



**Report of the Management Board
on the operations of Enea Capital
Group in H1 2017**



1. Operating Summary

RESOURCES



5.2 GW installed electric power	227 mln tonnes potential of 3 mining fields	121.3 thou. km of distribution lines including connections	15.7 thou. Employees	2.5 mln Customers
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**FINANCE
H1 2017**



PLN 5,567 mln net sales revenue	PLN 1,358 mln EBITDA	PLN 624 mln net profit	PLN 2,445 mln CAPEX
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**GOALS
UNTIL 2025**



10.9 mln tonnes own demand for bituminous coal	5.8-6.3 GW installed conventional electrical power	20.1 TWh electricity sales	144 min/1.69 SAIDI/SAIFI	PLN 26.4 bln basic investment budget
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In H1 2017 Enea Capital Group generated:

- **PLN 5,567 mln** net sales revenue
- **PLN 1,358 mln** EBITDA - growth by 12.6% yoy
- **PLN 624 mln** net profit - growth by 32.4% yoy

In the reporting period, the highest EBITDA, PLN 517 mln, was realised in the area of Distribution. The greatest growth in EBITDA, totalling PLN 96 mln (growth by 28.9% yoy), was generated in the area of Generation, which in H1 2017 closed with EBITDA amounting to PLN 427 mln. The basic driver for EBITDA change in this area was a growth in the generation capacity resulting from the acquisition of Enea Elektrownia Potaniec. The EBITDA result of the area of Trade, after a growth by PLN 54 mln (107.8% yoy), reached the level of PLN 105 mln, and the area of Mining in that period reported EBITDA amounting to PLN 321 mln.

<p>+</p> <ul style="list-style-type: none"> • Higher volumes of sold electricity • Higher volumes of sold heat energy • Lower costs of purchasing electricity and gas • Higher sales of distribution services 	<p>-</p> <ul style="list-style-type: none"> • Lower sales volumes of natural gas • Higher costs of transmission services • Higher fixed costs in the RES area
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In Q2 2017 alone the Group generated:

- **PLN 2,857 mln** net sales revenue - growth by 7.3% yoy
- **PLN 692 mln** EBITDA - growth by 28.6% yoy
- **PLN 303 mln** net profit - growth by 67.4% yoy

In H1 2017 Enea CG spent PLN 2,445 mln on investments, of which PLN 1,608 mln was consumed by equity holdings, PLN 329 mln by investments in the area of Generation, PLN 344 mln in the area of Distribution, and PLN 139 mln in the area of Mining.

Net debt/EBITDA as at the end of June 2017 was on a safe level of 2.1.

In the period of January-June 2017 the production of commercial coal reached the level of 4.6 mln tonnes. Sales in that period were reported on the similar level, which means that it grew by 6.5% yoy.

The Group generated 9,337 GWh electricity (growth by 37.2% yoy), of which 8,484 GWh (growth by 29.9% yoy) derived from conventional sources.

Sales of distribution services to end users amounted to 9,654 GWh i.e. increased by 3.5% in relation to the same period of the previous year.

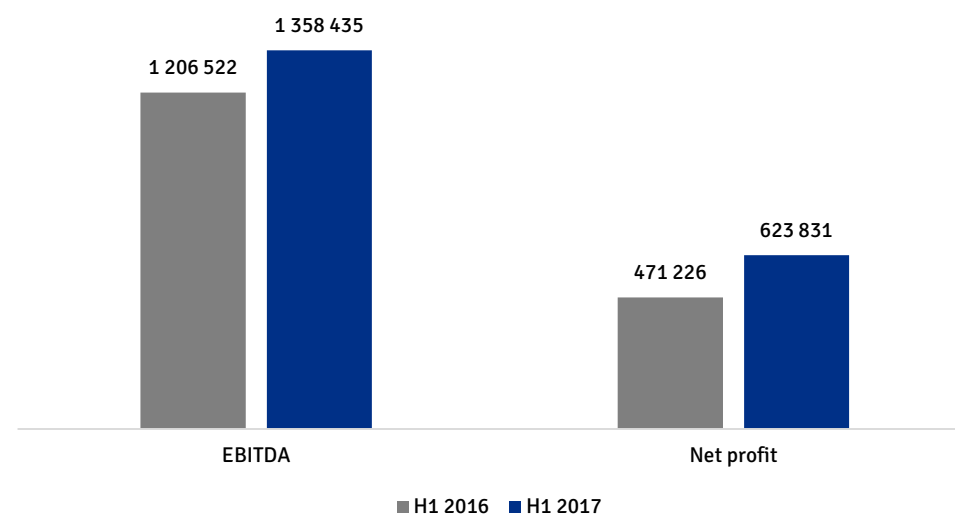
In the period of the first six months of 2017 Enea SA increased the sales volumes of electricity to retail users by 8.2% yoy.

[PLN '000]	H1 2016	H1 2017	Change	Change %
Net sales revenue	5 599 432	5 566 774	-32 658	-0.6%
Operating profit / (loss)	610 571	781 621	171 050	28.0%
Profit / (loss) before tax	587 833	768 655	180 822	30.8%
Net profit / (loss) for the reporting period	471 226	623 831	152 605	32.4%
EBITDA	1 206 522	1 358 435	151 913	12.6%
Net cash flows from:				
operating activities	1 162 073	1 354 737	192 664	16.6%
investing activities	-1 392 491	-2 235 821	-843 330	-60.6%
financing activities	511 574	127 312	-384 262	-75.1%
Balance of cash	2 103 250	1 586 445	-516 805	-24.6%
Net profit of shareholders of the parent company	442 789	581 162	138 373	31.3%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	1.00	1.32	0.32	32.0%
Diluted profit per share [PLN]	1.00	1.32	0.32	32.0%

[PLN '000]	Q2 2016	Q2 2017	Change	Change %
Net sales revenue	2 662 681	2 857 084	194 403	7.3%
Operating profit / (loss)	221 934	399 042	177 108	79.8%
Profit / (loss) before tax	220 868	365 850	144 982	65.6%
Net profit / (loss) for the reporting period	180 821	302 641	121 820	67.4%
EBITDA	538 177	692 009	153 832	28.6%
Net profit of shareholders of the parent company	169 848	285 932	116 084	68.3%
Weighted average number of shares [pcs.]	441 442 578	441 442 578	-	-
Net profit per share [PLN]	0.38	0.65	0.27	71.1%
Diluted profit per share [PLN]	0.38	0.65	0.27	71.1%

[PLN '000]	31 December 2016	30 June 2017	Change	Change %
Total assets	24 536 519	25 235 293	698 774	2.8%
Total liabilities	11 524 790	11 763 130	238 340	2.1%
Non-current liabilities	8 606 757	8 991 149	384 392	4.5%
Current liabilities	2 918 033	2 771 981	-146 052	-5.0%
Equity	13 011 729	13 472 163	460 434	3.5%
Share capital	588 018	588 018	-	-
Book value per share [PLN]	29.48	30.52	1.04	3.5%
Diluted book value per share [PLN]	29.48	30.52	1.04	3.5%

PLN thou.



	unit	H1 2016	H1 2017	Change	Change %	Q2 2016	Q2 2017	Change	Change %
Net sales revenue	PLN thou.	5 599 432	5 566 774	-32 658	-0.6%	2 662 681	2 857 084	194 403	7.3%
EBITDA	PLN thou.	1 206 522	1 358 435	151 913	12.6%	538 177	692 009	153 832	28.6%
EBIT	PLN thou.	610 571	781 621	171 050	28.0%	221 934	399 042	177 108	79.8%
Net profit	PLN thou.	471 226	623 831	152 605	32.4%	180 821	302 641	121 820	67.4%
Net profit of shareholders of the parent company	PLN thou.	442 789	581 162	138 373	31.3%	169 848	285 932	116 084	68.3%
Net cash flows from operating activities	PLN thou.	1 162 073	1 354 737	192 664	16.6%	766 841	782 467	15 626	2.0%
CAPEX	PLN thou.	1 171 046	2 445 119	1 274 073	108.8%	790 239	603 712	-186 527	-23.6%
Net debt / EBITDA ¹⁾	-	1.7	2.1	0.4	23.5%	1.7	2.1	0.4	23.5%
Return on assets (ROA) ¹⁾	%	4.0%	4.9%	0.9 p.p.	-	3.1%	4.8%	1.7 p.p.	-
Return on equity (ROE) ¹⁾	%	7.5%	9.3%	1.8 p.p.	-	5.8%	9.0%	3.2 p.p.	-
Trade									
Sales of electricity and gas to end customers	GWh	9 006	9 509	503	5.6%	4 103	4 486	383	9.3%
Number of consumers (Power Delivery Points)	thou.	2 394	2 410	16	0.7%	2 394	2 410	16	0.7%
Distribution									
Sales of distribution services to end users	GWh	9 332	9 654	322	3.5%	4 605	4 679	74	1.6%
Number of customers (closing balance)	thou.	2 503	2 535	32	1.3%	2 503	2 535	32	1.3%
Generation									
Total generation of electricity, including:	GWh	6 807	9 337	2 530	37.2%	3 456	5 581	2 125	61.5%
<i>from conventional sources</i>	GWh	6 529	8 484	1 955	29.9%	3 331	4 936	1 605	48.2%
<i>from renewable sources of energy</i>	GWh	278	853	575	206.8%	125	645	520	416.0%
Gross generation of heat	TJ	3 035	3 724	689	22.7%	755	1 441	686	90.9%
Sale of electricity, including:	GWh	8 520	11 043	2 523	29.6%	4 245	6 672	2 427	57.2%
<i>from conventional sources</i>	GWh	8 242	9 630	1 388	16.8%	4 120	5 634	1 514	36.7%
<i>from renewable sources of energy</i>	GWh	278	696	418	150.4%	125	510	385	308.0%
<i>from purchases</i>	GWh	-	716	716	-	-	527	527	-
Sales of heat	TJ	2 584	3 411	827	32.0%	614	1 318	704	114.7%
Mining									
Net production	thou. of t	4 285	4 558	273	6.4%	1 950	2 136	186	9.5%
Sale of coal	thou. of t	4 379	4 662	283	6.5%	2,195	2 273	78	3.6%
Closing stocks	thou. of t	134	21	-113	-84.3%	134	21	-113	-84.3%
Roadway works	km	12.9	15.0	2.1	16.3%	6.1	6.9	0.8	13.1%

H1 2017 / H1 2016:

EBITDA higher by PLN 152 mln

Growth in sales of electricity and gas to end customers by 503 GWh

Greater volumes of generated electricity by 2,530 GWh

Q2 2017 / Q2 2016:

EBITDA higher by PLN 154 mln

Growth in sales of electricity and gas to end customers by 383 GWh

Greater volumes of generated electricity by 2,125 GWh

H1 2017:

- growth in EBITDA by 12.6% (by PLN 152 mln)
- consistent development of Enea CG: CAPEX on the level of PLN 2,445 mln with a safe level of net debt/EBITDA ratio
- higher sales of electricity and gas to end users by 5.6% (by 503 GWh)
- greater total generation of electricity by 2.5 TWh

Q2 2017:

- growth in EBITDA by 28.6% (by PLN 154 mln)
- consistent development of Enea CG: CAPEX on the level of PLN 604 mln with a safe level of net debt/EBITDA ratio
- higher sales of electricity and gas to end users by 9.3% (by 383 GWh)
- greater total generation of electricity by 2.1 TWh

1) Ratio definitions are to be found on page 89

WE DEVELOP SUSTAINABLY AND REGULARLY ACHIEVE SET OBJECTIVES



Dear Sirs and Madams,

we are a stable and strong energy and commodity group which develops in a sustainable way. Our conscientious approach to the role played in the growth of the Polish economy, as a supplier of products and services of first need, and the awareness of the impact of our operations on the environment make our Group a modern and responsible company. A test for us was fighting the effects of catastrophic wind storms which in the night from 11 to 12 August went over a part of Enea Operator's distribution area, depriving a total of ca. 250 thou. our Recipients of power and damaging ca. 400 km of the power grid. Over 1,000 of our Employees, 220 brigades, were engaged in the damage removal and reconstruction of totally destroyed lines. Due to a skilful action, hard work and commitment of our Employees we restored the power supply to our Recipients and passed this demanding test.

After the implementation in the recent months of investments building our Group's value and stabilisation of generated financial results, we are currently focusing on the maximum use of the effects of synergy occurring within the assets we hold. After the acquisition of Połaniec Power Plant we became the vice-leader as regards the generation of electricity in Poland.

LW Bogdanka belonging to the Group is one of the best Polish mines of hard coal. Currently, we are intensively working over the optimisation of our Kozienice-Bogdanka-Połaniec mining and generation area in order to strengthen the market position. We are one of the guarantors of the Polish energy security and at the same time a listed company which sees operations in business terms.

Management in business requires far-sightedness

Mining is a sector which requires planning many years in advance. The stability of market and operation within one Group is very important for us, guarantees security and bases for planning investments in new deposits.

According to the declarations of the government, the Polish hard coal and brown coal are to constitute 60% of the energy mix of Poland until 2030, with the perspective to 2050. This is very good information for the producers of the commodity. As seen by LW Bogdanka it means that the demand for coal dusts will remain on a stable level. Similar assumptions were adopted in the strategy for the the area of mining in Enea Group published in February 2017, which is a confirmation for us that we are heading the correct direction.

In July LW Bogdanka submitted a motion to the Minister of Environment for granting licence for coal mining from "Ostrów" deposit. It is a significant step towards the realisation of the Company's strategic goal, which is doubling its operating resources. Obtaining the access to the deposit will increase the mine's base of commodities by ca. 186 mln tonnes. Additionally, it is planned to extend the resources of "Bogdanka" field by ca. 33 mln tonnes. Overall, LW Bogdanka will thus increase the level of resources from ca. 227 mln tonnes currently to ca. 446 mln tonnes. It means that with coal extraction on the level of ca. 9 mln tonnes annually, the mine's lifetime will be extended to ca. 50 years (currently it is ca. 25 years), i.e. until c.a. 2067.

"Ostrów" deposit utilisation may be commenced based on the current infrastructure and without a capital-intensive construction of new shafts. In the perspective after 2025 in "Ludwin" field a vertical access is planned and construction of necessary objects and technical infrastructure. The total pre-estimated expenditures in real values connected with the construction of such the infrastructure amount to PLN 1.2-1.3 bln.

We are consistently increasing the value of our generation assets and we care for the environment

Environmental protection is one of the basic elements of the working ethics in Enea Group. It also a question of constantly rising national and EU's requirements. During recent years we have implemented a number of

investments limiting the pollutants emissions. These are e.g. flue gas desulphurisation plants (IOS) and installation of the catalytic denitrogenation of flue gases (SCR). Electrostatic precipitators have been also replaced and rain and industrial water treatment plant has been modernised. We are also implementing projects of modernising turbines as a result of which the unit consumption of heat reduces, the capacity of turbine sets increases with a concurrent reduction of coal consumption, and thus of gas emissions, including mainly carbon dioxide.

The BAT conclusions voted upon in April 2017 were not surprising for us. In our analyses we have foreseen the expenditures for adjustment of our generation assets to the said requirements. We have wisely approached the selection of technologies applied in our power units so that their adjustment to the environmental requirements is the least expensive. As regards Kozienice Power Plant it is connected with the expenditures on the level of ca. PLN 150 mln, and as regards Połaniec Power Plant of ca. PLN 350 mln. We are well prepared - our generating units will satisfy the standards within the deadline required in the conclusions.

The construction of our key investment - the supercritical 1,075 MW Kozienice Power Plant, equipped with the most modern ecological solutions with the possibility of extension in the future with a CCS installation for capturing CO₂ (CCS ready status) is in the final stage of implementation. On 1 September Enea Wytwarzanie successfully conducted the first synchronisation of the unit with the Public Power System was conducted. The synchronisation was performed in accordance with the schedule - it was the second, after the successful pressure test of the boiler, major test of our generating unit.

We take care for the development of the power grid in the north-western Poland

Enea Operator was established 10 years ago, pursuant to the European Union directive on the separation of electricity sellers from distributors. Today, the Company manages over 121.3 thou. km of power lines with connections on the area of over 58 thou. km² supplying electricity to 2.5 mln Customers.

For 10 years Enea Operator has invested over PLN 7 bln in the grid infrastructure, modernising and constructing new transformer/switching stations, high, medium and low-voltage lines, and also transformer stations or management systems for grid assets and traffic in the distribution network. In that period the duration of interruptions in electricity supplies shortened by 50%.

During the last decade Enea Operator modernised or constructed from scratch several dozen transformer/switching stations, i.e. large stations transforming high to medium voltage. Thus, Enea Operator has directly contributed to the development of the north-western Poland through increasing the capacity of connecting new Customers and development of special economic zones.

In March 2017 the Company started the newest and most modern in Poland Power Dispatch Centre which manages Enea Operator's high-voltage grid in north-western Poland. Such an organisation of traffic enables a flexible, quick and comprehensive response to the events occurring in the 110 kV grid belonging to the Company. The investment contributed to guaranteeing the continuity of electricity supplies to Customers.

And in June, Enea Operator signed an agreement for delivery and implementation of the Central Application for the Measurement Information Acquisition System. The application will ultimately be the sole IT system at Enea Operator, which will acquire, process and store all data related to widely understood measurement information. At present, Enea Operator processes about 4 mln pieces of measurement data monthly, ultimately thanks to the purchased system it will be able to process up to 7 bln pieces of information within one month.

Implementing the planned investments the Company has actively used the Community funds. In H1 2017 it concluded agreements for co-financing in the total amount of anticipated subsidy totalling PLN 60.3 mln, which constitutes over 60% of the value of investments covered with the co-financing applications.

We are focusing on a better knowledge of Customer needs

Enea has been constantly improving the Customer service, introducing new tools of communication. In March 2016 the company launched the electronic Customer Service Centre on the whole area of its operations. In July 2017 it enabled Customer contacts via the on-line chat. During the chat one may quickly, staying at home, ask a question to a consultant, check the status of an invoice and payment history, submit meter readings or contact Enea on other issues related to the Customer service.

Positive changes, both in the service and operation of IT systems enabled improvement of Customer service and facilitated reporting. Thanks to that the efficiency of work of our consultants improved significantly. We have also gained a possibility of a better acquaintance with Customer needs and matching a relevant offer to their preferences.

Innovations integrated into the Group's culture

Innovations and new technologies are and will be the key elements in the development of our Group. The power sector, including our Group, already today is the major recipient of innovative solutions which are implemented e.g. in distribution networks or by electricity generation. Over 50% of the initiatives in Enea Group's development strategy are innovative in nature. Due to their implementation we become a flexible and modern group, developing durable competitive advantages.

The entity established in order to build market position and coordinate the Group's innovation area is Enea Innovation. The Company is a centre of identification and implementation of modern products, services and business lines in all the links of the value chain. Its incorporation will enable durable integration of the philosophy of innovative operations into the Group's culture. Enea Innovation will participate in the innovation ecosystem via establishing cooperation with governmental organisations and best universities, research and development centres, technology brokers, accelerators, incubators, associations, foundations and think tanks. The Company is also open to collaboration with startups.

Innovativeness is not only one of the key development conditions for us. We wish to introduce innovativeness into the DNA of our Group. We focus on searching for new solutions and ideas. We search for them on the market and inside the organisation. We wish to utilise them to realise the vision of an innovative company which anticipates and satisfies Customer expectations and is able to face challenges the future brings.

We see huge potential in the realisation with the scientific centres and local governments of research and development project and infrastructure projects in the area of electrical buses and the infrastructure of their charging. Therefore, in April 2017, Enea became a member of the cluster entitled "Polish Electric Bus - electromobility supply chain". The cluster was established on the initiative of Solaris and universities, scientific centres and enterprises commenced collaboration. The goal of the cluster is cooperation for electromobility development, in particular e-buses and components used for their construction, which will be based on technical solutions elaborated in Poland.

In June Enea Innovation and Enea Operator became partners of the Energy Cluster in Zielona Góra. It is a joint initiative of the city of Zielona Góra, University of Zielona Góra and local companies operating mainly within the Lubuski Technological and Industrial Park.

Another example of applying an innovative approach in Enea Group is starting a cooperation with Polska Grupa Górnicza within the exchange of experience and know-how in order to prepare a new fuel mixture using coal sludge which would be possible to use for the commercial exploitation in the energy sector. The innovative product will allow for limiting the sales of the so-called sludge range to individual Customers, which will help improve the quality of the air.

We share profits with Shareholders

Enea puts financial security on the first place in its operations. It realises investments enhancing its value planned in the strategy, strictly controlling the costs. It wishes to be a dividend distributing company, however the level of payment must be adjusted to the size of the generated profit, the Company's financial possibilities and planned development. In Enea's assessment it is important to ensure a long-term building of the equity portfolio, so that in the future it is possible to implement the scheduled investments.

On 26 June the Ordinary General Meeting of Shareholders of Enea decided to pay the dividend for Shareholders in the amount of PLN 0.25 per share. The amount was in line with the recommendation of the Board and was positively assessed by the Company's Supervisory Board.

Sustainable development builds a strong energy and commodity group

We are a stable and strong commodity and energy group. We engage into numerous projects within the corporate social responsibility since we believe that such companies as Enea should create a business responsibility climate in Poland.

In June we became a partner of Large Family Card programme. Enea's new offer, ENERGY+ Family, will be addressed to people entitled to use the Large Family Card. Thanks to that families with at least three children will be able to use a discount for electricity.

We engage also into initiatives supporting the development of young Poles, the example of which may be e.g. letters of intent signed with schools with mining profile classes: the Complex of Mining Schools in Łęczna and the Complex of Schools in Ostrów Lubleski. The documents signed relate to the possibilities of employment in the future by the Lublin mine of outstanding students of the above mentioned schools and also to a scholarship fund the task of which will be motivating students to work hard and learn the mining profession effectively.

On the other hand, the first edition of the paid internships and trainings called "Install yourself in Enea" was completed at the end of June in Enea. As many as 70% of trainees received a proposal of working in the Group. The goal of the programme is obtaining and educating future staff of Enea Group. In July, the second edition of the programme commenced. The training will be started by several dozen students. They will face a year of a valuable experience in the profession, and the teachers will be able to check the potential of prospective Employees and gain the manager's experience.

It is Employees of Enea Group and their knowledge that determine its strength and position. We want the people working for us to develop with the benefit to themselves and the whole Group.

Yours faithfully,

Mirosław Kowalik

President of the Management Board of Enea SA

I quarter

Negotiations with EDF Investment SAS as regards the acquisition of EDF assets in Poland

As a consequence of actions undertaken during the previous reporting periods relating to the planned acquisition of EDF assets, on 27 January Enea and PGE Polska Grupa Energetyczna, Energa and PGNiG Termika and EDF signed a Memorandum of Understanding relating to the conduct of negotiations on the acquisition of EDF assets in Poland and due diligence analysis within this scope. On 15 March the business partners made amendments to the transaction structure, relating to:

- withdrawal of PGNiG Termika from the transaction
- takeover of the so far declared share of PGNiG Termika in the transaction by PGE, which results in the growth in PGE's share in the transaction to 60%
- maintaining the shares of Enea and Energa in the transaction on the same level of 20% for each company

Pursuant to the arrangements the aforementioned amendments required confirmation of filing no objections by EDF.

On 11 May the Management Board of Enea SA adopted a resolution on the resignation from the Company's participation in the transaction of acquiring Polish assets belonging to EDF International SAS and EDF Investment II B.V.

Taking up shares in Polimeks-Mostostal

On 18 January Enea, Energa, PGE Polska Grupa Energetyczna, PGNiG Technologie and Polimeks-Mostostal concluded an investment agreement relating to the investment in Polimeks-Mostostal and other agreements within this transaction. On 20 January, after satisfaction of conditions precedent, foreseen in the investment agreement of 18 January, Enea, Energa, PGE and PGNiG Technologie took up shares in Polimeks-Mostostal. The investors took up cumulatively 150 mln, i.e. 37.5 mln shares in Polimeks-Mostostal each, as part of the planned capital raising. The issue price per share was set at PLN 2. As a consequence of recapitalisation and redemption of the shareholding in SPV Operator the investors subscribed for a total of 65.93% of shares (complaint with the new shareholding structure). On 21 March the Investors published a tender offer for shares in Polimeks in relation to exceeding (as the parties to the memorandum of understanding) of the 33% threshold of the total number of votes at a general meeting of Polimeks. The offer was consequent in nature and was settled on 28 April. As a consequence each of the investors acquired 24 shares in Polimeks. Currently, Enea holds 39,000,024 shares in Polimeks, constituting 16.48% share in the company's share capital. Jointly, the Investors hold 156,000,097 shares, constituting 65.9% share in Polimeks's share capital.

Polimeks-Mostostal holds the largest, over 23% share in the implementation of core projects in the conventional energy sector. Due to this fact, the company is present in contractor consortia of the largest energy related investments in Poland, whose cumulative budget is ca. PLN 30 bln.

Modernisation of two units' turbines in Kozenice Power Plant

In January, Enea Wytwarzanie and EthosEnergy signed an agreement relating to the modernisation of the turbines on units No. 3 and 8 in Kozenice Power Plant. Due to the modernisation the turbine sets' dynamic state will be improved. The value of the contract is almost PLN 4.9 mln net, and the works were completed in July 2017.



Extension of the agreement for banking services with PKO Bank Polski and Bank Pekao SA

On 25 January Enea Group companies signed annexes to the agreements currently in force for the comprehensive bank services concluded with PKO BP and Pekao SA. Annexing the existing agreements for the next term provides Enea Customers with a guarantee that bank account numbers will remain the same. The Group's core companies will have access to all the necessary banking products and services within a comprehensive bank service on the most advantageous conditions.

Cooperation with PKO BP and Pekao SA gives a possibility to Enea Group core companies to jointly manage the money and enables financing the current operations from intergroup funds with no necessity to incur any costs of commissions or interest. Additionally, it guarantees a comprehensive bank service within the available product range and overdraft facility availability within the system of managing groups of accounts (Cash Pooling) for the needs of financing the core operations.

Flexible development, doubling the commodity base and innovations within Enea Group's Mining area

LW Bogdanka being a part of Enea Group, the most modern and most efficient bituminous coal mine in Poland on 9 February presented the development strategy for the Area of Mining of Enea Group until 2025 with the outlook to 2030. The announced strategy is in line with Enea Group's Strategy and complies with the Sustainable Development Plan and the project of the Programme for bituminous coal mining in Poland.

The strategy of LW Bogdanka Area of Mining in Enea Group assumes two development scenarios: base, foreseeing the average production on the level of 8.5 mln tonnes during 2017-2025, and flexible development with the average annual production in that period on the level of ca. 9.2 mln tonnes. Having in mind the current and anticipated market situation the Company intends to implement the scenario of flexible development. CAPEX projected for 2016-2025 (in nominal value) is PLN 3.7 bln for the base scenario and ca. PLN 4 bln for the flexible development scenario.

Investments deemed key by LW Bogdanka: close cooperation and synergy accomplishment within Kozenice-Bogdanka-Połaniec area of mining and generation, also doubling the base of operating resources and implementation of a range of key innovative strategic initiatives. The major of them include: conducting, together with Enea Group, the feasibility study of the project of the technology of coal gasification for electricity generation (IGCC), utilisation of the modern highly efficient face machine complex, continuation of the programme entitled "The Mine of Smart Solutions", efficient gangue management and development of LW Bogdanka's operating services, offered based on high technical and managerial standards of the Company. Unalterably, the strategy's priority element remains maintaining the highest level of occupational safety and conducting operations according to corporate social responsibility (CRS) principles.

Guaranteeing the reliability of electricity supplies

In March Enea Operator started the newest and most modern Power Dispatch Centre (PDC) which will manage the high-voltage grid in north-western Poland. High-voltage grid belonging to the Company is currently controlled from one place. Such an organisation of traffic enables a flexible, quick and comprehensive response to events occurring on the whole length of 110 kV grid belonging to Enea Operator. The investment contributes to guaranteeing the continuity of electricity supplies to Customers. The IT systems applied in PDC are based on Polish solutions.

I-II quarter

Enea the owner of Połaniec Power Plant - transaction with ENGIE successfully completed

On 14 March, the transaction of purchasing 100 per cent of shares in ENGIE Energia Polska, the owner of Połaniec Power Plant, by Enea Group from ENGIE International Holdings B.V. was successfully closed. Enea obtained, for ca. PLN 1.26 bln, a major system power plant, which during the recent years has undergone a ca. 1.5 bln worth of an intensive modernisation programme. The acquired company is fully debt-free and has strengthened Enea on the market from the very first days.

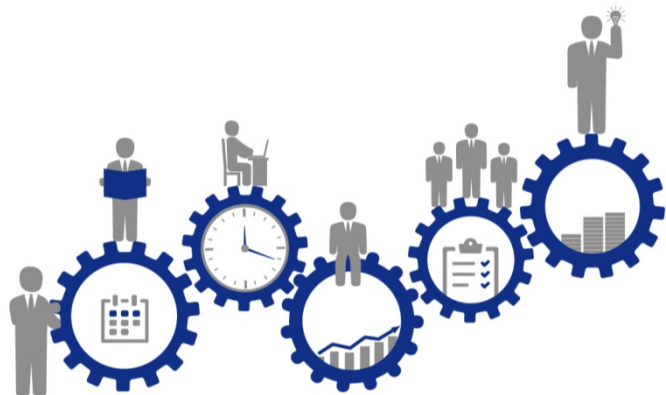
When financing the transaction Enea used mainly own funds, including also the funds obtained as part of the first public issue and the issue available within the programme guaranteed by Bank Gospodarstwa Krajowego.

On 10 April ENGIE Energia Polska changed its name to Enea Elektrownia Połaniec. As of 1 July the Company's Management Board was operating in the following composition: President of the Board – Lech Żak, Vice-President of the Board for Technical Issues – Marek Ryński and Vice-President of the Board for Financial Affairs – Jacek Kutz.

During the next weeks Enea Elektrownia Połaniec will formally join Enea Group. The procedures and rules in force in Enea will be implemented in Połaniec Power Plant.

Połaniec Power Plant comprises eight units of the total capacity of 1.9 GW. It is one of the younger system power plants in Poland and the biggest object of this type in south-east Poland. The power plant belonged to a French concern, ENGIE, and Enea submitted a purchase offer in September 2016.

The acquisition of Połaniec Power Plant is in line with Enea Group's priorities as they result from the development strategy. Enea gains a range of benefits with just one transaction. The Group is abruptly increasing the electricity generation capacities from 3.3 GW to 5.2 GW, of which over 200 MW is one of the largest "green units" in the world utilising biomass. Incorporating Połaniec under the Group, Enea increases energy generation from ca. 14 TWh to ca. 24 TWh and becomes a strong vice-leader on the Polish market of energy generation. At the same time, electricity generation and sales will be balanced in the Group. The transaction also guarantees sales of large volumes of coal mined in Enea Group - Połaniec Power Plant utilises ca. 3.9 Mt of the commodity, of which over 50% comes from LW Bogdanka. Thus, the Group develops a cost- and operation-efficient Koziencice-Bogdanka-Połaniec mining and generation area based on its own raw material.



Recapitalisation of Polska Grupa Górnicza

On 30 March Enea's Supervisory Board approved Enea's entering into Polska Grupa Górnicza sp. z o.o. (PGG) and subscription for the new shares in PGG's share capital totalling to PLN 300 mln in consideration for the contribution in cash amounting to PLN 300 mln. On 31 March Enea, and the following companies: ENERGA Kogeneracja, PGE Górnictwo i Energetyka Konwencjonalna, PGNiG Termika, Węglkokoks, Towarzystwo Finansowe Silesia, Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, concluded an investment agreement with PGG. It regulates the course of the investment and the Company's entering into PGG, principles of operation of PGG and its authorities, and also the terms under which the parties may exit from the investment in PGG. The agreement foresees recapitalisation of PGG by the investors in three stages for the total amount of PLN 1 bln. As part of PGG recapitalisation Enea undertook to subscribe for new shares in PGG with the total nominal value of PLN 300 mln in consideration for the contribution in cash amounting to PLN 300 mln, in three stages: The first recapitalisation of PGG by Enea in the amount of PLN 150 mln was in April 2017. Within the second recapitalisation which was in June 2017 Enea took up new shares in PGG of the total value of PLN 60 mln, guaranteeing itself 5.81% share in the share capital of the mining company. Another recapitalisation amounting to PLN 90 mln is scheduled for Q1 2018. The Investment is in line with Enea Capital Group's Development Strategy whose one element is securing the base of commodities for the conventional power engineering. Additionally, the investors concluded an agreement relating to the exercise of a joint control over PGG.

On 31 March the letter of intent concluded on 28 October 2016 with Węglkokoks and TF Silesia expressing the preliminary interest in the financial engagement in KHW or KHW's assets was terminated.

Implementation of the investment agreement relating to the construction of a power unit in Ostrołęka Power Plant

On 11 January the President of the Office of Competition and Consumer Protection approved the concentration being the acquisition of the shares in the special purpose vehicle, Elektrownia Ostrołęka SA seated in Ostrołęka, for the implementation of the project consisting in the preparation, construction and operation of a 1,000 MWe bituminous coal fired power unit (Ostrołęka C).

On 1 February Enea SA and Energa SA concluded a Purchase Agreement for 24,980,926 shares in Elektrownia Ostrołęka SA, taking thus up 11.89% in the share capital of the company for the total price of PLN 24 mln. On 13 April the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka adopted a resolution on raising the share capital of the Company from PLN 210.1 mln to PLN 229.1 mln through the issue of new shares. In the private subscription Enea SA took up 9.5 mln shares in consideration for a contribution in cash which was paid on 28 April 2017. After the subscription for the shares of the new issue Enea increased their share in the share capital of Elektrownia Ostrołęka SA to 15.1%. On 27 June Enea SA and Energa SA concluded an Agreement on the purchase of 20,017,269 shares in Elektrownia Ostrołęka SA, for the total value of ca. PLN 19.2 mln, increasing the share in the share capital of the company to 23.8%. Pursuant to the above agreements Energa SA and Enea SA took over the joint control over Elektrownia Ostrołęka SA. Both parties will ultimately hold 50% shares in Elektrownia Ostrołęka SA each and the same number of votes at a General Meeting.

Energa and Enea agree that the implementation of Ostrołęka C project will positively affect the Polish energy security, will satisfy the highest environmental standards and will guarantee a next highly-efficient and low-emission source of energy in the Polish Power System. The Companies foresee that the construction of the new unit will be completed in H2 2023, and the expenditures on the implementation of the investment will total to ca. 5.5-6 mln PLN/MW.

II quarter

Enea joined the electromobility development cluster

In April Enea group became a member of the cluster entitled “Polish Electric Bus - electromobility supply chain”. It was established on the initiative of Solaris, and the following companies joined the cooperation: EC Grupa, Ekoenergetyka Polska, Impact Clean Power Technology, Medcom, Instytut Napędów i Maszyn Elektrycznych KOMEL, SKB Drive Tech and AGH University of Science and Technology, Poznan University of Technology and Warsaw University of Technology. The goal of the cluster is cooperation for electromobility development, in particular e-buses and components used for their construction, which will be based on technical solutions elaborated in Poland – as seen by the power sector the anticipated development of electrical vehicles will affect the growth in demand for electricity and future operation of the power system.

Changes in the Management Board of Enea Innovation

On 24 May the Extraordinary General Meeting of Shareholders of Enea Innovation, a company managing the innovation area in Enea Group, appointed Andrzej Wicik to the position of the President of the Management Board, who has been holding managerial positions for many years, e.g. in Stalowa Wola Power Plant and Alstom. Another Member of the Board is Krzysztof Hajdrowski, connected with the power industry and Enea Group for many years.

The Management Board’s duty is preparation for an efficient and effective implementation of innovative projects for the Group’s needs. Enea Innovation will deal with e.g. coordination of projects related to the co-operation with start-ups.

Community funds drive investments in the Distribution area

In June, Enea Operator signed agreements with contractors for the realisation of two very important grid investments. The projects will be considerably subsidized from the Community funds. Due to that Enea Operator is thoroughly modernising the transformer/switching station in Piła Południe (PLN 9.5 mln, 70% co-financing) and will build a ten-odd kilometre section of 110 kV high voltage line (PLN 6.9 mln, 50% co-financing).

Another subsidy for Enea Operator was awarded to projects implemented in the Zachodniopomorskie Province to increase the potential of the power grid to receive energy from renewable sources on medium and low voltage. The value of the investment is approximately PLN 4.2 mln, while the subsidy will amount to over PLN 1.7 mln. EU funds will allow e.g. for the application of innovative solutions - transformers installations with automatic voltage regulation during operation.

On 22 June the representatives of Enea Operator’s Management Board signed two agreements for the construction of smart grids on the area of Bydgoszcz and Zielona Góra. Investments will be related to the construction, modernisation and reconstruction of medium and low voltage lines and stations. The objective of the project is guaranteeing an economically and technically efficient and balanced power system characterised with a low level of losses and high level of quality and reliability of supplies and environmental protection. The total value of both projects is close to PLN 17 mln, while the value of their co-financing will amount to over PLN 11 mln.

Enea Operator with one, complete information system

In June Enea Operator signed an agreement for delivery and implementation of the Central Application for the Measurement Information Acquisition System. The application will ultimately be the sole IT system at the distribution company, which will acquire, process and store all data related to widely understood measurement information. Due to that solution the number of measurement data processed during one month could grow from the present 4 mln to over 7 bln pieces of information monthly. The agreement’s worth is PLN 22 mln and foresees the implementation of the application within two years.

Cooperation for the development of technology within the preparation of a new fuel mix

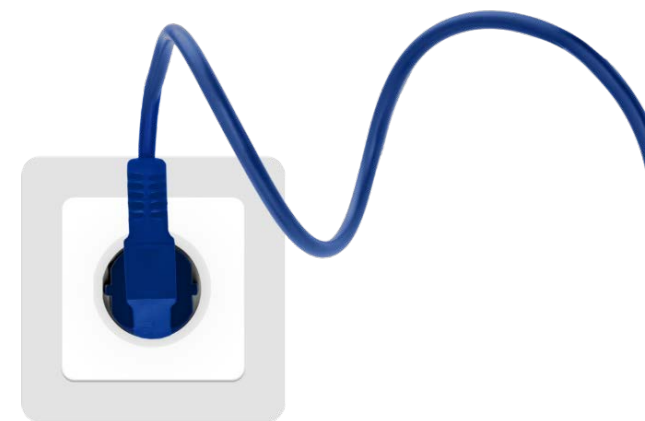
In June, Enea Trading and Polska Grupa Górnicza (PGG) commenced cooperation within the exchange of experience and knowledge in order to prepare a new fuel mixture using coal sludge which would be possible to use for the commercial exploitation in the energy sector. The priority of the both Groups is cooperation within modernising the Polish energy and mining potential and building new competences in both sectors. The letter of intent signed by the companies will allow for making the cooperation relating to the commercial application of coal sludge and flotation concentrates via their use as coal fuel in power units belonging to Enea Group. The innovative product will allow for limiting the sales of the so-called sludge range to individual Customers, which will help improve the quality of the air.

Enea shares profits with Shareholders

On 26 June the Ordinary General Meeting of Shareholders of Enea decided to pay the dividend for Stockholders in the amount of PLN 110,360,644.50, which is PLN 0.25 earnings per share. The amount of the dividend, which was in line with the prior recommendation of the Board and was positively assessed by the Company’s Supervisory Board, was paid to the investors on 10 August.

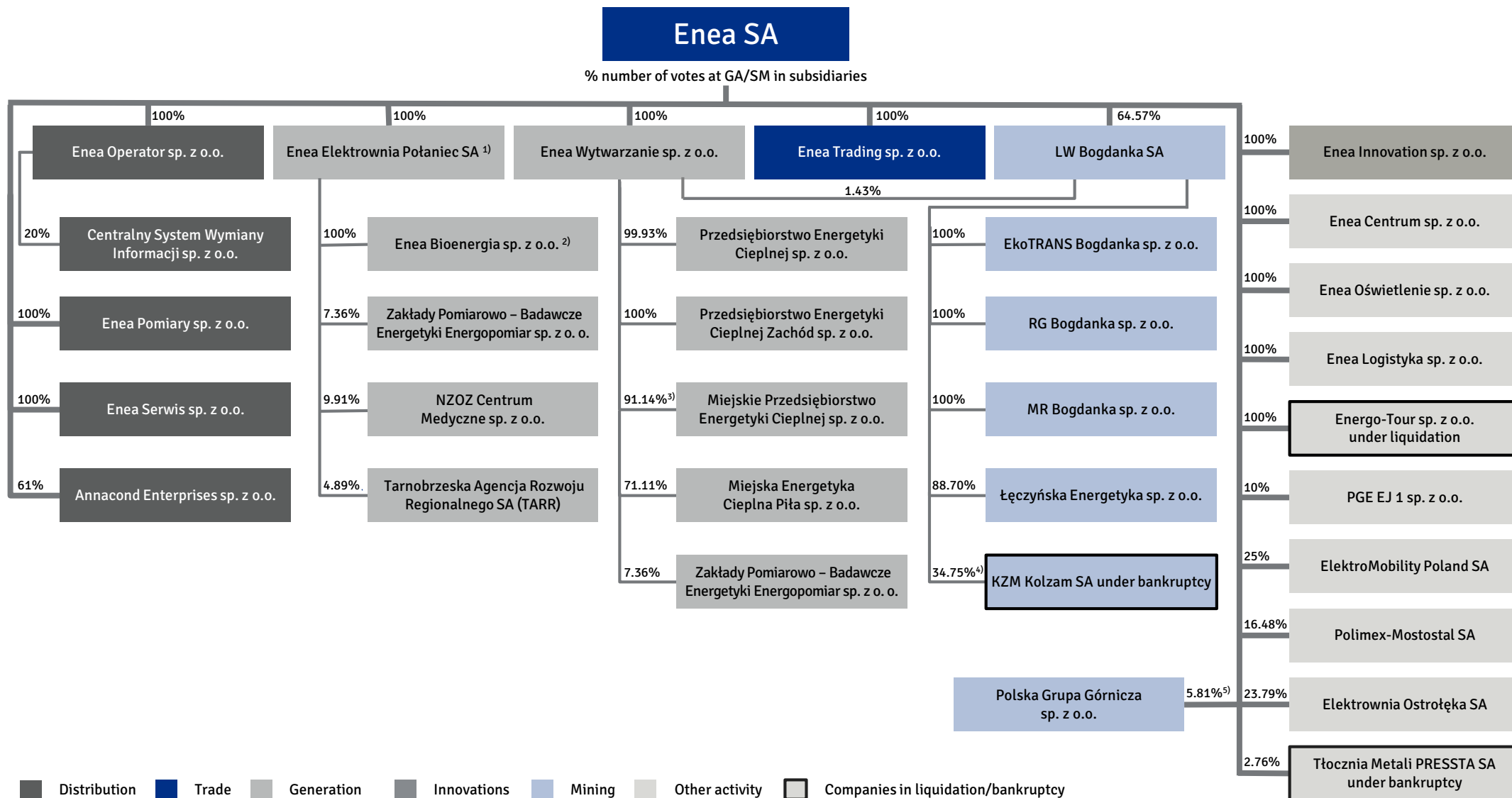
Fitch Ratings affirmed Enea’s rating

On 30 June Fitch Ratings agency affirmed the Company’s long-term foreign- and local-currency issuer default ratings at “BBB” and also affirmed and simultaneously withdrew Enea’s national long-term rating of “A+(pol)” with a stable outlook for commercial reasons.





2. Enea Group's organisation and operations



6 leading entities operate within Enea Group, i.e. Enea SA (trade in electricity), Enea Operator sp. z o.o. (distribution of electricity), Enea Wytwarzanie sp. z o.o. and Enea Elektrownia Połaniec SA (generation and sales of electricity and heat), Enea Trading sp. z o.o. (wholesale trade in electricity) and LW Bogdanka SA (coal mining). The other entities render supplementary services in relation to the aforementioned companies.

The Group's structure includes also minority interests in entities held by Enea SA's subsidiaries, i.e. Enea Wytwarzanie sp. z o.o., Enea Elektrownia Połaniec SA and LW Bogdanka SA.

1) Former name of ENGIE Energia Polska SA (change as of 10 April 2017)
 2) Former name of ENGIE Bioenergia sp. z o.o. (change as of 26 April 2017)

3) Changes in the number of shares in MPEC sp. z o.o. in Białystok stem from the acquisition by Enea Wytwarzanie sp. z o.o. of shares from authorised employees
 4) Earlier, the percentage share of LW Bogdanka SA in the share capital of KZM Kolzam SA under bankruptcy was presented which amounts to 22.41%
 5) The share in the number of votes after the registration of raising the share capital which took place on 7 July 2017

Asset restructuring

After performing, in previous years, key organisational changes in H1 2017 Enea Capital Group, apart from the initiatives related to the planned changes, did not conduct any significant activities within assets restructuring.

Equity disinvestments

In H1 2017 no significant activities were performed as regards equity disinvestments.

Changes in the Group's organisation

In H1 2017 Enea Group continued activities focused on the implementation of the Group's Corporate Strategy.

Equity investments

Area	Date	Company	Event
H1 2017			
Other activity	20 January 2017	Polimex-Mostostal SA	Enea SA accepted the offer made by Polimex to take up, as a private subscription, 37.5 mln shares and acquired 1.5 mln shares of Polimex from its existing shareholder, taking up a total of 16.4% in the Company's share capital.
Other activity	1 February 2017	Elektrownia Ostrołęka SA	Acquisition by Enea SA from Energa SA of 24,980,923 shares in Elektrownia Ostrołęka SA - Enea SA took up 11.89% in the Company's share capital.
Generation	14 March 2017	ENGIE Energa Polska SA	Enea SA acquired 100% shares from ENGIE International Holdings B.V.
Other activity	3 April 2017	PGG	Enea SA took up 1,500,000 new shares of the nominal value of PLN 100 each and the total value of 150,000,000 in Polska Grupa Górnicza sp. z o.o., becoming thus the minority shareholder of the Company with 4.39% shareholding in its share capital. Entry in KRS (National Court Register) - 8 June 2017.
Generation	21 April 2017	MPEC sp. z o.o.	Increasing the share in the total number of votes in relation to the performance of agreements between authorised employees of MPEC sp. z o.o and Enea Wytwarzanie sp. z o.o
Other activity	28 April 2017	Polimex-Mostostal SA	As a result of the tender offer Enea SA purchased 24 shares in Polimex constituting 0.00001% share in the Company's share capital.
Other activity	28 April 2017	Elektrownia Ostrołęka SA	Enea SA accepted an offer made by Elektrownia Ostrołęka SA of taking up as a private subscription of 9.5 mln new shares in Elektrownia Ostrołęka SA.
Other activity	14 June 2017	PGG	Enea SA took up 600,000 shares in the raised share capital of PGG, of the total nominal value of PLN 60,000,000, increasing thus its shareholding in the Company's share capital from 4.39% to 5.81%. Entry in KRS (National Court Register) - 7 July 2017.
Other activity	27 June 2017	Elektrownia Ostrołęka SA	Acquisition by Enea SA from Energa SA of 20,017,269 shares in Elektrownia Ostrołęka SA - Enea SA holds a total of 23.79% in the Company's share capital.
Other activity	30 June 2017	Centralny System Wymiany Informacji sp. z o.o.	Transfer of ownership to 16 shares to 4 distribution companies (Innogy Stoen Operator sp. z o.o. (formerly: RWE Stoen Operator sp. z o.o.), Energa Operator SA, PGE Dystrybucja SA, Tauron Dystrybucja SA). Enea Operator sp. z o.o. presently holds 4 shares in CSWI sp. z o.o., which is 20% share in the Company's share capital.

Area	Date	Company	Event
Events after the reporting period			
Innovations	2 August 2017	Enea Innovation sp. z o.o.	The Extraordinary General Meeting of Shareholders of Enea Innovation sp. z o.o. seated in Warsaw, share capital PLN 5,000, decided to raise the share capital by PLN 300,000, i.e. From PLN 5,000 to PLN 305,000, through the issue of 3,000 new shares of the nominal value PLN 100 each.

Performance of the Investment Agreement with Energa SA and Elektrownia Ostrołęka SA relating to the construction and operation of the power unit in Ostrołęka Power Plant

On 19 September 2016, Enea SA and Energa SA signed a Letter of Intent relating to undertaking the cooperation on the preparation, implementation and operation of a modern 1,000 MW unit in Ostrołęka Power Plant (investment, Ostrołęka C).

The Parties' intention is joint elaboration of Ostrołęka C effective business model, verification of its design documentation and optimisation of technical and economic parameters of the new unit. The cooperation includes also the performance of the tender procedure to select the general contractor for the Investment.

In the Parties' agreeable opinion the implementation of the Investment will positively affect the Polish energy security, will satisfy the highest environmental standards and will guarantee a next high-performance and low-emission source of energy in the Polish Power System.

On 8 December 2016 the Company concluded an Investment Agreement relating to the realisation of Ostrołęka C project. The subject of the Agreement is preparation, construction and operation of a power unit mentioned above. Pursuant to the concluded Agreement, the cooperation, as a rule, will be organised in three stages: Development Stage - until the instruction to commence works for the general contractor; Construction Stage - until the commissioning of Ostrołęka C for commercial exploitation and Exploitation Stage - commercial exploitation of Ostrołęka C. After the Development Stage Enea SA is obliged to participate in the Construction Stage with the assumption that the Project profitability condition is satisfied, and Project financing will not infringe upon the Company's bank covenants. It is estimated that the total capital expenditures of Enea SA until the end of the Development stage will amount to ca. PLN 128 mln. For the implementation of the Investment Energa SA will dispose of the shares held in Elektrownia Ostrołęka SA, constituting 50% in the share capital, to Enea SA, in the amount of ca. PLN 101 mln. A condition precedent suspending the Investment Contract's entry into force was obtaining the consent of the President of the Office of Competition and Consumer Protection to perform the concentration being the acquisition of the shares in the special purpose vehicle to implement the Project. The condition was satisfied on 11 January 2017.

On 19 December 2016 the special purpose vehicle announced the tender procedure for the selection of a general contractor to construct Ostrołęka C power plant with ca. 1,000 MW capacity and net efficiency of at least 45%, operating on steam supercritical parameters. Elektrownia Ostrołęka SA on the realisation of specific assumptions (with a relevant share of Enea SA, Energa SA and potential Financial Investors) and assuming the introduction of the capacity market or other support mechanisms, will be able to undertake a comprehensive implementation of the project.

On 1 February 2017 Enea SA and Energa SA concluded an Agreement on the purchase of 24,980,926 Shares in Elektrownia Ostrołęka SA, for the total value of PLN 24 mln, taking up thus 11.89% in the Company's share capital.

Based on the above mentioned agreements Energa SA and Enea SA acquired a joint control over Elektrownia Ostrołęka SA, seated in Ostrołęka, whose purpose of operation is construction and operation of a new coal unit. Both parties will hold 50% shares in Elektrownia Ostrołęka SA each and the same number of votes at a General Meeting. The same number of representatives of the both parties will sit in the Management Board and Supervisory Board. Decisions relating to significant actions will require unanimous consent of both shareholders who have the right to the net assets of Elektrownia Ostrołęka SA. Taking the above into consideration the investment was classified as a joint undertaking and is recognised by the equity method.

Elektrownia Ostrołęka SA is a non-public company, therefore there are no quoted prices for its shares.

On 13 April 2017 the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka SA adopted a resolution on raising the share capital of the Company from PLN 210,100 thou. to PLN 229,100 thou. through the issue of new shares. In the private subscription Enea SA took up 9,500,00 shares in consideration for contribution in cash which was paid on 28 April 2017. After taking up the shares Enea increased its share in the share capital of Elektrownia Ostrołęka SA to 15.1%. On 27 June 2017 Enea SA and Energa SA concluded an Agreement on the purchase of 20,017,269 shares in Elektrownia Ostrołęka SA, for the total value of ca. PLN 19.2 mln, increasing the share in the share capital of Elektrownia Ostrołęka SA to 23.79%.

Equity investments

Acquisition of shares in ENGIE Energia Polska SA (currently Enea Elektrownia Połaniec SA)

On 30 September 2016 Enea SA submitted an offer for the purchase of 100% of shares in ENGIE Energia Polska SA (EEP, currently Enea Elektrownia Połaniec SA). The offer was submitted compliant with the process initiated by ENGIE, the owner of 100% of shares in EEP. On 2 December 2016 the Company obtained exclusive rights for further negotiations relating to the acquisition of 100% of shares in EEP. On 23 December 2016 the Company and ENGIE International Holdings B.V. signed a conditional agreement for sale of 100% shares in EEP, and indirectly also 100% shares in ENGIE Bioenergia sp. z o.o.

Closing the transaction depended on the fulfilment of the following significant conditions precedent:

- obtaining the consent of the Minister of Energy, pursuant to the Act on control over certain investments
- obtaining the consent of the President of the Office of Competition and Consumer Protection for the concentration
- waiver of the pre-emptive right by the President of the Agricultural Property Agency
- conversion of EEP debt towards entities from ENGIE group into capital of EEP

On 28 February 2017 the Company was informed on the satisfaction of the last of the above mentioned conditions, which means that all the above conditions precedent were fulfilled. On 2 March the Company received the calculation of the preliminary selling price of 100% of shares in EEP from ENGIE International Holdings B.V. on the level of PLN 1,264,159,355.

On 14 March the Issuer acquired 100% of shares in EEP, i.e. 7,135,000 shares, entitling to the same number of votes for the initial price of PLN 1,264,159,355. Estimated costs related to the acquisition of shares amounted to PLN 3.9 mln. The transaction is in line with Enea Capital Group's Development Strategy until 2030 approved in September 2016. Due to that the Group will increase its share in the domestic generation of power and will remain the vice-leader of the Polish market of electricity generators. The condensed consolidated financial statements include the allocation of the purchase price to the acquired identifiable net assets.

In the period from 14 March to 30 June 2017 EEP Group generated net sales revenue in the amount of PLN 613,316 thou. and generated a net profit totalling to PLN 46,078 thou. If the merger occurred on 1 January 2017, then according to the Management Board's estimates the consolidated net sales revenue for the period of six months ended on 30 June 2017 would amount to PLN 5,910,270 thou. and the consolidated net profit would amount to PLN 635,522 thou.

EEP Group had no contingent liabilities which would require recognition as part of the connection settlement.

Recapitalisation of Polska Grupa Górnicza sp. z o.o.

In relation to the process of obtaining capital investors by Katowicki Holding Węglowy SA, in July 2016 Enea SA commenced talks with potential investors relating to a possibility of implementing the investment and its potential parameters.

On 28 October 2016 Enea SA, Węglokoks SA and Towarzystwo Finansowe Silesia sp. z o.o. signed a letter of intent expressing the preliminary interest in the financial engagement in Katowicki Holding Węglowy or in KHW's selected assets.

In relation to the interest of Polska Grupa Górnicza sp. z o.o. (PGG) in the acquisition of selected assets of Katowicki Holding Węglowy SA and commencement of the process of recapitalisation of PGG, Enea SA and the existing Shareholders of PGG conducted necessary analyses of the Business Plan presented by PGG and expressed their interest in the capital engagement in Polska Grupa Górnicza sp. z o.o.

On 30 March 2017 Enea SA's Supervisory Board approved the Company's joining Polska Grupa Górnicza sp. z o.o. and subscription for new shares in PGG's capital of the nominal value of PLN 300 mln in consideration for the contribution in cash in the amount of PLN 300 mln.

On 31 March 2017 the Company concluded:

- an investment agreement specifying the terms of the financial investment in PGG (Investment Agreement)
- memorandum of understanding relating to the exercise of a joint control over PGG (Investors' Memorandum of Understanding)

Investment Agreement

The parties to the Investment Agreement are: Enea SA, ENERGA Kogeneracja sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna SA, PGNiG TERMIKA SA, Węglokoks SA, Towarzystwo Finansowe Silesia sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Investors) and PGG. The Investment Agreement foresaw that PGG would buy selected mining assets from Katowicki Holding Węglowy SA based on the final agreement which was concluded on 1 April 2017.

The Investment Agreement regulates the course of the investment and the Company's joining PGG, principles of operation of PGG and its authorities, and also the terms under which the parties may exit the investment in PGG.

As part of PGG recapitalisation Enea SA undertook to subscribe for new shares in PGG with the total nominal value of PLN 300 mln in consideration for the contribution in cash amounting to PLN 300 mln, in three stages:

- as the first stage the Company subscribed for the new shares in PGG totalling PLN 150 mln in consideration for the contribution in cash amounting to PLN 150 mln. After taking up the shares the Company held 4.39% shareholding in PGG's share capital. The first recapitalisation was performed in April 2017.
- as the second stage the Company subscribed for the new shares in PGG totalling PLN 60 mln in consideration for the contribution in cash amounting to PLN 60 mln. After taking up the shares the Company holds 5.81% shareholding in PGG's share capital. The second recapitalisation was performed in June 2017.
- as the third stage the Company will subscribe for the new shares in PGG totalling PLN 90 mln in consideration for the contribution in cash amounting to PLN 90 mln. After taking up the shares the Company will hold a 7.66% shareholding in PGG's share capital. The third recapitalisation is to be performed in Q1 2018.

The Agreement regulates the principles of appointing members of the Supervisory Board, according to which each of the Investors and the State Treasury will be entitled to nominate one member of the Supervisory Board composed of eight members maximally.

The Investment is in line with Enea Capital Group's Development Strategy whose one element is securing the base of commodities for the conventional power engineering.

Investors' Memorandum of Understanding

Pursuant to the Investors' Memorandum of Understanding the Company and ENERGA Kogeneracja sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna SA, PGNiG TERMIKA SA, and Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Controlling Shareholders) took the joint control over PGG. The Investors' Memorandum of Understanding regulates the principles of determining a common position of the Controlling Shareholders as regards the decisions relating to PGG.

At the same time, on 31 March 2017, the letter of intent signed on 16 October 2016 by Enea SA, Węglokoks SA and Towarzystwo Finansowe Silesia sp. z o.o. relating to the analysed earlier equity investment in Katowicki Holding Węglowy SA was terminated.

Equity investments

Initial offer for EDF in Poland

On 16 September 2016 Enea SA and PGE SA, Energa SA and PGNiG Termika SA (Business Partners) jointly made a preliminary, non-binding offer to EDF International SAS (EDF) for the purchase of shares in companies belonging to EDF in Poland, holding conventional generating assets and conducting service operations. On 30 November 2016 the Company and Business Partners submitted a new offer to EDF for the purchase of shares in companies belonging to EDF in Poland, holding conventional generating assets and pursuing a service activity. The submission of the new offer by Business Partners was made in relation to the upcoming expiry of the offer submitted on 16 September 2016.

On 27 January 2017 the Company and Business Partners signed an agreement with EDF Investment SA relating to the conduct of negotiations regarding the acquisition of EDF's assets in Poland and due diligence examination within this scope. The transaction includes the acquisition of all EDF's shares in EDF Polska SA which in particular is the owner of 4 combined heat and power plants, i.e. Kraków, Gdańsk, Gdynia and Toruń and heat distribution networks in Toruń, Rybnik Power Plant, and the acquisition of all 4 combined heat and power plants, i.e. Wrocław, Zielona Góra, Czechnica and Zawidawie and heat distribution network in Zielona Góra, Siechnice and Zawidawie.

On 15 March 2017 the Business Partners made amendments to the transaction structure, relating to: 1) withdrawal of PGNiG Termika SA from the transaction, 2) takeover of the so far declared share of PGNiG Termika SA in the transaction by PGE SA, which results in the growth in PGE SA's share in the transaction to 60%, 3) maintaining the shares of Enea SA and Energa SA in the transaction on the same level of 20% for each company. Pursuant to the agreement, the above amendments in the transaction structure required confirming filing no objections by EDF.

On 11 May 2017 the Management Board of Enea SA adopted a resolution on the resignation from the Company's participation in the transaction of acquiring Polish assets belonging to EDF International SAS and EDF Investment II B.V.

Acquisition of shares in Polimex – Mostostal SA

On 6 December 2016 targeted talks commenced between Enea SA and the following companies: Energa SA, PGE Polska Grupa Energetyczna SA, PGNiG SA (Investors) and between Investors and Polimex-Mostostal SA (Polimex). The objective of these talks was drafting the structure of a potential equity interest of Investors in Polimex (Investment) and development of a potential model of cooperation between Investors on the Investment implementation.

On 27 December 2016 Enea SA, the Investors and Polimex signed a letter of intent in which the Investors expressed their intention to consider a potential investment in Polimex and based on which they commenced talks with Polimex with the purpose of specifying detailed parameters of the transaction. At the same time, on the same day, the Company and the Investors, lodged a motion with the Office of Competition and Consumer Protection (UOKiK) for issuing the approval by the President of UOKiK to perform the concentration being the takeover by the Investors of a joint control over Polimex. The consent was issued on 18 January 2017.

At the same time, also on 18 January 2017, the Company, the Investors and Polimex concluded an investment agreement pursuant to which the Investors undertook to make an investment in Polimex.

The investment consisted in the subscription by the Investors for a total of 150 mln shares issued by Polimex. The Company undertook to take up 37.5 mln new issue shares for the total issue price of PLN 75 mln. The agreement was concluded under conditions precedent, described in detail in the current report No. 2/2017. Along with the aforementioned agreement other agreements were concluded which made the terms of cooperation more precise together with the mutual rights and obligations of the Investors on the implementation of the above-mentioned investment, which were concluded with creditors and then existing shareholders of Polimex.

On 20 January 2017 in relation to the satisfaction of conditions precedent reserved in the investment agreement mentioned above, the Company accepted the offer made by the Management Board of Polimex to subscribe, within the private subscription, for 37.5 mln shares, at the issue price of PLN 2 per share, i.e. for the total issue price of PLN 75 mln. Additionally, as the result of the performance of one of the above mentioned additional agreements on 20 January 2017 the Company purchased 1.5 mln shares in Polimex from its previous shareholder. The purchase price for all the shares was PLN 80.6 mln. Enea SA took up a share of 16.48%.

The Investment Agreement enables Investors to impact the financial and operational policy of Polimex. These rights are exercised by the Supervisory Board. The composition of the Supervisory Board is 3 members selected by the Investors. Additionally, the Investors signed an agreement relating to investments in Polimex (Memorandum of Understanding). The objective of the Memorandum of Understanding is ensuring a greater control over Polimex to Investors who collectively hold the majority share in the votes at a General Meeting of Polimex. The Memorandum of Understanding foresees e.g. agreeing, thorough voting, a common position on making key decisions belonging to the General Meeting of Shareholders and Supervisory Board of Polimex, including determination of the personal composition of Polimex's Management Board. Due to the above mentioned rights of the Investors, translating into holding a substantial impact, the share in Polimex was classified as an associated company recognised with the equity method.

On 21 March 2017 the Investors published a tender offer for shares in Polimex in relation to exceeding (as the parties to the Memorandum of Understanding) of the 33% threshold of the total number of votes at a general meeting of Polimex. The tender offer is consequent and the Investors intend to acquire the said shares in the amount constituting the excess of shares over the number of shares currently held by Investors (i.e. a total of 65.93% of the total number of votes in Polimex) and guaranteeing the achievement of no more than 66% of the total number of votes at a general meeting of Polimex. In relation to the tender offer each of the Investors (including Enea) intended to acquire not more than, approximately 0.018% of the total number of votes at a general meeting of Polimex. The tender offer was settled on 28 April 2017 and as a consequence each of the Investors acquired 24 shares in Polimex. Currently, the Company holds 39,000,024 shares in Polimex, constituting 16.48% share in Polimex's share capital. Jointly, the Investors hold 156,000,097 shares, constituting 65.9% share in Polimex's share capital.

Polimex is an engineering and construction company listed on the Warsaw Stock Exchange which is distinguished by a wide range of services provided as a general contractor.

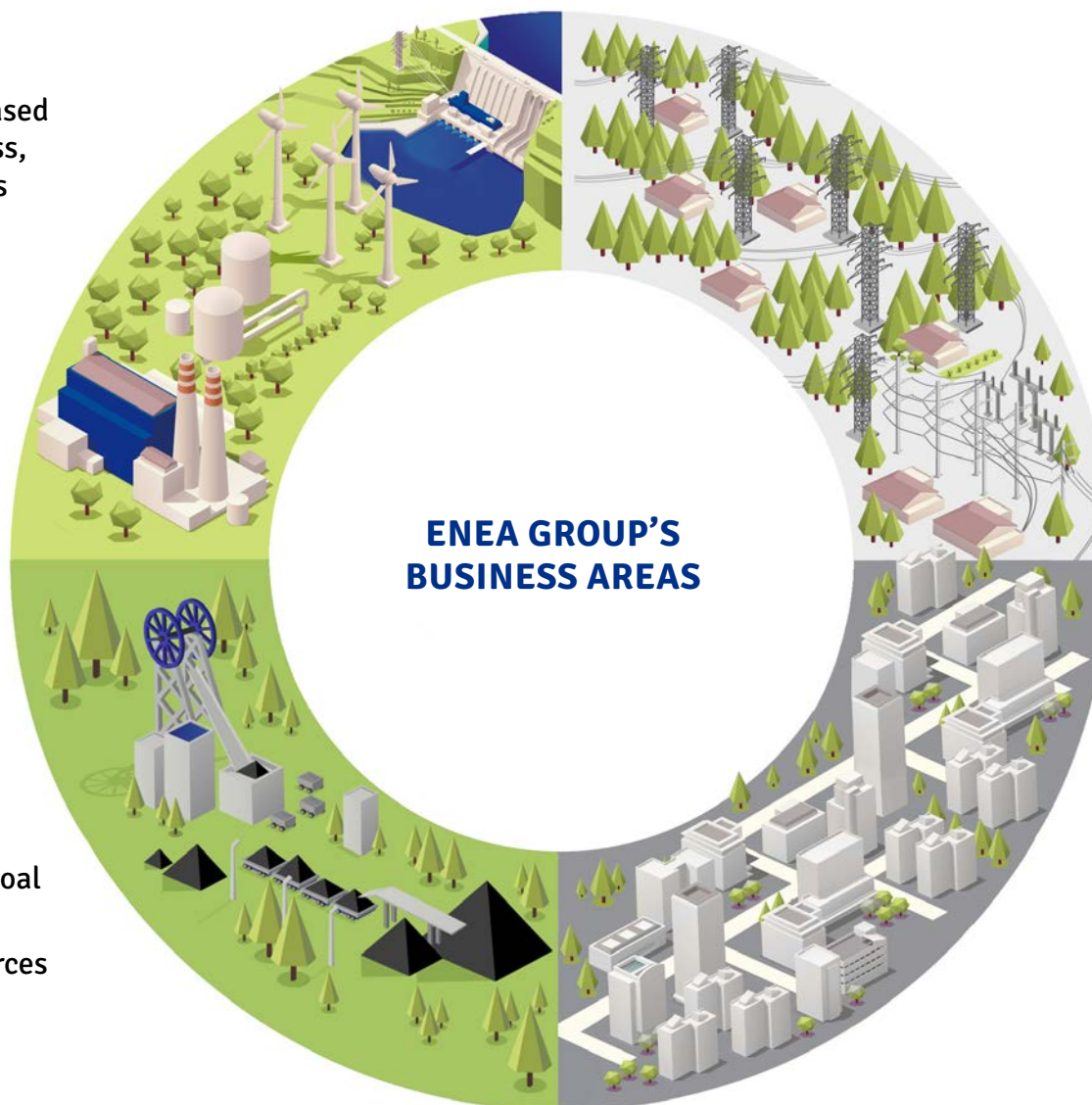
The Group is working on Polimex acquisition price allocation.

GENERATION

- Generation of electricity based on bituminous coal, biomass, gas, wind, water and biogas
- Heat generation
- Heat transmission and distribution
- Trade in electricity

MINING

- Production of bituminous coal
- Sale of bituminous coal
- Securing the base of resources for the Group



DISTRIBUTION

- Electricity supply
- Planning and guaranteeing the extension of the distribution network
- Exploitation, maintenance and renovations of the distribution network
- Metering data management

TRADE

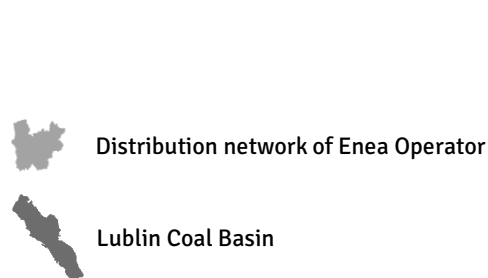
Retail sales:

- Trade in electricity and gas on the retail market
- Range of products and services adjusted to Customer needs
- Comprehensive Customer Service

Wholesale trading:

- Electricity and gas wholesale contract portfolio optimisation
- Operations on product markets
- Guaranteeing access to wholesale markets

Mining

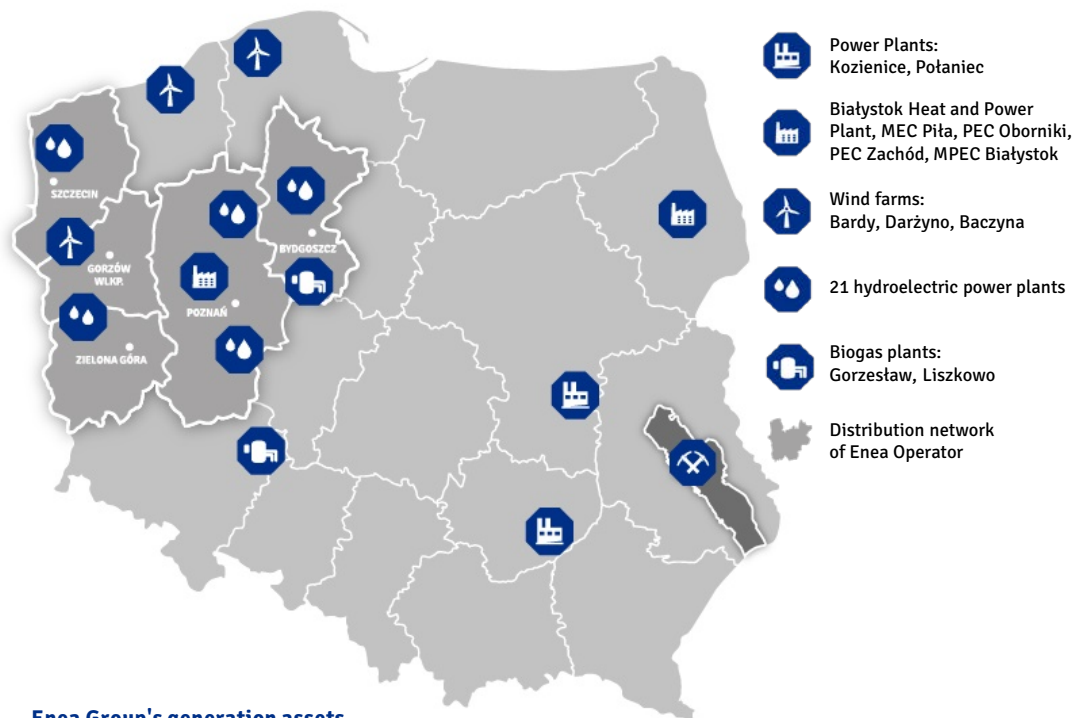


LW Bogdanka is one of the leaders on the market of bituminous coal producers in Poland, outstanding in the sector as regards the financial results generated, efficiency of bituminous coal mining and investment plans providing for the availability of new resources. The bituminous power coal sold by the Company is used mainly for the generation of electricity, heat energy and cement production. The Company's customers in the majority include industrial companies, mainly entities conducting business activity in the power sector located in the eastern and north-eastern Poland.

Description	H1 2016	H1 2017	Change	Q2 2016	Q2 2017	Change
Net production ['000 tonnes]	4 285	4 558	6.4%	1 950	2 136	9.5%
Coal sale ['000 tonnes]	4 379	4 662	6.5%	2 195	2 273	3.6%
Closing stocks ['000 tonnes]	134	21	-84.3%	134	21	-84.3%
Length of performed excavations [km]	12.9	15.0	16.3%	6.1	6.9	13.1%



Generation



Enea Group's generation assets

Description	Installed electrical capacity [MW _e]	Attainable electrical capacity [MW _e]	Installed heating capacity [MW _e]
Kozienice Power Plant	2 960.0	2 941.0 ¹⁾	105.0
Połaniec Power Plant	1 837.0	1 882.0	130.0
Białystok Heat and Power Plant	203.5	156.6	383.7
Wind Farms: Bardy, Darżyno and Baczyna	70.1	70.1	-
Liszkowo and Gorzestaw Biogas Plants	3.8	3.8	3.1
Hydroelectric plants	60.4	57.6	-
MEC Piła	10.0	10.0	151.3
PEC Oborniki	-	-	30.4
MPEC Białystok	-	-	185.0

1) Increasing the generating capacity on power units No. 1 and 5

Generation of electricity and heat - Enea Wytwarzanie

Description	H1 2016	H1 2017	Change	Q2 2016	Q2 2017	Change
Total generation of electricity (net) [GWh], including:	6 807	6 645	-2.4%	3 456	3 183	-7.9%
Net production from conventional sources [GWh], including:	6 529	6 434	-1.5%	3 331	3 092	-7.2%
Enea Wytwarzanie (excluding biomass co-combustion)	6 346	6 214	-2.1%	3 301	3 015	-8.7%
Enea Wytwarzanie - Segment of Heat (Białystok Heat and Power Plant - excluding biomass co-combustion)	148	185	25.0%	12	61	408.3%
MEC Piła	35	35	-	18	16	-11.1%
Production from renewable energy sources [GWh], including:	278	211	-24.1%	125	91	-27.2%
Combustion of biomass	141	40	-71.6%	68	9	-86.8%
Enea Wytwarzanie - Segment of RES (hydroelectric plants)	55	76	38.2%	23	35	52.2%
Enea Wytwarzanie - Segment of RES (wind farms)	78	90	15.4%	33	44	33.3%
Enea Wytwarzanie - Segment of RES (biogas plants)	4	5	25.0%	1	3	200.0%
Heat production [TJ]	3 035	3 022	-0.4%	755	847	12.2%

Generation of electricity and heat - Enea Elektrownia Połaniec

Description	H1 2016	H1 2017	14 March - 30 June 2017 (in Enea CG)	Q2 2016	Q2 2017
Total generation of electricity (net) [GWh], including:	4 912	4 447		2 692	2 584
Enea Połaniec Power Plant - net generation from conventional sources	3 867	3 368	2 050	2 048	1 844
Enea Połaniec Power Plant - generation from renewable energy sources (biomass combustion - green unit)	708	733	486	351	419
Enea Połaniec Power Plant - generation from renewable energy sources (biomass co-firing)	337	346	156	185	135
Heat production [TJ]	1 207	1 247	702	571	594

Purchase of electricity by Enea Wytwarzanie on the wholesale market

In H1 2017 the volume-related electricity purchases in Kozienice Power Plant amounted to 985.2 GWh. The purchases were made for the needs of energy trading operations 532.0 GWh. Additionally, 453.2 GWh of energy was purchased within the Balancing Market. In the Segment of Heat the purchase volume in H1 2017 amounted to 17.2 GWh - acquisition on the Balancing Market is 12.1 GWh, purchase in the trade of 5.3 GWh. Energy trading (sales=purchases) is performed within market possibilities guaranteeing achievement of the anticipated financial result and in order to limit the failure consequences. Purchase of electricity as part of H1 2017 trade related mainly to Kozienice Power Plant and accounted for 54% of the whole energy purchases. Purchase of electricity within the Balancing Market accounted for 46%. Purchases within the trade in the Segment of Heat stemmed from activities reducing the costs of generating units' failures and lack of available power vs. concluded contracts.

Generation

Purchase of electricity by Enea Połaniec Połaniec Power Plant on the wholesale market

In H1 2017 the volume-related electricity purchases in Enea Elektrownia Połaniec amounted to 1,364.5 GWh. The purchases were made for the needs of energy trading operations in the amount of 635 GWh. Additionally, 729.5 GWh of energy was purchased within the Balancing Market mechanisms.

Sales of electricity by Enea Wytwarzanie

Sales volumes of electricity in Enea Wytwarzanie in H1 2017 amounted to 7,596 GWh. Sales were performed by individual segments depending on the statutory obligations and concluded agreements.

Sales of electricity as part of Koźienice Power Plant's own sales

Sales of electricity in H1 2017 as part of Koźienice Power Plant's own sales amounted to 7,185 GWh. In that period Enea Wytwarzanie had a statutory duty to sell the generated electricity on a commodity exchange (Article 49a of the Energy Law) which was performed on the level of 17.9%. The other sales include sales within Enea Group 79.4% and to the balancing market (PSE SA) 2.7%.

Sales of electricity as part of the segment of Heat

In the Segment of Heat sales of electricity in H1 2017 amounted to 240 GWh - sales within Enea Group accounted for 93.7%, sales within the balancing market (PSE SA) 4.1% and sales to end users amounted to 2.2%.

Sales of electricity as part of the segment of RES

In the Segment of RES sales of electricity in H1 2017 amounted to 171 GWh (beyond Enea Group - 42%, and within Enea Group - 58%).

- Sales of electricity as part of the area of Wind

Description	H1 2016	H1 2017	Change
Fixed price [PLN '000]	12 841.743	15 273.907	18.94%
Average weighted price [PLN/MWh]	165.44	169.33	2.35%

Sales of electricity within Subsidiaries

Sales of electricity within Subsidiaries in H1 2017 amounted to 35 GWh.

Sales of electricity by Enea Elektrownia Połaniec

In H1 2017 the volume-related electricity sales in Enea Elektrownia Połaniec amounted to 5,730 GWh, of which 1,079 GWh was energy from RES.

Fuel supply - Enea Wytwarzanie

Fuel type	H1 2016		H1 2017		Change	
	Volume ['000 tonnes]	Costs ¹⁾ [PLN mln]	Volume ['000 tonnes]	Costs ¹⁾ [PLN mln]	Qty	Costs ¹⁾
Bituminous coal	2 924	605	3 265	672	11.7%	11.1%
Biomass	233	44	99	13	-57.5%	-70.5%
Fuel oil (heavy) ²⁾	4	3	4	5	-	66.7%
Gas ['000 m ³] ³⁾	9 052	13	8 863	10	-2.1%	-23.1%
TOTAL		665		700		5.3%

Enea Wytwarzanie - Koźienice Power Plant

The basic fuel used to produce electricity is bituminous coal (fuel dust). In H1 2017, the main supplier of coal to Enea Wytwarzanie was LW Bogdanka SA (around 88.6% of supplies). Additionally, coal supplies were performed by Polska Grupa Górnicza (ca. 10.9% of supplies) and Jastrzębska Spółka Węglowa SA (ca. 0.5%). In H1 2017 biomass was not co-fired in Koźienice Power Plant.

Enea Wytwarzanie - Segment of Heat

The basic fuels used in Enea Wytwarzanie in the Segment of Heat (Białystok Heat and Power Plant) include: coal and biomass - mainly as wood chips, energetic willow chips and agricultural production left-overs and sunflower husk pellet. In H1 2017, the volume of supplied biomass amounted to over 99 thou. tonnes, and the supplies were performed by 10 entities. They were significantly smaller than in the same periods of previous years due to e.g. a complete renovation of the turbine set on the biomass unit. Approximately 10% of biomass was delivered to the area of Enea Wytwarzanie - Segment of Heat, using a rail transport. In H1 2017, supplies of coal to Enea Wytwarzanie - Segment of Heat were performed fully by Katowicki Holding Węglowy SA (currently: Polska Grupa Górnicza sp. z o.o.).

Coal supply - Enea Elektrownia Połaniec

Fuel type	H1 2016		H1 2017		Change	
	Volume ['000 tonnes]	Costs ¹⁾ [PLN mln]	Volume ['000 tonnes]	Costs ¹⁾ [PLN mln]	Quantity	Costs ¹⁾
Bituminous coal	1 449	311	1 589	308	9.7%	-1.0%
Biomass	804	150	820	138	2.0%	-8.0%
Fuel oil	3	4	3	6	-	50.0%
TOTAL		465		452		-2.8%

In H1 2017, the main supplier of coal to Połaniec Power Plant was LW Bogdanka SA.

Coal transport - Enea Wytwarzanie

Enea Wytwarzanie - Koźienice Power Plant

The only means of transport used to deliver bituminous coal to Koźienice Power Plant in H1 2017 was a rail transport. PKP Cargo forwarder realised ca. 98.1% of supplies. From 11 June 2017, compliant with the concluded agreement, supplies from the Silesia region were performed by Koleje Czeskie sp. z o.o., which performed ca. 1.9% of supplies.

Enea Wytwarzanie - Segment of Heat

Coal supplies to Enea Wytwarzanie - Segment of Heat in H1 2017 were realised with rail transport by PKP Cargo SA. Prices of fuels included the cost of delivery to Białystok Heat and Power Plant generating source.

Coal transport - Enea Elektrownia Połaniec

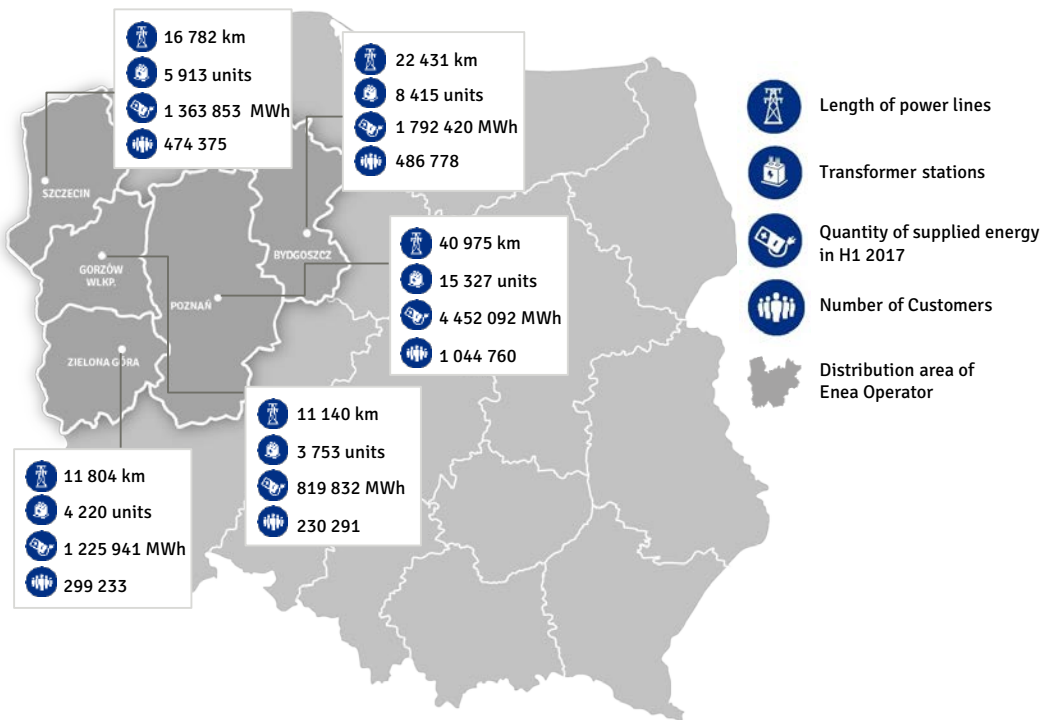
In H1 2017 coal transport in Enea Elektrownia Połaniec was realised mainly by PKP Cargo SA (ca. 66%) and CTL Logistics sp. z o.o. (ca. 30%), and ca. 4% of supplies were realised by EPCT Silesia (the amount is purchased in DAP Połaniec formula).

1) Including transport

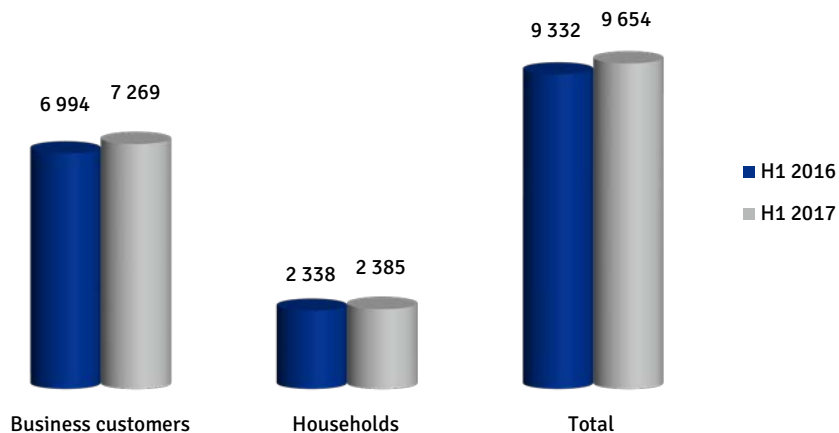
2) Light-up fuel in Koźienice Power Plant

3) Used for the production of electricity and heat energy in MEC Piła and heat energy in PEC Oborniki

Distribution



Sales of distribution services [GWh]



Technical indicators

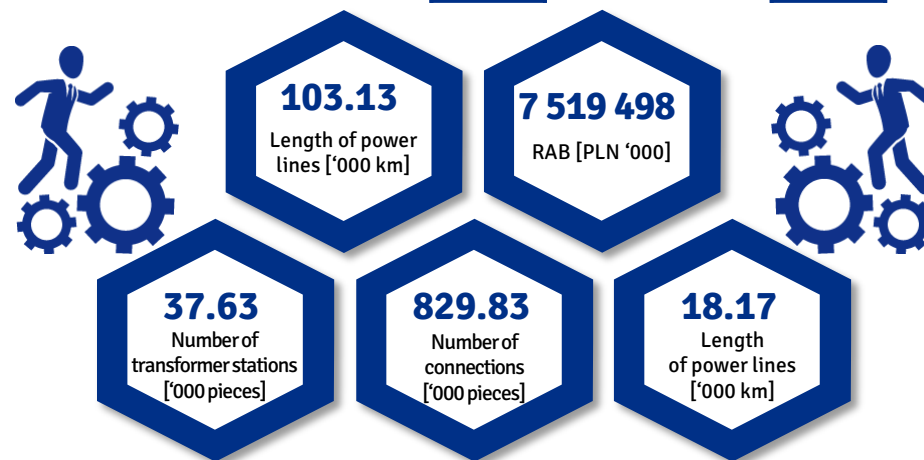
Description:	Q2 2016	Q2 2017	Change	H1 2016	H1 2017	Change
SAIDI planned interruptions and unplanned interruptions including catastrophic ones (HV, MV) [minutes]	72.97	37.14	-49.10%	111.82	77.97	-30.27%
SAIFI planned interruptions and unplanned interruptions including catastrophic ones (HV, MV) [pcs]	1.00	0.73	-27.00%	1.71	1.49	-12.87%
Contract performance in the reference term of 18 months - group IV [%]	86.17	97.76	11.59 p.p.	86.25	97.37	11.12 p.p.
Contract performance in the reference term of 18 months - group V [%]	96.34	99.05	2.71 p.p.	94.96	97.71	2.75 p.p.

Other technical indicators

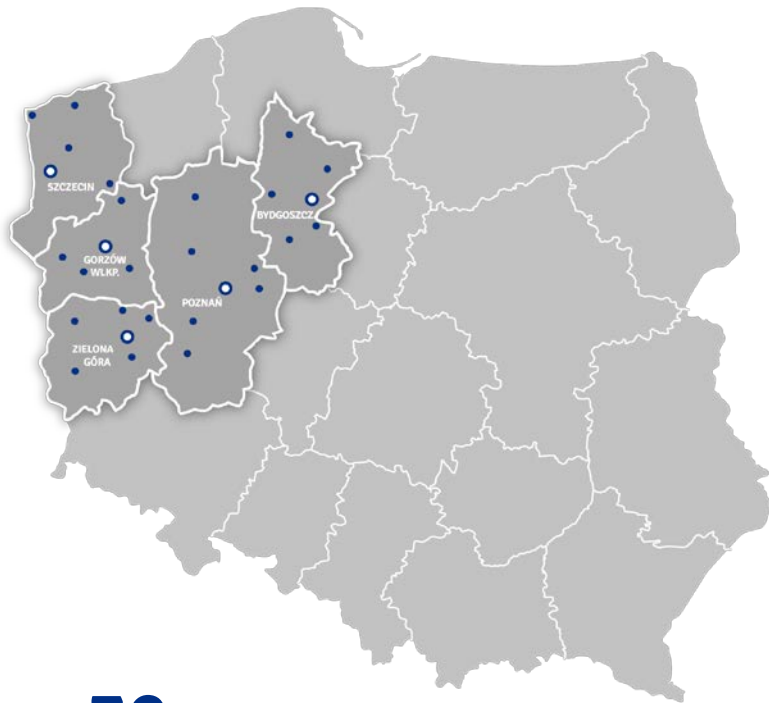
Description:	Q2 2016	Q2 2017	Change	H1 2016	H1 2017	Change
Grid losses index [%]	2.82	3.21	0.39 p.p.	6.75	5.85	-0.90 p.p.

Sales of distribution services and number of customers

Description:	Q2 2016	Q2 2017	Change	H1 2016	H1 2017	Change
Sales of distribution services [GWh]	4 604.7	4 679.3	1.62%	9 331.6	9 654.1	3.46%
Number of recipients at the end of the period [pcs]	2 503 124	2 535 437	1.29%	2 503 124	2 535 437	1.29%



Trade

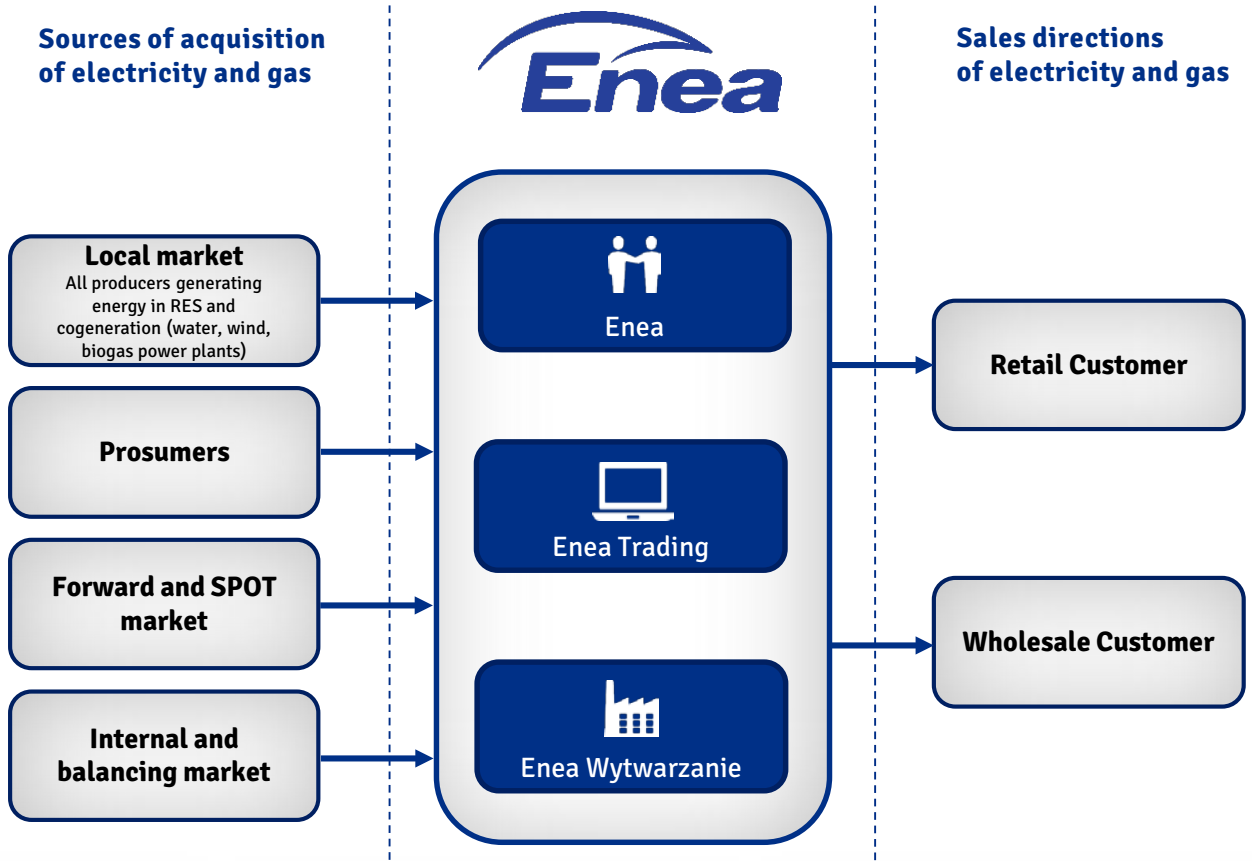


32 modern Customer Service Centres

● Customer Service Centre

Distribution network of Enea Operator

The diagram below presents the operating dependencies between Enea Group companies, business partners and Customers in the area of Trade:

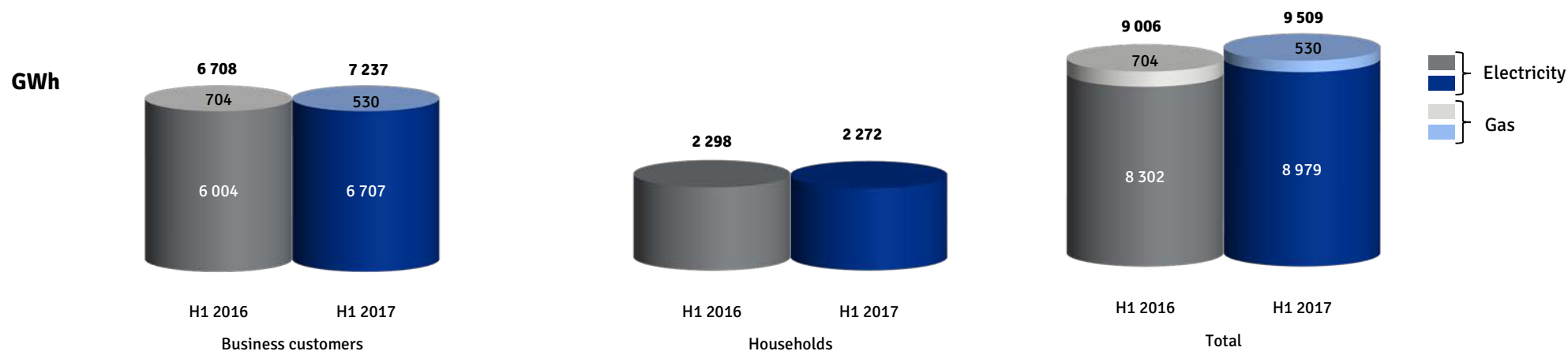


Trade

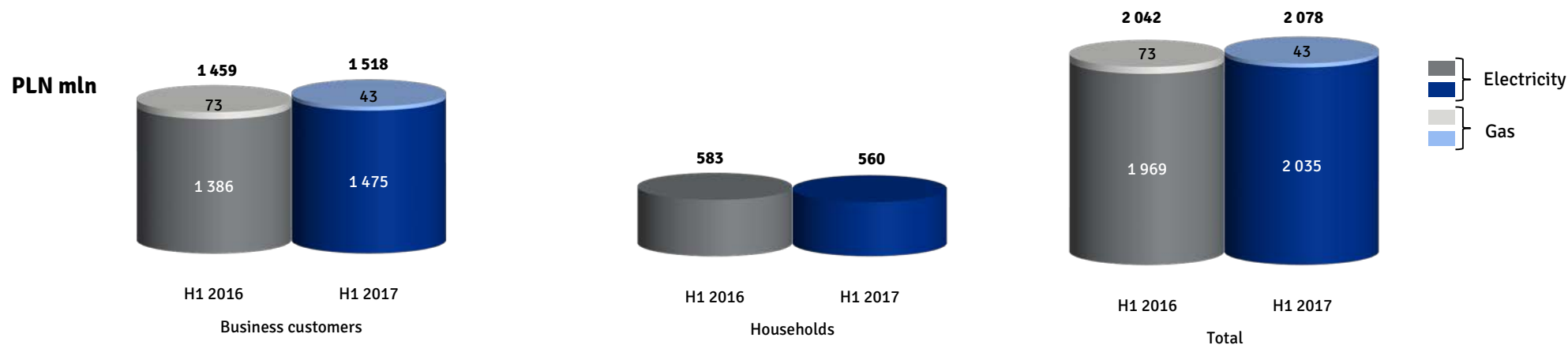
Sales of electricity and gas to retail customers realised by Enea SA

In H1 2017, as compared to the same period of 2016, there was a growth in the total volumes sold by 503 GWh, i.e. by over 5%. The growth in the volumes of sales related to electricity and it was observable in the business segment (by 703 GWh, i.e. by ca. 12%). On the other hand, in the case of gas a drop in sales was reported (by 174 GWh, i.e. by almost 25%) which mainly stemmed from the change in the customer portfolio. The volume growth in sales of electricity in the business segment translated into greater comprehensive revenue from sales of electricity by PLN 66 mln, i.e. by over 3%, in relation to the same period of 2016. Yet, a drop in revenue from sales of gas (by PLN 30 mln) stemmed from both the volume and the average selling price. As a consequence, the total revenue from sales of electricity and gas in H1 2017 was by PLN 36 mln higher than in the same period of the previous year.

Sales of electricity and gas to retail customers of Enea SA



Revenue from sales of electricity and gas to retail customers of Enea SA



Enea Capital Group’s Development Strategy until 2030

Mission
 Enea delivers constantly improved products and services, anticipating Customers’ expectations due to motivated teams working in a friendly, safe and innovative organisation.

Vision
 Enea is a leading supplier of integrated raw materials and energy related products and services and other innovative services for the wide range of Customers, recognised for the quality, comprehensiveness and reliability.

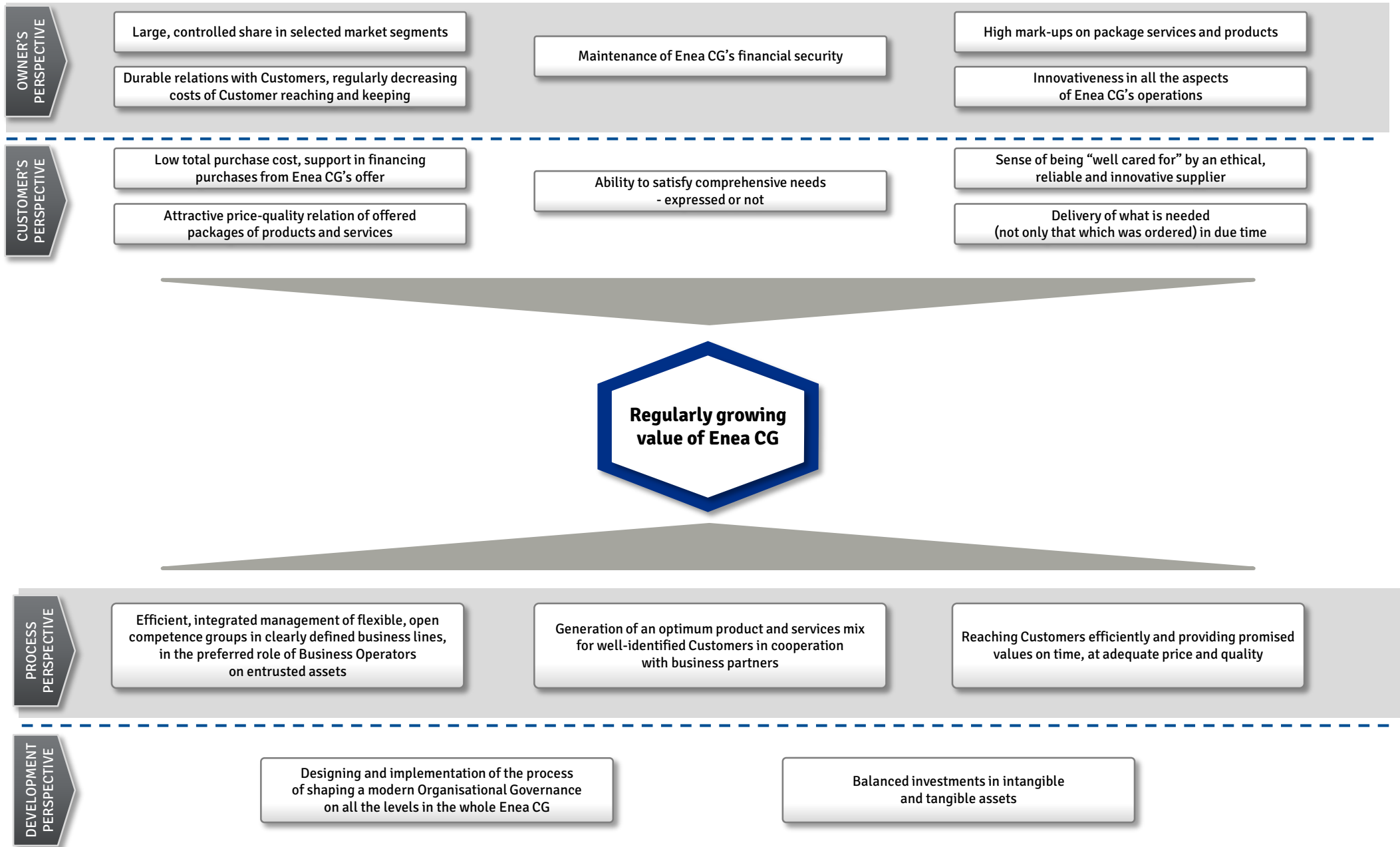


On 29 September 2016 the Supervisory Board of Enea approved the document titled: “Enea Capital Group’s Development Strategy until 2030”. The new development directions defined in the Strategy anticipate that Enea CG will be:

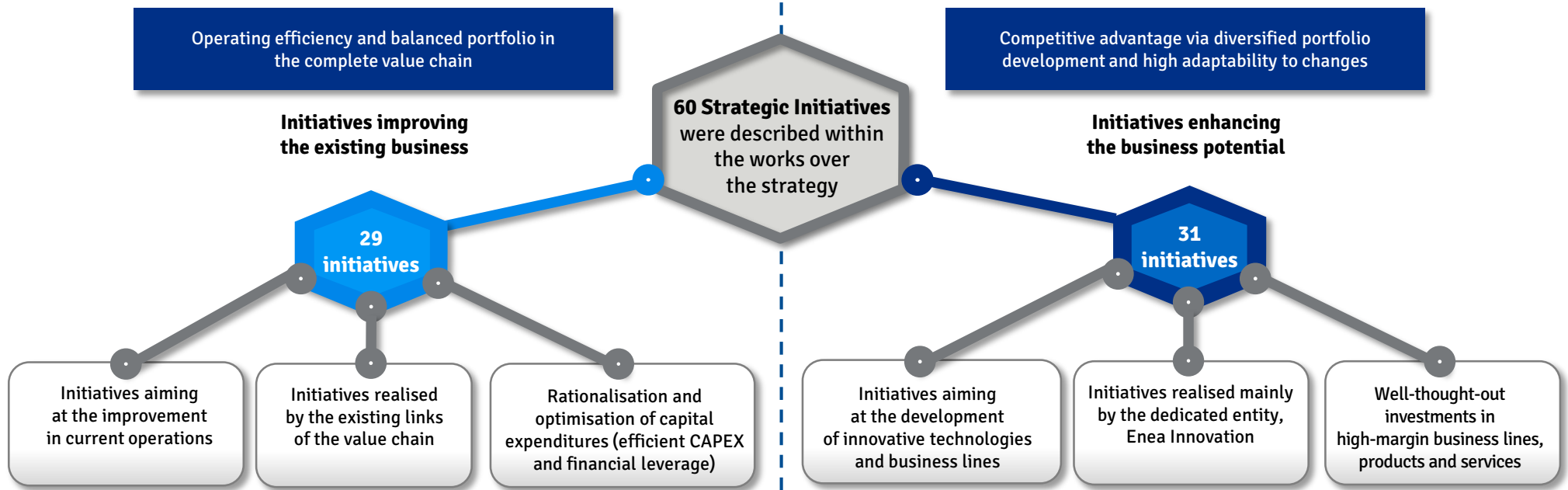


1. **INNOVATIVE:** a leader in identification, assessment of the potential and implementation of innovative undertakings on a large scale
2. **MULTISERVICE:** diversified portfolio of provided services, stable income sources
3. **HIGHLY-SPECIALIST:** specialist knowledge, competences and maturity in operations in the sector of raw materials and energy
4. **AFFECTING THE ENVIRONMENT:** a leader in positive changes in the power sector in Poland.
5. **EFFICIENTLY UTILISING MARKET OPPORTUNITIES:** external environment analysis, flexible response to occurring opportunities, creator of demand for new goods
6. **RELIABLE:** considerable contribution in the Polish energy security

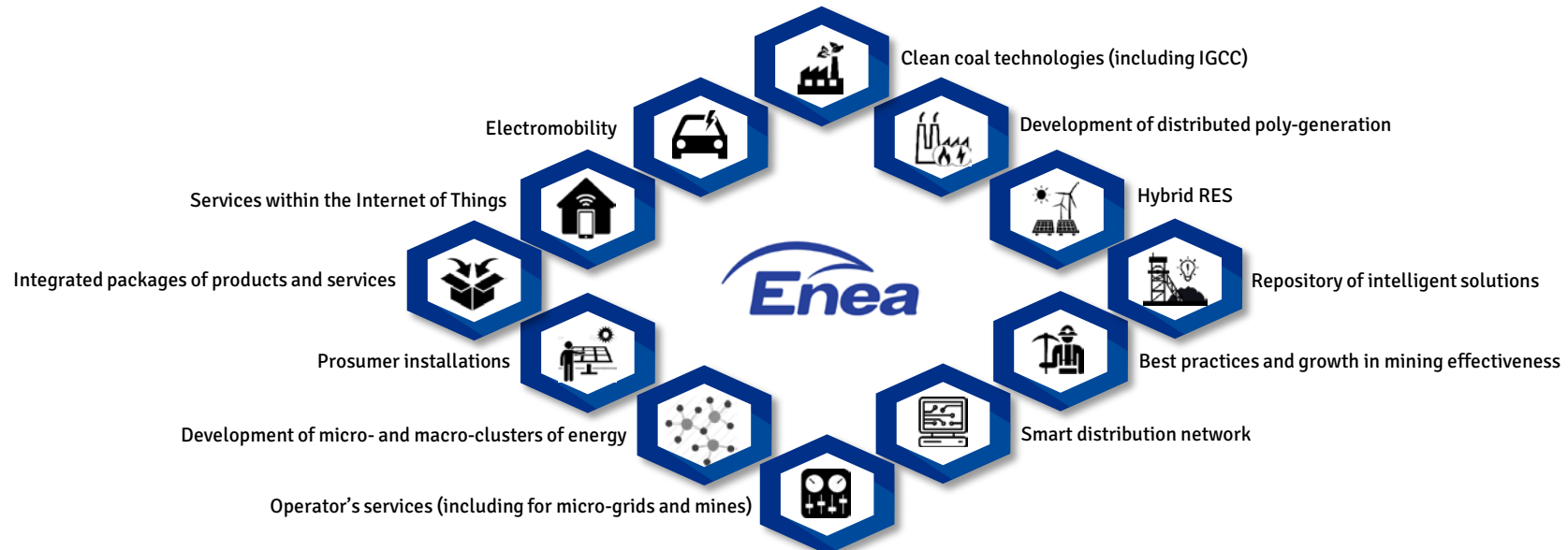
The primary objective specified in the strategy is growth in the value of Enea CG for shareholders. In order to build a lasting competitive advantage Enea defined 15 strategic goals within four perspectives:



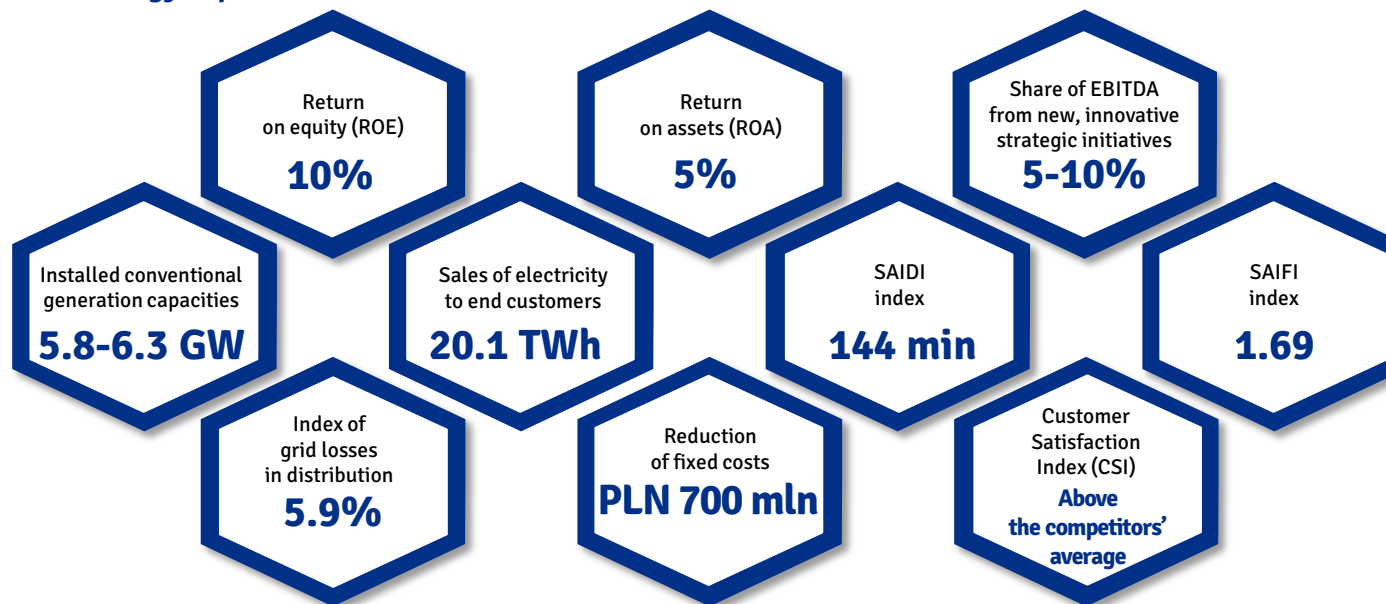
Enea defined over 50% of innovative initiatives increasing the business potential ...



... the implementation of which will support e.g. the development of innovative products, services and business lines of Enea CG



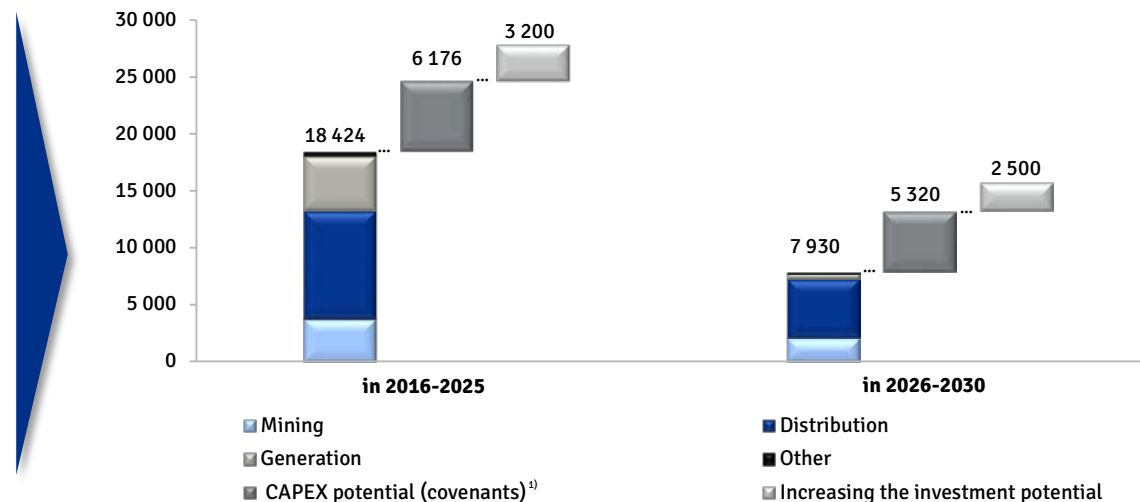
Enea CG's ratios as a result of the Strategy implementation



Basic investment fund in the amount of PLN 26.4 bln

Estimated capital expenditures of Enea CG during 2016-2030 [PLN mln, current prices]

	2016-2025	2026-2030
Mining	3 712	2 080
Distribution	9 501	5 193
Generation	4 808	504
Other	403	153
CAPEX potential ¹⁾	6 176	5 320
Increasing the investment potential ²⁾	3 200	2 500
ENEA CG TOTAL	27 800	15 750



1) CAPEX potential maintaining the net/EBITDA ratio on a safe level
 2) Increasing the investment potential by PLN 5.7 bln as a result of the implementation of innovative strategic initiatives (growth in EBITDA)

Growth perspectives in 2017

Area	2017 vs. 2016 perspective	Key drivers	Implementation
Mining	Neutral	<ul style="list-style-type: none"> (+/-) Coal price stabilisation (+) Construction of new roadways (+) Assets modernisation (+) Constant enhancement of efficiency 	<ul style="list-style-type: none"> (-) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective
Conventional power engineering	Drop	<ul style="list-style-type: none"> (-) Lower price of energy (-) Lower limit of free CO₂ (-) Higher price of coal (-) Lower generation of electricity (+) Internal processes optimization 	<ul style="list-style-type: none"> (-) Upholding the perspective (-) Upholding the perspective (-) Upholding the perspective (-) Upholding the perspective (+) Upholding the perspective
Renewable Energy Sources	Drop	<ul style="list-style-type: none"> (-) Durable low level of “green” RES Proprietary Interests (+) Growth in price and volume of “blue” RES Proprietary Interests (+) Greater generation of electricity (+) Cost optimisation of the RES area 	<ul style="list-style-type: none"> (-) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective
Distribution	Drop	<ul style="list-style-type: none"> (-) Drop of WACC by 0.042 p.p. to 5.633% (-) Model operating expenses compliant with “Operating expenses for Operators of Distribution Systems for 2016-2020” published by ERO (+) Asset management optimisation and outsourced services rationalisation (+) Works over the improvement of service quality (SAIDI and SAIFI indices reduction) 	<ul style="list-style-type: none"> (-) Upholding the perspective (-) Upholding the perspective (+) Upholding the perspective (+) Upholding the perspective
Trade	Neutral	<ul style="list-style-type: none"> (-) Greater competition in the area of trade (+) Development of sale channels and product range (-) Growing erosion of margin on the segment of trade 	<ul style="list-style-type: none"> (-) Upholding the perspective (+) Upholding the perspective (-) Upholding the perspective

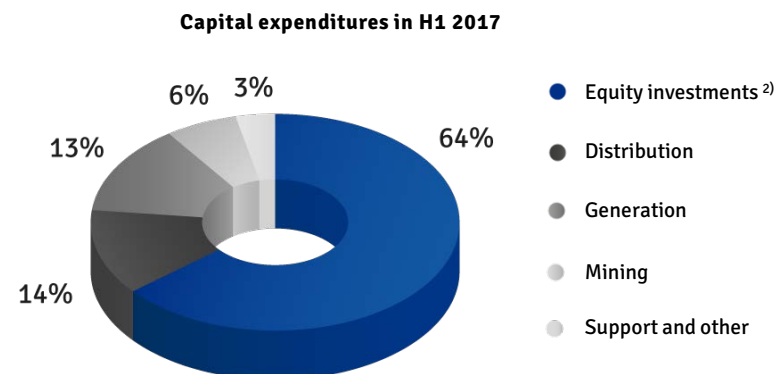
Capital expenditures in H1 2017

Capital expenditures [PLN mln]	H1 2016	H1 2017	Change %	2017 Plan
Generation	556.8	329.0	-40.9%	1 226.7
Distribution	424.3	343.6	-19.0%	970.5
Mining	152.7	139.0 ¹⁾	-9.0%	385.6
Support and other	37.2	76.9	106.7%	172.5
Equity investments ²⁾	-	1 556.6	-	-
TOTAL	1 171.0	2 445.1	108.8%	2 755.3³⁾

1) The amount does not include PLN 0.6 mln expenditures incurred in H1 2017 by subsidiaries of LW Bogdanka SA

2) Not included in Enea CG's material and financial plan

3) The amount of expenditures resulting from the adjustment of Enea CG's Material and financial plan approved by Enea's Supervisory Board with the resolution No. 38/IX/2017 of 29 June 2017



Investments implemented in H1 2017



- Obtaining new licences:
 - application for a new mining licences in Ostrów and K-6 and K-7 areas
- Maintaining the machinery - purchase and assembly of machines and equipment and periodic repairs, purchase and assembly of a belt-conveyor and other ready equipment
- Other development and replacement investments:
 - execution of 15 km of new excavations
 - extension of the plant for mining waste neutralisation
 - replacement investments in Zakład Przeróbki Mechanicznej Węgla, e.g. modernisation of steel structures and stone loading station
 - tower crane installation

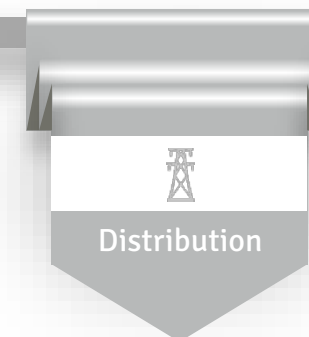


Enea Wytwarzanie:

- successive stages of the construction of a supercritical bituminous coal fired 1,075 MW_e power unit
- launching unit No. 3 after modernisation
- unit No. 4 - obtaining the operating permit and commissioning of the installation of the catalytic denitrogenation of flue gases (SCR)
- continuation of the SCR installation for units No. 4-8
- obtaining an occupancy permit for the construction of industrial and rainwater treatment plant
- continuation of the SCR installation and modernisation of electrostatic precipitators for units No. 9 and 10 as part of the 2 x 500 MW units modernisation programme

Enea Połaniec Power Plant:

- execution of connection between SCR installation and boiler for units No. 7 and 2



- Completion of the realisation of a range of investments on medium voltage related to the extension, automation and modernisation of the unit and power grids
- Continuation of existing and commencement of new investments whose implementation will be conducted during 2017 and next years
- Continuation of improving the connections of Customers to the power grid
- Continuation of the development of information tools supporting the grid management

Investments planned until the end of 2017 within the currently held assets

Mining

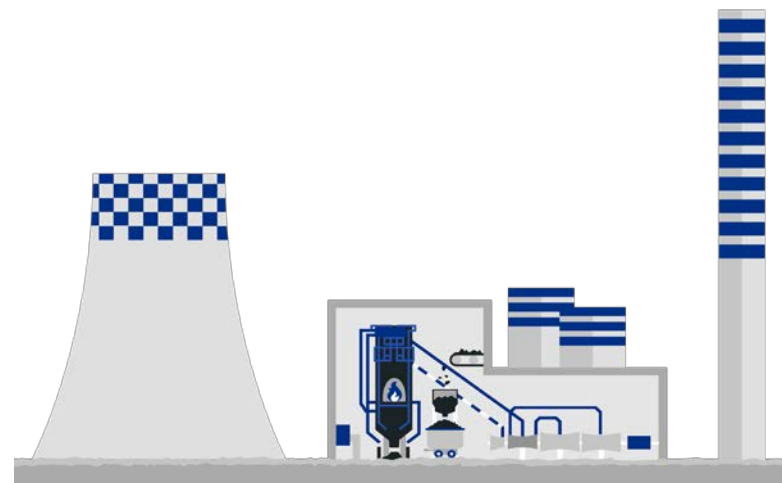
Development investments	<p>Obtaining new licences:</p> <ul style="list-style-type: none"> continuation of the process of applying for a licence as regards K-6, K-7 and "Ostrów" areas commencement of exploratory works in "Orzechów" <p>Maintaining the machine park:</p> <ul style="list-style-type: none"> purchase and assembly of new machines and equipment modernisation and renovations of machinery and equipment
Operating investments	<p>New excavations and modernisation of the existing ones:</p> <ul style="list-style-type: none"> performance of excavations, mainly wall roadways, face lines and other technological and access excavations, enabling exploitation of walls modernisation of mining excavations
Other investments	<p>Other development and replacement investments:</p> <ul style="list-style-type: none"> extension of the plant for mining waste neutralisation in Bogdanka continuation of works related to the "Production management integrated system" and "Smart solutions mine" project

Generation

Enea Wytwarzanie	New	<ul style="list-style-type: none"> Modernisation of unit No. 8 Modernisation of unit No. 10
	Continued	<ul style="list-style-type: none"> Construction of power unit No. 11 (completion in 2017) Installation of flue gases denitrification - SCR for units No. 4-8 (completion in 2017) Installation of flue gases denitrification - SCR for units No. 9-10 (completion in 2018) Modernisation of the slag and ash depot
	Segment of Heat	<ul style="list-style-type: none"> Construction of flue gas desulphurisation plant on K7 and K8 boilers (completion in 2017)
	Segment of RES	<ul style="list-style-type: none"> Searching for bargain investment and acquisition projects
Enea Elektrownia Połaniec		<ul style="list-style-type: none"> SCR installation for units No. 2, 3, 7 (completion in 2017) and for unit No. 4 (completion in 2018)

Distribution

Key investments being implemented	<ul style="list-style-type: none"> Continuation of the programme of smart grid solutions development (AMI) within the application test of smart meters and installation of balancing meters Continuation of a programme enhancing grid reliability Continuation of the Grid Information System project Construction and modernisation of a range of grid infrastructure elements, such as HV, MV and LV lines and transformer stations, including e.g.: <ul style="list-style-type: none"> Reconstruction of GPZ Kostrzyn Reconstruction of GPZ Jachcice Reconstruction of GPZ Wronki Reconstruction of GPZ Piła Południe Reconstruction of GPZ Żary Reconstruction of 110 kV Morzyczyn - Drawski Młyn line (including Dobiegniew - Krzęcin) Reconstruction of 110 kV Zielonyśl - Międzyrzecz line Reconstruction of 110 kV Górzycza - Słubice line Reconstruction of 110 kV Dąbie - Morzyczyn line Reconstruction of 110 kV Gryfino - Żydowce line Reconstruction of 110 kV Glinki - Żelechowo line Construction of GPZ Choszczno II and GPZ Recz Construction of GPZ Garbary and construction of 110 kV Garbary - Cytadela, Garbary - EC Karolin lines Construction of RS Garaszewo and construction of 110 kV Kromolice - Nagradowice, Kromolice - Gądkki, Kromolice - Swarzędz lines Construction of 110 kV Piła Krzewina - Miasteczko Krajeńskie line and reconstruction of GPZ Miasteczko Krajeńskie
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Status of works on the key investment projects

Investment	Project status	CAPEX H1 2017 [PLN mln]	Total CAPEX [PLN mln]	Work progress (%)	Anticipated date of completion	
Enea Wytwarzanie	Construction of a 1,075 MW power unit No. 11	In Q2 2017 the following works were completed on the construction site: <ul style="list-style-type: none"> Cold start-ups of: <ul style="list-style-type: none"> condenser's cleaning system ignition oil system steam - water system blower system main burner system coal feeder and mill system Chemical cleansing of steam - water systems HI-FOG fire-fighting installation with detection and control within boiler burners Circulator mechanical assembly Functional tests and cold start-up of the deslagging and ash removal system Functional tests of steam - water systems 	212.9	5 744.6	98%	2017
	IOS IV flue gas desulphurisation plant	The following installations were commissioned: main unit of IOS IV, flue gas channels, auxiliary ventilators, chimney No. 3, IOS IV power supply. All the devices and installations operate according to the technical parameters included in the agreements. What is still to be executed is the scope relating to the COD "chemical oxygen demand" in treated waste-water from IOS IV installation	0	288.3	99%	2016
	Modernisation of unit No. 3	On 28 March 2017 unit No. 3 was commissioned	10.3	14.1	100%	2017
	Modernisation of unit No. 8	On 6 March 2017 unit No. 8 was handed over for modernisation. Unit outage ended on 21 July 2017	8.7	13.8	85%	2017
	Modernisation of unit No. 9 as a part of 2 x 500 MW units modernisation programme	In 2018 the modernisation of unit No. 9 is planned. Currently, the material scopes and tender documents are being prepared relating to the works connected with the modernisation. Agreement for the turbine and boiler parts was concluded	0	90.0	1%	2018
	Modernisation of cooling water intake - stabilising check dam on the Vistula River	The project is at the stage of preparation for realisation. The environmental decision is pending	0.4	33.0	2%	2017
	Installation of the catalytic denitrogenation of flue gases and modernisation of electrostatic precipitators for AP - 1650 boilers of units No. 9 and 10 as a part of the 2 x 500 MW units modernisation programme.	On 30 September 2016 an agreement was signed with Rafako for the performance of the installation of the catalytic denitrogenation of flue gases with modernisation of electrostatic precipitators for AP - 1650 of units no. 9 and 10. An agreement was concluded for the Contract Engineer services	3.9	314.2	8%	2017
	Installation of flue gases denitrification - SCR for units No. 4-8	Completion of the SCR installation of flue gases denitrification on units No. 4, 5, 6 and 7 and the common part for SCR installation for units No. 4-8. Currently, SCR installation for unit No. 8 is being performed. Preparations are in progress for a test and adjustment operation	21.6	203.7	98%	2017
	Construction of flue gas desulphurisation plant on K7 and K8 boilers	An agreement was concluded with the National Fund of Environmental Protection and Water Management for the co-financing of the investment as a loan. On 2 February 2016 the Contract Engineer was appointed. On 28 April 2016 the permit for the construction of IOS K7 and K8 became final. The project is being realised. Installation start-ups commenced	22.8	105.5	80%	2017
	Modernisation of unit No. 10 as a part of 2 x 500 MW units modernisation programme	On 21 July 2017 the unit was handed over for modernisation. The modernisation is scheduled to be completed on 15 December 2017	2.5	88.1	12%	2018
Enea Elektrownia Potaniec	SCR installation - units No. 2, 3, 7	Completion of connecting the external part on units No. 7 and 2. System regulation on unit No. 7	4.0	157.5	91%	2017
	SCR installation - unit No. 4	Execution works are in progress of the external part of SCR installation of flue gases denitrification on unit No. 4	0	34.4	55%	2018

Activities implemented in H1 2017

Activities to be realised until the end of 2017



Area of Retail Sales

- Implementation of the analytic system aiding the sale-purchase portfolio management and projection
- Completion of research and publication of Customer satisfaction results
- Conducting a spring promotion of the Purchase Zone Loyalty programme
- Introduction of “ENERGY+ Family” offer
- Launching “One month of free power” promotion
- Introduction of energy audit services for large entrepreneurs
- Conduct of the campaign in order to obtain Customer contacts
- Launching an educational and informative campaign warning against unfair energy sellers
- Promoting the electronic Customer Service Centre (eCSC)

- Customer service quality and satisfaction monitoring
- Offer promoting marketing campaigns
- Promoting new service and communication tools
- Development of the Customer Loyalty Programme (Purchase Zone)
- Introduction of new products for households and business Customers



Area of Customer Service

- Completion of the implementation of the first stage of a multichannel Contact Centre platform which translated into a growth in the reliability / safety of operation of remote Customer service channels
- Launching a new contact channel - chat
- Termination of the proceeding for selecting multi-sectoral project contractors, furniture providers, queueing system for all the planned visualisations of Customer Service Centres
- Opening visualised customer service centres in Chojnice and CH Pestka in Poznań
- Termination of the development of the concept of Support Division and Settlement Division areas operation as regards defining the processes and specifying changes in their implementation
- Completion of the first stage of development of an electronic Customer service within launching new service subpages
- Completion of works relating to the development of demand and requirements concerning the operation of the billing system for gas services

- Visualisation of selected Customer Service Centres
- Higher quality and scope of services by remote contact channels as a result of increasing the catalogue of Customer matters realised by first contact
- Termination of the implementation of the second and third stage of the multi-channel Contact Centre channel due to which Customers will be provided with a new contact channel - IVR (Interactive Voice Response) self-service
- Commencement of the second stage of the development of an electronic Customer service within the selection of the systemic changes executor, drafting projects, software therefor and introduction of new functions i eCSC
- As regards the Simple Customer Service initiative, scheduled introduction of a new energy invoice template legible for the Customer and new templates of letters in simple Polish for a coherent and friendly communication with Customers and Offices
- Selection of the provider of the billing system for gas, conclusion of an agreement with the contractor and commencement of works over the system implementation



Area of Wholesale Trade

- Drafting the methods of analysing the results of the designed mechanisms of the capacity market
- Improvement of a model of long-term price paths for products listed on wholesale markets
- Conclusion of framework agreements enabling transactions with Enea Elektrownia Połaniec (EEP) relating to the electricity, allowances for emissions of CO₂ and proprietary interests contract update
- Adjustment to the changes resulting from increasing generation assets on Enea Group as regards the improvement of tools and methods of portfolio management and hedging positions within the whole added value chain
- Coordination of the planning and contractation principles as results from the extension of the fuel portfolio
- Integration of EEP’s operations within the structures of Enea CG. Takeover of the function of a Technical and Commercial Operator in the communication with PSE SA after a prior provision of the access to the wholesale market
- Takeover of the function of providing EEP with fuels (coal, biomass, ignition oil)
- Determination of the coal supply terms for 2018 for ca. 75% demand of Enea Wytwarzanie and EEP
- Commencement of the cooperation within coal flotation concentrates and sludge management

- Drafting the contracting model for energy coming from RES for installations with installed capacity from 500kW and more, after the expiry of the obligation to purchase energy through the obligated seller, i.e. from 1 January 2018
- Improvement of analytical models and tools supporting hedging and proprietary trading on domestic and foreign markets
- Development of the fundamental model of long-term price paths for bituminous coal
- Development of tools supporting distributed generation in relation to the changes in the renewable energy sources support mechanisms which enter into force after 1 January 2018
- Contractation of generation fuel supply for planned energy generation for 2018
- Development of tools allowing for effective prop-trading operations as regards short-term trans-border transactions
- Further EPP integration gradually covering next aspects of operations. Continued contractation of generation fuel supply for planned energy generation for 2018
- Conduct of analyses and conceptual works for the needs of changing the coal purchase model
- Fuel logistics optimisation

Financing sources of the investment programme

Enea SA finances the investment programme using financial surpluses from the conducted business operations and external debt. Enea Capital Group realises the investment financing model in which Enea SA obtains external funding and distributes it to its subsidiaries. Enea SA's further actions will concentrate on guaranteeing the appropriate level of diversification of external financing sources for investments planned in Enea Group Strategy in order to optimise the amount of costs and dates of debt repayment.



Programme Agreement on the bond issue programme up to the amount of PLN 3 bln

Enea SA holds the programme agreement relating to the bond issue programme up to the amount of PLN 3 bln with banks operating as Underwriters, i.e.: PKO BP SA, Bank Pekao SA, BZ WBK SA and Bank Handlowy w Warszawie SA. The financing is not hedged on Enea Capital Group's assets. The funds obtained from the programme are allocated to the realisation of investment projects in Enea Group, including e.g. for the construction of the 1,075 MW_e gross supercritical bituminous coal fired power unit, which is being constructed as a part of Enea Wytwarzanie's operations. In H1 2017 Enea SA, within the said programme, issued PLN 140 mln value of bonds of the 9th series. As at 30 June 2017 the value of the bonds issued within the aforementioned Programme totalled to PLN 2,091 mln.



Financing source utilisation rate



Programme Agreement on the bond issue programme up to the amount of PLN 5 bln

On 30 June 2014, Enea SA concluded a programme agreement relating to the bond issue programme up to the amount of PLN 5 bln with five banks acting as dealers: ING Bank Śląski SA, PKO BP SA, Bank Pekao SA and mBank SA. As a part of the Programme Enea may issue bonds with the maturity of up to 10 years, and Bank dealers have the duty of care when offering the sale of bonds to market investors. In H1 2017 Enea SA did not issue bonds within the Programme. As at 30 June 2017 the value of the bonds issued within the aforementioned Programme totalled to PLN 1,500 mln.



Financing source utilisation rate



Programme Agreements on the bond issue programme guaranteed by BGK

On 15 May 2014, Enea SA concluded a programme agreement relating to the bond issue programme up to the amount of PLN 1 bln guaranteed by Bank Gospodarstwa Krajowego. The financing is not hedged on Enea Capital Group's assets. The funds from that programme are allocated e.g. to the implementation of the investments by Enea SA and its subsidiaries.

Enea SA issued bonds in the said Programme of the total value of the Programme being PLN 1 bln. The bond redemption period is maximally 12.5 years from the date of their issue. The interest is based on floating WIBOR rate increased with the margin.

On 3 December 2015, Enea SA concluded another programme agreement relating to the bond issue programme up to the amount of PLN 700 mln guaranteed by Bank Gospodarstwa Krajowego. The funds from that programme are allocated e.g. to the implementation of the investments and financing the current operations of Enea SA and its subsidiaries. As at 30 June 2017, Enea SA issued bonds in the said Programme of the total value of PLN 150 mln.



Financing source utilisation rate



Investment loans granted by the European Investment Bank

On 18 October 2012, Enea SA concluded a financial agreement with the European Investment Bank (EIB) based on which the Company was granted a loan in the amount of PLN 950 mln or its equivalent in EUR (tranche "A"). On 19 June 2013, another loan agreement (tranche "B") was concluded with EIB for the amount of PLN 475 mln. The funds in the total amount of PLN 1,425 mln obtained from the loan are designated for the financing of a multiannual investment plan regarding the modernisation and extension of the power grids of Enea Operator. The loan repayment period is up to 15 years from the planned disbursement of the facility. Within "A" and "B" tranches, Enea SA drew funds from the loan in full, i.e. in the amount of PLN 1,425 mln in 4 separate amounts paid out from September 2013 to July 2015. The currency of the disbursed loan is Polish zloty, floating rate, based on WIBOR rate for 6-month deposits, increased with the Bank's margin. In the case of one disbursement the interest was based on the flat interest rate.

On 29 May 2015 another loan agreement was concluded based on which EIB provided the Company with new financing in the amount of PLN 946 mln or its equivalent in EUR (tranche "C"). The funds obtained from the loan will be allocated to the financing of a multiannual investment plan in order to modernise and extend the power infrastructure of Enea Operator. The financing is not hedged on Enea Capital Group's assets. The interest rate is floating based on WIBOR rate for 6-month deposits increased with the Bank's margin. The tranches will be paid in instalments, and the final repayment will be made in December 2031. In January 2017 the loan tranche was disbursed in the amount of PLN 250 mln. As at 30 June 2017, the amount of the loan utilised within tranche "C" was PLN 450 mln.



Financing source utilisation rate



LW Bogdanka investment programme financing sources - programme agreements relating to the issue of LW Bogdanka SA's bonds

As at 30 June 2017 the Company held a Framework Agreement of 23 September 2013 relating to the bond Issue programme up to the amount of PLN 300 mln which was concluded with Polska Kasa Opieki SA bank. The total value of the bonds issued within this Agreement is PLN 300 mln. Quarterly maturity dates of the bonds in the total amount of PLN 300 mln are in 2018. Moreover, during H1 2017 another Programme Agreement dated 30 June 2014 was in force. On 10 March 2017 the Company signed an annex to the Programme Agreement of 30 June 2014 within which the term of the Programme for Tranche 1 was shifted from 31 December 2019 to 30 March 2017. In relation to that all the bonds issued within Tranche 1 in the total amount of PLN 300 mln were redeemed on 30 March 2017, and thus the term of the Programme Agreement expired.



Financing source utilisation rate

Issue of Enea SA's securities in 2017

In 2017 Enea Capital Group companies issued securities of the total amount of PLN 540 mln. The nominal debt for the bonds issued by Enea SA as at 30 June 2017 totalled PLN 4,741 mln.

Granted sureties and guarantees

During H1 2017, Enea Group companies did not issue any guarantees or sureties, the total value of which would constitute at least 10% of Enea SA's equity.

As at 30 June 2017 the total value of corporate sureties and guarantees granted by Enea SA for hedging the liabilities of Enea Group companies amounted to PLN 207,598.8 thou., and the total value of bank guarantees issued on request of Enea SA and being the security for the liabilities of Enea Group companies amounted to PLN 28,745.2 thou.

Interest rate risk hedging transactions

Implementing the Interest Rate Risk Management Policy Enea SA did not conclude any transactions in the period of six months of 2017. Enea SA did not conclude transactions which hedge the interest rate risk (Interest Rate Swap).

Agreements of significance to Enea Capital Group operations

In H1 2017 and until the publication of this report, Enea Capital Group companies did not conclude any agreements significant for the Group's operations.

Transactions with related parties

During January - June 2017 Enea and its subsidiaries did not conclude any transactions with related entities on non-market conditions.

Information on transactions with related entities concluded by Enea or its related entity are described in note 21 to the condensed interim consolidated financial statements of Enea Group for the period from 1 January to 30 June 2017.



Distribution of cash - subsidiaries' bond issue programme

PLN 3 bln - Programme Agreement of 8 September 2012 Enea Wytwarzanie

As at 30 June 2017, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 2,091 mln.

PLN 1,425 mln - Enea Operator's Bonds

The programme fully utilised by Enea Operator. The bonds, depending on the series, bear fixed or floating interest rate. The bonds will be redeemed in instalments from June 2017, and the final redemption date is in June 2030.

PLN 1 bln - Programme Agreement of 17 February 2015 Enea Wytwarzanie

On 17 February 2015, Enea Wytwarzanie, Enea and PKO Bank Polski concluded the Bond Issue Programme Agreement for the amount of PLN 760 mln. On 3 June 2015 an annex was concluded to the agreement based on which the parties increased the amount of the Programme to PLN 1 bln. On 31 March 2017, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 1 bln - the programme is fully utilised by Enea Wytwarzanie.

PLN 946 mln - Programme Agreement of 7 July 2015 Enea Operator

The Executive Bond Issue Programme Agreement for the amount of PLN 946 mln was concluded between Enea as guarantor, Enea Operator as issuer and PKO Bank Polski as agent. Within the agreement, on 28 March 2017 an annex was concluded which extended the availability of funds from the Programme to 29 December 2017. The bond redemption date - in instalments, however not later than within 15 years of the date of issue. The bonds may bear the fixed rate or floating rate interest based on WIBOR rate plus margin, with the interest rate revision after 4 or 5 years. As at 30 June 2017, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 450 mln.

PLN 740 mln - Bond Issue Programme Agreement Enea Wytwarzanie

As at 30 June 2017, Enea Wytwarzanie issued bonds in the said Programme of the total value of PLN 350 mln.

PLN 260 mln - Programme Agreement of 12 August 2014 Enea Wytwarzanie

The programme is fully utilised by Enea Wytwarzanie. The bonds bear a fixed rate interest. The bonds will be redeemed in instalments from September 2017 to December 2026.

PLN 360 mln - Programme Agreement of 18 July 2016 Enea Operator

The Executive Bond Issue Programme Agreement for the amount of PLN 360 mln was concluded between Enea as guarantor, Enea Operator as issuer and PKO Bank Polski as agent. Within the Agreement, Enea Operator may perform a single issue of bonds. On 28 July 2016 Enea Operator issued bonds totalling to PLN 360 mln, floating rate - WIBOR 3M plus margin. The redemption date of the bonds is December 2017.

Other agreements

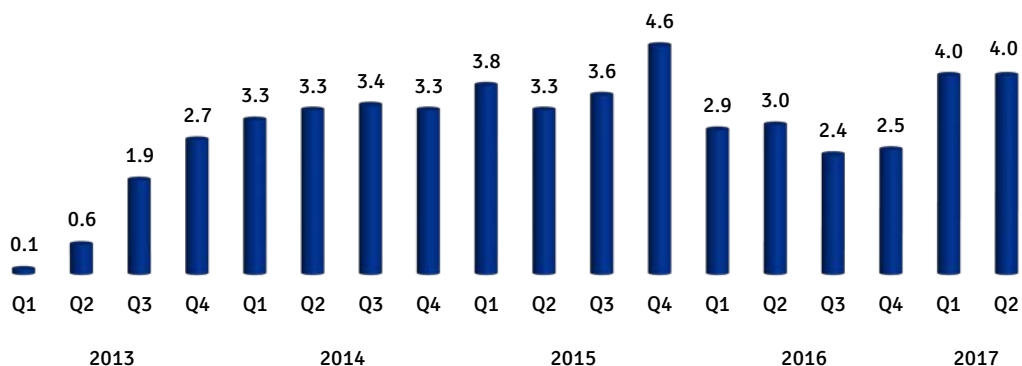
In previous years, Enea SA concluded also intergroup bond issue programme agreements with subsidiary companies which are to finance the investments in the segments of RES and Heat. These programmes are fully used and redeemed in instalments. The total amount of the bonds for redemption within these programmes was PLN 89.7 mln as at 30 June 2017.

Macroeconomic situation

Enea Group's operations are focused basically on the territory of Poland. The same core macroeconomic factor affecting both achieved results and financial situation is the development pace and the general condition of the Polish economy.

According to the preliminary/estimated data of the Development Strategy Department in the Ministry of Development (MD) after the first six months of 2017 the economic growth rate was 4.0%, i.e. by 1.3 p.p. more than in 2016.

2013-2017 GDP dynamics [%]



In H1 2017 the total consumption grew by 3.9% and gross expenditures on fixed assets dropped by 0.4 p.p. The sold production of the industry increased in that period by 5.7% and the construction and assembly production grew by 7.6%. In the reporting period the inflation was 1.9% yoy.

Pursuant to the forecasts of MD the rate of growth of the gross domestic product in 2017 will amount to 3.6%, which means it will be definitely higher than in the preceding year when the GDP growth rate was 2.7%.

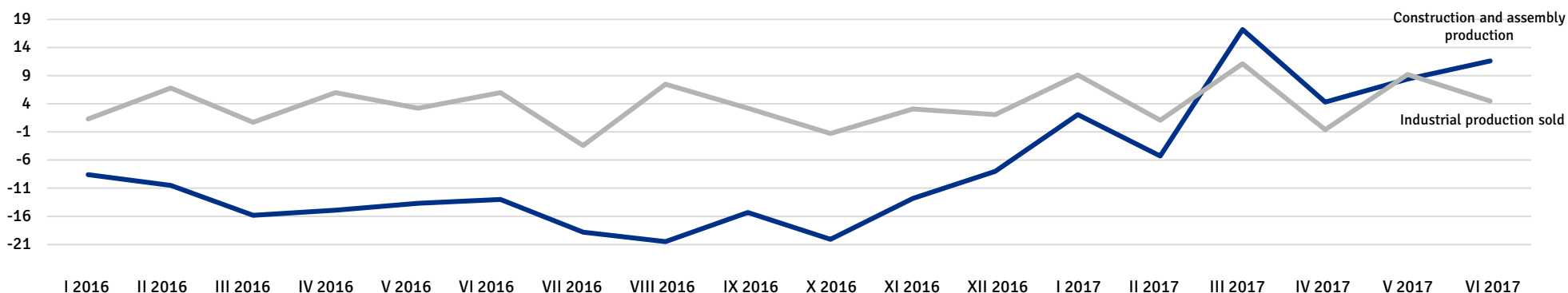
In 2017 the total consumption will grow by 3.9% in relation to a slightly lower level (3.6%) in the whole 2016. On the other hand, the gross expenditures on fixed assets will grow by 7.2% as compared to the gross expenditures on fixed assets on the level of (-) 7.9% incurred during 2016.

According to MD's forecasts the sales in industry will grow by 6.5% as compared to 2016. On the other hand, the construction and assembly production will grow by 7.0% in 2017 in relation to the preceding year. The inflation will amount to 1.8% as compared to the deflation on the level of 0.6% in 2016.

The summary of the key macroeconomic ratios characteristic for the Polish economy in 2015-2017 is presented below.

Description	unit	2015	2016	2017
GDP	change %	3.9	2.7	3.6
The consumption	change %	3.0	3.6	3.9
Gross expenditures on fixed assets	change %	6.1	-7.9	7.2
Industrial production sold	change %	6.0	3.1	6.5
Construction and assembly production	change %	3.7	-14.1	7.0
Inflation	in %	-0.9	-0.6	1.8

2016-2017 domestic production dynamics [%]



Source: MD research - Basic macroeconomic indicators Poland (June 2017)

Legal frames of energy market functioning

Regulatory environment

The legal basis for energy market functioning in Poland is the act of 10 April 1997 Energy Law and related secondary legislation (regulations).

At the same time, along with Poland accessing the European Union, the Polish legal regulations relating to the energy market were reconciled with the European laws, including in particular EU Directives regarding the principles of the common electricity market.

The central public administration body nominated pursuant to the Energy Law to realise the duties relating to the fuel and energy management and promote the competition is the President of the Energy Regulatory Office. The objective of the President of the Energy Regulatory Office is regulation of the operations of generators, distributors and companies trading in energy compliant with the Energy Law and Polish energy policy strategies with a concurrent pursuing of balancing the interests of particular participants of the energy market.

Enea SA's operations are conducted in the environment subject to detailed legal regulations, both in Poland and in the European Union. Legal regulations relating to the energy sector are often derivatives of political decisions, therefore there is a risk of frequent changes within this area which the Company is not able to foresee, and which may, as a consequence, result in a lack of unity and uniformity of regulations, based on which Enea SA conducts its operations.

Amendments within regulatory surrounding

Act of 20 February 2015 on renewable energy sources

In H1 2015, the President of the Republic of Poland signed an act on renewable energy sources. The goal of the act is increasing the energy security and environment protection, e.g. as a result of an efficient use of renewable energy sources. The act provides for, e.g. achievement of at least 15% share of energy from renewable sources in the final gross consumption of energy in 2020. Enea SA will be the so called obliged vendor, i.e. an entity obliged to purchase electricity generated in RES installations connected to the network of Enea Operator sp. z o.o.

On 29 December 2015 the Sejm adopted, after consideration of the Senate's amendments, the content of the act amending the act on renewable energy sources and the Energy Law (J. L. of 2015 No. 2365),

The goal of the amendment which came into force on 31 December 2015 is adjournment by 6 months of entry into force of the provisions of chapter 4 of the Act of 20 February on renewable energy sources (J. L. of 2015, item 478; further on as: RES act), and in particular the issues relating to the lunching of the auction system for the purchase of electricity from renewable energy sources installations and mechanism supporting the generation of electricity in microinstallations of the total installed electrical capacity not greater than 10 kW. Changes were proposed to be made to the provisions of the RES act, enabling the application of the existing provisions until 30 June 2016, and new regulations - from 1 July 2016.

The act amendment finally settles two issues:

- certificates of origin do not apply to energy generated from 1 January 2016 in installations with the capacity greater than 5 MW using hydropower to generate this energy
- certificates of origin adjusted with 0.5 coefficient apply to electricity generated from 1 January 2016 in multi-fuel firing installations excluding electricity generated in the dedicated multi-fuel firing installation

On 1 July 2016 the act of 22 June 2016 entered into force amending the act on renewable energy sources and some other acts (J. L. of 2016, item 925). The goal of the act is removal of interpretative doubts of legal and editorial regulations which entered into force in the act of 20 February 2015 on renewable energy sources (J. L. of 2015 item 478 and 2365), in particular Article 41 of the RES act.

Additionally, auctions will be performed in each group for the below mentioned buckets:

1. with the level of utilisation of installed electrical power, total, notwithstanding the origin source, greater than 3,504 MWh/MW/year

2. using for electricity generation some biodegradable fraction of industrial and municipal waste of plant or animal origin, including waste from waste processing installations and waste from water and sewage treatment, in particular sewage sludge, pursuant to the regulations on waste within the qualification of fractions of energy recovered from thermal recycling of waste
3. in which CO₂ emission is lower than 100 kg/MWh, with the rate of utilisation of installed electrical power not greater than 3,504 MWh/MW/year
4. by members of energy cluster
5. by members of energy cooperative
6. utilising exclusively agricultural gas for electricity generation
7. other than that mentioned in item 1 -6

On 16 July 2016, the act of 20 May 2016 on investments in wind power plants entered into force (J. L. of 2016 item 961). Among the key regulations implemented based on the above mentioned act the following must be distinguished:

1. Locating of a wind power plant is exclusively based on the local zoning plan mentioned in Article 4 of the act of 27 March 2003 on spatial planning and development (J. L. of 2016 item 778 and 904)
2. Establishment of the location requirement (Article 4 item 1 and 2 of the above mentioned act) being the prohibition to construct a wind power plant in the distance smaller than 10x its height measured from the ground level to the object's highest point, including technical elements, in particular rotor with blades (the total height of the wind power plant) from the following elements of the surroundings:
 - residential building or any building with a residential function, which includes residential function,
 - forms of nature conservation mentioned in Article 6 item 1(1-3) and 5 in the act of 16 April 2004 on environmental protection (J. L. of 2015, item 1651, 1688 and 1936),
 - forest promotional complexes mentioned in Art. 13b item 1 of the act of 28 September 1991 on forests (J. L. of 2015 item 2100),

however, the establishment of these forms of nature conservation and forest promotional complexes does not require observation of the distance mentioned above.

3. Amending the qualification of all the elements of a wind power plant as a building taxed with a fixed tax on buildings

The above regulations forced the Company to make a decision on performing in 2016 write-downs of the book value of assets from the area dealing with energy generation from renewable sources (area of Generation, segment of Renewable Energy Sources - area of Wind) in the amount of PLN 98.2 mln.

Amendment to RES Act

On 14 August 2017 the President of the Republic of Poland signed the amendment to the act of 20 February 2015 on RES. As indicated in the justification to the draft act its objective is the introduction of a solution facilitating a balanced development in the area of renewable energy sources via changing the amount of the unit fee being the element allowing for making the market of green certificates more flexible, and - on a long-term basis - decreasing the oversupply of certificates in this market. The above objective is to be achieved in particular via "market facilitation" of the level of the so-called compensatory payment.

Pursuant to the amendment the fixed value of the compensatory payment was resigned from and in turn its height was related to the market prices of proprietary interests resulting from a certificate of origin. Additionally, a fee was changed (the method of its calculation) for an entry in the register of certificates of origin.

Act of 20 July 2017 - Water Resources Law

On 2 August 2017 the President of the Republic of Poland signed the Water Resources Law. The act replaces the existing act of 2001 which regulates water resources management, including shaping and protection of water resources, use of water and water resources management, issues of titles to water reservoirs and lands covered with water, and also principles of managing these elements as relates to the State Treasury property. The act amendment is connected with the implementation of requirements of the Directive of the European Parliament establishing the framework of the Community operations as regards the water management policy. The act liquidates exemptions from fees for the commercial use of water for energy purposes, and also introduces additional fees on this account commencing from 2018.

Draft act on capacity market

In July 2017 a draft act on the capacity market was submitted to the Polish Sejm. The main objective of the regulations is guaranteeing the reliability and stability of electricity supply for the industry and households. The capacity market is to establish an incentive effect to make investment and modernisation decisions in the power industry. The draft act on capacity market relates to the implementation of the capacity market. The market will relate to the so-called net available capacity, which may be offered by generators and controlled energy reception. According to the draft act the goal of the capacity market is guaranteeing energy supply security in the long-term and short-term perspective - the so-called generation capacity adequacy. Auctions which will be organised by the power transmission system operators are to be the key element of the capacity market. Pursuant to the draft the expenses of the capacity market are to be borne by electricity end users in the form of an additional fee.

Draft act on electromobility and alternative fuels

In H1 2017 the Ministry of Energy published a draft act on electromobility and alternative fuels. Pursuant to the proposed provisions Operators of the Distribution Systems (ODS) are to assume a great role in the charging infrastructure needed for the electromobility development. According to the draft of the aforementioned act an Operator of the Distribution System will be obliged to prepare the programme relating to the open-access charging points on the areas specified in the act. In the case the competitions foreseen in the act for operators of the infrastructure are undecided ODS will be obliged to build and manage the open-access charging point. The new act will impose the obligation on ODSs to prepare, in municipalities located on the area of its operations, a programme of developing open-access charging points and related undertakings necessary to connect such points to the grid. The draft act foresees at the same time numerous discounts and incentives for the owners of the charging infrastructure.

REMIT

Since 7 October 2015 there has been a duty to report basic transactions and data (for standard contracts for electricity and gas supplies) to the European Agency for the Cooperation of Energy Regulators (Agency or ACER). Pursuant to the REMIT regulation, i.e. the regulation of the European Parliament and the Council (EU) No. 1227/2011 dated 25 October 2011 on wholesale energy market integrity and transparency (REMIT), until the above mentioned date the participants of the wholesale energy and natural gas market mentioned in Article 9 item 1 of REMIT are obliged to register with the national regulatory authority.

With the Act of 11 September 2015 on amendment of the Energy Law and some other acts (J. L. of 2015, item 1618), which entered into force on 30 October 2015, the principles were introduced guaranteeing REMIT application, including the penal provisions (Chapter 7A) for breaching the duties resulting from REMIT.

On 7 April 2016, as per Article 12(2) sentence 3 and 4 of the Commission's (EU) implementing regulation No. 1348/2014 of 17 December 2014 on data reporting implementing Article 8 item 2 and Article 8 item 6 of Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency, an obligation entered into force of reporting to ACER the other transactions in wholesale trade (standard and non-standard contracts for supply of electricity or natural gas concluded on OTC market, transmission contracts) and data on the operation of systems published by operators of transmission systems, LNG operators and operators of warehousing systems.

Directive of the European Parliament and of the Council No. 2015/2193 of 25 November 2015 on the limitation of emissions of certain pollutants into the air from medium combustion plants

On 28 November 2015 the Directive of the European Parliament and of the Council No. 2015/2193 of 25 November 2015 on the limitation of emissions of certain pollutants into the air from medium combustion plants (MCP Directive) was published in the Official Journal of the European Union.

MCP Directive applies to combustion plants with the nominal heating capacity not lower than 1 MW and lower than 50 MW (the so-called "medium combustion plants"), notwithstanding the type of fuel they use (Article 2 item 1). Additionally, MCP directive applies to the connections of new medium energy combustion plants, specified in Article 4, including connections for which the total nominal heating power amounts to not less than 50 MW, unless the connection is the object of energy combustion plant included in the application scope of chapter III of directive 2010/75/EU. Article 4 of MCP directive provides that the connection of at least two new medium combustion plants is deemed one medium combustion plant, and their nominal heating power is summed in order to calculate the total nominal heating power of the plant, if vent gases of such medium combustion plants are removed via a common chimney, or in the assessment of the relevant authority, taking into account technical and economic factors, vent gases of such medium combustion plants could be removed via a common chimney.

The key scope of the MCP Directive regulation is specification of: the emission norms for three types of air pollutants - sulphur dioxide (SO₂), nitric oxides (NO_x) and dusts for medium combustion plants, and also dates until which it is necessary to satisfy the duty of observing relevant volumes of air pollution in the existing and new medium combustion plants. As per Article 17 item 1 sentence 1 of the MCP Directive, member states are obliged to bring into force the laws, regulations and administrative provisions necessary to comply with the Directive by 19 December 2017.

The provisions of the MCP Directive are significant as regards the companies in which Enea Wytwarzanie sp. z o.o. holds shares and in which the so-called medium combustion plants directly defined in the MCP directive are located. These companies include: Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. in Oborniki (PEC Oborniki), Miejska Energetyka Ciepła Piła sp. z o.o. in Piła (MEC Piła) and Miejskie Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. in Białystok (MPEC Białystok).



Allowances for emissions of CO₂

According to the schedule, Poland has been realising the assumptions of selling 85.88 mln allowances for CO₂ emissions in 2017. 14.99 mln come from allowances not sold in 2016, and 70.89 mln constitutes the volume originally scheduled for sale in 2017. The point of sale of Polish EUAs is the EEX stock exchange auction platform with which Poland has re-concluded the contract for sale of emission allowances. Auctions are held every second Wednesday and 4.857 mln EUAs are sold on each of them, except the first and the last ones conducted in August. In H1 2017 Poland sold 34.88 mln allowances for emissions of CO₂.

The works connected with the 4th stage of EU ETS system are currently in progress in the European Community institutions. The requirements presented in H1 2017 are subject to consultation by the European Commission, European Council and European Parliament (the so-called trilogue). The market expects that during the presidency of Estonia in the EU Council the final version of the agreement will be determined, which will be foundations for the legal framework of the EU ETS system during 2021-2030.

Auction date	Volume	Auction price [EUR]	Volume, cumulatively	% volume, cumulatively
29 March 2017	5 738 500	4.71	5 738 500	7%
12 April 2017	4 857 000	4.84	10 595 500	12%
26 April 2017	4 857 000	4.49	15 452 500	18%
10 May 2017	4 857 000	4.49	20 309 500	24%
24 May 2017	4 857 000	4.81	25 166 500	29%
7 June 2017	4 857 000	4.97	30 023 500	35%
21 June 2017	4 857 000	4.95	34 880 500	41%
5 July 2017	4 857 000	5.10	39 737 500	46%
19 July 2017	4 857 000	5.39	44 594 500	52%
2 August 2017	2 428 500	5.29	47 023 000	55%
16 August 2017	2 428 500	5.62	49 451 500	58%
30 August 2017	2 428 500	6.02	51 880 000	60%
13 September 2017	4 857 000		56 737 000	66%
27 September 2017	4 857 000		61 594 000	72%
11 October 2017	4 857 000		66 451 000	77%
25 October 2017	4 857 000		71 308 000	83%
8 November 2017	4 857 000		76 165 000	89%
22 November 2017	4 857 000		81 022 000	94%
6 December 2017	4 855 000		85 877 000	100%

Reduction of emission of pollutants

Pursuant to the EU regulations, in particular the Directive of the European Parliament and the Council No. 2010/75/EU dated 24 November 2010 on industrial emissions - IED (integrated pollution prevention and control), new, stricter standards of environmental protection have been in force since 1 January 2016. In relation to the above, all producers of electricity in Poland who use mainly high-emission coal technologies, are obliged to adjust the units to new environment requirements. The law, meeting the problems of entrepreneurs, provides for a possibility of using derogatory mechanisms. Mitigation of the requirements of the IED Directive in the form of derogations, allows to achieve additional time for adaptation of generating units to stricter standards of pollutant emissions into the air.

On 28 April 2017 a voting took place in Brussels regarding the BAT conclusions (BATc) for large combustion plants (LCP). BATc adopted by the European Commission during the voting introduce e.g. more stringent (than in the IED Directive) requirements for such pollutants as: sulphur dioxide, nitric oxides and dust. The admissible emission levels (BAT - AELs) covered also additional substances: mercury, hydrogen chloride, hydrogen fluoride and ammonia. The anticipated date of BATc publication in the Official Journal is Q3 2017. As of the date of BAT announcement LCP installations will have 4 years for adjustment to its requirements.

Kozienice Power Plant

2017/2016	SO ₂			NO _x			Dust			Gross generation of electricity [MWh]
	SO ₂ emission [Mg]	SO ₂ emission ratio [kg/MWh]	SO ₂ emission fee [PLN '000]	NO _x emission [Mg]	NO _x emission ratio [kg/MWh]	NO _x emission fee [PLN '000]	Dust emissions [Mg]	Dust emission ratio [kg/MWh]	Dust emission fee [PLN '000]	
H1 2017	4 793.93	0.714	2 749.86	6 530.19	0.973	3 506.13	97.06	0.014	45.82	6 714 189.64
H1 2016	4 305.50	0.627	2 480.85	7 367.00	1.073	3 948.93	197.79	0.029	84.46	6 868 269.61
Change %	11.34	13.88	10.84	-11.36	-9.32	-11.21	-50.93	-51.72	-45.75	-2.24

Pońaniec Power Plant

2017/2016	SO ₂			NO _x			Dust			Gross generation of electricity [MWh]
	SO ₂ emission [Mg]	SO ₂ emission ratio [kg/MWh]	SO ₂ emission fee [PLN '000]	NO _x emission [Mg]	NO _x emission ratio [kg/MWh]	NO _x emission fee [PLN '000]	Dust emissions [Mg]	Dust emission ratio [kg/MWh]	Dust emission fee [PLN '000]	
H1 2017	3 323.86	0.683	1 761.65	5 811.27	1.19	3 079.97	234.64	0.05	82.12	4 863 584.60
H1 2016	3 858.93	0.721	2 045.23	7 647.64	1.43	4 053.25	273.27	0.05	95.64	5 353 485.90
Change %	-13.87	-5.27	-13.87	-24.01	-16.78	-24.01	-14.14	0.00	-14.14	-9.15

Observing regulatory and formal requirements
Enea Wytwarzanie

Enea Wytwarzanie sp. z o.o. uses the derogation resulting from IED Directive, which is the Transitional National Plan (TNP):

- within sulphur dioxide and dust emissions: Kozienice Power Plant together with Białystok Heat and Power Plant
- within NO_x emission: Elektrociepłownia Białystok individually

In the period of TNP validity, i.e. from 1 January 2016 to 30 June 2020, annual emission thresholds are in force. Pollutant emission within TNP for H1 2017 and the level of using annual emission thresholds was listed in the table below.

Installation		SO ₂		Dust		NO _x	
		[Mg]	% utilised	[Mg]	% utilised	[Mg]	% utilised
Kozienice Power Plant	emission	2 495.26	19.93	45.20	3.01	n/a	n/a
	annual threshold	12 522.50		1 502.70			
Białystok Heat and Power Plant	emission	581.07	21.79	23.21	10.76	119.15	8.84
	annual threshold	2 666.56		215.69		1 347.75	
Total	emission	3 076.33	20.25	68.41	3.98	119.15	8.84
	annual threshold	15 189.06		1 718.39		1 347.75	

In H1 2017 emission standards specified in the integrated permit were not exceeded.

Enea Elektrownia Pońaniec

Enea Elektrownia Pońaniec SA benefits from the derogation resulting from IED Directive - natural derogation 17,500 hours which covers boiler 1. Until the end of June 2017 3,036 hours were used from the limit, including in H1 2017 alone 847 hours (183 hours in Q2 2017). In H1 2017 emission standards specified in the integrated permit were not exceeded.

Significant trends in the area of Distribution

New technologies appearing, growing Customer expectations and a dynamically changing economic environment in Poland and in the world anticipate changes in the way ODS operates, they in particular draw attention to the necessity of implementing solutions which are innovative in the area of distribution, leading to the modernisation and extension of the distribution network allowing for absorption of leading trends in the power engineering sector.

The key trends are related to:

- development and implementation of smart grids
- development and implementation of modern IT systems supporting the network management
- occurring new institutional and technical solutions such as clusters, energy cooperatives, prosumer market, energy warehouses, electromobility

2017 Tariff - distribution of electricity

Detailed rules of tariff calculation are governed by the Energy Law and relevant regulations relating to tariffs. Pursuant to the Energy Law, tariffs for a licensed energy company are approved by the President of ERO.

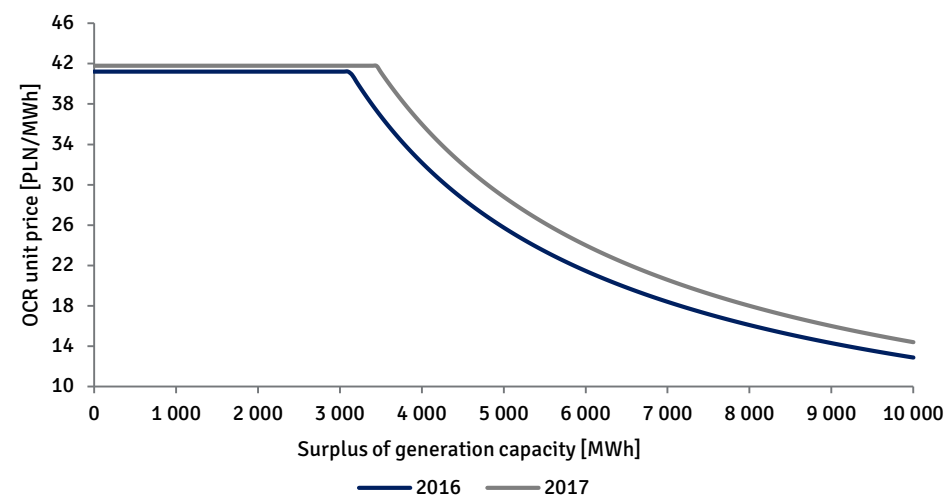
The tariff for Enea Operator for 2017 was approved by the President of ERO on 15 December 2016. It was prepared in accordance with the strategy developed and published by the President of ERO in the document titled "ODS Tariffs for 2017". The rates of fees for the distribution services approved for 2017 resulted in changes in average payments for Customers in particular tariff groups in relation to 2016:

- A tariff group set - growth by 0.96%
- B tariff group set - growth by 5.73%
- C tariff group set - growth by 4.91%
- G tariff group set - growth by 5.61%

Operating Capacity Reserve (OCR)

- OCR mechanism is conducted by Polskie Sieci Elektroenergetyczne - Operator of the Transmission System (OTS) within the system services catalogue
- For producers of energy it is an economic incentive to offer generating capacities to OTSs in the peak hours of demand for power
- OCR includes the available generating capacity, being the surplus of the power available to OTSs over the contracts concluded to satisfy demand for electricity
- A unit price for OCR depends on the volume of generating capacity available to OTSs over the demand for electricity covered:
 - within energy sale agreements
 - on the Balancing Market as part of the free exchange
- A unit price for OCR depends on the volume of generating capacity available to OTSs over the demand and may not be higher than the reference price which for 2015 amounts to PLN 37.28 PLN/MWh, for 2016 41.20 PLN/MWh and for 2017 the level is PLN 41.79 PLN/MWh

The diagram below presents the unit price for OCR depending on the volume of generation capacity available to OTSs:



Parameters of the OCR settlement model for 2016-2017:

Parameter	2016	2017
Hourly budget [PLN]	128 758.72	144 070.61
Reference price [PLN/MWh]	41.20	41.79
Hourly volume of required OCR [MWh]	3 451.09	3 447.49
Number of demand peak hours	3 780	3 765
OCR annual budget [PLN mln]	486.7	542.4

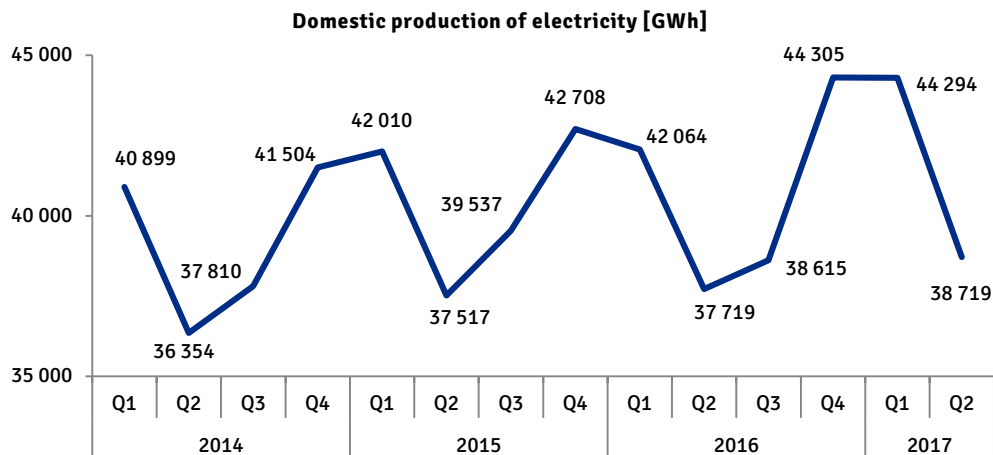
In 2016 the rules were changed for settling OCR, which in previous periods resulted in the fact that in the hours during which the OCR unit price reached the maximum level OTS did not fully use the budget designated for that service. Since 2016 new adjustment settlements were introduced (monthly and annual), which re-verify settlements and any unused funds from OCR are distributed among the units participating in the reserve.

Since 2017, consumption units with the possibility of reducing the demand (DSR) are included within OCR (POR).

Situation on the electricity market

Production of electricity

Pursuant to the data published by Polskie Sieci Energetyczne the domestic production of electricity in H1 2017 amounted to 83,013 GWh.



Electricity generation structure in Polish power plants [GWh]

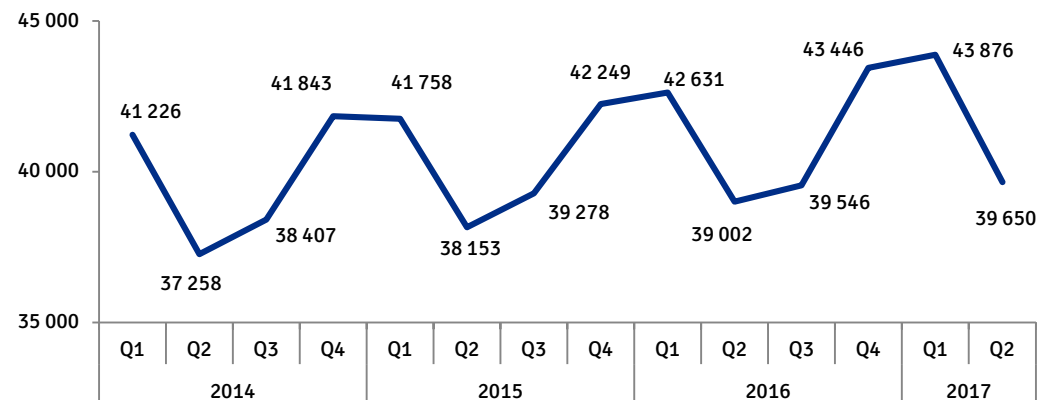
Types of power plants	H1 2016	H1 2017
Commercial on bituminous coal	40 792	40 005
Commercial on lignite	24 110	26 554
Industrial	5 033	5 137
Gas	2 912	3 172
Commercial hydroelectric	1 280	1 371
Wind	5 506	6 697
Other renewable	72	76

Domestic consumption of electricity

Pursuant to the data published by Polskie Sieci Elektroenergetyczne the domestic consumption of electricity in H1 2017 was higher by 2.32% in relation to the energy consumption in the same period of 2016.

Source: http://www.pse.pl/index.php?modul=8&y=2017&m=6&id_rap=212

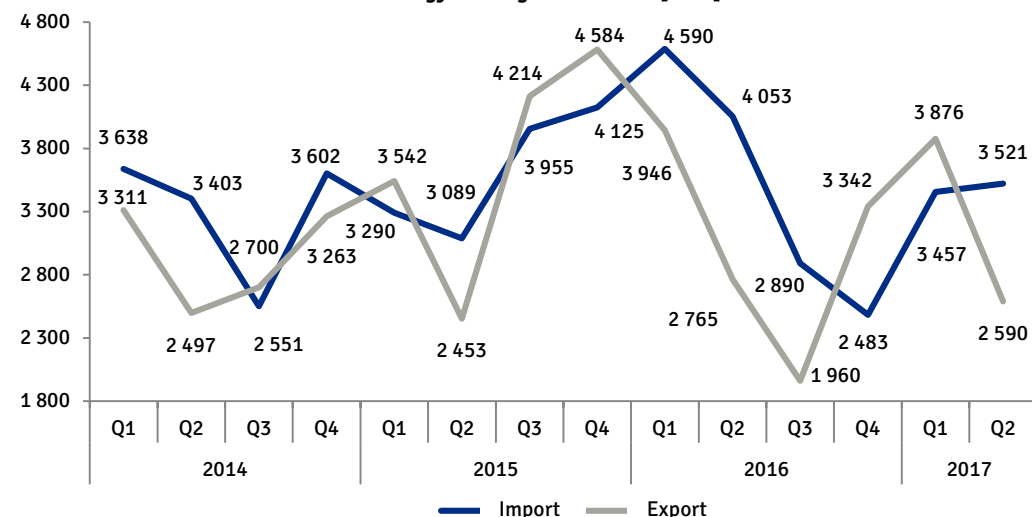
Domestic consumption of electricity [GWh]



Intersystemic exchange

In H1 2017 a negative balance of intersystemic exchange was generated as a result of a surplus of energy imported from abroad over the energy exported in the amount of (-) 513 GWh. For comparison, in H1 2016 the balance of intersystemic exchange of electricity amounted to (-) 1,927 GWh. January and February 2017 were the only months in which the balance of electricity exchange with abroad was positive. During the other months of H1 2017 the balance of electricity exchange with abroad was negative.

Energy exchange with abroad [GWh]



Coal market prices

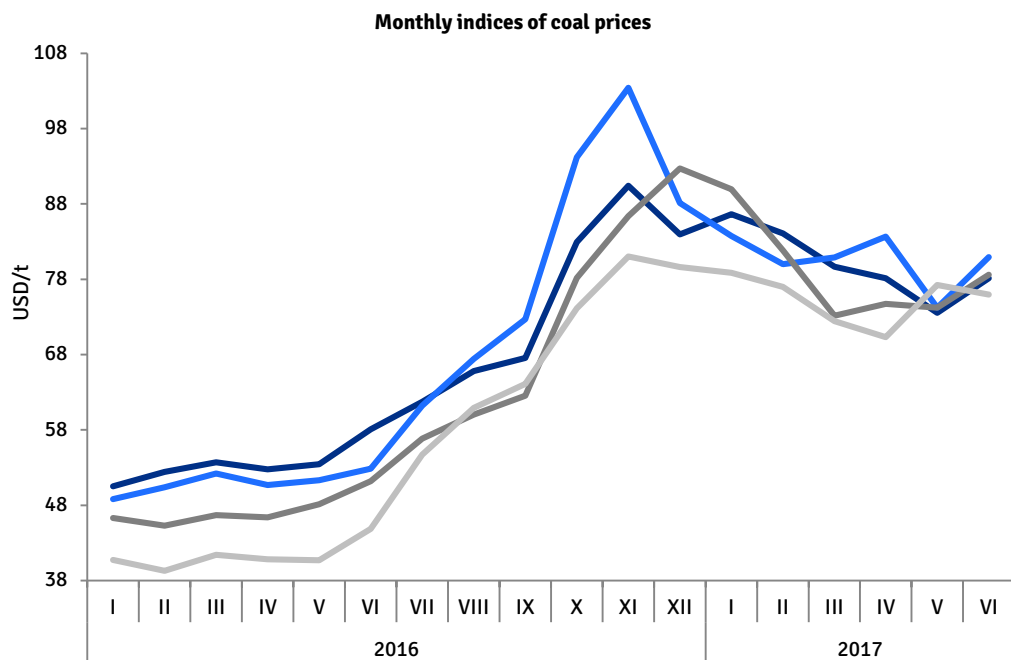
Q1 2017 characterised with a drop of prices which derived from the decision of Chinese authorities of Q4 2016 based on which the capacities of the Chinese mines were reduced. The drop in prices was however stopped by Debbie hurricane which at the end of March went through the eastern Australia, damaging the railway infrastructure which transported coal from mines to Australian ports. The results of this situation were felt in the whole global market, however the dynamics of these changes in particular coal terminals was different.

The greatest was obviously reported by the prices in Australian ports. Their preliminary growth by 3% at the turn of the quarters resulting from problems with the coal supply and a drop in the next month by 12% is restraining the market balance. A growth in June to the level exceeding 80 USD/t is the result of intensive coal supplies to Chinese customers, in relation to the planned ban on import of coal by some Chinese ports since 1 July 2017.

Coal prices on the European market on the turn of Q1 and Q2 grew by 2% and stayed low since mid-May. Next, they started growing regularly to 78.64 USD/t at the end of June. The tendency was affected by the weather conditions, improving situation of European economies, and also standard quality coal shortages.

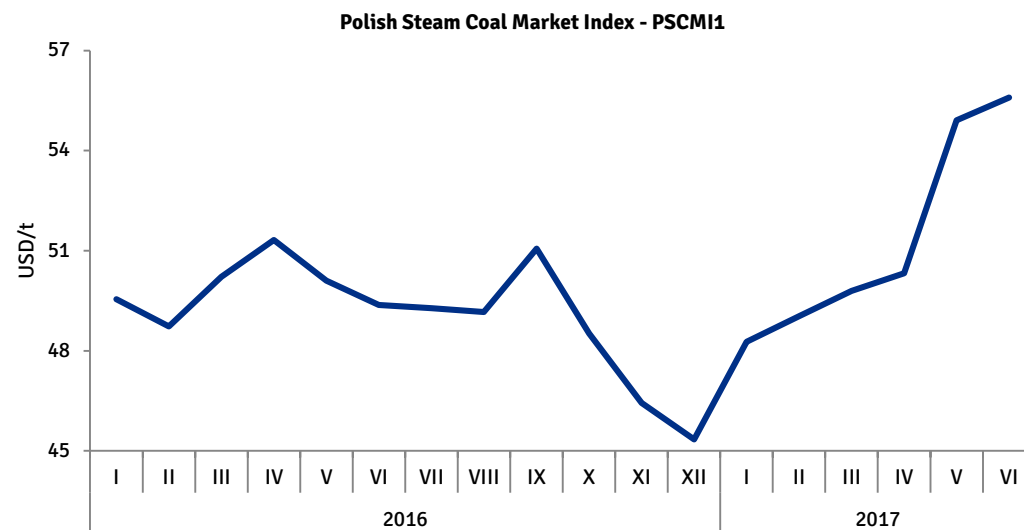
Almost in the whole period of H1 2017 coal prices dropped in Richards Bay port. Their lowest value reported in May 2017 amounted to 73.53 USD/t and in relation to the beginning of May 2017 it was lower by 16%. The cause of such a state of affairs was disturbance in the stable reception by major customers resulting from restrictions in the railway infrastructure and energy transmission. A 9% growth in prices reported in this region in June was also the consequence of bad weather and miners' strike.

In H1 2017 PSCMI1 index was in a growing trend reaching the value of 55.59 USD/t in June. It means a 15% growth in relation to the beginning of that year. It is at the same time the highest value since December 2015. The tendency was affected by a visibly greater volume of energy generated from bituminous coal. It stemmed from weather conditions and also higher GDP and industrial production. A decreasing rate of the US dollar in relation to the domestic currency and coal shortages on the domestic market took an additional part in the trend.



Richards Bay (RSA) Newcastle (Australia)
Amsterdam-Rotterdam-Antwerp (West Europe) New Orleans (USA)

Source: own development based on data from www.globalcoal.com and the paper of the Mineral and Energy Economy Research Institute of the Polish Academy of Sciences



Source: own development based on data from www.gpi.tge.pl



Wholesale electricity prices

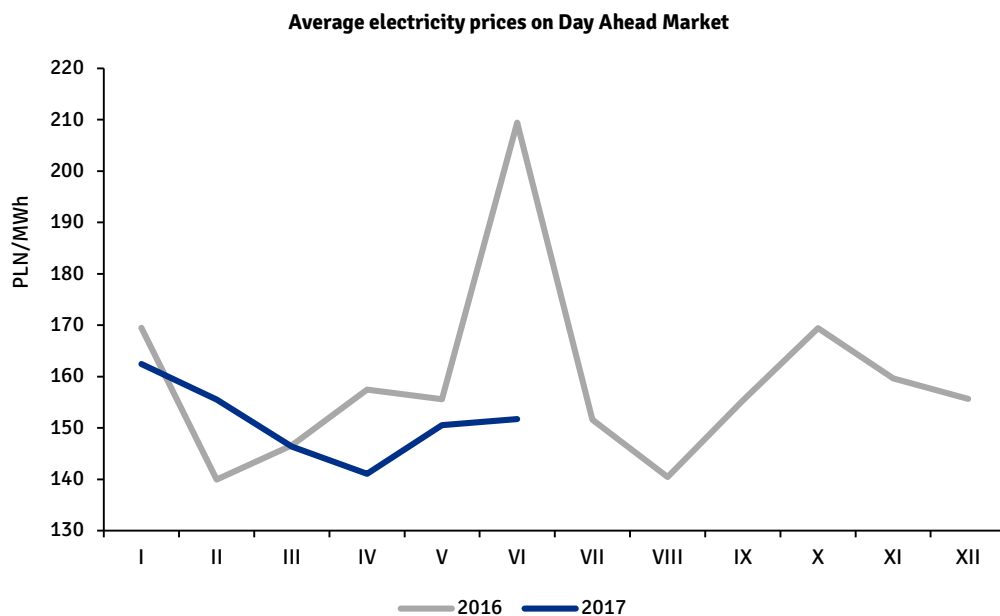
The average price on SPOT market in H1 2017 was lower by 7.2% in comparison to the same period of 2016. The prices dropped especially in the period from April to June. The prices were affected by the following factors:

- high capacity in PPE system
- great utilisation of wind generation
- relatively mild atmospheric conditions
- greater export

Table 1. Average prices on SPOT market (PPE Day Ahead Market)

Period	Average price [PLN/MWh]	Change [%]
H1 2016	163.10	-
H1 2017	151.32	↓ 7.2%

Source: Own paper based on data from PPE.



Source: Own paper based on data from PPE.

We observed drops in electricity prices on the forward market. In H1 2017, the price of BASE Y-18 product dropped from 164.50 PLN/MWh at the beginning of January to 163.50 PLN/MWh at the end of June.

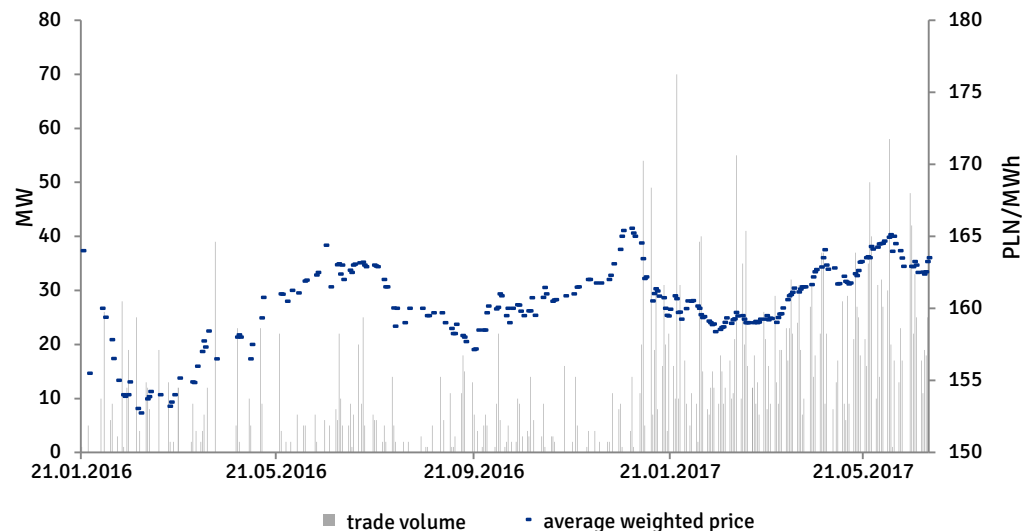
Table 2. Prices on the forward market

Product	Price at the end of quotations	Change yoy [%]	Average price from quotations	Change yoy [%]
	[PLN/MWh]		[PLN/MWh]	
BASE Y-15	177.00	-	168.13	-
BASE Y-16	167.50	↓ 5.4%	166.49	↓ 1.0%
BASE Y-17	162.00	↓ 3.3%	159.31	↓ 4.3%
BASE Y-18 ¹⁾	163.50	↑ 0.9%	160.89	↑ 1.0%

1) At the end of June 2017

Source: Own development based on data from PPE and TFS.

Transaction prices and volumes - BASE Y-18



Source: Own development based on data from PPE and TFS.

On PPE forward market a very low liquidity is observed - when comparing turnover in H1s of 2016 and 2017 between BASE-Y-17 and BASE Y-18 (it amounts to ca. 20%). The main reason for this situation may be extinguishing of the so-called 100% exchange obligation related to Long-term Agreements.

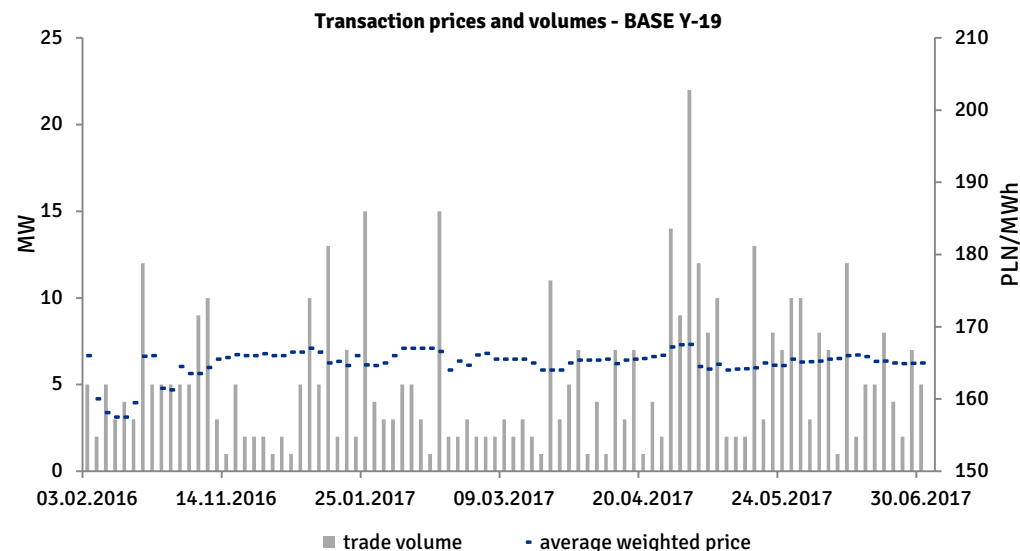
The prices of BASE Y-18 changed similarly to PEAK Y-18 prices. At the beginning of January the market valuation for this product amounted to 214.00 PLN/MWh, and at the end of June 2017 to 208.50 PLN/MWh.

In H1 2017, the forward market reported slow growth in electricity prices. It was related to e.g. a great volatility in prices of allowances for emissions of CO₂ (a range between the maximum and minimum - 1.79 EUR/t). What had a great importance for the shaping of the market situation was also a significantly decreased, as compared to the volume of trade in BASE Y-17 in the same period of the previous year, volume of trade in BASE Y-18 on PPE.

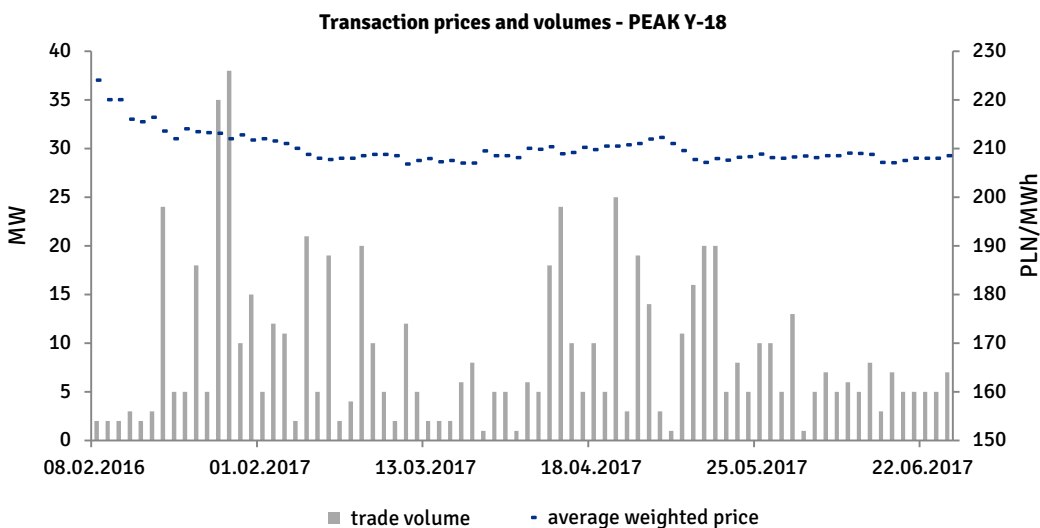
Some factors of uncertainty are still:

- the question of the Great Britain's exit from the European Union, which may cause potential changes in the Community Emission Trading Scheme and fluctuations of prices of allowances for emissions of CO₂ (EUA) in a longer term
- direction of changes in the system and introduction of new solutions (e.g. capacity market) within guaranteeing relevant levels of power in PPS

Hence, potential moderate growths in prices cannot be ruled out.



Source: Own development based on data from PPE and TFS.



Source: Own development based on data from PPE and TFS.

In H1 2017, transactions were also concluded for BASE Y-19, however due to a distant delivery horizon, the trading volumes were significantly lower than for BASE Y-18.

Obligations with respect to obtaining energy certificates of origin

In accordance with the regulations being in force energy companies selling electricity to end users in 2016 are obliged to obtain and redeem the following types of certificates of origin:

- for energy generated in renewable sources, the so called "green" certificates - the obligation on the level of 15.0% of sales to end users realised in H1 2016 and 14.35% in H2
- for energy generated from agricultural biogas, new certificates under the amendment to the Act on renewable energy sources dated 20 February 2015 - an obligation on the level of 0.65% of sales to end users realised in H2
- for energy generated in methane-fired cogeneration, the so called "violet" certificates - the obligation on the level of 1.5% of sales to end users
- for energy generated in gaseous cogeneration units or units with the total installed capacity up to 1 MW, the so called "yellow" certificates - the obligation on the level of 6.0%
- for energy generated in other cogeneration sources, the so called "red" certificates - the obligation on the level of 23.2%
- energy efficiency certificates, the so-called "white" certificates - the obligation on the level of 1.5%

The contracting price structure on the PPE's session market for particular proprietary interests in H1 2017 is presented on the next page. The analysis excludes PMOZE "green" PIs due to lack of trading volumes and their entire replacement with PMOZE_A.

Table 3. Prices on the certificates of origin market (PPE's session market)

	Average price H1 2017	Change in relation to H2 2016			Maximum price	Minimum price
		%	PLN/MWh	PLN/MWh	PLN/MWh	PLN/MWh
OZEX_A ("green" proprietary interests)	30.92	↓ 29.2%	↓ 12.78	43.39	21.75	
OZEX_BIO ("light blue" proprietary interests)	361.81	-	-	470.00	300.03	
KGMX ("yellow" proprietary interests)	2016	123.41	↑ 1.4%	↑ 1.65	124.50	121.00
	2017	116.07	-	-	116.22	116.00
KECX ("red" proprietary interests)	2016	10.72	↑ 0.3%	↑ 0.03	10.82	10.07
	2017	-	-	-	0.00	0.00
KMETX ("violet" proprietary interests)	2016	62.26	↑ 0.7%	↑ 0.41	62.90	61.80
	2017	-	-	-	-	-
EFX ("white" proprietary interests) ¹⁾	1 073.00	↑ 9.9%	↑ 96.42	1 270.00	936.00	

1) Values in PLN/toe

Source: Own paper based on data from PPE.

Limits of CO₂ emission allowances and their market prices

The end of 2016 characterised with a significant growth in EUA prices. The reason for these growths could be growing prices of coal and energy, high prices obtained at auctions and information on the intention of the Great Britain to remain in the EU ETS system after Brexit. An important growth factor was also the agreement relating to the changes in EU ETS system after 2020. Taking into account e.g. withdrawal of 24% instead of 12% of allowances from the market during at least 4 years of MSR operation, redemption of 800 mln allowances withdrawn from the market as part of backloading increasing the linear reduction coefficient to 2.4% (from 1.74%). After a sudden growth in prices in the second half of December 2016 there was a correction. Lower prices of emissions of CO₂ at the beginning of January 2017 were affected by: a growth in the volume at auctions (backloading expired, growth of the volume from 3.7 mln to 4.3 mln EUAs) and lower prices of German energy.

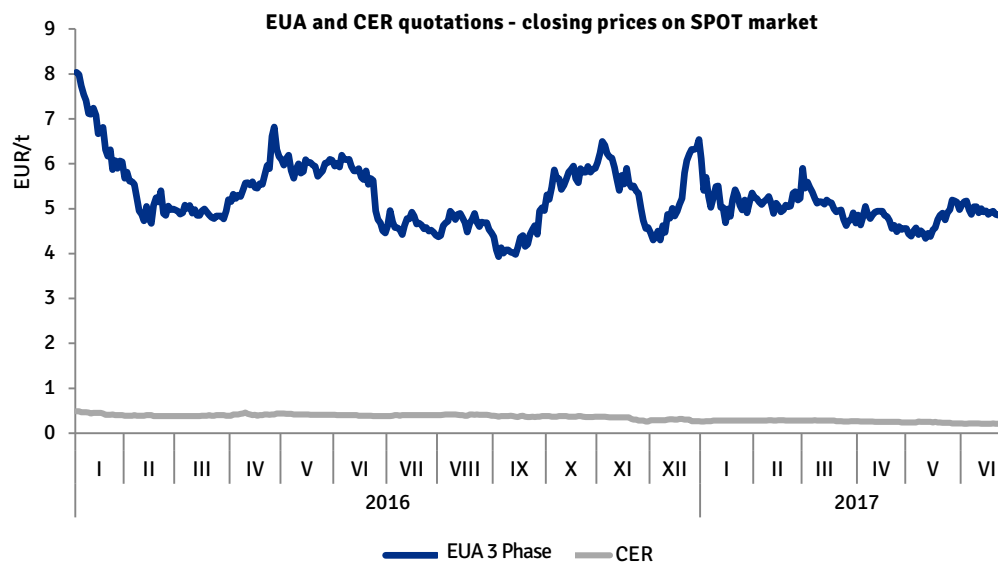
The European Commission proposed the continuation of the obligation resulting from greenhouse gas emissions by the air transport until making final decisions as regards the shape of the global market mechanism. On 15 February 2017 during the plenary session in the European Parliament a package of amendments to the draft EU ETS directive was approved which at the end of February were adopted by the Environmental Council. EU member states commenced distribution of free allowances for 2017.

As results from the most recent data on the number of allowances issued for 2017, published by the European Commission, there are the most not issued allowances in Italy, Romania and Great Britain and Malta as the only state has already issued all. According to the April publication of the European Commission, assessing the value of verified emissions for 2016, there was a drop by 2.7% as compared to 2015. On 2 May 2017 the European Commission published the data on the number of redeemed allowances. Almost all installations in the EU ETS system kept the dates of emission allowances redemption for 2016.

Table 4. EUA and CER price change

Product	Price [EUR/t]		Change %
	Beginning of January 2017	End of June 2017	
EUA Spot	6.11	5.02	↓ 17.8%
CER Spot	0.26	0.21	↓ 19.2%
EUA Dec-17	6.14	5.03	↓ 18.1%
CER Dec-17	0.27	0.21	↓ 22.2%

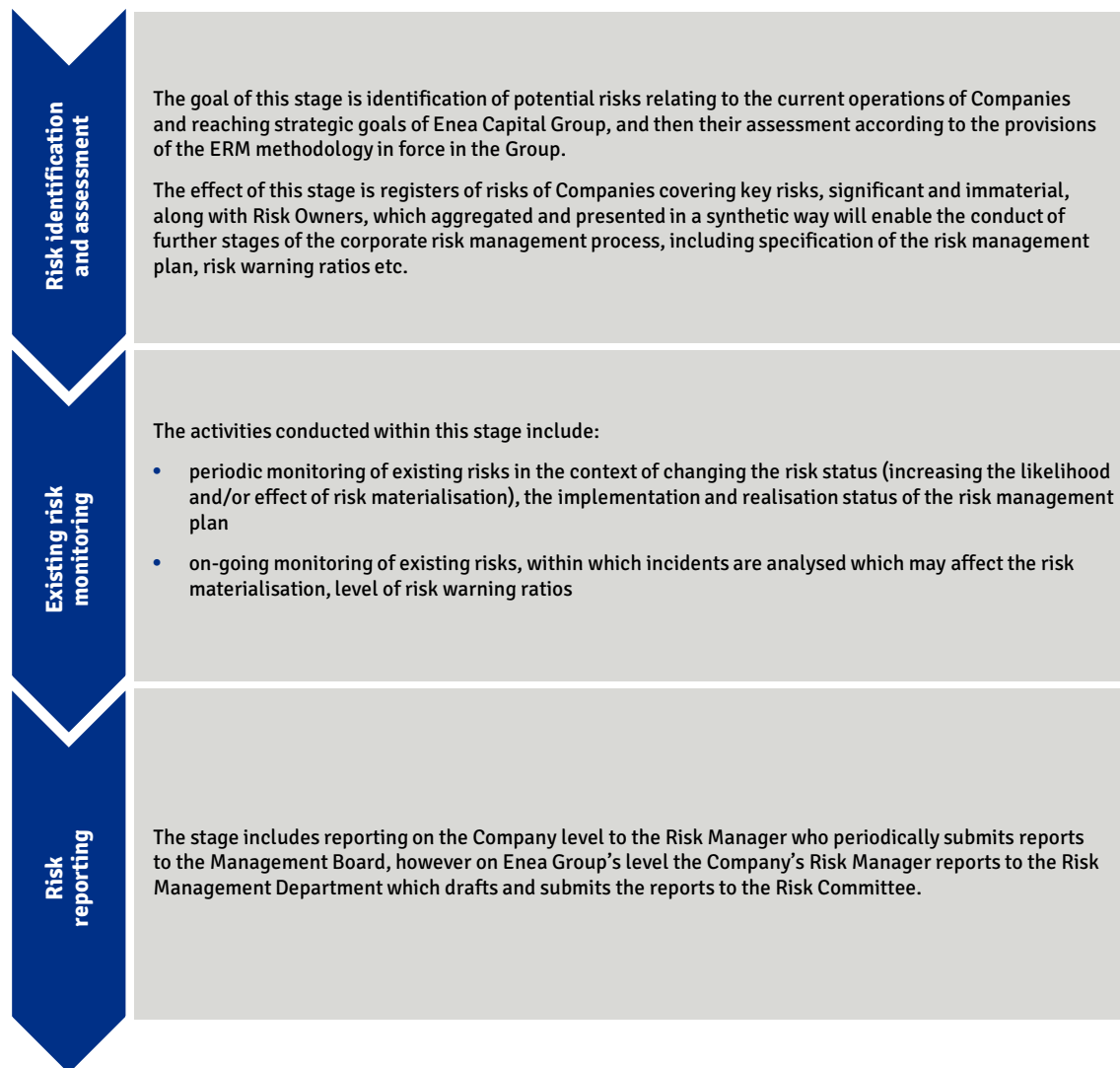
Source: own development based on data from ICE.



Source: own development based on data from BlueNext and ICE.

Risk management process

The risk management process in Enea Group is a 3-stage process, engaging all the significant organisational units of the Group Companies. The process model is compliant with the best market practice, and also standards being in force within this scope.



Documentation regulating the risk management process in Enea Group

The whole principles of the risk management system operation in Enea Group are described in the concise set of documents constituting the by-laws comprising relevant Policies and Procedures.

Policies are constitutive documents setting the frames of performed actions, indicating the scopes of participants' liability, and containing fundamental guidelines for the management model. Procedures describe the process of these actions and methods applied within performed tests, measurements, etc.

Enea Group's Risk Committee

The core body in the risk management process in Enea Group is the Risk Committee. The Committee is an interdisciplinary body, grouping representatives of key business areas of Enea Group, representing all its core Companies in the committee.

The Risk Committee's composition and its key prerogatives are presented below.

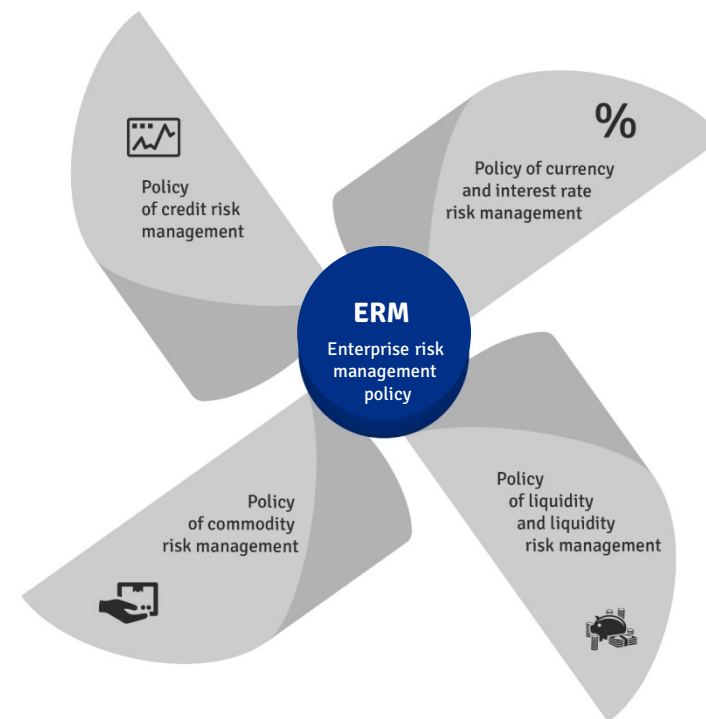
Risk Committee's composition:

- President of the Management Board of Enea - Chairman
- Vice-President of the Management Board for Financial Affairs of Enea - Vice-Chairman
- Vice-President of the Management Board for Financial and Economic Affairs of Enea Wytwarzanie
- Member of the Management Board for Financial and Economic Affairs of Enea Operator
- President of the Management Board of Enea Centrum
- President of the Management Board of Enea Trading
- President of the Management Board of LW Bogdanka
- Enea's Risk Management Department Director
- Enea's Operational Management Department Director
- Enea's Control and Audit Office Manager

Risk Committee's competences:

1. Submitting recommendations to Enea's Management Board as regards approval of policies regulating the processes of managing risks, continuity of operations, insurance and compliance and update changed within this area
2. Accepting and analysis of the information from Specialised Units from the area of risk, continuity of operations and insurance management
3. Issuing opinions on reports within the implementation of the Compliance Policy which are presented to Enea's Management Board for approval
4. Accepting reports on the current implementation of the Compliance Policy and formulating recommendations relating to the implementation of the Compliance Policy
5. Issuing valid interpretations of the provisions of the Compliance Policy
6. Making decisions on the following, in particular:
 - a) approving operating documentation regulating the risk, continuity of operations management process, with acceptance of update changes (risk limits, strategies, procedures, methods, tools, instructions, guidelines, etc.)
 - b) resulting from the operating documentation regulating the risk, continuity of operations management process and granting permissions to divergences from the rules described in the operating documentation regulating these processes
 - c) approving the map of corporate risks, list of core risks with owners of these risks
 - d) approving the methods of risk mitigation, including in particular risk management plans

Integrated risk management system



Enea Group's risk model

RISK MODEL	CORE RISKS TO WHICH ENEA GROUP IS EXPOSED IN AREA CATEGORIES	EXAMPLES OF RISK MITIGATING ACTION GROUPS IN GIVEN AREA CATEGORIES
STRATEGIC	<ul style="list-style-type: none"> • Risk of legal changes in Poland and EU and legislative environment uncertainty • Risk of unfavourable changes in the macroeconomic situation in Poland • Risk of operations performed contrary to regulators' requirements, in particular of Energy Regulatory Office, Office of Competition and Consumer Protection • Risk of ineffective process of implementation of strategic investments and initiatives • Risk of loss of core generating and distribution infrastructure as a result of natural events and other fortuitous events • Risk of loss of income due to unfavourable volatility of atmospheric factors • Reputation risks and risks related to brand management 	<ul style="list-style-type: none"> • Monitoring of probable directions of legislative changes in Poland and EU • Performing compliance related activities • Analysis and verification of efficiency of implemented strategic investments and initiatives • Implementation of Enea Group's insurance policy • Application of appropriate provisions in contracts • Development and application of operating procedures adequate to identified risks
MARKET	<ul style="list-style-type: none"> • Risk of volatile prices of electricity and derivative products (price risk) • Volumetric risk related to the acquisition of electricity or gas • Risk of volatile currency exchange rates • Risk of volatile percentage rates • Risk of unbalancing electricity sales 	<ul style="list-style-type: none"> • Dedicated market risk management corporate systems (price, currency, interest rate risks) • Risk transferring to third parties • Undertaking pre-emptive activities as regards market directions • Regular market monitoring and analysis
FINANCIAL	<ul style="list-style-type: none"> • Risk of deterioration or loss of financial liquidity • Risk of breaches of financing agreements • Risk of failure to obtain receivables for electricity sales (credit risk) 	<ul style="list-style-type: none"> • Performance of a strict monitoring of keeping the core provisions of financing agreements • Consideration of the predicted financial situation of Enea Group in planning core investments • Application of systematised methods of credit assessment of key Customers of Enea Group
OPERATING	<ul style="list-style-type: none"> • Risk of failure or unavailability of core generation and distribution infrastructure • Risk of discontinuation of fuel supplies • Risk of no access to key IT systems or means of communication • Risk of inefficient process of proceeding with electricity sales agreements • Risk related to human errors in key business processes • Risk of implemented processes related to the security of information and physical security 	<ul style="list-style-type: none"> • Maintenance and modernisation of assets • Optimisation of asset management • Internal supervision, reviews, audits and control • Conduct of trainings and competence development • Implementation of technical and organisational solutions • Implementation of dedicated IT systems • Monitoring of infrastructure and processes and implementation of relevant recommendations



3. Financial position

Consolidated Profit and Loss Statement - H1 2017

[PLN '000]	H1 2016	H1 2017	Change	Change %
Revenue from sale of electricity ¹⁾	3 272 527	3 327 553	55 026	1.7%
Revenue from sale of heat energy ¹⁾	165 245	189 435	24 190	14.6%
Revenue from sale of natural gas ¹⁾	102 767	70 104	-32 663	-31.8%
Revenue from sale of distribution services	1 483 536	1 601 160	117 624	7.9%
Revenue from certificates of origin	10 765	18 092	7 327	68.1%
Revenue from sales of CO ₂ emission allowances	12 644	10 130	-2 514	-19.9%
Revenue from sale of goods and materials	44 461	34 805	-9 656	-21.7%
Revenue from sale of other services ¹⁾	95 931	83 066	-12 865	-13.4%
Sale of coal	411 556	232 429	-179 127	-43.5%
Net sales revenue	5 599 432	5 566 774	-32 658	-0.6%
Amortisation/depreciation	553 951	576 814	22 863	4.1%
Employee benefit costs	708 494	771 479	62 985	8.9%
Consumption of materials and raw materials and value of goods sold	706 231	709 768	3 537	0.5%
Purchase of energy and gas for resale	2 076 235	1 573 422	-502 813	-24.2%
Transmission services	418 078	527 438	109 360	26.2%
Other outsourced services	291 229	357 013	65 784	22.6%
Taxes and charges	170 899	197 567	26 668	15.6%
Cost of sales	4 925 117	4 713 501	-211 616	-4.3%
Other operating revenue	56 698	59 331	2 633	4.6%
Other operating expenses	67 859	122 946	55 087	81.2%
Profit on sales and liquidation of tangible fixed assets	-10 583	-8 037	2 546	24.1%
Non-financial fixed assets impairment write-down	42 000	-	-42 000	-100.0%
Operating profit	610 571	781 621	171 050	28.0%
Financial costs	65 168	81,942	16 774	25.7%
Financial revenue	42 282	62 519	20 237	47.9%
Share in profits of affiliated and co-controlled entities	-	5 931	5 931	-
Dividend revenue	148	526	378	255.4%
Profit before taxes	587 833	768 655	180 822	30.8%
Income tax	116 607	144 824	28 217	24.2%
Net profit for the reporting period	471 226	623 831	152 605	32.4%
EBITDA	1 206 522	1 358 435	151 913	12.6%

1) Change in presentation of data published for H1 2016

H1 2017:

Enea CG's EBITDA change drivers:

- * The key driver of EBITDA change is the acquisition of Enea Elektrownia Potaniec (as of 14 March 2017)
- (+) higher revenue from sales of electricity by PLN 55 mln stems mainly from higher volumes of sales by 751 GWh with the concurrent drop in the average selling price by 3.4% and greater revenue from the Regulatory System Services
- (+) higher revenue from sales of heat energy by PLN 24 mln stems from higher volumes of sales by 836,556 GJ (mainly as a result of the acquisition of EEP) with the concurrent drop in the average selling price
- (-) lower revenue from sales of natural gas by PLN 33 mln stemming from volumes lower by 164 GWh and the price lower by 16.8%
- (+) higher revenue from the sale of distribution services by PLN 118 mln stemming from a higher volume of sales of distribution services (3%) to end users
- (+) higher revenue from sale of certificates of origin stems from the settlement of the forward transactions concluded in 2015
- (-) lower revenue from sale of services by PLN 13 mln mainly as a result of realisation of a smaller number of agreements relating to the reconstruction of the existing power infrastructure ordered by an external entity
- (-) lower sales of coal by PLN 179 mln stem from a higher volume of intergroup deliveries
- (-) higher costs of employee benefits by PLN 63 mln resulting mainly from change in actuarial provisions and EEP acquisition
- (+) lower costs of purchases of electricity and gas by PLN 503 mln stem from:
 - (+) lower volumes of electricity purchases (1,700 GWh) with concurrent drop in the average purchase price by 4.9%
 - (+) smaller purchase costs of natural gas in relation to the average price lower by 14.5% and volumes lower by 135 GWh
 - (+) lower costs of purchasing PIs mainly as a result of durable low prices of green certificates
- (-) higher costs of transmission services by PLN 109 mln mainly as a result of higher transitory charge and calculation of RES fees (since H2 2016) and higher rate of the fixed transitory charge in PSE tariff
- (-) higher costs of outsourced services by PLN 66 mln resulting mainly from EEP acquisition
- (-) higher taxes and charges stem from e.g. the acquisition of EEP and greater value of fixed assets related to the finalised investment processes
- (-) lower results on the other operating activities by PLN 50 mln:
 - (-) higher provisions for latent claims and anticipated losses by PLN 54 mln (including PLN 44 mln for termination of PIs purchase contract)
 - (-) higher write-downs of the value of overdue receivables and bad debts by PLN 7 mln
 - (-) lower nil-paid fixed assets by PLN 6 mln, e.g. as a result of a smaller number of contracts relating to collisions on the grid assets
 - (-) higher costs of donations by PLN 7 mln
 - (-) lower balance insurance inflows by PLN 4 mln
 - (+) profit from the bargain purchase of shares in Enea Elektrownia Potaniec SA amounting to PLN 12 mln
 - (+) lower growth in provisions for non-contractual use of transmission corridors PLN 10 mln
 - (+) smaller loss on the liquidation of tangible assets by PLN 3 mln e.g. as a result of liquidation of excavations

Consolidated Profit and Loss Statement - Q2 2017

[PLN '000]	Q2 2016	Q2 2017	Change	Change %
Revenue from sale of electricity ¹⁾	1 582 961	1 824 748	241 787	15.3%
Revenue from sale of heat energy ¹⁾	51 701	70 664	18 963	36.7%
Revenue from sale of natural gas ¹⁾	36 376	34 553	-1 823	-5.0%
Revenue from sale of distribution services	710 096	772 632	62 536	8.8%
Revenue from certificates of origin	5 866	17 931	12 065	205.7%
Revenue from sales of CO ₂ emission allowances	11 793	4 425	-7 368	-62.5%
Revenue from sale of goods and materials	20 047	19 923	-124	-0.6%
Revenue from sale of other services ¹⁾	56 857	38 208	-18 649	-32.8%
Sale of coal	186 984	74 000	-112 984	-60.4%
Net sales revenue	2 662 681	2 857 084	194 403	7.3%
Amortisation/depreciation	274 243	292 967	18 724	6.8%
Employee benefit costs	345 763	384 492	38 729	11.2%
Consumption of materials and raw materials and value of goods sold	339 241	424 157	84 916	25.0%
Purchase of energy and gas for resale	953 193	781 006	-172 187	-18.1%
Transmission services	227 689	265 615	37 926	16.7%
Other outsourced services	160 224	207 114	46 890	29.3%
Taxes and charges	77 328	91 240	13 912	18.0%
Cost of sales	2 377 681	2 446 591	68 910	2.9%
Other operating revenue	26 534	43 093	16 559	62.4%
Other operating expenses	37 436	50 294	12 858	34.3%
Profit on sales and liquidation of tangible fixed assets	-10 164	-4 250	5 914	58.2%
Non-financial fixed assets impairment write-down	42 000	-	-42 000	-100.0%
Operating profit	221 934	399 042	177 108	79.8%
Financial costs	29 432	35 985	6 553	22.3%
Financial revenue	28 218	-3 664	-31 882	-
Share in results of affiliated and co-controlled entities	-	5 931	5 931	-
Dividend revenue	148	526	378	255.4%
Profit before taxes	220 868	365 850	144 982	65.6%
Income tax	40 047	63 209	23 162	57.8%
Net profit for the reporting period	180 821	302 641	121 820	67.4%
EBITDA	538 177	692 009	153 832	28.6%

¹⁾ Change in presentation of data published for Q2 2016

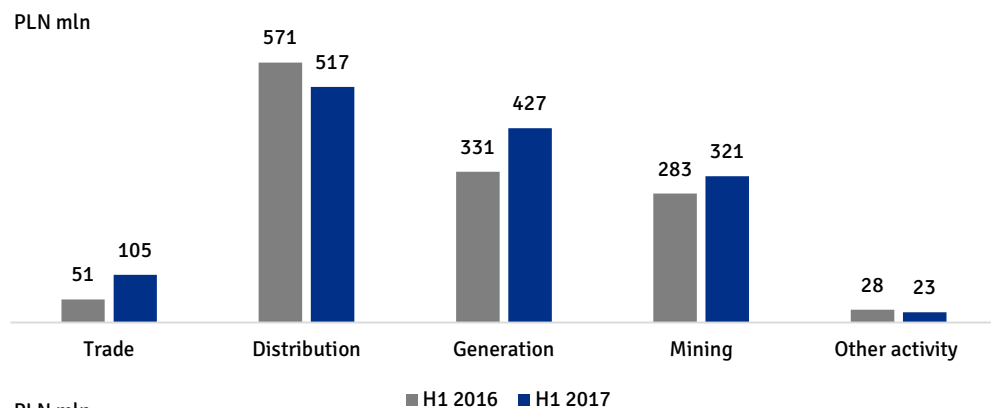
Q2 2017:

Enea CG's EBITDA change drivers:

- * The key driver of EBITDA change is the acquisition of Enea Elektrownia Połaniec (as of 14 March 2017)
- (+) higher revenue from sales of electricity by PLN 242 mln stems mainly from higher volumes of sales by 1.6 TWh with the concurrent drop in the average selling price by 5.6% and greater revenue from the Regulatory System Services
- (+) higher revenue from sales of heat energy by PLN 19 mln stems from higher volumes of sales by 687.863 GJ (mainly as a result of the acquisition of EEP) with the concurrent drop in the average selling price
- (-) lower revenue from sales of natural gas by PLN 2 mln stemming from the average selling price lower by 13.3% with the concurrent growth in volumes by 44 GWh
- (+) higher revenue from the sale of distribution services by PLN 63 mln stemming from a higher volume of sales of distribution services (2%) to end users
- (+) higher revenue from sale of certificates of origin stems from the settlement of the forward transactions concluded in 2015
- (-) lower revenue from sale of services by PLN 19 mln mainly as a result of realisation of a smaller number of agreements relating to the reconstruction of the existing power infrastructure ordered by an external entity
- (-) lower sales of coal by PLN 113 mln stem from a higher volume of intergroup deliveries
- (-) higher costs of employee benefits by PLN 39 mln resulting mainly from change in actuarial provisions and in relation to EEP acquisition
- (-) higher costs of materials and value of goods sold by PLN 85 mln stem from the acquisition of EEP with a concurrent drop in costs related to greater volumes of intergroup coal purchases
- (+) lower costs of purchases of electricity and gas by PLN 172 mln stem from:
 - (+) lower volumes of electricity purchases (481 GWh) with concurrent drop in the average purchase price by 12.8%
 - (+) smaller purchase costs of natural gas in relation to the average price lower by 12.3% and volumes lower by 24 GWh
 - (+) lower costs of purchasing Pls mainly as a result of low prices of green certificates
- (-) higher costs of transmission services stems mainly from higher shifted costs - higher transitory charge and introduction as of 1 July 2016 of a RES fee and higher rate of the fixed transmission fee in PSE tariff
- (-) higher costs of outsourced services by PLN 47 mln resulting mainly from EEP acquisition
- (-) higher taxes and charges relates to e.g. the acquisition of EEP and greater value of fixed assets related to the finalised investment processes
- (+) higher result on the other operating activity by PLN 10 mln:
 - (+) profit from the bargain purchase of shares in Enea Elektrownia Połaniec SA amounting to PLN 12 mln
 - (+) lower write-downs of the value of overdue receivables and bad debts by PLN 9 mln
 - (-) higher provisions for latent claims by PLN 26 mln (including PLN 22 mln for termination of Pls purchase contract)
 - (+) higher revenue from damages, fines and contractual penalties by PLN 8 mln
 - (+) smaller loss on the liquidation of tangible assets by PLN 6 mln e.g. as a result of liquidation of excavations

Results on individual areas of operations of Enea CG

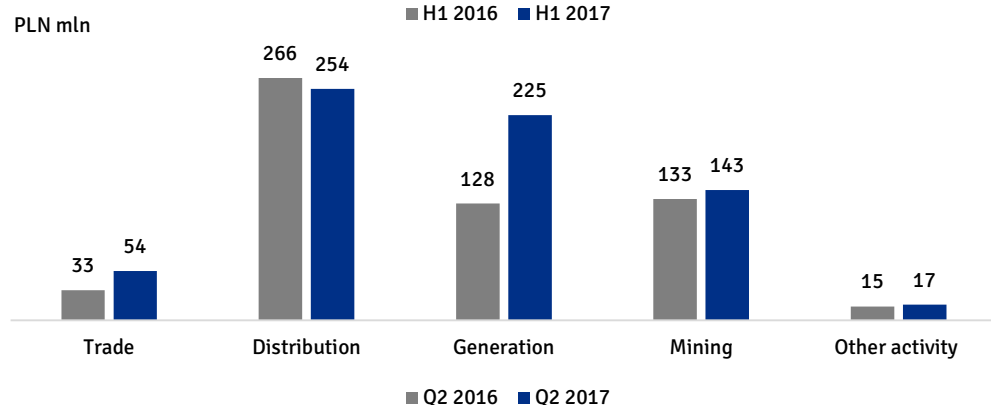
EBITDA [PLN '000]	H1 2016	H1 2017	Change	Change %	Q2 2016	Q2 2017	Change	Change %
Trade	50 560	105 052	54 492	107.8%	32 751	54 230	21 479	65.6%
Distribution	570 685	516 811	-53 874	-9.4%	265 555	254 438	-11 117	-4.2%
Generation	331 493	427 280	95 787	28.9%	127 937	225 033	97 096	75.9%
Mining	282 891	321 234	38 343	13.6%	132 574	142 965	10 391	7.8%
Other activity	28 495	23 055	-5 440	-19.1%	14 913	16 990	2 077	13.9%
Undistributed items and exclusions	-57 602	-34 997	22 605	39.2%	-35 553	-1 647	33 906	95.4%
Total EBITDA	1 206 522	1 358 435	151 913	12.6%	538 177	692 009	153 832	28.6%



Enea CG H1 2017:

The highest EBITDA in the area of Distribution

The greatest growth in EBITDA in the area of Generation as a result of higher generation capacity



Enea CG Q2 2017:

The highest EBITDA in the area of Distribution

The greatest growth in EBITDA in the area of Generation as a result of higher generation capacity

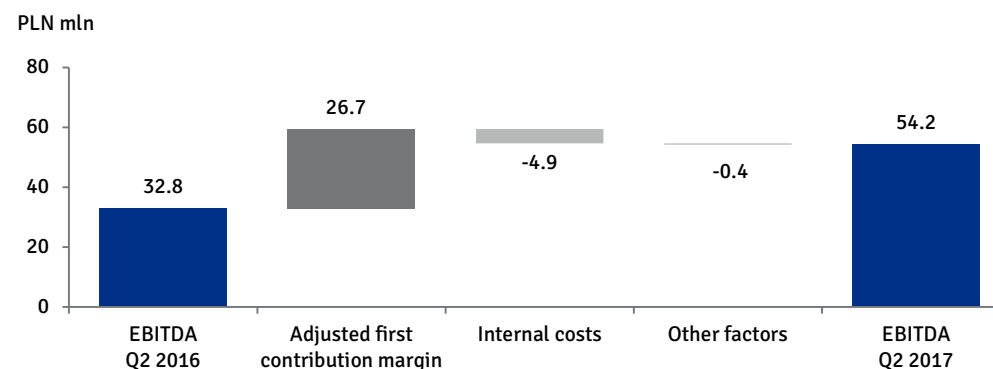
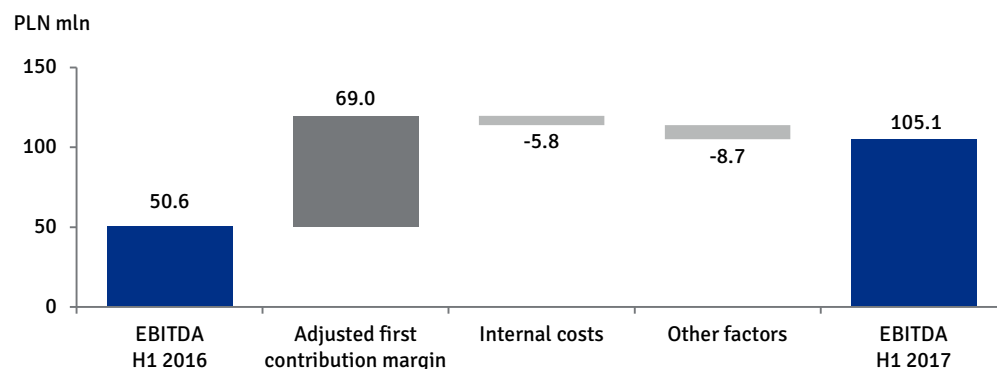
Area of Trade

[PLN '000]	H1 2016	H1 2017	Change	Change %	Q2 2016	Q2 2017	Change	Change %
Sales revenue	3 446 677	2 799 035	-647 642	-18.8%	1 649 971	1 351 922	-298 049	-18.1%
EBIT	50 226	104 597	54 371	108.3%	32 582	53 992	21 410	65.7%
Amortisation/depreciation	334	455	121	36.2%	169	238	69	40.8%
EBITDA	50 560	105 052	54 492	107.8%	32 751	54 230	21 479	65.6%
CAPEX ¹⁾	912	188	-724	-79.4%	769	-	-769	-100.0%
Share of sales revenue of the area in the Group's net sales revenue	44%	36%	-8 p.p.	-	44%	34%	-10 p.p.	-

Enea SA deals with retail sales of electricity

Wholesale is performed by Enea Trading sp. z o.o.

1) Excluding Enea SA's equity investments



H1 2017 Change drivers of EBITDA:

First contribution margin

- (-) lower average selling price by 4.4%
- (+) lower costs of ecological obligations by 49.2%
- (+) lower average purchase price of energy by 10.2%
- (+) growth in sale volumes by 8.2%
- (-) lower result on trade in gas

Internal costs

- (-) higher direct costs of sales by PLN 7 mln
- (+) lower general and administrative costs by PLN 1 mln

Other drivers

- (+) lower provisions for latent claims and anticipated losses by PLN 1 mln
- (-) higher costs of donations by PLN 7 mln
- (-) higher litigation costs by PLN 2 mln
- (+) lower costs of written-off receivables by PLN 1 mln
- (+) lower impairment of receivables by PLN 2 mln

Q2 2017 Change drivers of EBITDA:

First contribution margin

- (-) lower average selling price by 5.9%
- (+) lower costs of ecological obligations by 50.1%
- (+) lower average purchase price of energy by 11.0%
- (+) growth in sale volumes by 11.7%
- (-) lower result on trade in gas

Internal costs

- (-) higher direct costs of sales by PLN 6 mln
- (+) lower general and administrative costs by PLN 1 mln

Other drivers

- (+) lower provisions for latent claims and anticipated losses by PLN 4 mln
- (-) higher costs of written-off receivables by PLN 1 mln
- (-) higher litigation costs by PLN 1 mln

Area of Generation

[PLN '000]	H1 2016	H1 2017	Change	Change %	Q2 2016	Q2 2017	Change	Change %
Sales revenue	1 689 259	2 147 041	457 782	27.1%	812 431	1 257 278	444 847	54.8%
<i>electricity</i>	1 475 822	1 897 197	421 375	28.6%	739 218	1 142 048	402 830	54.5%
<i>certificates of origin</i>	26 924	38 414	11 490	42.7%	4 831	32 005	27 174	562.5%
<i>sale of allowance for emissions of CO₂</i>	12 562	10 463	-2 099	-16.7%	10 941	4 652	-6 289	-57.5%
<i>heat</i>	162 792	186 225	23 433	14.4%	51 457	70 272	18 815	36.6%
<i>other</i>	11 159	14 742	3 583	32.1%	5 984	8 301	2 317	38.7%
EBIT	168 565	283 002	114 437	67.9%	25 689	148 459	122 770	477.9%
Amortisation/depreciation	120 928	144 278	23 350	19.3%	60 248	76 574	16 326	27.1%
Non-financial fixed assets impairment write-down	42 000	-	-42 000	-100.0%	42 000	-	-42 000	-100.0%
EBITDA	331 493	427 280	95 787	28.9%	127 937	225,033	97 096	75.9%
CAPEX	556 781	329 042	-227 739	-40.9%	421 342	84 447	-336 895	-80.0%
Share of sales revenue of the area in the Group's net sales revenue	22%	28%	6 p.p.	-	22%	32%	10 p.p.	-

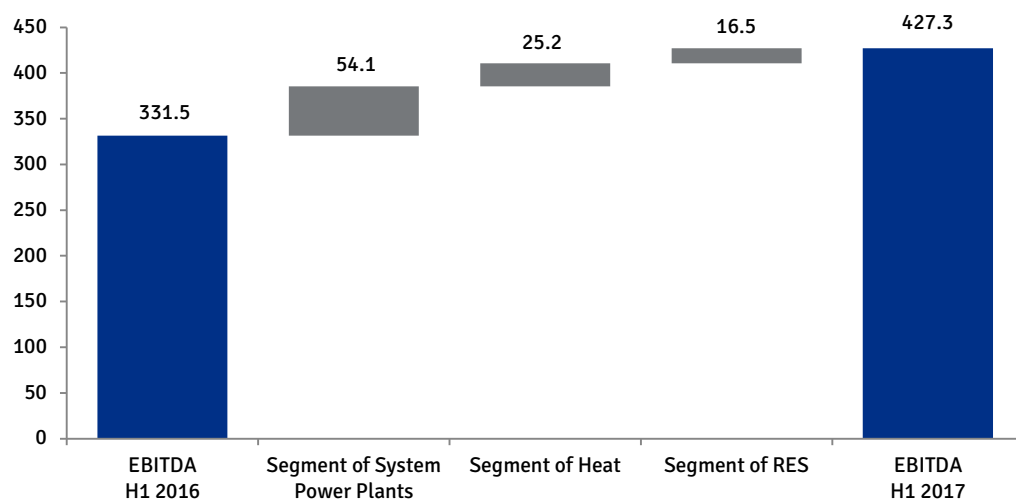
The area of Generation presents financial data of Enea Wytwarzanie sp. z o.o. with its subsidiaries and Enea Elektrownia Potaniec.

Enea Wytwarzanie holds e.g. 10 highly-efficient and modernised power units in Koziencice Power Plant.

As a consequence of the acquisition EEP strengthened the area of Generation with additional 7 coal-fired units with the total gross capacity of 1,657 MW and the largest in the world unit firing exclusively biomass with the installed gross capacity of 225 MW.

The annual production capacities in that area amount to ca. 27 TWh electricity, and as a result Enea CG became a vice-leader in electricity generation in Poland.

PLN mln



H1 2017 Change drivers of EBITDA:

Segment of System Power Plants

- (+) higher revenue from Regulatory System Services by PLN 15.2 mln
- (+) lower fixed costs by PLN 10.1 mln
- (+) higher margin on generation by PLN 4.7 mln
- (-) lower margin on trade and the Balancing Market by PLN 27.6 mln
- (+) Enea Elektrownia Potaniec PLN 52.0 mln

Segment of Heat

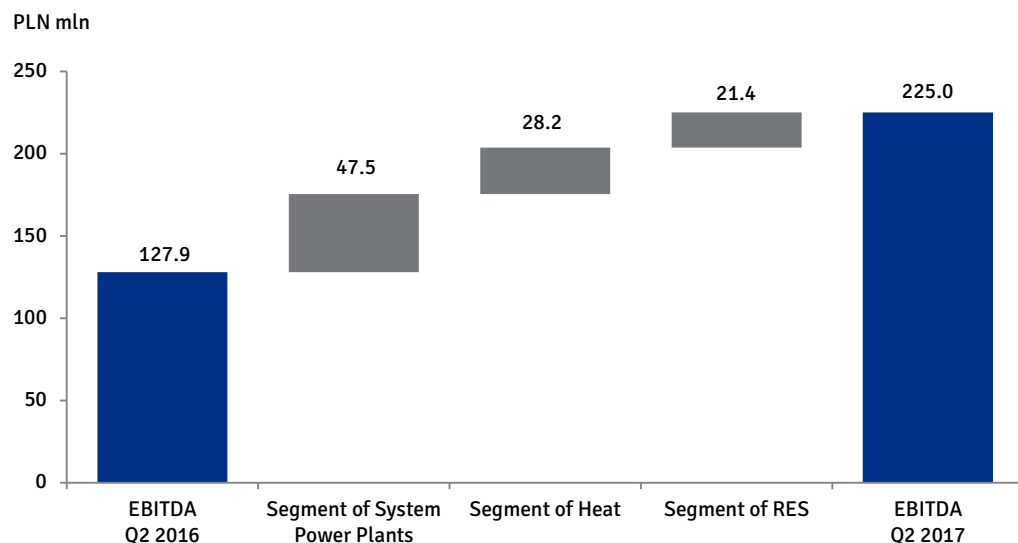
- (+) lower costs of materials by PLN 24.3 mln, including reduced costs of biomass consumption by PLN 31.9 mln, increased costs of coal consumption by PLN 3.3 mln
- (+) higher revenue from sales of heat by PLN 8.0 mln
- (+) higher result on the other operating activity by PLN 4.6 mln
- (-) lower revenue from certificates of origin by PLN 4.5 mln
- (-) lower revenue from electricity by PLN 12.2 mln
- (+) Enea Elektrownia Potaniec PLN 5.1 mln

Segment of RES

- (-) Area of Wind (PLN -5.5 mln): lower revenue from certificates of origin by PLN 4.2 mln, higher fixed costs by PLN 3.4 mln, growth in revenue from electricity costs by PLN 2.4 mln
- (+) Area of Water (PLN +1.6 mln): higher revenue from electricity by PLN 3.2 mln, profit from sales of fixed assets PLN 0.6 mln, lower revenue from certificates of origin by PLN 2.1 mln
- (+) Area of Biogas (PLN +2.1 mln): higher revenue from certificates of origin by PLN 1.6 mln, lower variable costs by PLN 0.2 mln, lower fixed costs by PLN 0.2 mln
- (+) Enea Elektrownia Potaniec PLN 18.3 mln

Area of Generation

[PLN '000]	H1 2016	H1 2017	Change	Change %	Q2 2016	Q2 2017	Change	Change %
Sales revenue	1 689 259	2 147 041	457 782	27.1%	812 431	1 257 278	444 847	54.8%
<i>electricity</i>	1 475 822	1 897 197	421 375	28.6%	739 218	1 142 048	402 830	54.5%
<i>certificates of origin</i>	26 924	38 414	11 490	42.7%	4 831	32 005	27,174	562.5%
<i>sale of allowance for emissions of CO₂</i>	12 562	10 463	-2 099	-16.7%	10 941	4 652	-6 289	-57.5%
<i>heat</i>	162 792	186 225	23 433	14.4%	51 457	70 272	18 815	36.6%
<i>other</i>	11 159	14 742	3 583	32.1%	5 984	8 301	2 317	38.7%
EBIT	168 565	283 002	114 437	67.9%	25 689	148 459	122 770	477.9%
Amortisation/depreciation	120 928	144 278	23 350	19.3%	60 248	76 574	16 326	27.1%
Non-financial fixed assets impairment write-down	42 000	-	-42 000	-100.0%	42 000	-	-42 000	-100.0%
EBITDA	331 493	427 280	95 787	28.9%	127 937	225 033	97 096	75.9%
CAPEX	556 781	329 042	-227 739	-40.9%	421 342	84 447	-336 895	-80.0%
Share of sales revenue of the area in the Group's net sales revenue	22%	28%	6 p.p.	-	22%	32%	10 p.p.	-



Q2 2017 Change drivers of EBITDA:

Segment of System Power Plants

- (+) higher revenue from Regulatory System Services by PLN 7.7 mln
- (+) lower fixed costs by PLN 6.2 mln
- (-) lower margin on generation by PLN 13.9 mln
- (-) lower margin on trade and the Balancing Market by PLN 3.9 mln
- (+) Enea Elektrownia Potaniec PLN 50.2 mln

Segment of Heat

- (+) lower costs of materials by PLN 11.4 mln, including reduced costs of biomass consumption by PLN 18.1 mln, increased costs of coal consumption by PLN 7.8 mln
- (+) higher revenue from sales of heat by PLN 5.7 mln
- (+) higher result on the other operating activity by PLN 4.7 mln
- (+) higher revenues from certificates of origin by PLN 4.3 mln
- (-) lower revenue from electricity by PLN 3.9 mln
- (+) lower energy purchasing costs for resale by PLN 1.5 mln
- (+) Enea Elektrownia Potaniec PLN 4.4 mln

Segment of RES

- (-) Area of Wind (PLN -0.6 mln): higher fixed costs by PLN 1.4 mln, lower revenue from certificates of origin by PLN 0.7 mln, higher other variable costs by PLN 0.2 mln, growth in revenue from electricity costs by PLN 1.8 mln
- (+) Area of Water (PLN +0.3 mln): higher revenue from electricity by PLN 1.2 mln, fixed costs lower by PLN 0.3 mln, lower revenue from certificates of origin by PLN 0.5 mln
- (+) Area of Biogas (PLN +1.3 mln): higher revenue from certificates of origin by PLN 1.2 mln
- (+) Enea Elektrownia Potaniec PLN 20.4 mln

Area of Distribution

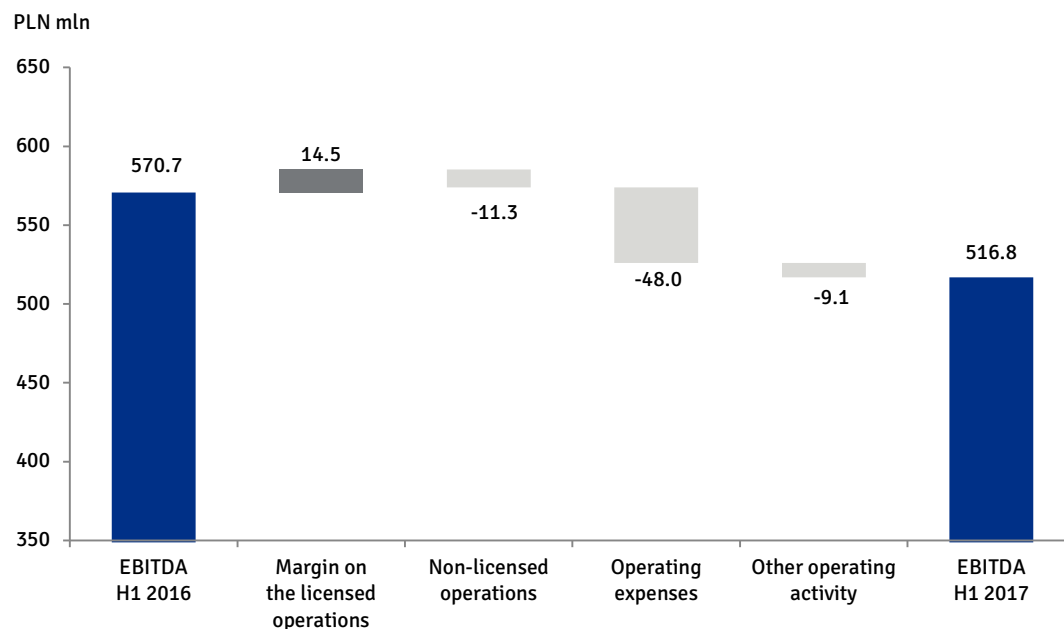
[PLN '000]	H1 2016	H1 2017	Change	Change %	Q2 2016	Q2 2017	Change	Change %
Sales revenue	1 531 261	1 628 660	97 399	6.4%	742 912	788 876	45 964	6.2%
<i>distribution services to end users</i>	1 432 869	1 556 652	123 783	8.6%	684 971	748 773	63 802	9.3%
<i>fees for grid connection</i>	31 298	29 663	-1 635	-5.2%	15 599	16 176	577	3.7%
<i>other</i>	67 094	42 345	-24 749	-36.9%	42 342	23 927	-18 415	-43.5%
EBIT	328 747	273 852	-54 895	-16.7%	155 748	131 314	-24 434	-15.7%
Amortisation/depreciation	241 938	242 959	1 021	0.4%	109 807	123 124	13 317	12.1%
EBITDA	570 685	516 811	-53 874	-9.4%	265 555	254 438	-11 117	-4.2%
CAPEX	424 315	343 558	-80 757	-19.0%	249 448	193 582	-55 866	-22.4%
Share of sales revenue of the area in the Group's net sales revenue	20%	21%	1 p.p.	-	20%	20%	-	-

Enea Operator sp. z o.o. is responsible for electricity distribution to 2.5 mln Customers in the western and north-western Poland on the area of 58.2 thou. km².

The basic task of Enea Operator is a continuous and reliable supply of energy maintaining appropriate quality parameters.

In the area of Distribution the financial data of the following companies is presented:

- Enea Operator sp. z o.o.
- Enea Serwis sp. z o.o.
- Enea Pomiar sp. z o.o.
- Annacond Enterprises sp. z o. o.



H1 2017 Change drivers of EBITDA:

Margin on the licensed operations

- (+) higher revenue from sale of distribution services to end users by PLN 124 mln
- (+) lower costs of purchasing electricity for coverage of book-tax difference by PLN 11 mln
- (-) higher costs of purchase of transmission services by PLN 114 mln
- (-) lower revenue from sale of distribution services to other entities by PLN 5 mln
- (-) lower revenue from grid connection fees by PLN 2 mln

Non-licensed operations

- (-) lower revenue from sales of services by PLN 11 mln

Operating expenses

- (-) higher employee benefits costs by PLN 21 mln
- (-) higher costs of outsourced services by PLN 11 mln
- (-) higher costs of taxes and charges by PLN 9 mln

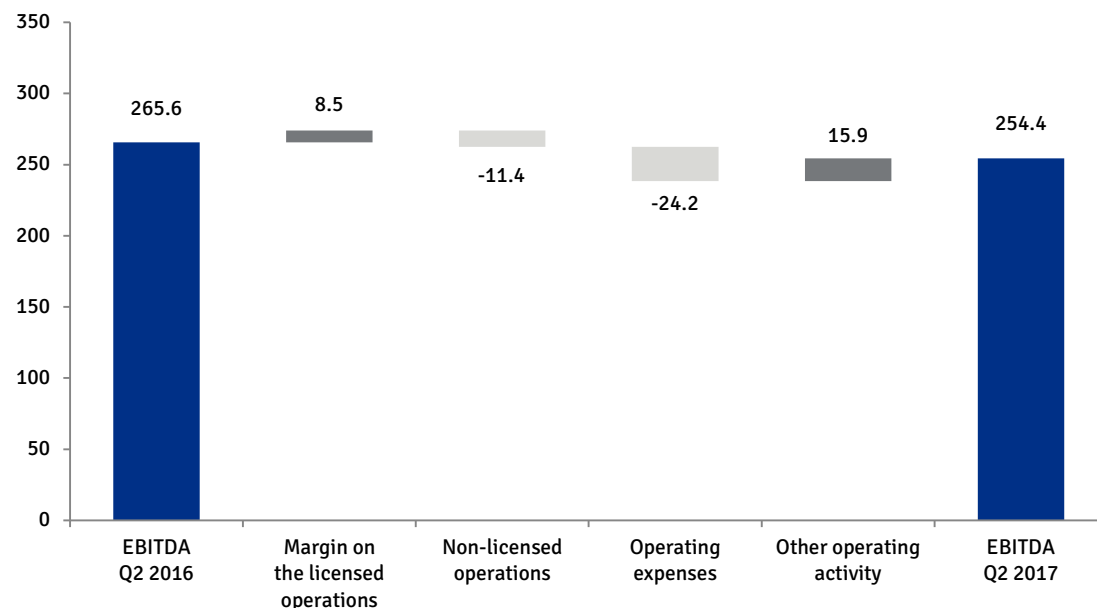
Other operating activity

- (-) higher impairment of receivables by PLN 11 mln
- (-) lower result on insurance and fortuitous events by PLN 6 mln
- (-) lower revenue from performance of agreements on removal of collisions by PLN 4 mln
- (+) lower costs of legal provisions relating to grid assets PLN 7 mln
- (+) contractual penalties and damages (balance) PLN 2 mln
- (+) other operating revenue and costs PLN 2 mln

Area of Distribution

[PLN '000]	H1 2016	H1 2017	Change	Change %	Q2 2016	Q2 2017	Change	Change %
Sales revenue	1 531 261	1 628 660	97 399	6.4%	742 912	788 876	45 964	6.2%
<i>distribution services to end users</i>	1 432 869	1 556 652	123 783	8.6%	684 971	748 773	63 802	9.3%
<i>fees for grid connection</i>	31 298	29 663	-1 635	-5.2%	15 599	16 176	577	3.7%
<i>other</i>	67 094	42 345	-24 749	-36.9%	42 342	23 927	-18 415	-43.5%
EBIT	328 747	273 852	-54 895	-16.7%	155 748	131 314	-24 434	-15.7%
Amortisation/depreciation	241 938	242 959	1 021	0.4%	109 807	123 124	13 317	12.1%
EBITDA	570 685	516 811	-53 874	-9.4%	265 555	254 438	-11 117	-4.2%
CAPEX	424 315	343 558	-80 757	-19.0%	249 448	193 582	-55 866	-22.4%
Share of sales revenue of the area in the Group's net sales revenue	20%	21%	1 p.p.	-	20%	20%	-	-

PLN mln



Q2 2017 Change drivers of EBITDA:

Margin on the licensed operations

- (+) higher revenue from sale of distribution services to end users by PLN 64 mln
- (+) lower costs of purchasing electricity for coverage of book-tax difference by PLN 3 mln
- (-) higher costs of purchase of transmission services by PLN 57 mln
- (-) lower revenue from sale of distribution services to other entities by PLN 2 mln

Non-licensed operations

- (-) lower revenue from sales of services by PLN 11 mln

Operating expenses

- (-) higher employee benefits costs by PLN 19 mln
- (-) higher costs of taxes and charges by PLN 4 mln

Other operating activity

- (+) higher revenue from performance of agreements on removal of collisions by PLN 8 mln
- (+) lower impairment of receivables by PLN 6 mln
- (+) lower costs of liquidation of grid assets by PLN 2 mln

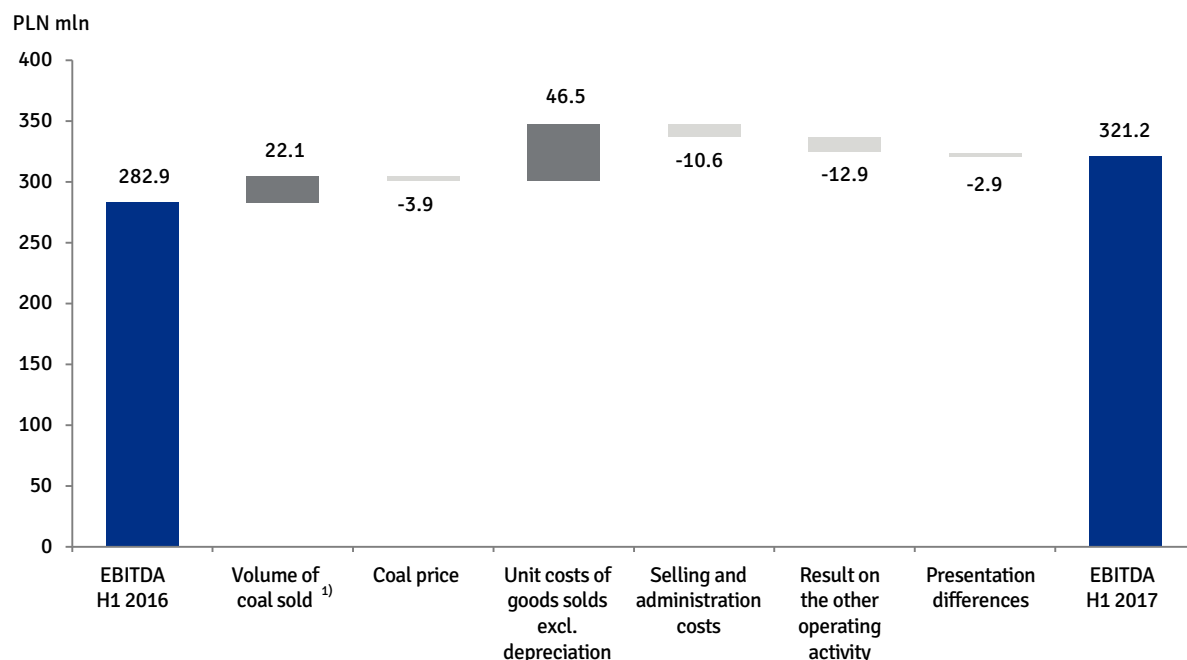
Area of Mining

[PLN '000]	H1 2016	H1 2017	Change	Change %	Q2 2016	Q2 2017	Change	Change %
Sales revenue	848 662	902 117	53 455	6.3%	428 376	436 880	8 504	2.0%
<i>coal</i>	819 369	874 994	55 625	6.8%	414 349	426 165	11 816	2.9%
<i>other products and services</i>	23 058	20 891	-2 167	-9.4%	10 885	6 947	-3 938	-36.2%
<i>goods and materials</i>	6 235	6 232	-3	0.0%	3 142	3 768	626	19.9%
EBIT	100 357	147 174	46 817	46.7%	32 924	57 581	24 657	74.9%
Amortisation/depreciation	182 534	174 060	-8,474	-4.6%	99 650	85 384	-14 266	-14.3%
EBITDA	282 891	321 234	38 343	13.6%	132 574	142 965	10 391	7.8%
CAPEX	152 764	139 033	-13 731	-9.0%	91 985	73 607	-18 378	-20.0%
Share of sales revenue of the area in the Group's net sales revenue	11%	12%	1 p.p.	-	11%	11%	-	-

The area of Mining includes the financial results of LW Bogdanka CG with its parent - Lubelski Węgiel „Bogdanka” SA and its subsidiaries.

LW Bogdanka's range of products includes energetic fine coal which accounts for 99%, and peas and nut coal.

Major recipients include commercial and industrial power industry.



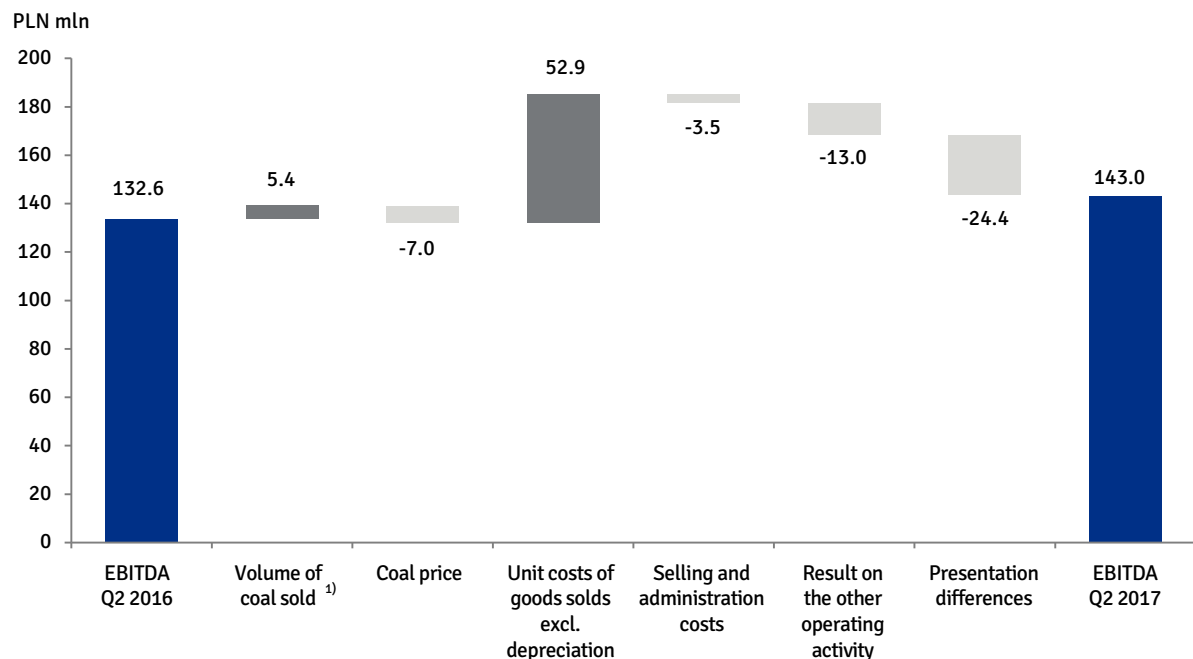
H1 2017 Drivers of generated EBITDA:

- (+) EBITDA profitability 35.6% H1 2017 against 33.3% for H1 2016
- (+) growth in revenue realised mainly due to greater sales of coal by 283 thou. tonnes (6.5%), with price concurrently slightly lower
- (+) drop in the unit cost of sold products, goods and materials excluding amortisation - better cost efficiency with a growing volume of coal sold
- (-) higher administrative costs and selling costs: selling costs - logistic costs and customs clearance of coal sold to Ukraine; administrative costs - higher payments to the State Fund of Rehabilitation of Handicapped People and property tax; 2016 - management options' costs were derecognised
- (-) lower result on the other operating activity - 2016 - release of the provision for damages for Budimex due to a favourable ruling of the Court of Appeal
- (-) presentation differences between Enea CG and LW Bogdanka CG relating to amortisation and depreciation

1) Aggregate impact on revenue and expenses

Area of Mining

[PLN '000]	H1 2016	H1 2017	Change	Change %	Q2 2016	Q2 2017	Change	Change %
Sales revenue	848 662	902 117	53 455	6.3%	428 376	436 880	8 504	2.0%
<i>coal</i>	819 369	874 994	55 625	6.8%	414 349	426 165	11 816	2.9%
<i>other products and services</i>	23 058	20 891	-2 167	-9.4%	10 885	6 947	-3 938	-36.2%
<i>goods and materials</i>	6 235	6 232	-3	0.0%	3 142	3 768	626	19.9%
EBIT	100 357	147 174	46 817	46.7%	32 924	57 581	24 657	74.9%
Amortisation/depreciation	182 534	174 060	-8 474	-4.6%	99 650	85 384	-14 266	-14.3%
EBITDA	282 891	321 234	38 343	13.6%	132 574	142 965	10 391	7.8%
CAPEX	152 764	139 033	-13 731	-9.0%	91 985	73 607	-18 378	-20.0%
Share of sales revenue of the area in the Group's net sales revenue	11%	12%	1 p.p.	-	11%	11%	-	-



Q2 2017 Drivers of generated EBITDA:

- (+) EBITDA profitability 32.7% Q2 2017 against 30.9% for Q2 2016
- (+) growth in revenue realised mainly due to greater sales of coal by 78 thou. tonnes (3.6%), with price concurrently lower
- (+) drop in the unit cost of sold products, goods and materials excluding amortisation - better cost efficiency with a growing volume of coal sold and favourable balance of provisions
- (-) higher selling costs and administration costs - 2016 - managerial options' costs were derecognised
- (-) lower result on the other operating activity - 2016 - release of the provision for damages for Budimex due to a favourable ruling of the Court of Appeal
- (-) presentation differences between Enea CG and LW Bogdanka CG relating to amortisation and depreciation and actuarial losses from provision valuation

1) Aggregate impact on revenue and expenses

Area of Other activity

[PLN '000]	H1 2016	H1 2017	Change	Change %	Q2 2016	Q2 2017	Change	Change %
Sales revenue	268 548	264 428	-4 120	-1.5%	129 574	134 852	5 278	4.1%
EBIT	15 813	2 822	-12 991	-82.2%	8 255	6 887	-1 368	-16.6%
Amortisation/depreciation	12 682	20 233	7 551	59.5%	6 658	10 103	3 445	51.7%
EBITDA	28 495	23 055	-5 440	-19.1%	14 913	16 990	2 077	13.9%
CAPEX	36 274	25 025	-11 249	-31.0%	26 693	15 127	-11 566	-43.3%
Share of sales revenue of the area in the Group's net sales revenue	3%	3%	-	-	3%	3%	-	-

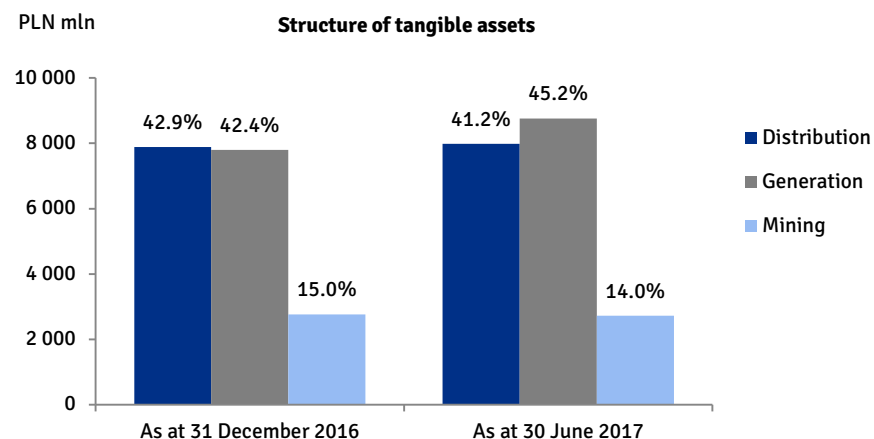


The area of the Other Activity includes companies from the following areas:

- support for the other Group companies:**
 Enea Centrum sp. z o.o. - being the Shared Service Centre in the Group within accounting, staff, teleinformation, customer service
 Enea Logistyka sp. z o.o. - the company specialising in the logistics, warehousing, supply operations
- supplementary operations:**
 Enea Oświetlenie sp. z o.o. - the company specialising in lighting the interior and exterior of buildings; designs, constructs street lighting, illumination of urban areas, lighting monumental buildings and public utility objects, and also rendering construction services and comprehensive servicing of photovoltaic power plants

Assets - structure of assets and liabilities of Enea Capital Group

Assets [PLN '000]	As at:		Change	Change %
	31 December 2016	30 June 2017		
Fixed assets	19 486 599	21 028 814	1 542 215	7.9%
Tangible fixed assets	18 382 498	19 375 673	993 175	5.4%
Perpetual usufruct	74 899	105 950	31 051	41.5%
Intangible assets	370 638	402 205	31 567	8.5%
Investment properties	28 020	27 506	-514	-1.8%
Investments in subsidiaries, joint subsidiaries and co-controlled entities	2 518	355 568	353 050	14 021.0%
Deferred tax assets	403 257	481 455	78 198	19.4%
Financial assets available for sale	42 482	42 999	517	1.2%
Financial assets valued at fair value through profit or loss	112	49 863	49 751	44 420.5%
Derivatives	40 267	26 995	-13 272	-33.0%
Trade and other receivables	30 690	48 403	17 713	57.7%
Funds gathered within Mine Liquidation Fund	111 218	112 197	979	0.9%
Current assets	5 049 920	4 206 479	-843 441	-16.7%
Allowances for emissions of CO ₂	417 073	134 488	-282 585	-67.8%
Inventories	448 941	625 679	176 738	39.4%
Trade and other receivables	1 824 488	1 742 265	-82 223	-4.5%
Current income tax assets	9 541	93 703	84 162	882.1%
Financial assets held to maturity	478	481	3	0.6%
Financial assets valued at fair value through profit or loss	4 852	22 488	17 636	363.5%
Cash and cash equivalents	2 340 217	1 586 445	-753 772	-32.2%
Fixed assets for sale	4 330	930	-3 400	-78.5%
Total assets	24 536 519	25 235 293	698 774	2.8%



Fixed assets change drivers (growth PLN 1,542 mln):

- growth in tangible assets by PLN 993 stems mainly from the acquisition of EEP's assets and acceptance of subsequent stages of the unit 11 construction
- higher investments in subsidiaries by PLN 353 mln stem from the subscription for new shares in the raised share capital of Polska Grupa Górnicza sp. z o.o., the acquisition of shares in Polimex-Mostostal SA and Elektrownia Ostrołęka SA
- higher financial assets valued at fair value through financial result by PLN 49 mln relate to the valuation of purchase option of shares in Polimex-Mostostal SA

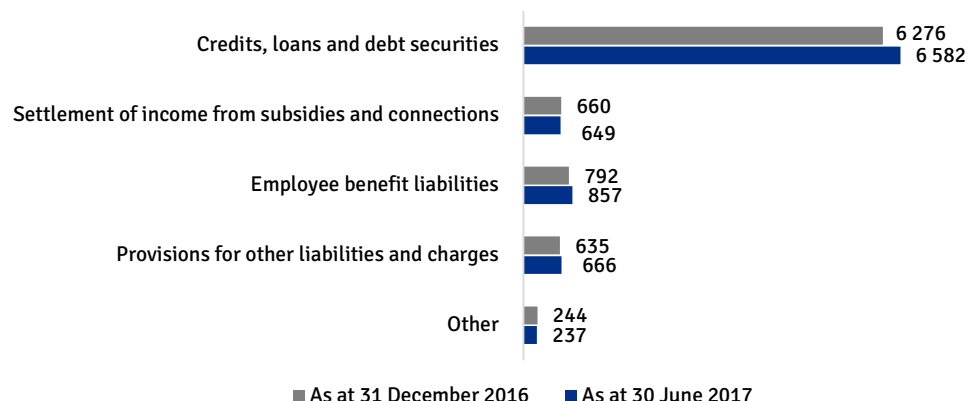
Change drivers of current assets (drop by PLN 843 mln):

- lower value of allowances to CO₂ emissions by PLN 283 thou. as a result of redeeming the allowances for the preceding year
- higher inventories by PLN 177 mln stem from the acquisition of EEP's assets (growth by inventories of coal, biomass and certificates of origin)
- lower cash and cash equivalents by PLN 753 mln stem from the realised payments relating to the accomplished acquisition procedures and implementation of investment tasks

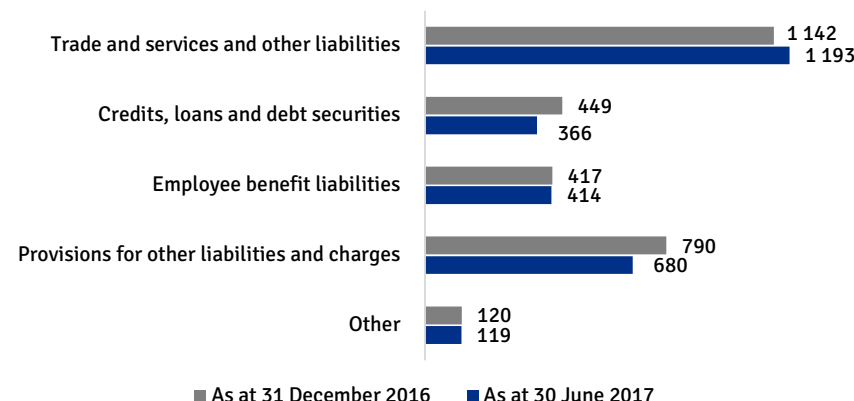
Assets - structure of assets and liabilities of Enea Capital Group

Liabilities [PLN '000]	As at:		Change	Change %
	31 December 2016	30 June 2017		
Total equity	13 011 729	13 472 163	460 434	3.5%
Share capital	588 018	588 018	-	-
Share premium	3 632 464	3 632 464	-	-
Financial instruments revaluation reserve	744	734	-10	-1.3%
Other reserves	-25 652	-27 101	-1 449	-5.6%
Reserve capital from valuation of hedging instruments	33 826	23 384	-10 442	-30.9%
Retained earnings	7 946 612	8 386 254	439 642	5.5%
Non-controlling interests	835 717	868 410	32 693	3.9%
Total liabilities	11 524 790	11 763 130	238 340	2.1%
Non-current liabilities	8 606 757	8 991 149	384 392	4.5%
Current liabilities	2 918 033	2 771 981	-146 052	-5.0%
Total equity and liabilities	24 536 519	25 235 293	698 774	2.8%

Structure of non-current liabilities



Structure of current liabilities



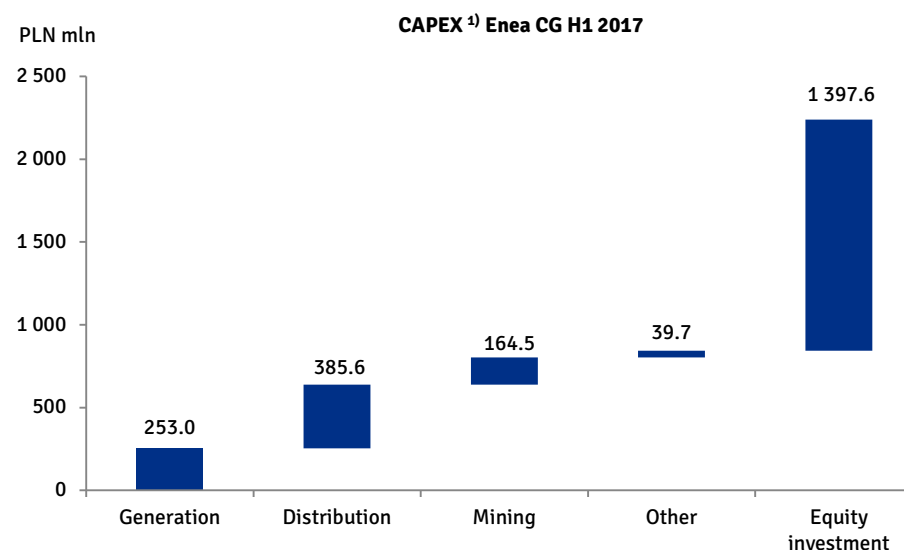
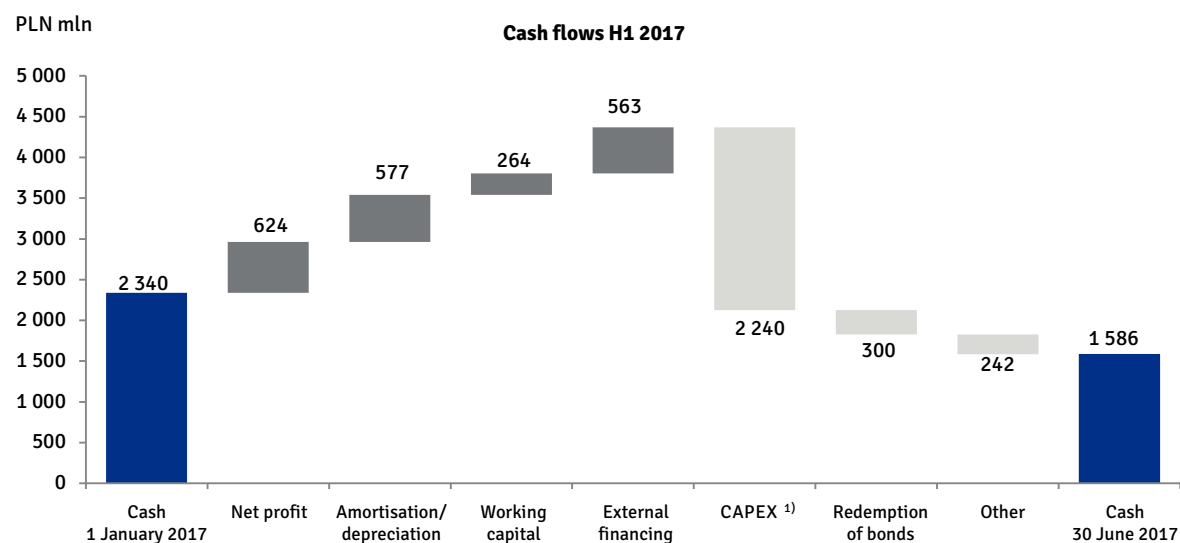
Growth in non-current liabilities (PLN 384 mln) stems mainly from the disbursement of another tranche of a loan in EIB for the financing of a multiannual investment plan in order to modernise and extend the power grids of Enea Operator, issue of new bonds within the “Programme Agreement up to the amount of PLN 700 mln” and redemption of bonds by LW Bogdanka. Additionally, the growth stems also from increasing employee benefit liabilities (actuarial valuation) and higher balance of provisions for other liabilities.

Change drivers of current liabilities (drop by PLN 146 mln)

- PLN 83 mln drop in credits, loans and debt securities - reclassification of financial liabilities (current / non-current)
- PLN 110 mln drop in provisions for other liabilities and other provisions - change in the balance of provision relating to allowances for emissions of CO₂
- PLN 52 mln growth in trade and other liabilities

Cash situation of Enea Capital Group

Cash flow statement [PLN '000]	H1 2016	H1 2017	Change	Change %
Net cash flows from operating activities	1 162 073	1 354 737	192 664	16.6%
Net cash flows from investing activities	-1 392 491	-2 235 821	-843 330	-60.6%
Net cash flows from financing activities	511 574	127 312	-384 262	-75.1%
Net increase / (decrease) in cash and cash equivalents	281 156	-753 772	-1 034 928	-
Opening balance of cash and cash equivalents	1 822 094	2 340 217	518 123	28.4%
Closing balance of cash and cash equivalents	2 103 250	1 586 445	-516 805	-24.6%



1) Acquisition of tangible and intangible assets and acquisition of subsidiaries, affiliates and jointly controlled entities adjusted with obtained cash

Ratio analysis ¹⁾

	H1 2016	H1 2017	Q2 2016	Q2 2017
Profitability ratios				
ROE - return on equity	7.5%	9.3%	5.8%	9.0%
ROA - return on assets	4.0%	4.9%	3.1%	4.8%
Net profitability	8.4%	11.2%	6.8%	10.6%
Operating profitability	10.9%	14.0%	8.3%	14.0%
EBITDA profitability	21.5%	24.4%	20.2%	24.2%
Liquidity and financial structure ratios				
Current ratio	2.1	1.5	2.1	1.5
Equity-to-fixed assets ratio	67.6%	64.1%	67.6%	64.1%
Total debt ratio	46.3%	46.6%	46.3%	46.6%
Net debt / EBITDA	1.7	2.1	1.7	2.1
Economic activity ratios				
Current receivables turnover in days	52	55	55	54
Turnover of trade and other payables in days	47	54	49	51
Inventory turnover in days	32	32	33	31

Principles of preparation of financial statements

Condensed financial statements of Enea SA and Enea Group, respectively, included in the extended consolidated report of Enea SA for H1 2017 were prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) approved by the European Union. Condensed financial statements were prepared with an assumption of going concern in the foreseeable future. The Company's Management Board states, as at the execution date of the condensed financial statements, no facts or circumstances that could indicate any threats to the possibility of continuing the activity during the period of 12 months after the balance sheet date as a result of a wilful or mandatory negligence or substantial limitation of the so far activities. Financial data presented in the statements, if not stated otherwise, was presented in thousands of PLN.

¹⁾ Ration definitions are to be found on page 89

Anticipated financial position

In H1 2017 LW Bogdanka CG generated very good financial results as compared to the sector - there was a growth in the volumes of coal by over 6.5%. Continually, the fundamental priority for the area is maintaining the unit cost of mining on the level which is already excellent, caring at the same time for the rationality of capital expenditures. The stability of the results of the area of Mining are positively affected by the inclusion of Potaniec Power Plant into the structure of Enea CG and application of good practices as regards the cooperation of the area of Generation and Mining within use of coal from LW Bogdanka.

The area of Generation which in H1 2017 accounted for 31% EBITDA of Enea CG, is unalterably under the influence of the demanding situation on the energy market. The production concentrated on bituminous coal involves the exposure to risk related to carbon dioxide emission costs. Extensive repairs of generating units planned in 2017-2018 are still important for the results generated by the area of Generation, and they will force relatively long periods of electricity generation suspension. A decreased production of the existing generation assets will be compensated with Unit 11 which will be commissioned in December 2017 and through an optimum use of generation capacity of two sets of generation sources which are still Kozyńskie Power Plant and Potaniec Power Plant incorporated under Enea CG at the end of Q1 2017. A stepwise growth in the volume of generated energy connected with the acquisition of Potaniec Power Plant contributes to the growth in the share of the area of Generation in Enea CG's EBITDA.

A significant share of the regulated area of Distribution in Enea CG's EBITDA (in H1 2017 Distribution accounted for 38% of the Group's EBITDA) affects the predictability of cash flows and stabilises them over time. Unalterably, in 2017 the basic elements affecting the results of this area are still two elements: a drop in the average weighted cost of capital adopted by the Energy Regulatory Office (ERO) for tariff calculation (WACC) - 7.197% in 2015, 5.675% in 2016, 5.633% in 2017 and introduction by ERO as of 2016 of the so-called quality tariff. The introduced mechanism of clearing accounts with distributors of electricity based on SAIDI and SAIFI indices realised in a given year, may significantly affect reduction of EBITDA in the area of Distribution. Reaching the indicators set by the President of the Energy Regulatory Office depends to a large extent on weather conditions during a given year, which constitutes some risk for the stability of generated revenue in future years.

In the area of Trade the operations focus on increasing sales of electricity and gas - due to an attractive product range new Customers are obtained, and the volume of sold energy and gas increases. An increasing competition on the market putting pressure on the realised selling prices has a negative impact on the Trade area's financial results. Improved yoy results of the area of Trade are considerably affected by termination of long-term contracts for the purchase of green proprietary interests, a potential risk related to the impact of disputes pending with the generators of green energy on the results of subsequent periods is mitigated with the establishment of a provision for latent claims.

Despite difficult market and regulatory conditions, due to the consistent growth in the Group's value, searching for synergies among its business segments, Enea CG generates financial results on the anticipated level and the liquidity situation of the Group raises no threats, The Management Board continuously undertakes activities aiming at the consistent development of the Group in all the links of the value chain.

Unalterably, the Group's financial standing is safe, supported with a stable volume of cash, which as at the end of June 2017, including current financial assets kept to maturity and financial assets evaluated at fair value through result, amounted to ca. PLN 1.586 billion. The amount included cash and cash equivalents on the Companies' accounts, including cash on accounts of Potaniec Power Plant as at the acquisition date, and also bank deposits. Due to the consistently maintained cost discipline and optimum allocation of held resources the Group is guaranteed a favourable and stable financing of the investments.

Due to splendid results, good cash position and availability of financing Enea Group consistently implements a vast CAPEX programme (capital expenditures) covering mainly the area of Generation and the distribution network, not resigning from equity investments constituting market opportunities (as the acquisition of LW Bogdanka or the acquisition of Potaniec Power Plant finalised in March 2017).

Financial results forecasts

The Management Board of Enea SA did not publish any financial forecasts for 2017.



4. Shares and shareholding

Share capital structure

Enea SA's share capital as at the publication date of this report for H1 2017 amounts to PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares of the nominal value of PLN 1 each.

A total number of votes resulting from all the issued shares of the Issuer corresponds to the number of shares and amounts to 441,442,578 votes.

Shareholding structure

All the Company's shares are dematerialised bearer shares registered with the National Depository for Securities.

The table below presents Enea SA's shareholding structure as at the publication date of the periodic report for H1 2017, i.e. 7 September 2017.

Shareholder	Number of shares /number of votes during GM	Share in the share capital /share in the total number of votes
State Treasury	227 364 428	51.50%
PZU TFI	43 959 339	9.96%
Others	170 118 811	38.54%
TOTAL	441 442 578	100.00%

From the publication of the previous quarterly report, i.e. 25 May 2017, the single change in the shareholding structure related to the decrease in the share of the funds managed by TFI PZU SA below the threshold of 10% of the total number of votes in the Company. Detailed information within this scope were published in the current report No. 25/2017 of 27 June 2017.

Prices of Enea SA's shares on the Warsaw Stock Exchange

Enea SA's shares have been listed on the Warsaw Stock Exchange (WSE) since 17 November 2008. Percentage of the Company's shares in the indices as at 30 June 2017

WIG30	m WIG40	WIGenergia	WIG Poland
1.28%	3.74%	14.10%	0.91%

The table below demonstrates data relating to the Company's shares in H1 2017.

Data	H1 2017
Number of shares [pcs]	441 442 578
Minimum [PLN]	9.48
Maximum [PLN]	13.44
Closing price [PLN]	13.36
Opening price [PLN]	9.60
Average volume [pcs]	789 171

Prices of Enea's shares in 2016-2017



In the period from 1 January to 30 June 2017 the price of Enea's shares grew from PLN 9.60 to PLN 13.36, i.e. by PLN 3,76 or 39.2%. The highest price in the period was achieved for Enea's shares on 20 June, and the lowest - on 23 January 2017.

Change in the price of Enea SA's shares in relation to the changes of WIG30 and WIG-Energy indices





5. Authorities

Personal composition of Enea SA's Management Board

During H1 2017 the composition of the Management Board was as follows:

- Mirosław Kowalik - President of the Management Board
- Wiesław Piosik - Vice-President of the Management Board for Corporate Affairs
- Piotr Adamczak - Vice-President of the Management Board for Commercial Affairs
- Mikołaj Franzkowiak - Vice-President of the Management Board for Financial Affairs

After the end of the reporting period, i.e. on 24 August 2017 the Company's Supervisory Board adopted resolutions regarding the dismissal of Wiesław Piosik, i.e. Member of the Management Board for Corporate Affairs and Mikołaj Franzkowiak, Member of the Management Board for Financial Affairs, from the composition of the Management Board of the Company. At the same time the Company's Supervisory Board delegated on the same date the Member of the Supervisory Board, Rafał Szymański, to temporarily serve as the Member of the Management Board for Corporate Affairs of Enea SA for the period not exceeding three months until a new Member of the Management Board for Corporate Affairs of Enea SA is nominated.

As at the date of publication of this report the qualification procedure is still pending for the following positions: Member of the Management Board for Corporate Affairs and Member of the Management Board for Financial Affairs.

Having the above in mind, as at the date of publication this report, i.e. 7 September 2017, the Company's Management Board operates in the following composition:

Mirosław Kowalik

President of the Management Board



Mirosław Kowalik has been connected with the power industry for over 20 years, holding managerial positions on an operating and strategic level. In 2015 he managed SNC Lavalin sp. z o.o. Polska as the Vice-President of the Board and Business Development Director. During 1999-2015 he worked on various managerial positions for ALSTOM Power, recently as the Marketing and Sales Director. Connected with ABB corporation during 1995-1998.

Mirosław Kowalik is a graduate of the Faculty of Energy Engineering of the Gdynia Maritime University. He graduated from MBA (Rotterdam School of Management programme in cooperation with the University of Gdańsk and Gdańsk Foundation for Management Development) achieving the degree of Executive Master of Business Administration. He is also a graduate of postgraduate studies of Corporate Finance Management at the Warsaw School of Economics. Currently, he is undergoing a PhD study - Executive Doctor of Business Administration in the Polish Academy of Sciences, Institute of Economics.

Scope of competence: Coordination of tasks related to the overall operations of the Company and Enea Capital Group.

Piotr Adamczak

Vice-President of the Management Board for Commercial Affairs



Piotr Adamczak has been connected with the power industry for over 20 years. He commenced his professional career in Zakład Energetyczny Poznań. He managed the Market Organisation Department in EnergoPartner Wielkopolska. During 2002-2011 he worked in Energetyka Poznańska, and after the consolidation in Grupa Energetyczna Enea SA, on the positions of the Office Manager, Division Manager and Department Director, he dealt with the centralisation and realisation of tasks within the wholesale trade in electricity, duties of a commercial and technical coordinator, commercial coordinator, and commercial cooperation with RES as well. From 2011 he worked on the position of the Office Manager and from 2013 Trading Department Director in Enea Trading where he dealt with commercial activities on electricity markets, proprietary interests to certificates of origin, emission allowances and commercial cooperation with RES for the account of Enea Group companies.

Piotr Adamczak is a graduate of the Poznań University of Technology, majoring in Electrical Engineering at the Faculty of Electrical Engineering. He also graduated from Postgraduate Studies in Economic Problems of Power Sector Transformation at the Warsaw School of Economics, and the postgraduate study in "Electricity trade management" at the Poznań Trade and Commerce College.

Scope of competence: Supervision and coordination of the overall tasks related to the trading activity and Customer service.

Rafał Szymański

Member of the Supervisory Board delegated to temporarily serve as the Member of the Management Board for Corporate Affairs



Rafał Szymański is employed at the Supervision Department of the Ministry of Energy. His professional duties include e.g. ownership supervision of State Treasury companies. From 2012 he was connected with the Ministry of Treasury, where he held e.g. the position of the Head of the Department supervising the power sector companies owned by the State Treasury. Formerly, he gained his professional experience in the Ministry of Environment where he was responsible for the issues relating to e.g. the emission of greenhouse gases and international negotiations within this scope.

Since July 2015 he has been a Member of the Supervisory Board of Enea SA.

Rafał Szymański graduated from the University of Warmia and Mazury majoring in the Ecological Engineering and from Post-graduate Studies of Energy Market Operation at the Warsaw School of Economics. He also graduated from numerous trainings on project management, analysis of economic and financial situations and economic positions of companies.

Scope of competence: Supervision and coordination of all the notions related to the Corporate Governance, ownership supervision and services in Enea Capital Group.

Personal composition of Enea SA¹ Supervisory Board

During 2017 no changes occurred in the composition of the Company’s Supervisory Board. As at the date of publication of this report, i.e. 7 September 2017, the Supervisory Board of the Company of the 9th term is composed of ten members and operates in the following composition:

Małgorzata Niezgoda, Chairman of the Supervisory Board

Date of appointment: 2 July 2015

Małgorzata Niezgoda currently works as the Director of the Supervision Department in the Ministry of Energy. She has held various positions since 2008 in the departments dealing with ownership supervision over the State Treasury owned enterprises in the Ministry of Treasury. In the period from November 2014 to February 2015 she was the Director of the Mining Department of the Ministry of Economy. In this period the bituminous coal mining restructuring process was prepared.

Małgorzata Niezgoda holds a higher qualification, she graduated from the Warsaw University of Life Sciences – SGGW on the faculty of Environmental Engineering

Piotr Kossak, Vice-Chairman of the Supervisory Board

Date of appointment: 15 January 2016

Piotr Kossak runs a legal practice in his own Law Firm of the Legal Counsel in Sandomierz specialising in reprivatization issues, foundation and association law and companies law. During 2010-2012 he was connected with the University of Human and Life Sciences in Sandomierz - as a research associate and dean on the Faculty of Law and Administration.

Piotr Kossak is a PhD of legal sciences within law. He received this degree at the Faculty of Law, Canon Law and Administration of John Paul II Catholic University of Lublin (KUL) in Lublin. He completed the legal training by the District Chamber of Legal Advisers in Kraków and barrister’s training by the District Bar Council in Kielce. In 2006 he was entered into the list of legal counsels in the District Chamber of Legal Advisers in Kraków, and in 2009 he was entered into the list of barristers of the District Bar Council in Kielce. Piotr Kossak satisfies the independence criteria for members of the Supervisory Board.

Rafał Szymański, Secretary of the Supervisory Board

Delegated to temporarily serve as the Member of the Management Board for Corporate Affairs of Enea SA

Date of appointment: 2 July 2015

Rafał Szymański is an employee of the Ministry of Energy in the Supervision Department. His professional duties include e.g. ownership supervision of State Treasury companies. So far, he has been employed in the Ministry of Treasury, where he held e.g. the position of the Head of the Department supervising the power sector companies owned by the State Treasury.

Rafał Szymański graduated from the University of Warmia and Mazury majoring in the Ecological Engineering and from Post-graduate Studies of Energy Market Operation at the Warsaw School of Economics.

On 24 August 2017 delegated to temporarily serve as the Member of the Management Board for Corporate Affairs of Enea SA for the period not exceeding three months until a new Member of the Management Board for Corporate Affairs of Enea SA is nominated.

Wojciech Klimowicz, Member of the Supervisory Board

Date of appointment: 2 July 2015

Wojciech Klimowicz has been connected with Enea SA since 2003 and currently works in the Sales Department

Mr. Wojciech Klimowicz graduated from MA studies at Adam Mickiewicz University in Poznań, Faculty of Social Sciences, majoring in Politology (specialisation: local government administration). He also graduated from Postgraduate studies: Data statistical analysis in administration and business at the Faculty of Economics of the Poznań University of Economics and Business.

Tadeusz Mikłosz, Member of the Supervisory Board

Date of appointment: 2 July 2015

Tadeusz Mikłosz holds long professional experience in the area of power engineering and ownership supervision. Since 1983 he has been connected with Enea SA and its predecessor entity, and currently he is an employee of the Operating Management Department. He has sat in various Supervisory Boards since 1997.

Tadeusz Mikłosz holds a higher qualification in team leadership and political science. He also graduated from Post-graduate Studies in commercial law at Poznań University of Economics.

Stawomir Brzeziński, Member of the Supervisory Board

Date of appointment: 2 July 2015

Stawomir Brzeziński has been connected with Enea SA since 2008. He currently works as the Director of the Organisation and Safety Department. Previously he was related to the International Fair of Poznań.

Stawomir Brzeziński is a graduate of the Poznan University of Technology, Faculty of Machine Construction and Management and the University of Gdansk, Faculty of Law and Administration. He also graduated from post-graduate studies at Poznań University of Economics within logistics and supply chain management and Poznań University of Technology majoring in quality management.

Roman Stryjski, Member of the Supervisory Board

Date of appointment: 15 January 2016

Roman Stryjski is a professor of the University of Zielona Góra, Director of the Institute of Computer Science and Production Management. Formerly, he was professionally connected with the Higher Engineering School in Zielona Góra and the Pedagogical University in Zielona Góra for many years. Member of international scientific societies and advisory committees, the Polish Association for Energy Certification and the Organisation and Management Sciences Committee of the Polish Academy of Sciences Branch in Poznań.

Roman Stryjski is a habilitated doctor of technical sciences of Martin Luther University Halle-Wittenberg.

Piotr Mirkowski, Member of the Supervisory Board

Date of appointment: 15 January 2016

During 2009-2015, Piotr Mirkowski was a member of the Supervisory Board of the joint stock company Radpec SA. In 2007-2015 he was connected with RTBS “Administrator” sp. z o.o. From 1998 to 1999 he was employed in Zakład Usług Technicznych Energetyki Ciepłej in Radom on the position of an Operations Director. During 1989-1998 he worked as the Heat Networks Department Manager in Wojewódzkie Przedsiębiorstwo Energetyki Ciepłej in Radom.

Piotr Mirkowski is a graduate of the Radom School of Engineering, speciality: mechanical engineering. He also graduated from the postgraduate studies at the Warsaw University of Technology within heating and heating with energy auditing. He holds ISO auditor and ISO plenipotentiary certificates.

Rafał Bargiel, Member of the Supervisory Board

Date of appointment: 15 January 2016

Rafał Bargiel currently runs his own legal counsel’s office which renders comprehensive legal services for individual and corporate clients. Since 1 September 2017 he has been holding the position of a legal counsel in the Office of a Legal Counsel, Rafał Bargiel, in Bielsko - Biała.

Rafał Bargiel obtained his Master’s degree at the University of Silesia in Katowice at the Faculty of Law and Administration. He completed a barrister training by the District Bar Council of Bielsko-Biała.

Paweł Skopiński, Member of the Supervisory Board

Date of appointment: 5 September 2016

Paweł Skopiński is a legal counsel in the Ministry of Energy. Connected with the Legal Department in the Ministry of Treasury since 2004. During 2010 - 2016 he was a Legal Counsel in the Legal and Litigation Department of the Minister of Treasury. Previously, he cooperated with renowned law firms on preparation of legal opinions.

Paweł Skopiński graduated from the University of Warsaw, Faculty of Law and Administration in Warsaw. In 2009 he obtained the professional title of a Legal Counsel and was entered into the list of legal counsels of the District Chamber of Legal Advisers in Warsaw.

In relation to the nomination of the Supervisory Board of the 9th term the Audit Committee and Nominations and Remuneration Committee were appointed. As at the date of publication of the report the composition of the above mentioned committees was as follows:

Audit Committee

Name	Position
Małgorzata Niezgoda	Chairman
Sławomir Brzeziński	Member
Piotr Kossak ¹⁾	Member
Roman Stryjski	Member
Wojciech Klimowicz	Member
Paweł Skopiński	Member

Nominations and Remuneration Committee

Name	Position
Rafał Szymański	Chairman
Rafał Bargiel	Member
Piotr Kossak ¹⁾	Member
Tadeusz Mikłosz	Member
Piotr Mirkowski	Member

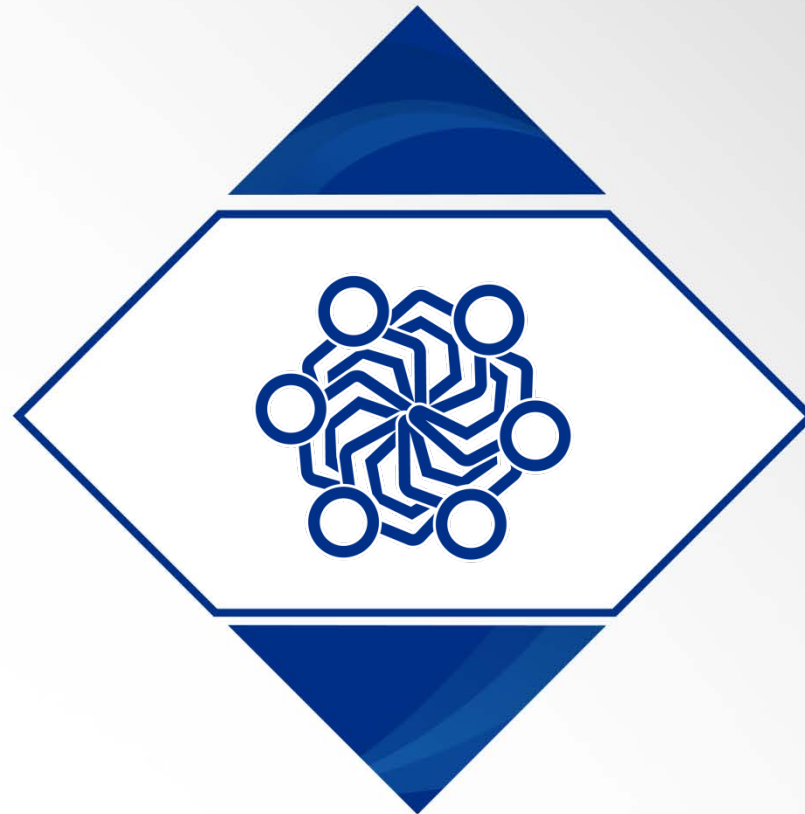
¹⁾ Piotr Kossak satisfies the independence criteria for members of the Supervisory Board

List of shares and allotment certificates to shares of Enea SA held by members of the Management and Supervisory Boards

Name	Position	Number of Enea SA's shares as at 25 May 2017	Number of Enea SA's shares as at 7 September 2017
Wiesław Piosik	Vice-President of the Management Board	4 140	n/a ¹⁾
Tadeusz Mikłosz	Member of the Supervisory Board	4 140	4 140

¹⁾ Member of the Management Board of Enea SA until 24 August 2017





**6. Other information significant
for the assessment of the Issuer's situation**

Demand for energy

According to the forecast included in “Update of the projection of demand for fuels and energy until 2030” the demand for electricity during the coming years will grow in all the sectors of the economy. According to the above document the net electricity production will grow to 193.3 TWh in 2030. At the same time, pursuant to the document titled “Conclusions from forecast analyses for the needs of the Energy Policy of Poland until 2050” until 2050 the production of electricity will increase by ca. 40% - from 158 TWh in 2010 to 223 TWh in 2050.¹⁾

Exemption from the obligation to tariff households

Pursuant to Article 49 of the Energy law, the President of ERO may exempt an energy company from the obligation of submitting tariffs for approval, if he states that it operates competitively. A potential exemption from tariffing may positively affect the margin on sales of energy.

Quality tariff

The new model of the quality regulation came into force on 1 January 2016, yet it will have impact on the finances of Enea Operator (and other ODSs) as late as in 2018. The President of the Energy Regulatory Office made some portion of the regulated income dependant on the quality of services rendered by these entities. Service quality assessment will be performed by measuring numerous ratios, in particular of uninterrupted power supply and time of connecting to the power grid.

Growth in the number of energy sellers

The number of electricity sellers grows regularly. Appearing of a seller conducting an aggressive price policy may result in the pressure on the margin on sales of energy to retail consumers.

Additionally, it must be noted that more and more customers decide to change their energy seller. The number of TPA recipients (Third Party Access) among enterprises (tariff group sets A, B, C) as at the end of June 2017 amounted to 183,862, thus grew from the end of December 2016 by 10,004 (5.8%). And among households (tariff group set G) the TPA principle was used, as at the end of June 2017, by 511,035 customers, which means a growth by 48,405 (10.5%) in relation to the end of December 2016.²⁾

Continuation of the cooperation on the construction of the first atomic power plant in Poland

On 3 September 2014, PGE Polska Grupa Energetyczna, Tauron Polska Energia, Enea and KGHM Polska Miedź (Business Partners) concluded a Shareholder Agreement. On 15 April 2015, pursuant to the Shareholder Agreement, an agreement on sale of shares in PGE EJ 1 sp. z o.o. was concluded, as a result of which each of the Business Partners acquired 10% of shares in PGE EJ 1. As a consequence of disposal by PGE Polska Grupa Energetyczna to the Business Partners of shares in PGE EJ 1, PGE Polska Grupa Energetyczna holds 70% in the share capital of PGE EJ 1, and the other Business Partners (Tauron Polska Energia, Enea and KGHM Polska Miedź) 30%, i.e. 10% each.

As anticipated, PGE Polska Grupa Energetyczna is the leader of the construction project and exploitation of the first Polish atomic power plant, and PGE EJ 1 is to be a future operator of the power plant.

Pursuant to the Shareholder Agreement, the Parties jointly undertake, in the proportion to number of shares held, to finance the operations as part of the preliminary stage of the Project (Development Stage). Enea's financial engagement at the Development stage will not exceed the amount of ca. PLN 107 mln. In H1 2017 PGE EJ 1 continued works in the programme of preparation to the construction of the atomic power plant in Poland.

The Parties to the Shareholder Agreement foresee that the decision relating to the declaration of further participation of particular Parties in the next stage of the project will be made after the completion of the Development stage.



Continuation of the construction of the power unit

In 2012 Enea Wytwarzanie and Hitachi Power Europe GmbH (presently Mitsubishi Hitachi Power Systems Europe GmbH) and Polimex-Mostostal SA consortium signed an agreement totalling to PLN 5.1 bln net on the construction of 1,075 MW_e gross supercritical bituminous coal fired power unit of the efficiency of 45.6% net.

On 23 December 2016 Enea Wytwarzanie sp. z o.o. and Mitsubishi Hitachi Power Systems Europe and Polimeks-Mostostal consortium signed a deadline amending annex amending the date of handing over the unit for operation to 19 December 2017. Shifting the deadline stems from objective reasons, beyond the control of the contractual parties. The value of the contract (PLN 5.1 bln net) remained unchanged.

The investment in the construction of the new power unit is one of the key undertakings in order to increase generating capacities of Enea Group for a long-term satisfaction of the demand for electricity of all the Group's customers. The new power unit in Kozenice Power Plant will be the most modern unit fired with bituminous coal in Poland and Europe. The completion of the investment will allow for increasing generating capacities of the power plant in Kozenice by ca. 30%.

Structure of generating portfolio

Irrespective of launching a unit with 1,075 MW capacity in Kozenice Power Plant, Enea plans its engagement in the construction of new sources or acquisitions of the ones already existing. Some of these activities will be implemented by partnerships with other energy groups. The implementation of the strategy will mean a significant growth in Enea's importance in electricity generation for the needs of the Public Power System. The total installed capacity of conventional sources is to increase to 5.8-6.3 GW in 2025. It will allow the Group to generate 20.7-22.8 TWh electricity from own sources, which will mean electricity generation and sales balance.

1) bjp.me.gov.pl/files/upload/21394/Wnioski%20z%20analiz%20prognostycznych_2014-08-11.pdf

2) ure.gov.pl/pl/wskazniki-dane-i-analiz/zmiana-sprzedawcy-moni/4776,Zmianaspredawcymonitoring.html

Rating

Maintaining on 30 June 2017 by Fitch Ratings agency of a long-term rating of Enea SA in national and foreign currency on the level of "BBB" is of a key importance as to the realisation of the investment intentions of the Group. The agency affirmed and concurrently withdrew, for contractual reasons, the national long-term rating on the level of "A+(pol)" with a stable outlook. Fitch Ratings has performed the Company's credit rating since 2011.

On 11 January 2017 EuroRating agency affirmed Enea's credit rating on the level of BBB. What was changed was the outlook of the rating - it changed from stable to negative.

EuroRating agency awards ratings to companies listed on WIG20 on its own initiative, in reply to the information needs of market participants, and the credit risk assessment process is based on the publicly available information.

Due to Enea SA's leaving WIG20 index EuroRating stopped, as of 17 March 2017, assessing the Company's credit risk, withdrawing at the same time the rating it awarded to the company.

Collective disputes

There are no collective labour disputes in any of the key companies comprising Enea CG. In order to eliminate the risk and occurrence of a potential collective dispute the boards of the companies have a regular dialogue with the society.

Trade unions of Lubelski Węgiel Bogdanka protest against introduction of the Corporate Governance of Enea Group. It may not however be a reason for initiating a collective dispute since the catalogue of the Act on solution of collective disputes precisely enlists cases which may be causes for a dispute.

Court and administrative proceedings

As at the date of publication of this report, no proceedings is underway regarding liabilities or claims, the party to which would be Enea SA or its subsidiary, whose single or total value would amount to 10% or more of Enea SA's equity.

The detailed description of the proceedings is to be found in note 23 of the consolidated financial statements of Enea CG for H1 2017.

Long-term development of energy market

On 16 February 2016 the Government of Poland adopted "Plan for Responsible Development of Poland"¹⁾. The document specifies the key directions of the state functioning and new impulses which will ensure its stable development in the future.

The plan foresees that the development of the Polish economy will be based on five pillars: reindustrialisation, innovations, capital, foreign expansion and social and regional development.

Pursuant to the provisions of the document relating to the energy market, in order to increase energy efficiency and unlock the investment after 2020 (including avoidance of blackout and becoming independent from energy imports) the state intends to e.g. support the development of energy infrastructure (energy bridges, power storing technologies), liberalise market areas and introduce capacity market mechanism which would be an impulse for investments in the segment of conventional power engineering.

The process was commenced of implementing a dual-commodity market on which, apart from electricity, also capacity will be traded. The Ministry of Energy, in the document titled "Functional solutions of the capacity market" published on 30 September 2016 justifies

the necessity of introducing a new market. At the beginning of December 2016 the Ministry of Energy presented a draft act on the capacity market. As mentioned in the justification, the introduction of the mechanism is to prevent shortages of generation capacity, create economic incentives for construction, maintenance and modernisation of generating units and managing the energy consumption at customers'.

New projections for energy price paths

Long-term financial projections of Enea Group based on the forecast electricity price paths, expectations as regards the changes of market prices of certificates of origin for energy, allowances for emissions of CO₂ and coal prices demonstrate a more and more demanding situation of the area of Generation. Due to the maintaining of energy prices on exceptionally low levels, resulting in the imbalance between generated revenue and costs of energy generation, the Group foresees the necessity of a quick entry into force of the announced support mechanisms for system power engineering (e.g. through the implementation of the capacity market mentioned above). Difficulties in generating good financial results by generating sources will exclude a possibility of incurring expenditures on development investments which during the coming years seem inevitable.

Variability and liquidity on the wholesale market

Since the very beginning of 2016 we faced a decreased liquidity in electricity trade on the Electricity Futures Market managed by the Polish Power Exchange. The situation did not improve in 2017 - electricity trading volumes on PPE were lower in June than in the previous year by 30.7% on the spot market with the volume totalling ca. 7 TWh. A drop in RDN market (spot) was insignificant, however such the turn of events forces to look in the future with some anxiety related to the possibilities of hedging the trading positions. A positive fact here is a growing trade on the natural gas futures market, which allows for the diversification in the trading operations.

Limits of allowances for emissions of CO₂

A material element within costs, conditioning the profitability of electricity generation is the allocation of free allowances for emissions of CO₂ and other gases and substances in a given settlement period. Obtaining a free allocation of CO₂ emission is conditional on the implementation of dedicated investments in Enea Group notified in the National Investment Plan (NIP). The value of actual outlays is the base for obtaining allowances.

In 2017 works are performed relating to the possibilities of using unallocated allowances due to lower than planned costs of implemented investments. The Ministry of Environment is conducting talks with EC regarding extension of the list of investment tasks, closed in 2012, with new projects from the area of RES, low-emission investments, investments relating to the energy efficiency, investments in transmission or heating networks.

Additionally, activities will be carried out with the objective to determine the principles of the 4th stage of EU ETS functioning starting from 2021. The major changes which may diametrically affect the market situation, include e.g.:

- increasing the linear ratio to 2.2%
- lack of free allowances for the sectors which are not exposed to the carbon leakage risk
- doubling, during the first 4 years of MSR functioning, the number of allowances taken from the auction pool to the reserve to the level of 24% of the allowance surplus
- permanent removal of 800 mln MSR allowances from the market

1) www.mr.gov.pl/media/14840/Plan_na_rzecz_Odpowiedzialnego_Rozwoju_prezentacja.pdf

Limits of Proprietary Interests

In the area of PMOZE_A (certificates of origin for energy generated in renewable energy sources) characterises with a permanent surplus of rights on the market, translating into low prices. A factor that may remedy the situation is enabling the existing installations to shift to the auction system, however the announced auction volumes for the existing installations are small and have no significant effect on the improvement of the situation in the sector.

In the area of PMOZE_BIO (certificates of origin for energy generated from agricultural biogas) a strong shortage is observable of allowances whose prices may be much higher than the compensatory payment in relation to the shortage of allowances on the market and enabling installations to convert to the auction system under favourable conditions. Due to the constructions of legal provisions these Proprietary Interests may be evaluated at even 130% of the value of unit compensatory payments.

For PMEF (energy efficiency) until the end of 2016 there was a shortage of PMEF on the market - on the last day of quotations the transaction prices were higher than the level of the unit compensatory payment.

The proprietary interest system presently in force for cogeneration is valid until the end of 2018.

Gas portfolio

Pursuant to the provisions of the Energy Law, the gas market is subject to a successive liberalisation. As of 1 October 2017 the prices for the other business consumers will be deregulated. The obligation to submit tariffs to the Present of ERO for approval will apply only to the segment of households.

Situation in the national bituminous coal mining sector

The price path for electricity will be strongly dependant upon the costs of obtaining the production fuel. The necessity of restructuring the mining sector in mid-term will undoubtedly translate into the change in prices of supplied energetic materials. The direction of changes is not unambiguous, however as an essential element of the costs of generating domestic electricity it brings additional risks related to the process of futures contractation.

Incorporation of ElectroMobility Poland SA

PGE Polska Grupa Energetyczna, Energa, Enea and Tauron Polska Energia incorporated ElectroMobility Poland on 19 October 2016. The operations of the new company are to contribute to the creation of the electromobility system in Poland.

The new company's share capital is PLN 10 mln. Each of the companies incorporating ElectroMobility Poland holds 25% in the share capital with 25% of votes at a general meeting.

Termination/withdrawal from proprietary interests purchase agreements by Enea SA

On 28 October 2016 Enea submitted notices on termination or withdrawal from long-term contracts for the purchase of proprietary interests resulting from certificates of origin of energy from renewable sources (the so-called green certificates). The agreements were terminated.

The reason for termination/withdraw from individual contracts by the Company was exhaustion of possibilities of restoring the contractual balance and equivalence of performance by the parties as a result of law amendments. The financial result stemming from the termination of the Agreements will be avoidance by the Company of a loss being the difference between contractual prices and the market price of green certificates.

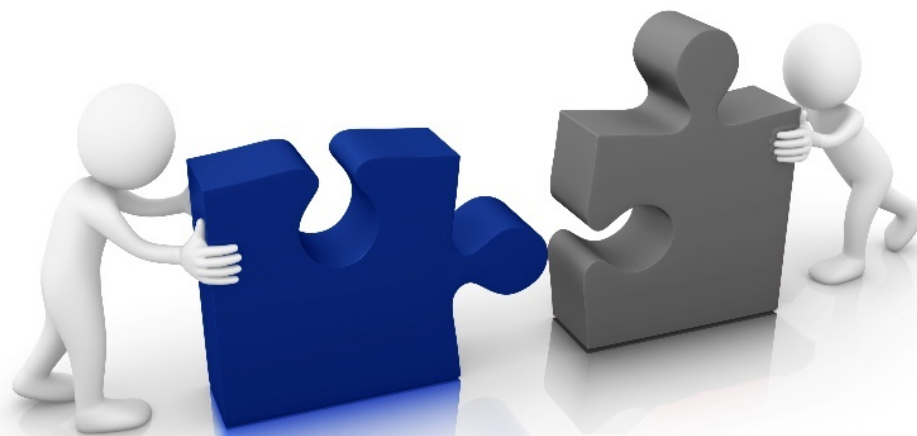
Currently, before the Regional Court in Poznań two cases are pending for determination of inefficacy of Enea SA's termination of agreements on sale of proprietary interests. Additionally, proceedings is pending against Enea SA for payment as remuneration for proprietary interests which resulted from the deduction from payments for damages suffered by Enea SA as the result of non-performance by contractors of the contractual obligation to commence, in good faith, renegotiations of long-term contracts for sale of proprietary interests according to the adaptation clause binding upon the parties.

The estimated total value of Enea's contractual liabilities amounted to ca. PLN 1,187 mln net.

Legislative changes

- Signing on 14 August 2017 by the President of the Republic of Poland of an amendment to the act on renewable energy sources (RES Act). The amendment foresees changing the method of calculating the compensatory payment in such a way that the unit compensatory fee will amount to 125% of the annual weighted average price of proprietary interests resulting from certificates of origin.
- Signing on 2 August 2017 by the President of the Republic of Poland of the water resources law (Water Resources Law). The Water Resources Law introduces additional charges for using water and waste disposal in the form of fixed costs, payable quarterly, to Przedsiębiorstwo Państwowe Wody Polskie. The Water Resources Law foresees upper maximum rates of charges that may be reduced by way of a regulation.

Currently, it is not possible to assess the effects of the legislative amendments on the financial result and valuation of the assets of the Group e.g. due to the unfinished legislative process and possible arrangements with the European Commission. In the close future the Group will perform analyses relating to the impact of the said changes on the financial statements.



Enea Group’s Corporate social responsibility in H1 2017 was concentrated on the implementation of the following actions:

Enea as a Strategic Partner Corporate Social Responsibility Forum

In March 2017 Enea joined the **Responsible Business Forum Partnership Programme**. An official inauguration of the cooperation took place during the publication of “Responsible business in Poland 2016. Good Practices” Report.

Responsible Business Forum Partnership Programme is a long-term and comprehensive programme of cooperation with companies - leaders of the responsible business which through their engagement and activities contribute to the promotion of the idea of responsible business in Poland and creating a good climate among various groups of stakeholders. Strategic partners is companies which have experience in social responsibility and sustainable development. Currently, 50 companies are Strategic Partners of the Responsible Business Forum.

Responsible Business Forum is the largest and oldest non-governmental organisation in Poland, which deals with the concept of corporate social responsibility in a comprehensive way. It is a think-and-do-tank organisation being the “spokesperson” of conducting business in a responsible way, which is taking into account the impact of corporations on the environment and society. Along with the Strategic Partners it sets trends and directions of a responsible business and sustainable development in Poland.

Enea Group’s Good Practices qualified to the Report entitled “Responsible Business in Poland”

Enea Group has conducted numerous projects for years and supported various initiatives within corporate social responsibility. The proof of the engagement is publication since 2011 in “**Responsible business in Poland. Good Practices**” Report of CSR activities conducted by Enea Group. RBF Report is the largest cyclic review in Poland of activities and actions conducted by socially responsible business. The fifteenth edition of the report includes descriptions of practices of 180 companies which implemented its actions in 2016 and summarises the major issues related to the responsible business in Poland.

The report lists six CSR projects and programmes of Enea Group. Two long-term initiatives were mentioned as part of the published practices:

- sustainable development report for 2015
- competence volunteering programme - educational classes “Power-not so scary”

and four new initiatives:

- programme of active protection of extremely endangered osprey taking into account the power transmission infrastructure - Enea Operator’s initiative in cooperation with the Regional Directorate of Environmental Protection in Gorzów Wielkopolski
- gifts and gratuities policy in Enea Group
- educational campaign: “We care for your safety. You take care too!”
- Enea Trading’s competition “Energy Market Modelling”



Enea Group's Corporate social responsibility in H1 2017 was concentrated on the implementation of the following actions:

Corporate volunteering

Release your energy and give yourself to others – this is a slogan which in 2017 motivates Enea Group's Volunteers. Due to the engagement of Enea Foundation each activity related to the Corporate volunteering may obtain PLN 2,000 co-financing.

Enea Group's volunteer actions:

- The Group's volunteers:
 - helped in the revitalisation of the garden on the area of Class Therapy Centre in Kozenice.
 - on the initiative of the local community from the region of Kozenice and Public Primary School in Brzeźnica they organised a charity cycling rally which helped in the collection of funds for the treatment of a teacher from the Primary School in Brzeźnica - an oncology patient
 - carried out a proecological, educational campaign in three schools of Kozenice municipality located in the close vicinity of the Vistula River. The action was organised jointly with the Polish Fishing Association as part of the celebration of the Year of the Vistula River. In the schools there were lectures during which students learned about the Vistula River in historical and geographical aspects as well as species of fish living in the Queen of the Polish Rivers. The campaign was complemented by a joint action of restocking the Vistula River
 - participated in cleaning works in the Palium Hospice garden in Poznań
 - painted and decorated the community centre in the centre of Poznań, where children from dysfunctional families in Poznań learn and play every day
- Competency volunteering - Continuing the development of competence volunteering through the implementation of programs: "Power-not so scary" and "First aid - pre-medical rescue"



Charitable campaign

"We run, we collect, we help" is the first **charity campaign** directed at Enea Group Employees whose purpose is promoting physical activity and a healthy lifestyle and integrating of the Group Companies' Employees. Taking part in the run contest Employees collect points which are converted into Polish Zlotys. Due to the gathered amount it will be possible to realise activities supporting sport talents of children and youth. The campaign lasts until November 2017. In Q2 2017 over 90 competitors joined the actions and collected already over PLN 15,200. The campaign is supported by Enea Foundation.



Special purpose Projects of Enea Foundation

Good Energy over Borders – the programme which builds a bridge of relations between the community of Wielkopolska region and Poles from Vilnius region.

The main pillars of the Project are:

- student exchange (10-day stay in Poland for a group of 50 pupils from Polish schools in Vilnius)
- further training of teaching staff
- collection and equipping libraries of Polish schools in Lithuania with contemporary Polish literature
- project partner: Caritas of the Archdiocese of Poznań



Enea Group's Corporate social responsibility in H1 2017 was concentrated on the implementation of the following actions:

Actions for the needy

Great Power Pack for Easter is an action to the participation in which we encourage all Enea Group companies Employees every year. Group Employees collect toys, sweets and small gifts for the charges of the institutions they themselves indicate. In 2017, the actions covered the charges of ten institutions operating in the area of the Group's activities. Christmas gifts went to: Single Mother's Home in Kiekrz, Children Specialist Hospital in Piła, Children's Home in Gniezno, MOPS (Social Welfare Centre) in Kozienice, "PANDA" Socialisation Centre in Kozienice, Sociotherapy Centre of the Polish Committee for Social Aid "Tulipanki" in Poznan, Association for the Support of Poor Families "Nadzieja" in Gniezno, the Children's Home in Szamotuły, Zachodniopomorskie Hospice for Children and the Koźła Community Day Care Center.



Awards

Enea Foundation, which runs numerous projects and supports various initiatives for corporate social responsibility, on 22 April received the **"Signum Caritatis" award in the category of the Donor of the Year.**



Grant programme

On 18 April the grant programme was launched, titled The Power of Helping. The purpose of this action is to award grants in the form of cash donations to the best social initiatives reported by Enea Group Employees. By the end of 2017, three editions will be set up, each with three winning initiatives.

1 edition - winning initiatives:

- **Maliniewidzialni.leszno.pl association** from Leszno - "Pirate Adventure" - outdoor event for disabled children and their families
- **Children's Home in Gniezno** - "My Group is touring the country" - a competition for children's home pupils, in which two groups learning teamwork, trust, healthy competition, fought for the trip to Wrocław
- **Foundation for Helping Children with Cancer in Poznań** - organisation of a picnic on the premises of a clinical hospital for small patients who spend their vacations in the hospital



LW Bogdanka’s corporate social responsibility in H1 2017 was concentrated on the implementation of the below actions:



Corporate volunteering in LW Bogdanka

In H1 2017, the corporate volunteering of LW Bogdanka was realised through the following campaigns:

- **“Positively stoked”** – collection of caps for children and young people of Lublin Hospice under the name of Small Prince
- **“Gold Rush”** - collection of low-denomination coins of 1, 2, 5 grosz, which were given at the end of June to the Lublin PCK (Polish Red Cross) branch reaching a record-breaking 500 kg in the region

and of bottom-up charity employee campaigns for groups of people in a difficult life situation, e.g. victims of accidents and sick people.

Engagement for the mining sector and sustainable development

Joint Initiatives Group - Mining O.K. - is a project whose purpose is implementation and communicating socially responsible actions, demonstrating the significant CSR strategy in achieving financial goals of mining companies, and also cooperation on the development of standards of managing the process of impacting the local environment, market or Employees. In June 2017 LW Bogdanka officially joined the Initiative through the formal signing of the Agreement.

A Working Group for education and CSR popularisation by the Team for Sustainable Development and Corporate Social Responsibility, an auxiliary body of the Minister of Development and Finance - in reply to the need of efficiently reaching various groups of Stakeholders with educational actions as regards the sustainable development and responsible business conducting, on a ministerial level a working group was again appointed to the composition of which CSR practitioners were invited from various sectors and branches who will work jointly over the projects promoting CSR in Poland. The Group’s composition includes also the representative of LW Bogdanka which works over the issue of “CSR in SMEs” - the goal of the subgroup is supporting small and medium enterprises in the process of a responsible business.

Distinction of good Practices of Bogdanka

Ecological classes on the natural path in Nadrybie, Code of Conduct, Integrated OHS Management System and partnership for the promotion of blood donation - these are the best long-term practices as regards CSR which were distinguished in the Responsible Business Forum (RBF) **“Responsible Business in Poland. Good Practices 2016”**.

Relations with local community

Local community support

LW Bogdanka engages in local social initiatives with the goal of developing the areas of culture, science, education, health, developing the municipal infrastructure and securing other needs of the local community. Caring for health and safety of the environment the Company supported the purchase of pulse oximeters for the University Children Hospital in Lublin, and also two MONAR centres located near Bogdanka.

Intersectoral Agreement for life and health

LW Bogdanka, “Solidarni Górniczy” Foundation and Regional Centre of Blood Donation and Treatment in Lublin in March 2017 agreed the scope of joint actions in 2017, including the organisation of mobile and stationary blood donation actions, meetings propagating knowledge from this field among employees and management personnel and the campaign promoting honorary blood donation among the local society. On 1 June, a very popular action of blood donation in Bogdanka was conducted.

Other initiatives

Mine close to the nature

As the founder and co-organiser (with OTOP – Polish Society for the Protection of Birds) of Nadrybie Educational Path, LW Bogdanka continues to expand its infrastructure, and also intensifies the educational activities carried out on its area. In May 2017, a detailed plan of further investments on the area of the path was developed, which finally is to be widened with a new area, and also become the most attractive one for the local society due to being equipped in the sightseeing tower and platform on the backwater.

Education in C-Zone - multimedia exhibition presenting the history of Bogdanka and Lublin Coal Basin

LW Bogdanka willingly shares its history, tradition and achievements with children and young people, via organisation of meetings with Employees, who in specially designed multimedia rooms, familiarise them with the mining issues. In 2017 ca. 140 students from the Lubelskie Province got familiar with the profession of a miner and secrets of work in the Mine.

Corporate responsibility report of LW Bogdanka CG for 2016

In July 2017 LW Bogdanka published another corporate responsibility report. Integrated report for 2016 joins both financial results and non-financial data. The report was developed based on GRI (Global Reporting Initiative) G4 guidelines using The International Integrated Reporting Framework.



Attachments

Profit and loss statement of Enea SA - H1 2017

[PLN '000]	H1 2016	H1 2017	Change	Change %
Sales of electricity to retail users	1 968 440	2 035 007	66 567	3.4%
Sales of gas to retail consumers	73 611	42 676	-30 935	-42.0%
Sales of distribution services to users holding comprehensive agreements	752 951	804 870	51 919	6.9%
Sales of energy and gas to other entities	63 286	68 387	5 101	8.1%
Sales of services	1 854	2 123	269	14.5%
Other revenue	639	1 838	1 199	187.6%
Excise tax	125 169	129 388	4 219	3.4%
Net sales revenue	2 735 612	2 825 513	89 901	3.3%
Amortisation/depreciation	1 784	1 422	-362	-20.3%
Employee benefit costs	27 134	24 939	-2 195	-8.1%
Consumption of materials and raw materials and value of goods sold	972	1 231	259	26.6%
Purchase of energy and gas for resale	1 842 413	1 766 901	-75 512	-4.1%
Transmission and distribution services	753 028	805 305	52 277	6.9%
Other outsourced services	78 772	87 858	9 086	11.5%
Taxes and charges	2 012	2 089	77	3.8%
Cost of sales	2 706 115	2 689 745	-16 370	-0.6%
Other operating revenue	7 639	10 176	2 537	33.2%
Other operating expenses	15 462	67 442	51 980	336.2%
Profit / (Loss) on sales and liquidation of tangible fixed assets	-8	249	257	-
Operating profit	21 666	78 751	57 085	263.5%
Financial costs	116 051	93 958	-22 093	-19.0%
Financial revenue	94 921	138 235	43 314	45.6%
Dividend revenue	548 874	797 727	248 853	45.3%
Profit before taxes	549 410	920 755	371 345	67.6%
Income tax	10 668	21 021	10 353	97.0%
Net profit for the reporting period	538 742	899 734	360 992	67.0%
EBITDA	23 450	80 173	56 723	241.9%

H1 2017:**Enea SA's EBITDA change drivers (growth by PLN 57 mln):**

- (+) higher first contribution margin by PLN 113 mln:
- (-) lower average selling price by 4.4%
- (+) lower costs of ecological obligations by 49.2%
- (+) lower average purchase price of energy by 10.2%
- (+) growth in sale volumes by 8.2%
- (-) lower result on trade in gas
- (+) lower costs of employee benefits by PLN 2 mln
- (-) higher costs of outsourced services by PLN 9 mln:
- (-) higher selling and customer service costs by PLN 7 mln
- (-) higher costs of shared services by PLN 4 mln
- (+) lower costs of consulting services by PLN 2 mln
- (-) lower result on the other operating activities by PLN 49 mln:
- (-) higher provisions for latent claims and anticipated losses by PLN 43 mln
- (-) higher costs of donations PLN 7 mln
- (-) higher litigation costs by PLN 2 mln
- (+) lower written-off debts PLN 1 mln
- (+) lower impairment of receivables by PLN 2 mln

Profit and loss statement of Enea SA - Q2 2017

[PLN '000]	Q2 2016	Q2 2017	Change	Change %
Sales of electricity to retail users	908 879	955 306	46 427	5.1%
Sales of gas to retail consumers	28 690	17 707	-10 983	-38.3%
Sales of distribution services to users holding comprehensive agreements	349 025	384 400	35 375	10.1%
Sales of energy and gas to other entities	26 742	35 945	9 203	34.4%
Sales of services	918	1 143	225	24.5%
Other revenue	121	1 819	1 698	1 403.3%
Excise tax	56 707	60 908	4 201	7.4%
Net sales revenue	1 257 668	1 335 412	77 744	6.2%
Amortisation/depreciation	860	668	-192	-22.3%
Employee benefit costs	12 484	11 992	-492	-3.9%
Consumption of materials and raw materials and value of goods sold	502	709	207	41.2%
Purchase of energy and gas for resale	835 393	828 644	-6 749	-0.8%
Transmission and distribution services	349 104	384 806	35 702	10.2%
Other outsourced services	41 091	47 299	6 208	15.1%
Taxes and charges	464	497	33	7.1%
Cost of sales	1 239 898	1 274 615	34 717	2.8%
Other operating revenue	5 048	7 029	1 981	39.2%
Other operating expenses	8 249	30 684	22 435	272.0%
Profit / (Loss) on sales and liquidation of tangible fixed assets	-	183	183	-
Operating profit	14 569	37 325	22 756	156.2%
Financial costs	80 750	48 676	-32 074	-39.7%
Financial revenue	46 255	35 602	-10 653	-23.0%
Dividend revenue	548 874	797 727	248 853	45.3%
Profit before taxes	528 948	821 978	293 030	55.4%
Income tax	5 356	1 947	-3 409	-63.6%
Net profit for the reporting period	523 592	820 031	296 439	56.6%
EBITDA	15 429	37 993	22 564	146.2%

Q2 2017:

Enea SA's EBITDA change drivers (growth by PLN 23 mln):

- (+) higher first contribution margin by PLN 49 mln:
- (-) lower average selling price by 5.9%
- (+) lower costs of ecological obligations by 50.1%
- (+) lower average purchase price of energy by 11.0%
- (+) growth in sale volumes by 11.7%
- (-) lower result on trade in gas
- (-) higher costs of outsourced services by PLN 6 mln:
- (-) higher selling and customer service costs by PLN 3 mln
- (-) higher costs of shared services by PLN 2 mln
- (-) higher costs of advertising and representation by PLN 2 mln
- (+) lower costs of consulting services by PLN 1 mln
- (-) lower result on the other operating activities by PLN 20 mln:
- (-) higher provisions for latent claims and anticipated losses by PLN 18 mln
- (-) higher written-off debts by PLN 1 mln
- (-) higher litigation costs by PLN 1 mln

Profit and loss statement of Enea Operator sp. z o.o. - H1 2017

[PLN '000]	H1 2016	H1 2017	Change	Change %
Revenue from sales of distribution services to end users	1 432 311	1 555 970	123 659	8.6%
Revenue from additional fees	2 768	2 767	-1	-0.0%
Revenue from non-invoiced sales of distribution services	558	681	123	22.0%
Clearing of the Balancing Market	1 031	859	-172	-16.7%
Fees for customer grid connection	31 298	29 663	-1 635	-5.2%
Revenue from the illegal collection of electricity	3 031	3 208	177	5.9%
Revenue from services	25 378	13 897	-11 481	-45.2%
Sales of distribution services to other entities	12 540	8 012	-4 528	-36.1%
Sales of goods and services and other revenue	1 232	1 377	145	11.8%
Sales revenue	1 510 146	1 616 434	106 288	7.0%
Depreciation and amortisation of fixed and intangible assets	238 908	239 586	678	0.3%
Employee benefit costs	183 546	204 107	20,561	11.2%
Consumption of materials and raw materials and value of goods sold	15 259	15 299	40	0.3%
Purchase of energy for own needs and grid losses	125 917	114 718	-11 199	-8.9%
Costs of transmission services	395 993	510 271	114 278	28.9%
Other outsourced services	112 631	123 848	11 217	10.0%
Taxes and charges	93 014	102 292	9 278	10.0%
Cost of sales	1 165 268	1 310 121	144 853	12.4%
Other operating revenue	19 438	14 225	-5 213	-26.8%
Other operating expenses	38 908	44 151	5 243	13.5%
Profit / (loss) on sales and liquidation of tangible fixed assets	-3 460	-2 137	1 323	38.2%
Operating profit / (loss)	321 948	274 250	-47 698	-14.8%
Financial revenue	2 409	796	-1 613	-67.0%
Financial costs	18 967	25 589	6 622	34.9%
Profit / (loss) before tax	305 390	249 457	-55 933	-18.3%
Income tax	56 955	49 682	-7 273	-12.8%
Net profit / (loss)	248 435	199 775	-48 660	-19.6%
EBITDA	560 856	513 836	-47 020	-8.4%

H1 2017:**Enea Operator sp. z o.o.'s EBITDA change drivers (drop by PLN 47 mln):**

- (+) higher revenue from sales of distribution services to end users by PLN 124 mln stem from greater volumes of sales of distribution services to end users by 322 GWh
- (+) lower costs of purchasing energy for covering the book-tax difference by PLN 11 mln stem from lower volumes by PLN 49 GWh and lower average purchase price
- (-) higher costs of purchasing transmission services by PLN 114 mln mainly as a result of higher transitory charge and calculation of RES fees (since H2 2016) and higher rate of the fixed transitory charge in PSE tariff
- (-) lower revenue from fees for grid connections by PLN 2 mln result in the decrease of the scope of work in the 3rd connection group and smaller number of RES objects being connected
- (-) lower revenue from sales of distribution services to other entities by PLN 5 mln stemming from a lower volume of exported electricity to the neighbouring ODSs
- (-) higher costs of employee benefits by PLN 21 mln, mainly as a result of changes in the actuarial provisions
- (-) lower revenue from sale of services by PLN 11 mln mainly as a result of realisation of a smaller number of agreements relating to the reconstruction of the existing power infrastructure ordered by an external entity
- (-) higher costs of other outsourced services by PLN 11 mln mainly in the area of costs of exploitation and repairs of the fixed assets
- (-) higher costs of taxes and charges by PLN 9 mln (result of the investments implemented within the grid assets)
- (-) lower other operating revenue by PLN 5 mln stem mainly from the performance of a smaller scope of agreements for collision removal and shifting the energy devices to the assets
- (-) higher other operating expenses by PLN 5 mln stem mainly from the growth in impairment of receivables

Profit and loss statement of Enea Operator sp. z o.o. - Q2 2017

[PLN '000]	Q2 2016	Q2 2017	Change	Change %
Revenue from sales of distribution services to end users	705 584	761 397	55 813	7.9%
Revenue from additional fees	1 863	1 613	-250	-13.4%
Revenue from non-invoiced sales of distribution services	-20 613	-12 624	7 989	38.8%
Clearing of the Balancing Market	392	527	135	34.4%
Fees for customer grid connection	15 598	16 176	578	3.7%
Revenue from the illegal collection of electricity	1 483	1 497	14	0.9%
Revenue from services	18 144	6 919	-11 225	-61.9%
Sales of distribution services to other entities	5 788	4 046	-1 742	-30.1%
Sales of goods and services and other revenue	931	707	-224	-24.0%
Sales revenue	729 170	780 258	51 088	7.0%
Depreciation and amortisation of fixed and intangible assets	108 288	121 381	13 093	12.1%
Employee benefit costs	83 095	102 222	19 127	23.0%
Consumption of materials and raw materials and value of goods sold	7 634	6 875	-759	-9.9%
Purchase of energy for own needs and grid losses	57 130	54 061	-3 069	-5.4%
Costs of transmission services	194 631	251 780	57 149	29.4%
Other outsourced services	63 991	64 481	490	0.8%
Taxes and charges	40 307	43 887	3 580	8.9%
Cost of sales	555 076	644 687	89 611	16.1%
Other operating revenue	-584	6 841	7 425	-
Other operating expenses	19 005	12 285	-6 720	-35.4%
Profit / (loss) on sales and liquidation of tangible fixed assets	-2 948	-1 178	1 770	60.0%
Operating profit / (loss)	151 557	128 949	-22 608	-14.9%
Financial revenue	2 087	90	-1 997	-95.7%
Financial costs	9 226	12 873	3 647	39.5%
Profit / (loss) before tax	144 418	116 166	-28 252	-19.6%
Income tax	27 817	22 426	-5 391	-19.4%
Net profit / (loss)	116 601	93 740	-22 861	-19.6%
EBITDA	259 845	250 330	-9 515	-3.7%

Q2 2017:

Enea Operator sp. z o.o.'s EBITDA change drivers (drop by PLN 10 mln):

- (+) higher revenue from sales of distribution services to end users by PLN 64 mln stem from greater volumes of sales of distribution services to end users by 75 GWh
- (+) lower costs of purchasing energy for covering the book-tax difference by PLN 3 mln stem from lower volumes by PLN 5 GWh and lower average purchase price
- (-) higher costs of purchasing transmission services by PLN 57 mln stem mainly from higher incurred costs - higher transitory charge and introduction as of 1 July 2016 of a RES fee and higher rate of the fixed transmission fee in PSE tariff
- (-) higher costs of employee benefits by PLN 19 mln, mainly as a result of changes in the actuarial provisions
- (-) lower revenue from sale of services by PLN 11 mln mainly as a result of realisation of a smaller scope of agreements relating to the reconstruction of the existing power infrastructure ordered by an external entity
- (-) higher costs of taxes and charges by PLN 4 mln (result of the investments implemented within the grid assets)
- (-) lower revenue from sales of distribution services to other entities by PLN 2 mln stemming from a lower volume of exported electricity to the neighbouring ODSs
- (+) higher other operating revenue by PLN 7 mln stem mainly from the performance of a greater scope of agreements for collision removal and shifting the energy devices to the assets
- (+) lower other operating expenses by PLN 7 mln stem mainly from a drop in impairment of receivables

Profit and loss statement of Enea Wytwarzanie sp. z o.o. - H1 2017

[PLN '000]	H1 2016	H1 2017	Change	Change %
Revenue from sale of electricity	1 470 106	1 317 599	-152 507	-10.4%
<i>generating licence</i>	1 283 729	1 230 869	-52 860	-4.1%
<i>trade licence</i>	186 377	86 730	-99 647	-53.5%
Revenue from certificates of origin	22 597	13 341	-9 256	-41.0%
Revenue from sales of CO ₂ emission allowances	12 562	10 463	-2 099	-16.7%
Revenue from sale of heat	93 563	91 321	-2 242	-2.4%
Revenue from services	6 193	6 025	-168	-2.7%
Sales of goods and services and other revenue	5 221	6 044	823	15.8%
Excise tax	103	107	4	3.9%
Net sales revenue	1 610 139	1 444 686	-165 453	-10.3%
Depreciation and amortisation of fixed and intangible assets	108 472	116 950	8 478	7.8%
Employee benefit costs	131 987	121 967	-10 020	-7.6%
Consumption of materials and raw materials and value of goods sold	852 589	780 888	-71 701	-8.4%
Costs of energy purchases for resale	226 882	125 789	-101 093	-44.6%
Transmission services	1 191	1 104	-87	-7.3%
Other outsourced services	63 530	66 188	2 658	4.2%
Taxes and charges	41 373	44 205	2 832	6.8%
Cost of sales	1 426 024	1 257 091	-168 933	-11.8%
Other operating revenue	8 194	8 313	119	1.5%
Other operating expenses	3 813	4 489	676	17.7%
Profit / (loss) on sales and liquidation of tangible fixed assets	485	630	145	29.9%
Non-financial fixed assets impairment write-down	42 000	-	-42 000	-100.0%
Operating profit / (loss)	146 981	192 049	45 068	30.7%
Financial revenue	1 826	136	-1 690	-92.6%
Financial costs	10 214	8 223	-1 991	-19.5%
Dividend revenue	2 740	1 013	-1 727	-63.0%
Profit / (loss) before tax	141 333	184 975	43 642	30.9%
Income tax	28 939	36 003	7 064	24.4%
Net profit / (loss)	112 394	148 972	36 578	32.5%
EBITDA	297 453	308 999	11 546	3.9%

H1 2017:**Change Drivers of EBITDA of Enea Wytwarzanie sp. z o.o. (growth by PLN 11.6 mln):****Segment of System Power Plants - growth in EBITDA by PLN 2.1 mln**

- (+) higher revenue from Regulatory System Services by PLN 15.2 mln
- (+) lower fixed costs by PLN 10.1 mln
- (+) higher margin on generation by PLN 4.7 mln
- (-) lower margin on trade and the Balancing Market by PLN 27.6 mln

Segment of Heat - growth in EBITDA by PLN 11.3 mln

- (+) lower costs of biomass consumption by PLN 31.9 mln
- (+) lower fixed costs by PLN 1.8 mln
- (-) higher costs of CO₂ emission allowances by PLN 1.2 mln
- (-) lower revenue from sales of heat by PLN 2.2 mln
- (-) higher costs of coal consumption by PLN 2.6 mln
- (-) lower revenue from certificates of origin by PLN 4.6 mln
- (-) lower revenue from sales of electricity by PLN 12.0 mln

Segment of RES - drop in EBITDA by PLN 1.8 mln

- (-) Area of Wind (PLN -5.5 mln): lower revenue from certificates of origin by PLN 4.2 mln, higher fixed costs by PLN 3.4 mln (property tax), growth in revenue from sale of electricity by PLN 2.4 mln
- (+) Area of Water (PLN +1.6 mln): higher revenue from sales of electricity by PLN 3.2 mln, profit from sales of fixed assets PLN 0.6 mln, lower revenue from certificates of origin by PLN 2.1 mln
- (+) Area of Biogas (PLN +2.1 mln): higher revenue from certificates of origin by PLN 1.6 mln, lower variable costs by PLN 0.2 mln, lower fixed costs by PLN 0.2 mln

Profit and loss statement of Enea Wytwarzanie sp. z o.o. - Q2 2017

[PLN '000]	Q2 2016	Q2 2017	Change	Change %
Revenue from sale of electricity	736 295	646 315	-89 980	-12.2%
<i>generating licence</i>	658 972	597 619	-61 353	-9.3%
<i>trade licence</i>	77 323	48 696	-28 627	-37.0%
Revenue from certificates of origin	2 731	7 121	4 390	160.7%
Revenue from sales of CO ₂ emission allowances	10 941	4 652	-6 289	-57.5%
Revenue from sale of heat	28 782	30 468	1 686	5.9%
Revenue from services	3 125	3 065	-60	-1.9%
Sales of goods and services and other revenue	3 425	3 847	422	12.3%
Excise tax	49	52	3	6.1%
Net sales revenue	785 250	695 416	-89 834	-11.4%
Depreciation and amortisation of fixed and intangible assets	54 111	58 125	4 014	7.4%
Employee benefit costs	68 459	60 742	-7 717	-11.3%
Consumption of materials and raw materials and value of goods sold	435 623	373 751	-61 872	-14.2%
Costs of energy purchases for resale	110 255	72 259	-37 996	-34.5%
Transmission services	549	478	-71	-12.9%
Other outsourced services	32 092	33 765	1 673	5.2%
Taxes and charges	20 076	20 901	825	4.1%
Cost of sales	721 165	620 021	-101 144	-14.0%
Other operating revenue	4 495	5 977	1 482	33.0%
Other operating expenses	2 864	3 314	450	15.7%
Profit / (loss) on sales and liquidation of tangible fixed assets	-7	236	243	-
Non-financial fixed assets impairment write-down	42 000	-	-42 000	-100.0%
Operating profit / (loss)	23 709	78 294	54 585	230.2%
Financial revenue	1 812	70	-1 742	-96.1%
Financial costs	4 280	4 054	-226	-5.3%
Dividend revenue	2 740	1,013	-1 727	-63.0%
Profit / (loss) before tax	23 981	75 323	51 342	214.1%
Income tax	5 070	14 268	9 198	181.4%
Net profit / (loss)	18 911	61 055	42 144	222.9%
EBITDA	119 820	136 419	16 599	13.9%

Q2 2017:

Change drivers of EBITDA of Enea Wytwarzanie sp. z o.o. (growth by PLN 16.6 mln):

Segment of System Power Plants - drop in EBITDA by PLN 2.6 mln

- (-) lower margin on generation by PLN 13.9 mln
- (-) lower margin on trade and the Balancing Market by PLN 3.9 mln
- (+) lower fixed costs by PLN 6.2 mln
- (+) higher revenue from Regulatory System Services by PLN 7.7 mln

Segment of Heat - growth in EBITDA by PLN 18.2 mln

- (+) lower costs of biomass consumption by PLN 18.1 mln
- (+) higher revenues from certificates of origin by PLN 4.5 mln
- (+) lower fixed costs by PLN 1.8 mln
- (+) higher revenue from sales of heat by PLN 1.6 mln
- (+) higher result on the other operating activity by PLN 1.3 mln
- (+) lower costs of CO₂ emission allowances by PLN 0.6 mln
- (-) higher costs of coal consumption by PLN 7.2 mln
- (-) lower revenue from sales of electricity by PLN 3.5 mln

Segment of RES - growth in EBITDA by PLN 1.0 mln

- (-) Area of Wind (PLN -0.6 mln): higher fixed costs by PLN 1.4 mln (property tax), lower revenue from certificates of origin by PLN 0.7 mln, higher other variable costs by PLN 0.2 mln, growth in revenue from sales of electricity by PLN 1.8 mln
- (+) Area of Water (PLN +0.3 mln): higher revenue from sales of electricity by PLN 1.2 mln, fixed costs lower by PLN 0.3 mln, lower revenue from certificates of origin by PLN 0.5 mln
- (+) Area of Biogas (PLN +1.3 mln): higher revenue from certificates of origin by PLN 1.2 mln

Profit and loss statement of Enea Elektrownia Połaniec CG - 14.03-30.06.2017

[PLN '000]	14.03-30.06.2017
Sales revenue	613 342
Excise tax	26
Net sales revenue	613 316
Depreciation and amortisation of fixed and intangible assets	12 676
Employee benefit costs	21 254
Consumption of materials and raw materials and value of goods sold	364 019
Costs of energy purchases for resale	86 007
Transmission services	869
Other outsourced services	56 530
Taxes and charges	11 636
Cost of sales	552 991
Other operating revenue	2 746
Other operating expenses	353
Operating profit / (loss)	62 718
Financial revenue	3 683
Financial costs	544
Profit / (loss) before tax	65 857
Income tax	10 161
Net profit / (loss)	55 696
EBITDA	75 394

14.03-30.06.2017:**EBITDA of Enea Połaniec Power Plant CG:**

- sale of 3,407.5 GWh electricity - PLN 574,063 thou. revenue
- revenue from sales of heat PLN 16,346 thou. with sales volumes amounting to 685.2 GJ
- revenue from certificates of origin (PLN +20,798 thou.) - sales adjusted with revenue for recognition, cost of goods sold and revaluation of the stock of green certificates as at the balance sheet date
- The other revenue (PLN +2,110 thou.) - revenue from rent and management of combustion by-products

Profit and loss statement of LW Bogdanka CG - H1 2017

[PLN '000]	H1 2016	H1 2017	Change	Change %
Net sales revenue	848 662	902 117	53 455	6.3%
Depreciation and amortisation of fixed and intangible assets	182 534	174 060	-8 474	-4.6%
Employee benefit costs	261 142	266 906	5 764	2.2%
Consumption of materials and raw materials and value of goods sold	147 433	145 405	-2 028	-1.4%
Other outsourced services	140 418	138 645	-1 773	-1.3%
Taxes and charges	21 854	24 161	2 307	10.6%
Cost of sales	753 381	749 177	-4 204	-0.6%
Other operating revenue	13 114	1 923	-11 191	-85.3%
Other operating expenses	2 783	1 066	-1 717	-61.7%
Profit / (loss) on sales and liquidation of tangible fixed assets	-8 472	-6 623	1 849	21.8%
Operating profit / (loss)	97 140	147 174	50 034	51.5%
Financial revenue	10 801	4 580	-6 221	-57.6%
Financial costs	16 599	12 761	-3 838	-23.1%
Profit / (loss) before tax	91 342	138 993	47 651	52.2%
Income tax	16 860	27 112	10 252	60.8%
Net profit / (loss)	74 482	111 881	37 399	50.2%
EBITDA	279 674	321 234	41 560	14.9%

H1 2017:**LW Bogdanka CG's EBITDA drivers:**

- (+) higher net production by 273 thou. tonnes and sales of commercial coal by 283 thou. tonnes
- (+) higher revenue realised mainly due to the greater sales of coal both within Enea Capital Group and for export
- (+) smaller costs - drop in the unit cost of sold products, goods and materials excluding amortisation - better cost efficiency with a growing volume of coal sold

Significant one-offs:

- lower other operating revenue - 2016 - release of the provision for damages for Budimex due to a favourable ruling of the Court of Appeal
- loss on the liquidation of tangible assets - mainly the net value of liquidated excavations
- lower financial revenue - 2016 - provision for interest on Budimex's claims was released - PLN 6,465 thou.

Profit and loss statement of LW Bogdanka CG - Q2 2017

[PLN '000]	Q2 2016	Q2 2017	Change	Change %
Net sales revenue	428 093	436 880	8 787	2.1%
Depreciation and amortisation of fixed and intangible assets	94 712	85 384	-9 328	-9.8%
Employee benefit costs	135 852	134 146	-1 706	-1.3%
Consumption of materials and raw materials and value of goods sold	76 045	76 706	661	0.9%
Other outsourced services	77 995	69 338	-8 657	-11.1%
Taxes and charges	10 199	10 479	280	2.7%
Cost of sales	394 803	376 053	-18 750	-4.7%
Other operating revenue	11 795	1 252	-10 543	-89.4%
Other operating expenses	1 462	492	-970	-66.3%
Profit / (loss) on sales and liquidation of tangible fixed assets	-7 809	-4 006	3 803	48.7%
Operating profit / (loss)	35 814	57 581	21 767	60.8%
Financial revenue	8 905	1 798	-7 107	-79.8%
Financial costs	9 598	5 098	-4 500	-46.9%
Profit / (loss) before tax	35 121	54 281	19 160	54.6%
Income tax	1 632	10 458	8 826	540.8%
Net profit / (loss)	33 489	43 823	10 334	30.9%
EBITDA	130 526	142 965	12 439	9.5%

Q2 2017:**LW Bogdanka CG's EBITDA drivers:**

- (+) higher net production by 186 thou. tonnes and sales of commercial coal by 78 thou. tonnes
- (+) higher revenue realised mainly due to the greater sales of coal within Enea Capital Group
- (+) smaller costs - drop in the unit cost of sold products, goods and materials excluding amortisation - better cost efficiency with a growing volume of coal sold

Significant one-offs:

- lower other operating revenue - 2016 - release of the provision for damages for Budimex due to a favourable ruling of the Court of Appeal
- loss on the liquidation of tangible assets - mainly the net value of liquidated excavations
- lower financial revenue - 2016 - provision for interest on Budimex's claims was released - PLN 6,465 thou.
- lower financial expenses - lower costs of interest on bonds as a result of bond redemption

Financial ratios

Below please find a glossary of terms and a list of acronyms used in this report.

Customer		Description
EBITDA	=	Operating profit (loss) + amortisation and depreciation
Return on equity (ROE)	=	$\frac{\text{Net profit (loss) for the reporting period}}{\text{Equity}}$
Return on assets (ROA)	=	$\frac{\text{Net profit (loss) for the reporting period}}{\text{Total assets}}$
Net profitability	=	$\frac{\text{Net profit (loss) for the reporting period}}{\text{Net sales revenue}}$
Operating profitability	=	$\frac{\text{Operating profit (loss)}}{\text{Net sales revenue}}$
EBITDA profitability	=	$\frac{\text{EBITDA}}{\text{Net sales revenue}}$
Current ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Equity-to-fixed assets ratio	=	$\frac{\text{Equity}}{\text{Fixed assets}}$
Total debt ratio	=	$\frac{\text{Total liabilities}}{\text{Total assets}}$
Net debt / EBITDA	=	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{EBITDA}}$
Current receivables turnover in days	=	$\frac{\text{Average trade and other receivables x number of days}}{\text{Net sales revenue}}$
Turnover of trade and other payables in days	=	$\frac{\text{Average trade and other liabilities x number of days}}{\text{Cost of products, goods and materials sold}}$
Inventory turnover in days	=	$\frac{\text{Average inventory x number of days}}{\text{Cost of products, goods and materials sold}}$
Cost of products, goods and materials sold	=	Use of materials and value of goods sold; Purchases of energy for resale; Transmission services; other outsourced services; taxes and charges; excise tax

Sectoral terms/abbreviations

Abbreviation/term	Full name/explanation
ACER	European Agency for the Cooperation of Energy Regulators - EU agency established pursuant to the third energy package. The objective of the Agency is coordination and supporting the national regulatory authorities. A full list of duties is specified in Regulation No. 713/2009
"Green" proprietary interests	Same as PMOZE
"Light blue" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation from agricultural gas
"Purple" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
"Red" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in other cogeneration sources
"White" proprietary interests	Proprietary interests in certificates of origin resulting from energy efficiency certificates, the so called "white" certificates
"Yellow" proprietary interests	Proprietary Interests in certificates of origin being the confirmation of electricity generation in a gas cogeneration unit or in a unit of the total installed capacity of up to 1 MW
AMI	Advanced systems measuring, collecting and analysing energy consumption and enabling two-way communication between the end user and central system. AMI includes both intelligent meters and smart power grids
Backloading	Suspension of some auctions of allowances for CO ₂ emission by EU in order to increase the price of allowances
Balancing market	Technical market by an Operator of the transmission system Its objective is balancing, in real time, the demand for electricity with its production in the public power system (PPS, Polish "KSE")
BAT	Best Available Techniques – the document formulating conclusions relating to the best available techniques for installations it covers, and indicating as well levels of emissions connected with the best available techniques.
CAPEX	Capital expenditures

Abbreviation/term	Full name/explanation
Carbon leakage	Moving carbon dioxide emissions from one country to another
CER	Certified Emission Reduction
CO₂	Carbon dioxide
Cogeneration	A technological process of a combined generation of electricity and usable heat energy in combined heat and power plants
DAP	Delivered at Place – the situation in which the seller is responsible to deliver the goods to a specific place, but the buyer performs the unloading.
EFX	Index for session transactions the subject of which are contracts for proprietary interests resulting from energy efficiency certificates, the so called "white" certificates
Energy Law	The Act of 10 April 1997 - Energy Law (Journal of Laws 1997 No. 54 item 348, as amended)
EUA	EU Emission Allowance - allowances for emissions within the European Emissions Trading System
European Emissions Trading System EU ETS	European system supporting reduction of greenhouse gases emissions
Forward market	Electricity market on which forward products are listed
GPZ	Transformer/Switching Station - transformer station, responsible for amending of high or medium voltage into low voltage for end users on a specific area
ICE	Trading platform enabling trade in allowances for emissions of CO ₂ (EUA) and units of certified reduction of emissions (CER) on futures market
IGCC	Integrated gasification combined cycle – gas and steam unit technology with integral fuel gasification. Enables construction of a power plant with a much greater efficiency as compared to conventional coal based power plants.
IOS installation	Fue gas desulphurisation plant
KECX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in other cogeneration sources
KGMX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in a gas cogeneration unit or in a unit of the total installed capacity of up to 1 MW

Sectoral terms/abbreviations

Abbreviation/term	Full name/explanation
KMETX	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for electricity generated in a cogeneration unit fired with methane released and abstracted on pit mining works or with gas obtained from biomass processing in the meaning of Article 2 item 1(2) of the Act on biocomponents and liquid biofuels
MW_e	Megawatt of electrical power
MWh	Megawatthour (1 GWh = 1,000 MWh)
MW_t	Megawatt of heating power
NFOŚiGW	National Fund for Environmental Protection and Water Management
NO_x	Nitric oxides
ODS	Operator of the Distribution System
OTS	Operator of the Transmission System
OZEX_A	Index for session transactions the subject of which are contracts for proprietary interests resulting from certificates of origin for energy generated in energy renewable sources whose production period (indicated in the certificate of origin) commenced on 1 March 2009 inclusive.
PMOZE	Proprietary interests from certificates of origin for energy from renewable sources of energy
Price of baseload (BASE)	Price of contract with delivery of the same volume of energy on each day hour
Price of euro-peak (PEAK)	Price of contract with delivery of the same volume of energy in euro-peak (i.e. from 7:00 to 22:00 on business days)
REMIT Regulation	Regulation on integrity and transparency of wholesale energy market, specifies the framework of monitoring wholesale energy markets, in order to detect and prevent unfair practice on EU level
RES	Energy renewable sources

Abbreviation/term	Full name/explanation
SAIDI	System Average Interruption Duration Index - for long and very long interruptions (expressed in minutes/Customer)
SAIFI	System Average Interruption Frequency Index - for long interruptions in energy supply (expressed in number of interruptions/Customer)
SCR installation	Installation of the catalytic denitrogenation of flue gases
SO₂	Sulphur dioxide
SPOT market	Cash market (spot)
Tariff Group A	Energy sold and delivered to customers connected to a high-voltage grid
Tariff Group B	Energy sold and delivered to customers connected to a medium-voltage grid
Tariff Group C	Energy sold and delivered to customers connected to a low-voltage grid, with the exception of end users using electricity for household purposes
Tariff Group G	Energy sold and delivered to end users using electricity for household purposes, regardless of voltage of the grid to which they are connected
TFS	Tradition Financial Services, electricity trading platform designated for concluding various types of transactions, purchase and sale of conventional energy, proprietary interests, renewable energy and allowances for emissions of CO ₂
TGE (PPE)	Towarowa Giełda Energii (Polish Power Exchange)
TPA	Third Party Access – the principle of third party access to the power grid which enables the purchase of electricity and services of its distribution based on separate agreements
WACC	Weighted average cost of capital, return on capital invested in distribution activities
WIBOR	Warsaw Interbank Offered Rate - interest rate for loans on the Polish interbank market

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