



Energa

**ENERGA SA
Group**

**Condensed interim
consolidated
financial statements
prepared in accordance
with IAS 34
for the three-month
period ended
31 March 2017**

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	3-month period ended 31 March 2017 (unaudited)	3-month period ended 31 March 2016 (unaudited)
Continuing operations		
Revenue	2,710	2,621
Cost of sales	(2,177)	(2,233)
Gross profit on sales	533	388
Other operating income	37	15
Selling and distribution expenses	(90)	(84)
General and administrative expenses	(85)	(80)
Other operating expenses	(40)	(133)
Financial income	80	11
Financial costs	(64)	(73)
Share in profit/(loss) of the entities measured by the equity method	10	-
Profit or loss before tax	381	44
Income tax	(68)	(33)
Net profit or loss for the period	313	11
Attributable to:		
Equity holders of the Parent Company	310	8
Non-controlling interest	3	3
Earnings or loss per share (in PLN)		
- basic	0.75	0.02
- diluted	0.75	0.02

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended 31 March 2017 (unaudited)	3-month period ended 31 March 2016 (unaudited)
Net profit for the period	313	11
Items that will never be reclassified to profit or loss	3	20
Actuarial gains and losses on defined benefit plans	4	25
Deferred tax	(1)	(5)
Items that are or may be reclassified subsequently to profit or loss	(13)	1
Foreign exchange differences from translation of foreign entities	(5)	-
Cash flow hedges	(10)	2
Deferred tax	2	(1)
Net other comprehensive income	(10)	21
Total comprehensive income	303	32
Attributable to:		
Equity holders of the Parent Company	300	29
Non-controlling interest	3	3

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2017 (unaudited)	As at 31 December 2016
ASSETS		
Non-current assets		
Property, plant and equipment	12,843	13,053
Intangible assets	385	383
Goodwill	26	26
Investments in associates and joint ventures measured by the equity method	634	390
Deferred tax assets	390	396
Other non-current financial assets	136	166
Other non-current assets	100	101
	14,514	14,515
Current assets		
Inventories	566	472
Current tax receivables	108	111
Trade receivables	1,917	1,947
Portfolio of financial assets	2	2
Other current financial assets	89	15
Cash and cash equivalents	2,353	1,471
Other current assets	452	198
	5,487	4,216
TOTAL ASSETS	20,001	18,731

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 31 March 2017 (unaudited)	As at 31 December 2016
EQUITY AND LIABILITIES		
Equity		
Share capital	4,522	4,522
Foreign exchange differences from translation of a foreign entity	(1)	4
Reserve capital	1,018	1,018
Supplementary capital	728	728
Cash flow hedge reserve	33	41
Retained earnings	2,777	2,464
Equity attributable to equity holders of the Parent Company	9,077	8,777
Non-controlling interest	43	40
	9,120	8,817
Non-current liabilities		
Loans and borrowings	2,988	3,086
Bonds issued	3,786	2,639
Non-current provisions	576	578
Deferred tax liabilities	620	593
Deferred income and non-current grants	515	515
Other non-current financial liabilities	5	6
	8,490	7,417
Current liabilities		
Trade payables	628	811
Current loans and borrowings	343	334
Bonds issued	26	78
Current income tax liability	4	3
Deferred income and grants	126	170
Short-term provisions	719	711
Other financial liabilities	78	157
Other current liabilities	467	233
	2,391	2,497
Total liabilities	10,881	9,914
TOTAL EQUITY AND LIABILITIES	20,001	18,731

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Parent Company							Non-controlling interest	Total equity
	Share capital	Foreign exchange differences from translation of a foreign entity	Reserve capital	Supplementary capital	Cash flow hedge reserve	Retained earnings	Total		
As at 1 January 2017	4,522	4	1,018	728	41	2,464	8,777	40	8,817
Actuarial gains and losses on defined benefit plans	-	-	-	-	-	3	3	-	3
Foreign exchange differences from translation of foreign entities	-	(5)	-	-	-	-	(5)	-	(5)
Cash flow hedges	-	-	-	-	(8)	-	(8)	-	(8)
Net profit for the period	-	-	-	-	-	310	310	3	313
Total comprehensive income for the period	-	(5)	-	-	(8)	313	300	3	303
As at 31 March 2017 (unaudited)	4,522	(1)	1,018	728	33	2,777	9,077	43	9,120
As at 1 January 2016	4,522	-	447	661	6	3,134	8,770	44	8,814
Actuarial gains and losses on defined benefit plans	-	-	-	-	-	20	20	-	20
Cash flow hedges	-	-	-	-	1	-	1	-	1
Net profit for the period	-	-	-	-	-	8	8	3	11
Total comprehensive income for the period	-	-	-	-	1	28	29	3	32
As at 31 March 2016 (unaudited)	4,522	-	447	661	7	3,162	8,799	47	8,846

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	3-month period ended 31 March 2017 (unaudited)	3-month period ended 31 March 2016 (unaudited)
Cash flows from operating activities		
Profit/(loss) before tax	381	44
Adjustments for:		
Share in (profit)/loss of the entities measured by the equity method	(10)	-
Foreign currency (gains)/losses	(16)	3
Amortization and depreciation	246	234
Net interest and dividends	39	65
(Profit)/loss on investing activities, including goodwill impairment allowance	(59)	311
Changes in working capital:		
Change in receivables	32	(136)
Change in inventories	(94)	(125)
Change in liabilities excluding loans and borrowings	52	(61)
Change in prepayments and accruals	(318)	(294)
Change in provisions	8	(19)
	261	22
Income tax paid	(30)	(63)
Net cash from operating activities	231	(41)
Cash flows from investing activities		
Disposal of property, plant and equipment and intangible assets	5	4
Purchase of property, plant and equipment and intangible assets	(293)	(456)
Sale of participation units in the ENERGA Trading fund	-	5
Disposal of subsidiary	24	-
Investments in associates and joint ventures measured by the equity method	(137)	-
Other	(6)	-
Net cash from investing activities	(407)	(447)
Cash flows from financing activities		
Proceeds from debt incurred	1,252	-
Repayment of debt incurred	(77)	(62)
Interest paid	(110)	(115)
Other	(1)	(7)
Net cash from financing activities	1,064	(184)
Net increase/(decrease) in cash and cash equivalents	888	(672)
Cash and cash equivalents at the beginning of the period	1,464	1,658
Cash and cash equivalents at the end of the period	2,352	986

ACCOUNTING PRINCIPLES (POLICIES) AND OTHER EXPLANATORY INFORMATION

1. General information

The ENERGA SA Capital Group (the "Group") consists of **ENERGA Spółka Akcyjna** ("Parent Company", "Company") with its registered office in Gdańsk and its subsidiaries (see Note 2). The condensed interim consolidated financial statements of the ENERGA SA Group covers the three-month period ended 31 March 2017 and contains appropriate comparative data.

The Parent Company is entered in the Register of Entrepreneurs of the National Court Register held by the District Court Gdańsk-Północ, 7th Commercial Division of the National Court Register under number KRS 0000271591. The Parent Company's REGON statistical number is 220353024.

The primary activities of the Group are as follows:

1. distribution and sales of electricity and heat,
2. production of electricity and heat,
3. trading in electricity.

As at 31 March 2017, the Polish State Treasury is the parent and ultimate controlling party of the Company and of the ENERGA SA Group.

2. Composition of the Group and its changes

2.1. Composition of the Group at the end of the reporting period

As at 31 March 2017, the Group consists of ENERGA SA and the following subsidiaries:

No.	Company name	Registered office	Line of business	% held by the Group in share capital as at	
				31 March 2017	31 December 2016
Distribution Segment					
1	ENERGA-OPERATOR SA	Gdańsk	distribution of electricity	100	100
2	ENERGA-OPERATOR Eksploatacja Elbląg Sp. z o.o.	Elbląg	grid operation	100	100
3	ENERGA-OPERATOR Eksploatacja Gdańsk Sp. z o.o.	Gdańsk	grid operation	100	100
4	ENERGA-OPERATOR Eksploatacja Kalisz Sp. z o.o.	Kalisz	grid operation	100	100
5	ENERGA-OPERATOR Eksploatacja Płock Sp. z o.o.	Płock	grid operation	100	100
6	ENERGA-OPERATOR Eksploatacja Słupsk Sp. z o.o.	Słupsk	grid operation	100	100
7	ENERGA-OPERATOR Eksploatacja Toruń Sp. z o.o.	Toruń	grid operation	100	100
8	ENERGA-OPERATOR Techniczna Obsługa Odbiorców Sp. z o.o.	Koszalin	technical customer service	100	100
9	Przedsiębiorstwo Budownictwa Elektroenergetycznego ENBUD Słupsk Sp. z o.o.	Słupsk	contracting and design	100	100
10	Energetyka Kaliska – Usługi Techniczne Sp. z o.o.	Kalisz	contracting and design	100	100
11	ZEP - Centrum Wykonawstwa Specjalistycznego Sp. z o.o.	Płock	contracting and design	100	100
12	Zakład Budownictwa Energetycznego Sp. z o.o.	Koszalin	contracting and design	100	100
13	ENERGA-OPERATOR Logistyka Sp. z o.o.	Płock	logistics and supply	100	100
Sales Segment					
14	ENERGA-OBROT SA	Gdańsk	trading in electricity	100	100
15	ENERGA Obsługa i Sprzedaż Sp. z o.o.	Gdańsk	customer service	100	100

No.	Company name	Registered office	Line of business	% held by the Group in share capital as at	
				31 March 2017	31 December 2016
16	ENERGA Oświetlenie Sp. z o.o.	Sopot	lighting services	100	100
17	ENERGA SLOVAKIA s.r.o.	Bratislava	trading in electricity	100	100
18	EOB PGK1 Sp. z o.o.	Gdańsk	financing services	100	100
19	EOB PGK2 Sp. z o.o.	Gdańsk	financing services	100	100
Generation Segment					
20	ENERGA Wytwarzanie SA	Gdańsk	production of energy	100	100
21	ENERGA Elektrownie Ostrołęka SA	Ostrołęka	production of energy	89.64	89.64
22	ENERGA Kogeneracja Sp. z o.o.	Elbląg	production of energy	100	100
23	ENERGA Ciepło Ostrołęka Sp. z o.o.	Ostrołęka	distribution of heat	100	100
24	ENERGA Serwis Sp. z o.o.	Ostrołęka	repairs and maintenance services	94.81	94.81
25	ENERGA Ciepło Kaliskie Sp. z o.o.	Kalisz	distribution of heat	91.24	91.24
26	ENERGA Invest SA	Gdańsk	investment project management	100	100
27	AEGIR 4 Sp. z o.o.	Gdańsk	production of energy	100	100
28	Elektrownia CCGT Gdańsk Sp. z o.o.	Gdańsk	production of energy	100	100
29	Elektrownia CCGT Grudziądz Sp. z o.o.	Grudziądz	production of energy	100	100
Others Segment					
30	ENERGA Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	accounting, payroll and administrative services	100	100
31	ENERGA Finance AB (publ)	Stockholm	financing activity	100	100
32	ENERGA Informatyka i Technologie Sp. z o.o.	Gdańsk	information and communication technologies	100	100
33	RGK Sp. z o.o.	Gdańsk	financing services and property management	100	100
34	Enspirion Sp. z o.o.	Gdańsk	organization and management of development of innovative power projects	100	100
35	ENSA PGK1 Sp. z o.o.	Gdańsk	financing services	100	100
36	ENSA PGK2 Sp. z o.o.	Gdańsk	financing services	100	100
37	ENSA PGK3 Sp. z o.o.	Gdańsk	financing services	100	100
38	ENSA PGK4 Sp. z o.o.	Gdańsk	financing services	100	100

No.	Company name	Registered office	Line of business	% held by the Group in share capital as at	
				31 March 2017	31 December 2016
39	ENSA PGK5 Sp. z o.o.	Gdańsk	financing services	100	100
40	ENSA PGK6 Sp. z o.o.	Gdańsk	financing services	100	100
41	ENSA PGK7 Sp. z o.o.	Gdańsk	financing services	100	100
42	ENSA PGK8 Sp. z o.o.	Gdańsk	financing services	100	100

Additionally, as at 31 March 2017 the Group holds shares in joint ventures: Polska Grupa Górnicza Sp. z o.o. ("PGG"), Elektrownia Ostrołęka SA and in an associate – Polimex-Mostostal S.A. ("Polimex") (see description in Note 2.2).

2.2. Changes in the composition of the Group in the reporting period

2.2.1. Polska Grupa Górnicza

On 28 April 2016, the subsidiary ENERGA Kogeneracja Sp. z o.o. signed an Investment Agreement ("Agreement") defining the terms and conditions of the financial investment in Polska Grupa Górnicza Sp. z o.o. As part of the investment in PGG, ENERGA Kogeneracja Sp. z o.o. undertook to make payments to the newly-issued shares in PGG in the total amount of PLN 500 m. The last tranche of the capital contribution in the amount of PLN 56 m was made on 1 February 2017 in accordance with the Agreement (which raised the stake held in PGG's share capital to 17.1%).

2.2.2. Polimex-Mostostal

On 18 January 2017, the Management Board of ENERGA SA along with ENEA S.A., PGE S.A., PGNiG Technologie S.A. ("Investors") and Polimex-Mostostal S.A. signed an investment agreement under which the Investors undertook to make an equity investment in Polimex. ENERGA SA subscribed to 37.5 m newly-issued shares with the par value of PLN 2 each, for the total amount of PLN 75 m and 1.5 m Polimex shares from SPV Operator sp. z o.o. which are approved for trading on WSE in a block transaction for the total amount of PLN 5.8 m. As a result of this transaction, its stake in the Company reached approximately 16.5%.

The investment agreement allows the investors to influence Polimex's financial and operational policy. These powers are exercised through the Supervisory Board. According to the agreement, the Supervisory Board will consist of 3 members named by the Investors.

Moreover, the Investors signed a memorandum of agreement relating to the investment in Polimex ("Memorandum of Agreement"). The purpose of the Memorandum of Agreement is to ensure increased control over Polimex to the Investors, who jointly hold the majority of votes at PGG's Shareholder Meeting (66%). The Memorandum of Agreement assumes, among others, that a joint position will be agreed upon by voting when the key decisions are made by the General Meeting and Supervisory Board of Polimex, including determination of the composition of Polimex's Management Board.

Because of the Investors' powers mentioned above that result in significant influence, the stake held in Polimex was classified as an associate measured by the equity method.

Polimex is an engineering and construction company, which is characterized by a broad range of services provided in the capacity of a general contractor. The Company's registered office is in Warsaw. Polimex is listed on the Warsaw Stock Exchange. As at 31 March 2017, the average price of a share of Polimex stock was PLN 8.03; accordingly the fair value of the block of shares held by the Group was PLN 313 m.

The Group is currently conducting work related to the allocation of the Polimex purchase price.

2.2.3. Ostrołęka Power Plant

On 8 December 2016, ENERGA SA, ENEA S.A. and Elektrownia Ostrołęka SA signed an investment agreement regarding the execution of the new power unit construction project in Ostrołęka. The condition precedent for the transaction was obtaining an approval from the President of the Office of Competition and Consumer Protection for the concentration involving the purchase of 50% of shares in the special-purpose vehicle Elektrownia Ostrołęka SA by Enea S.A. On 11 January 2017, the President of UOKiK issued an unconditional approval for the concentration and consequently on 1 February 2017, ENERGA SA and ENEA S.A. signed a share purchase agreement by ENEA S.A.

Under the above agreements, ENERGA SA and ENEA S.A. acquired joint control over Elektrownia Ostrołęka SA with its registered office in Ostrołęka; the company's purpose is building and operating a new coal-fired unit. Both parties will hold a 50% stake in Elektrownia Ostrołęka SA and the same number of votes at the General Meeting. The Management Board and the Supervisory Board will consist of the same number of representatives of both investors. Decisions on significant actions will require unanimous consent of both shareholders, who have the rights to net assets of Elektrownia Ostrołęka SA. Given the above, the investment was classified as a joint venture and is captured using the equity method.

Elektrownia Ostrołęka SA is a privately held company and therefore there are no market quotes for its share prices.

Also, as a result of this transaction the Group no longer controls Elektrownia Ostrołęka SA and therefore profit of PLN 6 m was recognized in financial income.

3. Composition of the Parent Company's Management Board

In the period from 1 to 16 January 2017, the Management Board of the Parent Company was as follows:

- Dariusz Kašków – President of the Management Board,
- Mariusz Rędaszka – Vice-President of the Management Board for Financial Matters,
- Grzegorz Ksepko – Vice-President of the Management Board for Corporate Matters,
- Mariola Zmudzińska – Vice-President of the Management Board for Investor Relations,
- Przemysław Piesiewicz – Vice-President of the Management Board for Development Strategy.

On 17 January 2017, the Company's Supervisory Board adopted a resolution to delegate Mr. Jacek Kościelniak to act as the President of the Management Board. At the same time, Mr. Dariusz Kašków, the previous President of the Management Board, Mr. Mariusz Rędaszka, the Vice-President of the Management Board for Financial Matters and Mr. Przemysław Piesiewicz, the Vice-President of the Management Board for Development Strategy, were dismissed from their functions.

On 10 February 2017, the Company's Supervisory Board adopted a resolution to appoint the following to the Management Board: Mr. Daniel Obajtek (as President of the Management Board), Ms. Alicja Klimiuk (as Vice-President of the Management Board for Operations), Mr. Jacek Kościelniak (as Vice-President of the Management Board for Financial Matters).

On 16 February 2017, the Company's Supervisory Board adopted a resolution to dismiss from the Company's Management Board Ms. Mariola Zmudzińska, who served as the Vice-President of the Management Board for Investor Relations.

4. Approval of the financial statements

These condensed interim consolidated financial statements were approved for publication by the Company's Management Board on 9 May 2017.

5. Basis for preparation of the financial statements

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value through profit or loss and hedging derivatives.

These condensed interim consolidated financial statements are presented in millions of Polish zloty ("PLN m") and have been prepared based on the assumption that the Group would continue as a going concern in the foreseeable future.

As at the date of these condensed interim financial statements there is no evidence indicating significant uncertainty as to the ability of the Group to continue its business activities as a going concern.

5.1. Statement of compliance

These condensed interim consolidated financial statements of ENERGA SA Group have been prepared in accordance with the International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union. They do not include all the information required for a complete set of financial statements compliant with the International Financial Reporting Standards ("IFRS"). However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2016.

5.2. Functional and presentation currency

The functional currency of the parent company and other Polish companies covered by these condensed interim consolidated financial statements and the presentation currency of these condensed interim consolidated financial statements is the Polish zloty, except for ENERGA SLOVAKIA s.r.o. and ENERGA Finance AB (publ) where the functional currency of their financial statements is euro. For the purpose of these financial statements, the underlying accounts of the above-mentioned companies have been translated into PLN as follows: data in the statement of financial position, except equity - exchange rates at the reporting date; equity - exchange rates at the date of transaction and data in the statement of profit or loss - at the weighted average exchange rate for the financial period. Exchange differences from translation were captured in other comprehensive income.

6. Material items subject to judgment and estimates

In the current reporting period no changes were made in the methods used to make material estimations. Changes of estimates resulted from events that occurred during the reporting period.

The preparation of the condensed interim consolidated financial statements in accordance with the International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union ("EU") requires the Management Board to adopt certain assumptions and estimates that affect the amounts reported in these condensed interim consolidated financial statements and notes thereto. The assumptions and estimates are based on the Management Board's best knowledge of current and future activities and events. However actual results may differ from those anticipated.

7. Significant accounting policies

The accounting policies of the Group are applied on a continuous basis.

7.1. Standards and interpretations already published and endorsed in the EU, which have not come into effect

The following standards and interpretations have already been published and endorsed in the EU, but have not yet come into effect:

- IFRS 15 "Revenue from Contracts with Customers" (applicable to annual periods beginning on or after 1 January 2018),
- IFRS 9 "Financial Instruments" (applicable to annual periods beginning on or after 1 January 2018).

New standards IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" introduce significant changes as compared to the currently applicable standards. Following a tentative analysis, the Group anticipates that the changes will affect, among others, the calculation methodology for impairment losses on financial assets and may change the time of recognition of the fees for connection to the distribution network.

7.2. Standards and interpretations adopted by the IASB but not yet endorsed in the EU

IFRS as endorsed in the EU do not currently differ from the regulations adopted by the International Accounting Standards Board, with the exception of the following standards, amendments to standards and interpretations, which as at the date of approving these financial statements have not yet been adopted for application:

- IFRS 14 "Regulatory Deferral Accounts" (applicable to annual periods beginning on or after 1 January 2016),
- IFRS 16 "Leases" (applicable to annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sales or contributions of assets between an investor and its associate/joint venture (no effective date specified),
- Amendments to IAS 12 "Income Taxes" - Detailed regulation of the recognition of deferred tax assets for unrealized losses (applicable to annual periods beginning on or after 1 January 2017),
- Amendments to IAS 7 "Statement of Cash Flows" - Disclosure Initiative (applicable to annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions (applicable to annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4 "Insurance Contracts" - Applying changes introduced by IFRS 9 "Financial Instruments" (applicable to annual periods beginning on or after 1 January 2018),
- Clarifications to IFRS 15 "Revenue from Contracts with Customers" (applicable to annual periods beginning on or after 1 January 2018),
- Amendments to IAS 40 "Investment Property" - Transfers of Investment Property to other asset groups (applicable to annual periods beginning on or after 1 January 2018),
- IFRIC 22 interpretation: "Foreign Currency Transactions and Advance Consideration" (applicable to annual periods beginning on or after 1 January 2018),
- Improvements to IFRSs (2014-2016 cycle) - Amendments to IFRS 1, IAS 28 (applicable to annual periods beginning on or after 1 January 2018) and IFRS 12 (applicable to annual periods beginning on or after 1 January 2017).

The new standard IFRS 16 "Leases" changes the rules for recognizing agreements that satisfy the definition of a lease. From the Group's point of view, the main change is the requirement to recognize the right to use an asset and a financial liability in the lessee's statement of financial position - both in the case of agreements that meet the criteria of finance leases and operating leases. This change will increase the value of assets and liabilities.

The Group does not expect the remaining amendments to IFRSs mentioned above to have a material influence on its financial statements.

8. Explanations regarding the seasonality and cyclicity of operations in the period under review

Sales and distribution of electricity and heat during the year are subject to seasonal fluctuations. The volume of energy sold and distributed, and consequently revenue, rise during the winter months and fall in the summer months. This is dependent on the ambient temperature and length of the day. The extent of fluctuations is determined by low temperatures and shorter days in winter and higher temperatures and longer days in summer. The seasonal nature of electric energy sales and distribution applies to a greater extent to small individual customers than to industrial sector clients.

NOTES ON OPERATING SEGMENTS

9. Operating segments

The Group presents segment information in accordance with IFRS 8 Operating Segments for the current and for comparative reporting periods. The Group is organized and managed within operating segments, which are divided according to the types of products offered. The Group's disclosures are made for the following operating segments:

- Distribution – distribution of electricity by ENERGA-OPERATOR SA (Distribution System Operator), as well as operations directly associated with the distribution operations conducted by other Group companies;
- Generation – production of electricity from conventional and renewable sources, production and distribution of heat and maintenance and repair activity, related directly to the production of energy;
- Sales - trading in electricity (wholesale trading and retail sales) and lighting services.
- Other - shared services centres in the accounting, HR and salary, administration and ITC areas as well as financing activity and real estate management areas. The Parent Company has also been classified as belonging to the other segment.

The key measures used by the ENERGA SA Management Board to assess the performance of the segments is net profit and EBITDA, i.e. operating profit /(loss) (calculated as the profit /(loss) before tax adjusted by the share of profit/(loss) of an entity measured by the equity method, financial income and financial costs) plus depreciation and amortization and impairment losses on non-financial non-current assets.

The rules applied to the determination of segment results and measure the segment's assets and liabilities are consistent with the rules used to prepare the consolidated financial statements. The share in the result of the entities measured by the equity method is recognized in consolidation eliminations and adjustments.

Transactions between segments are settled on market terms.

The Group does not present information by geographic segments since its operations conducted for international clients and its international assets do not have a significant impact on the Group's results.

The tables below show the breakdown of revenues and expenses for the period from 1 January to 31 March 2017 and the assets and liabilities as at 31 March 2017 by individual reporting segments, together with appropriate comparative information.

9. Operating segments (cont.)

Three-month period ended 31 March 2017 (unaudited) or as at 31 March 2017 (unaudited)	Distribution	Sales	Generation	Other	Total	Consolidation eliminations and adjustments	Total activity
Revenues							
Sales to external clients	1,158	1,341	211	-	2,710	-	2,710
Inter-segment sales	14	9	67	42	132	(132)	-
Total segment revenues	1,172	1,350	278	42	2,842	(132)	2,710
EBITDA							
Amortization and depreciation	191	11	41	5	248	(2)	246
Impairment losses on non-financial non-current assets	-	-	-	-	-	-	-
Operating profit or loss	339	(21)	63	(27)	354	1	355
Net finance income/expense	(30)	1	(18)	54	7	9	16
Share in profit/(loss) of the entities measured by the equity method	-	-	-	-	-	10	10
Profit or loss before tax	309	(20)	45	27	361	20	381
Income tax	(62)	3	(11)	2	(68)	-	(68)
Net profit or loss	247	(17)	34	29	293	20	313
Assets and liabilities							
Cash and cash equivalents	3	25	2	2,323	2,353	-	2,353
Total assets	13,067	2,843	4,088	15,210	35,208	(15,207)	20,001
Financial liabilities	4,162	5	1,054	7,055	12,276	(5,133)	7,143
Total liabilities	6,503	2,135	1,431	7,837	17,906	(7,025)	10,881
Other segment information							
Capital expenditures	168	8	18	26	220	(3)	217

9. Operating segments (cont.)

Three-month period ended 31 March 2016 (unaudited) or as at 31 December 2016	Distribution	Sales	Generation	Other	Total	Consolidation eliminations and adjustments	Total activity
Revenues							
Sales to external clients	1,094	1,304	222	1	2,621	-	2,621
Inter-segment sales	13	97	95	31	236	(236)	-
Total segment revenues	1,107	1,401	317	32	2,857	(236)	2,621
EBITDA							
Amortization and depreciation	180	9	45	5	239	(5)	234
Impairment losses on non-financial non-current assets	-	-	305	-	305	-	305
Operating profit or loss	319	19	(217)	(19)	102	4	106
Net finance income/expense	(37)	2	(20)	869	814	(876)	(62)
Profit or loss before tax	282	21	(237)	850	916	(872)	44
Income tax	(56)	(5)	24	4	(33)	-	(33)
Net profit or loss	226	16	(213)	854	883	(872)	11
Assets and liabilities							
Cash and cash equivalents	4	42	2	1,423	1,471	-	1,471
Total assets	13,393	2,803	4,163	14,639	34,998	(16,267)	18,731
Financial liabilities	4,825	5	1,057	6,017	11,904	(5,767)	6,137
Total liabilities	7,072	2,069	1,590	7,280	18,011	(8,097)	9,914
Other segment information							
Capital expenditures	269	6	63	52	390	(9)	381

NOTES TO CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10. Property, plant and equipment and goodwill

In the current reporting period, the Group:

- incurred expenditures towards property, plant and equipment in the amount of PLN 187 m (PLN 334 m in the corresponding period of 2016);
- sold and scrapped property, plant and equipment with a total carrying value of PLN 9 m (PLN 6 m in the corresponding period of 2016);
- did not recognize impairment losses on property, plant and equipment (in the corresponding period of 2016 the Group recognized impairment losses in the amount of PLN 188 m).
- did not recognize impairment losses on goodwill (in the corresponding period of 2016 the Group recognized impairment losses in the amount of PLN 117 m).
- reduced the amount of property, plant and equipment by PLN 174 m in connection with the loss of control over a subsidiary Elekrownia Ostrołęka SA (see description in Note 2.2.3).

11. Impairment tests for property, plant and equipment and goodwill

In Q1 2017, assessment was made whether there is any indication that the recoverable amount of property, plant and equipment and goodwill may be impaired. As a result of the analyses, no indications were found that could result in a decline of the recoverable amount of ENERGA SA Group's property, plant and equipment and consequently it was determined that no impairment tests must be carried out.

12. Cash and cash equivalents

Cash in the bank earns interest at variable interest rates negotiated with banks, the level of which depends on the interest rate applicable to overnight bank deposits. Short-term deposits are made for different periods, from one day to three months, depending on the Group's current cash requirements and earn interest at interest rates negotiated individually with banks.

The balance of cash and cash equivalents presented in the statement of cash flows comprises the following items:

	As at 31 March 2017 (unaudited)	As at 31 March 2016 (unaudited)
Cash at bank and in hand	1,698	703
Short-term deposits up to 3 months	655	286
Total cash and cash equivalents presented in the statement of financial position	2,353	989
Unrealized foreign exchange differences and interest	3	2
Current account overdraft	(4)	(5)
Total cash and cash equivalents presented in the statement of cash flows	2,352	986
<i>including restricted cash</i>	<i>21</i>	<i>-</i>

13. Earnings per share

There were no diluting instruments in the Parent Company and therefore diluted earnings per share are equal to basic earnings per share. The data used to calculate earnings per share are presented below.

	3-month period ended 31 March 2017 (unaudited)	3-month period ended 31 March 2016 (unaudited)
Net profit or loss on continuing operations attributable to equity holders of the Parent Company	310	8
Net profit or loss attributable to common equity holders of the Parent Company	310	8
Number of shares at the end of the reporting period (millions)	414	414
Number of shares used to calculate earnings per share (millions)	414	414
Earnings or loss per share on continuing operations (basic and diluted) (in PLN)	0.75	0.02

14. Dividends

By the date of approval of these financial statements for publication, the proposed distribution of the 2016 profit has not been adopted.

On 24 June 2016, the Annual General Meeting adopted a resolution to distribute the 2015 profit, out of which PLN 203 m, i.e. PLN 0.49 per share, was allocated to a dividend for the Company's shareholders.

15. Provisions**15.1. Provisions for employee benefits**

The Group recognizes provisions for post-employment benefits and jubilee bonuses in amounts calculated using actuarial methods. The amount of provisions recognized in these financial statements derives from the projection of provisions as at 31 March 2017, carried out by an independent actuary. The projection was based on the main assumptions used to measure provisions as at 31 December 2016, except the updated discount rate and the basis for calculating the charge for the Company Social Benefit Fund. The discount rate used to project the provisions as at 31 March 2017 was assumed at 3.51% (3.29% as at 31 December 2016).

	Pension and similar benefits	Energy tariff	Company Social Benefit Fund	Jubilee bonuses	Restructuring	TOTAL
As at 1 January 2017	118	166	69	213	1	567
Current service cost	1	1	1	3	-	6
Actuarial gains and losses	(1)	(4)	1	(1)	-	(5)
Benefits paid	(1)	-	(1)	(3)	-	(5)
Interest costs	1	1	1	2	-	5
Reversed	-	-	-	-	(1)	(1)
As at 31 March 2017 (unaudited), of which:	118	164	71	214	-	567
Short-term	9	9	5	21	-	44
Long-term	109	155	66	193	-	523

	Pension and similar benefits	Energy tariff	Company Social Benefit Fund	Jubilee bonuses	Restructuring	TOTAL
As at 1 January 2016	120	223	59	261	2	665
Current service cost	1	-	-	3	-	4
Actuarial gains and losses	(6)	(16)	(3)	(8)	-	(33)
Benefits paid	-	-	-	(4)	-	(4)
Interest costs	1	2	-	2	-	5
As at 31 March 2016 (unaudited), of which:	116	209	56	254	2	637
Short-term	5	9	3	19	2	38
Long-term	111	200	53	235	-	599

15. Provisions (cont.)

15.2. Other provisions

	Legal claims	Land reclamation and liquidation costs	Liabilities for gas emissions	Obligation to redeem certificates	Other provisions	TOTAL
As at 1 January 2017	131	50	41	405	95	722
Recognized	4	2	9	185	52	252
Reversed	(5)	-	-	-	(2)	(7)
Used	(1)	-	-	(196)	(42)	(239)
As at 31 March 2017 (unaudited), of which:	129	52	50	394	103	728
Short-term	129	-	50	394	102	675
Long-term	-	52	-	-	1	53

	Legal claims	Land reclamation and liquidation costs	Liabilities for gas emissions	Obligation to redeem certificates	Other provisions	TOTAL
As at 1 January 2016	97	38	33	247	55	470
Recognized	2	14	11	217	42	286
Reversed	(3)	(1)	-	-	(1)	(5)
Used	-	-	-	(250)	(35)	(285)
As at 31 March 2016 (unaudited), of which:	96	51	44	214	61	466
Short-term	96	-	44	214	61	415
Long-term	-	51	-	-	-	51

NOTES ON FINANCIAL INSTRUMENTS

16. Financial instruments

16.1. Carrying value of financial instruments by category and class

As at 31 March 2017 (unaudited)	Financial assets at fair value through profit or loss	Loans and receivables	Cash and cash equivalents	Financial liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IAS 39	TOTAL
Assets							
Trade receivables	-	1,917	-	-	-	-	1,917
Portfolio of financial assets	2	-	-	-	-	-	2
Cash and cash equivalents	-	-	2,353	-	-	-	2,353
Other financial assets	60	109	-	-	56	-	225
Bonds, treasury bills and other debt instruments	-	17	-	-	-	-	17
Derivative financial instruments	60	-	-	-	56	-	116
Other	-	92	-	-	-	-	92
TOTAL	62	2,026	2,353	-	56	-	4,497
Liabilities							
Loans and borrowings	-	-	-	3,331	-	-	3,331
Preferential loans and borrowings	-	-	-	1,660	-	-	1,660
Loans and borrowings	-	-	-	1,667	-	-	1,667
Current account overdraft	-	-	-	4	-	-	4
Bonds issued	-	-	-	3,812	-	-	3,812
Trade payables	-	-	-	628	-	-	628
Other financial liabilities	-	-	-	71	-	12	83
Liabilities on purchase of property, plant and equipment and intangible assets	-	-	-	52	-	-	52
Other	-	-	-	19	-	12	31
TOTAL	-	-	-	7,842	-	12	7,854

16. Financial instruments (cont.)

As at 31 December 2016	Financial assets at fair value through profit or loss	Loans and receivables	Cash and cash equivalents	Financial liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IAS 39	TOTAL
Assets							
Trade receivables	-	1,947	-	-	-	-	1,947
Portfolio of financial assets	2	-	-	-	-	-	2
Cash and cash equivalents	-	-	1,471	-	-	-	1,471
Other financial assets	-	34	-	-	147	-	181
Bonds, treasury bills and other debt instruments	-	17	-	-	-	-	17
Derivative financial instruments	-	-	-	-	147	-	147
Other	-	17	-	-	-	-	17
TOTAL	2	1,981	1,471	-	147	-	3,601
Liabilities							
Loans and borrowings	-	-	-	3,420	-	-	3,420
Preferential loans and borrowings	-	-	-	1,488	-	-	1,488
Loans and borrowings	-	-	-	1,928	-	-	1,928
Current account overdraft	-	-	-	4	-	-	4
Bonds issued	-	-	-	2,717	-	-	2,717
Trade payables	-	-	-	811	-	-	811
Other financial liabilities	-	-	-	151	-	12	163
Liabilities on purchase of property, plant and equipment and intangible assets	-	-	-	132	-	-	132
Derivative financial instruments	-	-	-	-	-	-	-
Other	-	-	-	19	-	12	31
TOTAL	-	-	-	7,099	-	12	7,111

16. Financial instruments (cont.)**16.2. Fair value of financial instruments****Financial instruments measured at fair value on an ongoing basis**

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period.

The table below analyses fair value measurements for financial assets and financial liabilities categorized into three level hierarchy:

- level 1 – fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- level 2 – fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3 – fair value based on unobservable inputs for the asset or liability.

	31 March 2017 (unaudited)	31 December 2016
	Level 2	Level 2
Assets		
Portfolio of financial assets	2	2
Hedging derivatives (CCIRS I)	49	135
Hedging derivatives (CCIRS II)	3	8
Hedging derivatives (IRS)	4	4
Other derivatives	60	-
Liabilities		
Hedging derivatives (IRS)	-	-

The Group measures participation units in the ENERGA Trading SFIO fund as the product of their quantity and the value of a single participation unit, as measured by the fund management company pursuant to the Mutual Funds Act of 27 May 2004.

Cross Currency Interest Rate Swaps (CCIRSs) and Interest Rate Swaps (IRSs) are measured at fair value by discounting future cash flows. The interest rates and the basis spread used in discounting are obtained from Bloomberg.

Other derivatives include options to purchase shares in Polimex-Mostostal SA. The options were purchased from Towarzystwo Finansowe Silesia Sp. z o.o. under the agreement of 18 January 2017 and refer to the purchase, in three tranches, a total of 9 million shares of Polimex-Mostostal SA, at the nominal price of PLN 2 per share. The option exercise dates were set at: 30 July 2020, 30 July 2021 and 30 July 2022. The fair value measurement of the call options to purchase shares of Polimex-Mostostal SA was carried out using the Black-Scholes model. The measurement considered the current price and historic volatility of the company's share prices. The risk-free rate was determined on the basis of the yield of treasury bonds with maturities similar to the option expiration date.

Financial instruments not measured at fair value on an ongoing basis

Except for the information given in the table below, the carrying amounts of financial assets and liabilities do not depart in a material way from their fair values.

Liabilities arising from the issue of Eurobonds	Carrying amount	Fair value Level 1
As at 31 March 2017 (unaudited)	3,356	3,558
As at 31 December 2016	2,261	2,408

Fair value measurement of liabilities arising from the issue of Eurobonds was estimated on the basis of quotations from the Bloomberg system from 31 March 2017, which are determined based on transactions on the Luxembourg stock exchange and over-the-counter trading.

The Group also holds bonds bearing a floating interest rate, which are listed on a regulated market operated by BondSpot S.A. The market is not liquid and transactions on this market are very rare; consequently, the listed prices do not reflect the fair value of the bonds.

16. Financial instruments (cont.)**16.3. Financial liabilities**

All of the Group's financial liabilities are classified as financial liabilities measured at amortized cost, except for hedging derivatives. This category of the Group's financial instruments includes primarily contracted loans and borrowings and issued bonds.

Loans and borrowings

	As at 31 March 2017 (unaudited)	As at 31 December 2016
Currency		PLN
Reference rate		WIBOR, Rediscount rate
Value of the loan/borrowing	3,331	3,420
Of which maturing in:		
up to 1 year (short-term)	343	334
1 to 2 years	361	357
2 to 3 years	376	372
3 to 5 years	776	776
over 5 years	1,475	1,581

As at 31 March 2017 and 31 December 2016, the amount of credit limits available to the Group was PLN 4,244 m (79.3% used) and PLN 4,326 m (79.6% used), respectively.

Detailed information on contracted loans and borrowings is presented in Note 16.4.

Liabilities under bonds issued

	As at 31 March 2017 (unaudited)	As at 31 December 2016
Currency		PLN
Reference rate		WIBOR
Value of the issue	456	456
of which maturing in:		
up to 1 year (short-term)	14	14
2 to 3 years	442	442

	As at 31 March 2017 (unaudited)	As at 31 December 2016
Currency		EUR
Reference rate		fixed
Value of the issue		
in currency	796	511
in PLN	3,356	2,261
of which maturing in:		
up to 1 year (short-term)	12	64
3 to 5 years	2,095	2,197
over 5 years	1,249	-

Detailed information on bonds issued is provided in Note 16.4.

16.4. Available external financing

In Q1 2017, a subsidiary Energa Finance AB (publ) carried out a public subscription for the Eurobonds issued under the updated EMTN Program. It was EUR 300 m bond issue with the issue price of 98,892% and 10-year maturity. The 2.125% coupon will be payable annually. The Eurobonds are listed on the Luxembourg stock exchange. The funds raised through the bond issue will be applied to general corporate purposes.

In the current reporting period and as at the last day of the reporting period and as at the date of approving these financial statements for publication, there were no events of default on contractual obligations under the terms and conditions of any external funding acquired.

16. Financial instruments (cont.)

Financing institution	Type of liability	Purpose of financing	Date of the agreement	Financing limit	Available financing amount	Nominal debt as at 31 March 2017	Repayment date
European Investment Bank	Loan	ENERGA-OPERATOR SA Investment Program	16-12-2009	1,050	-	699	15-12-2025
European Investment Bank	Loan	ENERGA-OPERATOR SA Investment Program	10-07-2013	1,000	-	1,000	15-09-2031
European Bank for Reconstruction and Development	Loan	ENERGA-OPERATOR SA Investment Program	29-04-2010	1,076	-	718	18-12-2024
European Bank for Reconstruction and Development	Loan	ENERGA-OPERATOR SA Investment Program	26-06-2013	800	-	738	18-12-2024
Nordic Investment Bank	Loan	ENERGA-OPERATOR SA Investment Program	30-04-2010	200	-	114	15-06-2022
Bondholders	Eurobonds	General corporate purposes	19-03-2013	2,110*	-	2,110*	19-03-2020
Bondholders	Eurobonds	General corporate purposes	07-03-2017	1,266*	-	1,266*	07-03-2023
Bondholders	Domestic bonds	General corporate purposes	19-10-2012	1,000	-	442	19-10-2019
PKO Bank Polski SA	Credit limit	General corporate purposes	30-08-2011	3	-	3	31-12-2019
PKO Bank Polski SA	Credit limit	General corporate purposes	12-10-2011	300	300	-	07-06-2021
PKO Bank Polski SA	Bonds	ENERGA Elektrownie Ostrołęka SA Investment Program	30-05-2012	100	64	-	31-12-2022
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	122	78**	19-09-2017
Bank PEKAO SA	Renewable loan	General corporate purposes	13-10-2011	500	500	-	29-05-2020
Bank PEKAO SA	Loan	ENERGA Elektrownie Ostrołęka SA Investment Program	30-05-2012	85	-	20	29-05-2022
Nordic Investment Bank	Loan	FW Myślino construction	23-10-2014	68	-	60	15-09-2026
TOTAL				9,758	986	7,248	

* liability under Eurobonds converted using the average NBP exchange rate of 31 March 2017

** the limit amount has been used in the form of a guarantee

16. Financial instruments (cont.)**16.5. Cash flow hedge accounting****FX risk hedging**

The special purpose vehicle ENERGA Finance AB (publ) (the issuer of Eurobonds – see description in Note 16.4) and ENERGA SA signed two loan agreements denominated in EUR for the total amount of EUR 499 m. In order to hedge currency risk under these loans, in 2013 and 2014 the Group concluded cross-currency interest rate swap transactions with nominal amounts of EUR 400 m (CCIRS I) and EUR 25 m (CCIRS II), respectively.

As a hedged position under the above hedging relationships the Group designated the foreign currency risk arising from intra-group loans denominated in EUR. The foreign currency risk is hedged at the level of 85% of the total nominal amount of loans.

As the hedge the Group designated CCIRS transactions under which the Group receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN. Cash flows received by the Group correspond with the cash flows under the intra-group loans. The Group expects that the hedged cash flows will continue until March 2020.

Interest rate risk hedging

In January 2016, the Group concluded interest rate swap transactions to hedge the interest rate risk arising from the financing used under (see description in note 16.4):

- loan agreement concluded with EIB in 2013 – PLN 200 m;
- loan agreement concluded with EBRD in 2010 – PLN 200 m.

In August 2016, the Group additionally concluded IRS transactions with similar characteristics for the following:

- loan agreement concluded with EBRD in 2010 – PLN 150 m;
- loan agreement concluded with EBRD in 2013 – PLN 150 m;
- loan agreement concluded with EIB in 2013 – PLN 150 m.

As hedged positions under hedging relationships, the Group designated the risk related to the WIBOR 3M interest rate arising from interest payments on the financial liabilities stated above in the period no longer than 2 years from the date of the hedging transactions. In the case of the PLN 150 m transaction pertaining to the 2013 EIB loan agreement, this is a four-year period.

As the hedge the Group designated the IRS transactions under which the Group receives floating-rate cash flows in PLN and pays fixed-rate cash flows in PLN. Interest cash flows received by the Group correspond with interest cash flows under the hedged financial liabilities. The Group expects that the hedged cash flows will continue until June 2020 and not longer.

Fair value of hedges

The fair value of hedges was:

	Value	Recognition in the statement of financial position
As at 31 March 2017 (unaudited)		
CCIRS I	49	Non-current assets – Other financial assets
CCIRS II	3	Non-current assets – Other financial assets
IRS	4	Non-current assets – Other financial assets
As at 31 December 2016		
CCIRS I	135	Non-current assets – Other financial assets
CCIRS II	8	Non-current assets – Other financial assets
IRS	4	Non-current assets – Other financial assets

Under cash flow hedge accounting, the cash flow hedge reserve (the effective portion of changes in the value of the hedge, less deferred tax) decreased in the reporting period by PLN 8 m.

16. Financial instruments (cont.)

The table below presents changes in the cash flow hedge reserve resulting from the hedge accounting in the reporting period:

Change in cash flow hedge reserve during the reporting period	3-month period ended 31 March 2017 (unaudited)	3-month period ended 31 March 2016 (unaudited)
At the beginning of the reporting period	41	6
Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments	(91)	14
Accrued interest transferred from the reserve to financial income/costs	(6)	(9)
Revaluation of hedging instruments transferred from the reserve to financial income/costs	87	(3)
Income tax on other comprehensive income	2	(1)
At the end of the reporting period	33	7

As at 31 March 2017, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

16.6. Collateral securing repayment of liabilities

At the end of the reporting period and as at 31 December 2016, there were no material assets securing repayment of liabilities or contingent liabilities.

OTHER NOTES**17. Investment commitments**

At the end of the reporting period, the Group's commitments to incur expenditures for the purchase of property, plant and equipment and intangible non-current assets, which have not yet been included in the statement of financial position, were about PLN 7,035 m, of which:

- undertakings covered by the development plan of ENERGA-OPERATOR SA to satisfy the current and future demand for electricity in the years 2017-2022 (agreed upon with the President of the Energy Regulatory Office) – approx. 6,781 m;
- undertakings executed in the Ostrołęka Power Plant (modernization of power units, construction of an installation for denitrifying exhaust fumes) – approx. PLN 85 m;
- execution of the Przykona Wind Farm project – approx. PLN 135 m;
- gas-steam power plants in Grudziądz and Gdańsk – approx. PLN 34 m.

18. Information on related entities

Related party transactions are made based on market prices of goods, products or services delivered resulting from their manufacturing costs.

18.1. Transactions involving parties related to the State Treasury

The Group's controlling entity is the State Treasury. Accordingly, other parties related to the State Treasury are treated by the Group as related parties.

Transactions with parties related to the State Treasury were concluded in regular business dealings and pertained mainly to the purchase and sale of electricity and property rights, sale of electricity distribution services (including transit), settlements with the transmission system operator in the balancing market, for transmission services, system services and intervention work services and the purchase and transportation of fuel (mainly coal). The Group does not keep records that would allow it to aggregate the value of all transactions concluded with all state institutions and with subsidiaries of the State Treasury.

18.2. Transactions with associates and joint ventures

Sale of ENERGA SA Group companies to associates and joint ventures in the period ended 31 March 2017 was PLN 53 m. Purchases from those entities in the period ended 31 March 2017 were PLN 30 m. The amount of receivables as at 31 March 2017 was PLN 61 m (as at 31 December 2016, the receivables amounted to PLN 5 m). The amount of liabilities as at 31 March 2017 was PLN 10 m, compared to PLN 2 m as at 31 December 2016. All of the above transactions were effected with Polska Grupa Górnicza Sp. z o.o.

18.3. Transactions with Parent Company's Management Board members

During the reporting period, the Parent Company did not conclude material transactions with Management Board members.

18. Information on related entities (cont.)**18.4. Compensation paid or due to key management and Supervisory Boards of Group companies**

	3-month period ended 31 March 2017 (unaudited)	3-month period ended 31 March 2016 (unaudited)
Management Board of the parent company	2	2
Supervisory Board of the parent company	<1	<1
Management Boards of subsidiaries	7	8
Supervisory Boards of subsidiaries	<1	<1
Other key management	4	4
TOTAL	13	14

19. Contingent assets and liabilities**19.1. Contingent liabilities**

As at 31 March 2017, the Group recognizes contingent liabilities of PLN 260 m (PLN 255 m as at 31 December 2016), including mainly the contingent liabilities relating to disputes involving ENERGA SA Group companies, where a victory by the company is probable and no provision has been recognized for these cases.

The largest contingent liability item consists of disputes relating to power infrastructure of ENERGA-OPERATOR SA where it is located on private land. The Group recognizes provisions for reported legal claims. If there is uncertainty whether a claim amount or legal title to land is justified, the Group recognizes contingent liabilities. As at 31 March 2017, the estimated value of those claims recognized as contingent liabilities is PLN 208 m, compared with PLN 214 m on 31 December 2016. The amounts have been estimated by the Group's lawyer who considers the risk of liability arising being insignificant.

19.2. Contingent assets

At the end of the reporting period and as at 31 December 2016, there were no material contingent assets.

20. Other information significantly affecting the assessment of assets, financial position and the financial result of the Group

On 31 March 2017, the Group through the subsidiary ENERGA Kogeneracja Sp. z o.o. signed a new investment agreement defining the terms and conditions of the financial investment in Polska Grupa Górnicza Sp. z o.o. The parties to the agreement are ENERGA Kogeneracja, ENEA S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A., Węglokoks S.A., Towarzystwo Finansowe Silesia Sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw [Polish Corporates Mutual Fund], Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych [Private Assets Closed-End Mutual Fund] (hereinafter jointly referred to as "Investors") and PGG.

The agreement amended and supplemented the terms and conditions of the investment made by the existing PGG shareholders as defined in the first investment agreement signed by the existing shareholders and the company on 28 April 2016.

Under the new agreement, the Group undertook to subscribe for new shares with the total par value of PLN 100 m in exchange for a cash contribution made in three tranches:

- in April 2017 – PLN 50 m (the increase has been effected is currently pending registration in the National Court Register),
- in June 2017 – PLN 20 m,
- in Q1 2018 – PLN 30 m.

After the most recent recapitalization, the Group will hold a 15.32% stake in PGG's share capital.

21. Subsequent events

After the final day of the reporting period, there were no material events.

Signatures of ENERGA SA Management Board Members:

Daniel Obajtek
President of the Management Board

Jacek Kościelniak
Vice-President of the Management Board for Financial Matters

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