ENERGA SA

Condensed Interim Financial Statements prepared in accordance with IAS 34 for the six-month period ended on 30 June 2018

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CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

	3-month period ended 30 June 2018 (unaudited)	6-month period ended 30 June 2018 (unaudited)	3-month period ended 30 June 2017 (unaudited)	6-month period ended 30 June 2017 (unaudited)
Sales revenues	**20**	**40**	**19**	**37**
Cost of sales	(13)	(31)	(11)	(23)
Gross profit on sales	**7**	**9**	**8**	**14**
Other operating income	3	5	2	4
General and administrative expenses	(24)	(48)	(16)	(38)
Other operating expenses	(1)	(12)	(1)	(9)
Dividend income	675	675	203	203
Other financial income	59	116	31	143
Financial costs	(102)	(187)	(57)	(113)
Profit or loss before tax	**617**	**558**	**170**	**204**
Income tax	7	16	4	6
Net profit or loss for the period	**624**	**574**	**174**	**210**
Earnings per share (in PLN)				
Earnings per share (basic and diluted)	1.51	1.39	0.42	0.51

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended 30 June 2018 (unaudited)	6-month period ended 30 June 2018 (unaudited)	3-month period ended 30 June 2017 (unaudited)	6-month period ended 30 June 2017 (unaudited)
Net profit for the period	**624**	**574**	**174**	**210**
Items which may be reclassified to profit or loss in the future				
Cash flow hedge	25	6	(37)	(48)
Deferred income tax	(5)	(1)	7	9
Net other comprehensive income	**20**	**5**	**(30)**	**(39)**
Total comprehensive income	**644**	**579**	**144**	**171**

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As at 30 June 2018 (unaudited)	As at 31 December 2017
ASSETS		
Non-current assets		
Intangible assets	10	13
Shares in subsidiaries, associates and joint ventures	7,172	7,149
Bonds	4,633	3,805
Deferred tax assets	27	19
Derivative financial instruments	119	33
Other non-current assets	145	149
	12,106	**11,168**
Current assets		
Dividend receivables	347	-
Cash pooling receivables	384	553
Trade receivables and other current financial receivables	44	99
Bonds	447	444
Income tax receivables	-	19
Cash and cash equivalents	2,585	3,013
Other current assets	83	96
	3,890	**4,224**
TOTAL ASSETS	**15,996**	**15,392**

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (cont.)

	As at 30 June 2018 (unaudited)	As at 31 December 2017
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Parent Company		
Share capital	4,522	4,522
Reserve capital	1,018	1,018
Supplementary capital	1,540	1,433
Cash flow hedge reserve	7	2
Retained earnings	618	151
Total equity	**7,705**	**7,126**
Non-current liabilities		
Loans and borrowings	5,066	5,087
Bonds issued	2,090	2,043
Deferred income and non-current grants	71	79
Derivative financial instruments	-	78
	7,227	**7,287**
Current liabilities		
Cash pooling liabilities	580	477
Trade liabilities and other financial liabilities	15	23
Current loans and borrowings	325	326
Bonds issued	48	30
Income tax liabilities	2	-
Deferred income and grants	16	19
Accruals	11	8
Other current liabilities	67	96
	1,064	**979**
Total liabilities	**8,291**	**8,266**
TOTAL EQUITY AND LIABILITIES	**15,996**	**15,392**

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 2018	**4,522**	**1,018**	**1,433**	**2**	**151**	**7,126**
Cash flow hedge	-	-	-	5	-	5
Net profit for the period	-	-	-	-	574	574
Total comprehensive income for the period	**-**	**-**	**-**	**5**	**574**	**579**
Retained earnings brought forward	-	-	107	-	(107)	-
As at 30 June 2018 (unaudited)	**4,522**	**1,018**	**1,540**	**7**	**618**	**7,705**
As at 1 January 2017	**4,522**	**1,018**	**728**	**41**	**828**	**7,137**
Cash flow hedge	-	-	-	(39)	-	(39)
Net profit for the period	-	-	-	-	210	210
Total comprehensive income for the period	**-**	**-**	**-**	**(39)**	**210**	**171**
Retained earnings brought forward	-	-	705	-	(705)	-
Dividend payment	-	-	-	-	(79)	(79)
As at 30 June 2017 (unaudited)	**4,522**	**1,018**	**1,433**	**2**	**254**	**7,229**

CONDENSED INTERIM SEPARATE STATEMENT OF CASH FLOWS

	6-month period ended 30 June 2018 (unaudited)	6-month period ended 30 June 2017 (unaudited)
Cash flows from operating activities		
Profit before tax	**558**	**204**
Adjustments for:		
Foreign currency gains/(looses)	12	(9)
(Profit)/Loss on investing activities	8	(39)
Amortization and depreciation	3	3
Net interest and dividends	(600)	(173)
Changes in working capital:		
Changes in receivables	24	30
Change in liabilities excluding loans, borrowings and bonds	70	(34)
Change in prepayments and accruals	(6)	(11)
	69	**(29)**
Income tax	**(97)**	**38**
Net cash from operating activities	**(28)**	**9**
Cash flows from investing activities		
Disposal of property, plant and equipment and intangible assets	2	-
Purchase of property, plant and equipment and intangible assets	(2)	(6)
Proceeds from bond redemption by subsidiaries	272	1,033
Purchase of bonds issued by subsidiaries	(1,066)	(267)
Acquisition of shares in subsidiaries, associates and joint ventures	(23)	(191)
Sale of shares in subsidiaries	58	24
Cash pooling expenditures	-	(964)
Dividends received	328	203
Interest received	53	90
Loan repayment	10	-
Other	(3)	4
Net cash from investing activities	**(371)**	**(74)**
Cash flow from financing activities		
Proceeds from loans and borrowings	-	846
Repayment of loans	(153)	(136)
Cash pooling proceeds	272	-
Interest paid	(149)	(104)
Net cash from financing activities	**(30)**	**606**
Net increase/(decrease) in cash and cash equivalents	**(429)**	**541**
Cash and cash equivalents at the beginning of the period	**3,015**	**1,293**
Cash and cash equivalents at the end of the period	**2,586**	**1,834**

ACCOUNTING PRINCIPLES (POLICIES) AND OTHER EXPLANATORY INFORMATION

1. General information

The condensed interim separate financial statements of Energa SA ("Company") cover the 6-month period ended 30 June 2018 and contains relevant comparative data.

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

As at 30 June 2018, the Company is controlled by the Polish 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 Energs 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 June 2018. These statements are available on the Company's website.

2. Composition of the Company's Management Board

During the first half of 2018 and until these financial statements were prepared, the composition of the Management Board of Energa SA was as follows:

1) in the period from 1 January 2018 to 5 February 2018:
- Mr Daniel Obajtek - President of the Management Board,
- Ms Alicja Barbara Klimiuk - Vice-President of the Management Board for Operational Matters,
- Mr Jacek Kościelniak - Vice-President of the Management Board for Financial Matters,
- Mr Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters,

2) in the period from 6 February 2018 to 1 July 2018:
- Ms Alicja Barbara Klimiuk - Vice-President of the Management Board for Operational Matters, acting as the President of the Management Board
- Mr Jacek Kościelniak - Vice-President of the Management Board for Financial Matters,
- Mr Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters,

3) in the period from 2 July 2018 to 31 July 2018:
- Mr Arkadiusz Siwko - President of the Management Board,
- Ms Alicja Barbara Klimiuk - Vice-President of the Management Board for Operational Matters,
- Mr Jacek Kościelniak - Vice-President of the Management Board for Financial Matters,
- Mr Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters.

4) in the period from 1 August 2018 until the day these financial statements were prepared:
- Ms Alicja Barbara Klimiuk - Vice-President of the Management Board for Operational Matters, acting as the President of the Management Board
- Mr Jacek Kościelniak - Vice-President of the Management Board for Financial Matters,
- Mr Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters.

3. Approval of the financial statements

These financial statements and consolidated financial statements of the Energa SA Group were approved for publication by the Company's Management Board on 8 August 2018.

4. Basis of 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 that the continuation of the Company's business activities as a going concern may be at risk.

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 2017.

4.2. Functional and presentation currency

The functional currency of the Company and the presentation currency of these financial statements is the Polish zloty and all the figures are stated in millions of Polish zlotys ("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 to IFRS EU, in particular concerning IFRS 9 "Financial instruments" and IFRS 15 "Revenue from Contracts with Customers", applied for the first time in this reporting period. For the hedge accounting purposes, the Company applies IAS 39 on a continuous basis. The company has applied both standards since the date of their entry into force without restating the comparative data.

5. Significant accounting policies (cont.)

IFRS 9 "Financial Instruments"

In accordance with the new standard, financial assets are classified into only three categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss. The classification of financial assets depends on the business model of managing financial assets and the characteristics of the contractual cash flows of the financial asset. The classification of financial assets is made at the moment of initial recognition and can only be changed if the business model of managing financial assets has changed. In accordance with IFRS 9, a financial asset is measured at amortized cost if both of the following conditions are met:
• the Company's objective is to maintain these financial assets to obtain contractual cash flows, and
• for which the contractual provisions cause, on certain dates, cash flows, which are exclusively repayments of the unsettled principal amount and interest on that amount (the so-called SPPI - solely payment of principal and interest).
In turn, a financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:
• the Company's objective is both to maintain these financial assets to obtain contractual cash flows, and to sell financial assets,
• for which the contractual provisions cause, on certain dates, cash flows, which are exclusively repayments of the unsettled principal amount and interest on that amount (the so-called SPPI - solely payment of principal and interest).
Other financial assets are measured at fair value through profit or loss.
IFRS 9 did not change the classification of financial liabilities.
IFRS 9 changes the model in the scope of determining impairment losses - from the incurred loss model for the expected loss model. As of January 1, 2018, the Company implemented a model of expected loan losses in relation to receivables in accordance with a simplified method admissible for application by IFRS 9. The reasons for using the above model are the following arguments:
• receivables held by the Company did not contain a significant element of financing within the meaning of the principles set out in IFRS 15, i.e. there was no significant financing component that could adjust the promised amount of remuneration,
• receivables met the condition of waiting to be repaid in less than a year.

The simplified model allows you to calculate credit losses throughout the life of your receivables.
The expected credit loss, in accordance with IFRS 9, is calculated taking into account the estimates of potential recoveries from collateral brought. In the case of receivables from counterparties, it is expected that historical repayment data may reflect the credit risk that will be incurred in future periods. In addition, the value of claims may also be updated individually, in particular in relation to:
• receivables from debtors put into liquidation or bankruptcy,
• debts questioned by debtors and from which the debtor is in arrears, and according to the assessment of the debtor's financial and economic situation it is not probable that the write-off will be created in the amount of 100% of the debt previously recognized,
• other overdue receivables, as well as non-overdue receivables, the risk of which is not recoverable is significant according to the individual assessment of the Management Board.
In the case of purchased bonds, the Company estimates the increase in credit risk from the initial recognition individually for each bond issuer, taking into account all rational and documentable information, including future data.
The Company assesses the change in the risk of default in the expected life of the bonds.
In order to make such an assessment, the Company compares the risk of default for a given bond as at the reporting date with the risk of default on that financial instrument as at the initial recognition date, taking into account rational and informationable documentation.
As at the date of this report, the Company estimates the default risk for bonds held low.

IFRS 15 “Revenue from Contracts with Customers”

In connection with the introduction of IFRS 15, there were no significant changes in the recognition of revenues in the Company.

Revenues from sales are recognized at the moment and in a degree reflecting the fulfillment by the Company of the obligation to provide the service (delivery of the service) or delivery of the goods. The liability is fulfilled when the client obtains control over the transferred asset. Sales revenue is recognized at the transaction price, i.e. in the amount for which payment is expected.
The structure of sales revenues by type and the method of their recognition are as follows:

• rental revenues are determined using the straight-line method over the rental period in relation to open contracts;
• revenues from other services are recognized when the service is provided.
Revenue receipts are recognized as revenues from basic operating activities.
Adjustments to sales revenues are included in the period they relate to until the financial statements are authorized for issue.
Dividend income is recognized when the right to the dividend is acquired.
Due to immateriality, the Company does not present in its statement of financial position the contract asset and contract liability.

5. Significant accounting policies (cont.)

The table below presents the classification of financial instruments prior to and after the effective date of the new IFRS standards (valid as at 1 January 2018).

Financial instruments	Classification of financial instruments according to IAS 39	Classification of financial instruments according to IFRS 9	Value according to IAS 39	Value according to IFRS 9
Assets				
Cash pooling receivables	Loans and receivables	Assets and financial liabilities measured at amortized cost	553	553
Cash and cash equivalents	Cash and cash equivalents	Assets and financial liabilities measured at amortized cost	3,013	3,013
Derivative financial instruments	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through profit or loss	24	24
Derivative financial instruments	Hedging derivatives	Hedging derivatives	9	9
Shares in subsidiaries, associates and joint ventures	Financial instruments excluded from the scope of IAS 39	Financial instruments excluded from the scope of IFRS 9	7,149	7,149
Bonds	Loans and receivables	Assets and financial liabilities measured at amortized cost	4,249	4,249
Lease receivables	Financial instruments excluded from the scope of IAS 39	Financial instruments excluded from the scope of IFRS 9	86	86
Trade receivables and other current financial receivables	Loans and receivables	Assets and financial liabilities measured at amortized cost	83	83
Capital contributions	Loans and receivables	Assets and financial liabilities measured at amortized cost	71	71
TOTAL			**15,237**	**15,237**
Liabilities				
Preferential loans and borrowings	Financial liabilities measured at amortized cost	Assets and financial liabilities measured at amortized cost	1,378	1,378
Loans and borrowings	Financial liabilities measured at amortized cost	Assets and financial liabilities measured at amortized cost	4,035	4,035
Bonds issued	Financial liabilities measured at amortized cost	Assets and financial liabilities measured at amortized cost	2,073	2,073
Derivative financial instruments	Hedging derivatives	Hedging derivatives	78	78
Trade liabilities and other financial liabilities	Financial liabilities measured at amortized cost	Assets and financial liabilities measured at amortized cost	23	23
Cash pooling liabilities	Financial liabilities measured at amortized cost	Assets and financial liabilities measured at amortized cost	477	477
TOTAL			**8,064**	**8,064**

6. New standards and interpretations

6.1. Standards and interpretations applied in 2018 for the first time

The following amendments to existing standards published by the IASB and approved by the EU came into force in 2018:

- IFRS 9 "Financial Instruments" (applicable to annual periods beginning on or after 1 January 2018),
- IFRS 15 "Revenue from Contracts with Customers" (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 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 IFRS (2014-2016 cycle) – Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IAS 28 "Investments in Associates and Joint Ventures" (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),

The introduction of the above-mentioned amendments did not have a material effect on the Company's accounting policies.

6.2. 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:

- IFRS 16 "Leases" (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).

The Company is still analysing contracts which will be subject to disclosure in the balance sheet in accordance with IFRS 16, as their quantity and value is subject to continuous changes.

6.3. 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 IASB, 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:

- Changes regarding references to the Conceptual Framework in the IFRS (applicable to annual periods beginning on or after 1 January 2020);
- IFRS 17 "Insurance Contracts" (applicable to annual periods beginning on or after 1 January 2021),
- Amendments to IAS 19 "Employee Benefits" – amendments to the defined benefit plan (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),
- Amendments to various standards – "Improvements to IFRS (2015-2017 Cycle)" amendments made as part of the process of introducing annual amendments to IFRS the (IFRS 3, IFRS 11, IAS 12, and IAS 23) aimed primarily at resolving inconsistencies and clarification of the terminology (applicable to annual periods beginning on or after 1 January 2019),
- Interpretation IFRIC 23 "Uncertainty over Income Tax Treatments" (applicable to annual periods beginning on or after 1 January 2019),

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 cyclicality of operations in the period under review

Due to the inherent nature of the holding business, the Company's financial revenue 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 SEPARATE STATEMENT OF FINANCIAL POSITION

8. Shares in subsidiaries, associates and joint ventures

Name and legal form	Registered office	Value of shares/ equity in the books of Energa SA	Share of Energa SA in the share capital, in all votes and in management (%)
Subsidiaries			
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
Energa Finance AB (publ)	Stockholm	103	100.00
Energa Invest Sp. z o.o.	Gdańsk	68	100.00
Energa Informatyka i Technologie Sp. z o.o.	Gdańsk	37	100.00
Energa Logistyka Sp. z o.o.	Płock	25	100.00
Energa Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	5	100.00
Enspirion Sp. z o.o.	Gdańsk	5	100.00
Energa Serwis Sp. z o.o.	Ostrołęka	2	14.09
Energa Ochrona Sp. z o.o.	Gdańsk	1	100.00
Other companies	–	1	-
Associates			
Polimex-Mostostal SA	Warszawa	82	16.48
ElectroMobility Poland SA	Warszawa	7	25.00
Joint ventures			
Elektrownia Ostrołęka Sp. z o.o.	Ostrołęka	129	50.00
Total value of shares		**7,172**	

The value of shares presented in the table above represents the value at purchase cost less impairment write-downs.

On 29 March 2018, Energa SA made a cash contribution in the amount of PLN 18 m and, in return, acquired the newly issued shares in Elektrownia Ostrołęka Sp. z o.o. Energa SA share in that company's share capital did not change.

Following the merger of Energa Centrum Usług Wspólnych Sp. z o.o. and RGK Sp. z o.o. on 7 June 2018, the aggregate amount of impairment write-downs for the shares as at 30 June 2018 did not change and amounts to PLN 29 m and applies in full to the shares held in Energa Centrum Usług Wspólnych Sp. z o.o.

Impairment tests for shares and equity

In the first half of 2018, shares and equity held by the Company were assessed for any internal and external indications of impairment. Since certain indications existed that could result in the impairment of shares and equity of some Group companies held by Energa SA, impairment tests were conducted.

Impairment tests for shares and equity were conducted using the income method, determining the value in use based on the discounted value of estimated cash flows from operating activities, taking into account, among others, the following assumptions:

- price forecasts have been adopted for electricity, coal, CO_2 allowances and for certificates of origin for the Polish market, based on a report prepared for the Group by an independent agency; the forecast was prepared with the timeframe until 2065;
- assumptions adopted for costless CO2 emission allowances for 2015-2021 as specified in the Regulation of the Council of Ministers of 31 March 2014 (item 439) and 8 April 2014 (item 472),
- assumptions made for capital expenditures at the levels allowing for maintenance of the production capacity of the existing non-current assets after replacement investments, including capital expenditures to adjust industrial emission levels to the requirements of Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions and the Commission Implementing Decision (EU) 2017/1442 establishing best available techniques (BAT) conclusions, which was published on 17 August 2017,
- support maintained for production of energy from the existing renewable sources in accordance with the Renewable Energy Sources Act of 20 February 2015, as amended (Journal of Laws, 2017 No. 0, Item 1148),
- support system maintained for high-efficiency co-generation throughout the forecast period,

8. Shares in subsidiaries, associates and joint ventures (cont.)

- maintenance of the Operating Reserve in the period until 2020 and support to be received under the Capacity Market from 2021 to the end of the projection period,
- the length of forecasts for the individual companies has been adopted in such a way to ensure that the cash flow used to calculate residual value was as similar as possible to the cash flows expected in the coming years.

The discount rates set on the basis of the after-tax weighted-average cost of capital (WACC), used for the calculation, fell within the range from 6.92% to 8.62%.

Energa Invest Sp. z o.o.

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period of May 2018 - December 2024 and residual value. 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2024; this is not higher than the average long-term inflation rates in Poland. A standard 5-year projection period was extended because of the pending process to implement the company's new business model; as a result, it is now possible to determine residual value based on representative cash flows and prepare a more reliable valuation of the Company's shares.

Based on the results of the tests conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the value of shares in the company.

Energa Informatyka i Technologie Sp. z o.o.

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period of May 2018 - December 2022 and residual value. 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2022; this is not higher than the average long-term inflation rates in Poland.

Based on the results of the tests conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the value of shares in the company.

Energa Kogeneracja Sp. z o.o.

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period of May 2018 - December 2030 and residual value. 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2030; this is not higher than the average long-term inflation rates in Poland. The standard 5-year projection period was extended because of the fact that proceeds from the green certificates obtained by the BB20 installation distort cash flows in that period. Extension of the projection period makes it possible to determine residual value based on representative cash flows and therefore conduct a more reliable valuation of the Company's shares.

Based on the results of the tests conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the value of shares in the company.

Enspirion Sp. z o.o.

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period of May 2018 - December 2022 and residual value. 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2022; this is not higher than the average long-term inflation rates in Poland.

Based on the results of the tests conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the value of shares in the company.

Energa Wytwarzanie SA

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period of May 2018 - December 2022 and residual value. 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2022; this is not higher than the average long-term inflation rates in Poland.

Based on the results of the test conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the value of shares in the company.

Energa Ochrona Sp. z o.o.

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period of May 2018 - December 2022 and residual value. 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2022; this is not higher than the average long-term inflation rates in Poland.

Based on the results of the test conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the value of shares in the company.

Energa Logistyka Sp. z o.o.

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period of May 2018 - December 2025 and residual value. 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2025; this is not higher than the average long-term inflation rates in Poland. The standard 5-year projection period was extended

8. Shares in subsidiaries, associates and joint ventures (cont.)

because of the pending process to implement the company's new business model; as a result, it is now possible to determine residual value based on representative cash flows and prepare a more reliable valuation of the company's shares.

Based on the results of the test conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the value of shares in the company.

Sensitivity analysis

The estimated impact of the change of the WACC level on the overall valuation of the above-mentioned shares is presented below. An adverse change in WACC at the following level will not require any impairment losses to be recognized.

The sensitivity analysis takes into account the change of the factors over the entire forecast period.

Parameter	Value and direction of change	Impact on overall appraisal value of tested CGUs [PLN m]		Change in impairment loss/reversal amount [PLN m]
		Increase in value	Decrease in value	
Discount rates	[+ 0.5 p.p.]	-	(226)	-
	[- 0.5 p.p.]	276	-	-

If market conditions change, there is a risk that test results will be different in the future.

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 Company'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 30 June 2018 (unaudited)	As at 30 June 2017 (unaudited)
Cash in bank	1,765	1,138
Short-term deposits up to 3 months	820	694
Total cash and cash equivalents presented in the statement of financial position, including:	**2,585**	**1,832**
Unrealized foreign exchange differences and interest	1	2
Total cash and cash equivalents presented in the statement of cash flows	**2,586**	**1,834**

The Company does not have any restricted cash.

10. Dividends

On 27 June 2018, the Ordinary General Meeting of Shareholders adopted a resolution on the distribution of profit for 2017 which was allocated in full to the supplementary capital.

On 26 June 2017, the Ordinary General Meeting of Shareholders adopted a resolution on the distribution of profit for 2016, where PLN 79 m was appropriated for payment of the dividend for shareholders of the Company, which is PLN 0.19 per share. The dividend was paid out in full, 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 June 2018 (unaudited)	Financial assets measured at fair value through profit or loss	Financial assets and liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Dividend receivables	-	347	-	-	**347**
Cash pooling receivables	-	384	-	-	**384**
Cash and cash equivalents	-	2,585	-	-	**2,585**
Derivative financial instruments	16	-	103	-	**119**
Shares in subsidiaries and associates and joint ventures	-	-	-	7,172	**7,172**
Bonds	-	5,080	-	-	**5,080**
Lease receivables	-	-	-	78	**78**
Trade receivables and other current financial receivables	-	28	-	- -	**28**
Capital contributions	-	74	-	-	**74**
TOTAL	**16**	**8,498**	**103**	**7,250**	**15,867**
Liabilities					
Loans and borrowings	-	5,391	-	-	**5,391**
Preferential loans and borrowings	-	1,312	-	-	**1,312**
Loans and borrowings	-	4,079	-	-	**4,079**
Liabilities arising from the issue of debt securities	-	2,138	-	-	**2,138**
Trade liabilities other financial liabilities	-	15	-	-	**15**
Cash pooling liabilities	-	580	-	-	**580**
TOTAL	**-**	**8,124**	**-**	**-**	**8,124**

11. Financial instruments (cont.)

As at 31 December 2017	Financial assets measured at fair value through profit or loss	Financial assets and liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Cash pooling receivables	-	553	-	-	**553**
Cash and cash equivalents	-	3,013	-	-	**3,013**
Derivative financial instruments	24	-	9	-	**33**
Shares in subsidiaries and associates and joint ventures	-	-	-	7,149	**7,149**
Bonds	-	4,249	-	-	**4,249**
Lease receivables	-	-	-	86	**86**
Trade receivables and other current financial receivables	-	83	-	-	**83**
Capital contributions	-	71	-	-	**71**
TOTAL	**24**	**7,969**	**9**	**7,235**	**15,237**
Liabilities					
Loans and borrowings	-	5,413	-	-	**5,413**
Preferential loans and borrowings	-	1,378	-	-	**1,378**
Loans and borrowings	-	4,035	-	-	**4,035**
Liabilities arising from the issue of debt securities	-	2,073	-	-	**2,073**
Derivative financial instruments	-	–	78	-	**78**
Trade liabilities other financial liabilities	-	23	-	-	**23**
Trade liabilities	-	14	-	-	**14**
Capital contributions	-	8	-	-	**8**
Purchase of property, plant and equipment and intangible assets	-	1	-	-	**1**
Cash pooling liabilities	-	477	-	-	**477**
TOTAL	**-**	**7,986**	**78**	**-**	**8,064**

11. Financial instruments (cont.)

a. 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 instruments 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 June 2018 (unaudited) Level 2	As at 31 December 2017 Level 2
Assets		
Hedging derivatives (CCIRS/IRS)	103	9
Other derivatives	16	24
Liabilities		
Hedging derivatives (CCIRS)	-	78

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.

b. 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 June 2018 (unaudited)	3,068	3,160
As at 31 December 2017	2,944	3,047

Hybrid bond issue	Carrying amount	Fair value Level 2
As at 30 June 2018 (unaudited)	1,121	1,093
As at 31 December 2017	1,055	1,152

The fair value measurement of liabilities under loans and under a hybrid bond issue was estimated on the basis of an analysis of future cash flows discounted using market interest rates updated for 29 June 2018.

11.4. Description of material items in individual categories of financial instruments

11.4.1. Financial assets

Financial assets measured at amortized cost

Financial instruments classified by the Company as financial assets measured at amortized cost comprise primarily purchased bonds, cash and cash equivalents and cash pooling receivables.

The purchased bonds are presented in the table below, broken down by issuer, as at 30 June 2018 and 31 December 2017:

11. Financial instruments (cont.)

	As at 30 June 2018 (unaudited)	As at 31 December 2017
Energa-Operator SA	4,219	3,273
Energa Wytwarzanie SA	751	848
Energa Elektrownie Ostrołęka SA	84	94
Energa Kogeneracja Sp. z o.o.	26	34
TOTAL, of which:	**5,080**	**4,249**
Long-term	4,633	3,805
Short-term	447	444

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 June 2018 and 31 December 2017 are presented in the table below:

	As at 30 June 2018 (unaudited)		As at 31 December 2017	
Currency	PLN	EUR	PLN	EUR
Reference rate	WIBOR	Fixed	WIBOR	Fixed
Value of the loan/borrowing				
in currency	2,323	703	2,469	706
in PLN	2,323	3,068	2,469	2,944
of which maturing in:				
up to 1 year (short-term)	306	19	297	29
1 to 2 years	317	2,177	313	-
2 to 3 years	316	-	317	2,081
3 to 5 years	602	-	616	-
over 5 years	782	872	926	834

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

Liabilities under bonds issued

Liabilities under bonds issued as at 30 June 2018 and 31 December 2017 are presented in the table below:

	As at 30 June 2018 (unaudited)		As at 31 December 2017	
Currency	PLN	EUR	PLN	EUR
Reference rate	WIBOR	Fixed	WIBOR	Fixed
Value of the issue				
in currency	1,017	257	1,018	253
in PLN	1,017	1,121	1,018	1,055
of which maturing in:				
up to 1 year (short-term)	17	31	18	12
1 to 2 years	1,000	-	1,000	-
over 5 years	-	1,090	-	1,043

Detailed information on bonds issued is provided in Note 11.5.

11. Financial instruments (cont.)

11.5. Available external financing

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.

The external financing available as at 30 June 2018 is presented in the table below:

Financing institution	Type of liability	Purpose of financing	Date of the agreement	Financing limit (for Energa SA Group)	Available financing amount (for Energa SA Group)	Nominal indebtedness of Energa SA as at 30 June 2018	Repayment date
European Investment Bank	Loan	Energa-Operator SA Investment Programme	16-12-2009	1,050	-	591	15-12-2025
European Investment Bank	Loan	Energa-Operator SA Investment Programme	10-07-2013	1,000	-	733	15-09-2031
European Bank for Reconstruction and Development	Loan	Energa-Operator SA Investment Programme	29-04-2010	1,076	-	602	18-12-2024
European Bank for Reconstruction and Development	Loan	Energa-Operator SA Investment Programme	26-06-2013	800	-	246	18-12-2024
Nordic Investment Bank	Loan	Energa-Operator SA Investment Programme	30-04-2010	200	-	86	15-06-2022
Energa Finance AB (publ)	Loan	Current activities	21-03-2013	2 176[1]	-	2 176[1]	18-03-2020
Energa Finance AB (publ)	Loan	Current activities	28-06-2017	872[2]	-	872[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 Programme	30-05-2012	100	50	-	31-12-2022
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	185	5[3]	19-09-2022
Bank PEKAO SA	Revolving loan	General corporate purposes	13-10-2011	500	500	-	29-05-2020
Bank PEKAO SA	Loan	Energa Elektrownie Ostrołęka SA Investment Programme	30-05-2012	85	-	15	29-05-2022
Nordic Investment Bank	Loan	Construction of Myślino wind farm	23-10-2014	68	-	52	15-09-2026
European Investment Bank	Hybrid bonds	Energa-Operator SA Investment Programme	04-09-2017	1,090[4]	-	1,090[4]	12-09-2037
TOTAL				**10,517**	**1,035**	**7,468**	

[1] liability in the amount of EUR 499 m converted using the average NBP exchange rate of 29 June 2018

[2] liability in the amount of EUR 200 m converted using the average NBP exchange rate of 29 June 2018

[3] value of guarantee limits granted to the companies of the Energa SA Group based on the concluded executive agreements (utilization of the global limit)

[4] liability in the amount of EUR 250 m converted using the average NBP exchange rate of 29 June 2018

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 August 2016, the Company additionally concluded IRS transactions to hedge interest rate risk arising out of contracted financing with regard to (see note 11.5):

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

In April and June 2018, the Group additionally concluded IRS transactions with similar characteristics for the following:

- loan agreement concluded with EIB in 2013 – PLN 100 m,
- loan agreement concluded with EBRD in 2010 – PLN 100 m,
- loan agreement concluded with EIB in 2009 – PLN 100 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 transactions relating to 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 2022 and not longer.

All held hedging instruments are used to hedge cash flows and relate to financial instruments classified to the same risk category. The hedging instruments presented refer to loan liabilities between Energa Finance AB and Energa SA, hybrid bonds from the European Investment Bank and loans from the European Investment Bank and the European Bank for Reconstruction and Development.

The fair value of hedging is as follows:

	Value	Recognition in the statement of financial position	Change in the fair value of hedging instrument adopted as the basis for recognition of ineffectiveness of the hedge in a reporting period	Nominal amounts of the hedging instrument (in EUR milion)
As at 30 June 2018 (unaudited)				
CCIRS I	82	Assets - Derivative financial instruments	None	400
CCIRS II	5	Assets - Derivative financial instruments	None	25
CCIRS III	7	Assets - Derivative financial instruments	None	200
CCIRS IV	9	Assets - Derivative financial instruments	None	250
IRS	<1	Assets - Derivative financial instruments	None	450
As at 31 December 2017				
CCIRS I	7	Assets - Derivative financial instruments	None	400
CCIRS II	<1	Assets - Derivative financial instruments	None	25
CCIRS III	49	Liabilities - Derivative financial instruments	None	200
CCIRS IV	29	Liabilities - Derivative financial instruments	None	250
IRS	2	Assets - Derivative financial instruments	None	450

Under cash flow hedge accounting, the cash flow hedge reserve (the effective portion of changes in the value of the hedge, less deferred tax) increased in the reporting period by PLN 5 m.

The company remained in hedge accounting in accordance with IAS 39, while at the same time no inefficiences were identified in the reported period.

11. Financial instruments (cont.)

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

	6-month period ended 30 June 2018 (unaudited)	6-month period ended 30 June 2017 (unaudited)
At the beginning of the reporting period	**2**	**41**
Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments	173	(137)
Accrued interest transferred from the reserve to financial income/costs	-	1
Revaluation of hedging instruments transferred from the reserve to financial income/costs	(167)	88
Income tax on other comprehensive income	(1)	9
At the end of the reporting period	**7**	**2**

As at 30 June 2018, 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)

	6-month period ended 30 June 2018 (unaudited)	6-month period ended 30 June 2017 (unaudited)
Net income from sale of products, goods and materials	40	37
Cost of purchase	7	7
Dividend income	675	203
Other financial income	93	85
Financial costs	63	44

12. Information on related entities (cont.)

	As at 30 June 2018 (unaudited)	As at 31 December 2017
Assets		
Non-current receivables	62	69
Dividend receivables	347	-
Cash pooling receivables	384	553
Trade receivables	28	15
Other current financial receivables – subsidiaries	16	17
Other current financial receivables – joint venture	-	10
Long-term bonds	4,633	3,805
Short-term bonds	447	444
Other current assets	68	79
Equity and liabilities		
Non-current liabilities on account of loans and borrowings	3,049	2,915
Non-current liabilities arising from the issue of debt securities	1,010	844
Cash pooling liabilities	580	477
Current trade liabilities	2	3
Other financial liabilities	-	9
Current loans and borrowings	19	29
Current loans and borrowings	10	6
Other current liabilities	63	90

The tables above present transactions with subsidiaries within the Energa SA Group and with joint ventures. Transactions with associates are not material.

The transactions involving the acquisition of shares in subsidiaries, associates and joint ventures are presented in Note 8.

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

	6-month period ended 30 June 2018 (unaudited)	6-month period ended 30 June 2017 (unaudited)
Management Board	2	4
Supervisory Board	<1	<1
TOTAL	**2**	**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 2018 to 30 June 2018 was PLN 6 m, while it was PLN 4 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 4 April 2018, Elektrownia Ostrołęka Sp. z o.o. (the ”Contracting Authority”) had resolved a public procurement award procedure titled “Construction of Elektrownia Ostrołęka C with a capacity of approximately 1,000 MW” (“Procedure”, “Contract”) by selecting a Consortium composed of GE Power Sp. z o.o. and Alstom Power System S.A.S. as the General Contractor which offered to perform the Contract with the parameters specified in the tender for a net amount of PLN 5,050 m, gross amount: PLN 6,023 m.

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

Award of the Contract is not equivalent to:

- giving the consent to conclude the contract with the General Contractor – such a consent needs, among other things, a prior approval from the Supervisory Board of Energa SA;
- giving the consent for the NTP (notice to proceed) - the NTP requires a prior approval, among other things, from the Supervisory Board of Energa SA and a prior specific approval from the General Meeting of Shareholders of Energa SA to commence the Construction Stage.

Earlier, on 24 March 2018 the Management Board of Energa SA, as a shareholder of Contracting Authority, received a request from the Contracting Authority for the consent to award the Contract (Current Report No 11/2018). The Management Board of Energa SA gave the consent on 27 March 2018 (Current Report No 13/2018).

On 12 July 2018, Elektrownia Ostrołęka Sp. z o.o. signed the Public Procurement Contract with the General Contractor: the Consortium of GE Power Sp. z o.o., as the Leader of the Consortium, and Alstom Power Systems S.A.S. (Current Report No 33/2018). Detailed information on the issues of the Order and the Agreement are presented in point 2.1. Significant events in the reporting period and after the balance sheet date. Report of the Management Board on the operations of the Energa Group for the first half of 2018.

In addition, in accordance with the information presented in the current report of the Polimex-Mostostal Capital Group (current report No. 30/2018 of 22 June 2018), the Management Board of "Polimex-Mostostal" S.A. with its registered office in Warsaw, informed that the company has concluded with GE Power Sp. z o.o. letter of intent concerning cooperation in the implementation of the public procurement under the name Construction of Ostrołęka C Power Plant with a capacity of approximately 1000 MW, where the Contracting Authority is Elektrownia Ostrołęka Sp. z o.o.

15. Subsequent events

On 27 July 2018, the share capital of Elektrownia Ostrołęka Sp. z o.o. was increased by PLN 287 m based on the resolution of the Extraordinary Meeting of Shareholders of Elektrownia Ostrołęka. The new shares were acquired by Energa SA i Enea S.A., 50% each. Until the date of this report, the cash contributions to cover shares in the increased capital were fully paid up.

On 7 August 2018 the Board of Energa SA called an Extraordinary General Meeting with the aim of making a preliminary decision on launching Construction Stage in the Ostroleka C Project, consisting in development, construction and operation of a coal-fired supercritical steam power plant with the capacity of ca. 1000 MW.

Members of the Management Board

Alicja Barbara Klimiuk …………………………………………...
Acting 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

Energa Centrum Usług Wspólnych Sp. z o.o. ……………………………………………
Entity responsible for keeping accounting ledgers
and for preparing 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, 8 August 2018