



ENERGA Capital Group
Management Board Activity Report for H1 2013

Gdańsk, 26 August 2013

Summary of H1 2013

- ENERGA Group's revenues amounted to more than PLN 5.8 billion i.e. were PLN 174 million higher than in the corresponding period the year before;
- After the first two quarters of 2013 the Group generated EBITDA profit of PLN 1.1 billion (with EBITDA margin of 19 percent) and net profit at the level of PLN 533 million. The biggest contributor to the result in the first half of the year (approx. PLN 123 million) was the impairment charge made in Q1 2013 for Power Plant B from ENERGA's Elektrownie Ostrołęka;
- Electricity sales volume year-on-year grew 9 percent to 15.44 TWh in H1 2013, and the volume of electricity sold on the wholesale market went up 52 percent (to 6.12 TWh).
- The ENERGA Group generated 2.3 TWh of electricity net and delivered 10.1 TWh of electricity to over 2.9 million users. The Group's total available heat capacity totaled 747.2 MWt, and net heat production 2,200 TJ.
- The strongest growth, by approx. 41 percent of electricity production, was recorded by the hydro plants thanks to favorable hydro-meteorological conditions; in the Włocławek power plant the growth reached 49 percent and in biomass co-firing units approx. 21 percent.
- As at 30 June 2013, the Group had over 0.3 GW installed in renewable energy sources (RES) from which it generated in H1 2013 0.92 TWh of electricity net;
- The Group's capital expenditures equaled PLN 1,027 million, in relation to PLN 801 million in H1 last year. The expenditures of ENERGA-OPERATOR had the biggest share in this amount (PLN 553 million).

The tables below present selected consolidated and stand-alone financial data for the 6-month periods ended 30 June 2013 and 30 June 2012, and in the case of balance sheet data – as at 30 June 2013 and 31 December 2012.

Selected consolidated financial data of the ENERGA Group

	H1 2013 (unaudited)	H1 2012 (unaudited, restated)	H1 2013 (unaudited)	H1 2012 (unaudited, restated)
	PLN thousand		EUR thousand	
Revenues on sales	5 789 544	5 615 229	1 373 883	1 329 174
Operating profit	750 738	714 903	153 363	169 224
Gross profit before taxation	702 061	620 608	134 242	146 903
Net profit attributable to parent company's shareholders	545 637	509 473	103 270	120 597
Comprehensive income	583 124	509 901	112 166	120 698
Net cash on operating activity	1 185 009	548 745	281 208	129 893
Net cash on investing activity	(1 093 132)	(844 301)	(259 405)	(199 853)
Net cash on financing activity	1 234 122	135 120	292 862	31 984
Change in the net balance of cash and cash equivalents	1 325 999	(160 436)	314 665	(37 976)
Net earnings per share (ordinary and diluted) (in PLN/EUR per share)	0.11	0.10	0.02	0.02
Average weighted number of issued common shares used to calculate the earnings per share ratio	4 968 805 368	4 968 805 368	4 968 805 368	4 968 805 368

	Balance as at		Balance as at	
	30 June 2013 (unaudited)	31 December 2012	30 June 2013 (unaudited)	31 December 2012
	PLN thousand		EUR thousand	
Non-current assets	11 258 961	10 697 396	2 605 287	2 616 652
Current assets	5 319 151	4 205 209	1 225 552	1 028 621
Non-current assets classified as held for resale	142 287	10 168	32 867	2 487
Total assets	16 720 399	14 912 773	3 863 706	3 647 760
Liabilities related directly to non-current assets classified as held for sale	71 988	-	16 628	
Long-term liabilities	6 734 256	4 801 462	1 554 143	1 174 468
Short-term liabilities	2 108 496	2 392 789	515 423	585 292
Equity	7 805 659	7 718 522	1 777 512	1 888 000
Equity attributable to shareholders in the parent company	7 767 222	7 671 227	1 768 633	1 876 431
Share capital	4 968 805	4 968 805	1 147 742	1 215 402
Book value per share (in PLN/EUR per share)	1.56	1.54	0.36	0.38
Number of ordinary shares at the end of the period	4 968 805 368	4 968 805 368	4 968 805 368	4 968 805 368

Selected standalone financial data of ENERGA SA

	H1 2013 (unaudited)	H1 2012 (unaudited) (restated)	H1 2013 (unaudited)	H1 2012 (unaudited) (restated)
	PLN thousand		EUR thousand	
Revenues on sales	29 277	23 115	6 948	5 472
Operating profit/ loss	(40 830)	(32 969)	(9 689)	(7 804)
Gross profit/loss before taxation	555 897	780 805	131 721	184 823
Net profit/loss	562 031	801 303	133 372	189 675
Comprehensive income	586 503	801 303	139 180	189 675
Net cash on operating activity	(37 177)	(39 125)	(8 822)	(9 261)
Net cash on investing activity	(284 584)	34 542	(67 533)	8 176
Net cash on financing activity	688 433	137 595	163 368	32 570
Change in the net balance of cash and cash equivalents	366 672	133 012	87 013	31 485
Net earnings per share (ordinary and diluted) (in PLN/EUR per share)	0.11	0.16	0.03	0.04
Average weighted number of issued common shares used to calculate the earnings per share ratio	4 968 805 368	4 968 805 368	4 968 805 368	4 968 805 368

	Balance as at		Balance as at	
	30.06.2013 (unaudited)	31.12.2012	30.06.2013 (unaudited)	31.12.2012
	PLN thousand		EUR thousand	
Non-current assets	10 497 977	9 341 012	2 424 923	2 284 872
Current assets	1 405 930	1 024 426	324 755	250 581
Non-current assets classified as held for trading	20 805	0	4 806	0
Total assets	11 924 712	10 365 438	2 754 484	2 535 453
Long-term liabilities	5 150 261	3 148 649	1 189 657	770 180
Short-term liabilities	653 556	1 185 516	150 965	289 985
Equity	6 120 895	6 031 273	1 413 863	1 475 288
Share capital	4 968 805	4 968 805	1 147 742	1 215 402
Book value per share (in PLN/EUR per share)	1,23	1,21	0,28	0,30
Number of ordinary shares at the end of the period	4 968 805 368	4 968 805 368	4 968 805 368	4 968 805 368

The above financial data were converted into EUR according to the following rules:

- individual asset and liability line items – at the average exchange rate announced by the National Bank of Poland (NBP) as at 30 June 2013 (i.e. 4.3292 EUR/PLN) and as at 31 December 2012 (4.0882 EUR/PLN),
- Individual items of the statement of comprehensive income and the cash flow statement – at the exchange rate calculated as the arithmetic mean of the average NBP exchange rates on the last day of each month of the financial period from 1 January 2013 to 30 June 2013 amounting to 4.2140 EUR/PLN) and for the period from 1 January 2012 to 30 June 2012 – 4.2246 EUR/PLN.

Table of contents

Summary of H1 2013	2
Selected consolidated financial data of the ENERGA Group	2
Selected standalone financial data of ENERGA SA	3
1. Description of the ENERGA Capital Group organization	7
1.1. Structure of the ENERGA Capital Group	7
1.2. Description of the Capital Group's activity	9
1.3. Changes in the organization and management principles in the Capital Group	10
2. Factors and events influencing the financial results	12
2.1. Macroeconomic situation and the electricity market	12
2.2. Domestic electricity consumption	14
2.3. SPOT electricity market in Poland	14
2.4. Electricity futures market in Poland	15
2.5. Property rights market (RES market).....	16
2.6. Inter-system exchange	17
2.7. Balancing Market.....	17
2.8. Emission allowance market	18
3. The Group's major achievements and failures in the reported period and list of the key related events	19
3.1. Group's financial results	19
3.2.1. <i>Description of the rules of preparation of the interim condensed consolidated financial statements</i> 19	
3.2.2. <i>Discussion of the key economic and financial figures of the ENERGA Group disclosed in the consolidated financial statements for H1 2013.</i>	19
3.2. Business segments.....	23
3.2.1. <i>Key operating data of the ENERGA Group</i>	23
3.2.2. <i>Electricity Distribution Segment</i>	26
3.2.3. <i>Sales Segment</i>	27
3.2.4. <i>Generation Segment</i>	27
3.3. Execution of the investment program	28
3.4. Forecast financial results	29
3.5. Financial and market risk management.....	29
4. Risks and threats facing the ENERGA Capital Group	30
5. Information on executed agreements	31
5.1. Domestic bonds issue program	31
5.2. Eurobonds issue program.....	32
5.3. Issues of short-term bonds	32

5.4.	Loans to finance ENERGA-OPERATOR SA's investment program for 2012-2015.....	32
5.5.	Agreement for the purchase of wind assets	32
5.6.	Agreement for the purchase of heating assets	33
5.7.	Long-term Agreement between ENERGA–OBRÓT SA and PSE-ELECTRA SA (currently PGE Polska Grupa Energetyczna SA)	33
5.8.	Information on significant transactions with related parties	33
5.9.	Sureties and guarantees.....	33
6.	Other significant events in the reporting period and events after the balance sheet date	33
6.1.	Update of the ENERGA Group's Strategy for 2013-2020.....	33
6.2.	Privatization process.....	35
6.3.	Credit ratings	35
6.4.	Impairment of non-current assets of Power Plant B in Ostrołęka	35
6.5.	Ostrołęka C project.....	36
6.6.	Distribution of ENERGA SA's net profit for 2012	36
7.	Factors which, in the company's opinion, will affect its performance within the time horizon of at least the next quarter	36
8.	Corporate authorities of ENERGA SA.....	37
9.	Structure of ENERGA SA's share capital and ownership	37
10.	Proceedings pending before courts of law, courts of arbitration or public administration authorities	37
11.	Information relevant to the assessment of the Issuer's situation in the areas of human resources, property, finance and the financial result and to the assessment of the feasibility of performance of the Issuer's obligations.....	38
11.1.	Employment in the ENERGA Group.....	38
11.2.	Collective bargaining disputes and agreements	39
12.	Prizes and distinctions received by the ENERGA Group in H1 2013.....	39
13.	Statement of the Management Board	40
	Glossary of abbreviations and terms	42

1. Description of the ENERGA Capital Group organization

1.1. Structure of the ENERGA Capital Group

As at 30 June 2013 the ENERGA Capital Group ("ENERGA Group", "Group") comprised: ENERGA SA ("ENERGA") as the parent entity and the following companies:

a) direct subsidiaries (consolidated by the full method):

Item	Company name	Company's share capital [PLN]	Company's share capital – number of shares	ENERGA'S share in the share capital [%]
1	ENERGA-OPERATOR SA	603 301 400.00	603 301 400	99.80
2	ENERGA Elektrownie Ostrołęka SA	223 000 000.00	22 300 000	89.38
3	Elektrownia Ostrołęka SA	395 100 000.00*	395 100 000	100.00
4	ENERGA Kogeneracja Sp. z o.o.	141 976 500.00	283 953	78.07
5	ENERGA-OBROT SA	368 160 239.00	368 160 239.00	100.00
6	ENERGA Invest SA	3 250 000.00	5 000	100.00
7	ENERGA Hydro Sp. z o.o.	268 462 500.00	536 925	100.00
8	Międzynarodowe Centrum Szkolenia Energetyki Sp. z o.o. in liquidation	31 966 000.00	63 932	100.00
9	ENERGA Centrum Usług Wspólnych Sp. z o.o.	4 052 000.00	8 104	100.00
10	ZEP-MOT Sp. z o.o.	5 292 000.00	10 584	100.00
11	KONGRES Sp. z o.o. in liquidation	550 000.00	1 100	100.00
12	ENERGA Informatyka i Technologie Sp. z o.o.	35 343 500.00	70 687	100.00
13	Energa Finance AB(publ)	2 000 000 euro	2 000 000	100.00
14	Elektrownia CCGT Gdańsk Sp. z o.o.	19 500 000.00	39 000	100.00
15	Elektrownia CCGT Grudziądz Sp. z o.o.	18 000 000.00	36 000	100.00
16	Ekologiczne Materiały Grzewcze Sp. z o.o.	6 330 000.00	12 660	100.00
17	AEGIR 5 Sp. z o.o. w Gdańsku	7 550 000.00	75 500	99.34
18	Breva Sp. z o.o.	15 588 000.00	31 176	100.00
19	ENERGA Innowacje Sp. z o.o.	10 002 000.00	10 002	50.01
20	RGK Sp. z o.o.	788 000.00	10	100.00
21	ENERGA Bio Sp. z o.o.	merged with ENERGA Hydro Sp. z o.o.		

* capital paid up in the amount of: 206 350 000,00

b) indirect subsidiaries (consolidated by the full method)

Item	Company name	Company's share capital [PLN]	Company's share capital – number of shares	ENERGA'S share in the share capital [%]
1	ENERGA OPEC Sp. z o.o.	13 919 000.00	27 838	0.00
2	Zakład Energetyczny Toruń - ENERGOHANDEL Sp. z o.o.	8 010 000.00	16 020	0.00
3	Zakład Energetyczny Płock - Centrum Handlowe Sp. z o.o.	1 075 500.00	2 151	0.00
4	ENERGA Oświetlenie Sp. z o.o.	191 621 500.00	383 243	0.00
5	ENERGA Elektrociepłownia Kalisz SA	7 128 000.00	220 000	0.00
6	Ciepło Kaliskie Sp. z o.o.	43 257 000.00	43 257	0.00
7	Energetyka Kaliska – Usługi Techniczne Sp. z o.o.	1 712 000.00	3 424	0.00

ENERGA SA

ENERGA Capital Group Management Board Activity Report for H1 2013

8	ENERGA-OPERATOR Produkcja Sp. z o. o.	813 000.00	1 626	0.00
9	Multiserwis Sp. z o.o. in liquidation	914 000.00	1 828	0.00
10	Zakład Budownictwa Energetycznego Sp. z o.o.	27 980 000.00	55 943	0.00
11	ENERGA-OPERATOR Techniczna Obsługa Odbiorców Sp. z o. o.	4 838 500.00	9 677	0.00
12	Zakład Energetyczny Płock - Dystrybucja Zachód Sp. z o.o. in liquidation	757 500.00	1 515	0.00
13	ENERGA-OPERATOR Eksploatacja i Inwestycje Płock Sp. z o.o.	909 500.00	1 819	0.00
14	ENERGA-OPERATOR Eksploatacja i Inwestycje Słupsk Sp. z o.o.	6 900 000.00	6 900	0.00
15	ENERGA-OPERATOR Eksploatacja i Inwestycje Kalisz Sp. z o.o.	5 600 000.00	5 600	0.00
16	ENERGA-OPERATOR Eksploatacja i Inwestycje Toruń Sp. z o.o.	6 100 000.00	6 100	0.00
17	ENERGA-OPERATOR Eksploatacja i Inwestycje Elbląg Sp. z o.o.	7 900 000.00	7 900	0.00
18	ENERGA-OPERATOR Eksploatacja i Inwestycje Gdańsk Sp. z o.o.	7 100 000.00	7 100	0.00
19	ZEP - Centrum Wykonawstwa Specjalistycznego Sp. z o.o.	456 500.00	913	0.00
20	ENERGA-OPERATOR Projektowanie Sp. z o. o.	381 500.00	763	0.00
21	Przedsiębiorstwo Wielobranżowe Energetyki „ELEKTROINSTAL” Sp. z o.o.	244 000.00	488	0.00
22	ZEP-AUTO Sp. z o.o.	50 000.00	100	0.00
23	ENERGETYK Sp. z o.o. in liquidation	220 000.00	440	0.00
24	Przedsiębiorstwo Budownictwa Elektroenergetycznego ENBUD Słupsk Sp. z o.o.	300 000.00	300	0.00
25	Zakład Transportu Energetyki ENTRANS Słupsk Sp. z o.o. in liquidation	2 500 000.00	5 000	0.00
26	ENERGA Obsługa i Sprzedaż Sp. z o.o.	811 000.00	1 622	0.00
27	ENERGA Agregator Sp. z o.o.	5 000 000.00	5 000	0.00
28	ENERGA Serwis Sp. z o.o.	14 200 000.00	28 400	14,08
29	AEGIR 1 Sp. z o. o. w Gdańsku	50 000.00	500	0.00
30	AEGIR 2 Sp. z o. o. w Gdańsku	50 000.00	500	0.00
31	AEGIR 3 Sp. z o. o. w Gdańsku	50 000.00	500	0.00
32	AEGIR 4 Sp. z o. o. w Gdańsku	50 000.00	500	0.00
33	Zakład Energetyki Ciepłej w Żychlinie Sp. z o. o.	2 458 300.00	500	0.00
34	ENERGA SLOVAKIA s.r.o.	2 839 833.00 Euro	-	0.00
35	DONG Energy Tuszyny Sp. z o.o.	2 500 000.00	2 500	0.00
36	DONG Energy Gąsiorowo Sp. z o.o.	1 700 000.00	1 700	0.00
37	DONG Energy Pancierzyn Sp. z o.o.	3 000 000.00	3 000	0.00
38	DONG Energy Karcino Sp. z o.o.	34 550 000.00	69 100	0.00
39	DONG Energy 3 Sp. z o.o.	500 000.00	500	0.00

c) affiliated entities (carried by the equity method):

Item	Company name	Company's share capital [PLN]	Company's share capital – number of shares	ENERGA'S share in the share capital [%]
1	Oświetlenie Uliczne i Drogowe Sp. z o.o.	73 010 000.00	73 010	42.20
2	SOEN Sp. z o.o.	1 000 000.00	2 000	48.50
3	Słupskie Towarzystwo Koszykówki Sportowa SA	513 500.00	5 135	0.00
4	Bio-Power Sp. z o.o.	2 139 900.00	42 798	0.00

1.2. Description of the Capital Group's activity

The ENERGA Group is one of four biggest vertically integrated power groups in Poland (next to PGE, Tauron and Enea), with a leading position in the Polish market in terms of the share of electricity coming from renewable sources in total energy generated. The Group's core business comprises electricity generation, distribution and trading.

The ENERGA Group is also the third biggest integrated distribution system operator (DSO) in Poland in terms of the volume of supplied energy. In H1 2013, the Group delivered 10.1 TWh of electricity to over 2.9 million users. As at 30 June 2013 the distribution network comprised power lines with the total length of over 192 thousand km and comprised the area of nearly 77 thousand km², which accounted for approx. 25% of the area of Poland.

In addition, the ENERGA Group is one of the 3 biggest sellers of electricity in Poland in terms of the quantity of energy sold to end users. In H1 2013 the Group sold in total 9.4 TWh of electricity to over 2.9 million customers, both households and businesses.

The total available capacity in the Group's power plants as at 30 June 2013 amounted to approx. 1.1 GW. In H1 2013 the Group generated 2.3 TWh of electricity net. The Group's generation sources comprise baseload power plants, renewable energy sources (RES) and co-generation plants (cogeneration – CHP). The generation capacity installed in the Group's power plants is based on diversified energy sources, such as hard coal, water and biomass. In H1 2013, 61% of the gross energy generated by the Group came from hard coal and 26% and 13% from water and biomass, respectively.

As has already been mentioned, the ENERGA Group is characterized by the biggest share of electricity from renewable sources in total energy among the main power groups operating in the Polish market, which is attributable mainly to production of energy in hydro power plants. Green energy is generated in 47 water power plants and in biomass installations. As at the end of June the Group had over 0.3 GW installed in renewable energy sources from which it generated, in H1 2013, 0.92 TWh of electricity net.

The Group's activity comprises also generation and distribution of, and trading in, heat. The Group's total available heat capacity amounted to 747.2 MWt as at 30 June 2013 and the net heat production in H1 reached 2,199.9 TJ. The heat generated by the Group satisfies the demand of the cities near which the Group's cogeneration plants are located.

In connection with update of the ENERGA Group's strategy (more in item 6.1.), the following operating segments have been singled out: distribution, generation, sales, services and other. In the previous reporting periods the Group presented separately the following segments: baseload power plants, CHP and renewable energy sources, which currently constitute a single segment – generation.

ENERGA Group's operations concentrate on the following key business areas:

1. *Electricity Distribution Segment* – comprising the activity involving distribution of electricity by the distribution system operator (DSO) – ENERGA-OPERATOR SA (segment leader), and activities directly related to the distribution activity conducted by other Group companies;
2. *Sales Segment* – which consists of activity associated with trading in electricity and customer service provided by ENERGA-OBRÓT SA (segment leader) and ENERGA Obsługa i Sprzedaż Sp. z o.o., and street and road lighting services provided by ENERGA Oświetlenie Sp. z o.o.;
3. *Generation Segment* – grouping together the baseload power plant segment, renewable energy sources segment and the combined electricity and heat generation segment (CHP), which is made up of the investment activity in RES and generation of electricity in RES, comprising water power plants, wind farms and bio power plants, generation and investment activity in the area of conventional power plants, maintenance and overhaul activity directly related to generation of energy from conventional sources, generation activity conducted through combined heat and power plants and activity involving distribution of heat.

The strategy pursued by the ENERGA Group assumes attainment of competitive advantage in the area of sales and customer service and winning the leader position in the area of service quality in the Polish electricity and other utility sales market. ENERGA intends to achieve this objective in particular through construction of a modern and comprehensive customer communication model. In mid-year the SOS (Sales Service System) Program was launched, based on implementation of appropriate IT systems supporting the billing area and Customer Relationship Management.

The modern model will not only improve the quality of the product and service billing process but also reduce the costs of customer service. The system has the advantage of supporting the IT processes associated with product offer development (sales of traditional services and the possibility of entering new markets, i.e. gas trading). Implementation of a new IT system is also the ENERGA Group's response to the challenges associated with the contemplated liberalization of the G tariff and the new Energy Law. Its functionality relies on construction of two IT environments, separately for the Distribution Segment and for the Sales Segment, which ensures full compliance with the regulator's (URE) guidelines and the principles of unbundling. Operational and project efforts in the customer service area aim at, in addition to cost efficiency, adapting the contact channels and standards to the needs of customers from the given segment. Actions optimizing the level of costs for the sold unit of electricity are also aimed at clear definition of the scopes of responsibilities and avoidance of excessive headcount. For this reason, among other things, specialized Competence Centers for invoicing, billing, collections and reporting will be created. In June 2013 an agreement was signed with Infovide-Matrix for construction and implementation of a Sales Service System with the total net value of approx. PLN 74 million.

1.3. Changes in the organization and management principles in the Capital Group

Pursuing the strategy of development and optimization of the structure of the ENERGA Group, in H1 2013 the Company made the following changes in its organization:

- On 4 January 2013 ENERGA Bio Sp. z o.o. disposed of all its shares in Biogazownia Starogard Sp. z o.o.;
- On 29 January 2013 the Extraordinary Shareholder Meeting of Międzynarodowe Centrum Szkolenia Energetyki Sp. z o.o. adopted a resolution on dissolution of the company and starting liquidation as of 1 February 2013. Arrangements have been made with the social side with regard to the conditions of voluntary departures, the Holiday Center in Karwieńskie Błota has been sold and tenders for other company assets have been announced;

- Following the liquidation process, Elektrownia Wodna we Włocławku Sp. z o.o. in liquidation was deleted from the National Court Register (KRS) on 27 February 2013;
- After commencement of the liquidation process in December 2012, in Kongres Sp. z o.o. consultations with the social side were held as regards the conditions of voluntary employee departures;
- On 5 March 2013 capital increase of AEGIR 5 Sp. z o.o. to PLN 7,550,000 was registered; ENERGA SA holds 99.34% in the company's share capital, and the remaining 0.66% shares are owned by ENERGA Hydro Sp. z o.o.;
- On 26 March 2013 KRS registered the capital increase of ENERGA-OPERATOR Eksploatacje i Inwestycje Elbląg Sp. z o.o. to PLN 7,900,000; all the shares in the increased share capital were taken up by the sole shareholder, i.e. ENERGA-OPERATOR SA;
- On 27 March 2013 the Court registered the increase of the share capital of ENERGA Innowacje Sp. z o.o. from PLN 5,002,000 to PLN 10,002,000; the shares in the increased capital were taken up by ENERGA SA, which holds 50.01% of the company's share capital and the remaining shareholders, i.e. ENERGA-OBRÓT SA and ENERGA-OPERATOR SA, holding 24.995% of the company's shares each;
- Also on 27 March 2013 the Extraordinary Shareholder Meeting of ENERGA Hydro Sp. z o.o. (acquiring company) and ENERGA Bio Sp. z o.o. (target company) adopted resolutions in the matter of a merger; the merger was registered in KRS on 3 April 2013. On the same day the registry court registered the increase of the share capital of ENERGA Finance AB(publ) up to EUR 2,000,000; On 19 June 2013 the Shareholder Meeting adopted a resolution on increase of the share capital to EUR 20,000,000.00. All shares in the increased share capital were taken up by the sole shareholder, i.e. ENERGA SA;
- On 29 March 2013, the Shareholder Meeting of ENERGA Elektrociepłownia Kalisz S.A. made a decision on decreasing the share capital from PLN 16,456,000 to PLN 7,128,000;
- On 9 April 2013 ENERGA Kogeneracja Sp. z o.o. acquired 90% of the shares of Ciepło Kaliskie Sp. z o.o. (i.e. 38,931 shares with the nominal value of PLN 1,000.00), the remaining 10% of the shares are owned by the City of Kalisz. The company's share capital is PLN 43,257,000.00;
- On 16 April 2013 KRS registered the increase of the share capital of BREVA Sp. z o.o. from PLN 50,000 to PLN 1,350,000 and on 31 May 2013 KRS registered the capital increase by PLN 14,200,000; the shares in the increased capital were taken up by ENERGA SA, which holds 100% of the share capital;
- On 7 June 2013 the Court registered the increase of the share capital of ENERGA Kogeneracja Sp. z o.o. from PLN 93,465,000.00 to PLN 141,976,500.00; ENERGA SA holds 78% shares in the share capital and 22% of the shares are owned by ENERGA Elektrownie Ostrołęka SA;
- On 13 June 2013 ENERGA SA made a contribution in kind to RGK Sp. z o.o. in the form of shares of the following companies, in return for newly created shares in this company (the registration of the increase in KRS is under way):
 - Chłodnia Olsztyn Sp. z o.o. in composition bankructcy (600 shares),
 - Wytwórnia Sprzętu Komunikacyjnego „PZL Kalisz” SA (55,099 ordinary registered shares),
 - Stocznia Gdynia SA (47,002 ordinary registered shares),
 - Zakłady Przemysłu Ciągnikowego „URSUS” SA in bankructcy (80,617 ordinary registered shares).
- Zakład Transportu Energetyki Sp. z o.o. in liquidation in Koszalin as of 17 June 2013 was deleted from the KRS;
- On 24 June ENERGA SA made a payment towards buyout of the shares owned by the minority shareholders of ENERGA-OPERATOR SA;
- On 25 June 2013, ENERGA SA sold all of its 12 shares in SIDEn Systemy Informatyczne Doradztwo Energetyka Sp. z o.o. in Toruń to BOND Consulting Sp. z o.o. seated in Warsaw;

- On 28 June 2013, ENERGA Hydro Sp. z o.o. purchased shares in 6 companies from the DONG Group, all seated in Warsaw, which took place in the form of the following purchase transactions concluded on the same day:
 - 100% shares of DONG Energy Tuszyn Sp. z o.o. (i.e. 2,500 shares with the nominal value of PLN 1,000.00); the share capital amounts to PLN 2,500,000.00,
 - 100% shares of DONG Energy Pancierzyn Sp. z o.o. (i.e. 3,000 shares with the nominal value of PLN 1,000.00); the share capital amounts to PLN 3,000,000.00,
 - 100% shares of DONG Energy Karcino Sp. z o.o. (i.e. 69,100 shares with the nominal value of PLN 500.00); the share capital amounts to PLN 34,550,000.00,
 - 100% shares of DONG Energy 3 Sp. z o.o. (i.e. 500 shares with the nominal value of PLN 1,000.00); the share capital amounts to PLN 500,000.00,
 - 100% shares of DONG Energy Gąsiorowo Sp. z o.o. (i.e. 1,700 shares with the nominal value of PLN 1,000.00); the share capital amounts to PLN 1,700,000.00,
 - 19% shares of DONG Energy Olecko Sp. z o.o. (i.e. 380 shares with the nominal value of PLN 1,000.00); the share capital amounts to PLN 2,000,000.00; the remaining 81% shares are owned by PGE Polska Grupa Energetyczna SA seated in Warsaw.

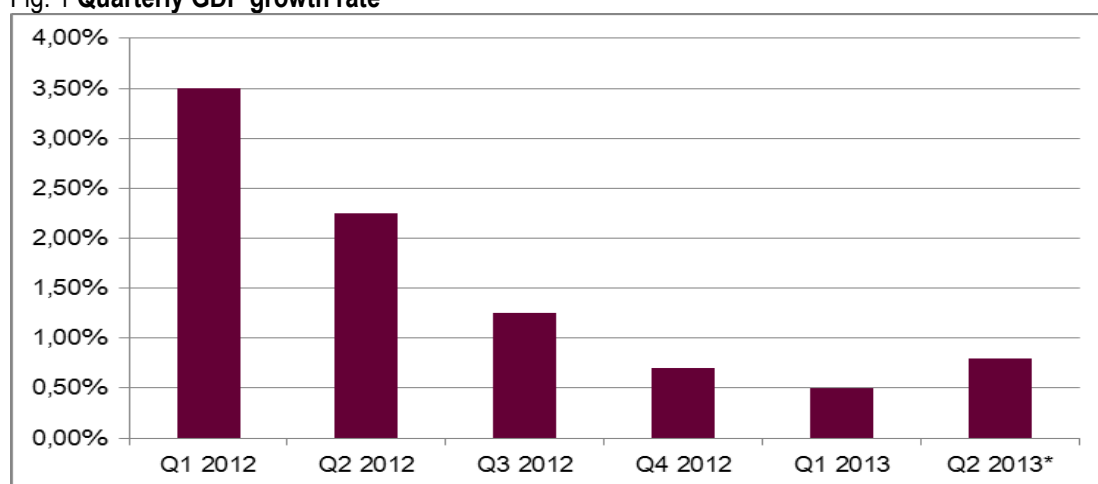
2. Factors and events influencing the financial results

2.1. Macroeconomic situation and the electricity market

2012 in Poland ended with decline of economic activity in the face of continuing unfavorable stagnation and recession trends in the Eurozone and the diminishing EU funds from the 2007-2013 financial framework. Economic processes were accompanied by high uncertainty regarding future growth prospects. Central Statistics Office (GUS) published revised data on GDP growth in Q4 2012 (0.7% yoy) together with tentative estimates for Q1 2013 (increase by 0.5% yoy). They show that the decrease of public investment demand is accompanied by low domestic demand resulting from the weakening.

Before that, consumption, especially private consumption, was the driving force of the Polish economy from the previous slowdown more than 2 years ago. And it is the first quarter of this year, due to the low level of economic activity, that is recognized by some economists as the bottom of the economic trend cycle. Such a clear economic slowdown in Poland is attributable to simultaneous occurrence of two factors: general decrease of the relative strength of emerging markets and the proximity of the crisis-torn eurozone. Also the 'base' effect, i.e. the boom preceding the Euro 2012 Cup, is not without significance.

Fig. 1 Quarterly GDP growth rate

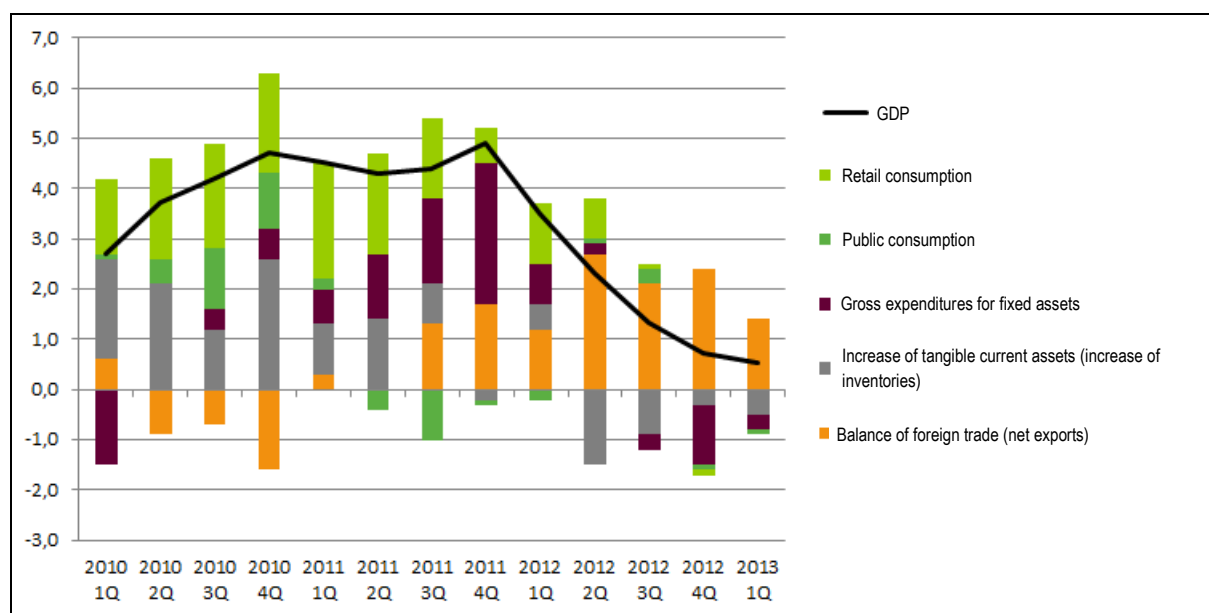


Source: Central Statistical Office

*CSO estimates

Estimates recently published by the Central Statistical Office point out that the GDP growth rate in Q2 2013 was higher than predicted before and equaled 0.8% yoy. At the end of August the CSO will reveal more details concerning the GDP growth and its structure. Currently one cannot see any material impulses which could stimulate the Polish economy. Certain hope for extinguishing decline impulses can be aroused by the pace of deterioration of labor market indicators, but it is primarily net exports which are likely to stimulate a 1% GDP growth in the entire 2013.

Fig. 2 Decomposition of Poland's GDP in 2011-2013



Source: ENERGA: 'Macroeconomic risk report – Q2 2013'.

The macroeconomic situation has negative impact on the financial results and standing of enterprises, one of the main customer groups of the power sector. In the first half of the year this was reflected not only in their decreasing revenues and capital expenditures but, what is worse, the scale of bankruptcies, which turned out the biggest since 2005 (455 bankruptcies in the first six months of the year¹). In turn, research of the National Debt Register and Conference of Financial Enterprises shows that as much as 91% companies from the trade sector have problems with collection of receivables.

However data regarding the condition of households, another key segment of electricity buyers, have started to improve. According to latest GUS data, in June, 13.2% Poles were jobless (less than in March, when the unemployment rate was 14.3% yoy). This is not surprising because that is exactly the result announced by the labor ministry. Many more emotions were evoked by information about retail sales, which grew 1.8% year-on-year, compared to the previous estimates of 1.1%.

The interest rate cuts and decrease of inflation (it is anticipated that in the summer months inflation will oscillate around 0%) as well as decrease of the scale and pace of economic tightening in Euroland are important from the standpoint of recovery expected in the second half of the year. Monetary policy impacts real economy with a long delay, amounting to more or less five quarters. We will have to wait for recovery in the infrastructure and construction till at least 2014. Additionally, the Polish economy will remain under the influence of the moods on global markets, and these are burdened by quite a widespread conviction that the end of the debt crisis is still far away.

¹ Data according to *Ogólnopolski Informator Upadłościowy Coface*.

In China most data point to a serious weakening, with a growth path below 7% yoy², and in the US, tightening of the monetary policy is awaited. The general trend in Poland points to a strong dependence on the situation in the Eurozone, especially in Germany. And although against the background of other European countries, Germany looks quite good with the forecast annual GDP in the range of 0.5%, it is hard to determine the German reverberations of the situation in China, one of the main export markets.

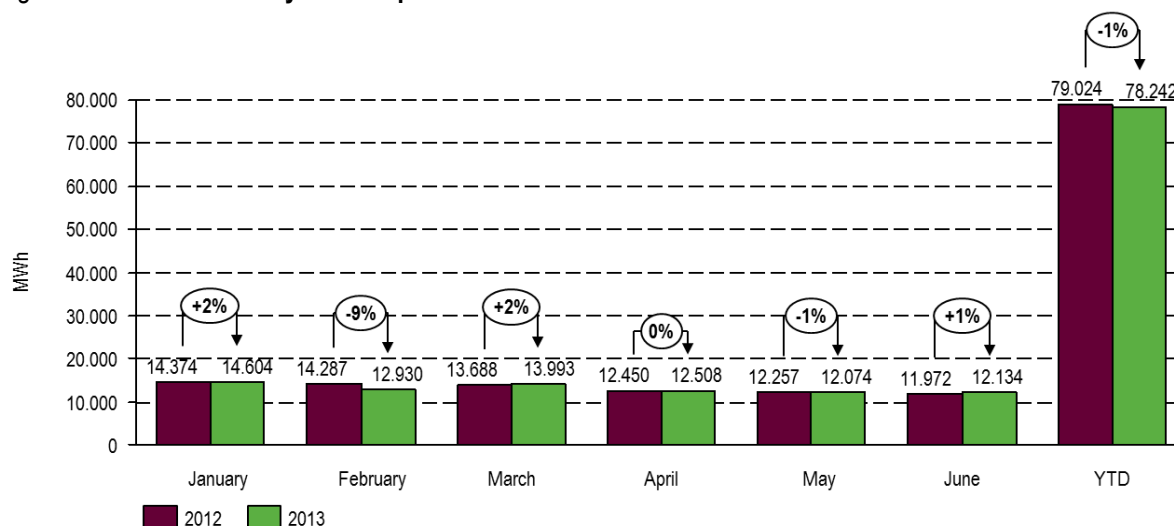
Summing up, currently the local macroeconomic conditions have negative influence on the demand for electricity and contribute to decrease of its prices on the wholesale market. Slight improvement of the economic situation can be expected in Q3, compared to Q2, however for the time being there are no premises for significant improvement of the situation in the power market. Improvement is supported by the latest financial data, if only they foretell stronger trends. On 1 August 2013 the PMI index for the Polish industry was published for July; it amounted to 51.1 points, which corresponds to a 1.8 increase in relation to the previous month. This is the highest

Domestic electricity consumption in value since January 2012.

2.2. Domestic electricity consumption

Domestic electricity consumption according to tentative data published by the Polish Power Grid after H1 2013 was lower than last year (approx. 1%). From the standpoint of Poland's expected economic recovery this information is negative. The picture of the period in question was influenced primarily by the first quarter, especially February, when the consumption was over 9% lower than last year. The second quarter was similar to the 2012 level. Hence despite increased volumes recorded in January, March and June, the first half of the year was not satisfactory to the power sector.

Fig. 3. Domestic electricity consumption in Poland in H1 2013



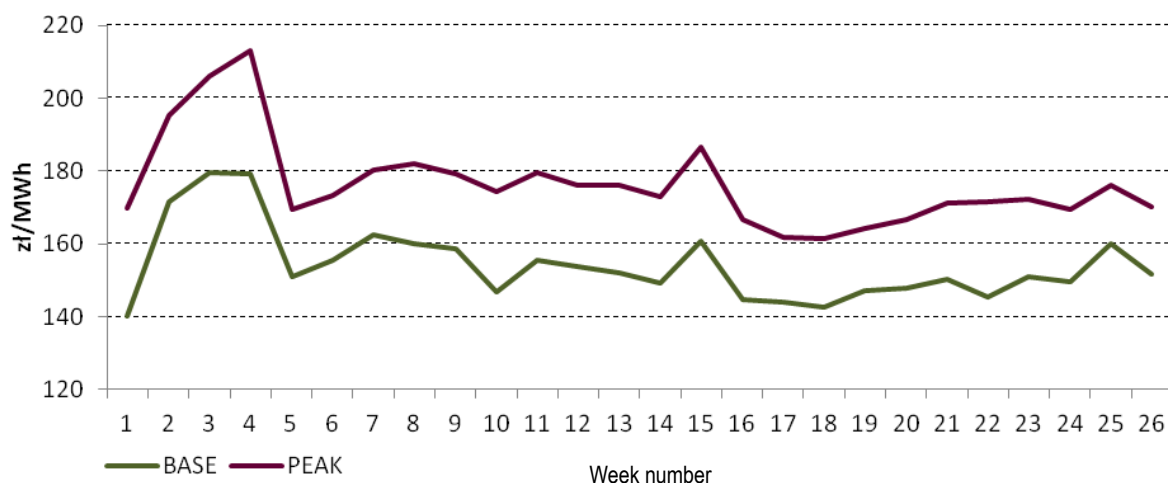
Source: http://www.pse-operator.pl/index.php?modul=8&id_rap=212

2.3. SPOT electricity market in Poland

To analyze the SPOT market in Poland we used a breakdown of weekly prices for the hours included in BASE and PEAK deliveries. Because hourly prices on the SPOT market are highly volatile, such an analysis will make it possible to observe the trends detached from hourly volatility.

² According to Bloomberg News.

Fig. 4. Average weekly energy prices on the SPOT market in H1 2013



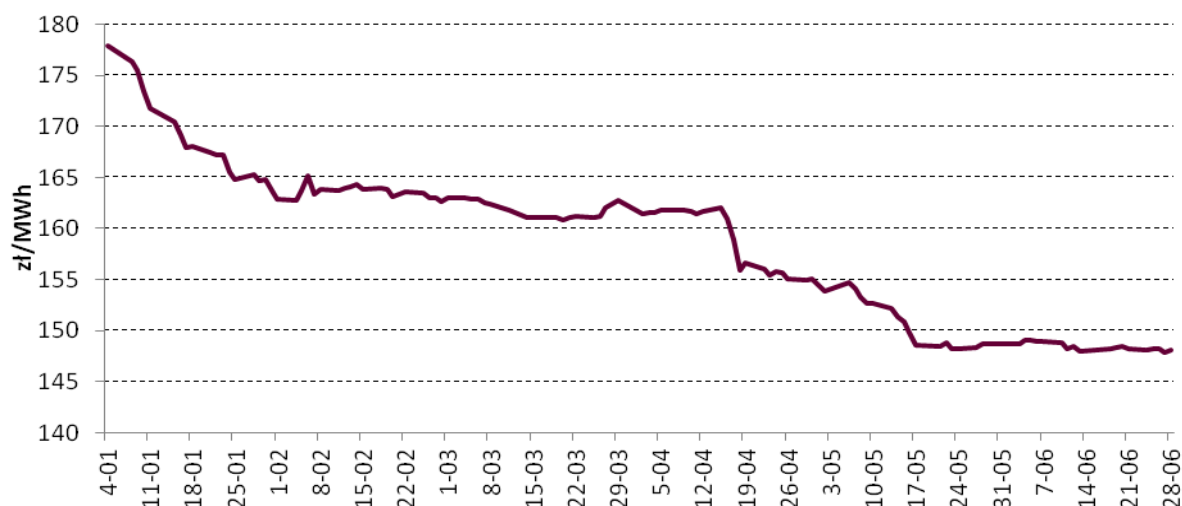
Source: <http://wyniki.tge.pl/wyniki/rdn/ceny-sredniowazone/>

The above charts show that for most of the time the prices in H1 2013 were in the range of 140-180 PLN/MWh. The only exception to this rule was the beginning of the year when due to low temperatures BASE prices reached their semi-annual maximums in the range of 179 PLN/MWh. 24 January 2013 turned out to be the most expensive, with the base price exceeding 204 PLN/MWh. The cheapest day was 1 January 2013 with the base price of approx. 101 PLN/MWh.

2.4. Electricity futures market in Poland

To assess the futures market in Poland, the annual futures contract for delivery of base energy in the whole 2014 was used as a reference product. H1 2013 recorded a significant decrease of prices for this product from 178 PLN/MWh in the first days of January to 148 PLN/MWh on 27 June 2013. Assessing the price of the above contract one can note that especially in January its price dropped by as much as 16 PLN/MWh. In February we saw price consolidation (low price volatility) to record more decreases by approx. 1 PLN/MWh in March 2013. The next period of decreases fell in April and May. In the analyzed period this product clearly followed a decreasing trend, 'breaking' individual support levels, first approx. 164 PLN/MWh, then approx. 162 PLN/MWh and approx. 161 PLN/MWh, stopping at 148 PLN/MWh.

Fig. 5. Futures contract price with delivery in 2014 – H1 2013

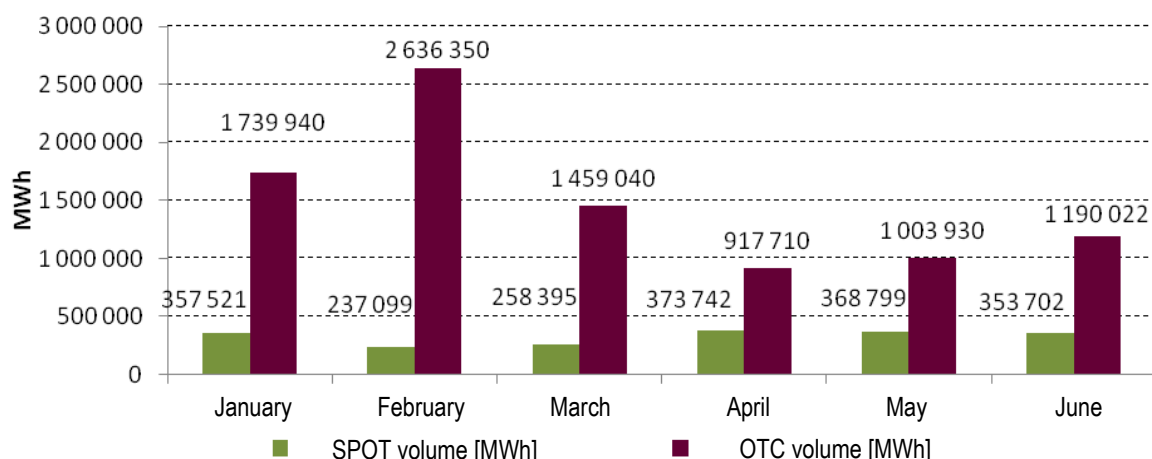


Source: <http://wyniki.tge.pl/wyniki/rtee/tables/>

2.5. Property rights market (RES market)

Property rights (RES) market operates on the basis of bilateral contracts as well as SPOT contracts. At the Polish Power Exchange (TGE) session deals (approx. 25% of trade) and OTC deals (remaining trade) are concluded.

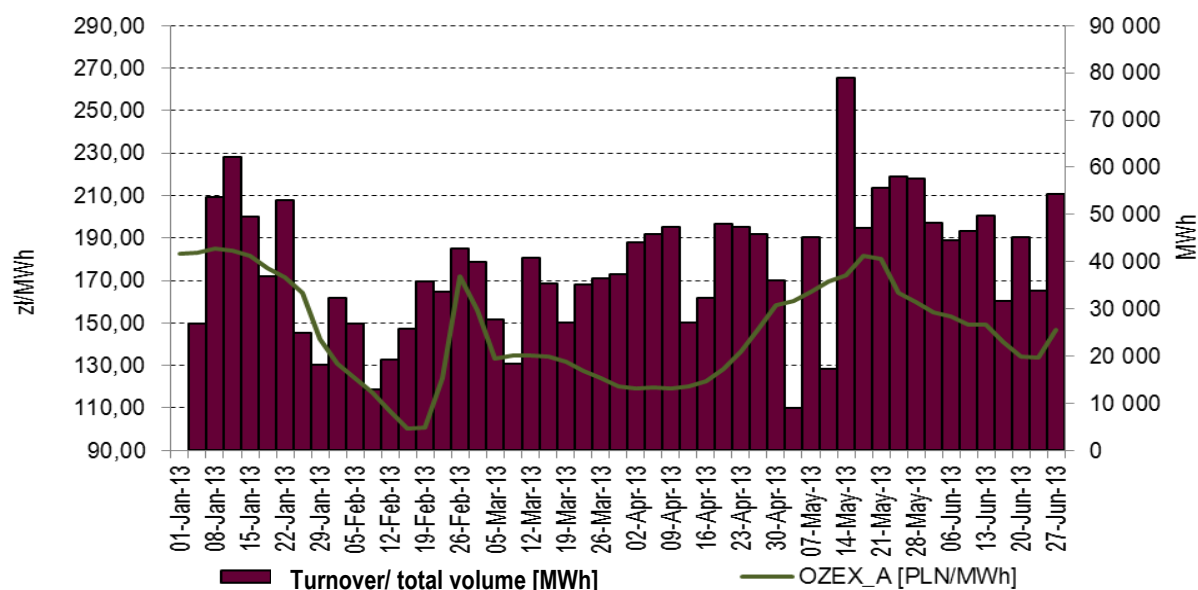
Fig. 6. Analysis of SPOT and OTC prices and volumes in H1 2013



Source: <http://wyniki.tge.pl/wyniki/rpm/indeksy/>

Analyzing the above chart one can note that from Q2 there was a clear change of relations between SPOT deals and OTC deals. So far the volume of trade on the SPOT market never exceeded 20% of the volume of the rights market PMOZE_A in bilateral deals. This trend significantly changed starting from April 2013. From that time trade volumes in monthly terms in spot transactions have been at least at 30% of the trade recorded on the OTC market. This has also caused change of prices on the entire green property rights market. This is happening, inter alia, because the increased volume of trade on the SPOT market has direct influence on the price level in bilateral contracts.

Fig. 7. Analysis of prices and volumes at TGE trading sessions (PMOZE_A)



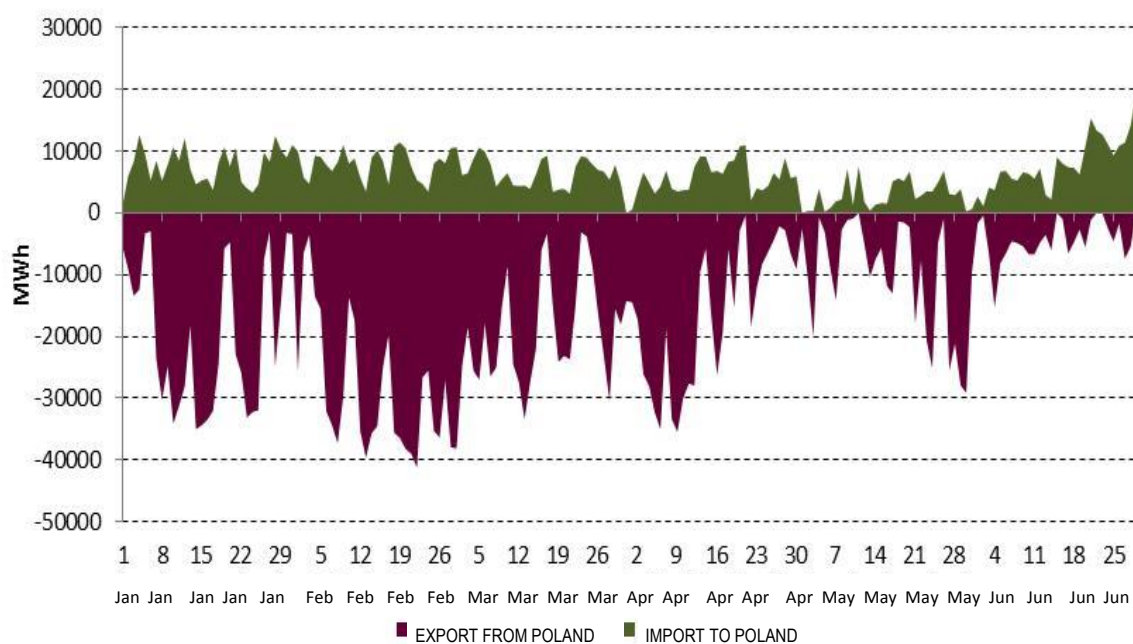
Source: <http://wyniki.tge.pl/wyniki/rpm/indeksy/>

Q1 2013 recorded dynamic decreases of the prices of green property rights. In February the price of certificates dropped even to 99.00 PLN/MWh, reaching its historical low. Then the prices of green certificates increased as a result of higher contracting on the market for the final performance of the obligations of 2012. And from March 2013 until the end of H1 2013 the prices of PMOZE_A property rights fluctuated in the range of 120-150 PLN/MWh, which was associated with the market-set profitability threshold of generation of the certificates in biomass co-firing sources which account for half of green energy production in Poland. No significant changes of the OZEX_A index are expected until presentation of new legal regulations regarding RES. One should note that the Energy Regulatory Authority (URE) practically does not issue certificates of origin of energy from co-burning, which in a way reduces the surplus of the rights in circulation. However this does not directly translate into higher prices because market participants take into account in the calculations the deficit volume of certificates.

2.6. Inter-system exchange

Summing up the system exchange in Poland in H1 2013, one should emphasize the very high advantage of exports over imports.

Fig. 8. Poland's system exchange volumes in H1 2013

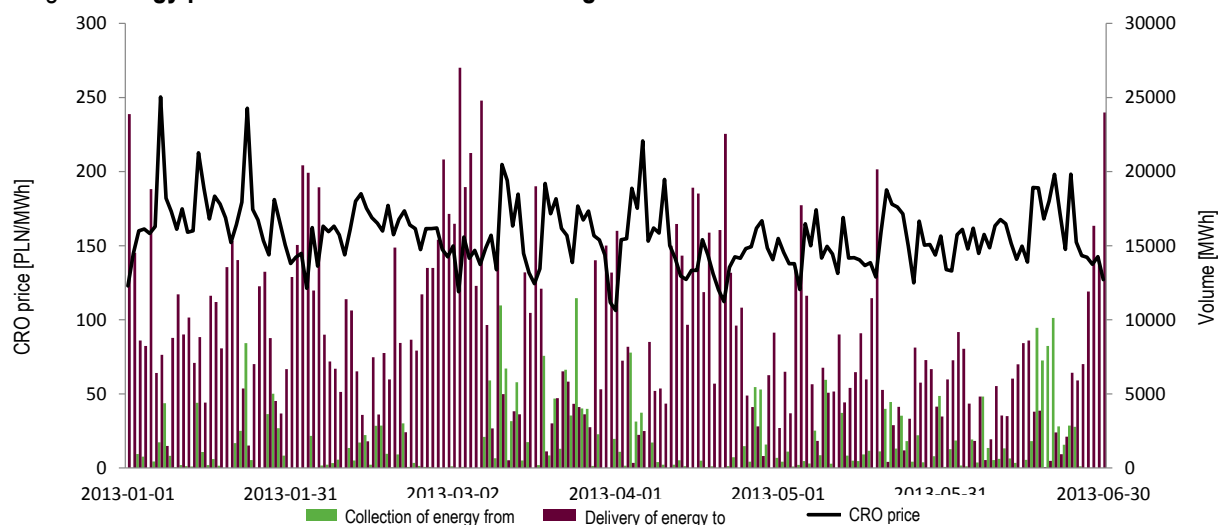


Source: http://www.pse.pl/index.php?modul=21&id_rap=9

2.7. Balancing Market

Summing up the first half of 2013 on Poland's balancing market, one can note that from the standpoint of the direction of energy flow, delivery to the balancing market predominated (it amounted to 1,583,012 MWh, while collection from the market was 291,661 MWh). This resulted from, inter alia, the uniqueness of market participants' contracting activity.

Fig. 9. Energy prices and volume on the balancing market in H1 2013

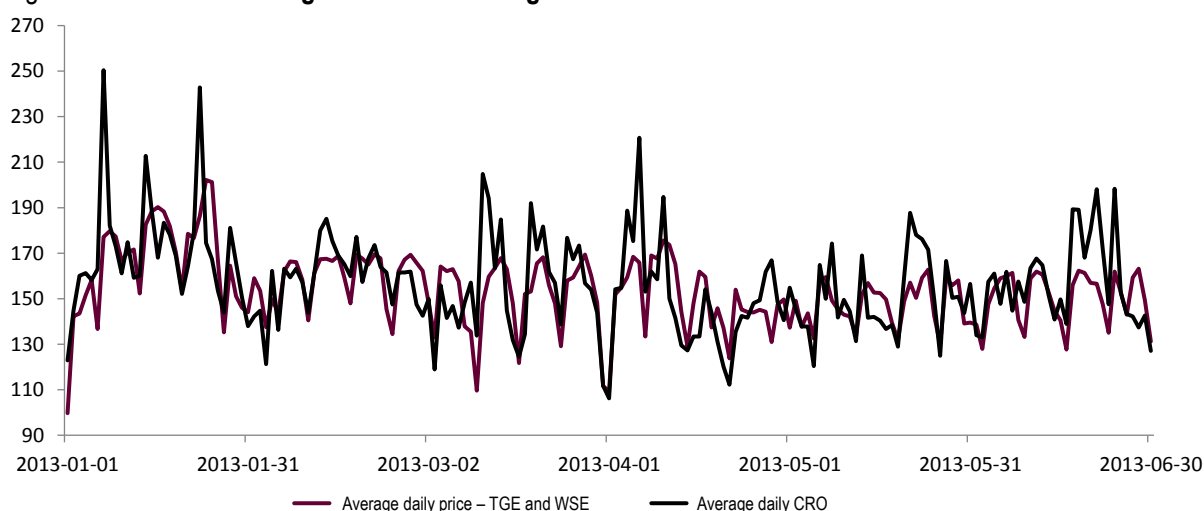


Source: <http://www.pse-operator.pl/index.php?modul=11>

When comparing the prices on the balancing market to corresponding hours on the wholesale market, one notes February when the prices on both markets were similar (average monthly price on the balancing market was 159.66 PLN/MWh and on the wholesale market – 159.28 PLN/MWh) and January, April and June, when we saw higher price changes on the balancing market. The arithmetic mean of the settlement price for the period in question was 157 PLN/MWh (*base*), peak 169 PLN/MWh and off peak 136 PLN/MWh. The lowest month was April, with the monthly CRO level of 149.32 PLN/MWh, and the highest was January with 170.46 PLN/MWh.

The sudden changes (increases) of prices on the balancing market in the first quarter were caused, among other things, by increased sale to neighboring countries (inter-system exchange) and failures in the distribution grids.

Fig. 10. Statement of changes on the balancing market and wholesale market in H1 2013.



Source: <http://www.pse-operator.pl/index.php?modul=11>

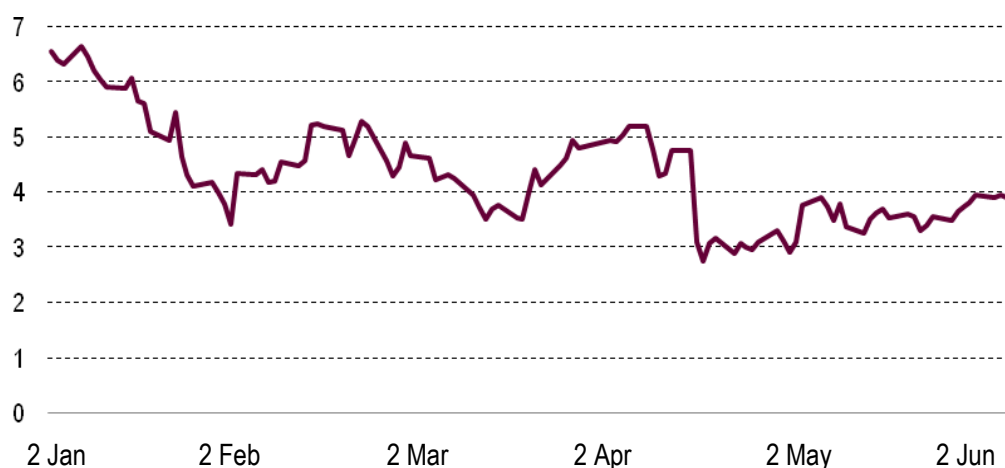
2.8. Emission allowance market

The emission allowance market in the last period was characterized by significant volatility. The main cause of these behaviors was the expectation regarding the vote on the European Commission's proposal to move part of the surplus of EUA over time (900 million EUA). This was accompanied by media publications about different

approaches of member states to this idea (Poland was against). At the same time nearly every day auctions for the sale of EUA for the 3rd settlement period were held. In addition, especially the first quarter was the last time when EUAs were traded to fulfill the emission obligations in 2012 and thus close the 2nd settlement period (allowance redemption deadline elapsed on 30 April).

Ultimately the emission allowance market in the period in question recorded price decreases.

Fig. 11. EUA prices (DEC 2013) in H1 2013



Source: https://www.theice.com/market_data.jhtml

3. The Group's major achievements and failures in the reported period and list of the key related events

3.1. Group's financial results

3.2.1. Description of the rules of preparation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements of the ENERGA Group for the period of 6 months ended 30 June 2013 have been drawn up in accordance with International Accounting Standard 34 'Interim Financial Reporting' approved by the European Union.

The interim condensed consolidated financial statements have been drawn up in accordance with the historical cost principle, except for financial instruments carried at fair value through profit or loss and hedging instruments.

The interim condensed consolidated financial statements have been drawn up with the assumption that the Group will continue its business as a going concern in the foreseeable future. As at the date of preparing these financial statements, there are no circumstances indicating to any threat to the ENERGA Group's continued operations.

The accounting rules (policies) applied to draw up the interim condensed consolidated financial statements are presented in note 7 to the interim condensed consolidated financial statements of the ENERGA SA Capital Group, consistent with IAS 34 for the period of 6 months ended 30 June 2013.

3.2.2. Discussion of the key economic and financial figures of the ENERGA Group disclosed in the consolidated financial statements for H1 2013

Consolidated income statement

	H1 2013 (unaudited)	H1 2012 (unaudited, restated)	Change	Change (%)
	PLN thousand			
Revenues on sales	5 789 544	5 615 229	174 315.00	3%
Own cost of sales	4 836 559	4 580 076	256 483.00	6%
Operating profit	646 271	714 903	(68 632.00)	-10%
Gross sales profit	952 985	1 035 153	(82 168.00)	-8%
Other operating income	60 684	50 316	10 368.00	21%
Cost of sales	138 240	125 556	12 684.00	10%
Overhead costs	182 489	187 154	(4 665.00)	-2%
Other operating expenses	46 669	57 856	(11 187.00)	-19%
Financial income	75 708	45 650	30 058.00	66%
Financial costs	155 887	139 919	15 967.00	11%
Share in the profit (loss) of the associated entity	(396.00)	(27.00)	(369.00)	1367%
Gross profit	565 696	620 608	(54 912.00)	-9%
Income tax	140 961	125 512	15 449.00	12%
Net profit for the period	422 159	510 294	(88 135.00)	-17%
EBITDA	1 023 366	1 067 283	(43 917.00)	-4%

The Group's revenues on sales in H1 2013 amounted to 5,789,544 thousand which, in relation to H1 2012, constitutes an increase by approx. 174,315 thousand, i.e. by 3.0%. The increase was recorded by the Distribution Segment whereas the Generation Segment recorded a decrease in this period. The Sales Segment, in turn, maintained its revenues on sales on the level similar to that from the year before. The growth of revenues in the Distribution Segment was associated with the rising distribution tariff.

Own cost of sales, which was 4% higher yoy, was determined primarily by a one-off event in the form of a charge equal to PLN 123.4 million for impairment of the fixed assets of Power Plant B operating within ENERGA Elektrownie Ostrołęka SA (more in item 6.4). Additionally, the growth of own cost of sales was influenced by higher costs of purchase of electricity due to increase of purchase volume. On the other hand, positive income was exerted by lower costs of consumption of energy fuels (by PLN 9,221 thousand) and lower costs of purchase of transmission and transit services (by PLN 64,803 thousand).

As a consequence the Group's EBITDA increased by approx. PLN 60,550 thousand (i.e. 6%) and reached PLN 1,127,833 thousand. After elimination of the one-off event in the form of the impairment charge for the fixed assets of Power Plant B, the Group's EBITDA would amount to PLN 1,251,233 thousand and would be PLN 183,950 thousand (i.e. 17%) higher than the EBITDA the year before. The main impact on the EBITDA level came from the improvement of results in the Distribution and Generation Segments.

Consequently, ENERGA Group's net result was at PLN 532,615 thousand and was 4% up than the net profit recorded in H1 2012. Apart from the aforementioned factors, the net result was materially affected by financial costs, which rose by PLN 11,512.00 thousand (8%), mainly because of the interest costs on ENERGA Group's increasing external debt.

Consolidated statement of financial position

PLN thousand	As at 30 June 2013 (unaudited)	Balance as at 31 December 2012	Change	Change (%)
ASSETS				
Non-current assets				
Property, plant and equipment	10 477 051	10 000 916	476 135	5%
Real estate investments	16 923	17 060	(137)	-1%
Intangible assets	372 005	378 563	(6 558)	-2%
Goodwill	78 978	28 627	50 351	176%
Shares and interests in associates and joint ventures carried using the equity method	2 144	2 580	(436)	-17%
Other shares and interests	1 400	980	420	43%
Deferred tax assets	188 716	209 870	(21 154)	-10%
Financial derivatives	84 492	-	84 492	-
Other long-term assets	57 101	58 799	(1 698)	-3%
	11 278 809	10 697 396	581 413	5%
Current assets				
Inventory	297 641	376 928	(79 287)	-21%
Income tax receivables	19 502	37 493	(17 991)	-48%
Trade receivables and other financial receivables	1 377 291	1 524 080	(146 789)	-10%
Shares and interests	1 262 200	11 381 200	(10 119 000)	-89%
Bonds, treasury bills and other debt securities	-	-	-	-
Deposits	20 213	26 784	(6 571)	-25%
Other financial assets	-	3 969	(3 969)	-
Cash and cash equivalents	3 334 282	2 069 058	1 265 224	61%
Other short-term assets	255 470	155 516	99 954	64%
	5 305 661	4 205 209	1 100 452	26%
Non-current assets classified as held for trading	142 287	10 168	132 119	1299%
TOTAL ASSETS	16 726 757	14 912 773	1 813 984	12%
LIABILITIES AND EQUITY				
Equity attributable to the owners of the parent company				
Share capital	4 968 805	4 968 805	-	0%
FX gains and losses from conversion of foreign currency	700	47	653	1389%
Reserve capital	521 490	471 235	50 255	11%
Revaluation reserve for hedging instruments	24 472	-	24 472	-
Retained profits	2 141 298	2 231 139	(89 841)	-4%
Non-controlling interest	38 438	47 295	(8 857)	-19%
Total equity	7 695 203	7 718 522	(23 319)	0%
Long-term liabilities				
Loans and borrowings	1 880 129	2 026 138	(146 009)	-7%
Liabilities on the issue of debt securities	3 213 156	1 079 219	2 133 937	198%

ENERGA SA

ENERGA Capital Group Management Board Activity Report for H1 2013

Long-term provisions	661 393	710 786	(49 393)	-7%
Deferred income tax reserve	518 777	519 686	(909)	0%
Deferred income and long-term government subsidies	450 398	456 010	(5 612)	-1%
Trade liabilities and other long-term financial liabilities	1 757	1 717	40	2%
Financial leasing liabilities	2 495	7 293	(4 798)	-66%
Other long-term liabilities	90	613	(523)	-85%
	6 728 195	4 801 461	1 926 734	40%
Short-term liabilities				
Trade liabilities and other financial liabilities	862 389	880 271	(17 882)	-2%
Current portion of loans and borrowings	272 081	389 639	(117 558)	-30%
Liabilities on the issue of debt securities	33 348	-	33 348	-
Income tax liabilities	14 278	34 662	(20 384)	-59%
Deferred income and government subsidies	30 113	28 933	1 180	4%
Accrued expenses	73 353	117 765	(44 412)	-38%
Provisions	533 224	555 345	(22 121)	-4%
Other short-term liabilities	412 585	386 174	26 411	7%
	2 231 371	2 392 789	(161 418)	-7%
Liabilities related directly to non-current assets classified as held for sale	71 987	-	71 987	-
Total liabilities	9 031 554	7 194 250	1 837 304	26%
TOTAL LIABILITIES AND EQUITY	16 726 757	14 912 773	1 813 984	12%

As at 30 June 2013, ENERGA Group's total assets amounted to PLN 16,720,399 thousand and were PLN 1,807,626 thousand (12%) higher than on 31 December 2012. The most important changes of the balance sheet items pertain to current assets, where cash and cash equivalents grew by PLN 1,265,224 thousand (61%), which is a derivative of EUR 500 million Eurobond issue carried out in March 2013 (more in item 5.2.). As a result, liabilities from issue of debt instruments increased from PLN 1,079,219 thousand (as at 31 December 2012) to PLN 3,246,504 million at the end of June 2013 (i.e. by 201%).

An important change was also recorded in the value of property, plant and equipment and intangible assets, whose total balance rose by PLN 469,577 thousand (5%). This resulted mainly from increase of fixed assets as a result of capital expenditures in the Distribution Segment of PLN 536,346 thousand and purchase of the assets of the wind farm companies from the DONG Group and Ciepło Kaliskie in the amount of PLN 340,088 thousand, whose impact was reduced by depreciation of PLN 377,095 thousand.

Drop of the Group's inventories by PLN 79,314 thousand (21%) results from impairment of renewable energy property rights (the so-called green certificates) which are presented in the 'Inventories' line item. At the end of 2012, the value of the green certificates disclosed by the Group as inventories amounted to PLN 202,469 thousand, whereas as at 30 June 2013 this figure equaled PLN 147,379 (decline by 27%). The reduction of inventories from this title is primarily the effect of falling prices of green certificates on the Power Exchange (TGE), on the basis of which these certificates are valued (more in item 2.5.).

ENERGA Group's equity went down by PLN 87,137 thousand, mainly due to the distribution of profit for 2012. The Company earmarked PLN 496,881 million for shareholders' dividend, which compensated the positive result generated for this period. As at 30 June 2013, equity financed the Group in 47%, whereas at the end of 2012 this figure stood at 52%. The Group's debt grew by PLN 638,494 thousand (45%), reaching the level of PLN 2,064,432 thousand. In relation to annualized EBITDA, net debt amounted to 1.30x, which is a safe level consistent with the covenants that the Group undertook to observe under its financing agreements.

Consolidated cash flow statement

	H1 2013 (unaudited)	H1 2012 (unaudited, restated)	Change	Change (%)
	PLN thousand			
Net cash flow on operating activity	1 185 009	548 745	636 264	116%
Net cash flow on investing activity	(1 093 132)	(844 302)	(248 830)	29%
Net cash flow on financing activity	1 234 122	135 120	1 099 002	813%
Increase / (Decrease) of the net cash balance	1 325 999	(160 436)	1 486 435	-926%
Cash at the end of the reporting period	3 355 372	1 595 105	1 760 267	110%

ENERGA Group's cash as at 30 June 2013 totaled PLN 3,355,372 thousand and was higher than at the end of the corresponding period of the year before by PLN 1,760,267 thousand (110%).

Total net cash flows on ENERGA Group's operating, investing and financing activities in H1 2013 amounted to PLN 1,325,999 thousand compared to PLN -160,436 thousand in H1 2012. The key factor which contributed to this change was the first issue of Eurobonds in the amount of EUR 500 million under the EMTN program.

Operating cash flows compared to the first half of the year before rose by PLN 636,264 thousand (116%) despite a drop of the Group's profit before tax, primarily as a result of positive changes in working capital.

Cash flows on investing activity were higher than in the first half of last year by PLN 248,830 thousand (29%), mainly due to expenditures for acquisition of subsidiaries: Ciepło Kaliskie and DONG Group wind farm companies (total expenditures on acquisition of the subsidiaries in H1 2013 equaled PLN 393,154 thousand). Decrease of expenditures on property, plant and equipment and intangible assets (decrease by PLN 141,497 thousand, i.e. 16%) had the opposite impact on the cash flows on investing activity.

Cash flows on financing activity in H1 2013 were positive and amounted to PLN 1,234,122 thousand, i.e. were PLN 1,099,002 thousand higher than in the corresponding period of 2012. The increase resulted primarily from the issue of the first tranche of Eurobonds in the amount of EUR 500 million. In the analyzed period, material impact on cash flows on investing activity was also exerted by repayment of loans in the amount of PLN 270,175 thousand (to European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), Nordea Bank Polski, PKO BP and PEKAO SA), which was significantly higher than in H1 2012, when it amounted to PLN 12,070 thousand.

ENERGA Group's cash flows in the period in question are typical of a business in the growth phase: positive cash flows on operating activity, negative cash flows on investing activity and positive cash flows on financing activity. The Group's liquidity is not a threat.

3.2. Business segments

3.2.1. Key operating data of the ENERGA Group

Sale of electricity by the ENERGA Group (in TWh)

Sale of electricity (TWh)	H1 2013	H1 2012	Change %
Sale of energy to end users	9.32	10.19	-8%
Sale of energy on the wholesale market, including:	6.12	4.04	52%
Sale of energy on the exchange	4.48	2.94	52%
Sale of energy to foreign customers	0.31	0.16	95%
Other sales (wholesale)	0.86	0.68	26%
Sale of energy on the balancing market	0.47	0.26	81%
Total sale of energy	15.44	14.23	9%
Including sales within the ENERGA Capital Group	1.03	1.34	-23%

In the first half of 2013 the volume of electricity sold by the ENERGA Group to end users declined by approx. 9% (0.9 TWh) compared to H1 2012. The decrease pertained to all tariff groups but the highest deviation took place in A and B tariff groups. Lower sales to end users confirm the information about decreasing electricity consumption in the national economy. The drop of sales volume in the tariff groups was compensated by increased quantity of energy sold on the wholesale market. In this sales subsegment a volume growth of approx. 52% (2.1 TWh) was recorded.

In terms of volume, sales to households (tariff G) in H1 2013 accounted for 30% of sales to end users, whereas the year before it stood at 26%.

In the analyzed period the average prices of sale to end users fell by more than 2%, and on the wholesale market the average sales prices were lower by nearly 7%.

Purchase of electricity by the ENERGA Group

Purchase of electricity (TWh)	H1 2013	H1 2012	Change
Purchase of energy from generators from the ENERGA Capital Group	0.97	1.42	-32%
Purchase of energy on the wholesale market – exchange	2.85	6.47	-56%
Purchase of energy – trading enterprises	9.45	4.66	103%
Purchase of energy on the wholesale market – other	2.03	2.03	0%
Purchase of energy abroad	0.05	0.02	159%
Purchase of energy on the balancing market	0.15	0.13	14%
Total purchase of energy	15.50	14.73	5%
<i>Including purchase within the ENERGA Capital Group</i>	<i>1.23</i>	<i>1.64</i>	<i>-25%</i>

In the first half of 2013 purchases of electricity by the ENERGA Group trading enterprise went up by approx. 5% (0.8 TWh) versus the corresponding period the year before. One should note the significant growth rate of purchases from other trading enterprises under bilateral contracts, which doubled in terms of volume.

The share of generators from the ENERGA Group in the total electricity purchase structure diminished in the analyzed period to approx. 6%, compared to nearly 10% in the corresponding period the year before.

Average electricity purchase prices followed the general price trend on the domestic electricity market and were 7% lower.

Distribution of electricity by tariff group*

Distribution of electricity by tariff group (in GWh)	H1 2013	H1 2012	Change
Group A (HV)	1 867	1 868	0.1%
Group B (MV)	3 339	3 289	1.5%
Group C (LV)	2 096	2 094	0.1%
Group G (LV)	2 821	2 825	-0.1%
Total sale of energy	10 123	10 076	0.5%

*invoiced sales

In the first half of 2013 the volume of electricity supplied was slightly higher than in the corresponding period of last year (on average by 0.5%). Increase of the average distribution rate amounted to approx. 3%, according to the tariff approved by the URE President for 2013.

Gross production of electricity in the ENERGA Group

Production of electricity (in GWh)	H1 2013	H1 2012	Change
Power plants – hard coal	1 397,5	1 443,6	-3%
Power plants – biomass co-burning	319,7	264,7	21%
Co-generation plants – hard coal	114,5	113,1	1%
Co-generation plants – biomass	2,8	6,8	-59%
Power plants – water	639,6	453,0	41%
Pumped storage plants	8,2	8,6	-5%
Total energy production	2 482,3	2 289,8	8%
<i>including RES</i>	<i>962,0</i>	<i>724,5</i>	<i>33%</i>

The generation companies in the ENERGA Group produced approx. 192 GWh (8%) more electricity in H1 2013 than the year before. The highest increase, 41%, was recorded in hydro power plants (good hydro-meteorological conditions contributed to increase of the production of the Water Power Plant in Włocławek by 49%) and biomass co-burning units – by 21% (2013 is the first full year of operation of the biomass co-burning boiler in ENERGA Elektrownie Ostrołęka SA).

Sale of heat (in TJ)

Sale of heat (in TJ)	H1 2013	H1 2012	Change
ENERGA Kogeneracja Sp. z o.o.	1 129.2	1 103.7	2%
ENERGA Elektrownie Ostrołęka S.A.	788.6	751.6	5%
ENERGA Elektrociepłownia Kalisz S.A.	288.3	259.9	11%
Total sale of heat	2 206.1	2 115.2	4%

The low average temperature in the 2012/2013 winter-spring season had positive impact on the sale of heat produced by the generators from the ENERGA Group in H1 2013. Total sales of the co-generation plants rose by approx. 91 TJ (4%) in relation to H1 2012. The biggest increase of sales was recorded by the unit in Ostrołęka (37 TJ).

Volume and cost of purchase of fuels from external suppliers

Purchase of fuels	H1 2013		H1 2012		Change	
	Quantity	Cost (PLN million)	Quantity	Cost (PLN million)	Quantity	Cost
Hard coal [thousand tons]	689	210	703	228	-2%	-8%
Biomass [thousand tons]	222	96	196	92	13%	5%
Heavy oil [thousand tons]	1	2	1	2	29%	17%
Gas [thousand m ³]	66	0	61	0	8%	14%
Total purchase of fuels		308		321		-4%

In the analyzed period generators from the ENERGA Group purchased slightly less, by approx. 14 thousand tons (2%), hard coal in relation to H1 2012. Purchase of biomass, in turn, grew by approx. 26 thousand tons (13%). As a result of fall of market prices of power raw materials and the volume of purchases (hard coal) the cost of purchase of the aforementioned fuels by the generators from the ENERGA Group declined – in the first half of this year they spent PLN 13 million (4%) less than last year.

3.2.2. Electricity Distribution Segment

<i>PLN thousand</i>	H1 2013	H1 2012	Change	Change %
Revenues	1 878 907	1 836 681	42 226	2%
EBITDA	820 340	738 873	81 467	11%
<i>including depreciation</i>	322 930	296 359	26 571	9%
EBIT	497 410	442 514	54 896	12%
Net profit	358 826	299 718	59 107	19%
CAPEX	536 346	611 918	(75 572)	-12%

<i>PLN thousand</i>	H1 2013	H1 2012	Change	Change %
Balance of cash	831 576	715 429	116 147	16%
Financial debt	2 964 355	3 058 363	(94 008)	3%
Headcount at the end of the period [persons]	6 729	6 954	-225	-3%

In H1 2013, the Electricity Distribution Segment generated approx. 73% EBITDA of the ENERGA Group (approx. 69% in H1 2012).

Revenues on the sales of the electricity distribution segment in H1 were higher than in the corresponding period of last year (by approx. +2%). The growth of revenues was attributable to the increase of the average distribution rate following from rise of the distribution tariff and a slightly higher volume of distributed electricity – up by 0.5%. Revenues from connection fees were slightly higher than last year (by approx. +3%).

The EBITDA growth rate was 11% yoy. EBIT increased by PL 54,896 (12%). The most important driver of the improved operating results were lower costs of purchase of transmission and transit services (by approx. 64,803 thousand) and rising rate for the distribution service.

The net profit generated in the reporting period equaled PLN 358,825 and was by PLN 59,107 thousand (+19%) higher than the net profit the year before. Result on financing activity was negative and equaled PLN -40,538 thousand, caused, among other things, by higher financing costs on the debt raised for the Group by ENERGA SA.

The capital expenditures of the Distribution Segment were lower in H1 2013 by PLN 75,572 thousand in comparison to the corresponding period of the year before and reached PLN 536,346 thousand. The decrease of expenditures is attributable, inter alia, to difficult weather conditions associated with the long winter of 2013.

Compared to the status as at 31 December 2012, financial debt dropped by PLN 94,008 thousand as a result of commencement of repayment of the loans taken from international financial institutions. Thanks to improved operating results cash was 16% higher than at the end of 2012.

3.2.3. Sales Segment

<i>PLN thousand</i>	H1 2013	H1 2012	Change	Change in %
Revenues	3 582 142	3 581 983	159	0%
EBITDA	178 917	141 420	37 497	26%
<i>including depreciation</i>	13 105	11 995	1 110	9%
EBIT	165 812	129 425	36 387	28%
Net profit	154 284	107 517	46 767	43%
CAPEX	11 414	10 144	1 270	13%

<i>PLN thousand</i>	H1 2013	H1 2012	Change	Change in %
Balance of cash	331 737	246 150	85 587	35%
Financial debt	2 069	2 365	(296)	-13%
Headcount at the end of the period [persons]	1 463	1 425	38	3%

The Sales Segment generated in H1 2013 approx. 16% EBITDA of the ENERGA Group, compared to 13% in the corresponding period last year.

The Sales Segment's revenues showed nearly identical level as in the first half of last year, i.e. PLN 3,582,142 thousand. However, lower revenues on sales of electricity to end users (- PLN 301,474 thousand) and at the same time higher revenues on wholesale of other electricity (+ PLN 290,158 thousand) were recorded. Additionally, higher revenues on sale of energy on the balancing market were noted (+ PLN 21,881 thousand).

In H1 2013, the Sales Segment recorded 26-28% higher EBITDA and EBIT than last year. Main impact on the results improvement came from the fall of electricity purchase prices (on average by approx. 7%) and lower cost of the obligation to 'color' energy (a drop of cost by ca. PLN 49,429 thousand). On the other hand, lower average sale price of electric energy (approx. 8%) had negative impact on the segment result.

The segment's liquidity has improved. Vis-à-vis the end of 2012, the balance of cash as at 30 June 2013 went up by PLN 85,587 thousand (35%).

3.2.4. Generation Segment

<i>PLN thousand</i>	H1 2013	H1 2012	Change	Change %
Revenues	732 860	811 148	(78 288)	-10%
EBITDA	107 312	202 590	(96 278)	-47%
<i>including depreciation</i>	45 224	50 300	(5 076)	-10%
EBIT	62 088	152 290	(90 202)	-59%
Net profit	45 961	117 315	(71 354)	-61%
CAPEX	462 356	139 892	322 464	231%

PLN thousand	H1 2013	H1 2012	Change	Change %
Balance of cash	1 047 347	396 600	650 747	164%
Financial debt	1 662 414	378 167	1 284 247	340%
Headcount at the end of the period [persons]	1 629	1 661	(32)	98%

In the first half of 2013 the impact of the Generation Segment on ENERGA Group's total EBITDA amounted to 10%, compared to 19% in the same period last year. The biggest driver of the 2013 result was the impairment charge for fixed assets of Power Plant B from ENERGA Elektrownie Ostrołęka SA. The impact of this charge was - PLN 123.4 million.

Despite increase of the production volume by the segment's generation assets (by 8%), which is attributable to the hydro-meteorological conditions, revenues on the sales in the segment were lower than in the first half of last year. This resulted, on the one hand, from decrease of average electricity sales prices. The second important element was the sale of electricity as a commodity, which was lower than in the period one year before.

In the cost structure one can notice a reduction of the cost of consumption of energy fuels. The decrease of coal consumption (by 2%) was added on top of lower unit costs of purchase of these fuels (by 6% for coal and 8% for biomass).

Lower market prices of certificates of origin for energy from renewable sources (green certificates), according to which the revenue on the obtained certificates is recognized, had a negative impact on the segment's results.

After eliminating the one-off impairment charge for the fixed assets of Power Plant B, the segment's EBITDA would amount to PLN 230,712 and would be higher by PLN 28,122 thousand in relation to the EBITDA recorded in the corresponding period last year.

The segment's capital expenditures were significantly higher in H1 2013 compared to the same period of 2012 (by 331%). They comprised expenditures on increase of the fixed assets associated with the purchase of the wind companies from the DONG Group and Ciepło Kaliskie in the amount of PLN 340,088 thousand.

Increase of financial debt and increase of the balance of cash in relation to H1 2012 were caused by the issue of bonds by ENERGA Hydro Sp. z o.o. of PLN 1,100,000 thousand for the purchase of the wind farms.

3.3. Execution of the investment program

In H1 2013 entities from the ENERGA Group incurred capital expenditures in the total amount of PLN 1,027,086 thousand, compared to PLN 800,944 thousand in the same period last year. The expenditures of ENERGA-OPERATOR had the biggest share in this amount (PLN 553 million). Significant funds were also consumed by the project to develop a heat source for the city of Ostrołęka (PLN 37.7 million) and construction of a biomass unit in EC Elbląg (PLN 29.8 million).

In the period in question the ENERGA Group executed the following strategic investment projects:

- Expansion and modernization of the distribution network, including implementation of the *Smart Grid*;
- Preparation of a project to build a combined cycle unit in Grudziądz with the capacity of approx. 500 MWe. The investment is at the stage of a tender to select the General Contractor. The commissioning of the power plant will be possible in 2017;
- Preparation of a project to build a combined cycle unit in Gdańsk with the capacity of approx. 500 MWe. The investment is at the stage of preparation of the design documentation. Completion of the stage of preparation of the investment for construction is planned for 2016;

- Construction of a biomass unit in EC Elbląg with the capacity of 25 MWe and 30 MWt. All installation works for the unit have been completed. Soon functional and operation tests of the installations and equipment will start, and after their positive completion the trial and adjustment run of the entire unit will take place. The commissioning of the unit is planned for the end of August 2013;
- Preparation of a project to build a combined cycle unit in EC Elbląg with the capacity of 115 MWe and 83 MWt. The unit is to replace the decommissioned hard coal-fired units. Currently the project is at the stage of selection of the general designer;
- Addition of heat generation to the power units in Elektrownia Ostrołęka B. The investment is at the construction stage. The commissioning of the new heat source is planned for 2014;
- Modernization of ESP Żydowo, including expansion of the power plant's capacity by 9 MWe. Modernization works are currently underway. Completion of the investment is planned for H2 2013;
- Preparation of a design for construction of the second barrage on the Wisła together with a water power plant with the capacity of approx. 76 MWe. The design is at the stage of preparation of the studies required to obtain the Environmental Decision. According to the schedule, the stage of preparation of the investment for construction should be completed in 2017;
- Construction of a 28 MWe wind farm in Drzewiany. The investment is at the land acquisition stage. The commissioning of the farm is planned for 2015;
- Construction of a 20.5 MWe wind farm in Myślino. Currently tenders to select contractors for individual investment components are under way. The commissioning of the farm is planned for 2014.

3.4. Forecast financial results

ENERGA SA's Management Board has not published forecast stand-alone or consolidated financial results for the 2013 financial year.

3.5. Financial and market risk management

ENERGA Group companies support their operating activity with financial activity. Implementing the provisions of the ENERGA Group's Financial Policy these entities become parties to different kinds of financial arrangements and agreements entailing financial and market risks. The most important ones include the interest rate risk, FX risk, credit risk and liquidity risk. Each of these risks determines the financial results of individual companies and the ENERGA Group.

Interest rate risk – ENERGA Group companies finance their operating or investing activity on the basis of debt liabilities bearing interest at a floating or fixed interest rate. The interest rate risk is also associated with investment of surplus cash in floating or fixed interest rate assets. The floating interest rate risk resulting from concluded debt liabilities pertains only to rates based on the WIBOR rate. In the case of liabilities in EUR the interest rate risk is associated with fixed interest rates.

FX risk – in the financial area the FX risk is associated with incurring and servicing ENERGA Group's debt liabilities in a foreign currency, which is possible under the EMTN Eurobond issue program. Additionally, selected Group entities had foreign currency surpluses resulting from their operating activity or debt issues.

The ENERGA Group monitors and manages the FX risk. For the purposes of hedging the FX risk associated with the issue of the first series of the Eurobonds the Group concluded in H1 2013 a CCIRS hedging transaction.

Credit risk – associated with potential permanent or temporary counterparty insolvency with regard to financial assets such as: cash and cash equivalents and financial assets available for sale, credit risk arises due to the contractual counterparty's inability to make the payment and the maximum exposure to this risk equals the balance sheet value of acquired instruments. In this respect, to minimize credit risk the ratings of financial institutions with which the Group cooperates are monitored.

Credit risk is also incurred in the case of funds involved in participation units in the ENERGA Trading SFIO fund. According to the adopted investment policy, the fund invests in assets such as treasury bills and bonds and commercial debt instruments. Credit risk associated with investments in treasury bills and bonds is referred to the solvency risk of the State Treasury. Credit risk associated with investments in commercial debt instruments is mitigated through the fund's properly defined investment policy. The fund may invest its monies only in assets characterized by an investment rating awarded by rating agencies or awarded internally by the fund manager.

Liquidity risk – ENERGA Group companies monitor the liquidity risk using a periodic liquidity planning tool. The tool takes into account the payment due/maturity dates both for investment liabilities and financial assets and liabilities and forecasted cash flows from operating activity. The Group aims at maintaining the balance between continuity and flexibility of financing through use of various sources of financing, such as working capital and investment loans, local bonds and Eurobonds.

Due to centralization of the debt-related activity in ENERGA, this entity conducts on-going monitoring of fulfillment of the covenants and their forecasts in long-term periods, which makes it possible to define the Group's capability to incur debt. This, in turn, determines the Group's investment capabilities.

4. Risks and threats facing the ENERGA Capital Group

The operations of the main ENERGA Group companies, much like the operations of other players in the power sector, are exposed to a number of risks and threats of both an external nature, associated with the market environment or the regulatory and legal situation, and of an internal nature, associated with the conduct of operating activity.

The ENERGA Group has in place an Integrated Risk Management System the main objectives of which are to identify potential events that may affect the organization, to maintain risk within the established limits and to ensure a reasonable achievement of business objectives. Corporate risk management conducted within the framework of the system is a continuous process involving activities performed at various levels – that of the Group, individual companies and business processes – and it is also applied to various projects and initiatives.

Under the Group's most recent risk review carried out between March and May 2013, the Group's main risk exposures along with the sources of risk (risk factors) were analyzed and a validation of control mechanisms was performed.

The main risk factors broken down by origin in the period under analysis include:

- External risk factors: macroeconomic, legal and political, environmental, market-related, financial, weather-related and random;
- Internal risk factors: organizational, technological, employee-related.

Political decisions, such as those regarding the date and method of the Group's privatization, have a significant impact on the operations of the ENERGA Group. The planned changes in the ownership structure increased the activity of trade unions and, accordingly, the risk of collective bargaining disputes. The instability of financial markets, including the capital market, and risk aversion among investors threaten the feasibility of achieving the assumed objectives of privatization.

The new growth directions described in the Group's Strategy for 2013-2020 involve the acquisition of financing. In H1 2013, the financing structure of the Group's operations changed toward a greater role of debt. The enlarged share of debt financing, including that denominated in the euro, increases the Group's sensitivity to changes in interest rates and exchange rates.

The Group's financial performance depends on the country's macroeconomic situation, which is largely affected by developments in the European economy. In particular, of great importance for the Group's operations are such

factors as: the level of GDP and its fluctuations, the rate of inflation, exchange rates, interest rates, the prices of energy and fuel (including the prices of coal and biomass), the unemployment rate, the average wage and expected changes in the average wage, and the country's fiscal and monetary policies. The Group's review of the main risk factors in H1 2013 revealed: the economic slowdown, deterioration of the conditions in the labor market, poorer lending conditions, a decrease in construction and assembly output, a drop in capital (especially public) expenditures and a tight budgetary situation. All these factors result in a decrease in domestic demand for electricity and more intense activities of competitors, and affect the economic standing of the Group's counterparties, thus increasing the risk of counterparty bankruptcy and insolvency. This may result in a lower collectability of receivables and the loss of significant customers.

The decline in demand for electricity in the retail market also impacts an increased share of domestically generated energy in the purchase portfolio together with energy prices in the wholesale market, thus causing a reduction in the margin on electricity sales and ineffectiveness of administrative regulatory mechanisms. Currently, among all areas of the Group's operations, approval by the President of the Energy Regulatory Office is required for tariffs for the sale of electricity to customers in tariff group G, i.e. non-commercial customers, predominantly household consumers, as well as for the distribution of electricity and heat. This threatens the achievement of the expected rate of return on invested capital.

The Group is also affected by changes in legal regulations, particularly in energy law. EU regulations aimed at liberalizing internal electricity and natural gas markets and increasing environmental protection levels are causing amendments to the legal regulations governing the energy sector in Poland. New regulations coupled with the planned change of Poland's Energy Policy may bring about increases in the costs of operation of conventional sources of electricity and heat generation based on coal, changes in the method of remunerating distribution system operators, changes in tariff structuring methods or the emergence of new competitors. Furthermore, the recently developed package of three new acts of law: the Energy Law, the Gas Law and the Renewable Energy Sources Act, which are supposed to replace the existing Energy Law, may cause significant implications for the shaping of the prices of electricity and property rights, the availability and cost of fuels used to generate electricity, including those obtained from renewable sources, or restrictions imposed on the right to suspend deliveries in situations of overdue receivables from non-commercial customers. These changes pose a threat that the Group may be unable to adjust quickly enough to the new requirements.

5. Information on executed agreements

5.1. Domestic bonds issue program

On 21 September 2012, ENERGA SA and the banks Pekao SA and BRE Bank SA entered into an issue agreement establishing a PLN 4,000,000,000 domestic bonds issue program. The first issue of bonds under the program, with a value of PLN 1,000,000,000, was launched on 19 October 2012, the bonds maturing on 18 October 2019. The issue was directed at Polish institutional investors. Then, on 19 November 2012, the issued bonds were introduced to trade on one of the Catalyst markets, namely the Alternative Trading System (ATS) platform operated by BondSpot S.A. On 8 January 2013, an application and a prospectus were submitted to the Polish Financial Supervision Authority (KNF) to transfer the bonds to the regulated market. Due to the IPO process running in parallel, the proceedings before KNF were suspended. On 28 June 2013, KNF received an application to resume the proceedings for the approval of the prospectus prepared in connection with the intention to apply for admission and introduction to trading on a regulated market of the bonds issued by ENERGA SA. The Group's intention is to withdraw the bonds from the ATS market and transfer them to the regulated market in the shortest possible time.

5.2. Eurobonds issue program

On 19 March 2013, as part of the Euro Medium Term Note Issue Program (the EMTN Program) the first Eurobond issue with a value of EUR 500 million was effected by ENERGA Finance AB(publ), a 100% subsidiary of ENERGA SA. The EMTN Program received an investment grade rating of BBB from Fitch and Baa1 from Moody's Investors Service. The first issue under the program covered 5,000 bonds with a value of EUR 100 thousand each, due in 7 years, paying an annual coupon of 3.250%. The Eurobonds are listed on the Luxembourg Stock Exchange.

5.3. Issues of short-term bonds

On 30 May 2012, ENERGA SA and PKO Bank Polski SA signed an agreement for the issue of bonds under the program with a total value of up to PLN 100,000,000. The funds obtained under the agreement may be used to subscribe for bonds issued by ENERGA Elektrownie Ostrołęka SA in connection with the execution of the investment program. The maturity date of the bonds is 31 December 2022. The bonds may be issued as short-term securities with a 3-month maturity and the bank's undertaking to subscribe for them in accordance with the terms of the issue agreement throughout the duration of the issue. The agreement is secured with financial covenants. Under this financing program, the first bonds with a value of PLN 66,000,000 were issued on 9 July 2012. During H1 2013, redeemable bonds were rolled over to bonds of the new issue. Such operations took place on 9 January 2013 and 9 April 2013. As at the end of June 2013, ENERGA SA's debt under this program, on account of the issue of this series of bonds maturing on 9 July 2013, amounted to PLN 66,000,000.

On 18 December 2012, ENERGA SA and PKO Bank Polski SA signed an agreement for the issue of bonds under the program with a total value of up to PLN 1,000,000,000, under which ENERGA may launch multiple issues of unsecured short-term bonds directed exclusively at the ENERGA Group companies. The program will expire on 31 December 2017. In H1 2013, ENERGA SA launched one such issue for PLN 100,000,000. The bonds issued on 27 March 2013 were redeemed on 26 June 2013. As at 30 June 2013, ENERGA SA had no outstanding bonds issues under this agreement.

5.4. Loans to finance ENERGA-OPERATOR SA's investment program for 2012-2015

On 26 June 2013, ENERGA SA, its subsidiary ENERGA-OPERATOR SA and the European Bank for Reconstruction and Development (EBRD) signed a loan agreement for PLN 800,000,000 under which PLN 400,000,000 will be provided by the EBRD and the remaining amount by two commercial banks: PKO Bank Polski SA and ING Bank Śląski SA. The loan repayment date is 18 December 2024.

On 10 July 2013, ENERGA SA, ENERGA-OPERATOR SA and the European Investment Bank signed a loan agreement for PLN 1,000,000,000 with each tranche maturing in up to 15 years.

The funds obtained from both of the aforementioned agreements will be used to finance ENERGA-OPERATOR's long-term investment program, part of which aims at the growth of the distribution network and improvement of its effectiveness, including the implementation of an advanced metering system forming part of the new 'smart grid' solution. As at 30 June 2013, none of the funds from the EBRD loan were used.

5.5. Agreement for the purchase of wind assets

On 19 February 2013, ENERGA Hydro Sp. z o.o. (ENERGA Hydro) signed an agreement for the acquisition of up to 100% shares in companies forming the onshore wind assets of Dong Energy Wind Power A/S in Poland in a consortium with PGE Polska Grupa Energetyczna SA (PGE). The transaction was completed on 28 June 2013 following the granting of antitrust clearance by the Office for Competition and Consumer Protection (UOKiK). As a result of the purchase of these shares, the ENERGA Group acquired one operating wind farm with a capacity of 51 MW and a portfolio of wind projects at various stages of development and a total capacity of over 200 MW.

On 26 February 2013, ENERGA Hydro, also in a consortium with PGE, signed an agreement for the purchase of shares in Iberdrola Renewables Polska Sp. z o.o. Following the fulfillment of the conditions precedent, the transaction was completed on 31 July 2013. As a result of this transaction, ENERGA Hydro became the holder of a 67.3% stake in the acquired company. After a demerger, the ENERGA Group will be the sole owner of the wind farms of Karścino with a capacity of 90 MW and Bystra with a capacity of 24 MW and a portfolio of wind projects at various stages of development and a total capacity of 1,186 MW.

5.6. Agreement for the purchase of heating assets

On 9 April 2013, the Group's subsidiary ENERGA Kogeneracja Sp. z o.o. and the City of Kalisz signed an agreement to acquire a 90% stake in Ciepło Kaliskie Sp. z o.o., a company managing the integrated heating system for the City of Kalisz and holding the position of a natural monopoly in the local market. The company is not involved in heating operations but merely leases heating assets to Przedsiębiorstwo Energetyki Ciepłej S.A. with its registered office in Kalisz. Currently, Przedsiębiorstwo Energetyki Ciepłej S.A. conducts operating activity on the assets owned by Ciepło Kaliskie.

5.7. Long-term Agreement between ENERGA-OBRÓT SA and PSE-ELECTRA SA (currently PGE Polska Grupa Energetyczna SA)

The subject matter of the Agreement are transactions of purchase, sale, delivery and take-off of electricity between ENERGA-OBRÓT SA and PGE Polska Grupa Energetyczna ('Counterparty'). The Agreement was signed for an indefinite period starting on 21 December 2007. The estimated value of the Agreement depends on the purchase, sale, delivery and take-off of electricity between the parties (the value of cash flow). The total cash flow between ENERGA-OBRÓT SA and the Counterparty in the period from 1 January 2012 to 30 June 2013 was approximately PLN 907,580 thousand.

5.8. Information on significant transactions with related parties

Information on transactions with related parties are included in note 18 of the interim condensed consolidated financial statements for the 6 months ended 30 June 2013.

5.9. Sureties and guarantees

On 19 April 2013, ENERGA SA and PGE Polska Grupa Energetyczna SA signed a surety agreement under which the Company granted, for the period from 30 April 2013 to 30 June 2016, a surety for ENERGA-OBRÓT SA's trade liabilities related to electricity purchases for up to PLN 500,000,000.

6. Other significant events in the reporting period and events after the balance sheet date

6.1. Update of the ENERGA Group's Strategy for 2013-2020

Published on 19 July 2013 was the updated 'Strategy of the ENERGA Capital Group for 2013-2020' along with the Long-Term Plan for Strategic Investments (the 'Investment Program'). According to the document adopted by ENERGA's Management Board and Supervisory Board, the Group's growth strategy assumes the construction of a cohesive, efficient and innovative group which, through cooperation and mutual support between its companies, will be able to maintain its leading position among Polish utility companies while improving its efficiency and quality of services.

An important set of factors taken into account in the Group's Strategy following the process of internal and external reviews were the trends observed in the power sector and the legal environment (the Climate and Energy Package, the amended Energy Law and Poland's Energy Policy until 2030).

The value of the ENERGA Capital Group will be created through the pursuit of strategic objectives based on following three areas:

1. In its relations with customers, the Group will focus in particular on:

- offering products and services through the optimal use of the potential of its generating assets,
 - efficient customer service,
 - implementation of joint (with the customers) projects aimed at the efficient generation and use of energy.
2. With a view to reducing the environmental impact, attention will be focused on:
- the use of technologies significantly reducing greenhouse gas emissions related to energy generation and distribution,
 - the selection of efficient technologies using natural domestic resources for energy generation,
 - the implementation of innovations related to energy efficiency and improvement of electricity and heat generation and distribution processes.
3. The development of distribution operations will involve in particular:
- modernization and expansion of the distribution network (including the enlarged capacity to connect renewable energy sources),
 - sustainable growth of operating efficiency,
 - improved continuity of supplies,
 - continuous improvement of customer service standards in line with the expectations of customers and regulatory authorities.

The ENERGA Group's Investment Program for 2013-2021 assumes that total capital expenditures will reach approximately PLN 21 billion to be used as follows:

- approx. PLN 12.5 billion for investments in the Distribution Segment,
- the remaining amount for investments in conventional and gas-fired power plants, CHP, renewable energy sources and more.

Thanks to the implementation of its Investment Program, the ENERGA Group will strengthen its leading position in the use of renewable energy sources and will be able to take pride in a low carbon dioxide emission ratio, a moderate level of debt and a limited risk associated with the creation of new generating capacity. This will allow the Group to respond flexibly to the rapidly changing environment of the Polish energy sector in the coming years.

The Strategy execution should contribute to the ENERGA Group's achievement of the following financial and operational objectives by 2020:

- a more than 10% annual average growth in consolidated EBITDA, with 80% of EBITDA coming from the existing operations and 20% from new projects;
- maintenance of a safe and conservative level of financial ratios, including 'Net Debt/EBITDA', not greater than 2.5;
- reduction in the value of expenditures on a single project to an amount not exceeding the annual value of the Group's EBITDA;
- maintenance of credit ratings at an investment grade;
- a consistent reduction in the SAIDI index (i.e. the average duration of a long interruption and a very long interruption expressed in minutes per customer per year), in accordance with the original strategic objectives, to the level of 190 minutes per customer per year, and a reduction in the SAIFI index (i.e. the average frequency of long interruptions and very long interruptions) by approximately 65% to 1.9 interruptions per customer per year;
- an increase in the installed capacity;
- a reduction in the CO₂ emission ratio: from 0.72 Mg/MWh in 2012 to less than 0.40 Mg/MWh in 2022;
- a growth in RES connection capacity to 6 GW (from the current level of 1.6 GW);

- a further drop in the overall loss ratio in distribution.

6.2. Privatization process

In January 2013, the State Treasury Minister (STM) decided to relaunch the privatization process of ENERGA SA. The STM's intention, according to public reports, is the sale of a minority stake in ENERGA SA on the Warsaw Stock Exchange in an IPO (Initial Public Offering). As at the date of this report, the date of ENERGA SA's IPO on the Warsaw Stock Exchange was unknown. On 1 August 2013, the STM announced the selection of advisors for the Company's public offering. The global coordinators will be UBS and J.P. Morgan.

6.3. Credit ratings

ENERGA has received credit ratings assigned by two independent rating agencies: Fitch Ratings and Moody's Investors Service, both established in the European Union and registered in accordance with the Regulation on Credit Rating Agencies.

In October 2012, Fitch Ratings assigned the Company an international long-term rating of BBB with a stable outlook and a long-term national rating of A(pol) with a stable outlook. In the justification for the awarded rating, the agency mentioned: (i) a high share of distribution operations in EBITDA, which operations are characterized by relatively stable regulated revenues but a lower EBITDA margin compared to groups with a greater share of generation in EBITDA, (ii) a low level of financial leverage with a concurrent expected deterioration in credit ratios due to the planned borrowing for capital expenditures, (iii) profitability of the generating area due to a significant number of hydroelectric power plants.

Fitch Ratings has also assigned the Bonds Issue Program an international rating of BBB and a national rating of A(pol) as well as an expected international rating of BBB(EXP) and an expected national rating of A(pol)(EXP) for the bonds to be issued under the existing bonds issue program. In March 2013, the agency upheld the Company's rating of BBB.

In December 2011, Moody's Investors Service assigned the ENERGA Group a long-term rating of Baa1 with a negative outlook, which was maintained in December 2012. The negative outlook reflects the uncertainty surrounding the Group's ownership plans and intensive investment plans for the coming years. In assigning the rating, Moody's pointed to the following factors as its determinants: (i) the Group's established position as one of the four largest vertically integrated energy groups in Poland, (ii) a low business risk of the regulated distribution operations which generated 59% of the Group's EBITDA in 2011 (70% in H1 2012), (iii) the Group's strong historical financial position to date, (iv) the Group's short position in generation – a relatively large generating gap, (v) the Group's relatively short history of operations, (vi) the Group's strong financial position offsetting the risks associated with the extensive investment plan.

On 8 March 2013, Moody's Investors Service awarded a temporary long-term credit rating of (P)Baa1 with a negative outlook to the Euro Medium Term Note Unsubordinated Issue Program (the EMTN Program) of ENERGA Finance AB(publ) with its registered office in Sweden (a 100% subsidiary of ENERGA SA), with a value of up to EUR 1,000,000,000 (one billion euros), guaranteed by ENERGA SA.

On the same day, also Fitch Ratings awarded the EMTN Program of ENERGA Finance AB(publ) a foreign currency rating of BBB and assigned the planned Eurobond issue under the Program an expected foreign currency rating of BBB(EXP).

6.4. Impairment of non-current assets of Power Plant B in Ostrołęka

Due to certain circumstances existing with respect to Power Plant B operating as part of the Group's subsidiary ENERGA Elektrownie Ostrołęka SA which may result in a decrease in the useful value of the company's property, plant and equipment, an impairment test as at 31 March 2013 was conducted based on financial projections for the period from April 2013 to 2017 and residual value. The test revealed the need for a revaluation charge to

property, plant and equipment in Power Plant B. The revaluation charge of PLN 123.4 million to property, plant and equipment of Power Plant B in Ostrołęka was recognized in the ENERGA Group's own cost of sales.

As at 30 June 2013, a subsequent impairment test of non-current assets of Power Plant B in Ostrołęka was carried, based on financial projections for the period from July 2013 to 2018 and residual value. The premise of the subsequent test were material changes in projected energy prices, energy origin certificates and rights for CO₂ emission as stated in the report prepared for the Polish market by an independent agency as of 31 July 2013. Based on the results obtained, no need for any further revaluation charge was identified.

However, there is a risk that in case of material changes of market circumstances the outcome of the test may change in the future.

6.5. Ostrołęka C project

Due to the suspension, in September 2012, of an investment project involving the construction of a new power unit in Ostrołęka, the ENERGA Group undertook activities aimed at acquiring an external investor for the project. In January and February 2013, invitations were sent to potential investors to participate in the transaction. In H1 2013, the process of acquisition of an external investor for the project to build a power unit with a capacity of 1,000 MW in Ostrołęka was completed. Despite the initial interest to participate in the project expressed by several potential investors, no satisfactory final proposals were received. At the moment, the Group is considering alternative scenarios for further action, including a reduction in the capacity of the power unit in Ostrołęka, a change of fuel to gas or a suspension of the project.

6.6. Distribution of ENERGA SA's net profit for 2012

On 23 April 2013, the Ordinary Shareholder Meeting of ENERGA SA adopted a resolution to distribute the Company's net profit for 2012. Out of the profit of PLN 547,135,921.36, almost 91% or PLN 496,880,536.80, i.e. PLN 0.10 per share, was earmarked for the payment of a dividend to shareholders. PLN 50,255,384.56 was allocated to the Company's reserve capital.

The Management Board of ENERGA SA recommended a dividend of PLN 0.04 per share, i.e. PLN 198,752,214.72, which accounted for over 36% of the net profit for 2012.

The dividend payout date was set for 3 June 2013.

7. Factors which, in the company's opinion, will affect its performance within the time horizon of at least the next quarter

In the opinion of the Management Board of ENERGA SA, the following factors will affect the performance and operations of the Company and the ENERGA Group for at least the next quarter of 2013:

- the level of demand for electricity and heat,
- the prices of electricity in the wholesale and retail markets,
- the prices of property rights and the policy of the Energy Regulatory Office (URE) on the granting of property rights for biomass co-firing,
- the prices of fuels used to produce electricity and heat, especially the prices of coal and biomass,
- the macroeconomic environment, in particular the level of interest rates and exchange rates,
- the availability and prices of CO₂ allowances,
- changes in the legal environment,
- weather and hydro-meteorological conditions,
- the results of pending court disputes.

8. Corporate authorities of ENERGA SA

As at the date of this report, the Management Board was composed of the following persons:

Name of the Management Board member	Function
Mirosław Bieliński	President of the Management Board
Roman Szyszko	Executive Vice President of the Management Board, Chief Financial Officer
Wojciech Topolnicki	Executive Vice President of the Management Board, Strategy and Investments

As at the date of this report, the Supervisory Board was composed of the following persons:

Name of the Supervisory Board member	Function
Zbigniew Wtulich	Chairman of the Supervisory Board
Marian Gawrylczyk	Deputy Chairman of the Supervisory Board
Agnieszka Poloczek	Secretary of the Supervisory Board
Iwona Zatorska-Pańtak	Member of the Supervisory Board
Mirosław Szreder	Member of the Supervisory Board
Roman Jacek Kuczkowski	Member of the Supervisory Board

9. Structure of ENERGA SA's share capital and ownership

As at the date of this report, the Company's share capital was PLN 4,968,805,368 and was divided into 4,968,805,368 ordinary registered shares with a par value of PLN 1 each, including: (i) 255,000 series A shares, (ii) 4,845,611,133 series B shares and (iii) 122,939,235 series C shares.

As at the date of this report, ENERGA SA's shareholding structure was as follows:

Shareholder	Number of shares	Number of votes	Share in the total number of votes at the Shareholder Meeting
State Treasury	4,182,744,801	4,182,744,801	84.18%
Others	786,060,567	786,060,567	15.82%
Total	4,968,805,368	4,968,805,368	100.00%

10. Proceedings pending before courts of law, courts of arbitration or public administration authorities

Information on significant court proceedings involving the ENERGA Group is presented in note 23.5 of the interim condensed consolidated financial statements.

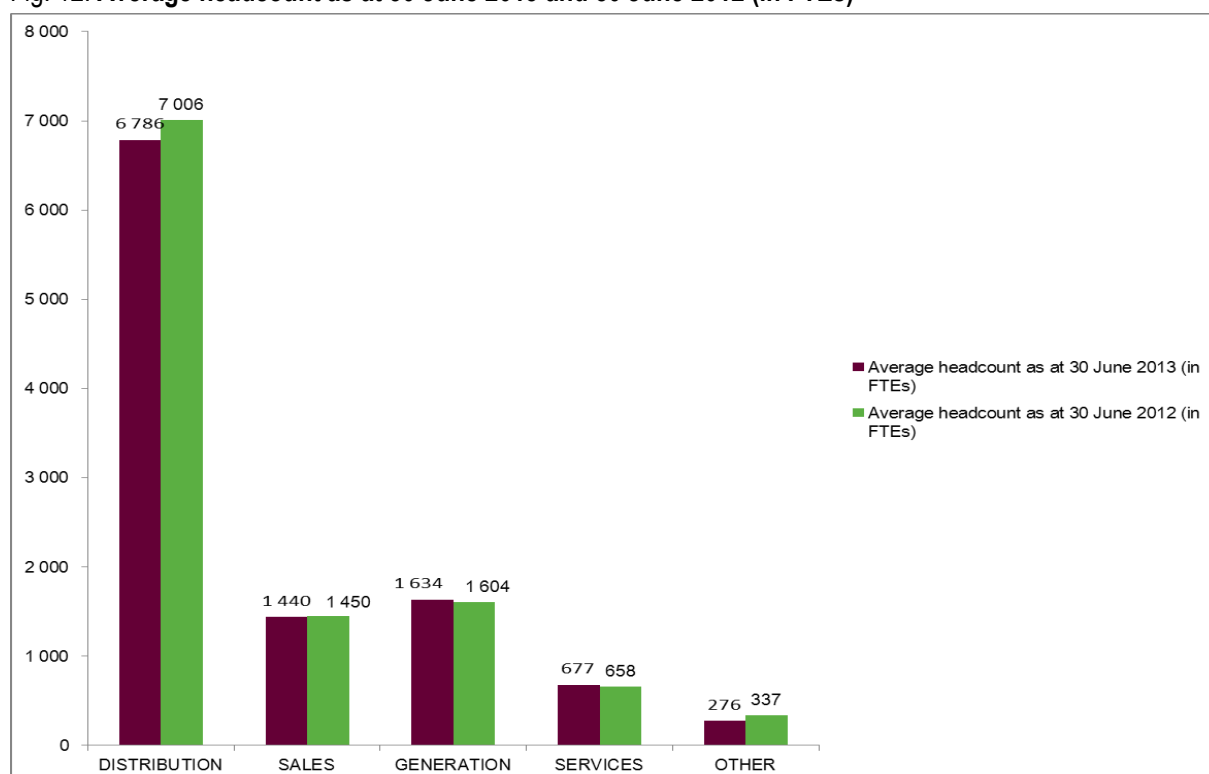
11. Information relevant to the assessment of the Issuer's situation in the areas of human resources, property, finance and the financial result and to the assessment of the feasibility of performance of the Issuer's obligations

11.1. Employment in the ENERGA Group

The total average headcount in the ENERGA Group as at 30 June 2013 was 10,814 FTEs compared to 11,055 FTEs as at 30 June 2012.

The average number of FTEs in the ENERGA Group in H1 2013 and in the same period of 2012 broken down by business segment is presented in the following chart.

Fig. 12. Average headcount as at 30 June 2013 and 30 June 2012 (in FTEs)



In the period from 30 June 2012 to 30 June 2013, the headcount in the ENERGA Group went down by 318 persons, i.e. 2.9%. The largest decline in the headcount (by 258 persons) was recorded in the electricity distribution segment, accounting for 3.7% of the headcount in this segment. This was mainly due to the continuation of the voluntary redundancy program.

Also the Other Operations segment experienced a drop in the headcount, this time by 73 persons, i.e. 20.8% of the headcount in this segment.

Due to changes in the operating model of the managing company ENERGA SA, certain processes and 33 employees were transferred to ENERGA Centrum Usług Wspólnych Sp. z o.o. along with 10 employees transferred to ENERGA Informatyka i Technologie Sp. z o.o. Furthermore, group layoffs were implemented in ENERGA Kongres Sp. z o.o. in liquidation.

The increase in the headcount by 18 persons (1.1%) in the Generation Segment was caused in part by the performance of two long-term contracts in ENERGA Elektrownie Ostrołęka by ENERGA Serwis Sp. z o.o. This uptick was also due to seasonal hiring of staff for construction and earth works.

The ENERGA Group has in place a Social Agreement on safeguarding employee rights and interests in the process of consolidation and restructuring of the ENERGA Capital Group dated 19 July 2007 under which the employees received, among other benefits, a guarantee of employment until 31 July 2017. Due to the ongoing restructurings and job cuts, voluntary redundancy programs are introduced in the distinct Group companies. Their entry into force is effected unilaterally by way of resolutions adopted by the Management Board on termination of employment contracts by mutual consent against payment of compensation.

Some of the results of these layoffs will come into force at the end of 2013 due to the specific provisions on termination of employment contracts.

11.2. Collective bargaining disputes and agreements

Collective disputes with employees may lead to disruptions of ongoing operations, in particular downtimes, and may result in increased payroll costs, exerting an adverse effect on the Company's business, financial situation, financial results or growth prospects.

The ENERGA Group operates more than 40 in-company and intercompany trade union organizations uniting approx. 60% of all employees. Some of the trade unions operating in the Group are 'representative trade union organizations' within the meaning of the Labor Code. The position of trade unions in the power sector is particularly strong due to the number of persons employed in the sector and its strategic importance for the country's economy. Despite taking continuous efforts to maintain good relationships with employees and solve any problems on an ongoing basis, the emergence of collective bargaining disputes in the future cannot be ruled out.

The distinct ENERGA Group employers are currently a party to a collective bargaining dispute initiated by the trade unions on 23 January 2013 in the matter of wage increases and the Group's pending restructuring processes. Demands of the trade unions concern the maintenance of the current headcount level, guaranteeing continuity of employment relationships, safeguarding the interests of employees acquired in the process of restructuring and setting the rate of wage increases in 2013. The dispute was filed with 8 of the Group's employers, 4 of which signed the respective collective agreements.

In the opinion of the Company's Management Board, no information other than that presented above is relevant to the assessment of the Company's situation in the areas of human resources, property, finance or the financial result, or changes thereto, or to the assessment of the feasibility of performance of the Group's obligations.

12. Prizes and distinctions received by the ENERGA Group in H1 2013

During the ceremonial meeting of the participants of the Commodity Power Exchange (*Towarowa Giełda Energii SA, TGE*) and the Warsaw Commodity Clearing House (*Izba Rozliczeniowa Giełd Towarowych SA, IRGiT*) held in February 2013, ENERGA-OBRÓT SA was honored with the following three prestigious awards:

- 'Platinum Megawatts 2012' – for being the most active participant in international trade in 2012,
- Paweł Gorczyński, Head of the Energy Trade Department, was named Broker of the Year for the largest volume of executed orders on the Day-Ahead and Intraday Market in 2012,
- 'Settlements 2012' for the most effective management of non-cash collateral.

In March 2013, the ENERGA Foundation received a 'SUMMA BONITAS' (Greatest Goodness) statuette awarded by the 'Zdążyć z Pomocą' (Bringing Assistance on Time) Children's Foundation based in Warsaw and the title of Honorary Philanthropist of the Hospice Foundation and the Father Dudkiewicz Memorial Hospice for sensitivity and assistance provided to other human beings.

In the same month, during a concert of the Polish Chamber Philharmonic Orchestra in Sopot held on the occasion of the Women's Day, mayor Jacek Karnowski presented the ENERGA Group the title of Patron of Culture for 2012.

In April 2013, ENERGA Elektrownie Ostrołęka SA was ranked fourth in the Pillars of the Polish Economy 2012 in Mazowieckie Voivodship category, which is a compilation of economically stable companies that are significant employers contributing to the development of the local community and entrepreneurship.

During the jubilee gala of the KTR Polish Advertising Competition aimed at rewarding the best advertising projects of 2012, ENERGA SA received a KTR award for its campaign 'ENERGA. *Po prostu włącz*' (ENERGA. Simply Turn It On). Also awarded, in the category of TV and movie theater commercials, was ENERGA's spot in which viewers were encouraged to save electricity and use the services of the provider of the most environmentally friendly energy in Poland by a canary, a dog and a cat.

In May 2013, the ENERGA Group employees who had developed an innovative technology to generate heat and electricity in townships received the Prime Minister's award for outstanding achievements in science and technology. Together with scientists from the team of Professor Jan Kiciński of the Institute of Fluid-Flow Machinery in Gdańsk, they are implementing the concept of an energetically self-sufficient township in Żychlin in central Poland. The awards ceremony was held at the Office of the Prime Minister in Warsaw.

ENERGA-OPERATOR was rated as the most effective and most innovative Polish distribution network operator in 2013 and, accordingly, received the title of Operator of the Year 2013 as part of the World Energy Leaders Contest.

The ENERGA Group was awarded the CSR Silver Laurel Leaf for 2012 for its contribution to corporate governance, human rights, creation of jobs, consumer rights and market development and community involvement. This distinction is awarded to those companies from the *Polityka* weekly's Top 500 List that are well known for their accountable and sustainable approach to business.

In June 2013, ENERGA was for the second time awarded the title of Highly Reputable Brand in the PremiumBrand study, which is the largest research project in Poland aimed at a comprehensive analysis of attitudes of the consumers and the business community to distinct brands. The contest is organized by the MMT Management Group and research is conducted by *Dom Badawczy Maison*. This year's PremiumBrand project featured brands analyzed according to the following seven categories: Energy, Construction Materials, Finance, Trade, Telecommunications, Numerical Lottery Games and Food.

According to the first report prepared in June by the Polish Confederation of Private Employers *Lewiatan* on the role of businesses in developing the voivodship, ENERGA was recognized as the 'Most Valuable Company in Pomerania', classified in the top position in terms of the headcount (11,640 employees), capital expenditures (PLN 1.4 billion) and net profit (PLN 702.6 million).

13. Statement of the Management Board

The Management Board of ENERGA SA declare as follows:

- to the best of their knowledge, the interim consolidated and standalone financial statements and comparative data have been prepared in accordance with applicable accounting standards and provide a true, reliable and clear view of the assets and financial position of ENERGA SA and the ENERGA Capital Group and its financial result. The ENERGA Capital Group Management Board Activity Report contains a true description of the development, achievements and situation of the Capital Group, including an account of the main risks and threats facing the Capital Group;

- KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa, the entity authorised to review financial statements, conducting the review of the interim condensed consolidated financial statements for the first half of 2013 of the ENERGA Capital Group was selected in accordance with relevant legal regulations. The entity and statutory auditors reviewing the aforementioned statements complied with the conditions concerning issuing unbiased and independent reports from reviews of, respectively, the half-yearly interim condensed financial statement with the legal regulations and professional standards being in force.

Warsaw, 26 August 2013

Signatures of the ENERGA SA Management Board Members

Mirosław Bieliński

President of the ENERGA SA Management Board

Roman Szyszko

Executive Vice President of the Management Board, Chief Financial Officer

Wojciech Topolnicki

Executive Vice President of the Management Board, Strategy and Investments

Glossary of abbreviations and terms

ATS (ASO)	Alternative Trading System, one of the trading platforms of the Catalyst system organized by BondSpot S.A.
BASE	Contract with the delivery of 1 MWh at any hour of the day
Biomass	Biodegradable solid or liquid substances of plant or animal origin, derived from products, waste and residues obtained in agricultural or forestry production or in the agricultural and forestry product processing industry as well as biodegradable parts of other waste, in particular agricultural raw materials
BondSpot S.A.	Subsidiary of <i>Giełda Papierów Wartościowych w Warszawie S.A.</i> (the Warsaw Stock Exchange) operating a regulated OTC market and electronic platforms for trading in securities and financial instruments also on the unregulated market
CAPEX	Capital expenditures
Catalyst	Catalyst bonds market conducted on the trading platforms of the Warsaw Stock Exchange and BondSpot
CCIRS	Cross currency interest rate swap in which interest payments based on a variable interest rate in one currency are swapped for payments calculated by applying a fixed interest rate in another currency
Certificate of origin	Certificate of origin from renewable sources or certificate of origin from cogeneration
Certificate of origin from cogeneration	Document issued by the President of the Energy Regulatory Office pursuant to Article 9l of the Energy Law, confirming generation of electricity from high-efficiency cogeneration in: (i) a gas-fired cogeneration unit or a unit with a total installed source capacity below 1 MW (the so-called yellow certificate), (ii) a cogeneration unit fired with methane released and captured at underground mining works in active, liquidated or closed down coal mines or with gas obtained from the processing of biomass (the so-called violet certificate), or (iii) in any other cogeneration unit (the so-called red certificate)
Certificate of origin from renewable energy sources, green certificate	Document issued by the President of the Energy Regulatory Office pursuant to Article 9e of the Energy Law, confirming generation of electricity from renewable energy sources (the so-called green certificate)
Co-firing	Generation of electricity or heat in a process of joint and concurrent firing of biomass or biogas with other fuels performed in a single unit; a portion of the energy generated in this manner may be regarded as energy generated from renewable energy sources
Cogeneration, CHP	Technological process of combined generation of heat and electricity or mechanical energy in the same technological process
Commodity Power Exchange, TGE	<i>Towarowa Giełda Energii S.A.</i> – a commodity exchange facilitating trade in commodities admitted to an organized exchange, such as electricity, liquid or gaseous fuels, extraction gas, pollution emission limits or property rights arising from certificates of origin the price of which is directly or indirectly related to the price of electricity, liquid or gaseous fuels and the volume of emissions
Covenants	Protective contractual clauses
CRM	Customer Relationship Management – a system for managing relationships with customers
Distribution system operator, DSO	Power utility involved in the distribution of gaseous fuels or electricity, responsible for network traffic in the gas distribution system or power distribution system, ongoing and long-term security of operation of the system, operation, maintenance, repairs and necessary extension of the distribution network, including connections with other gas systems or other power systems
EIB	European Investment Bank

EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization – for the period of LTM, profit (loss) from operations plus depreciation and amortization, calculated on the basis of the relevant annual audited consolidated financial statements of the Issuer or the relevant interim consolidated financial statements of the Issuer prepared in accordance with IFRS
EBIT	Earnings Before Interest and Taxes – operating profit
EBRD	European Bank for Reconstruction and Development
EMTN	Euro Medium Term Notes – the EMTN issue program
ENERGA Capital Group, ENERGA Group, Group	Capital group involved in generation of, trade in and distribution of electricity and heat. Also conducts operations related to street lighting, design, material procurement, network installation, specialist transport, hotel services and information technology services
ENERGA SA, ENERGA	Parent company of the ENERGA Capital Group
EUA	European Union Allowance
EUR	Euro, legal tender in the countries of the European Union's euro zone
FTE	Full time equivalent
GDP	Gross Domestic Product
GPW (WSE)	Gielda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange)
G tariff	Tariff group for non-commercial customers – households
GUS	Central Statistical Office (<i>Główny Urząd Statystyczny</i>)
GW	Gigawatt, a unit of power in the International System of Units (SI), 1 GW = 10 ⁹ W
KRS	National Court Register (<i>Krajowy Rejestr Sądowy</i>)
KTR	National Advertising Company (<i>Krajowe Towarzystwo Reklamowe</i>)
kWh	Kilowatt hour, a unit of electricity generated or consumed by a device with a power of 1 kW during 1 hour, 1 kWh = 3,600,000 J = 3.6 MJ
IPO	Initial Public Offering
IRGiT	Warsaw Commodity Clearing House (<i>Izba Rozliczeniowa Giełd Towarowych S.A.</i>)
MW	Unit of power in the International System of Units (SI), 1 MW = 10 ⁶ W
MWe	Megawatt of electrical power
MWt	Megawatt of thermal power
NBP	National Bank of Poland – Poland's central bank
Off-peak	Contract with the delivery of 1 MWh of energy in the off-peak demand hours from 12 a.m. to 7 a.m. and from 10 p.m. to 12 a.m.
OTC	Over-the-counter market
OZEX_A	Volume-weighted average price of all transactions on the PMOZE_A contract during the relevant trading session
PEAK	Contract with the delivery of 1 MWh of electricity at any peak hour of the day from 7 a.m. to 10 p.m.
PGE	PGE Polska Grupa Energetyczna SA
PLN	Polish zloty, legal tender in Poland
PMI	Purchasing Managers' Index, an index of industrial economic activity calculated by Markit in cooperation with HSBC

PMOZE_A	Property rights to certificates of origin for electricity generated from RES whose generation period specified in the certificate of origin started on 1 March 2009
Property rights	Transferrable rights constituting a commodity arising from certificates of origin for electricity generated from renewable energy sources and in cogeneration
PSE	<i>Polskie Sieci Elektroenergetyczne Spółka Akcyjna</i> with its registered office in Warsaw, entered in the register of commercial entities of the National Court Register under number KRS 0000197596; the company designated by Decision No. DPE-47-58(5)/4988/2007/BT issued on 24 December 2007 by the President of the Energy Regulatory Office as the operator of the electricity transmission system in the territory of the Republic of Poland for the period from 1 January 2008 to 1 July 2014
Renewable energy source, RES	Source used for the processing of wind, solar, geothermal, wave, tidal or river fall energy or energy derived from biomass, landfill biogas or biogas generated in the process of sewage discharge or treatment or decomposition of plant or animal remains
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SFIO	Specialist open-end mutual funds
Smart Grid	Power system smartly integrating the operations of all participants of generation processes, transmissions, distributions and uses in order to supply electricity in an economic, sustainable and safe manner. Comprehensive power solutions permitting combination, mutual communication and optimal control of previously non-integrated elements of power grids
SPOT	Day-Ahead Market (DAM) – energy market operating within 'day-ahead' (DA) timeframe to ensure the supply of energy on day D
STM	State Treasury Ministry
Tariff group	Group of customers receiving electricity, heat or services related to the supply of electricity or heat, in respect of whom one set of prices or fee rates and conditions of use is applied
Transmission system operator, TSO	Power utility involved in the transmission of gaseous fuels or electricity, responsible for network traffic in the gas transmission system or power transmission system, ongoing and long-term security of operation of the system, operation, maintenance, repairs and necessary extension of the transmission network, including connections with other gas systems or other power systems
TWh	Terawatt hour, a multiple of the basic unit of electrical energy in the SI system. 1 TWh = 10 ⁹ kWh
Unbundling	Process of legal and organizational unbundling of distribution operations (electricity distribution services provided by the distributor) from generating operations (generation of electricity by power plants) and operations related to trading in electricity (by sellers)
URE	Energy Regulatory Office (<i>Urząd Regulacji Energetyki</i>)
Vertically integrated enterprise	Power utility/group of power utilities whose mutual relationships are defined in Article 3 Section 3 of the Concentration Regulation involved in (i) in relation to gaseous fuels: transmission, distribution, storage or liquefaction and manufacture or sale of such fuels, or (ii) in relation to electricity: transmission or distribution and generation or sale of such energy
WIBOR	Warsaw Interbank Offered Rate
yoy	Year on year