



Energa

ENERGA SA

**Condensed Interim
Financial Statements
prepared
in accordance
with IAS 34
for the nine-month
period ended
30 September 2017**

TABLE OF CONTENTS

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS.....	3
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME.....	3
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION.....	4
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY.....	6
CONDENSED INTERIM STATEMENT OF CASH FLOWS.....	7
ACCOUNTING PRINCIPLES (POLICIES) AND OTHER EXPLANATORY INFORMATION.....	8
1. General information.....	8
2. Composition of the Company's Management Board.....	8
3. Approval of the financial statements.....	8
4. Basis for preparation of the financial statements.....	8
5. Significant accounting policies.....	8
6. New standards and interpretations.....	8
7. Explanations regarding the seasonality and cyclicity of operations in the period under review.....	9
NOTES TO CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION.....	10
8. Shares in subsidiaries, associates and joint ventures.....	10
9. Cash and cash equivalents.....	11
10. Dividends.....	11
NOTES ON FINANCIAL INSTRUMENTS.....	12
11. Financial instruments.....	12
OTHER NOTES.....	18
12. Information on related entities.....	18
13. Contingent assets and liabilities.....	19
14. Other information significantly affecting the assessment of assets, financial position and the financial result of the Company.....	19
15. Subsequent events.....	19

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

	3-month period ended 30 September 2017 (unaudited)	9-month period ended 30 September 2017 (unaudited)	3-month period ended 30 September 2016 (unaudited)	9-month period ended 30 September 2016 (unaudited)
Sales revenues	22	59	17	52
Cost of sales	(14)	(37)	(15)	(38)
Gross profit on sales	8	22	2	14
Other operating income	3	7	5	9
General and administrative expenses	(17)	(55)	(18)	(60)
Other operating expenses	(6)	(15)	(4)	(7)
Dividend income	-	203	-	874
Other financial income	33	176	56	177
Financial costs	(71)	(184)	(57)	(196)
Profit/(loss) before tax	(50)	154	(16)	811
Income tax	8	14	2	11
Net profit/(loss)	(42)	168	(14)	822
Earnings/(loss) per share (in PLN)				
Earnings/(loss) per share (basic and diluted)	(0.10)	0.41	(0.03)	1.99

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended 30 September 2017 (unaudited)	9-month period ended 30 September 2017 (unaudited)	3-month period ended 30 September 2016 (unaudited)	9-month period ended 30 September 2016 (unaudited)
Net profit/(loss)	(42)	168	(14)	822
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Cash flow hedges	(5)	(53)	13	26
Deferred tax	1	10	(3)	(5)
Net other comprehensive income	(4)	(43)	10	21
Total comprehensive income	(46)	125	(4)	843

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As at 30 September 2017 (unaudited)	As at 31 December 2016
ASSETS		
Non-current assets		
Intangible assets	43	24
Shares in subsidiaries, associates and joint ventures	7,149	6,780
Bonds	3,910	3,959
Deferred tax assets	9	5
Derivative financial instruments	122	147
Other non-current assets	139	158
	11,372	11,073
Current assets		
Cash pooling receivables	587	577
Trade receivables and other current financial receivables	85	52
Bonds	428	1,243
Current tax receivables	34	102
Cash and cash equivalents	2,963	1,295
Other current assets	77	38
	4,174	3,307
TOTAL ASSETS	15,546	14,380

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (cont.)

	As at 30 September 2017 (unaudited)	As at 31 December 2016
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	4,522	4,522
Reserve capital	1,018	1,018
Supplementary capital	1,433	728
Cash flow hedge reserve	(2)	41
Retained earnings	212	828
Total equity	7,183	7,137
Non-current liabilities		
Loans and borrowings	5,261	4,673
Bonds issued	2,077	1,000
Non-current provisions	1	1
Deferred income and non-current grants	83	94
Derivative financial instruments	19	-
	7,441	5,768
Current liabilities		
Cash pooling liabilities	393	1,009
Trade payables and other financial liabilities	94	19
Current loans and borrowings	295	290
Bonds issued	21	20
Deferred income and grants	19	23
Accruals	7	12
Other current liabilities	93	102
	922	1,475
Total liabilities	8,363	7,243
TOTAL EQUITY AND LIABILITIES	15,546	14,380

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Supplementary capital	Cash flow hedge reserve	Retained earnings	Total equity
As at 1 January 2017	4,522	1,018	728	41	828	7,137
Cash flow hedges	-	-	-	(43)	-	(43)
Net profit for the period	-	-	-	-	168	168
Total comprehensive income for the period	-	-	-	(43)	168	125
Retained earnings distribution	-	-	705	-	(705)	-
Dividends	-	-	-	-	(79)	(79)
As at 30 September 2017 (unaudited)	4,522	1,018	1,433	(2)	212	7,183
As at 1 January 2016	4,522	447	661	10	885	6,525
Cash flow hedges	-	-	-	21	-	21
Net profit for the period	-	-	-	-	822	822
Total comprehensive income for the period	-	-	-	21	822	843
Retained earnings distribution	-	571	67	-	(638)	-
Dividends	-	-	-	-	(203)	(203)
As at 30 September 2016 (unaudited)	4,522	1,018	728	31	866	7,165

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	9-month period ended 30 September 2017 (unaudited)	9-month period ended 30 September 2016 (unaudited)
Cash flows from operating activities		
Profit before tax	154	811
Adjustments for:		
Foreign currency losses	2	4
Profit on investing activities	(28)	-
Amortization and depreciation	4	4
Net interest and dividends	(146)	(716)
Changes in working capital:		
Change in receivables	(13)	(98)
Change in liabilities excluding loans, borrowings and bonds	39	109
Change in prepayments and accruals	(18)	(15)
	(6)	99
Income tax	9	(128)
Net cash from operating activities	3	(29)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(7)	(66)
Sale of investment property	11	-
Proceeds from bond redemption by subsidiaries	1,126	718
Purchase of bonds issued by subsidiaries	(517)	(574)
Acquisition of shares in subsidiaries and associates	(211)	(515)
Sale of shares in subsidiaries	43	-
Sale of participation units in the ENERGA Trading SFIO fund	-	306
Cash pooling expenditures	(625)	(366)
Dividends received	203	741
Interest received	119	95
Other	8	12
Net cash from investing activities	150	351
Cash flows from financing activities		
Debt securities issued	1,061	-
Proceeds from loans and borrowings	846	350
Repayment of loans	(211)	(510)
Dividends paid to shareholders	-	(203)
Interest paid	(182)	(179)
Net cash from financing activities	1,514	(542)
Net increase/(decrease) in cash and cash equivalents	1,667	(220)
Cash and cash equivalents at the beginning of the period	1,293	475
Cash and cash equivalents at the end of the period	2,960	255

ACCOUNTING PRINCIPLES (POLICIES) AND OTHER EXPLANATORY INFORMATION**1. General information**

These Condensed Interim Financial Statements of ENERGA SA ("Company") cover the nine-month period ended 30 September 2017 and contain the relevant comparative data.

ENERGA SA 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 Company has been given the statistical number REGON 220353024.

As at 30 September 2017, the Company is controlled by the State Treasury. Since December 2013, the Company's shares have been publicly traded.

The core business of the Company is holding activity. The Company is the parent entity in the ENERGA SA Group. In order to achieve full understanding of the financial position and results of the Company as the parent entity in the Group, these financial statements should be read in conjunction with the condensed interim consolidated financial statements for the period ended 30 September 2017. These statements are available on the Company's website.

2. Composition of the Company's Management Board

On the date of these condensed interim financial statements, the composition of the Company's Management Board was as follows:

- Daniel Obajtek – President of the Management Board
- Jacek Kościelniak – Vice-President of the Management Board for Financial Matters,
- Grzegorz Ksepko – Vice-President of the Management Board for Corporate Matters,
- Alicja Klimiuk – Vice-President of the Management Board for Operational Matters.

The following changes in the composition of the Company's Management Board occurred in the current reporting period:

- On 17 January 2017, the Company's Supervisory Board adopted a resolution to dismiss Mr. Dariusz Kaśków, 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. At the same time, Mr. Jacek Kościelniak was delegated to act as the President of the Management Board.
- On 10 February 2017, the Company's Supervisory Board adopted a resolution to appoint to the Management Board: Mr. Daniel Obajtek (as President of the Management Board), Ms. Alicja Klimiuk (as Vice-President of the Management Board for Operational Matters) and 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.

3. Approval of the financial statements

These financial statements and the consolidated financial statements of the ENERGA SA Group were approved for publication by the Company's Management Board on 7 November 2017.

4. Basis for preparation of the financial statements

These 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 financial statements have been prepared based on the assumption that ENERGA SA would continue as a going concern in the foreseeable future. As at the date of these financial statements there is no evidence indicating significant uncertainty as to the ability of the Company to continue its business activities as a going concern.

4.1. Statement of compliance

These financial statements have been prepared in accordance with the International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union ("EU"). They do not contain all the information required in the full financial statements according to the International Financial Reporting Standards ("IFRS"), however, selected notes are included to explain the events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the most recent annual financial statements as at and for the year ended 31 December 2016.

4.2. Functional and presentation currency

The functional currency of the Company and other Polish subsidiaries and the presentation currency of these financial statements is the Polish zloty and all the numbers are given in millions of Polish zloty ("PLN m") unless stated otherwise.

5. Significant accounting policies

The accounting policies of the Company are applied on a continuous basis, except for the changes caused by amendments introduced in IFRS EU.

6. New standards and interpretations**6.1. Standards and interpretations already published and endorsed in the EU, which have not come into effect**

When approving these financial statements, the Company did not apply the following standards, amendments to standards and interpretations that were published and endorsed in the EU but have not yet become effective:

6. New standards and interpretations (cont.)

- 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).

The Company estimates that the above amendments to standards would have had no material influence on the financial statements, had they been applied by the Company as at the end of this reporting period, except for the methodology for calculating impairment losses recognized on financial assets.

6.2. Standards and interpretations adopted by the International Accounting Standards Board ("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); the European Commission has decided not to endorse this transitional standard pending an appropriate standard,
- IFRS 16 "Leases" (applicable to annual periods beginning on or after 1 January 2019),
- IFRS 17 "Insurance Contracts" (applicable to annual periods beginning on or after 1 January 2021).
- 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 unrealised 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),
- Clarifications to IFRS 15 "Revenue from Contracts with Customers" (applicable to annual periods beginning on or after 1 January 2018),
- 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),
- 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),
- IFRIC 22 interpretation: "Foreign Currency Transactions and Advance Consideration" (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),
- Interpretation IFRIC 23 "Uncertainty over Income Tax Treatments" (applicable to annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation (applicable to annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" – Detailed scope of application of the standard for long-term interests in associates and joint ventures (applicable to annual periods beginning on or after 1 January 2019).

Also, in the event that the above-mentioned standards are implemented, the Company does not anticipate the related changes to have a significant impact on its financial statements.

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

Due to the inherent nature of the holding business, the Company's financial income fluctuates heavily during the year; it depends on the dates of resolutions to pay out dividends by the companies in which the Company holds shares, unless such resolutions indicate other dividend rights dates.

NOTES TO CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

8. Shares in subsidiaries, associates and joint ventures

Name and legal form	Registered office	Value of shares in the books of ENERGA SA	Share of ENERGA SA in the share capital, in all votes and in management (%)
ENERGA-OPERATOR SA	Gdańsk	4,471	100.00
ENERGA Wytwarzanie SA	Gdańsk	1,051	100.00
ENERGA Kogeneracja Sp. z o.o.	Elbląg	621	64.59
ENERGA-OBRÓT SA	Gdańsk	330	100.00
ENERGA Oświetlenie Sp. z o.o.	Sopot	234	100.00
Elektrownia Ostrołęka SA	Ostrołęka	111	50.00
ENERGA Finance AB (publ)	Stockholm	103	100.00
Polimex-Mostostal SA	Warsaw	82	16.48
ENERGA Invest SA*	Gdańsk	68	100.00
ENERGA Informatyka i Technologia Sp. z o.o.	Gdańsk	37	100.00
ENERGA-OPERATOR Logistyka Sp. z o.o.	Płock	25	100.00
Enspirion Sp. z o.o.	Gdańsk	5	100.00
ENERGA Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	4	100.00
ENERGA Serwis Sp. z o.o.	Ostrołęka	2	14.09
RGK Sp. z o.o.	Gdańsk	1	100.00
Other companies**	-	4	-
Total value of shares		7,149	

* on 12 October 2017, an entry was registered in the National Court Register concerning the merger of ENSA PGK1 Sp. z o.o. (acquirer) with ENERGA Invest SA (acquiree); the company's current name is ENERGA Invest Sp. z o.o.

** including shares in an associate

In January 2017, ENERGA SA in performance of the investment agreement of 18 January 2017 concluded by and between ENERGA SA, Enea SA, PGE Polska Grupa Energetyczna SA, PGNiG Technologie SA and Polimex-Mostostal SA, purchased the newly-issued shares in Polimex-Mostostal SA and also purchased shares of that company on the Warsaw Stock Exchange.

On 8 December 2016, ENERGA SA, Enea SA and Elektrownia Ostrołęka SA signed an investment agreement regarding the execution of the new power unit construction project in Ostrołęka. The condition precedent to the transaction was obtaining, an approval from the President of the Office of Competition and Consumer Protection ("UOKiK") for the concentration involving the purchase of 50% of shares in the special-purpose vehicle Elektrownia Ostrołęka SA by Enea SA. On 11 January 2017, the President of UOKiK issued an unconditional approval, which means that the condition precedent has been fulfilled. On 8 February and 3 July 2017, Enea SA executed two out of three tranches of payments for Elektrownia Ostrołęka SA shares in the total amount of PLN 43 m. In connection with the above transaction, Elektrownia Ostrołęka SA is no longer a subsidiary of ENERGA SA and is now classified as a joint venture.

On 26 April 2017, ENERGA SA made a cash contribution of PLN 10 m and in exchange it subscribed to newly-created shares in Elektrownia Ostrołęka SA. The stake held by ENERGA SA in the company's capital did not change.

On 31 March 2017, ENERGA SA made a cash contribution of PLN 100 m and in exchange it subscribed to newly-created shares in ENERGA Kogeneracja Sp. z o.o., increasing its share in the company's capital by 3.74%. The increase in the share capital of ENERGA Kogeneracja Sp. z o.o. was registered on 11 May 2017.

On 30 August 2017, ENERGA SA made a cash contribution of PLN 18 m and in exchange it subscribed to newly-created shares in ENERGA Finance AB (publ).

On 6 September 2017, ENERGA SA acquired from ENERGA-OBRÓT SA a 100% equity stake in ENERGA Oświetlenie Sp. z o.o. for PLN 234 m. Under a memorandum of agreement signed by ENERGA SA and ENERGA-OBRÓT SA, the payment for the shares was effected through redemption of bonds by ENERGA-OBRÓT SA (datio in solutum).

On 14 September 2017, ENERGA SA acquired from ENERGA-OPERATOR SA a 100% equity stake in ENERGA-OPERATOR Logistyka Sp. z o.o. for PLN 25 m. Under a memorandum of agreement signed by ENERGA SA and ENERGA-OPERATOR SA, the payment for the shares was effected through redemption of bonds by ENERGA-OPERATOR SA (datio in solutum).

The value of shares specified in the table above is the value at purchase price less impairment losses. As at 30 September 2017, the total amount of impairment losses on shares was PLN 29 m; the entire amount pertained to shares in RGK Sp. z o.o. No changes in impairment losses on shares were recognized in the current reporting period.

9. Cash and cash equivalents

Cash in the bank earns interest at variable interest rates, 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 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 30 September 2017 (unaudited)	As at 30 September 2016 (unaudited)
Cash in bank	1,259	146
Short-term deposits up to 3 months	1,704	106
Total cash and cash equivalents presented in the statement of financial position, including:	2,963	252
Unrealized foreign exchange differences and interest	(3)	3
Total cash and cash equivalents presented in the statement of cash flows	2,960	255

The Company does not have any restricted cash.

10. Dividends

On 26 June 2017, the Annual General Meeting adopted a resolution to distribute the 2016 profit, out of which PLN 79 m, i.e. PLN 0.19 per share, was allocated to a dividend for the Company's shareholders. By the date of these statements, the entire declared amount has been paid out, including PLN 28 m on account of shares with voting preference.

NOTES ON FINANCIAL INSTRUMENTS

11. Financial instruments

11.1. Carrying value of financial instruments by category and class

As at 30 September 2017 (unaudited)	Financial assets measured 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							
Cash pooling receivables	-	587	-	-	-	-	587
Cash and cash equivalents	-	-	2,963	-	-	-	2,963
Derivative financial instruments	35	-	-	-	87	-	122
Shares in subsidiaries, associates and joint ventures	-	-	-	-	-	7,149	7,149
Bonds	-	4,338	-	-	-	-	4,338
Lease receivables	-	-	-	-	-	85	85
Trade receivables and other current financial receivables	-	69	-	-	-	-	69
Contributions to capital	-	60	-	-	-	-	60
TOTAL	35	5,054	2,963	-	87	7,234	15,373
Liabilities							
Loans and borrowings	-	-	-	5,556	-	-	5,556
Preferential loans and borrowings	-	-	-	1,408	-	-	1,408
Loans and borrowings	-	-	-	4,148	-	-	4,148
Bonds issued	-	-	-	2,098	-	-	2,098
Derivative financial instruments	-	-	-	-	19	-	19
Trade payables and other financial liabilities	-	-	-	94	-	-	94
Dividend liabilities	-	-	-	80	-	-	80
Trade payables	-	-	-	14	-	-	14
Cash pooling liabilities	-	-	-	393	-	-	393
TOTAL	-	-	-	8,141	19	-	8,160

11. Financial instruments (cont.)

As at 31 December 2016	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						
Cash pooling receivables	577	-	-	-	-	577
Cash and cash equivalents	-	1,295	-	-	-	1,295
Derivative financial instruments	-	-	-	147	-	147
Shares in subsidiaries and associates	-	-	-	-	6,780	6,780
Bonds	5,202	-	-	-	-	5,202
Lease receivables	-	-	-	-	94	94
Trade receivables and other current financial receivables	33	-	-	-	-	33
Other financial assets	72	-	-	-	-	72
Contributions to capital	60	-	-	-	-	60
Other	12	-	-	-	-	12
TOTAL	5,884	1,295	-	147	6,874	14,200
Liabilities						
Loans and borrowings	-	-	4,963	-	-	4,963
Preferential loans and borrowings	-	-	1,487	-	-	1,487
Loans and borrowings	-	-	3,476	-	-	3,476
Bonds issued	-	-	1,020	-	-	1,020
Trade payables and other financial liabilities	-	-	19	-	-	19
Cash pooling liabilities	-	-	1,009	-	-	1,009
TOTAL	-	-	7,011	-	-	7,011

11. Financial instruments (cont.)**11.2. Fair value of financial instruments**

Some of the Company'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 categorised into three level hierarchy:

- level 1 – fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company 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.

	As at 30 September 2017 (unaudited) Level 2	As at 31 December 2016 Level 2
Assets		
Hedging derivatives (CCIRS/IRS)	87	147
Other derivatives	35	-
Liabilities		
Hedging derivatives (CCIRS)	19	-

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.

11.3. Fair value of 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.

Loan from ENERGA Finance AB (publ)	Carrying amount	Fair value Level 2
As at 30 September 2017 (unaudited)	3,018	3,133
As at 31 December 2016	2,227	2,361

The fair value measurement of liabilities under loans has been estimated on the basis of an analysis of future cash flows discounted using market interest rates updated for 30 September 2017.

11.4. Description of material items in individual categories of financial instruments**11.4.1. Financial assets****Loans and receivables**

Financial instruments classified by the Company as loans and receivables comprise mainly: purchased bonds and cash pooling receivables.

Purchased bonds, by issuer, as at 30 September 2017 and 31 December 2016 are presented in the table below:

	As at 30 September 2017 (unaudited)	As at 31 December 2016
ENERGA-OPERATOR SA	3,359	4,164
ENERGA Wytwarzanie SA	843	871
ENERGA Elektrownie Ostrołęka SA	98	116
ENERGA Kogeneracja Sp. z o.o.	38	51
TOTAL, of which:	4,338	5,202
Long-term	3,910	3,959
Short-term	428	1,243

11. Financial instruments (cont.)**11.4.2. Financial liabilities**

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

Loans and borrowings

Loans and borrowings contracted as at 30 September 2017 and 31 December 2016 are presented in the table below:

	As at 30 September 2017 (unaudited)		As at 31 December 2016	
	PLN	EUR	PLN	EUR
Currency	PLN	EUR	PLN	EUR
Reference rate	WIBOR	Fixed	WIBOR	Fixed
Value of the loan/borrowing				
in currency	2,538	700	2,736	503
in PLN	2,538	3,018	2,736	2,227
of which maturing in:				
up to 1 year (short-term)	289	6	270	20
1 to 2 years	307	-	297	-
2 to 3 years	318	2,150	310	-
3 to 5 years	623	-	625	2,207
over 5 years	1,001	862	1,234	-

Detailed information on contracted external financing is provided in Note 11.5.

Liabilities under bonds issued

Liabilities under bonds issued as at 30 September 2017 and 31 December 2016 are presented in the table below:

	As at 30 September 2017 (unaudited)		As at 31 December 2016	
	PLN	EUR	PLN	EUR
Currency	PLN	EUR	PLN	EUR
Reference rate	WIBOR	Fixed	WIBOR	Fixed
Value of the issue				
in currency	1,019	250	1,020	-
in PLN	1,019	1,079	1,020	-
of which maturing in:				
up to 1 year (short-term)	19	2	20	-
2 to 3 years	1,000	-	1,000	-
over 5 years	-	1,077	-	-

Detailed information on bonds issued is provided in Note 11.5.

11.5. Available external financing

On 28 June 2017, ENERGA SA signed a loan agreement with ENERGA Finance AB (publ) in the total amount of EUR 200 m to finance current operations.

On 4 September 2017 ENERGA SA and the European Investment Bank ("EIB") entered into the following agreements:

- subscription agreement, constituting the basis for issuing EUR 250 m of hybrid bonds,
- project agreement, defining detailed financing requirements of the investment project.

On 12 September 2017, ENERGA SA issued hybrid bonds with a total nominal value of EUR 250 m, which have been subscribed for by EIB under the European Fund for Strategic Investments launched by EIB jointly with the European Commission to execute the so-called Juncker Plan. The issued bonds are subordinated, unsecured, coupon bearer securities. The Bonds earn interest at a fixed interest rate estimated according to the formula defined in the terms and conditions of issue.

Tranches and maturities of the issued bonds:

- 1st tranche of EUR 125 m, maturing in 16 years, with the first financing period set for 6 years from the issue date,
- 2nd tranche of EUR 125 m, maturing in 20 years, with the first financing period set for 10 years from the issue date.

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.

11. Financial instruments (cont.)

The external financing available as at 30 September 2017 is presented in the table below:

Financing institution	Type of liability	Purpose of financing	Date of the agreement	Financing limit (for the ENERGA SA Group)	Available financing amount	Nominal indebtedness of ENERGA SA as at 30 September 2017	Repayment date
European Investment Bank	Loan	ENERGA-OPERATOR SA Investment Program	16-12-2009	1,050	-	656	15-12-2025
European Investment Bank	Loan	ENERGA-OPERATOR SA Investment Program	10-07-2013	1,000	-	775	15-09-2031
European Bank for Reconstruction and Development	Loan	ENERGA-OPERATOR SA Investment Program	29-04-2010	1,076	-	671	18-12-2024
European Bank for Reconstruction and Development	Loan	ENERGA-OPERATOR SA Investment Program	26-06-2013	800	-	274	18-12-2024
Nordic Investment Bank	Loan	ENERGA-OPERATOR SA Investment Program	30-04-2010	200	-	103	15-06-2022
ENERGA Finance AB (publ)	Loan	Current operations	21-03-2013	2 150 ¹	-	2 150 ¹	18-03-2020
ENERGA Finance AB (publ)	Loan	Current operations	28-06-2017	862 ²	-	862 ²	28-02-2027
Bondholders	Domestic bonds	General corporate purposes	19-10-2012	1,000	-	1,000	19-10-2019
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	58	-	31-12-2022
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	188 ³	4 ⁴	19-09-2022
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	-	18	29-05-2022
Nordic Investment Bank	Loan	Construction Myślino Wind Farm	23-10-2014	68	-	57	15-09-2026
European Investment Bank	Hybrid bonds	ENERGA-OPERATOR SA Investment Program	04-09-2017	1,077 ⁵	-	1,077 ⁵	12-10-2037
TOTAL				10,468	1,046	7,647	

¹ liability of EUR 499 m converted using the average NBP exchange rate of 29 September 2017

² liability of EUR 200 m converted using the average NBP exchange rate of 29 September 2017

³ value of limits awarded to ENERGA SA Group companies based on the concluded execution agreements (utilization of the global limit)

⁴ the limit amount used in the form of a guarantee (utilization of the guarantee limit awarded under an execution agreement)

⁵ hybrid bonds liability of EUR 250 m converted using the average NBP exchange rate of 29 September 2017

11. Financial instruments (cont.)**11.6 Cash flow hedge accounting**

The special purpose vehicle ENERGA Finance AB (publ) and ENERGA SA have signed three loan agreements denominated in EUR for the total amount of EUR 699 m. In order to hedge currency risk under these loans, in 2013, in July 2014 and April 2017, the Company concluded cross-currency interest rate swap transactions with nominal values of EUR 400 m ("CCIRS I"), EUR 25 m ("CCIRS II") and EUR 200 m ("CCIRS III"), respectively.

As a hedged position under the above hedging relationships the Company designated the foreign currency risk arising from intra-group loans denominated in EUR. The foreign currency risk is hedged at the level of 89% of the total nominal amount of loans.

As the hedge the Company designated CCIRS transactions under which the Company receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN. Cash flows received by the Company correspond with the cash flows under the intra-group loans. The Company expects that the hedged cash flows will continue until June 2027.

In September 2017, ENERGA SA issued hybrid bonds for the total amount of EUR 250 m. In order to hedge the currency risk under these bonds, the Company concluded CCIRS transactions ("CCIRS IV").

As a hedged position under the above hedging relationships the Company designated the foreign currency risk arising from the issue of hybrid bonds denominated in EUR. The foreign currency risk is hedged at the level of 100% of the total nominal amount of the issued bonds.

As the hedge the Company designated CCIRS transactions under which the Company receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN. Cash flows received by the Company correspond with the cash flows under the bonds issued. The Company expects that the hedged cash flows will continue until September 2027.

In January 2016, the Company concluded interest rate swap transactions to hedge the interest rate risk arising from the financing used under (see note 11.5):

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

In August 2016, the Company 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 Company 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 Company designated the IRS transactions under which the Company receives floating-rate cash flows in PLN and pays fixed-rate cash flows in PLN. Interest cash flows received by the Company correspond with interest cash flows under the hedged financial liabilities. The Company expects that the hedged cash flows will continue until June 2020 and not longer.

The fair value of hedging is as follows:

	Value	Recognition in the statement of financial position
As at 30 September 2017 (unaudited)		
CCIRS I	73	Non-current assets – Derivative financial instruments
CCIRS II	5	Non-current assets – Derivative financial instruments
CCIRS III	19	Liabilities – Derivative financial instruments
CCIRS IV	7	Non-current assets – Derivative financial instruments
IRS	2	Non-current assets – Derivative financial instruments
As at 31 December 2016		
CCIRS I	135	Non-current assets – Derivative financial instruments
CCIRS II	8	Non-current assets – Derivative financial instruments
IRS	4	Non-current assets – Derivative financial instruments

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 43 m.

11. Financial instruments (cont.)

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

	9-month period ended 30 September 2017 (unaudited)	9-month period ended 30 September 2016 (unaudited)
At the beginning of the reporting period	41	10
Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments	(79)	54
Accrued interest transferred from the reserve to financial income/costs	1	(7)
Revaluation of hedging instruments transferred from the reserve to financial income/costs	25	(21)
Income tax on other comprehensive income	10	(5)
At the end of the reporting period	(2)	31

As at 30 September 2017, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

OTHER NOTES**12. Information on related entities**

Related party transactions are made based on market prices of goods, products or services delivered.

12.1. Transactions involving parties related to the State Treasury

The Company's parent entity is the State Treasury. ENERGA SA concludes transactions with other related parties and with the State Treasury associated with normal, daily business operations. These transactions are concluded on an arms' length basis and their terms and conditions do not deviate from transactions with other entities. They do not constitute material transactions. The Company 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.

12.2. Related party transactions (without State Treasury companies)

	9-month period ended 30 September 2017 (unaudited)	9-month period ended 30 September 2016 (unaudited)
Net income from the sale of products, goods and materials	59	51
Cost of purchase	10	12
Other operating income	-	7
Dividend income	203	874
Other financial income	125	159
Financial costs	60	64

12. Information on related entities (cont.)

	As at 30 September 2017 (unaudited)	As at 31 December 2016
Assets		
Other non-current assets	69	89
Cash pooling receivables	587	577
Trade receivables	11	33
Other current financial receivables	16	19
Long-term bonds	3,910	3,959
Short-term bonds	428	1,243
Other current assets	65	-
Liabilities		
Non-current liabilities on account of loans and borrowings	3,012	2,207
Cash pooling liabilities	393	1,009
Current trade payables	2	1
Current loans and borrowings	6	20
Other current liabilities	89	100

The tables above present transactions with subsidiaries within the ENERGA SA Group.

The transactions involving the acquisition and disposal of shares are presented in Note 8.

12.3. Compensation paid or due to the Company's Management Board members and Supervisory Board members

	9-month period ended 30 September 2017 (unaudited)	9-month period ended 30 September 2016 (unaudited)
Management Board	3	4
Supervisory Board	<1	<1
TOTAL	3	4

During the reporting period, there were no loans granted to or other material transactions with members of the Management Board and of the Supervisory Board of ENERGA SA.

12.4. Compensation paid or due to senior management (except for members of the Company's Management Board and Supervisory Board)

The amount of benefits paid or due to the senior management in the period from 1 January 2017 to 30 September 2017 was PLN 7 m, while it was PLN 5 m in the corresponding period of the previous year.

12.5. Collateral securing repayment of liabilities

As at the end of the reporting period, there was no collateral established on the Company's assets.

13. Contingent assets and liabilities

There are no significant contingent assets and liabilities in the Company.

14. Other information significantly affecting the assessment of assets, financial position and the financial result of the Company

On 11 May 2017, the Management Board of ENERGA SA adopted a resolution on resignation from the participation in the transaction to acquire Polish assets of EDF International SAS of EDF Investment II B.V. The decision followed in-depth analyses, which supported a decision to focus ENERGA SA Group's investments and acquisitions on projects that would offer more synergies with its current asset base and area of competence; ones that would allow the Group to strengthen its balance sheet and improve its asset management efficiency.

15. Subsequent events

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

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

Grzegorz Ksepko
Vice-President of the Management Board for Corporate Matters

Alicja Klimiuk
Vice-President of the Management Board for Operational Matters

Entity responsible for keeping accounting ledgers and for preparing the financial statements:

ENERGA Centrum Usług Wspólnych Sp. z o.o.
al. Grunwaldzka 472, 80-309 Gdańsk
KRS 0000049425, NIP 879-229-21-45, REGON 871566320

Gdańsk, 7 November 2017