for energy from renewable sources and terminated agreements for the purchase of property rights arising under origin certificates for energy from renewable sources

ENEA S.A. is a party to 10 court proceedings concerning agreements for the purchase of property rights arising under certificates of origin for energy from renewable sources, which includes:

- 7 proceedings for payment, in which ENEA S.A.'s former counterparties are seeking compensation for outstanding pay or contractual penalties,
- 3 proceedings for the voidance of ENEA S.A.'s termination or withdrawal from agreements to sell property rights, which took place on 28 October 2016, including 2 proceedings in which claims for payment are being sought at the same time.

ENEA S.A. offset a part of receivables due for these counterparties from ENEA S.A. for sold property rights with damages-related receivables due for ENEA S.A. from renewables producers. The damage caused to ENEA S.A. arose

as a result of the counterparties' failure to fulfil a contractual obligation to participate, in good faith, in re-negotiating long-term agreements for the sale of property rights in accordance with an adaptation clause that is binding for the parties.

On 28 October 2016, ENEA S.A. submitted statements depending on the agreement: on termination or withdrawal from long-term agreements for the purchase by the Company of property rights resulting from certificates of origin for energy from renewable sources (green certificates) (Agreements).

The Agreements were executed in 2006-2014 with the following counterparties, which own renewable generation assets ("Counterparties"):

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

As a rule, the Agreements were terminated by the end of November 2016. The dates on which the respective Agreements were terminated depended on contractual provisions.

The reason for terminating/withdrawing from the Agreements by the Company was the fact that it was no longer possible to restore contractual balance and the equivalence of the parties' considerations, caused by changes in laws.

Legal changes that occurred after the aforementioned Agreements were executed include in particular:

- Ordinance of the Minister of Economy of 18 October 2012 on the detailed scope of obligations to obtain and present for redemption origin certificates, pay substitute fees, purchase electricity and industrial heat generated from renewable sources and the obligation to validate data concerning the quantity of electricity generated from renewable sources (Polish Journal of Laws of 2012, item 1229);
- Act on renewable energy sources of 20 February 2015 (Polish Journal of Laws of 2015, item 478) and associated further legal changes and announced drafts of legal changes, including especially:
  - Act on amendment of the Act on renewable energy sources and certain other acts dated 22 June 2016 (Polish Journal of Laws of 2016, item 925); and
  - draft of the Ordinance of the Minister of Energy concerning changes in the share of electricity resulting from redeemed origin certificates confirming production of electricity from renewable sources, which is to be issued based on an authorisation under art. 12 sec. 5 of the Act on amendment of the act on renewable energy sources and certain other acts dated 22 June 2016 and certain other acts,

caused an objective lack of possibilities to develop reliable models to forecast the prices of green certificates.

The Agreements were terminated with the intention for the Company to avoid losses constituting the difference between contractual and market prices of green certificates. Due to the changing legal conditions after termination of the Agreements in 2017, especially arising from the Act of 20 July 2017 on amendment of the Act on renewable

energy sources, the estimated value of future contractual liabilities would have changed. In the current legal framework, this would be grossly lower in comparison to the amount estimated when the Agreements were being terminated, i.e. approx. PLN 1 187 million. This decline reflects a change in the way in which the substitute fee is calculated, which in accordance with the content of some of the Agreements constitutes the basis for calculating the contract price and indexing it to the market price.

The Company create a PLN 102 096 thousand provision for potential claims resulting from the terminated Agreements in relation to submissions made by 30 September 2018 concerning transactions to sell property rights by the counterparties; the provision is presented in note 23.

## **28. Dividend**

On 25 June 2018 the Ordinary General Meeting of ENEA S.A. adopted resolution no. 6 concerning the allocation of net profit for the financial year covering the period from 1 January 2017 to 31 December 2017, pursuant to which 100% of the 2017 net profit was transferred to reserve capital, intended to finance investments.

On 26 June 2017 the Ordinary General Meeting of ENEA S.A. adopted resolution no. 6 concerning the allocation of net profit for the financial year covering the period from 1 January 2016 to 31 December 2016, pursuant to which PLN 110 361 thousand would be paid to shareholders as a dividend. Dividend per share was PLN 0.25.

## **29. Participation in nuclear power plant build programme**

A shareholders' agreement was signed on 3 September 2014 between PGE Polska Grupa Energetyczna, Tauron Polska Energia, ENEA and KGHM Polska Miedź (Business Partners). On 15 April 2015, pursuant to the Shareholders' Agreement, an agreement to sell shares in PGE EJ 1 Sp. z o.o. (PGE EJ 1) was signed, as a result of which each of the Business Partners purchased a 10% stake in PGE EJ 1.

Once PGE Polska Grupa Energetyczna sold PGE EJ 1 shares to the Business Partners, it retained a 70% stake in PGE EJ 1, while the remaining Business Partners (Tauron Polska Energia, ENEA and KGHM Polska Miedź) had 30%, i.e. 10% each.

As envisaged, PGE Polska Grupa Energetyczna is acting as leader in the project to build and operate Poland's first nuclear power plant, while PGE EJ 1 will in the future serve as operator.

Pursuant to the Shareholders' Agreement, the Parties jointly undertake to finance activities in the Project's initial phase (Development Stage) proportionately to their stakes. ENEA's financial involvement at the Development Stage will not exceed approx. PLN 107 million.

In the first nine months of 2018, PGE EJ 1 continued preparations to build the first nuclear power plant in Poland.

PGE EJ 1 is financed through loans made by the Shareholders and by share capital increases. On 9 August 2018, an Extraordinary General Meeting of PGE EJ 1 was held, whereby the Shareholders decided to increase the company's share capital by approx. PLN 60 million through the issue of 425 530 new shares with nominal value of PLN 141 each and to acquire the newly created shares in exchange for cash contributions. In accordance with the General Meeting's decision, ENEA purchased shares with total nominal value of approx. PLN 6 million and paid for them with an approx. PLN 6 million cash contribution. The share capital increase was registered at the National Court Register on 11 September 2018.

The Parties to the Shareholders' Agreement do not expect decisions by the Parties on whether or not to further participate in the Project's next stage to be made prior to completion of the Development Stage.

### **30. Agreement to purchase Eco-Power Sp. z o.o.**

Fen Wind Farm B.V., based in Amsterdam, and Wento Holdings S.a.r.l., based in Luxembourg, ("Claimants") initiated a lawsuit against Enea Wytwarzanie Sp. z o.o. concerning the execution of an agreement to sell shares of Eco-Power Sp. z o.o. to Enea Wytwarzanie Sp. z o.o. for a price that includes a base amount, which is PLN 286 500 000.00. ENEA Wytwarzanie Sp. z o.o. sees no grounds for this lawsuit and in its response (and a further preparatory letter of 7 January 2017) motioned to dismiss the lawsuit in its entirety and to recover the costs of the proceeding from the Claimants. Based on an estimate of the value of Eco-Power Sp. z o.o. shares, the Group created a PLN 129 million provision - its value depending on the difference between the price that includes the base amount, which is PLN 286 500 000.00 and the value estimated using ENEA S.A.'s model.

The first hearing took place on 10 April 2017 and subsequent hearings were held on 15 and 29 May, 20, 22 and 24 November 2017 and 5 January, 18 May and 7 September 2018. In the hearings, the Court questioned most of the witnesses called up.

### **31. Supervisory Board changes**

On 13 March 2018, the Company received Mr. Paweł Skopiński's resignation, dated 13 March 2018, as member of the Supervisory Board of ENEA S.A.

On 22 March 2018 the Company received a statement from the Minister of Energy, dated 22 March 2018, on exercise by the Minister of Energy of an authorisation to appoint, based on § 24 sec. 1 of the Company's Articles of Association, a member of the Supervisory Board of ENEA S.A. Under the aforementioned authorisation, Mr. Ireneusz Kulka was appointed to the Company's Supervisory Board as of 22 March 2018.

On 16 April 2018 the Management Board of ENEA S.A. received information about a statement by the Minister of Energy dated 13 April 2018 regarding dismissal of a member of the Company's Supervisory Board pursuant to an authorisation under § 24 sec. 1 of the Company's Articles of Association. Under the aforementioned authorisation, Mr. Ireneusz Kulka was dismissed from the Company's Supervisory Board as of 15 April 2018.

On 16 April 2018 an Extraordinary General Meeting of ENEA S.A.:

- dismissed Mr. Rafał Bargiel and Mr. Piotr Kossak from the Supervisory Board of ENEA S.A.,
- appointed Mr. Ireneusz Kulka and Mr. Paweł Jabłoński to the Company's Supervisory Board, with the resolution appointing Mr. Paweł Jabłoński entering into force when it was adopted and effective from the date on which the candidate receives a positive opinion from the Council for companies with State Treasury participation and state legal entities, i.e. from 20 April 2018.

On 31 July 2018, the Company received Mr. Rafał Szymański's resignation, dated 31 July 2018, as member of the Supervisory Board of ENEA S.A.

On 24 September 2018, an Extraordinary General Meeting of ENEA S.A. adopted a resolution pursuant to which Mr. Paweł Andrzej Korobłowski was appointed to the Company's Supervisory Board.

**ENE A Group**

Condensed consolidated interim financial statements for the period from 1 January to 30 September 2018

*(unless stated otherwise, all amounts expressed in PLN 000s)*

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**32. Events after the balance sheet date**

On 4 October 2018, an extraordinary general meeting of ElectroMobility Poland S.A. adopted a resolution to increase the company's share capital by PLN 40 000 thousand, i.e. from PLN 30 000 thousand to PLN 70 000 thousand, by raising the nominal value of existing shares from PLN 3 000.00 to PLN 7 000.00. The share capital increase is awaiting entry in the National Court Register.

On 23 October 2018, the Company received notice from TFI PZU S.A. stating that as a result of settlement on 19 October 2018 of a sale of ENEA S.A. shares, which took place on 17 October 2018, in ordinary transactions at the Warsaw Stock Exchange, the stake held by TFI PZU funds in the total number of votes at the Company's General Meeting decreased below the 5% threshold to 4.69%.

On 25 October 2018, the Management Board of ENEA S.A. received information on a lawsuit being filed by the Company's shareholder – Fundacja ClientEarth Prawnicy dla Ziemi, based in Warsaw – with the intention to declare the invalidity, non-existence or cancellation of resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional consent to join the Construction Stage of the Ostrołęka C project.

On 30 October 2018, the Management Board of ENEA S.A. received information on a lawsuit being filed by the Company's shareholder – Międzyzakładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA, based in Poznań – with the intention to declare the invalidity or to cancel resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional consent to join the Construction Stage of the Ostrołęka C project.

An extraordinary general meeting of ENEA Ciepło Sp. z o.o. was held on 26 October 2018, which passed a resolution to conduct a division of ENEA Wytwarzanie Sp. z o.o. by carving out selected assets and transferring them to ENEA Ciepło Sp. z o.o., and on consent for an increase of ENEA Ciepło Sp. z o.o.'s share capital and amendment of its articles of association.

An extraordinary general meeting of ENEA Wytwarzanie Sp. z o.o. was held on the same day, which also adopted a resolution to conduct a division of ENEA Wytwarzanie Sp. z o.o. by carving out selected assets and transferring them to ENEA Ciepło Sp. z o.o., and on consent for an amendment of ENEA Ciepło Sp. z o.o.'s articles of association, along with a resolution on consent for the sale by ENEA Wytwarzanie Sp. z o.o. of shares of ENEA Ciepło Sp. z o.o., based in Białystok, and ENEA Ciepło Serwis Sp. z o.o., based in Białystok, to ENEA S.A., based in Poznań.

The sale of ENEA Ciepło Sp. z o.o. and ENEA Ciepło Serwis Sp. z o.o. shares by ENEA Wytwarzanie Sp. z o.o. to ENEA S.A. took place on 5 November 2018.

## ENEA S.A. selected separate financial data

	in PLN 000s		in EUR 000s	
	9 months ended 30.09.2018	9 months ended 30.09.2017	9 months ended 30.09.2018	9 months ended 30.09.2017
Net revenue from sales	3 422 516	4 174 851	804 635	980 795
Operating profit	(19 473)	85 252	(4 578)	20 028
Profit before tax	680 998	930 311	160 103	218 557
Net profit for the reporting period	712 318	910 620	167 466	213 931
EBITDA	(17 785)	87 325	(4 181)	20 515
Net cash flows from operating activities	(651 291)	330 597	(153 119)	77 667
Net cash flows from investing activities	292 585	(1 403 303)	68 787	(329 677)
Net cash flows from financing activities	(299 070)	226 646	(70 312)	53 246
Total net cash flows	(657 776)	(846 060)	(154 643)	(198 764)
Weighted average number of shares	441 442 578	441 442 578	441 442 578	441 442 578
Net profit per share (in PLN/EUR per share)	1.61	2.06	0.38	0,48
Diluted profit per share (in PLN/EUR)	1.61	2.06	0.38	0.48
	<b>As at 30.09.2018</b>	<b>As at 31.12.2017</b>	<b>As at 30.09.2018</b>	<b>As at 31.12.2017</b>
Total assets	22 517 453	22 452 921	5 271 680	5 383 232
Total liabilities	9 201 350	9 820 944	2 154 177	2 354 634
Non-current liabilities	7 535 671	7 695 443	1 764 216	1 845 032
Current liabilities	1 665 679	2 125 501	389 961	509 602
Equity	13 316 103	12 631 977	3 117 503	3 028 597
Share capital	588 018	588 018	137 664	140 981
Book value per share (in PLN/EUR)	30.16	28.62	7.06	6.86
Diluted book value per share (in PLN/EUR)	30.16	28.62	7.06	6.86

The above financial data for 2018 and 2017 was translated into EUR in accordance with the following rules:

- asset and equity and liability items - using the average exchange rate published for 30 September 2018 – EURPLN 4.2714 (EURPLN 4.1709 as at 31 December 2017)
- items in the statement of profit and loss and other comprehensive income and statement of cash flows - using an exchange rate constituting the arithmetic average of the average exchange rates published by the National Bank of Poland for the last day of each month in the period from 1 January to 30 September 2018 - EURPLN 4.2535 (EURPLN 4.2566 for the period from 1 January to 30 September 2017)



**ENEA S.A.**  
**Condensed separate interim**  
**financial statements**  
**for the period from 1 January to 30 September 2018**

**Poznań, 20 November 2018**

*(unless stated otherwise, all amounts expressed in PLN 000s)***Table of contents**

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*(unless stated otherwise, all amounts expressed in PLN 000s)*

These condensed separate interim financial statements are prepared in accordance with the requirements of IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and have been approved by the Management Board of ENEA S.A.

### Members of the Management Board

**President of the Management Board**      **Mirosław Kowalik**      .....

**Member of the Management Board**      **Piotr Adamczak**      .....

**Member of the Management Board**      **Piotr Olejniczak**      .....

**Member of the Management Board**      **Zbigniew Piętka**      .....

ENEA Centrum Sp. z o.o.  
Entity responsible for maintaining accounting  
books and preparing financial statements .....  
ENEA Centrum Sp. z o.o. ul. Górecka 1, 60-201 Poznań  
KRS 0000477231, NIP 777-000-28-43, REGON 630770227

**Poznań, 20 November 2018**

(unless stated otherwise, all amounts expressed in PLN 000s)

**Separate statement of financial position**

	Note	As at	
		30.09.2018	31.12.2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	25 584	25 905
Perpetual usufruct of land		1 203	1 215
Intangible assets	7	4 538	4 666
Investment properties		14 444	14 855
Investments in subsidiaries, associates and jointly controlled entities	8	12 331 459	11 945 473
Deferred income tax assets	19	84 909	66 693
Financial assets at fair value	15	66 671	-
Debt financial assets at amortised cost	9	7 011 166	-
Trade and other receivables		409	146 241
Costs related to the conclusion of agreements		14 868	-
Available-for-sale financial assets		-	39 307
Intra-group bonds		-	6 771 221
Financial assets at fair value through profit or loss		-	23 836
Derivative instruments		-	29 553
		<b>19 555 251</b>	<b>19 068 965</b>
<b>Current assets</b>			
Inventories	13	309 026	217 158
Trade and other receivables		995 159	1 126 982
Costs related to the conclusion of agreements		16 350	-
Assets arising from contracts with customers	11	214 622	-
Current income tax receivables		69 036	126 336
Debt financial assets at amortised cost	9	269 359	-
Intra-group bonds		-	167 054
Cash and cash equivalents	14	1 088 650	1 746 426
		<b>2 962 202</b>	<b>3 383 956</b>
<b>Total assets</b>		<b>22 517 453</b>	<b>22 452 921</b>
<b>EQUITY</b>			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Revaluation reserve - measurement of hedging instruments		3 139	25 967
Reserve capital		4 963 564	3 150 240
Retained earnings		3 133 709	4 240 079
<b>Total equity</b>		<b>13 316 103</b>	<b>12 631 977</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Credit, loans and debt securities	17	7 478 369	7 643 223
Finance lease liabilities		459	248
Employee benefit liabilities		55 630	51 941
Financial liabilities at fair value		1 182	-
Provisions for liabilities and other charges	20	31	31
		<b>7 535 671</b>	<b>7 695 443</b>
<b>Current liabilities</b>			
Credit facilities, loans and debt securities	17	262 056	222 958
Trade and other payables		633 476	797 569
Finance lease liabilities		556	258
Employee benefit liabilities		17 818	19 885
Liabilities concerning the equivalent for right to free purchase of shares		281	281
Other financial liabilities	18	312 436	723 735
Provisions for other liabilities and other charges	20	439 056	360 815
		<b>1 665 679</b>	<b>2 125 501</b>
<b>Total liabilities</b>		<b>9 201 350</b>	<b>9 820 944</b>
<b>Total equity and liabilities</b>		<b>22 517 453</b>	<b>22 452 921</b>

The separate statement of financial position should be analysed in conjunction with explanatory notes, which constitute an integral part of the condensed separate interim financial statements.

(unless stated otherwise, all amounts expressed in PLN 000s)

### Separate statement of profit and loss and other comprehensive income

	For the period of			
	9 months ended 30.09.2018	3 months ended 30.09.2018	9 months ended 30.09.2017	3 months ended 30.09.2017
Revenue from sales	3 609 298	1 233 365	4 365 020	1 410 119
Excise duty	(186 782)	(60 587)	(190 169)	(60 781)
<b>Net revenue from sales</b>	<b>3 422 516</b>	<b>1 172 778</b>	<b>4 174 851</b>	<b>1 349 338</b>
Other operating revenue	15 488	5 122	13 369	3 193
Amortisation	(1 688)	(580)	(2 073)	(651)
Employee benefit costs	(44 945)	(14 578)	(37 967)	(13 028)
Use of materials and raw materials and value of goods sold	(1 922)	(562)	(1 625)	(394)
Purchase of electricity and gas for sales purposes	(3 209 996)	(1 121 928)	(2 632 975)	(866 074)
Transmission and distribution services	(1 599)	(745)	(1 183 216)	(377 911)
Other third-party services	(146 566)	(56 576)	(133 110)	(45 252)
Taxes and fees	(2 763)	(751)	(2 749)	(660)
Gain on sale and liquidation of property, plant and equipment	148	108	255	6
Other operating costs	(48 146)	(15 338)	(109 508)	(42 066)
<b>Operating (loss)/profit</b>	<b>(19 473)</b>	<b>(33 050)</b>	<b>85 252</b>	<b>6 501</b>
Finance costs	(194 066)	(63 134)	(141 822)	(47 864)
Finance income	249 244	64 091	176 347	38 112
Dividend income	645 293	-	810 534	12 807
<b>Profit/(loss) before tax</b>	<b>680 998</b>	<b>(32 093)</b>	<b>930 311</b>	<b>9 556</b>
Income tax	31 320	(3 144)	(19 691)	1 330
<b>Net profit for the reporting period</b>	<b>712 318</b>	<b>(35 237)</b>	<b>910 620</b>	<b>10 886</b>
Subject to reclassification to profit or loss				
- measurement of hedging instruments	(28 183)	(687)	(10 397)	2 495
- income tax	5 355	131	1 976	(474)
Not subject to reclassification to profit or loss				
- restatement of defined benefit programme	(3 798)	-	(2 759)	-
- income tax	722	-	524	-
<b>Net other comprehensive income</b>	<b>(25 904)</b>	<b>(556)</b>	<b>(10 656)</b>	<b>2 021</b>
<b>Total comprehensive income</b>	<b>686 414</b>	<b>(35 793)</b>	<b>899 964</b>	<b>12 907</b>
Profit attributable to the company's shareholders	712 318	(35 237)	910 620	10 886
Weighted average number of ordinary shares	441 442 578	441 442 578	441 442 578	441 442 578
<b>Net profit/(loss) per share (in PLN per share)</b>	<b>1.61</b>	<b>(0.08)</b>	<b>2.06</b>	<b>0.02</b>
<b>Diluted profit/(loss) per share (in PLN per share)</b>	<b>1.61</b>	<b>(0.08)</b>	<b>2.06</b>	<b>0.02</b>

The separate statement of profit and loss should be analysed in conjunction with explanatory notes, which constitute an integral part of the condensed separate interim financial statements.

### Separate statement of changes in equity

	Share capital (nominal amount)	Restatement of share capital	Total share capital	Share premium	Revaluation reserve - measurement of hedging instruments	Reserve capital	Retained earnings	Total equity
<b>As at 01.01.2018</b>	441 443	146 575	<b>588 018</b>	<b>4 627 673</b>	<b>25 967</b>	<b>3 150 240</b>	<b>4 240 079</b>	<b>12 631 977</b>
Adjustment due to implementation of IFRS 9							(2 288)	<b>(2 288)</b>
<b>As at 01.01.2018, adjusted</b>	441 443	146 575	<b>588 018</b>	<b>4 627 673</b>	<b>25 967</b>	<b>3 150 240</b>	<b>4 237 791</b>	<b>12 629 689</b>
Net profit							712 318	<b>712 318</b>
Other comprehensive income					(22 828)		(3 076)	<b>(25 904)</b>
<b>Net comprehensive income recognised in the period</b>					<b>(22 828)</b>		<b>709 242</b>	<b>686 414</b>
Allocation of net profit - transfer						1 813 324	(1 813 324)	-
<b>As at 30.09.2018</b>	441 443	146 575	<b>588 018</b>	<b>4 627 673</b>	<b>3 139</b>	<b>4 963 564</b>	<b>3 133 709</b>	<b>13 316 103</b>

  

Note	Share capital (nominal amount)	Restatement of share capital	Total share capital	Share premium	Revaluation reserve - measurement of hedging instruments	Reserve capital	Retained earnings	Total equity
<b>As at 01.01.2017</b>	441 443	146 575	<b>588 018</b>	<b>4 627 673</b>	<b>33 826</b>	<b>2 640 358</b>	<b>3 050 604</b>	<b>10 940 479</b>
Net profit							910 620	<b>910 620</b>
Other comprehensive income					(8 421)		(2 235)	<b>(10 656)</b>
<b>Net comprehensive income recognised in the period</b>					<b>(8 421)</b>		<b>908 385</b>	<b>899 964</b>
Allocation of net profit - transfer						509 882	(509 882)	-
Dividend payment							(110 361)	<b>(110 361)</b>
<b>As at 30.09.2017</b>	441 443	146 575	<b>588 018</b>	<b>4 627 673</b>	<b>24 405</b>	<b>3 150 240</b>	<b>3 338 746</b>	<b>11 730 082</b>

The separate statement of changes in equity should be analysed in conjunction with explanatory notes, which constitute an integral part of the condensed separate interim financial statements.

(unless stated otherwise, all amounts expressed in PLN 000s)

**Separate statement of cash flows**

	<b>9 months ended 30.09.2018</b>	<b>9 months ended 30.09.2017</b>
<b>Cash flows from operating activities</b>		
Net profit for the reporting period	712 318	910 620
Adjustments:		
Income tax in profit or loss	(31 320)	19 691
Amortisation	1 688	2 073
(Gain)/loss on sale and liquidation of property, plant and equipment	(148)	(255)
Loss/(gain) on sale of financial assets	17 771	(27 686)
Interest income	(162 406)	(120 296)
Dividend income	(645 293)	(810 534)
Interest costs	159 209	132 473
Reversal of impairment on equity	(51 365)	-
	<b>(711 864)</b>	<b>(804 534)</b>
Return of income tax / (paid)	7 354	(254 675)
Tax on settlements within tax group	3 199	198 087
Changes in working capital		
Inventories	(91 868)	(80 727)
Trade and other receivables	(71 770)	(29 424)
Trade and other payables	(574 726)	354 661
Employee benefit liabilities	(2 175)	(5 309)
Provisions for other liabilities and other charges	78 241	41 898
	<b>(662 298)</b>	<b>281 099</b>
<b>Net cash flows from operating activities</b>	<b>(651 291)</b>	<b>330 597</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible and intangible assets	(277)	(203)
Proceeds from sale of tangible and intangible assets	150	260
Proceeds from sale of financial assets	125 110	72 229
Purchase of financial assets	(266 140)	(776 500)
Purchase of subsidiaries	(19 520)	(1 267 026)
Purchase of associates and jointly controlled entities	(315 290)	(346 294)
Refundable contributions to subsidiary's share capital	-	(387)
Received dividends	645 293	810 534
Proceeds related to future purchase of financial assets	29	1 579
Received interest	123 230	102 505
<b>Net cash flows from investing activities</b>	<b>292 585</b>	<b>(1 403 303)</b>
<b>Cash flows from financing activities</b>		
Credit facilities and loans received	-	250 000
Bond issuance	-	290 000
Repayment of credit facilities and loans	(54 129)	(33 913)
Bond buy-back	(95 000)	(40 000)
Expenditures concerning finance lease payments	(249)	(204)
Expenditures concerning future bond issues	(797)	(2 528)
Dividends paid	-	(110 361)
Interest paid	(148 895)	(126 348)
<b>Net cash flows from financing activities</b>	<b>(299 070)</b>	<b>226 646</b>
<b>Increase / (decrease) in net cash</b>	<b>(657 776)</b>	<b>(846 060)</b>
Cash at the beginning of reporting period	1 746 426	1 614 822
<b>Cash at the end of reporting period</b>	<b>1 088 650</b>	<b>768 762</b>

(unless stated otherwise, all amounts expressed in PLN 000s)

## 1. General information on ENEA S.A.

<b>Name:</b>	ENEA Spółka Akcyjna
<b>Legal form:</b>	joint-stock company (spółka akcyjna)
<b>Country of registered office:</b>	Poland
<b>Registered office:</b>	Poznań
<b>Address:</b>	ul. Górecka 1, 60-201 Poznań
<b>National Court Register - District Court in Poznań</b>	KRS 0000012483
<b>Telephone number:</b>	(+48 61) 884 55 44
<b>Fax number:</b>	(+48 61) 884 59 59
<b>E-mail:</b>	<a href="mailto:ENE@ENE.pl">ENE@ENE.pl</a>
<b>Website:</b>	<a href="http://www.ENE.pl">www.ENE.pl</a>
<b>REGON number:</b>	630139960
<b>NIP number:</b>	777-00-20-640

ENE S.A., back then operating as Energetyka Poznańska S.A., was entered into the National Court Register at the District Court in Poznań on 21 May 2001, under KRS number 0000012483.

As at 30 September 2018, ENE S.A.'s shareholding structure was as follows: the State Treasury of the Republic of Poland held a 51.50% stake, PZU TFI held 9.96% and the other shareholders held 38.54%. As at 30 September 2018, the Company's highest-level controlling entity was the State Treasury.

As at 30 September 2018, ENE S.A.'s statutory share capital amounted to PLN 441 443 thousand (PLN 588 018 thousand after restatement to EU IFRS, taking into account hyperinflation and other adjustments) and was divided into 441 442 578 shares.

The main business activity of ENE S.A. ("ENE," "Company") is trade of electricity.

ENE S.A. is the parent company for ENE Group ("Group"), which as at 30 September 2018 consisted of 13 subsidiaries, 10 indirect subsidiaries, 1 associate and 4 jointly controlled entities.

These condensed separate interim financial statements are prepared on a going concern basis for the foreseeable future. There are no circumstances such as would indicate a threat to ENE S.A.'s going concern.

## 2. Statement on compliance

These condensed separate interim financial statements are prepared in accordance with the requirements of IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and have been approved by the Management Board of ENE S.A.

*(unless stated otherwise, all amounts expressed in PLN 000s)*

The Company's Management Board used its best knowledge as to the application of standards and interpretations as well as methods and rules for the measurement of items in ENEA S.A.'s condensed separate interim financial statements in accordance with EU IFRS as at 30 September 2018. The presented tables and explanations are prepared with due diligence. These condensed separate interim financial statements have not been reviewed by a statutory auditor.

The Company prepares ENEA Group's condensed consolidated interim financial statements pursuant to EU IFRS as at 30 September 2018 and for the 9-month period ended 30 September 2018. These condensed separate interim financial statements should be read in conjunction with ENEA Group's condensed consolidated interim financial statements and ENEA S.A.'s separate annual financial statements for the financial year ended 31 December 2017.

The accounting rules below are applied consistently across all of the presented periods unless stated otherwise.

### **3. Applied accounting rules**

The accounting rules applied in preparing these condensed separate interim financial statements are consistent with those applied in preparing the most recent annual separate financial statements, for the financial year ended 31 December 2017, except for accounting rules arising under IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, which entered into force on 1 January 2018.

#### **3.1. Functional currency and presentation currency**

The Polish zloty is the measurement currency and reporting currency for these condensed separate interim financial statements. Data in these condensed separate interim financial statements is presented in PLN 000s unless stated otherwise.

#### **3.2. Costs related to the conclusion of agreements**

Costs related to the conclusion of agreements are costs incurred by the Company in order to conclude an agreement with a customer that would not have been incurred by the Company had the agreement not been concluded (including the costs of commissions for partners for concluding electricity sale agreements). Costs that would have been incurred regardless of the conclusion of an agreement are recognised in results for the period in which they are incurred.

#### **3.3. Financial assets**

The Company classifies its financial instruments in the following categories:

- financial assets at fair value through profit or loss,
  - equity instruments through other comprehensive income,
  - financial assets at amortised cost,
  - financial assets at fair value through other comprehensive income.
- e) Financial assets at fair value through profit or loss include:
- financial assets held for trading (including derivative instruments for which no hedging policy is designated),

*(unless stated otherwise, all amounts expressed in PLN 000s)*

- financial assets voluntarily assigned to this category,
- financial assets that do not meet the definition of basic lending arrangement, including equity instruments such as shares, except instruments designated as equity instruments through other comprehensive income,
- financial assets that meet the definition of basic lending arrangement and are not held in accordance with a business model for the purpose of obtaining cash flows or in order to obtain cash flows and for sale.

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

f) Financial assets at amortised cost

Financial assets measured at amortised cost are financial assets that are held in accordance with a business model that aims to hold financial assets to generate contractual cash flows and whose contractual terms meet the criteria of basic lending arrangement.

g) Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are financial assets that are held in accordance with a business model that aims to both receive contractual cash flows and sell financial asset items as well as whose contractual terms meet the criteria of basic lending arrangement.

h) Equity instruments through other comprehensive income

Equity instruments measured through other comprehensive income include investments in equity instruments that are voluntarily and irreversibly classified as such at initial recognition. Equity instruments that meet the definition of held for trading and meet the criteria for mandatory payment recognised by the acquiring company in a business combination may not be subject to this classification.

At initial recognition, the Company measures a financial asset that is subject to classification for the purposes of fair value measurement. Trade receivables without a financial component that are measured at transaction prices are an exception to this rule.

The fair value of financial assets not classified as at fair value through profit or loss is increased by transaction costs that may be directly assigned to the purchase/acquisition of these assets.

Financial assets at fair value through profit or loss are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to perform the given item. Restatement to fair value for assets in this category is recognised in profit or loss. If a given item is removed from accounts, the Company determines the profit or loss on the disposal and recognises it in the period's result.

Financial assets at amortised cost are measured at amortised cost on every balance sheet date. The amortised cost of a financial asset is an amount at which the given financial asset is measured at initial recognition, decreased by repayment of principal and increased or decreased by accumulated depreciation, determined using the effective interest rate method, of any differences between the initial amount and the amount at maturity, and adjusted by any allowances for expected credit losses.



*(unless stated otherwise, all amounts expressed in PLN 000s)*

Financial assets at fair value through other comprehensive income are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to perform the given item. Interest charged on such items and allowances for expected credit losses are recognised in the period's result, while other restatements to fair value are recognised as other comprehensive income.

Equity instruments through other comprehensive income are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to perform the given item. Restatements to fair value are recognised as other comprehensive income.

### **3.4. Hedge accounting and derivative instruments**

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

The fair value of currency contracts is determined by reference to current forward rates for contracts with the same maturity or based on valuation by independent entities. The fair value of interest rate swaps may be determined based on valuation by independent entities. The fair value of other derivative instruments is determined based on market data or valuation by independent institutions specialised in this type of valuation.

For some or all of its exposure to a particular risk, the Company may apply hedge accounting if the hedging instrument and the item being hedged that create a hedging relationship are in line with risk management objectives and the hedging strategy.

The Company defines hedging relationships concerning various types of risk as fair value hedges or cash flow hedges. Hedging a risk that concerns likely future obligations is treated as cash flow hedge.

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

Derivatives that are hedging instruments are recognised by the Company in accordance with rules concerning fair value or cash flow hedges if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge,
- the hedging relationship covers only qualified hedging instruments and qualified hedged items,
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship,
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,
- the effectiveness of the hedge can be reliably measured.

*(unless stated otherwise, all amounts expressed in PLN 000s)*

If the Company identifies an ineffectiveness of a hedge that goes beyond the risk management objective and the hedging relationship continues to implement the risk management strategy and risk management objectives, the Company re-balances the hedging relationship.

The Company discontinues to prospectively apply hedge accounting rules if:

- the hedge no longer meets the criteria for hedge accounting if the hedging instrument expires or is sold, terminated or exercised,
- the hedge no longer meets the criteria for hedge accounting if the risk management strategy or risk management objectives change.

The Company does not discontinue a hedging relationship that:

- continues to meet the risk management objectives based on which it had qualified for hedge accounting, and
- continues to meet all of the other qualification criteria (after taking into account the re-balancing of the hedging relationship, if applicable).

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

- recognises the gains or losses from the fair value restatement of a derivative hedge in profit or loss, and
- adjusts the book value of the hedged item by the gains or losses related to the hedged item, resulting from the hedged risk, and recognises this in the current period's financial result.

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

- recognises the gains or losses from the fair value restatement of a derivative hedge in other comprehensive income, and
- measures the equity instrument through other comprehensive income, recognising restatements in other comprehensive income.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and which might affect profit or loss. A forecast transaction is a transaction that is not based on a concluded binding agreement (expected future transaction).

For cash flow hedges, the Company:

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

If a hedge of a forecast transaction results in the recognition of a financial asset or financial liability, the related gains or losses that were recognised in the revaluation reserve are reclassified into profit or loss in the same period or periods

*(unless stated otherwise, all amounts expressed in PLN 000s)*

during which the asset acquired or liability assumed affects profit or loss. However, if the Company expects that all or a portion of an impairment loss recognised directly in equity will not be recovered in one or more future periods, it reclassifies into profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the Company reclassifies the associated gains and losses that were recognised directly in the revaluation reserve into the initial purchase cost or another book value in assets or liabilities.

If the Company discontinues a cash flow hedge in accordance with the aforementioned criteria, the cumulative gain or loss on a hedging instrument recognised in the revaluation reserve remains in it until the hedging transaction is exercised. If the hedging transaction will not be exercised (or is not expected to be exercised), cumulative net profit recognised in the revaluation reserve is immediately reclassified into profit or loss.

### **3.5. Trade and other receivables**

Trade receivables are initially recognised at the transaction price and subsequently measured at amortised cost using effective interest rates, less impairment. If there are no differences between the initial value and the amount (amounts) at maturity (maturities) (payment), interest charged using the effective rate does not apply.

Impairment of receivables is determined on the basis of expected credit losses. Expected credit losses take into account the counterparty's previous default events as well as potential estimated credit losses. An impairment loss is recognised in the statement of profit and loss and other comprehensive income at the end of each reporting period.

### **3.6. Assets arising from contracts with customers**

In its statement of financial position, the Company recognises a contract asset that is the Company's right to remuneration in exchange for goods or services that the Company transfers to the customer. An asset is recognised if the Company satisfies its obligation by transferring goods or services to the customer before the customer pays or before the payment deadline.

### **3.7. Cash and cash equivalents**

Cash and cash equivalents include cash in bank accounts, on-demand bank deposits, other highly liquid short-term investments with initial maturity of up to three months. Cash on hand is measured at nominal value on every balance sheet date.

Cash in bank accounts, on-demand bank deposits, other highly liquid short-term investments with initial maturity of up to three months are measured at amortised cost on each balance sheet date (at nominal/initial value plus interest accrued until the balance sheet date, adjusted by expected credit losses).

*(unless stated otherwise, all amounts expressed in PLN 000s)*

### **3.8. Financial liabilities, including credit facilities, loans and debt securities**

Financial liabilities that include trade and other payables are initially recognised at fair value less transaction costs.

Financial liabilities that include credit facilities, loans and debt securities are classified at initial recognition as:

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

Financial liabilities at fair value through profit or loss include:

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

Financial liabilities at amortised cost include all financial liabilities that are subject to classification for the purposes of measurement that are not classified as financial liabilities at fair value through profit or loss.

At initial recognition, the Company measures a financial liability that is subject to classification for the purposes of measurement at fair value.

The fair value of financial liabilities not classified as at fair value through profit or loss is decreased by transaction costs that can be directly assigned to the origination of the liability.

The balance sheet measurement of a financial liability and the recognition of restatements depend on the classification of the given item to the relevant category for measurement purposes:

- financial liabilities classified as financial liabilities at fair value through profit or loss are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to settle the given item. Restatements to fair value are recognised in the period's result,
- financial liabilities at amortised cost are measured at amortised cost on every balance sheet date.

### **3.9. Liabilities arising from contracts with customers**

The Company recognises in its statement of financial position a contract liability consisting of an obligation for the Company to provide goods or services to the customer in exchange for which the Company receives remuneration (or is due to receive remuneration) from the customer.

If the customer paid the remuneration or the Company has the right to an amount of remuneration that is unconditional (i.e. a receivable), then prior to the transfer of goods or services to the customer the Company treats the contract as a contract liability when payment is made or becomes due (depending on which is sooner).

*(unless stated otherwise, all amounts expressed in PLN 000s)*

### 3.10. Revenue recognition

The Company recognises revenue when an obligation to provide a consideration by the provision of a promised good or service (i.e. asset item) to the customer is performed (or is being performed), thus obtaining the right to remuneration and legal title to the asset. The asset is transferred when the customer obtains control over it.

The transfer of control may be gradual if the obligation to provide a consideration is satisfied over time, i.e. when:

- the customer simultaneously receives and consumes all of the benefits provided by the Company as the Company performs,
- the Company's performance creates or enhances an asset (production in progress, for example) that the customer controls as the asset is created or enhanced, or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The performance-based method and overlay method are used to determine the level of completion, taking into account the nature of the good or service being transferred.

In the item revenue from core activities, the Company recognises revenue from the sale of the following product and service groups:

- services provided in a continuous manner - the level of revenue depends on consumption (including supply of electricity, natural gas). Revenue is recognised when the Company transfers control over a part of the service being provided. The Company recognises revenue in the amount of remuneration from the customer to which it has a right and which corresponds directly to the value to the customer of the obligation performed so far - this value constitutes the amount that the Company has the right to invoice for,
- provision of goods/services at a point in time (including the sale of property rights). Revenue is recognised when control over the product/service is transferred. Control is transferred when the customer receives the goods or when the provision of service is completed,

Revenue from sales is recognised in the net amount of remuneration when the Company acts as an agent, i.e. its obligation to perform is subject to the delivery of goods or services by another entity. Such revenue is recognised in the form of fee or commission to which - according to the Company's expectations - the Company will be entitled in exchange for the provision of goods or services by another entity. The fee or commission due for the Company may be a net amount that the Company retains after payment to another entity of consideration in exchange goods or services provided by this entity.

Interest income is recognised on an accrual basis using the effective interest rate approach, if this is not in doubt.

Dividend income is recognised when the right to receive payment is obtained. Dividend income is presented in the statement of profit and loss and other comprehensive income below operating profit.

(unless stated otherwise, all amounts expressed in PLN 000s)

### 3.11. Methods for implementing new standards

IFRS 9 - the Company implemented IFRS 9 retrospectively, with recognition of adjustments as at 1 January 2018. The Company applies IFRS 9 in accordance with its transition regulations - does not restate comparative data for previous periods, i.e. 1 January 2017 and 31 December 2017, to reflect IFRS 9 requirements concerning measurement.

IFRS 15 - the Company implemented IFRS 15 retrospectively, with overall first-time adoption effect, and recognised the overall effect of first-time adoption as an adjustment of the balance of initial retained earnings in the reporting period into which the first-adoption date falls.

	31.12.2017	IFRS 9	IFRS 15	01.01.2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	25 905	-	-	25 905
Perpetual usufruct of land	1 215	-	-	1 215
Intangible assets	4 666	-	-	4 666
Investment properties	14 855	-	-	14 855
Investments in subsidiaries, associates and jointly controlled entities	11 945 473	-	-	11 945 473
Deferred income tax assets	66 693	537	-	67 230
Financial assets at fair value	-	92 696	-	92 696
	-	6 902 669	-	6 902 669
Debt financial assets at amortised cost				
Trade and other receivables	146 241	(131 448)	(14 747)	46
Costs related to the conclusion of agreements	-	-	14 747	14 747
Available-for-sale financial assets	39 307	(39 307)	-	-
Intra-group bonds	6 771 221	(6 771 221)	-	-
	23 836	(23 836)	-	-
Financial assets at fair value through profit or loss				
Derivative instruments	29 553	(29 553)	-	-
	<b>19 068 965</b>	<b>537</b>	<b>-</b>	<b>19 069 502</b>
<b>Current assets</b>				
Inventories	217 158	-	-	217 158
Trade and other receivables	1 126 982	(39 242)	(239 499)	848 241
Costs related to the conclusion of agreements	-	-	17 785	17 785
Assets arising from contracts with customers	-	-	221 714	221 714
	126 336	-	-	126 336
Current income tax receivables				
	-	203 471	-	203 471
Debt financial assets at amortised cost				
Intra-group bonds	167 054	(167 054)	-	-
Cash and cash equivalents	1 746 426	-	-	1 746 426
	<b>3 383 956</b>	<b>(2 825)</b>	<b>-</b>	<b>3 381 131</b>
<b>TOTAL ASSETS</b>	<b>22 452 921</b>	<b>(2 288)</b>	<b>-</b>	<b>22 450 633</b>

(unless stated otherwise, all amounts expressed in PLN 000s)

	31.12.2017	IFRS 9	IFRS 15	01.01.2018
<b>EQUITY</b>				
Share capital	588 018	-	-	588 018
Share premium	4 627 673	-	-	4 627 673
Revaluation reserve - measurement of hedging instruments	25 967	-	-	25 967
Reserve capital	3 150 240	-	-	3 150 240
Retained earnings	4 240 079	(2 288)	-	4 237 791
<b>Total equity</b>	<b>12 631 977</b>	<b>(2 288)</b>	-	<b>12 629 689</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Credit facilities, loans and debt securities	7 643 223	-	-	7 643 223
Finance lease liabilities	248	-	-	248
Employee benefit liabilities	51 941	-	-	51 941
Provisions for liabilities and other charges	31	-	-	31
	<b>7 695 443</b>	-	-	<b>7 695 443</b>
<b>Current liabilities</b>				
Credit facilities, loans and debt securities	222 958	-	-	222 958
Trade and other payables	797 569	-	-	797 569
Finance lease liabilities	258	-	-	258
Employee benefit liabilities	19 885	-	-	19 885
Liabilities concerning the equivalent for rights to free purchase of shares	281	-	-	281
Other financial liabilities	723 735	-	-	723 735
Provisions for liabilities and other charges	360 815	-	-	360 815
	<b>2 125 501</b>	-	-	<b>2 125 501</b>
<b>Total liabilities</b>	<b>9 820 944</b>	-	-	<b>9 820 944</b>
<b>Total equity and liabilities</b>	<b>22 452 921</b>	<b>(2 288)</b>	-	<b>22 450 633</b>

In connection with the entry into force on 1 January 2018 of IFRS 15, presenting revenue from sales related to the Company's role as intermediary in the statement of profit and loss and other comprehensive income is a significant change. As a result of netting, net revenue from sales in the period from 1 January 2018 to 30 September 2018 is PLN 1 192 735 thousand lower; if the standard were not in effect, revenue would have reached PLN 4 615 251 thousand.

#### 4. Significant estimates and assumptions

Preparing condensed separate interim financial statements in compliance with IAS 34 requires the Management Board to adopt certain assumptions and estimates that have an impact on the application of adopted accounting rules and the values presented in the condensed separate interim financial statements and in notes to these financial statements. Such assumptions and estimates are based on the Management Board's best knowledge regarding current and future events and activities. Actual results may significantly differ from forecasts. Estimates used in preparing these condensed separate interim financial statements are consistent with the estimates used in preparing the separate financial statements for the most recent financial year. The estimated values presented in previous financial years do not have a material impact on the present interim period.

(unless stated otherwise, all amounts expressed in PLN 000s)

**5. Group structure - list of ENEA S.A.'s subsidiaries and stakes in associates and jointly controlled entities**

	Company name and address		ENEA S.A.'s stake in total number of voting rights in % 30.09.2018	ENEA S.A.'s stake in total number of voting rights in % 31.12.2017
1.	<b>ENEA Operator Sp. z o.o.</b> Poznań, ul. Strzeszyńska 58	subsidiary	100	100
2.	<b>ENEA Wytwarzanie Sp. z o.o.</b> Świerże Górne, al. Józefa Zielińskiego 1	subsidiary	100	100
3.	<b>ENEA Elektrownia Połaniec S.A.</b> Połaniec, ul. Zawada 26	subsidiary	100	100
4.	<b>ENEA Oświetlenie Sp. z o.o.</b> Szczecin, ul. Ku Stońcu 34	subsidiary	100 <sup>12</sup>	100
5.	<b>ENEA Trading Sp. z o.o.</b> Świerże Górne, Kozienice municipality, Kozienice 1	subsidiary	100	100
6.	<b>ENEA Logistyka Sp. z o.o.</b> Poznań, ul. Strzeszyńska 58	subsidiary	100	100
7.	<b>ENEA Serwis Sp. z o.o.</b> Lipno, Gronówko 30	subsidiary	100	100
8.	<b>ENEA Centrum Sp. z o.o.</b> Poznań, ul. Górecka 1	subsidiary	100	100
9.	<b>ENEA Pomiary Sp. z o.o.</b> Poznań, ul. Strzeszyńska 58	subsidiary	100	100
10.	<b>ENERGO-TOUR Sp. z o.o. w likwidacji</b> Poznań, ul. Strzeszyńska 58	subsidiary	100 <sup>5</sup>	100 <sup>5</sup>
11.	<b>ENEA Innowacje Sp. z o.o.</b> <sup>9</sup> Warsaw, ul. Jana Pawła II 12	subsidiary	100 <sup>9</sup>	100
12.	<b>Lubelski Węgiel BOGDANKA S.A.</b> Bogdanka, Puchaczów	subsidiary	65.99	65.99
13.	<b>Annacond Enterprises Sp. z o.o. w likwidacji</b> <sup>7</sup> Warsaw, ul. Jana Pawła II 12	subsidiary	61	61
14.	<b>ElectroMobility Poland S.A.</b> Warsaw, ul. Mysia 2	jointly controlled entity	25 <sup>8</sup>	25
15.	<b>Elektrownia Ostrołęka Sp. z o.o.</b> <sup>6</sup> Ostrołęka, ul. Elektryczna 5	jointly controlled entity	50 <sup>11</sup>	23.79
16.	<b>Polimex – Mostostal S.A.</b> Warsaw, al. Jana Pawła II 12	associate	16.48	16.48
17.	<b>Polska Grupa Górnicza S.A.</b> Katowice, ul. Powstańców 30	jointly controlled entity	7.66 <sup>10</sup>	5.81
18.	<b>ENEA Bioenergia Sp. z o.o.</b> Połaniec, ul. Zawada 26	indirect subsidiary	100 <sup>4</sup>	100 <sup>4</sup>
19.	<b>ENEA Ciepło Serwis Sp. z o.o.</b> Białystok, ul. Starosielce 2/1	indirect subsidiary	100 <sup>1</sup>	100 <sup>1</sup>
20.	<b>ENEA Badania i Rozwój Sp. z o.o.</b> Świerże Górne, al. Józefa Zielińskiego 1	indirect subsidiary	100 <sup>1</sup>	100 <sup>1</sup>
21.	<b>Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.</b> Oborniki, ul. Wybudowanie 56	indirect subsidiary	99.93 <sup>1</sup>	99.93 <sup>1</sup>
22.	<b>ENEA Ciepło Sp. z o.o.</b> Białystok, ul. Warszawska 27	indirect subsidiary	91.14 <sup>1</sup>	91.14 <sup>1</sup>
23.	<b>Miejska Energetyka Ciepła Piła Sp. z o.o.</b> Piła, ul. Kaczorska 20	indirect subsidiary	71.11 <sup>1</sup>	71.11 <sup>1</sup>
24.	<b>ekoTRANS Bogdanka Sp. z o.o.</b> Bogdanka, Puchaczów	indirect subsidiary	65.99 <sup>2</sup>	65.99 <sup>2</sup>
25.	<b>RG Bogdanka Sp. z o.o.</b> Bogdanka, Puchaczów	indirect subsidiary	65.99 <sup>2</sup>	65.99 <sup>2</sup>
26.	<b>MR Bogdanka Sp. z o.o.</b> Bogdanka, Puchaczów	indirect subsidiary	65.99 <sup>2</sup>	65.99 <sup>2</sup>
27.	<b>Łęczyńska Energetyka Sp. z o.o.</b> Bogdanka, Puchaczów	indirect subsidiary	58.53 <sup>2</sup>	58.53 <sup>2</sup>



(unless stated otherwise, all amounts expressed in PLN 000s)

28.	<b>Centralny System Wymiany Informacji Sp. z o.o.</b> Poznań, ul. Strzeszyńska 58	jointly controlled entity	20 <sup>3</sup>	20 <sup>3</sup>
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<sup>1</sup> – indirect subsidiary through stake in ENEA Wytwarzanie Sp. z o.o.

<sup>2</sup> – indirect subsidiary through stake in Lubelski Węgiel BOGDANKA S.A.

<sup>3</sup> – jointly controlled entity through stake in ENEA Operator Sp. z o.o.

<sup>4</sup> – indirect subsidiary through stake in ENEA Elektrownia Połaniec S.A.

<sup>5</sup> – on 30 March 2015 the company's extraordinary general meeting adopted a resolution on dissolution of the company following a liquidation proceeding; the resolution entered into force on 1 April 2015. An application for the company to be removed from the National Court Register was filed on 5 November 2015. At the date on which these separate financial statements were prepared, procedural activities connected with removing the entity from the National Court Register were in progress.

<sup>6</sup> – on 23 November 2017 an extraordinary general meeting of Elektrownia Ostrołęka S.A. adopted a resolution to transform the company into a limited company (sp. z o.o.). The National Court Register on 27 February 2018 registered a change in the legal form of Elektrownia Ostrołęka S.A. into a limited company.

<sup>7</sup> – on 28 February 2018 an extraordinary general meeting of Annacond Enterprises Sp. z o.o. adopted a resolution to liquidate the company.

<sup>8</sup> – on 3 January 2018 an extraordinary general meeting of ElectroMobility Poland S.A. adopted a resolution on a PLN 20 000 thousand increase in the company's share capital by increasing the nominal value of shares from PLN 1 thousand to PLN 3 thousand. The share capital increase was registered at the National Court Register on 23 April 2018.

<sup>9</sup> – on 31 January 2018 an extraordinary general meeting of ENEA Innovation Sp. z o.o. adopted a resolution to increase the company's share capital by PLN 3 500 thousand, i.e. from PLN 305 thousand to PLN 3 805 thousand, by issuing 35 000 new shares with nominal value of PLN 100.00 each. The share capital increase was registered at the National Court Register on 23 April 2018.

The company's name was changed in the National Court Register from ENEA Innovation Sp. z o.o. to ENEA Innowacje Sp. z o.o. on 17 April 2018.

<sup>10</sup> – on 31 January 2018 an extraordinary general meeting of Polska Grupa Górnicza S.A. adopted a resolution to increase the company's share capital by PLN 300 000 thousand, i.e. from PLN 3 616 718 thousand to PLN 3 916 718 thousand, by issuing 3 000 000 new shares with nominal value of PLN 100.00 each. ENEA S.A. acquired 900 000 shares with total nominal value of PLN 90 000 thousand, increasing ENEA S.A.'s stake in the company's share capital to 7.66%. The share capital increase was registered at the National Court Register on 6 April 2018.

<sup>11</sup> – on 23 March 2018 ENEA S.A. executed an agreement with ENERGA S.A. to purchase 1 201 036 shares in Elektrownia Ostrołęka Sp. z o.o., thus acquiring a 50% stake in this company's share capital. On 29 March 2018 an extraordinary general meeting of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on a PLN 35 000 thousand share capital increase, from PLN 229 100 thousand to PLN 264 100 thousand, through the issue of 700 000 new shares with voting preference, i.e. with two votes for one share, with nominal value of PLN 50.00 each and total nominal value of PLN 35 000 thousand. On 29 March 2018 ENEA S.A. signed a commitment to acquire 350 000 shares in exchange for a cash contribution of PLN 17 500 thousand. On 30 March 2018 ENEA S.A. provided its cash contribution. The share capital increase was registered at the National Court Register on 30 July 2018.

On 27 July 2018 an extraordinary general meeting of Elektrownia Ostrołęka Sp. z o.o. adopted a resolution on a PLN 287 000 thousand share capital increase, from PLN 264 100 thousand to PLN 551 100 thousand, through the issue of 5 740 000 new shares with voting preference, i.e. with two votes per one share, with nominal value of PLN 50.00 each and total nominal value of PLN 287 000 thousand. On 30 July 2018 ENEA S.A. signed a commitment to acquire 2 870 000 shares in exchange for a cash contribution of PLN 143 500 thousand. On 2 August 2018, ENEA S.A. provided its cash contribution. The share capital increase was registered at the National Court Register on 16 October 2018.

<sup>12</sup> – on 9 July 2018 an extraordinary general meeting of ENEA Oświetlenie Sp. z o.o. adopted a resolution on a PLN 16 000 thousand share capital increase from PLN 166 127 thousand to PLN 182 127 thousand through the issue of 32 000 new shares with total nominal value of PLN 16 000 thousand and nominal value of PLN 500.00 each.

On 11 July 2018 ENEA S.A. acquired 32 000 shares in the company's increased share capital in exchange for a cash contribution. The share capital increase was registered in the National Court Register on 5 November 2018.

## 6. Property, plant and equipment

In the 9-month period ended 30 September 2018 the Company purchased property, plant and equipment items for a total of PLN 1 040 thousand (in the 9-month period ending 30 September 2017: PLN 0 thousand).

In the 9-month period ended 30 September 2018 the Company sold and liquidated property, plant and equipment items with total net book value of PLN 1 thousand (in the 9 months ended 30 September 2017: PLN 5 thousand net).

No indications of impairment of property, plant and equipment were observed as at 30 September 2018.

(unless stated otherwise, all amounts expressed in PLN 000s)

## 7. Intangible assets

In the 9-month period ended 30 September 2018 the Company did not purchase intangible assets (in the 9-month period ending 30 September 2017: PLN 95 thousand).

In the 9-month period ended 30 September 2018 the Company did not liquidate intangible assets (in the 9-month period ending 30 September 2017: PLN 0 thousand).

## 8. Investments in subsidiaries, associates and jointly controlled entities

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>As at the beginning of period</b>	<b>11 945 473</b>	<b>9 448 433</b>
Purchase of investments	334 621	1 615 327
Refundable capital contributions	-	387
Other	-	2 056
Change in impairment	51 365	879 270
<b>As at the end of period</b>	<b>12 331 459</b>	<b>11 945 473</b>

### Impairment of investments

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>As at the beginning of period</b>	<b>1 280 505</b>	<b>2 159 775</b>
Reversed	(51 365)	(879 270)
<b>As at the end of period</b>	<b>1 229 140</b>	<b>1 280 505</b>

On 3 January 2018 an extraordinary general meeting of ElectroMobility Poland S.A. adopted a resolution on a PLN 20 000 thousand increase in the company's share capital by increasing the nominal value of shares from PLN 1 000.00 to PLN 3 000.00. Following the capital increase, ENEA S.A. held 2 500 shares with nominal value of PLN 3 000.00 and total value of PLN 7 500 thousand.

On 31 January 2018 an extraordinary general meeting of Polska Grupa Górnicza S.A. adopted a resolution to increase the company's share capital by PLN 300 000 thousand, i.e. from PLN 3 616 718 thousand to PLN 3 916 718 thousand, by issuing 3 000 000 new shares in a private subscription. ENEA S.A. purchased 900 000 new shares in a private subscription with nominal value of PLN 100 each and total nominal value of PLN 90 000 thousand.

On 31 January 2018 an extraordinary general meeting of ENEA Innovation Sp. z o.o. adopted a resolution to increase the company's share capital by PLN 3 500 thousand, i.e. to PLN 3 805 thousand, by issuing 35 000 new shares with a nominal value of PLN 100.00 each.

On 23 March 2018 ENEA S.A. purchased from ENERGA S.A. 1 201 036 shares in Elektrownia Ostrołęka Sp. z o.o.; the purchase price for these shares was PLN 57 694 thousand. Following the purchase, ENEA held a 50% stake in the company.

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

On 30 July 2018 ENEA S.A. purchased 2 870 000 shares in Elektrownia Ostrołęka Sp. z o.o. with nominal value of PLN 50 each and total nominal value of PLN 143 500 thousand. ENEA S.A.'s stake in Elektrownia Ostrołęka Sp. z o.o.'s share

(unless stated otherwise, all amounts expressed in PLN 000s)

capital did not change and remains at 50% because the new shares in increased share capital were acquired by ENEA S.A. and Energa S.A. proportionally to their stakes, i.e. on a 50:50 basis.

On 9 July 2018 an Extraordinary General Meeting of ENEA Oświetlenie Sp. z o.o. adopted a resolution on a PLN 16 000 thousand share capital increase from PLN 166 127 thousand to PLN 182 127 thousand through the issue of 32 000 new shares with total nominal value of PLN 16 000 thousand and nominal value of PLN 500.00 each. ENEA S.A. acquired 32 000 shares in the company's increased share capital in exchange for a cash contribution.

In connection with an update dated 29 June 2018 of the Act on renewable energy sources, which introduced regulations that change the property tax treatment for wind assets, effective from 1 January 2018, ENEA S.A. updated impairment tests conducted in previous years for ENEA Wytwarzanie Sp. z o.o. shares. The impact of this decrease in tax burdens on the usable value of wind farms was estimated. Based on this analysis, impairment losses worth a total of PLN 51 365 thousand on non-financial non-current assets in the wind generation area were reversed.

## 9. Financial assets measured at amortised cost

	<b>30.09.2018</b>	<b>31.12.2017*</b>
<b>Current debt financial assets at amortised cost</b>		
Intra-group bonds	228 735	-
Loans granted	40 624	-
<b>Current debt financial assets at amortised cost</b>	<b>269 359</b>	<b>-</b>
<b>Non-current debt financial assets at amortised cost</b>		
Intra-group bonds	6 847 901	-
Loans granted	163 265	-
<b>Non-current debt financial assets at amortised cost</b>	<b>7 011 166</b>	<b>-</b>
<b>TOTAL</b>	<b>7 280 525</b>	<b>-</b>

\* as at 31 December 2017, debt securities at amortised cost did not exist; data restatement as at 1 January 2018 is presented in note 3.11.

## Impairment - expected credit losses

	<b>Nominal value</b>	<b>Impairment</b>	<b>Book value</b>
<b>30.09.2018</b>			
Debt financial assets at amortised cost	7 281 445	(920)	7 280 525
Cash and cash equivalents	1 088 650	-	1 088 650
<b>Financial assets measured at amortised cost</b>	<b>8 370 095</b>	<b>(920)</b>	<b>8 369 175</b>

*(unless stated otherwise, all amounts expressed in PLN 000s)*
**Intra-group bonds**

ENE A Group has adopted a model for financing its investments through intra-group financing. ENE A S.A. raises cash on the financial market through credit facilities or bond issues and subsequently distributes these within the Group. The following table presents on-going intra-group bond issue programmes as at 30 September 2018 and 31 December 2017.

Contract date	Bond issuers	Final buy-back deadline	Amount granted	Amount used	Outstanding bonds as at 30 September 2018 (equity)	Outstanding bonds as at 31 December 2017, (equity)
			in PLN 000s	in PLN 000s	in PLN 000s	in PLN 000s
10 March 2011	ENE A Wytwarzanie Sp. z o.o.	31 March 2023	26 000	26 000	26 000	26 000
29 September 2011	ENE A Wytwarzanie Sp. z o.o.	29 September 2019	14 500	14 500	6 000	6 000
23 July 2012	ENE A Wytwarzanie Sp. z o.o.	22 July 2019	158 500	158 500	17 500	35 650
8 September 2012 agreement for PLN 4 000 000 thousand decreased through Annex 2 of 21 January 2015 to PLN 3 000 000 thousand	ENE A Wytwarzanie Sp. z o.o.	from 15 June 2020 to 15 December 2020, depending on bond series' issue dates; the rest of the amounts at the latest by 15 June 2022	3 000 000	2 650 000	2 650 000	2 650 000
20 June 2013 amended through Annex 1 of 9 October 2014 and Annex 2 of 7 July 2015	ENE A Operator Sp. z o.o.	Dependent on bond series' issue dates, however no later than by 17 June 2030	1 425 000	1 425 000	1 303 044	1 357 174
12 August 2014 for PLN 260 000 thousand, increased to PLN 1 000 000 thousand through Annex 1 of 11 February 2015 and decreased to PLN 260 000 thousand through Annex 2 of 30 December 2015.	ENE A Wytwarzanie Sp. z o.o.	Buy-back in tranches - final buy-back deadline 15 December 2026	260 000	260 000	228 800	249 600
17 November 2014	ENE A Wytwarzanie Sp. z o.o.	31 March 2020	740 000	350 000	350 000	350 000
17 February 2015 for PLN 760 000 thousand, increased through Annex 1 of 3 June 2015 to PLN 1 000 000 thousand.	ENE A Wytwarzanie Sp. z o.o.	10 February 2020	1 000 000	1 000 000	1 000 000	1 000 000
7 July 2015 amended through Annex 1 of 28 March 2017	ENE A Operator Sp. z o.o.	Dependent on bond series' issue dates, however no later than by 15 December 2031	946 000	946 000	946 000	946 000
30 October 2015	ENE A Ciepło Sp. z o.o.	Buy-back in tranches - final buy-back deadline on 31 March 2020	18 000	18 000	6 000	9 000
20 September 2017	ENE A Operator Sp. z o.o.	15 December 2019	350 000	350 000	350 000	350 000
20 July 2018	ENE A Operator Sp. z o.o.	15 December 2020	400 000	200 000	200 000	-
<b>Total</b>					<b>7 083 344</b>	<b>6 979 424</b>
Transaction costs and effect of measurement using effective interest rate					197 181	(41 149)
<b>Total</b>					<b>7 280 525</b>	<b>6 938 275</b>

On 15 March 2018, ENE A S.A. and ENE A Operator Sp. z o.o. changed the interest from variable to fixed for bonds series 2 issued under the Programme Agreement of 20 June 2013 in the amount of PLN 170 000 thousand.

(unless stated otherwise, all amounts expressed in PLN 000s)

On 20 July 2018, ENEA S.A. and ENEA Operator Sp. z o.o. signed a bond issue programme agreement for PLN 400 000 thousand. Under this agreement, on 26 July 2018 ENEA S.A. purchased bonds worth PLN 200 000 thousand, which is based on a variable interest rate, while the buy-back deadline is in December 2020.

## 10. Impairment of trade and other receivables

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>Impairment of receivables at the beginning of period</b>	<b>64 622</b>	<b>56 111</b>
Adjustment due to implementation of IFRS 9	2 572	-
<b>Impairment of receivables at the beginning of period, adjusted</b>	<b>67 194</b>	<b>56 111</b>
Created	5 062	23 837
Used	(6 162)	(15 326)
<b>Impairment of receivables at the end of period</b>	<b>66 094</b>	<b>64 622</b>

In the 9-month period ended 30 September 2018, impairment of trade and other receivables increased by PLN 1 472 thousand (in the 9-month period ended 30 September 2017 impairment grew by PLN 5 887 thousand). Impairment losses are recognised mainly on trade receivables; impairment losses on other receivables are insubstantial.

## 11. Assets arising from contracts with customers

	<b>Assets arising from contracts with customers*</b>
<b>As at the beginning of period, adjusted</b>	<b>221 714</b>
Change in non-invoices receivables	(7 098)
Change in impairment	6
<b>As at the end of period</b>	<b>214 622</b>

\* as at 31 December 2017, assets arising from contracts with customers did not exist; data restatement as at 1 January 2018 is presented in note 3.11.

## 12. Analysis of the age structure of assets arising from contracts with customers and trade and other receivables and lease receivables

	<b>Nominal value</b>	<b>Impairment</b>	<b>Book value</b>
<b>30.09.2018</b>			
<b>Trade and other receivables and leases</b>			
Current	831 904	(287)	831 617
Overdue			
0-30 days	44 868	(42)	44 826
31-90 days	13 798	(636)	13 162
91-180 days	6 249	(1 495)	4 754
over 180 days	83 193	(60 793)	22 400
<b>Trade and other receivables and leases</b>	<b>980 012</b>	<b>(63 253)</b>	<b>916 759</b>
<b>Assets concerning contracts with customers</b>	<b>214 772</b>	<b>(150)</b>	<b>214 622</b>

(unless stated otherwise, all amounts expressed in PLN 000s)

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

### 13. Inventories

	<b>30.09.2018</b>	<b>31.12.2017</b>
Energy origin certificates	308 397	216 494
Goods	629	664
<b>Total inventories</b>	<b>309 026</b>	<b>217 158</b>

Energy origin certificates:

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>As at the beginning of period</b>	<b>216 494</b>	<b>84 984</b>
Purchase	341 851	322 090
Redemption	(247 309)	(189 121)
Sale	(2 639)	(1 459)
<b>As at the end of period</b>	<b>308 397</b>	<b>216 494</b>

Costs connected with redeeming energy origin certificates are presented in the statement of profit and loss and other comprehensive income in the following item: Purchase of electricity and gas for sales purposes

### 14. Cash and cash equivalents

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>Cash at bank account</b>	<b>24 857</b>	<b>183 662</b>
including split payment	3 631	-
<b>Other cash</b>	<b>1 063 793</b>	<b>1 562 764</b>
- deposits	1 061 584	1 553 367
- other	2 209	9 397
<b>Total cash and cash equivalents</b>	<b>1 088 650</b>	<b>1 746 426</b>
<b>Cash recognised in the statement of cash flows</b>	<b>1 088 650</b>	<b>1 746 426</b>

As at 30 September 2018 and 31 December 2017, ENEA S.A. did not have restricted cash.

In accordance with ENEA S.A.'s credit risk evaluations and the provisions of IFRS 9 as regards assessment of cash and cash equivalents as at 30 September 2018; the Company did not identify any risk.

### 15. Financial assets at fair value

As at 30 September 2018, the item financial assets at fair value included call options for Polimex-Mostostal S.A. shares, among other things. Pursuant to a call option agreement for Polimex-Mostostal S.A. shares of 18 January 2017, ENEA S.A. purchased call options from Towarzystwo Finansowe Silesia Sp. z o.o. This agreement sees the purchase, in three

*(unless stated otherwise, all amounts expressed in PLN 000s)*

tranches, of 9 125 thousand shares at nominal value of PLN 2 per share within specified deadlines, i.e. 30 July 2020, 30 July 2021 and 30 July 2022.

Fair value measurement of the call options was conducted using the Black-Scholes model. The book value of the options as at 30 September 2018 amounted to PLN 15 127 thousand.

## 16. Financial instruments

The following table contains a comparison of fair values and book values:

	30.09.2018		31.12.2017	
	Book value	Fair value	Book value	Fair value
Available-for-sale non-current financial assets	-	-	39 307	39 307
Non-current intra-group bonds	-	-	6 771 221	6 835 859
Non-current financial assets at fair value through profit or loss	-	-	23 836	23 836
Derivative instruments	-	-	29 553	29 553
Non-current financial assets at fair value	66 671	66 671	-	-
Non-current debt financial assets at amortised cost	7 011 166	7 112 677	-	-
Current intra-group bonds	-	-	167 054	167 054
Current debt financial assets at amortised cost	269 359	269 359	-	-
Trade and other receivables	916 759	(*)	1 208 582	(*)
Assets arising from contracts with customers	214 622	214 622	-	-
Cash and cash equivalents	1 088 650	1 088 650	1 746 426	1 746 426
Non-current credit facilities, loans and debt securities	7 478 369	7 550 905	7 643 223	7 721 895
Current credit facilities, loans and debt securities	262 056	262 056	222 958	222 958
Financial liabilities at fair value	1 182	1 182	-	-
Finance lease liabilities	1 015	1 015	506	506
Other financial liabilities	312 436	312 436	723 735	723 735
Trade and other payables	555 130	(*)	615 163	(*)

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

Financial assets at fair value include:

- interests in unrelated entities, the stake in which is below 20%. This item includes shares in PGE EJ1 Sp. z o.o. amounting to PLN 32 902 thousand, for which no market price quoted on an active market is available and the fair value of which - given the early stage of the company's business - is determined on the basis of costs, which is close to fair value. If interests in unrelated entities are listed on the Warsaw Stock Exchange, then their fair value is based on stock market quotes,
- Polimex-Mostostal S.A. call options,
- derivative instruments, including interest rate swaps. The fair value of derivative instruments is established by calculating the net present value based on two yield curves, i.e. a curve to determine discount factors and a curve used to estimate future variable reference rates,

*(unless stated otherwise, all amounts expressed in PLN 000s)*

Non-current debt financial assets at amortised cost cover purchased debt securities - bonds and loans maturing in over one year. Fair value is calculated for financial instruments that are based on a fixed rate of interest, based on current WIBOR.

Current debt financial assets at amortised cost cover purchased debt securities - bonds and loans maturing in less than one year.

The fair value of bank credit, loans and debt securities is calculated for financial instruments that are based on a fixed rate of interest, based on current WIBOR.

The following table contains an analysis of financial instruments at fair value, grouped into a three-level hierarchy, where:

Level 1 - fair value is based on (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2 - fair value is determined on the basis of values observed on the market, which are not a direct market quote (e.g. they are established by direct or indirect reference to similar instruments on a market),

Level 3 - fair value is determined using various measurement techniques that are not, however, based on observable market data.

	<b>30.09.2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at fair value</b>				
Derivative instruments used in hedge accounting	-	17	-	17
Equity instruments at fair value through other comprehensive income	-	-	32 902	32 902
Interests at fair value through profit or loss	18 625	-	-	18 625
Call options	-	15 127	-	15 127
	<b>18 625</b>	<b>15 144</b>	<b>32 902</b>	<b>66 671</b>
<b>Financial liabilities measured at fair value</b>				
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	1 182	-	1 182
	-	<b>1 182</b>	-	<b>1 182</b>

	<b>31.12.2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Derivative instruments</b>				
Interest rate swaps	-	29 553	-	29 553
<b>Financial assets at fair value through profit or loss</b>				
Call options	-	23 836	-	23 836
<b>Total</b>	-	<b>53 389</b>	-	<b>53 389</b>



(unless stated otherwise, all amounts expressed in PLN 000s)

## 17. Credit facilities, loans and debt securities

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>Long-term</b>		
Bank credit	2 118 239	2 200 432
Outstanding	5 360 130	5 442 791
<b>Total</b>	<b>7 478 369</b>	<b>7 643 223</b>
<b>Short-term</b>		
Bank credit	136 209	100 546
Outstanding	125 847	122 412
<b>Total</b>	<b>262 056</b>	<b>222 958</b>
<b>Total credit facilities, loans and debt securities</b>	<b>7 740 425</b>	<b>7 866 181</b>

### Credit facilities

ENEA S.A. currently has credit agreements with the EIB for a total amount of PLN 2 371 000 thousand (Agreement A PLN 950 000 thousand, Agreement B PLN 475 000 thousand and Agreement C PLN 946 000 thousand). Funds from the EIB are intended to finance a multi-year investment plan aimed at modernising and expanding ENEA Operator Sp. z o.o.'s power network. Funds from Agreements A, B and C are fully used. Agreement C's availability ended in December 2017. Interest on credit facilities may be fixed or variable.

As of 15 March 2018, pursuant to the provisions of Agreement A with the EIB the parties changed the interest rate from variable to fixed for the second tranche of the credit facility, amounting to PLN 170 000 thousand.

Item	Lender	Contract date	Total contract amount	Value of debt at 30 September 2018	Value of debt at 31 December 2017	Contract period
1.	European Investment Bank	18 October 2012 and 19 June 2013 (A and B)	1 425 000	1 303 044	1 357 174	31 December 2030
2.	European Investment Bank	29 May 2015 (C)	946 000	946 000	946 000	30 September 2032
3.	Bank PKO BP S.A.	28 January 2014, Annex 1 of 25 January 2017	300 000	-	-	31 December 2019
4.	Bank PEKAO S.A.	28 January 2014, Annex 1 of 25 January 2017	150 000	-	-	31 December 2019
<b>TOTAL</b>			<b>2 821 000</b>	<b>2 249 044</b>	<b>2 303 174</b>	
Transaction costs and effect of measurement using effective interest rate				5 404	(2 196)	
<b>TOTAL</b>			<b>2 821 000</b>	<b>2 254 448</b>	<b>2 300 978</b>	

### Bond issue programmes

ENEA S.A. executes bond issue programme agreements in order to issue bonds to finance on-going operations and the investment needs of ENEA S.A. and its subsidiaries.

(unless stated otherwise, all amounts expressed in PLN 000s)

Item	Bond issue programme name	Programme start date	Programme amount	Value of issued bonds at 30 September 2018	Outstanding bonds as at 30 September 2018 (principal)	Outstanding bonds as at 31 December 2017 (principal)	Buy-back deadline
1.	Bond issue programme agreement executed with PKO BP S.A., Bank PEKAO S.A., BZ WBK S.A., Bank Handlowy w Warszawie S.A.	21 June 2012	3 000 000	3 000 000	3 000 000	3 000 000	One-time buy-back between June 2020 and June 2022
2.	Bond issue programme agreement with BGK	15 May 2014	1 000 000	1 000 000	880 000	960 000	Buy-back in tranches, last tranche due in December 2026
3.	Bond issue programme agreement with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A.	30 June 2014	5 000 000	1 500 000	1 500 000	1 500 000	One-time buy-back of each series, in February 2020 and September 2021
4.	Bond issue programme agreement with BGK	3 December 2015	700 000	150 000	135 000	150 000	Buy-back in tranches, last tranche due in September 2027
<b>TOTAL</b>			<b>9 700 000</b>	<b>5 650 000</b>	<b>5 515 000</b>	<b>5 610 000</b>	
Transaction costs and effect of measurement using effective interest rate					(29 023)	(44 797)	
<b>TOTAL</b>			<b>9 700 000</b>	<b>5 650 000</b>	<b>5 485 977</b>	<b>5 565 203</b>	

On 17 July 2018 ENEA S.A. executed Annex 1 to a Programme Agreement of 3 December 2015 with BGK concerning a bond issue programme for up to PLN 700 000 thousand. Pursuant to the annex, the programme's availability period was changed from 1 March 2018 to 31 December 2018. In the reporting period ended 30 September 2018 ENEA S.A. did not execute new agreements and no new bond issues were conducted.

#### Interest rate swaps

In the 9-month period ending 30 September 2018, ENEA S.A. did not execute interest rate swaps. The total bond and credit exposure hedged with IRS transactions as at 30 September 2018 amounted to PLN 5 590 700 thousand. These transactions have material impact on the predictability of expense flows and finance costs. The Company presents the measurement of these instruments in the item "Financial assets at fair value." Derivative instruments are treated as cash flow hedges, which is why they are recognised and accounted for using hedge accounting rules.

As at 30 September 2018, IRS measurement amounted to PLN -1 182 thousand (at 31 December 2017: PLN 29 553 thousand).

*(unless stated otherwise, all amounts expressed in PLN 000s)*

### FX forwards

In the 9-month period ending 30 September 2018, the Company executed FX forward transactions for a total volume of EUR 497 thousand. The last transaction's settlement date is in December 2018. As at 30 September 2018, these instruments were measured at PLN 17 thousand (at 31 December 2017: PLN 0 thousand).

### Financing terms - covenants

Financing agreements require the Company and ENEA Group to maintain certain financial ratios. As at 30 September 2018 and the date on which these condensed separate interim financial statements were prepared and in the course of 2018 the Company did not breach any credit agreement provisions such as would require early re-payment of long-term debt.

## 18. Other financial liabilities

Cash management at ENEA Group is carried out at ENEA S.A. level, making it possible to effectively manage cash surpluses (scale effect) and to limit external financing costs. This applies to companies that participate in ENEA's tax group under the service "Cash management in group of accounts" - cash pooling.

In this service, the balances of participants' bank accounts are zeroed at the end of each day and subsequently any cash surpluses are transferred to the managing entity's (ENE S.A.) bank account. The next day, cash balances are reversed and returned to the companies' bank accounts.

The item 'other financial liabilities' includes the balance of cash pooling liabilities.

## 19. Deferred income tax

Changes in deferred income tax assets and provision (after offsetting assets and provision) are as follows:

	<b>30.09.2018</b>	<b>31.12.2017</b>
<b>As at the beginning of period</b>	<b>66 693</b>	<b>48 562</b>
Adjustment due to implementation of IFRS 9	537	-
<b>As at the beginning of period, adjusted</b>	<b>67 230</b>	<b>48 562</b>
Change recognised in profit or loss	11 602	15 441
Charge recognised in other comprehensive income	6 077	2 690
<b>As at the end of period</b>	<b>84 909</b>	<b>66 693</b>

In the 9-month period ended 30 September 2018, the Company's net profit before tax, as a result of an increase in deferred income tax assets, amounted to PLN 11 602 thousand (in the 9-month period ended 30 September 2017, as a result of an increase in deferred income tax assets, net profit before tax amounted to PLN 5 480 thousand).

(unless stated otherwise, all amounts expressed in PLN 000s)

## 20. Provisions for liabilities and other charges

Total provision for liabilities and other charges, categorised as short- or long-term

	<b>30.09.2018</b>	<b>31.12.2017</b>
Long-term	31	31
Short-term	439 056	360 815
<b>Total</b>	<b>439 087</b>	<b>360 846</b>

	<b>Provision for non- contractual use of land</b>	<b>Provision for other claims</b>	<b>Provision for energy origin certificates</b>	<b>Total</b>
<b>As at 01.01.2018</b>	<b>2 934</b>	<b>96 485</b>	<b>261 427</b>	<b>360 846</b>
Increase in existing provisions	389	26 466	306 130	<b>332 985</b>
Use of provisions	(22)	(1 079)	(252 646)	<b>(253 747)</b>
Reversal of unused provisions	(311)	(686)	-	<b>(997)</b>
<b>As at 30.09.2018</b>	<b>2 990</b>	<b>121 186</b>	<b>314 911</b>	<b>439 087</b>

A description of significant claims and the associated conditional liabilities is presented in notes 25.2 and 25.4.

In the 9-month period ended 30 September 2018, provisions for liabilities and other charges increased by PLN 78 241 thousand on a net basis, largely due to failure to comply with the obligation to sell renewable electricity to end customers - lack of decision from the President of the Energy Regulatory Office (URE) regarding redemption of origin certificates for 2018 (in the 9-month period ended 30 September 2017, provisions for liabilities and other charges increased by PLN 41 898 thousand).

In the 9-month period ending 30 September 2018, the Company created a PLN 16 361 thousand provision for potential claims related to the termination by ENEA S.A. of agreements to purchase energy origin certificates for renewables, and the value of this provision as at 30 September 2018 was PLN 102 096 thousand.

## 21. Net revenue from sales

	<b>01.01.2018 30.09.2018</b>	<b>01.01.2017 30.09.2017</b>
Revenue from sale of electricity*	3 352 292	4 084 561
Revenue from sale of gas*	66 412	85 328
Revenue from sale of other services	2 362	3 211
Revenue from origin certificates	1 450	1 751
<b>Total</b>	<b>3 422 516</b>	<b>4 174 851</b>

\* in 2017, this item included revenue from the provision of distribution services.

The Company recognises revenue when an obligation to provide a consideration by the provision of a promised good or service to the customer is performed (or is being performed). Revenue is recognised on the basis of prices specified in sale agreements, less estimated rebates and other deductions.

*(unless stated otherwise, all amounts expressed in PLN 000s)*

The key groups of contracts include electricity sale contracts (including framework contracts) for retail, business, key and strategic customers. Under these contracts, service is provided in a continuous manner and the level of revenue depends on usage.

The standard payment deadline for invoices for the sale of electricity is 14 days from VAT invoice date. In the case of business, key and strategic customers, payment deadlines may be negotiated.

## 22. Dividend

On 25 June 2018, an Ordinary General Meeting of ENEA S.A. adopted resolution no. 6 concerning the allocation of net profit for the financial year from 1 January 2017 to 31 December 2017, pursuant to which 100% of the 2017 net profit was transferred to reserve capital, intended to finance investments.

On 26 June 2017, an Ordinary General Meeting of ENEA S.A. adopted resolution no. 6 concerning the allocation of net profit for the financial year from 1 January 2016 to 31 December 2016, pursuant to which PLN 110 361 thousand would be paid to shareholders as a dividend. Dividend per share was PLN 0.25.

## 23. Related-party transactions

The Company executes transactions with the following related parties:

### 1. ENEA Group companies

	<b>01.01.2018 - 30.09.2018</b>	<b>01.01.2017 - 30.09.2017</b>
<b>Purchase value, including:</b>	<b>4 380 855</b>	<b>3 505 020</b>
purchase of materials	430	426
purchase of services	1 278 462	1 254 223
other (including electricity and gas)	3 101 963	2 250 371
<b>Sale value, including:</b>	<b>278 039</b>	<b>221 065</b>
sale of electricity	253 248	201 933
sale of services	1 289	1 310
other	23 502	17 822
<b>Interest income, including:</b>	<b>158 879</b>	<b>127 942</b>
on bonds	154 244	127 818
on loans	4 123	124
other	512	-
<b>Dividend income</b>	<b>645 293</b>	<b>810 534</b>
	<b>30.09.2018</b>	<b>31.12.2017</b>
Receivables	95 851	60 721
Financial assets - bonds	7 076 637	6 938 275
Loans granted	196 890	168 117
Liabilities	465 979	1 253 001
Other financial liabilities	312 436	723 735

Transactions with Group companies are executed on market terms, which do not differ from the terms applied in transactions with other entities.

(unless stated otherwise, all amounts expressed in PLN 000s)

**2. Transactions between the Company and members of the Company's corporate bodies are divided into two categories:**

- resulting from being appointed as Supervisory Board members,
- resulting from other civil-law contracts;

The following table lists the amounts of transactions in the aforementioned categories:

Item	Company's Management Board		Company's Supervisory Board	
	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017	01.01.2018 - 30.09.2018	01.01.2017 - 30.09.2017
Remuneration under management contracts and consulting contracts	2 080*	4 082**	-	-
Remuneration under appointment to management or supervisory bodies	-	-	594	626
<b>TOTAL</b>	<b>2 080</b>	<b>4 082</b>	<b>594</b>	<b>626</b>

\* this remuneration includes a non-compete clause for former Management Board members, amounting to PLN 55 thousand

\*\* this remuneration covers bonuses for 2016 of PLN 1 749 thousand

In the 9-month period ended 30 September 2018, no loans were made to Supervisory Board members from the Company Social Benefit Fund (PLN 0 thousand for the 9-month period ended 30 September 2017). During this period, PLN 4 thousand in loans was repaid (PLN 4 thousand in the 9-month period ended 30 September 2017).

Other transactions resulting from civil-law contracts executed between ENEA S.A. and members of the Company's corporate authorities mainly concern the use of company cars by members of ENEA S.A.'s Management Board for private purposes.

**3. Transactions with State Treasury subsidiaries**

ENEA S.A. also executes commercial transactions with state and local administration units and entities owned by Poland's State Treasury.

The subject of these transactions mainly is as follows:

- purchase of electricity and property rights resulting from origin certificates for energy from renewable sources and energy produced in cogeneration with heat from State Treasury subsidiaries and
- sale of electricity, distribution services and other associated fees that the Company provides for both state and local administration authorities (sale to end customers) and to the State Treasury's subsidiaries (wholesale and retail sale - to end customers).

These transactions are executed on market terms, which do not differ from the terms applied in transactions with other entities. The Company does not maintain records that would make it possible to aggregate the value of all transactions with all state institutions and State Treasury subsidiaries, which is why the turnover and transaction balances with related parties presented in these condensed separate interim financial statements do not include transactions with State Treasury subsidiaries.

(unless stated otherwise, all amounts expressed in PLN 000s)

## 24. Future liabilities resulting from executed contracts as at the reporting date

As at 30 September 2018 and 31 December 2017, the Company did not have contract liabilities related to the purchase of tangible and intangible assets that had not been recognised in the statement of financial position.

## 25. Conditional liabilities and on-going proceedings in courts, arbitration bodies or public administration bodies

### 25.1. Credit and loan sureties and guarantees issued by the Company

On 18 July 2018, ENEA S.A. as Guarantor executed a surety agreement with PKN Orlen S.A. The subject of the agreement is a surety for the future liabilities of ENEA Trading Sp. z o.o. up to a maximum amount of PLN 2 000 thousand concerning transactions in wholesale trade of gas.

The following table presents significant bank guarantees valid as of 30 September 2018 under an agreement between ENEA S.A. and PKO BP S.A. up to a limit specified in the agreement.

Guarantee issue date	Guarantee validity	Obliged entity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
12.08.2018	12.08.2020	ENEA Elektrownia Połaniec	Izba Rozliczeniowa Giełd Towarowych S.A.	PKO BP S.A.	105 000
12.08.2018	12.08.2020	ENEA Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PKO BP S.A.	100 000
12.08.2018	12.08.2020	ENEA Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PKO BP S.A.	45 000
12.08.2018	12.08.2020	ENEA Wytwarzanie Sp. z o.o.	Polskie Sieci Elektroenergetyczne	PKO BP S.A.	20 000
12.08.2018	12.08.2020	ENEA Elektrownia Połaniec	Polskie Sieci Elektroenergetyczne	PKO BP S.A.	15 000
12.08.2018	12.08.2020	ENEA S.A.	Górecka Projekt Sp. z o.o.	PKO BP S.A.	1 944
29.08.2018	16.09.2019	ENEA Logistyka Sp. z o.o.	ENEA Operator Sp. z o.o.	PKO BP S.A.	1 080
13.09.2018	11.12.2018	ENEA S.A.	Olsztyn municipality	PKO BP S.A.	1 000
18.09.2018	16.12.2018	ENEA S.A.	MPEC w Krakowie	PKO BP S.A.	1 000
<b>Total</b>					<b>290 024</b>

The value of other guarantees issued by ENEA S.A. as at 30 September 2018 was PLN 2 501 thousand.

The total value of sureties and guarantees issued by ENEA S.A. as collateral for ENEA Group companies' liabilities as at 30 September 2018 was PLN 404 399 thousand.

*(unless stated otherwise, all amounts expressed in PLN 000s)*

## 25.2. On-going proceedings in courts of general competence

### Proceedings initiated by the Company

Proceedings in courts of general competence initiated by ENEA S.A. and ENEA Operator Sp. z o.o. concern receivables related to electricity supplies and receivables related to other matters - illegal uptake of electricity, grid connections and other specialised services rendered by the Company.

At 30 September 2018, a total of 10 507 cases initiated by the Company were in progress before courts of general competence, worth in aggregate PLN 50 718 thousand (31 December 2017: 12 262 cases worth PLN 56 345 thousand).

The outcome of individual cases is not significant from the viewpoint of the Company's financial result.

### Proceedings against the Company

Proceedings against the Company are initiated by both natural persons and legal entities. They concern issues such as: compensation for electricity supply disruptions, illegal uptake of electricity and compensation for the Group's use of properties on which power equipment is located as well as claims related to terminated contracts for purchase of property rights (note 20). The Company considers cases related to non-contractual use of properties that are not owned by the Company as especially significant.

At 30 September 2018, a total of 153 cases against the Company were in progress before courts of general competence, worth in aggregate PLN 520 350 thousand (31 December 2017: 167 cases worth PLN 394 612 thousand). Provisions related to these court cases are presented in note 20.

The outcome of individual cases is not significant from the viewpoint of the Company's financial result.

## 25.3. Cases concerning 2012 non-balancing

On 30 and 31 December 2014, ENEA S.A. submitted demands for settlement to:

	<b>Demanded amount in PLN 000s</b>
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
<b>Total</b>	<b>27 801</b>

The subject of these demands is claims for the payment for electricity that was incorrectly settled on the balancing market in 2012. The companies receiving these demands obtained unjustified proceeds by not allowing ENEA S.A. to issue invoices for 2012.

Given a lack of amicable resolution in this case, ENEA S.A. brought lawsuits against:

- FITEN S.A. - lawsuit of 24 November 2015,



*(unless stated otherwise, all amounts expressed in PLN 000s)*

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

In the case against FITEN S.A., ENEA S.A. had submitted a cassation appeal to the Supreme Court, which was rejected on 9 November 2018. The other disputes have not been resolved.

#### **25.4. Dispute concerning prices for origin certificates for energy from renewable sources and terminated agreements for the purchase of property rights arising under origin certificates for energy from renewable sources**

ENEA S.A. is a party to 10 court proceedings concerning agreements for the purchase of property rights arising under certificates of origin for energy from renewable sources, which includes:

- 7 proceedings for payment, in which ENEA S.A.'s former counterparties are seeking compensation for outstanding pay or contractual penalties,
- 3 proceedings for the voidance of ENEA S.A.'s termination or withdrawal from agreements to sell property rights, which took place on 28 October 2016, including 2 proceedings in which claims for payment are being sought at the same time.

ENEA S.A. offset a part of receivables due for these counterparties from ENEA S.A. for sold property rights with damages-related receivables due for ENEA S.A. from renewables producers. The damage caused to ENEA S.A. arose as a result of the counterparties' failure to fulfil a contractual obligation to participate, in good faith, in re-negotiating long-term agreements for the sale of property rights in accordance with an adaptation clause that is binding for the parties.

On 28 October 2016, ENEA S.A. submitted statements depending on the agreement: on termination or withdrawal from long-term agreements for the purchase by the Company of property rights resulting from certificates of origin for energy from renewable sources (green certificates) (Agreements).

The Agreements were executed in 2006-2014 with the following counterparties, which own renewable generation assets ("Counterparties"):

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

As a rule, the Agreements were terminated by the end of November 2016. The dates on which the respective Agreements were terminated depended on contractual provisions.

*(unless stated otherwise, all amounts expressed in PLN 000s)*

The reason for terminating/withdrawing from the Agreements by the Company was the fact that it was no longer possible to restore contractual balance and the equivalence of the parties' considerations, caused by changes in laws.

Legal changes that occurred after the aforementioned Agreements were executed include in particular:

- Ordinance of the Minister of Economy of 18 October 2012 on the detailed scope of obligations to obtain and present for redemption origin certificates, pay substitute fees, purchase electricity and industrial heat generated from renewable sources and the obligation to validate data concerning the quantity of electricity generated from renewable sources (Polish Journal of Laws of 2012, item 1229);
- Act on renewable energy sources of 20 February 2015 (Polish Journal of Laws of 2015, item 478) and associated further legal changes and announced drafts of legal changes, including especially:
  - Act on amendment of the Act on renewable energy sources and certain other acts dated 22 June 2016 (Polish Journal of Laws of 2016, item 925); and
  - draft of the Ordinance of the Minister of Energy concerning changes in the share of electricity resulting from redeemed origin certificates confirming production of electricity from renewable sources, which is to be issued based on an authorisation under art. 12 sec. 5 of the Act on amendment of the act on renewable energy sources and certain other acts dated 22 June 2016 and certain other acts,

caused an objective lack of possibilities to develop reliable models to forecast the prices of green certificates.

The Agreements were terminated with the intention for the Company to avoid losses constituting the difference between contractual and market prices of green certificates. Due to the changing legal conditions after termination of the Agreements in 2017, especially arising from the Act of 20 July 2017 on amendment of the Act on renewable energy sources, the estimated value of future contractual liabilities would have changed. In the current legal framework, this would be grossly lower in comparison to the amount estimated when the Agreements were being terminated, i.e. approx. PLN 1 187 million. This decline reflects a change in the way in which the substitute fee is calculated, which in accordance with the content of some of the Agreements constitutes the basis for calculating the contract price and indexing it to the market price.

The Company created a PLN 102 096 thousand provision for potential claims resulting from the terminated Agreements in relation to submissions made by 30 September 2018 concerning transactions to sell property rights by the counterparties; the provision is presented in note 20.

## **26. Participation in nuclear power plant build programme**

A shareholders' agreement was signed on 3 September 2014 between PGE Polska Grupa Energetyczna, Tauron Polska Energia, ENEA and KGHM Polska Miedź (Business Partners). On 15 April 2015, pursuant to the Shareholders' Agreement, an agreement to sell shares in PGE EJ 1 Sp. z o.o. (PGE EJ 1) was signed, as a result of which each of the Business Partners purchased a 10% stake in PGE EJ 1.

Once PGE Polska Grupa Energetyczna sold PGE EJ 1 shares to the Business Partners, it retained a 70% stake in PGE EJ 1, while the remaining Business Partners (Tauron Polska Energia, ENEA and KGHM Polska Miedź) had 30%, i.e. 10% each.

*(unless stated otherwise, all amounts expressed in PLN 000s)*

As envisaged, PGE Polska Grupa Energetyczna is acting as leader in the project to build and operate Poland's first nuclear power plant, while PGE EJ 1 will in the future serve as operator.

Pursuant to the Shareholders' Agreement, the Parties jointly undertake to finance activities in the Project's initial phase (Development Stage) proportionately to their stakes. ENEA's financial involvement at the Development Stage will not exceed approx. PLN 107 million.

In the 9-month period ending 30 September 2018, PGE EJ 1 continued preparations to build the first nuclear power plant in Poland.

PGE EJ 1 is financed through loans made by the Shareholders and by share capital increases. On 9 August 2018, an Extraordinary General Meeting of PGE EJ 1 was held, whereby the Shareholders decided to increase the company's share capital by approx. PLN 60 million through the issue of 425 530 new shares with nominal value of PLN 141 each and to acquire the newly created shares in exchange for cash contributions. In accordance with the General Meeting's decision, ENEA purchased shares with total nominal value of approx. PLN 6 million and paid for them with an approx. PLN 6 million cash contribution. The share capital increase was registered at the National Court Register on 11 September 2018.

The Parties to the Shareholders' Agreement do not expect decisions by the Parties on whether or not to further participate in the Project's next stage to be made prior to completion of the Development Stage.

## **27. Performance of investment agreement with Energa S.A. and Elektrownia Ostrołęka Sp. z o.o. concerning the construction and operation of a power unit at Elektrownia Ostrołęka**

On 19 September 2016, ENEA S.A. signed a Letter of Intent with Energa S.A. concerning joint work on preparing, implementing and operating a modern coal-based 1000-MW unit at Elektrownia Ostrołęka (Investment, Ostrołęka C).

The parties' intention is to jointly develop an effective business model for Ostrołęka C, validate project documentation and optimise the new unit's technical and economic parameters. This cooperation also includes a tender procedure to select a general contractor for the Investment.

The parties agree that the Investment will positively impact Poland's energy security, meet the highest environmental standards and provide another stable, highly efficient and low-emission energy source in the National Power System.

On 8 December 2016, the Company executed an Investment Agreement concerning the Ostrołęka C project. The subject of the Agreement is preparation, construction and operation of the aforementioned power unit. Under the Agreement, cooperation will, as a rule, be organised in three stages: Development Stage - until a notice to proceed is issued to the general contractor, Construction Stage - until Ostrołęka C is put into commercial operation, and Operational Stage - the commercial operation of Ostrołęka C. Once the Development Stage is complete, ENEA S.A. is required to participate in the Construction Stage, assuming that the Project will be profitable and that the Project's financing will not breach the Company's bank covenants.

The Investment Agreement included a condition precedent in the form of approval from the President of the Office of Competition and Consumer Protection (UOKiK) for concentration, consisting of a purchase of shares in a special purpose vehicle (SPV) intended to implement the Project. This condition was satisfied on 11 January 2017.

*(unless stated otherwise, all amounts expressed in PLN 000s)*

On 19 December 2016, the SPV announced a tender procedure to select the general contractor to build the Ostrołęka C unit, with approx. 1000 MW and net efficiency of at least 45%, operating on supercritical steam. Under certain assumptions (including the appropriate participation of ENEA S.A., Energa S.A. and potential Financial Investors) and a support mechanism resulting from the introduction of a capacity market or other support mechanisms, Elektrownia Ostrołęka Sp. z o.o. will be able to implement the project in a comprehensive manner.

Performing the Investment Agreement, ENEA S.A. from 1 February 2017 to 23 March 2018 purchased from Energa S.A. shares of Elektrownia Ostrołęka Sp. z o.o. in tranches that add up to a 50% stake in share capital and amount to approx. PLN 101 million.

As a result of the above transactions, Energa S.A. and ENEA S.A. assumed joint control over Elektrownia Ostrołęka Sp. z o.o., based in Ostrołęka, the aim of which is to build and operate a new coal-based unit. Each of the parties has a 50% stake in Elektrownia Ostrołęka Sp. z o.o. and an equal number of General Meeting votes. An equal number of representatives of both of the investors will seat on the Management Board and Supervisory Board. Decisions pertaining to significant activities will require unanimous consent of the two shareholders that have rights to the net assets of Elektrownia Ostrołęka Sp. z o.o. Taking the above into account, the investment is classified as a joint venture and is accounted for using the equity method.

In order to secure sufficient funding for the company, Energa S.A. and ENEA S.A. each made a PLN 10 million loan to Elektrownia Ostrołęka Sp. z o.o. based on an agreement dated 23 November 2017. The loan issued by ENEA S.A. has been repaid.

Following a transformation, on 27 February 2018 the company's legal form changed from a joint-stock company (spółka akcyjna) to a limited company (sp. z o.o.).

On 26 March 2018 the Company executed an Annex to the Investment Agreement, pursuant to which the parties increased the total estimated investment expenditures resulting from their commitments that will be made during the Development Stage of the Ostrołęka C project, i.e. until a notice to proceed is issued to the General Contractor. ENEA S.A.'s investment expenditures might reach approx. PLN 226 million. The increase in investment expenditures results from the need to secure funding for organisational works that will result from the contract with the General Contractor as well as associated investments and the operation of Elektrownia Ostrołęka Sp. z o.o., among other things.

As a result of this increase in Elektrownia Ostrołęka Sp. z o.o.'s share capital, ENEA S.A.:

- on 29 March 2018 purchased 350 000 shares worth PLN 17 500 thousand. On 30 March 2018 ENEA S.A. transferred its cash contribution to the SPV's account. The remaining 350 000 shares were acquired by Energa S.A. The share capital increase was registered at the National Court Register on 30 July 2018.
- on 30 July 2018 purchased 2 870 000 shares worth PLN 143 500 thousand, On 2 August 2018 ENEA S.A. transferred its cash contribution to the SPV's account. The remaining 2 870 000 shares were acquired by Energa S.A. The share capital increase was registered at the National Court Register on 16 October 2018.

ENEA S.A.'s stake in Elektrownia Ostrołęka Sp. z o.o.'s share capital did not change and remains at 50% because the new shares in increased share capital were acquired by ENEA S.A. and Energa S.A. proportionally to their stakes, i.e. on a 50:50 basis.

*(unless stated otherwise, all amounts expressed in PLN 000s)*

On 4 April 2018 Elektrownia Ostrołęka Sp. z o.o. concluded a procedure for the award of a public contract entitled "Construction of 1000-MW Elektrownia Ostrołęka C" by selecting a consortium consisting of GE Power Sp. z o.o. and Alstom Power System S.A.S as the General Contractor, which offered to perform the subject of the tender in parameters specified in the proposal for PLN 5 049 729 thousand net, PLN 6 023 035 thousand gross.

Award of the tender does not constitute:

- approval for execution of a contract with the General Contractor - such approval requires consent from the Issuer's Supervisory Board,
- approval for issue of an order to proceed - issue of the NTP requires consent from the Issuer's Supervisory Board and directional consent from the Issuer's General Meeting to move on to the Construction Stage.

It is estimated that investment expenditures related to the execution of a contract between the Ordering Party and the General Contractor until the NTP is issued will not exceed the equivalent of 4% of the contract price.

On 6 July 2018 an extraordinary general meeting of Elektrownia Ostrołęka Sp. z o.o. granted consent to execute a public supply contract with the General Contractor: Consortium of GE Power Sp. z o.o. (consortium leader) and ALSTOM Power Systems S.A.S., selected by the SPV in a procedure for the award of a public contract by way of competitive dialogue entitled "Construction of 1000-MW Elektrownia Ostrołęka C."

The agreement with the General Contractor: Consortium of GE Power Sp. z o.o. (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.

On 4 September 2018 a memorandum was signed by ENEA S.A., Energa S.A., Elektrownia Ostrołęka Sp. z o.o. and FIZAN Energia ("Fund") concerning the Fund's equity investment (by purchasing shares in the SPV's share capital) in the project being implemented by the SPV to prepare, build and operate a hard coal-fired power unit with gross output of approx. 1000 MW ("Agreement," "Project").

The Fund's investment in Elektrownia Ostrołęka Sp. z o.o. is subject to several legal, corporate and financial conditions being met, including the market situation.

The memorandum solely constitutes a commitment to conduct negotiations in good faith regarding execution of an investment agreement between the Fund and ENEA S.A., Energa S.A. and the Company or the Fund's accession to the existing investment agreement. The memorandum is valid from execution to 30 November 2018.

The memorandum specifies the Project's initial financing structure, where a total of PLN 2 billion covers equity contributed by ENEA S.A. and Energa S.A. to the SPV (PLN 1 billion each), with this amount including funds contributed by ENEA S.A. and Energa S.A. prior to an investment agreement being executed with the Fund, and a maximum of PLN 1 billion in equity contributed to Elektrownia Ostrołęka Sp. z o.o. by the Fund, while the remaining amount will be covered by other forms of financing.

On 7 September 2018, an extraordinary general meeting of Elektrownia Ostrołęka Sp. z o.o. granted consent for the SPV to incur a conditional liability by the SPV's participation in certification for the main capacity market auction, planned for 21 December 2018, on the condition that:

- approval of the form of financial collateral or exemption from the requirement to put up such collateral in the meaning of Chapter 8 of the Act on the capacity market of 8 December 2017,
- definition of an auction strategy by 20 December 2018, specifying an exit price for the main capacity market auction planned for 21 December 2018,

*(unless stated otherwise, all amounts expressed in PLN 000s)*

will each time require separate resolutions by the General Meeting, adopted at the request of the SPV's Management Board.

This resolution allowed Elektrownia Ostrołęka Sp. z o.o. to begin certification for the main auction and at the same time it protects the interests of ENEA and Energa as shareholders, providing them with appropriate control mechanisms at this stage of work at the Ostrołęka C project. On 12 October 2018, Polskie Sieci Energetyczne S.A. (operator) issued a conditional certificate for Elektrownia Ostrołęka Sp. z o.o. as a new generating unit, allowing it to participate in the main Capacity Market auction on 21 December 2018 (delivery year 2023), after establishing collateral for the benefit of the operator, as required by the Act on the capacity market.

On 24 September 2018, an Extraordinary General Meeting of ENEA S.A. granted directional approval to join the Construction Stage of the Ostrołęka C project, i.e. the stage from the moment Elektrownia Ostrołęka Sp. z o.o. issues an order to proceed to the general contractor until the power unit being built as part of the Ostrołęka C project is put into commercial operation. This consent is one of a number of corporate approvals that precede the issue of the NTP.

Through Resolution 73/IX/2018 of 10 October 2018, ENEA S.A.'s Supervisory Board increased the limit of funds for Project financing by PLN 13 million to PLN 239.5 million. The reason for the increased limit was the need to take into account the full amount of a liability arising from insurance contracts executed by Elektrownia Ostrołęka Sp. z o.o., as required under the contract with the General Contractor. At the same time, payment of insurance contributions was split into instalments throughout the duration of the Project, which is why ENEA S.A. does not expect to increase expenditures until the NTP is issued.

## **28. Re-capitalisation of Polska Grupa Górnicza Sp. z o.o.**

In connection with a process to seek out equity investors by Katowicki Holding Węglowy S.A., in July 2016 ENEA S.A. began talks with potential investors concerning implementation of a potential investment and its 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. (Investors), expressing preliminary interest in a financial investment in Katowicki Holding Węglowy S.A. or in KHW's assets.

With Polska Grupa Górnicza S.A. (PGG) being interested in acquiring selected assets from Katowicki Holding Węglowy S.A. and given that a re-capitalisation process had begun at PGG, ENEA S.A. and PGG's other shareholders analysed a business plan presented by PGG and expressed interest in an equity investment in Polska Grupa Górnicza S.A.

On 30 March 2017 ENEA S.A.'s Supervisory Board allowed the Company to invest in Polska Grupa Górnicza S.A. and acquire new PGG shares with nominal value of PLN 300 million in exchange for a PLN 300 million cash contribution.

On 31 March 2017 the Company executed:

- an investment agreement setting out the conditions for a financial investment in PGG (Investment Agreement),
- a memorandum between the Investors concerning exercise of joint control over PGG (Annex 1 to the Memorandum concerning Polska Grupa Górnicza).

### Investment Agreement

The parties to the Investment Agreement are as follows: 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 (Investors)

*(unless stated otherwise, all amounts expressed in PLN 000s)*

and PGG. Under the Investment Agreement, PGG were to purchase selected mining assets from Katowicki Holding Węglowy S.A. pursuant to a preliminary agreement, which was signed on 1 April 2017.

The Investment Agreement determines the way in which the investment is to be carried out and the manner in which the Company will invest in PGG, along with operational rules for PGG and its corporate bodies as well as rules for the parties' exit from the PGG investment.

As part of the PGG re-capitalisation, ENEA S.A. committed to purchasing new PGG shares with total nominal value of PLN 300 million in exchange for a PLN 300 million cash contribution in three stages:

- a) in the first stage, the Company purchased new PGG shares with nominal value of PLN 150 million in exchange for a PLN 150 million cash contribution. After this purchase, the Company held a 4.39% stake in PGG. The first re-capitalisation took place in April 2017.
- b) in the second stage, the Company purchased new PGG shares with nominal value of PLN 60 million in exchange for a PLN 60 million cash contribution. After this purchase, the Company held a 5.81% stake in PGG. The second re-capitalisation took place in June 2017.
- c) in the third stage, the Company purchased, in a private subscription, PGG's series B shares with nominal value of PLN 90 million in exchange for a PLN 90 million cash contribution. ENEA S.A. increased its stake in PGG's share capital to 7.66%. The third re-capitalisation took place in January 2018.

The agreement sets out rules for appointing Supervisory Board members, pursuant to which each of the Investors and the State Treasury will be entitled to appoint one member to the Supervisory Board, which will consist of no more than eight persons.

The investment is in line with ENEA Group's Development Strategy, one element of which involves securing a raw material base for conventional power generation.

As a result of Polska Grupa Górnicza Sp. z o.o. being transformed into a joint-stock company (spółka akcyjna) and a change in rules for the preparation of financial statements, i.e. adoption by Polska Grupa Górnicza Sp. z o.o. of IFRS, Annex 1 to the Investment Agreement of 31 March 2017 entered into force on 31 August 2018, taking into account the aforementioned changes, among other things.

#### Investor memorandum

On 31 March 2017 the Investors: ENERGA Kogeneracja Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and ENEA S.A. executed a Memorandum that governs the way in which the Parties come to agreement on decisions concerning the company and exercise of joint control over the company. For ENEA S.A., the Memorandum was executed on the condition that the President of the UOKiK approves the acquisition of joint control over the company. The UOKiK approval mentioned in the preceding sentence was issued on 22 December 2017.

At the same time, a letter of intent which had been signed on 16 October by ENEA S.A., Węglokoks S.A. and Towarzystwo Finansowe Silesia Sp. z o.o. concerning the previously contemplated equity investment in Katowicki Holding Węglowy S.A. was terminated on 31 March 2017.

## **29. Supervisory Board changes**

On 13 March 2018, the Company received Mr. Paweł Skopiński's resignation, dated 13 March 2018, as member of the Supervisory Board of ENEA S.A.



*(unless stated otherwise, all amounts expressed in PLN 000s)*

On 22 March 2018 the Company received a statement from the Minister of Energy, dated 22 March 2018, on exercise by the Minister of Energy of an authorisation to appoint, based on § 24 sec. 1 of the Company's Articles of Association, a member of the Supervisory Board of ENEA S.A. Under the aforementioned authorisation, Mr. Ireneusz Kulka was appointed to the Company's Supervisory Board as of 22 March 2018.

On 16 April 2018 the Management Board of ENEA S.A. received information about a statement by the Minister of Energy dated 13 April 2018 regarding dismissal of a member of the Company's Supervisory Board pursuant to an authorisation under § 24 sec. 1 of the Company's Articles of Association. Under the aforementioned authorisation, Mr. Ireneusz Kulka was dismissed from the Company's Supervisory Board as of 15 April 2018.

On 16 April 2018 an Extraordinary General Meeting of ENEA S.A.:

- dismissed Mr. Rafał Bargiel and Mr. Piotr Kossak from the Supervisory Board of ENEA S.A.,
- appointed Mr. Ireneusz Kulka and Mr. Paweł Jabłoński to the Company's Supervisory Board, with the resolution appointing Mr. Paweł Jabłoński entering into force when it was adopted and effective from the date on which the candidate receives a positive opinion from the Council for companies with State Treasury participation and state legal entities, i.e. from 20 April 2018.

On 31 July 2018, the Company received Mr. Rafał Szymański's resignation, dated 31 July 2018, as member of the Supervisory Board of ENEA S.A.

On 24 September 2018, an Extraordinary General Meeting of ENEA S.A. adopted a resolution pursuant to which Mr. Paweł Andrzej Korobłowski was appointed to the Company's Supervisory Board.

### **30. Events after the balance sheet date**

On 4 October 2018, an extraordinary general meeting of ElectroMobility Poland S.A. adopted a resolution to increase the company's share capital by PLN 40 000 thousand, i.e. from PLN 30 000 thousand to PLN 70 000 thousand, by raising the nominal value of existing shares from PLN 3 000.00 to PLN 7 000.00. The share capital increase is awaiting entry in the National Court Register.

On 23 October 2018, the Company received notice from TFI PZU S.A. stating that as a result of settlement on 19 October 2018 of a sale of ENEA S.A. shares, which took place on 17 October 2018, in ordinary transactions at the Warsaw Stock Exchange, the stake held by TFI PZU funds in the total number of votes at the Company's General Meeting decreased below the 5% threshold to 4.69%.

On 25 October 2018, the Management Board of ENEA S.A. received information on a lawsuit being filed by the Company's shareholder – Fundacja ClientEarth Prawnicy dla Ziemi, based in Warsaw – with the intention to declare the invalidity, non-existence or cancellation of resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional consent to join the Construction Stage of the Ostrołęka C project.

On 30 October 2018, the Management Board of ENEA S.A. received information on a lawsuit being filed by the Company's shareholder – Międzyzakładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA, based in Poznań – with the intention to declare the invalidity or to cancel resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional consent to join the Construction Stage of the Ostrołęka C project.



*(unless stated otherwise, all amounts expressed in PLN 000s)*

An extraordinary general meeting of ENEA Ciepło Sp. z o.o. was held on 26 October 2018, which passed a resolution to conduct a division of ENEA Wytwarzanie Sp. z o.o. by carving out selected assets and transferring them to ENEA Ciepło Sp. z o.o., and on consent for an increase of ENEA Ciepło Sp. z o.o.'s share capital and amendment of its articles of association.

An extraordinary general meeting of ENEA Wytwarzanie Sp. z o.o. was held on the same day, which also adopted a resolution to conduct a division of ENEA Wytwarzanie Sp. z o.o. by carving out selected assets and transferring them to ENEA Ciepło Sp. z o.o., and on consent for an amendment of ENEA Ciepło Sp. z o.o.'s articles of association, along with a resolution on consent for the sale by ENEA Wytwarzanie Sp. z o.o. of shares of ENEA Ciepło Sp. z o.o., based in Białystok, and ENEA Ciepło Serwis Sp. z o.o., based in Białystok, to ENEA S.A., based in Poznań.

The sale of ENEA Ciepło Sp. z o.o. and ENEA Ciepło Serwis Sp. z o.o. shares by ENEA Wytwarzanie Sp. z o.o to ENEA S.A. took place on 5 November 2018.