



ENERGA SA

**Condensed Interim Financial Statements
prepared in accordance with IAS 34
for the six months period ended 30 June 2013**

ENERGA SA

Condensed Interim Financial Statements
as at and for the six months period ended 30 June 2013 (in PLN)

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CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

	Six-month period ended 30 June 2013 (unaudited)	Six-month period ended 30 June 2012 (unaudited) (restated)
Continuing operations		
Sales of services	28 600 987,70	21 686 779,14
Rental income	676 509,88	1 427 942,78
Revenue	29 277 497,58	23 114 721,92
Cost of sales	25 929 341,00	20 970 258,01
Gross profit	3 348 156,58	2 144 463,91
Other operating income	4 473 305,61	4 114 772,54
General and administrative expenses	45 847 878,03	38 161 417,50
Other operating expenses	2 803 425,95	1 066 947,82
Financial income	815 183 133,51	892 618 695,48
Financial costs	207 410 109,58	78 844 349,92
Profit before tax	566 943 182,14	780 805 216,69
Income tax	4 912 170,22	(5 299 737,70)
Net profit on continuing operations	562 031 011,92	786 104 954,39
Discontinued operations and assets classified as held for sale		
Net profit on disposal of assets classified as held for sale	-	15 198 274,34
Net profit for the period	562 031 011,92	801 303 228,73

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Six-month period ended 30 June 2013 (unaudited)	Six-month period ended 30 June 2012 (unaudited) (restated)
Net profit for the period	562 031 011,92	801 303 228,73
<i>Items that are or may be reclassified subsequently to profit or loss</i>	24 471 923,55	-
Cash flow hedges	30 212 251,55	-
Income tax on items that are or may be reclassified subsequently to profit and loss	(5 740 328,00)	-
Net other comprehensive income	24 471 923,55	-
Total comprehensive income	586 502 935,47	801 303 228,73

Director of Other Companies
Service Department
ENERGA Centrum Usług
Wspólnych Sp. z o.o.

Ewa Banaszek

(date and signature)
23. 08. 2013

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Artur Chmura

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Condensed Interim Financial Statements
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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As at 30 June 2013 (unaudited)	As at 31 December 2012
ASSETS		
Non-current assets		
Property, plant and equipment	7 795 253,42	7 256 296,79
Investment properties	11 385 727,54	11 736 140,62
Intangible assets	29 793 695,61	26 986 742,90
Investments in subsidiaries and associates at cost	5 985 605 188,60	5 953 106 101,19
Other investments	-	550 990,00
Bonds	4 129 042 928,40	3 147 729 794,87
Finance lease receivables	24 564 965,81	28 114 557,21
Other financial assets	197 018 913,05	133 165 221,41
Deferred tax assets	-	10 652 498,22
Hedging derivatives	84 491 910,83	-
Other non-current assets	28 277 967,80	21 713 630,81
	10 497 976 551,06	9 341 011 974,02
Current assets		
Inventories	440 739,52	496 103,77
Current tax receivables	-	1 379 915,00
Trade receivables and other financial receivables	21 300 225,40	22 600 154,06
Other investments	1 000 000,00	11 119 000,00
Bonds	276 156 883,44	232 940 808,43
Other financial assets	1 255 000,00	-
Cash and cash equivalents	1 069 137 739,46	688 261 373,32
Other current assets	36 639 737,26	67 628 426,67
	1 405 930 325,08	1 024 425 781,25
Assets classified as held for sale	20 805 111,40	-
TOTAL ASSETS	11 924 711 987,54	10 365 437 755,27

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Condensed Interim Financial Statements
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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 30 June 2013 (unaudited)	As at 31 December 2012
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	4 968 805 368,00	4 968 805 368,00
Reserve capital	521 490 425,42	471 235 040,86
Cash flow hedge reserve	24 471 923,55	-
Retained earnings	606 127 364,64	591 232 274,08
Total equity	6 120 895 081,61	6 031 272 682,94
Non-current liabilities		
Loans and borrowings	4 021 554 670,48	2 000 547 056,48
Bonds issued	1 062 807 631,87	1 079 219 213,53
Non-current provisions	882 643,00	908 370,00
Deferred income and non-current government grants	65 015 903,39	67 974 842,03
	5 150 260 848,74	3 148 649 482,04
Current liabilities		
Trade and other financial liabilities	14 880 270,14	23 911 169,85
Current loans and borrowings	276 354 742,85	349 490 913,13
Bonds issued	13 306 456,84	580 212 136,99
Deferred income and government grants	8 252 210,92	8 611 438,90
Accruals	4 629 588,93	4 352 518,23
Provisions	31 848,00	161 659,00
Other current liabilities	336 100 939,51	218 775 754,19
	653 556 057,19	1 185 515 590,29
Total liabilities	5 803 816 905,93	4 334 165 072,33
TOTAL EQUITY AND LIABILITIES	11 924 711 987,54	10 365 437 755,27

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Condensed Interim Financial Statements
as at and for the six months period ended 30 June 2013 (in PLN)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Cash flow hedge reserve	Retained earnings	Total equity
As at 1 January 2013:	4 968 805 368,00	471 235 040,86	-	591 232 274,08	6 031 272 682,94
Cash flow hedges	-	-	24 471 923,55	-	24 471 923,55
Net profit for the period	-	-	-	562 031 011,92	562 031 011,92
Total comprehensive income for the period	-	-	24 471 923,55	562 031 011,92	586 502 935,47
Retained earnings distribution	-	50 255 384,56	-	(50 255 384,56)	-
Dividends	-	-	-	(496 880 536,80)	(496 880 536,80)
As at 30 June 2013 (unaudited)	4 968 805 368,00	521 490 425,42	24 471 923,55	606 127 364,64	6 120 895 081,61

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Condensed Interim Financial Statements
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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Reserve capital	Cash flow hedge reserve	Retained earnings	Total equity
As at 01 January 2012:	4 968 805 368,00	362 500 154,89	-	798 775 936,53	6 130 081 459,42
Net profit for the period	-	-	-	801 303 228,73	801 303 228,73
Total comprehensive income for the period	-	-	-	801 303 228,73	801 303 228,73
Retained earnings distribution	-	108 734 885,97	-	(108 734 885,97)	-
Dividends	-	-	-	(645 944 697,84)	(645 944 697,84)
As at 30 June 2012 (unaudited, restated)	4 968 805 368,00	471 235 040,86	-	845 399 581,45	6 285 439 990,31

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CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Six-month period 30 June 2013 (unaudited)	Six-month period ended 30 June 2012 (unaudited) (restated)
Cash flows from operating activities		
Profit before tax	566 943 182,14	780 805 216,69
Profit before tax on disposal of assets classified as held for sale	-	15 198 274,34
Adjustments by items:	(594 673 162,57)	(871 075 733,38)
Foreign currency gains/(losses)	8 822 905,55	-
Amortisation and depreciation	3 310 043,02	3 254 942,58
Net interest and dividends	(658 428 519,65)	(860 591 030,68)
(Profit)/loss on investing activities	62 632 661,72	(16 269 773,52)
Change in receivables	5 261 203,80	4 837 118,58
Change in inventories	55 364,25	(63 634,67)
Change in payables excluding loans and borrowings	(9 965 603,87)	4 779 174,32
Change in prepayments and accruals	(12 869 919,11)	(7 274 914,22)
Change in provisions	(155 538,00)	252 384,23
Other	6 664 239,72	-
Income tax paid	(1 379 915,00)	800 452,00
Net cash from operating activities	(29 109 895,43)	(74 271 790,35)
Cash flows from investing activities		
Disposal of property, plant and equipment and intangible assets	19 909,46	-
Purchases of property, plant and equipment and intangible assets	9 948 331,66	17 821 363,59
Disposal of other investments	155 363 125,00	22 732 360,00
Acquisition of other investments	1 206 310 455,83	341 427 553,19
Dividends received	686 887 669,32	295 124 623,85
Interest received	99 230 933,37	68 312 958,37
Other	(9 826 445,05)	7 621 496,21
Net cash from investing activities	(284 583 595,39)	34 542 521,65

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CONDENSED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

	Six-month period 30 June 2013 (unaudited)	Six-month period 30 June 2012 (unaudited) (restated)
Cash flows from financing activities		
Repurchase of bonds issued	580 000 000,00	-
Proceeds from loans and borrowings	2 080 764 000,00	205 200 000,00
Repayment of loans and borrowings	238 010 357,88	-
Dividends paid	479 066 560,15	-
Interest paid	95 095 573,29	63 738 875,43
Other	(158 377,19)	(3 866 489,99)
Net cash from financing activities	688 433 131,49	137 594 634,58
Net increase/(decrease) in cash and cash equivalents	374 739 640,67	97 865 365,88
Cash and cash equivalents at the beginning of the period	677 572 509,57	124 267 146,97
Cash and cash equivalents at the end of the period	1 052 312 150,24	222 132 512,85

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ACCOUNTING PRINCIPLES (POLICIES) AND NOTES TO THE FINANCIAL STATEMENTS

1. General Information

These condensed interim financial statements of ENERGA SA cover the period from 1 January to 30 June 2013 and includes comparative information for the year ended 31 December 2012 for the condensed interim statement of financial position and for the period from 1 January to 30 June 2012 for the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity.

ENERGA SA is entered in the Register of Entrepreneurs of the National Court Register held by the District Court Gdańsk-Północ, 7th Commercial Division of the National Court Register under the number KRS 0000271591.

The entity's statistical number is REGON 220353024.

Holding activities are the principal purpose of the Company.

As at 30 June 2013, the Polish State Treasury is the Company's parent and ultimate controlling party.

2. Basis for preparation of the financial statements

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

These condensed interim financial statements are presented in zloty ("PLN"), and all amounts are stated in PLN, unless otherwise indicated.

These condensed interim financial statements have been prepared based on the assumption that the Company would continue as a going concern in the foreseeable future.

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

2.1. Statement of compliance

These condensed interim financial statements of ENERGA SA have been prepared in accordance with the International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the year ended 31 December 2012.

2.2. Functional and presentation currency

The Company's functional currency and the reporting currency of these financial statements is the Polish zloty.

3. Estimates

During the periods covered by these condensed interim financial statements no changes in the methods used in determining substantial estimates occurred. Changes of estimates resulted from events that occurred during the reporting periods.

The preparation of the condensed interim financial statements in accordance with the International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union ("EU") requires the Management Board to adopt certain assumptions and estimates that affect the application of accounting policies and the amounts reported in these condensed interim financial statements and notes thereto. The assumptions and estimates are based on the Management Board's best knowledge of current and future activities and events. However actual results may differ from those anticipated. After December 31, 2012 there were no significant events that would result in the estimates as at December 31, 2012 being inappropriate or distorted.

4. New standards and interpretations already published, but not yet effective

The following standards and interpretations were already published by the International Accounting Standards Board or the International Financial Reporting Interpretation Committee but have not yet become effective until the date of these financial statements (as not adopted by the EU):

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015),
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" - mandatory effective date and transitional provisions (effective for annual periods beginning on or after 1 January 2015),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - investment entities (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of assets" | Statements", IFRS 12 "Disclosure of Interests in Other Entitie assets (effective for annual periods beginning on or after 1 January 2014),
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" (effective for annual periods beginning on or after 1 January 2014).

In preparing these financial statements ENERGA SA did not apply the following standards, amendments to standards and interpretations that were published and adopted by the EU but did not yet become effective:

- IFRS 10 "Consolidated Financial Statements", endorsed by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosure of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" - Transition Guidance as adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014).

The Management Board believes that the introduction of the above-mentioned standards and interpretations will not have any substantial impact on the accounting policies applied by the Company, except for the following:

- The first phase of IFRS 9 will affect the classification and measurement of the Company's financial assets. The Company will assess this impact in combination with other phases, when published, to present a coherent assessment,
- IFRS 10 which may have an impact on the scope of consolidation.

5. Significant accounting principles

In preparing these condensed interim financial statements the same generally accepted accounting principles were applied as the ones used in preparing the annual financial statements for the year ended 31 December 2012, except for amendments to standards and interpretations adopted by the EU which are effective for accounting periods beginning on or after 1 January 2013. The Company also adopted the accounting of cash flow hedges.

5.1. Amendments to standards and interpretations adopted by the EU which apply for reporting periods beginning after 1 January 2013

For annual periods beginning on or after 1 January 2013, the following new standards and interpretations adopted by the EU became effective and the Company took them into account in the preparation of these condensed interim financial statements:

- Amendments to IAS 1 "Presentation of Financial Statements" - Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" - Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),

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- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The application of these changes had no effect on the financial position or operating results of the Company, or on the scope of information presented in these condensed interim financial statements of the Company.

ENERGA SA has not early adopted any standard, interpretation or amendment that was issued but is not effective.

5.2. Hedge accounting

Hedging derivatives and hedge accounting

The Company has implemented the cash flow hedge accounting in order to eliminate accounting mismatches resulting from derivative-based hedges of future cash flows under contracted foreign currency loans.

The Company may decide to designate selected derivatives as hedges under cash flow hedge accounting under any identified hedge relationship. The Company allows the use of cash flow hedge accounting only if certain criteria as referred to in IAS 39 are met, i.e.:

- At the inception of the hedge the Company formally designates and documents the hedging relationship and the risk management objective as well as strategy for undertaking the hedge. The documentation includes the identification of the hedge instrument, the hedged position, the nature of risk and the method for a current assessment of the effectiveness of the hedge in offsetting the risk of changes in cash flows associated with the hedged risk;
- The hedge is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- The forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;
- The effectiveness of the hedge can be reliably assessed, i.e. cash flows related to the hedged position resulting from the hedged risk and the fair value of the hedge can be reliably determined;
- The hedge is assessed on an ongoing basis and determined to have been highly effective throughout the reporting periods for which the hedge was designated.

Applicable accounting principles for derivatives designated as hedges under cash flow hedge accounting

Changes in the fair valuation of derivative financial instruments designated as cash flow hedges are reported to the revaluation reserve in a proportion thereof that is an effective hedge, whereas any ineffective portion of the hedge is recognised to the income statement

The amounts of the cumulative fair value revaluations to the hedge, previously recognised in the revaluation reserve, are recognised to the income statement in the period or periods when the hedged position affects the income statement.

The Company ceases to use the cash flow hedge accounting principles in the event of one or more of the following events:

- The hedging instrument expires or is sold, terminated or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy). In this case, the cumulative gain or loss on the hedging instrument that remains recognised directly in equity from the period when the hedge was effective remains separately recognised in equity until the forecast transaction occurs;
- The hedge no longer meets the hedge accounting criteria. In this case, the cumulative gain or loss on the hedging instrument that remains recognised directly in equity from the period when the hedge was effective remains separately recognised in equity until the forecast transaction occurs;
- The forecast transaction is no longer expected to occur, in which case any related cumulative gain or loss on the hedging instrument that remains recognised directly in equity from the period when the hedge was effective is recognised in profit or loss. The forecast transaction which ceases to be highly likely, may still be expected;
- The Company cancels any hedging relationship. For hedges of forecast transactions, the cumulative gain or loss on the hedging instrument that remains recognised directly in equity from the period when the hedge was effective remains separately recognised in equity until the forecast transaction occurs or is no longer expected to occur. If the transaction is no longer expected to occur, the cumulative gain or loss that was recognised directly in equity is recognised in profit or loss.

Presentation

In connection with the use of cash flow hedge accounting, the Company applies the following presentation:

- the effective portion of any change in the valuation of CCIRS hedges is recognised in the revaluation reserve,
- interest on CCIRS hedges is presented in the same line of the income statement in which the interest result on the hedged position is presented,
- any revaluation of CCIRS hedges is presented in the same line of the income statement in which the revaluation of the hedged position is presented,
- the ineffective portion of changes in the valuation of hedges recognised in to the result on financial instruments held for trading.

6. Explanations regarding the seasonality or cyclicity of the operations in the period under review

Due to the nature of holding activities, the Company's financial revenues show significant variations in the course of the year depending on dates of resolutions on the payment of dividends unless such resolutions provide for other dividend record dates.

The financial result for the first half of 2013 includes all dividends due to ENERGA SA from its subsidiaries for the year 2012.

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7. Property, plant and equipment and intangible assets

In the current reporting period, the Company:

- incurred capital expenditures on the property, plant and equipment in the amount of PLN 1,162,779.65 and the intangible assets (including assets not yet commissioned) in the amount of PLN 6,176,742.15,
- made available under the respective lease agreement as the lessor intangible assets with the value of PLN 670,000.00.

8. Cash and cash equivalents

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

	As at 30 June 2013 (unaudited)	As at 30 June 2012 (unaudited)
Cash at bank and in hand	216 143 077,69	3 970 891,18
Short-term deposits up to 3 months	219 692 410,97	23 633,94
Participation units in Energa liquidity funds	633 302 250,80	255 863 217,60
Total cash and cash equivalents presented in the statement of financial position, including:	1 069 137 739,46	259 857 742,72
Unrealised exchange rate differences and interest	(16 825 589,22)	(37 725 229,87)
Total cash and cash equivalents presented in the statement of cash flows	1 052 312 150,24	222 132 512,85

9. Assets classified as held for sale

As at 30 June 2013 the value of assets classified as held for sale amounted to PLN 20,805,111.40, including the carrying value of shares in Oświetlenie Uliczne i Drogowe amounted to PLN 20,500,111.40.

Oświetlenie Uliczne i Drogowe Sp. z o.o. (OUID) submitted a proposal to repurchase its shares held by ENERGA SA for purposes of their redemption. Price negotiations are closed and drafts of resolutions of the Ordinary General Meeting and of the share purchase agreement have been agreed. On 26 June 2013 during the Ordinary General Meeting of OUID resolutions authorizing purchases against payment of its own shares from ENERGA SA for purposes of their further redemption were adopted. Such resolutions pave the way for an effective sale of OUID shares by ENERGA SA. The a/m shares are expected to be sold in the fourth quarter of 2013.

10. Dividend

	Six-month period ended 30 June 2013 (unaudited)	Six-month period ended 30 June 2012 (unaudited)
Declared and paid during the period		
dividend declared for payment	496 880 536,80	645 944 697,84
dividend paid	479 066 560,15	-
Number of ordinary shares at the end of the financial period	4 968 805 368	4 968 805 368
Dividend per share paid in the period	0,10	-

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11. Provisions

ENERGA SA establishes provisions for post-employment benefits and jubilee bonuses in amounts calculated using actuarial methods. The amount of provisions recognised in these financial statements derives from the projection of provisions as at 30 June 2013, carried out by an independent actuary. The projection was based on the previously calculated amounts of provisions as at 31 December 2012 and based on the main assumptions used as at that date.

	Post-employment benefits	Jubilee bonuses	TOTAL
As at 1 January 2013:	365 753,00	704 276,00	1 070 029,00
Current service cost	(64 520,00)	18 398,00	(46 122,00)
Benefits paid	(819,00)	(129 409,00)	(130 228,00)
Interest cost	6 749,00	14 063,00	20 812,00
As at 30 June 2013 (unaudited)	307 163,00	607 328,00	914 491,00
Short-term as at 30 June 2013 (unaudited)	29 647,00	2 201,00	31 848,00
Long-term as at 30 June 2013 (unaudited)	277 516,00	605 127,00	882 643,00

12. Investment commitments

On 24 June 2013 ENERGA SA signed an agreement with Infovide-Matrix S.A. for the development and implementation of sales support system including billing and customer relationship management systems (CRM, *Customer Relationship Management*) in ENERGA Group and for the provision of warranty and maintenance services for the system. Under that agreement, the Company is required to incur the following expenditures for the property, plant and equipment and intangible assets for the total amounts of PLN 5,494,429.00 and PLN 63,197,110.00 - respectively.

ENERGA SA and ENERGA – OPERATOR SA entered into agreements in various forms of financing the investment processes. Commitments arising from these agreements are described in Note 17.

On 25 February 2009 ENERGA SA and ENERGA Elektrownie Ostrołęka SA jointly became a strategic investor in Ostrołęckie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. The acquired shares account for 99.88% of the share capital of OPEC Sp. z o.o. The value of shares owned by ENERGA SA reached 29.7% of the share capital. The agreement provides for implementation of an investment program for the development of district heating in the area of the city of Ostrołęka. ENERGA SA and ENERGA Elektrownie Ostrołęka SA undertook to invest at least PLN 320 m in the development of the distribution grid and in heat energy generation within 10 years. By 30 June 2013, total expenditures for the development of the distribution network and the production of heat energy in Ostrołęka amounted to PLN 88.2 m.

13. Related party transactions

Transactions with related entities are made based on market prices of goods, products or services delivered resulting from their manufacturing costs.

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13.1. Transactions with members of Management Boards and Supervisory Boards

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

The amount of remunerations paid to the members of the Management Board and the Supervisory Board of ENERGA SA for the first half of 2013 was PLN 2,099,910.98 (respectively in the first half of 2012 PLN 413,266.45).

13.2. Transactions involving State Treasury companies

As at	Receivables	Liabilities
30 June 2013 (unaudited)	-	35 983,60
31 December 2012	-	-
Period	Sales	Purchases
Six-month period ended 30 June 2013 (unaudited)	-	213 643,17
Six-month period ended 30 June 2012 (unaudited)	-	149 029,02

13.3. Transactions with related parties

Subsidiaries	Six-month period ended	Six-month period ended
	30 June 2013 (unaudited)	30 June 2012 (unaudited, restated)
Net revenues from sale of products, goods and materials	28 614 739,01	22 483 056,43
Costs of purchase	10 230 591,08	4 405 289,09
Other operating income	1 202 909,46	250 000,00
Other operating expenses	525,21	-
Financial income	778 763 716,52	896 099 697,66
Financial costs	27 008 386,73	678 776,59
	As at	As at
	30 June 2013 (unaudited)	31 December 2012
Long-term receivables	24 564 965,81	28 114 557,21
Trade receivables due within 12 months	12 197 989,23	13 763 387,21
Other receivables	24 593 246,44	54 470 454,84
Non-current liabilities	2 160 270 800,00	-
Current liabilities	2 737 187,22	2 933 240,64
Other liabilities	336 033 799,82	788 842 507,54
Associates	Six-month period ended	Six-month period ended
	30 June 2013 (unaudited)	30 June 2012 (unaudited, restated)
Costs of purchase	2 244 823,94	1 217 151,80
	As at	As at
	30 June 2013 (unaudited)	31 December 2012
Short-term trade liabilities due within 12 months	290 803,99	775,30

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Other entities	Six-month period ended 30 June 2013 (unaudited)	Six-month period ended 30 June 2012 (unaudited, restated)
Net revenues from sale of products, goods and materials	170,00	68,00
	As at 30 June 2013 (unaudited)	As at 31 December 2012
Trade receivables due within 12 months	41,82	41,82

14. Financial Instruments

14.1. Carrying value of financial instruments by category and class

	As at 30 June 2013 (unaudited)	As at 31 December 2012
<i>Classes of financial instruments</i>		
Shares and holdings	305 000,00	2 139 990,00
Bonds, treasury bills and other debt instruments	4 405 199 811,84	3 380 670 603,30
Trade and other receivables	13 753 222,15	13 818 678,13
Cash and cash equivalents, including:	1 069 137 739,46	688 261 373,32
Units of participation in the ENERGA Trading SFIO fund	633 302 250,80	436 336 466,39
Capital contributions	197 018 913,05	133 165 221,41
Receivables from sale of property, plant & equipment and intangible assets	245 469,49	245 661,22
Receivables from the sale of shares and holdings	-	45 930 000,00
Lease receivables	33 121 499,57	36 650 371,92
Hedging derivatives (assets)	84 491 910,83	-
Total assets	5 803 273 566,39	4 300 881 899,30
Loans and borrowings	4 297 909 413,33	2 350 037 969,61
Bonds issued	1 076 114 088,71	1 659 431 350,52
Trade and other payables	11 194 016,42	17 614 267,15
Liabilities from the purchase of shares	267 700 600,00	216 135 300,00
Other financial liabilities	52 744 739,12	1 009 178,47
Liabilities from purchase of property, plant & equipment and intangible assets	3 686 253,72	6 296 902,70
Total liabilities	5 709 349 111,30	4 250 524 968,45
<i>Categories of financial instruments</i>		
Financial assets measured at fair value through profit or loss	1 069 442 739,46	690 401 363,32
Hedge derivatives	84 491 910,83	-
Investments held to maturity	4 405 199 811,84	3 380 670 603,30
Loans and receivables	244 139 104,26	229 809 932,68
Total assets	5 803 273 566,39	4 300 881 899,30
Financial liabilities measured at amortised cost	5 709 349 111,30	4 250 524 968,45
Total liabilities	5 709 349 111,30	4 250 524 968,45

14.2. Fair value of financial instruments

The book value of the following financial assets and liabilities:

- investments held-to-maturity, based on variable interest rates,
- financial assets measured at fair value through profit or loss,
- hedge derivatives,
- loans granted, receivables and other financial liabilities,

is a reasonable approximation of their fair value.

For non-listed shares and debt securities there is no active market, nor is it possible to apply to them any other valuation techniques providing reasonable output values, therefore the Company is not able to determine the range of their possible fair values. These assets are measured at cost less impairment losses.

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

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

Title	As at 30 June 2013 (unaudited)		
	Level 1	Level 2	Level 3
Assets			
Units of participation in the ENERGA Trading SFIO fund	-	633 302 250,80	-
Hedging derivatives (CCIRS)	-	84 491 910,83	-

The value of participation units in the ENERGA Trading SFIO fund is measured as the product of their quantity and the value of a single participation unit. Measurement is made by the fund management company in accordance with the Act on investment funds of 27 May 2004.

Cross Currency Interest Rate Swaps (CCIRSs) are measured at fair value by discounting future cash flows separately for each currency. Interest rates for each currency and basis spread used in discounting are obtained from Bloomberg.

During the reporting period no significant changes in the financial risk management policy were introduced except for hedge accounting, as described in note 5.

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14.3. List of companies in which the entity holds at least 20% of the share capital or of the total number of votes in governing bodies together with the percentage of share capital and the percentage of participation in the management

No.	Company name	Registered office	The company's share capital [PLN]	Share of ENERGA SA in the share capital (%)	Share of ENERGA SA in the total number of votes (%)	Share of ENERGA SA in the management (%)
1	ENERGA-OPERATOR SA*	Gdańsk	4 456 343 604,61	99,80	99,80	99,80
2	ENERGA Elektrownie Ostrołęka SA	Ostrołęka	411 737 869,11	89,38	89,38	89,38
3	ENERGA Kogeneracja Sp. z o.o.	Elbląg	105 623 485,75	78,00	78,00	100,00
4	ENERGA - OBRÓT SA	Gdańsk	323 331 701,80	100,00	100,00	100,00
5	ENERGA Invest SA	Gdańsk	26 139 184,40	100,00	100,00	100,00
6	ENERGA Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	4 342 467,46	100,00	100,00	100,00
7	ENERGA Hydro Sp. z o.o.	Straszyn	169 027 507,64	100,00	100,00	100,00
8	Międzynarodowe Centrum Szkolenia Energetyki Sp. z o.o. in liquidation	Straszyn	6 643 747,55	100,00	100,00	100,00
9	ZEP - MOT Sp. z o.o.	Płock	0,00	100,00	100,00	100,00
10	KONGRES Sp. z o.o. in liquidation	Nowe Rumunki	493 121,72	100,00	100,00	100,00
11	Energa Innowacje Sp. z o.o.	Gdańsk	5 002 000,00	50,01	50,01	100,00
12	Ekologiczne Materiały Grzewcze Sp. z o.o.	Gdańsk	16 802 181,90	100,00	100,00	100,00
13	Elektrownia Ostrołęka SA	Ostrołęka	268 119 559,77	100,00	100,00	100,00
14	ENERGA Informatyka i Technologie Sp. z o.o.	Gdańsk	32 415 700,00	100,00	100,00	100,00
15	ENERGA Finance AB	Stockholm	86 215 053,00	100,00	100,00	100,00
16	Breva Sp. z o.o.	Szczecin	26 151 947,85	100,00	100,00	100,00
17	Elektrownia CCGT Gdańsk Sp. z o.o.	Gdańsk	19 600 385,52	100,00	100,00	100,00
18	Elektrownia CCGT Grudziądz Sp. z o.o.	Grudziądz	18 100 385,52	100,00	100,00	100,00
19	AEGR 5 Sp. z o.o.	Gdańsk	7 500 000,00	99,34	99,34	100,00
20	SOEN Sp. z o.o.	Grudziądz	1 000 000,00	48,50	48,50	48,50
21	Oświetlenie Uliczne i Drogowe Sp. z o.o.	Kalisz	20 500 111,40	42,20	42,20	42,20
22	RGK Sp. z o.o.	Gdańsk	0,00	100,00	100,00	100,00

* following the completion of the compulsory purchase procedures for the shares in ENERGA – OPERATOR SA from minority shareholders, in July 2013 ENERGA SA became the sole shareholder of the company

The participation of Energa SA in the management differs from Energa SA share in the total number of votes as ENERGA SA manages companies through shares and holdings in subsidiaries of ENERGA SA Group. The above list does not include companies where ENERGA SA share in their share capital is less than 20% so it does not take into account shares with the total carrying amount of PLN 2,320,285.00.

Shares in subsidiaries and associates are valued in accordance with IAS 27 at purchase price.

The value of shares and holdings indicated in the above table is the value at purchase price less impairment.

The total amount of impairment write-downs on shares and holdings as at 30 June 2013 is PLN 260,085,074.04.. The impairment values by company were presented in Note 14.4

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14.4. Write-downs of financial assets

Impairment write-downs of shares and holdings	As at 1 January 2013	Raise	Use	Release	Reclassification	As at 30 June 2013
Międzynarodowe Centrum Szkolenia Energetyki Sp. z o.o. in liquidation	22 775 258,93	-	-	-	-	22 775 258,93
ZEp-MOT Sp. z o.o.	5 657 861,44	2 023 500,00	-	-	-	7 681 361,44
Energa BIO Sp. z o.o.	9 054 906,19	-	-	(9 054 906,19)	-	-
Energa Informalyka i Technologie Sp. z o.o.	4 813 132,76	-	-	-	-	4 813 132,76
RGK Sp. z o.o.	-	654 390,00	-	-	-	654 390,00
ENERGA Elektrownie Ostrołęka SA	-	72 330 000,00	-	-	-	72 330 000,00
Elektrownia Ostrołęka SA	126 980 620,23	-	-	-	-	126 980 620,23
Chłodnia Olsztyn Sp. z o.o.	509 243,02	-	(410 843,02)	(98 400,00)	-	-
SOEN sp. z o.o.	3 036 887,13	-	-	-	-	3 036 887,13
Oświecenie Uliczne i Drogowe Sp. z o.o.	31 666 555,21	-	-	(11 970 111,40)	-	19 696 443,81
Biuro Handlowo Usługowe SA	1 192 979,74	924 000,00	-	-	-	2 116 979,74
SIDEN Sp. z o.o.	739 054,44	-	-	(739 054,44)	-	-
Total impairment write-downs of shares and holdings	206 426 499,09	75 931 890,00	(410 843,02)	(21 862 472,03)	-	260 085 074,04

Impairment write-downs of capital contributions	As at 1 January 2013	Raise	As at 30 June 2013
RGK Sp. z o.o.	18 334 778,59	7 039 027,84	25 373 806,43
ZEP-MOT Sp. z o.o.	-	3 782 600,00	3 782 600,00
Total impairment write-downs of capital contributions	18 334 778,59	10 821 627,84	29 156 406,43

The impairment test of shares of ENERGA Elektrownie Ostrołęka SA

In view of the evidence found in relation to the subsidiary ENERGA Elektrownie Ostrołęka SA which may result in the decrease of the value of the company's shares, impairment test was carried out as at 31 March 2013.

The test for impairment was performed taking into account among others the following assumptions:

- paths for electricity prices for the period 2013-2020, taking into account, among others, fuel costs, costs of CO2 allowances and the impact of the balance of demand and supply of electricity in the market, paths for prices of certificates of origin, on the basis of latest available report prepared by an independent agency for the Polish market as at 31 December 2012,
- CO2 emission limits for the period 2013-2020 as reported in the Polish government's derogation statement sent to the European Commission,
- volumes of production from renewable energy sources and combined heat and power sources resulting from production capacities,
- maintaining the production capacities of the existing fixed assets following replacement investments.

The test was performed using the income method, determining the value in use based on the discounted value of estimated cash flows from operating activities. The calculations were carried out based on the summarised financial projections for the period from 1 April 2013 to 31 December 2017 and the residual value.

For the purposes of the calculations, the discount rate equal to the weighted average cost of capital (WACC) at 8.45% before taxes taking into account the risk-free rate (based on the yield on 10-year Treasury bonds - at 3.9%) and the risk premium for the relevant activities of the energy sector (5.5 %) were applied. The growth rate used to extrapolate cash flow projections beyond the period covered by the detailed planning was adopted at the level of 2.0% which does not exceed the average long-term inflation growth rates in Poland.

Macroeconomic and sectoral assumptions adopted for the projections are updated as often as indications requiring their change are observed on the market.

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The performed sensitivity analyses show that the most important factor affecting the estimate of the value in use of cash generating units are projected wholesale electricity prices and fuel prices.

As a result of the tests carried out on 31 March 2013, an impairment write-down of the shares in ENERGA Elektrownie Ostrołęka SA was made in the amount of PLN 72,330,000.

As at 30 June 2013 the test for impairment of shares in ENERGA Elektrownie Ostrołęka SA was performed again, using the income method, based on the summarised financial projections for the period 2013-2018 and VII and the residual value.

The test was reperformed due to significant changes in forecasted paths for electricity prices, certificates of origin and CO2 allowances, according to the report prepared by an independent agency for the Polish market as at 31 July 2013. The test was carried out based on operational assumptions prepared by the company as at 30 June 2013 and updated price paths. For the purpose of the calculations, the discount rate equal to the weighted average cost of capital (WACC) at 9.73% before tax was applied. Other assumptions remained unchanged as compared with those applied for the purpose of the test performed as at 31 March 2013.

Based on the results of the test no additional impairment write-off was required.

In case of significant changes in market conditions there is a risk that test results will be different in the future.

Equity investments in other companies

As a result of the merger of Energa BIO Sp. z o.o. and Energa Hydro Sp. z o.o, which was registered on 3 April 2013, there was any reason for impairment of the shares in Energa BIO Sp. z o.o. held by ENERGA SA. Therefore, the company released impairment write-down of the shares in the amount of PLN 9,054,906.19

On 30 June 2013 ENERGA SA recognized an additional impairment write-down for the total amount of PLN 7,693,417.84, including the one on the shares held in RGK Sp. z o.o. PLN 654,390.00 and the capital contributions in that company in the amount of PLN 7,039,027.84. As at 30 June 2013, the carrying amount of the capital contributions to RGK Sp. z o.o. was PLN 28,365,221.41 while shares in RGK Sp. z o.o. were fully covered by an impairment write-down.

Moreover, the Company recognized also an impairment of shares in BHU SA, in which ENERGA SA holds 7.38% of the shares. The remaining nearly 93% of shares belong to ENEA SA. The sale strategy for shares in BHU SA assumes an inquiry to main shareholder, which resulting in an offer for the purchase of shares in the amount of PLN 305,000. In these circumstances, the impairment write-down was recognized in the amount of PLN 924,000.

In 2013 ENERGA SA started activities aimed at the entire disposal of operations of ZEP-MOT Sp. z o.o. outside ENERGA SA Group. On the way to this goal it was prepared the concept of further proceedings, the valuation of the company and the various organized part of the enterprise planned for eventual disposal. As a result an additional impairment write-down was recognised in the amount of PLN 5,806,100.00, concerning shares (PLN 2,023,500) and capital contribution (PLN 3,782,600).

In addition Oświetlenie Uliczne i Drogowe Sp. z o.o. (OUI) submitted a proposal for repurchase of its shares held by ENERGA SA for purposes of their redemption, as described in Note 9.

A consideration agreed for the repurchase of the shares exceeded significantly their carrying amount in the accounting books of ENERGA SA. As a result a part of the impairment write-down of the shares in OUI was released to the level permitting to balance the carrying amount of those shares with their sale price. This resulted in a recognition of the financial revenues of PLN 11,970,111.40.

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14.5. Investments held to maturity

The Company categorizes any purchased bonds as investments held to maturity. Purchased bonds by issuer are shown in the table below:

	As at 30 June 2013 (unaudited)	As at 31 December 2012
ENERGA-OPERATOR SA	2 964 355 107,69	3 057 280 118,64
ENERGA Hydro Sp. z o.o.	1 185 411 924,96	89 567 222,99
ENERGA Elektrownie Ostrołęka SA	133 269 018,90	99 136 178,82
ENERGA Kogeneracja Sp. z o.o.	122 163 760,29	134 687 082,85
Total, including:	4 405 199 811,84	3 380 670 603,30
Long-term	4 129 042 928,40	3 147 729 794,87
Short-term	276 156 883,44	232 940 808,43

14.6. Loans and borrowings

	As at 30 June 2013 (unaudited)	
Currency	PLN	EUR
Reference Rate	WBOR, rediscount rate	Fixed
Value of the loan/ borrowing		
in currency	2 117 652 034,73	503 616 690,98
in PLN	2 117 652 034,73	2 180 257 378,60
Of which, repayable:		
up to 1 year (short-term)	256 368 164,25	19 986 578,60
1 to 2 years	261 795 103,45	-
2 to 3 years	332 628 258,54	-
3 to 5 years	439 606 790,69	-
over 5 years	827 253 717,80	2 160 270 800,00

Detailed information on contracted external financing is set out in Note 17.

14.7. Liabilities under notes issued

	As at 30 June 2013 (unaudited)
Currency	PLN
Reference Rate	WBOR
Value of the issue	
in currency	1 076 114 088,71
in PLN	1 076 114 088,71
of which, repayable:	
up to 1 year (short-term)	13 306 456,84
1 to 2 years	7 365 311,54
2 to 3 years	7 376 451,83
3 to 5 years	14 754 217,80
over 5 years	1 033 311 650,70

Detailed information on issued notes is set out in Note 17.

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14.8. Cash flow hedge accounting

The special purpose vehicle ENERGA AB (publ) (the issuer of Eurobonds – see description in Note 17) and ENERGA SA signed two loan agreements denominated in EUR for the total amount of EUR 499 m. In order to hedge cash flows under such loans, the Company concluded CCIRS transactions.

As a hedged position under the above hedging relationship the Company designated cash flows under loans contracted at fixed interest rates and denominated in EUR.

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 in the period from September 2013 until March 2020. The fair value of the hedge at 30 June 2013 was PLN 84,491,910.83.

Under the cash flow hedge accounting the Company recognised PLN 24,471,923.55 during the reporting period in the revaluation reserve (the effective portion of changes in the valuation of the hedge less deferred tax).

The table below presents changes in the balance of the revaluation reserve resulting from the hedge accounting in the reporting period:

	As at 30 June 2013 (unaudited)
Changes in the cash flow hedge reserve within the reporting period	
Opening balance	-
Amount recognised in the cash flow hedge reserve during the period, equal to the change in the fair value of the hedge instrument	84 491 910,83
Accrued interest transferred from the reserve to the interest result	2 200 340,72
Revaluation of hedging instruments transferred from the equity to foreign exchange (gains)/losses	(56 480 000,00)
Income tax on the other comprehensive income	(5 740 328,00)
Closing balance	24 471 923,55

As at 30 June 2013, there were no inefficiencies identified resulting from the applied cash flow hedge accounting.

15. Contingent assets and liabilities and other securities granted

Securities granted as at the balance sheet date are presented in the table below.

Liabilities arising from	As at 30 June 2013 (unaudited)	As at 31 December 2012
guarantees	5 411 500 000,00	-
joint and several liability of ENERGA SA for the financial liabilities of Energa Group companies	181 489 240,20	185 867 338,49
surety issued	500 000 000,00	-
Total	6 092 989 240,20	185 867 338,49

* The maximum amount of ENERGA SA liabilities resulting from the concluded agreements, the secured liabilities as at 30 June 2013 reached PLN 2,317,755,756.65.

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On 15 November 2012 EMTN Eurobond program was launched for the total amount of EUR 1,000,000,000. As part of the program, Energa Finance AB (publ) registered under the laws of Sweden and operating as the subsidiary of ENERGA SA is authorised to issue Eurobonds with maturities ranging from one year to ten years. Under the agreement of 15 November 2012 ENERGA SA undertook to provide a surety for the liabilities of Energa Finance AB (publ) arising from the Eurobonds up to EUR 1,250,000,000 valid until and including 31 December 2024. The first issue of Eurobonds in the amount of EUR 500,000,000 in the program was established on 19 March 2013.

In the current reporting period ENERGA SA issued ENERGA-OBRÓT SA guarantees to the amount of PLN 500,000,000 for the obligations arising from the trade agreement.

There are no significant contingent assets in the Company.

16. Information on subsequent events

Agreement with the European Investment Bank

On 10 July 2013 ENERGA SA, ENERGA-OPERATOR SA and the European Investment Bank concluded a financing agreement for PLN 1,000,000,000.00 with the maturity of each tranche of up to 15 years.

Funds received under the agreement will be used to finance the investment programme of ENERGA – OPERATOR SA for the years 2012-2015 which includes a development of the distribution network and improvement of its effectiveness, including the implementation of advanced meters, as a part of the new "smart grid" solution.

Privatisation process

In January 2013, the Minister of the State Treasury ("MST") decided to restart the process of privatisation of ENERGA SA. According to publicly available information, the intention of the MST is to sell a minority stake in ENERGA SA on the Warsaw Stock Exchange under an IPO-type transaction (Initial Public Offering).

As a result of proceedings aimed at selection of financial advisors, in July 2013 MST selected a syndicate of banks to run the IPO process of ENERGA SA. JP Morgan and UBS will act as global coordinators. The consortium also comprises such banks as: Citi Handlowy, UniCredit CAIB, Bank PKO BP, Banco Espirito Santo, Bank of America Merrill Lynch, IPOPEMA Securities, Dom Inwestycyjny BRE Bank and BNP Paribas.

The final decision of the MST regarding the date of the transaction will be subject to, inter alia, current market conditions.

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

Loans to finance the investment program at ENERGA – OPERATOR SA

ENERGA SA secured the implementation of the investment program of ENERGA-OPERATOR SA until 2015 through long-term financial commitments in the form of investment loans from the Multilateral Institutions and bonds issues on the domestic market.

On 16 December 2009 ENERGA SA together with ENERGA-OPERATOR SA entered into the long-term loan agreement with the European Investment Bank (for up to PLN 1,050,000,000.00), on 29 April 2010 into the loan agreement with the European Bank for Reconstruction and Development (for up to PLN 800,000,000.00) and on

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30 April 2010 into the loan agreement with Nordic Investment Bank (for up to PLN 200,000,000.00) which permit to finance the investment program at ENERGA-OPERATOR SA in the years 2009-2011 with a partial use of the proceeds in 2012. All the above credit commitments were fully drawn up and are currently being repaid. The remaining principal to be repaid under the foregoing obligations as at 30 June 2013 amounted to PLN 1,947,689,832.69.

The next step securing the investment needs of ENERGA-OPERATOR SA was the arrangement of financing of the investment program for the years 2012-2015 whose financing was actually arranged through bonds issues on the domestic market (as mentioned below) and further loans from the European Bank for Reconstruction and Development and the European Investment Bank (as described in sec. 16).

On 26 June 2013 ENERGA SA, its subsidiary ENERGA-OPERATOR SA and the European Bank for Reconstruction and Development signed an agreement on the financing of PLN 800,000,000 under which EBRD will provide funding in the amount of PLN 400,000,000, and the remaining balance will be provided by two commercial banks: PKO Bank Polski SA and ING Bank Śląski SA. The loan is to be repaid by 18 December 2024.

The proceeds are intended to finance ENERGA – OPERATOR SA multi-annual investment program. As at 30 June 2013 the EBRD loan was not used.

Loan agreements with NORDEA Bank Polska SA

- 1) On 8 September 2010 ENERGA SA entered with NORDEA Bank Polska SA into the investment loan agreement for PLN 100,000,000 for the purchase of bonds issued by ENERGA Hydro Sp. z o.o. in connection with the investments carried out by the latter in the modernisation of the pumped-storage power plant in Żydowo. By 30 June 2013 the full amount of the financing, PLN 100,000,000, was committed of which PLN 90,000,000 remains to be repaid. The loan will be repaid until 7 September 2015.
- 2) On 17 December 2010 ENERGA SA entered with NORDEA Bank Polska SA into the investment loan agreement for PLN 160,000,000 for the purchase of bonds issued by ENERGA Kogeneracja Sp. z o.o. in connection with the investments carried out by the latter in the modernisation of the boiler including the implementation of the biomass joint combustion option, in the construction of a straw-based pellet production unit and in the construction of a new power unit. By 30 June 2013 under the loan PLN 134,700,000.00 was committed of which PLN 119,700,000.00 remains to be repaid.
- 3) Under the agreement signed on 24 June 2010 for arranging loans for ENERGA Group companies with the total limit of PLN 75,000,000 as at 30 June 2013 financing for up to PLN 26,298,502.62 was committed of which PLN 8,223,385.95 was actually used. Under the agreement ENERGA SA as well as ENERGA Group's companies are authorised to contract working capital overdraft loans, renewable and non-renewable loans with maturities up to 12 months and investment loans with maturities going beyond the validity of the credit limit, i.e. 29 June 2015. The loan will be repaid until 16 December 2015.
- 4) As part of the master agreement entered into on 16 October 2012 with NORDEA Bank Polska SA for bank guarantees for ENERGA Group companies, as amended by Annex 1 of 26 April 2013 with the total limit PLN 10,000,000; as at 30 June 2013 the limit was used up to the amount of PLN 5,294,240.20. The limit will expire on 15 October 2013.

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- 5) On 12 October 2011 ENERGA SA signed with NORDEA Bank Polska SA the agreement for arranging loans to ENERGA SA with the limit of PLN 300,000,000. Funds available under the agreement may be used to finance current operations or for capital investments of ENERGA SA. The overdraft limit is effective until 11 October 2016. On 16 July 2012 the 1-year facility in the form of a revolving working capital loan for up to PLN 150,000,000 was committed. As at 30 June 2013 the loan was not used.

All the above mentioned agreements are secured by financial covenants and for master agreements by a joint and several liability of ENERGA SA for liabilities of ENERGA Group's companies established through the accession to debt.

Loan agreements with PKO Bank Polski SA

In the years 2011-2012, ENERGA SA concluded the following loan agreements with PKO Bank Polski SA:

- 1) Master Agreement to extend an overdraft limit to ENERGA SA and its subsidiaries, of 30 August 2011 with the total limit up to PLN 150,000,000. Under the agreement ENERGA SA as well as ENERGA Group's companies are authorised to contract working capital overdraft loans, renewable and non-renewable ones with maturities up to 36 months, investment loans with maturities up to 15 years and bank guarantees for up to 60 months. The loan agreement is unsecured. Repayment of the obligations of the subsidiaries is subject to joint and several liability of ENERGA SA established on the basis of accession to debt. As at 30 June 2013 the financing limit of PLN 149,200,000 was committed of which PLN 4,823,430.13 was actually used.
- 2) Master Agreement to extend an overdraft limit to ENERGA SA and its subsidiaries, of 20 September 2012 with the total limit up to PLN 200,000,000. Under the agreement ENERGA SA as well as ENERGA Group's companies are authorised to contract working capital overdraft loans, renewable and with maturities up to 12 months, investment loans with maturities up to 15 years and bank guarantees for up to 60 months. The agreement is secured with financial covenants. Repayment of the obligations of the subsidiaries is subject to joint and several liability of ENERGA SA established on the basis of accession to debt. As at 30 June 2013 the financing limit of PLN 18,391,000.00 was committed of which PLN 2,338,585.57 was actually used.

Bonds issue at PKO Bank Polski SA

On 30 May 2012 ENERGA SA entered with PKO Bank Polski SA into the bond issue agreement under the program with the total value of up to PLN 100,000,000. Proceeds under the agreement may be used to acquire bonds issued by ENERGA Elektrownie Ostrołęka SA in connection with the implementation of the investment program. The final maturity date of the bonds is 31 December 2022. The bonds are to be issued as short-term securities with the underwriting obligation of the bank to subscribe for them on the terms and conditions of the issue throughout the entire period of its duration. The agreement is secured by financial covenants. The first issue of bonds as part of this funding in the amount of PLN 66,000,000 was made on 9 July 2012. By 30 June 2013, the amount of bonds to be redeemed was converted (rolled over) into bonds of the new issue. As at 30 June 2013, ENERGA SA issued bonds with a total value of PLN 66,000,000 under this program.

Loan agreements with the bank Pekao SA

In the years 2011-2012, ENERGA SA concluded the following loan agreements with Pekao SA:

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- 1) Loan agreement of 13 October 2011, with the total limit up to PLN 200,000,000 designated for financing current operations or capital investments. The overdraft limit is effective until 12 October 2016. The agreement is secured with financial covenants. As at 30 June 2013 the loan was not used.
- 2) Loan agreement of 30 May 2012, in the amount of PLN 85,000,000 to be used to acquire bonds issued by ENERGA Elektrownie Ostrołęka SA in connection with the implementation of the investment program. The final maturity date of the loan agreement is 29 May 2022. The agreement is secured with financial covenants. On 9 July 2012 ENERGA SA drew the first tranche under the facility in the amount of PLN 33,000,000. As at 30 June 2013 the loan was used for up to PLN 33,000,000.

Domestic bonds issue program

On 21 September 2012 ENERGA SA entered with the banks Pekao SA and BRE Bank SA into the issue agreement establishing the domestic 7-year bond issue program for up to PLN 4,000,000,000. The first bond issue under the program for PLN 1,000,000,000 was made on 19 October 2012 with the maturity date of 18 October 2019. The issue was addressed to Polish institutional investors. The issue structure with respect to the investor base is as follows: open-ended pension funds 82%, insurance companies 6% and investment fund companies 12%. On 19 November 2012 the issued bonds were introduced into trading on one of Catalyst markets – Alternatywny System Obrotu (ASO) platform operated by BondSpot SA.

On 28 June 2013 there was a motion filed at the Polish Financial Supervision Authority for the resumption of the proceedings for approval of a prospectus drawn up in connection with the intention to apply for admission of the bonds issued by ENERGA SA to trading on a regulated market. The Group's intention is to withdraw the bonds from trading on ASO and transfer their trading on the regulated market as soon as possible.

Eurobond issue program

On 15 November 2012 the EMTN medium-term Eurobond issue program for the maximum amount of EUR 1,000,000,000 was established. As part of the EMTN bond program, the special purpose vehicle, Energa Finance AB (publ), registered under the laws of Sweden and operating as the 100% subsidiary of ENERGA SA is authorised to issue Eurobonds with maturities ranging from one year to ten years.

Bonds issued under the EMTN bond program are governed by the laws of England. The bonds issued under the EMTN Bond Program may be introduced into trading on the regulated market in Luxembourg based on an underlying prospectus approved by the Financial Supervision Authority in Luxembourg on 15 November 2012.

On 19 March 2013 Energa Finance AB (publ) carried out the first issue of Eurobonds in the amount of EUR 500,000,000 as a part of the medium-term Eurobond EMTN program. The first issue includes Eurobonds with the nominal value of EUR 99.704 each maturing in 7 years and paying an annual coupon of 3.250%.

Loan agreements

On 21 March 2013 and 25 March 2013 ENERGA SA entered with ENERGA Finance AB (publ) into loan agreements for the total amount of EUR 499,000,000 to be used for financing the current operations. As at the balance sheet date of 30 June 2013, the loans were fully used.

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Consortium agreement

In the first quarter of 2013 ENERGA SA was carrying out 5 of its own tasks under the agreement with NCBiR and co-participates in dozens of tasks performed by IMP PAN. At the same time, ENERGA SA applied to the Patent Office with two patent applications in relation to the effects of its research works.

Ostrołęka C Project

In 2012 the decision was made to suspend preparations for the construction of a coal unit in Ostrołęka. The reasons for suspending the project were, among others, difficulties in obtaining funding under the Project Finance formula and adverse conditions on the market of construction companies. In 2013 ENERGA SA was actively seeking for a partner interested in a joint implementation of the project or in a purchase thereof. Despite initial interest in participation in the project from a few prospective investors, any satisfactory proposal was received actually. Currently it is being considered alternative scenarios of further actions, including a reduction of the capacity of the unit in Ostrołęka, a switch to a gas fuel or suspension of the project.

Share capital increase at ENERGA Finance AB (publ)

On 13 February 2013, the share capital increase at ENERGA Finance AB by EUR 235,000.00, i.e. up to EUR 300,000.00, was registered. On 27 March 2013 the share capital increase at Energa Finance AB (publ) to EUR 2,000,000 was registered and all the shares in such increased capital were subscribed for by the hitherto existing shareholder, ENERGA SA. On 19 June 2013 the General Meeting of the Shareholders of ENERGA Finance AB resolved to increase the share capital up to EUR 20,000,000.00. New shares will be subscribed for in their entirety by ENERGA SA.

Optimizing the shareholding structure at ENERGA SA

As part of the shareholding structure optimization efforts in ENERGA SA in the first half of 2013 the following transactions were completed:








- liquidation and deletion of Elektrownie Wodne we Włocławku Sp. z o.o. in liquidation from the National Court Register;
- combination of Energa Hydro Sp. z o.o. with its registered office in Straszyn with Energa Bio Sp. z o.o. with its registered office in Pruszcz Gdański (as the acquired entity);
- on 4 January 2013 ENERGA BIO Sp. z o.o. sold all shares held in Biogazownia Starogard Sp. z o.o.;
- Zakład Transportu Energetyki Sp. z o.o. in liquidation in Koszalin – on 17 June 2013 the company was deleted from the National Court Register;
- on 25 June 2013 ENERGA SA sold shares in SIDEn Sp. z o.o.;
- on 13 June 2013 the share capital of RGK Sp. z o.o. was raised by PLN 783,326.94 and covered by a contribution in kind in the form of minority shares and holdings by ENERGA SA;
- on 7 June 2013 the share capital increase at ENERGA Kogeneracja Sp. z o.o. by PLN 48,511,500 in return for a contribution in kind in the form of shares in ENERGA Elektrociepłownia Kalisz SA and in ENERGA OPEC Sp. z o.o. and in the form of cash, by ENERGA SA and ENERGA Elektrownie Ostrołęka SA;
- On 5 March 2013 the share capital increase at AEGIR 5 Sp. z o.o. to PLN 7,550,000 was recorded in the National Court Register; ENERGA SA acquired 99.34% of the share capital, remaining 0.66% is held by ENERGA Hydro Sp. z o.o.

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- Following the completion of the compulsory purchase procedures for the shares in ENERGA – OPERATOR SA from minority shareholders, in July 2013 ENERGA SA became the sole shareholder of the company.

In addition, the liquidation process of hotel companies, Kongres Sp. z o.o. and MCSE Sp. z o.o., is in progress.

Director of Other Companies Service Department ENERGA Centrum Usług Wspólnych Sp. z o.o. Ewa Banaszak	President of the Management Board ENERGA Centrum Usług Wspólnych Sp. z o.o. Artur Chmura	Director of the Finance Management Center ENERGA SA Aleksandra Gajda - Gryber	Executive Vice-President of the Management Board Strategy and Investments ENERGA SA Wojciech Topolnicki	Executive Vice-President of the Management Board Chief Financial Officer ENERGA SA Roman Szyszko	President of the Management Board ENERGA SA Miroslaw Bieliński
 (date and signature) 23. 08. 2013	 (date and signature) 23. 08. 2013	 (date and signature) 26. 08. 2013	 (date and signature) 23. 08. 2013	 (date and signature) 23. 08. 2013	 (date and signature) 23. 08. 2013
	Vice-President of the Management Board ENERGA Centrum Usług Wspólnych Sp. z o.o. Katarzyna Ogródowska				
	 (date and signature) 23. 08. 2013				