

# Agreements Concluded

## Agreements of significance to Enea Group's operations

In 2017, Enea Group companies did not conclude any significant agreements, i.e. agreements with the value exceeding 10% of Enea's equity; however, during the reporting period an annex was concluded to the Multiannual Agreement for supplies of fuel coal between Enea Wytwarzanie and LW Bogdanka. Pursuant to the annex, the volume of coal supplies to Koziernice Power Plant in 2017-2036 has been increased, whereby the value of the said Agreement rose by approx. 2.7 bnPLN.

## Execution of significant agreements

21 September 2012	Enea Wytwarzanie sp. z o.o.	Hitachi Power Europe GmbH i Polimex-Mostostal SA	Agreement on the construction of a new power unit in Enea Wytwarzanie sp. z o.o. - the investment was completed in December 2017
23 July 2015	Enea SA	PKO BP SA, Bank Pekao SA, Bank Zachodni WBK SA, Bank Handlowy w Warszawie SA	Annex to the Programme Agreement of 21 June 2012 amending the terms of financing in the amount up to PLN 3bn
3 December 2015	Enea SA	Bank Gospodarstwa Krajowego	Programme Agreement in the amount up to PLN 700m with allocation to financing investment needs
30 September 2016	Enea Wytwarzanie sp. z Rafako SA o.o		Supply and assembly of the <a href="#">SCR installation</a> for AP-1650 boilers No. 9 and 10, including the upgrade of electrostatic precipitators
28 June 2011	Enea Wytwarzanie sp. z Rafako SA o.o		Supply and assembly of the <a href="#">SCR installation</a> for OP-650 boilers No. 4-8
29 May 2015	Enea SA	Europejski Bank Inwestycyjny	Financial agreement in the amount up to PLN 946m

## Agreements on coal supplies and transportation

## Agreements concluded by Enea Wytwarzanie sp. z o.o.

4 March 2010		Multiannual Agreement No. UW/LW/01/2010 – specifies the general terms for coal supplies in 2010 – 2017 - completed
15 December 2016	LW Bogdanka SA	Annual Agreement for supplies of fuel coal in 2017 – Appendix No. 8 to Agreement UW/LW/01/2010 - completed
23 January 2012		Multiannual Agreement No. UW/LW/01/2012 – specifies the general terms for coal supplies in 2017-2036
15 December 2016		Annual Agreement for supplies of fuel coal in 2017 – Appendix No. 2 to Agreement UW/LW/01/2012UW/LW/01/2010 - completed
17 November 2017	Węglokoks SA	Coal sale agreement No. 14164/2017
3 December 2014	Katowicki Holding Węglowy SA	Multiannual Agreement – specifies the general terms for coal supplies in 2015 – 2017 - completed
20 September 2016		Annual Agreement for supplies of fuel coal in - completed
31 March 2015	Jastrzębska Spółka Węglowa SA	Coal supply agreement – specifies the terms for coal supplies in 2015 – 2017 - completed
28 April 2017	Polska Grupa Górnicza SA	Agreement No. 61/PGG/2017 - completed
28 April 2017		Agreement No. 64/PGG/2017 - completed
23 May 2017	PKP Cargo SA	Agreement for performance of fuel coal transportation services for Enea Wytwarzanie from LW Bogdanka SA in the period between 11 June 2017 and 10 August 2018 (or until the exhaustion of the volume of 5 300 000 t)
25 May 2017	CD Cargo Poland sp. z o.o. (former name of Koleje Czeskie sp. z o.o.)	Agreement for performance of fuel coal transportation services for Enea Wytwarzanie from the mines of Polska Grupa Górnicza sp. z o.o. , Jastrzębska Spółka Węglowa SA, Spółka Restrukturyzacji Kopalń S.A., Węglokoks Kraj sp. z o.o. and PG Silesia sp. z o.o. in the period from 11 June 2017 do 10 August 2018 (or until the exhaustion of the volume of 700 000 t)

## Agreement concluded by Enea Elektrownia Połaniec S.A.

12 July 2012	LW Bogdanka SA	Multiannual Agreement – specifies the terms of coal supplies in 2013 – 2021
24 August 2016	Katowicki Holding Węglowy (presently: PGG)	Agreement for supplies of fuel coal in 2016/2017
24 August 2016	Polska Grupa Górnicza (PGG)	Annual Agreement for supplies of fuel coal in 2017
21 January 2017	Polska Grupa Górnicza (PGG)	Annual Agreement for supplies of fuel coal in 2017
9 August 2017	Polska Grupa Górnicza (PGG)	Annual Agreement for supplies of fuel coal in 2017
18 July 2017	Polska Grupa Górnicza (PGG)	Annual Agreement for supplies of fuel coal in 2017
25 August 2017	Polska Grupa Górnicza (PGG)	Annual Agreement for supplies of fuel coal in 2017
24 August 2016	Przedsiębiorstwo Górniczne SILESIA	Agreement for supplies of fuel coal in 2016/2017
20 April 2016	Jastrzębska Spółka Węglowa SA	Annual Agreement for supplies of fuel coal in 2017
21 January 2013	PKP Cargo SA	Multiannual Agreement – specifies the terms of coal transportation in 2013 – 2017
20 December 2012	CTL Logistics sp. z o.o.	Multiannual Agreement – specifies the terms of coal transportation in 2013 – 2017
31 January 2017	Mitsubishi Hitachi Power Systems Europe GmbH	Supply of 4 catalysers for Non-financial statement

## Agreements concluded between LW Bogdanka S.A. and entities from outside Enea Group

8 January 2009	Zakłady Azotowe Puławy SA	Multiannual Agreement – specifies the terms of coal supplies in 2010 – 2022
14 December 2010	Energa Elektrownie Ostrołęka SA	Multiannual Agreement – specifies the terms of coal supplies in 2011 – 2022

## Insurance agreements

Insurance agreements at Enea Group are contracted pursuant the corporate Insurance Policy. With the single Policy, insurance standards within the Group have been made uniform and the insurance protection procurement has been consolidated for selected insurance segments, which has provided measurable benefits both in terms of insurance and in terms of insurance cost. The member companies of Enea Group are members of Towarzystwo Ubezpieczeń Wzajemnych Polskiego Zakładu Ubezpieczeń Wzajemnych Mutual Insurance Company and transfer the risk of loss resulting from property damage or third party claims by signing insurance agreements. The measures taken in this area enable to achieve measurable financial and organisational benefits.

Due to the significant exposure of member companies of Enea Group to damage and potential claims, it cannot be excluded that the current insurance agreements will prove insufficient. The insurance protection level does not deviate from the standards applied in Polish power industry and is adjusted to the specific activity of each of the companies.

## Collaboration and cooperation agreements

### **Establishing ElectroMobility Poland SA**

On 19 October 2016, PGE Polska Grupa Energetyczna, Energa, Enea and Tauron Polska Energia established ElectroMobility Poland SA. The purpose of activity of the new company is to contribute to the creation of the electromobility system in Poland. The new company has a share capital of 10 mPLN. Each of the companies setting up ElectroMobility Poland took up 25% of its share capital, thus obtaining 25% votes at the general meeting of shareholders.

### **Letter of Intent on cooperation on R&D project**

By virtue of the letter of intent of 2014 between Enea, PGE Polska Grupa Energetyczna, Energa, and Tauron Polska Energia, its signatories continued in 2016 the activities under the leadership of Polish Electricity Association (PEA) with a view to establishing the Power Sector Research Programme (PSRP) at the National Centre for Research and Development (NCBiR). The first competition for financing R&D projects under PSRP

was announced on 30 September 2016. Enea Operator together with the University of Zielona Góra took part in the competition and won the co-funding for implementation of the project entitled “Innovative power storage systemic services increasing the quality and efficiency of electricity use” in May 2017.

## Dependence on suppliers or recipients

The only means of transport used for bituminous coal deliveries to Enea Elektrownia Połaniec was rail transport. In 2017, coal transport at Enea Elektrownia Połaniec was provided mainly by PKP Cargo SA and CTL Logistics sp. z o.o. Some deliveries were performed by EPCT Silesia, PGG and JSW under CPT formula.

The only means of transport used for bituminous coal deliveries to Enea Wytwarzanie in Świerże Górne in 2017 was rail transport. The carrier, PKP Cargo, implemented 90% of deliveries, whereas CD Cargo Poland sp. z o.o. (formerly: Koleje Czeskie sp. z o.o.) approx. 10% of deliveries.

## Agreements signed between the Parent’s shareholders

The Company does not know of any agreements concluded between Enea SA shareholders.

## Other significant agreements and transactions

### **Acquisition of shares in ENGIE Energia Polska S.A. (presently: Enea Elektrownia Połaniec S.A.)**

On 30 September 2016, Enea S.A. made an offer to purchase 100% of shares in ENGIE Energia Polska SA (EEP, presently: Enea Elektrownia Połaniec S.A.). The offer was made in the manner set out in the process initiated by ENGIE, the holder of 100% of shares in EEP. On 2 December 2016, the Company acquired the exclusive right to conduct further negotiations regarding the purchase of 100% of shares in EEP. On 23 December 2016, the Company and ENGIE International Holdings B.V. signed the conditional agreement of sale of 100% of shares in EEP and of indirect sale of 100% of shares in ENGIE Bioenergia Sp. z o.o. The transaction closing was dependent on the fulfilment of the following essential conditions precedent:

- obtaining the consent from the Minister of Energy pursuant to the Act on control of certain investment projects
- obtaining the consent from the Office of Competition and Consumer Protection (OCCP) President for the concentration
- waiver of the priority right of purchase by the President of the Agricultural Real Property Agency
- conversion of EEP’s debt owed to member companies of ENGIE group into equity in EEP

On 28 February 2017, the Company was notified that the last of the abovementioned conditions was fulfilled, which meant that all the abovementioned conditions precedent were fulfilled. On 2 March 2017, the Company received from ENGIE International Holdings B.V. the calculation of the initial selling price of 100% of shares in EEP at the level of PLN 1 264 159 355.

On 14 March 2017, the Issuer acquired 100% of shares in EEP, i.e., 7 135 000 of shares carrying the right to the same number of votes, at the initial price of PLN 1 264 159 355. The estimated expenses related to the acquisition of shares amounted to PLN 3.9m. The transaction fits into Enea Group Development Strategy for the period until 2030 approved in September 2016. With this transaction, the Group will increase its share in the national electricity production and become the second largest player on the electricity production market. The consolidated financial statements disclose the acquisition price allocation to identifiable acquired net assets.

In the period from 14 March to 31 December 2017, EEP Group earned net revenue on sales in the amount of PLN 1 643 962k and net profit in the amount of PLN 190 727k. According to the estimates made by the Management Board, if the merger took place on 1 January 2017, the consolidated net revenue on sales for 2017 would reach PLN 11 732 854k, whereas the consolidated net profit would amount to PLN 1 176 582k.

EEP Group did not have any contingent liabilities which would have to be examined in the context of the merger settlement.

### **Implementation of the Investment Agreement with Energa S.A. and Elektrownia Ostrołęka S.A. on the construction and operation of the power unit at Elektrownia Ostrołęka S.A.**

On 19 September 2016, Enea SA and Energa S.A. signed the Letter of Intent on commencing cooperation in the field of preparing, implementing, and operating a high-end coal fired 1 000 MW power unit at Elektrownia Ostrołęka (the Investment Project, Ostrołęka C).

The Parties' intention is to jointly develop an effective business model for Ostrołęka C, verify its design documentation, and optimise the technical and economic parameters of the new power unit. The cooperation will also involve conducting the tender procedure to choose the general contractor of the Investment Project.

In the unanimous opinion of the Parties, the Investment Project implementation will have a positive effect on the power safety of Poland, meet the highest environmental standards, and ensure another stable high-efficiency and low-emission source of energy in the National Power System.

On 8 December 2016, the Company signed the Investment Agreement on implementation of Ostrołęka C project. The subject matter of the Agreement is the preparation, construction, and operation of the abovementioned power unit. Pursuant to the Agreement, the cooperation will be generally organised in three stages: the Development Stage - until the issue of the notice to proceed for the general contractor, the Construction Stage - until the commissioning of Ostrołęka C for commercial operation, and the Operation Stage - the commercial operation of Ostrołęka C. Following the Development Stage completion, Enea SA is obliged to participate in the Construction Stage, on the assumption that the Project profitability condition is met and that the Project financing does not violate the Company's bank covenants.

It is estimated that the total investment outlays of Enea SA until the Development Stage completion will amount to approx. PLN 128m. Until the Investment Project implementation, Energa SA will transfer to Enea SA its shares in Elektrownia Ostrołęka SA accounting for 50% of the share capital of the value of approx. PLN 101m. The condition precedent for the coming into effect of the Investment Agreement was the obtainment of the consent from the OCCP President for the concentration through the acquisition of shares in SPV for the Project implementation. The conditions was met on 11 January 2017.

On 19 December 2016, SPV announced the tender procedure to choose the general contractor for the construction of Ostrołęka C supercritical power plant of the power capacity of approx. 1 000 MW and net efficiency of at least 45%. If relevant assumptions (including, without limitation, those related to the required participation of Enea SA, Energa SA and Financial Investors, if any) are met and if the power market or other support mechanism is introduced, Elektrownia Ostrołęka SA will be able to accept the order for the comprehensive implementation of this project.

On 1 February 2017, Enea SA and Energa SA signed the Agreement of acquisition of 24 980 926 shares in Elektrownia Ostrołęka SA of the total value of PLN 24m, thus taking up 11.89% of shares in the Company's share capital.

Under the abovementioned agreements, Energa S.A. and Enea S.A. took joint control over Elektrownia Ostrołęka SA with its registered office in Ostrołęka whose purpose of activity is the construction and operation of a new coal fired power unit. Each of the parties will hold 50% of shares in Elektrownia Ostrołęka SA and the same number of votes at the General Meeting. Each of the investors will have the same number of representatives in the Management Board and the Supervisory Board. Decisions on key operations will require a unanimous consent of both shareholders holding the rights to net assets of Elektrownia Ostrołęka SA. In the light of the above, the investment was classified as a joint venture accounted for by equity method.

Elektrownia Ostrołęka SA is a non-public company, which is why there are no market price quotations for its shares. On 13 April 2017, the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka S.A. passed a resolution on the company's share capital increase from PLN 210 100k to PLN 229 100k through new share issue. In the private subscription, Enea S.A. took up 9 500 000 shares in exchange for a cash contribution which was made on 28 April 2017. After taking up the new issue shares, Enea increased its share in the share capital of Elektrownia Ostrołęka S.A. to 15.1%. On 27 June 2017, Enea SA and Energa SA signed the Agreement of Acquisition of 20 017 269 shares in Elektrownia Ostrołęka SA of the total value of approx. PLN 19.2m, increasing their share in the share capital of Elektrownia Ostrołęka SA to 23.79%. In order to ensure sufficient funds for the company, ENERGA S.A. and Enea S.A., under the agreement of 23 November 2017, granted the company a loan in the amount of PLN 10m from each of the Shareholders. On 23 November 2017, the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka S.A. passed a resolution on transformation of the company into a limited liability company. The transformation is in the process of registration with the National Court Register.

#### **Acquisition of shares in Polimex-Mostostal S.A.**

On 18 January 2017, Enea S.A. concluded an investment agreement with Energa SA, PGE Polska Grupa Energetyczna SA, PGNiG Technologie SA (the Investors) and Polimex, whereby the Investors agreed to make investment in Polimex. The investment was to take the form of taking up by Investors of the total number of 150 million of shares issued by Polimex. The Company agreed to take up 37.5 million of new issue shares for the total issue price of PLN 75m. The agreement was concluded on the conditions precedent described in detailed in the current report 2/2017. Together with the abovementioned agreement, other agreements were signed, setting out detailed cooperation rules and the Investors' mutual rights and duties connected with the implementation of the abovementioned investment, as well as additional agreements on the investment implementation which were signed with the creditors and current shareholders of Polimex.

On 20 January 2017, in connection with the fulfilment of the conditions precedent stipulated in the abovementioned Investment Agreement, the Company accepted the offer from Polimex management board to take up in private subscription 37.5 million of shares for the issue price of PLN 2 per share, i.e., for the total issue price of PLN 75m. Moreover, as a result of performance of one of the abovementioned additional agreements, on 20 January 2017, the Company acquired 1.5 million of shares in Polimex from its current shareholder. The acquisition price for all shares was PLN 80.6m. Enea S.A. took a 16.48% share.

An investment agreement enables the Investors to have an influence on the financial and operating policy of Polimex. Such powers are exercised by the Supervisory Board. Also, the Investors signed the agreement on investments in Polimex ("Agreement"). The purpose of signing the Agreement was to ensure increased control over Polimex for the Investors holding in aggregate the majority share in votes at the General Meeting of Shareholders of Polimex. The Agreement stipulates, among other issues, that the parties will agree upon by voting their common position when making key decisions falling within the scope of powers of the General Meeting of Shareholders and the Supervisory Board of Polimex, including decision on the

personal composition of Polimex Management Board. Due to the Investors' abovementioned powers which result in their significant impact, the participation in Polimex was classified as an associated entity accounted for by the equity method. Polimex is an engineering and construction company distinguished by a wide range of services provided on the general contractor basis. The company is quoted at the Warsaw Stock Exchange (WSE).

On 21 March 2017, the Investors published a call to subscribe for Polimex shares in connection with the fact that they exceeded (as the parties to the agreement) the 33% threshold of the total number of votes at the general meeting of Polimex. The call was a subsequent one, i.e., the Investors intended to acquire under the call the number of shares being the surplus over the number of shares held by them at that time (i.e., in aggregate, 65.93% of the total number of votes Polimex) and ensuring the achievement of no more than 66% of the total number of votes at the general meeting of Polimex.

In connection with the call, each of the Investors (including Enea) intended to obtain no more than approx. 0.018% of the total number of votes at the general meeting of Polimex. The call was settled on 28 April 2017; as a result, each of the Investors acquired 24 shares in Polimex. Presently, the Company holds 39 000 024 shares in Polimex representing a 16.48% share in the share capital of Polimex. In aggregate, the Investors hold 156 000 097 of shares representing a 65.9% share in the share capital of Polimex. In line with the Investment Agreement, Polimex took measures in 2017 aimed to obtain admission to trading at WSE for T-series shares acquired by Investors. On 20 October 2017, the Polish Financial Supervision Authority approved Polimex issue prospectus prepared in connection with the issue of 150 000 000 ordinary bearer T-series shares.

On 31 October, the Management Board of GPW decided to admit T-series shares to exchange trading on the GPW basic market with effect from 3 November 2017 on condition that Krajowy Depozyt Papierów Wartościowych S.A. (KDPW, Central Securities Depository of Poland) registers these shares by 3 November 2017. On 2 November 2017, KDPW Operating Department made an announcement about the registration of 150 000 000 of T-series shares in the Company on 3 November 2017 under the code PLMSTSD00019.

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

In the context of the process of finding capital investors by Katowicki Holding Węglowy S.A., in July 2016, Enea S.A. commenced discussions with potential investors about the possibility of making the investment and its potential parameters. On 28 October 2016, Enea S.A. signed a letter of intent with Węglokoks S.A. and Towarzystwo Finansowe Silesia sp. z o.o. expressing the parties' initial interest in the financial commitment in Katowicki Holding Węglowy S.A. or its selected assets.

In connection with the interest of Polska Grupa Górnicza S.A. (PGG) in acquiring selected assets from Katowicki Holding Węglowy S.A. and beginning the process of PGG recapitalisation, Enea S.A. and the current PGG Shareholders conducted the necessary analyses of the Business Plan presented by PGG and expressed their interest in capital commitment in Polska Grupa Górnicza S.A.

On 30 March 2017, the Supervisory Board of Enea S.A. agreed for the Company to join Polska Grupa Górnicza S.A. and take up new shares in PGG capital of the nominal value of PLN 300m in exchange for a cash contribution in the amount of PLN 300m.

On 31 March 2017, the Company signed:

- the investment agreement setting out the terms and conditions of financial investment in PGG (Investment Agreement)
- the agreement on exercising joint control over PGG (Investor Agreement)

Investment Agreement



The Parties to the Investment Agreement are: Enea S.A., ENERGA Kogeneracja sp. z o.o., PGE Górnictwo and Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A., Węglkokoks S.A., Towarzystwo Finansowe Silesia sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (the Investors) and PGG. Under the Investment Agreement, PGG was to acquire selected mining assets from Katowicki Holding Węglowy S.A. under the promised agreement which was concluded on 1 April 2017.

The Investment Agreement governs the procedure for conducting the investments and for the Company's joining PGG, the rules for operation of PGG and its bodies as well as the rules for the parties' exit from investments in PGG.

Under PGG recapitalisation, Enea S.A. agreed to take up new shares in PGG of the total nominal value of PLN 300m in exchange for a cash contribution in the amount of PLN 300m in the following three stages:

- in the first stage, the Company took up new shares in PGG of the nominal value of PLN 150m in exchange for a cash contribution in the amount of PLN 150m. After taking up these shares, the Company held a 4.39% share in the share capital of PGG. The first recapitalisation took place in April 2017;
- in the second stage, the Company took up new shares in PGG of the nominal value of PLN 60m in exchange for a cash contribution in the amount of PLN 60m. After taking up these shares, the Company holds a 5.81% share in the share capital of PGG. The second recapitalisation took place in June 2017;
- in the third stage, the Company will take up new shares in PGG of the nominal value of PLN 90m in exchange for a cash contribution in the amount of PLN 90m. After registration in the National Court Register, the Company will hold a 7.66% share in the share capital of PGG. The third recapitalisation took place in Q1 2018.

The Agreement sets out the rules for appointing the Supervisory Board members: each of the Investors and the State Treasury shall have the right to appoint one member of the Supervisory Board to be composed of no more than 8 members.

The investment fits into Enea Group Development Strategy whose components include securing the resource base for conventional power industry.

#### Investor Agreement

On 31 March 2017, the Investors: ENERGA Kogeneracja sp. z o.o., PGE Górnictwo, Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, and Enea S.A., made the Agreement governing the procedure for the parties to agree upon their common positions on decisions related to the Company and for exercising joint control over the Company. The Agreement for Enea S.A. was concluded upon the condition of obtaining a consent of the OCCP President for taking over joint control over the Company. The OCCP consent referred to in the preceding sentence was issued on 22 December 2017. In addition, the letter of intent signed on 16 October 2016 between Enea S.A., Węglkokoks S.A. and Towarzystwo Finansowe Silesia sp. z o.o. on the previously analysed capital investment in Katowicki Holding Węglowy S.A. was terminated on 31 March 2017.

On 31 January 2018, by virtue of the resolution of the Extraordinary General Meeting of Shareholders of Polska Grupa Górnicza S.A., the share capital of Polska Grupa Górnicza S.A. (PGG) was increased in line with the provisions of the Investment Agreement of 31 March 2017 made between Węglkokoks S.A., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Towarzystwo Finansowe Silesia sp. z o.o., PGE Górnictwo Energetyka Konwencjonalna S.A., Energa Kogeneracja sp. z o.o., PGNiG Termika S.A., Enea S.A. and PGG, whereby the Investors agreed to pay additional capital to PGG together with the remaining Investors in the total amount of PLN 1 000 000 000 (one billion Polish Zloty),



with the participation of Enea S.A. in the amount of PLN 300 000 000 (three hundred million Polish Zloty), by a cash contribution, in three tranches. The first recapitalisation (1st tranche) took place on 3 April 2017 and the second one on 14 June 2017.

As a result of passing the abovementioned resolution, Enea S.A. signed an agreement on 31 January 2018 on the taking up of shares between ENEA and PGG, accepting the offer to take up in private subscription 900 000 (nine hundred thousand) new shares of the nominal value of PLN 100 each and of the total nominal value of PLN 90 000 000 (ninety million Polish Zloty) in exchange for a cash contribution in the amount of PLN 90 000 000 (ninety million Polish Zloty). B-series shares are ordinary registered shares and should be fully paid up in the form of a cash contribution before the share capital increase registration.

## Financing sources of the investment programme

Enea SA finances the investment programme using financial surpluses from its business activities and external debt. Enea Group implements the investment financing model, in which Enea SA acquires external sources of financing and distributes them to its subsidiaries. In further activities, Enea SA will focus on ensuring appropriate diversification of external sources of financing for the investments planned in the Strategy of the Enea Group in order to optimize the amount of costs and debt repayment dates.

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

Enea SA holds the programme agreement relating to the bond issue programme up to the amount of PLN 3bn with banks operating as Underwriters, i.e.: PKO BP SA, Bank Pekao SA, BZ WBK SA and Bank Handlowy w Warszawie SA. The financing is not hedged on Enea Group's assets. The funds obtained from the programme are allocated to the realisation of investment projects in Enea Group, including e.g. for the construction of the 1 075 MWe gross supercritical bituminous coal fired power unit, which is being constructed as a part of Enea Wytwarzanie's operations. In the period of January-December 2017, Enea SA issued under the programme IX- and X- series bonds of the total value of PLN 1 049m. As at 31 December 2017, the value of the bonds issued within the aforementioned Programme totalled PLN 3 000m.

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

On 30 June 2014, Enea SA concluded a programme agreement relating to the bond issue programme up to the amount of PLN 5bn with the following banks acting as dealers: ING Bank Śląski SA, PKO BP SA, Bank Pekao SA and mBank SA. Under the Programme, Enea may issue bonds with the maturity of up to 10 years, and Bank dealers have the duty of care when offering the sale of bonds to market investors. In the period of January-December 2017, Enea SA did not issue bonds under that programme. As at 31 December 2017, the value of the bonds issued within the Programme totalled PLN 1 500m.

### Programme Agreements on the bond issue programme guaranteed by BGK

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

by Enea SA and its subsidiaries. Under the Programme, Enea SA issued bonds of the full value of the Programme, i.e. PLN 1bn. The redemption period is max. 12.5 years from the date of their issue. The interest rate is based on floating **WIBOR** rate plus margin. On 3 December 2015, Enea SA concluded another programme agreement relating to the bond issue programme up to the amount of PLN 700m guaranteed by Bank Gospodarstwa Krajowego. The funds from the programme are allocated i.a. to the implementation of the investments and financing the current operations of Enea SA and its subsidiaries. As at 31 December 2017, the value of the bonds issued within the Programme amounted to PLN 1 150m.

## Investment loans granted by the European Investment Bank

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

On 29 May 2015 another loan agreement was concluded based on which EIB provided the Company with new financing in the amount of PLN 946m or its equivalent in EUR (tranche "C"). The funds obtained from the loan will be allocated to the financing of a multiannual investment plan in order to modernise and extend the power infrastructure of Enea Operator. The financing is not hedged on Enea Group's assets. The loan interest rate is floating based on **WIBOR** rate for 6-month deposits plus the Bank's margin. The tranches will be paid in instalments, and the final repayment will be made in December 2031. In January 2017, a loan was drawn in the amount of PLN 250m and in December 2017 a loan was drawn in the amount of PLN 496m. As at the end of 2017, the amount of the loan drawn within tranche "C" was PLN 946m.

## Financing source of LW Bogdanka investment programme – programme agreements on the bond issue programme of LW Bogdanka SA

During 2017, the Company had a Programme Agreement from 23 September 2013 on the bond issue programme up to the amount of 300 mPLN, which was concluded with Bank Polska Kasa Opieki SA. The value of the bonds issued under the Agreement totalled PLN 300m. The quarterly redemption date for bonds of the total value of PLN 300m are in 2018. Additionally, during H1 2017, a second Programme Agreement from 30 June 2014 was effective. On 10 March 2017, the Company signed an annex to the Programme Agreement from 30 June 2014, pursuant to which the effective period of the Programme for Tranche No. 1 was preponed from 31 June 2019 to 30 March 2017. Therefore, all bonds issued under Tranche No. 1 in the total amount of PLN 300m were redeemed on 30 March 2017, and thus the Program Agreement expired.

## Issue of Enea SA's securities in 2017

In 2017, Enea issued bonds to the total value of PLN 1 199 m at the issue price. The nominal debt in respect of bonds issued by Enea SA totalled PLN 5 610 m as at 31 December 2017.

## Interest rate hedging transactions

Implementing the Interest Rate Risk Management Policy, in December 2017 Enea SA concluded transactions hedging the interest rate risk (Interest Rate Swap) to the total value of PLN 1 091 000 thousand.

## Related-party transactions

In 2017, Enea and its subsidiaries did not conclude related-party transactions which were not on arm's-length basis. Information on related-party transactions concluded by Enea or its subsidiary is included in note 42 to the 2017 consolidated financial statements of the Enea Group.

## Use of proceeds from the issue of securities

The funds obtained by Enea SA from the bond issue are applied to the implementation of real and capital investments conducted by Subsidiaries. In December 2017, Enea Wytwarzanie commissioned in Świerże Górne the most modern power unit in Poland. All the issues performed by Enea Wytwarzanie in 2017 were intended to finance the expenses associated with that project.

## Assessment of feasibility of investment plans' implementation

The Company's financial standing creates solid bases for executing investment plans. The balance sheet, equity and cash balance of Enea Group provide strong foundations for financing capital expenditures, both from own resources and from external sources. In order to use its resources efficiently, in their further investment activities (particularly in the area of acquisitions) the Company intends to make use of debt financing so as to attain leverage.

## Programme of subsidiaries' bond issues

### **PLN 3 bn - Bond Issue Programme of 8 September 2012 (Enea Wytwarzanie)**

On 31 December 2017, Enea Wytwarzanie issues under the Programme bonds to the total value of PLN 2 650 m. The Programme's availability expired on 31 December 2017.

### **PLN 1 425 m - Bonds (Enea Operator)**

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

### **PLN 1 bn - Programme Agreement of 17 February 2015 (Enea Wytwarzanie)**

On 17 February 2015, Enea Wytwarzanie, Enea and PKO Banki Polski concluded a Bond Issue Programme for the amount of PLN 760m. On 3 June 2015, an annex to the Agreement was concluded, under which the parties increased the amount of the Programme to PLN 1bn. On 31 March 2017, Enea Wytwarzanie issued as part of the Programme bonds of the total value of PLN 1bn. The programme is fully utilised by Enea Wytwarzanie.

### **PLN 946m - Bond Issue Programme Agreement of 7 July 2015 (Enea Operator)**

The Executive Bond Issue Programme Agreement for the amount of PLN 946m was concluded between Enea as guarantor, Enea Operator as issuer and PKO Bank Polski as agent. Within the agreement, on 28

March 2017 an annex was concluded to extend the availability of the Programme's funds until 29 December 2017. The bond redemption date – in instalments, however not later than within 15 years of the date of issue. The bonds may bear the fixed rate or floating rate interest based on [WIBOR](#) rate plus margin, with the interest rate revision after 4 or 5 years. In January 2017, Enea Operator issued bonds of the value of PLN 250m, and in December 2017 issued bonds of the value of PLN 496m, which means the full utilisation of the Programme by Enea Operator as at 31 December 2017.

#### **PLN 740m - Bond Issue Programme Agreement of 17 November 2014 (Enea Wytwarzanie)**

As at 31 December 2017, Enea Wytwarzanie issued within the Programme bonds of the value of PLN 350m. The bonds will be redeemed on one date in March 2020.

#### **PLN 260m - Programme Agreement of 12 August 2014 (Enea Wytwarzanie)**

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

#### **PLN 360m - Bond Issue Programme Agreement of 18 July 2016 (Enea Operator)**

The Executive Bond Issue Programme Agreement for the amount of PLN 360m was concluded between Enea as guarantor, Enea Operator as issuer and PKO Bank Polski as agent. Under the agreement, Enea Operator may perform a single bond issue. On 28 July 2016, Enea Operator issued bonds of the amount of PLN 360m bearing floating exchange rate [WIBOR](#) 3M rate plus margin. The bonds issued under the Programme were redeemed in December 2017.

#### **PLN 350m - Bond Issue Programme Agreement of 20 September 2017 (Enea Operator)**

The Executive Bond Issue Programme Agreement for the amount of PLN 350m was concluded between Enea as guarantor, Enea Operator as issuer and PKO Bank Polski as agent. Within the agreement, on 28 September Enea Operator issued bonds of the value of PLN 350m bearing floating interest rate [WIBOR](#) 3M plus margin. The bond redemption date is in December 2019.

#### **Other agreements**

In the previous years, Enea SA also concluded inter-group bond issue programme agreements with its subsidiaries, which are intended to finance investments in the segments of [RES](#) and Heat. The programmes are fully utilised and redeemed in instalments. The value of the bonds to be redeemed under these programmes totalled as at 31 December 2017 PLN76.65m.

## **Credit and loan agreements concluded and completed**

As at 31 December 2017, the nominal indebtedness amount resulting from credits taken by Enea SA was PLN 2 303 174 thousand and included credits and loans taken by Enea SA in 2017:

Starting date	Ending date	Lender	Agreement value	Amount of credit taken in 2017 [k PLN]	Interest rate	Credit debt as at 31 Dec 2017 [k PLN]	Repayment period
29 May 2015	31 March 2032	(C) European Investment Bank	946 000	746 000	base rate + margin	946 000	principal instalments calculated upon credit tranche drawing
19 June 2013	31 December 2030	(B) European Investment Bank	1 425 000	0	base rate + margin	1 357 174	principal instalments calculated upon credit tranche drawing
<b>TOTAL</b>						<b>2 303 174</b>	

## Credits and loans taken by the member companies of Enea Group

In December 2015, Enea Wytwarzanie sp. z o.o. signed the agreement of co-financing in the form of a loan from the National Environmental Protection and Water Management Fund (NEPWMF) for the amount of PLN 60 075 thousand for the project entitled "Construction of the FGD plant for boilers K7 and K8 at Białystok Combined Heat and Power Plant". The loan was granted for the period from April 2016 to December 2026 with the interest rate equal to [WIBOR 3M](#) and quarterly repayment instalments. The first drawings took place in June and December 2016 for the total amount of 19 161 kPLN, whereas subsequent drawings took place in April, June, and September 2017. The current debt under the loan is PLN 57 263 thousand. In 2017, Miejska Energetyka Ciepła Piła sp. z o.o. signed three agreements of co-funding in the form of a loan from the Provincial Environment Protection and Water Management Fund (WFOŚiGW) for the total amount of PLN 1 164 60 thousand, of which PLN 964,6 thousand was drawn in August and December. On 16 December 2016, LW Bogdanka SA and mBank SA signed the agreement of overdraft up to the maximum limit of PLN 100 000 thousand. The overdraft may be used until 29 November 2018. The final overdraft repayment day is 30 November 2018. The overdraft interest rate is [WIBOR 1M](#) plus bank margin. As at the balance sheet day, the limit has not been used. In 2017, the member companies of Enea Group did not terminate any credit or loan agreements. As at 31 December 2017, the total nominal amount of debt resulting from credits and loans taken by Enea SA and by the companies from Enea Capital Group was PLN 1 691 795 thousand.

## Loans granted

In 2017, Enea S.A granted the loans of the total value of PLN 42 940 thousand to the member companies of Enea Group. The nominal indebtedness balance as at 31 December 2017 was PLN 183 046 thousand. Detailed information on the loan agreements signed by Enea SA in 2017 and on the degree of their utilisation is presented in the table below:

Starting date	Ending date	Company	Agreement value	Amount of credit taken in 2017 [k PLN]	Interest rate	Credit debt as at 31 Dec 2017 [k PLN]
21 May 2014	31 December 2022	Enea Centrum sp. z o.o.	61 000	0	None	45 750
22 December 2015	30 June 2025	Enea Centrum sp. z o.o.	165 000	30 000	None	120 000
19 January 2015	31 January 2020	Enea Oświetlenie sp. z o.o.	10 000	0	Variable	4 356
23 November 2017	31 January 2018	Elektrownia Ostrołęka SA	10 000	10 000	Fixed	10 000
8 November 2017	6 November 2020	PGE EJ 1 sp. z o.o.	2 940	2 940	Fixed	2 940
TOTAL			248 940	42 940		183 046

## Suretyships granted and received

In 2017, the companies from Enea Group did not grant any suretyships or guarantees of the value equivalent to at least 10% of Enea SA equity. In 2017, Enea S.A. did not grant any new corporate suretyships or guarantees. As regards the agreements signed before, in several cases the effective dates and amounts of suretyships granted were modified by way of amendment agreements. As at 31 December 2017, the total value of the off-balance sheet items on account of suretyships granted was PLN 127 404.15 thousand.

## Guarantees granted and received

As at 31 December 2017, the total value of the off-balance sheet items on account of guarantees granted was PLN 117 706.82 thousand. In 2017, guarantees were issued upon the order of Enea SA for the total value of PLN 61 880.78 thousand. The table below presents the information on the largest guarantee amounts granted in 2017 (relevance threshold > PLN 1m):

<b>Security granting date</b>	<b>Security validity date</b>	<b>Secured entity</b>	<b>Purpose of the agreement</b>	<b>Security form</b>	<b>Security amount granted [k PLN]</b>
7 July 2017	11 August 2018	Polskie Sieci Elektroenergetyczne SA	due contract performance	under the guarantee line in the amount of PLN 350 000 000	15 000.00
20 December 2017	11 August 2018	Izba Rozliczeniowa Giełd Towarowych SA	deposit-making	under the guarantee line in the amount of PLN 350 000 000	30 000.00
12 December 2017	11 August 2018	ENEA Operator sp. z o.o.	due contract performance	under the guarantee line in the amount of PLN 350 000 000	1 079.94