



**Separate financial statements of ENEA S.A.
for the financial year ended
31 December 2014**

Poznań, 3 March 2015

(all amounts in PLN '000, unless specified otherwise)

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(all amounts in PLN '000, unless specified otherwise)

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Separate financial statements of ENEA S.A. prepared in accordance with IFRS-EU for the financial year ended 31 December 2014

(all amounts in PLN '000, unless specified otherwise)

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union and approved by the Company's Management Board for publication and submission to the competent bodies of the Company for approval in line with the Accounting Act and the Code of Commercial Companies.

Members of the Management Board

President of the Management Board **Krzysztof Zamasz** .

Member of the Management Board **Dalida Gepfert** .

Member of the Management Board **Grzegorz Kinelski** .

Member of the Management Board **Paweł Orlof** .

ENEA Centrum Sp. z o.o.

The entity responsible for keeping the accounting records
and the preparation of financial statements ..

ENEA Centrum Sp. z o.o. Górecka 1, 60-201 Poznań
KRS 0000477231, NIP 777-000-28-43, REGON 630770227

Poznań, 3 March 2015

(all amounts in PLN '000, unless specified otherwise)

Separate statement of financial position

| | Note | Balance as at | |
|---|------|-------------------|---------------------------|
| | | 31.12.2014 | 31.12.2013 (Restated)* |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 31 087 | 36 533 |
| Perpetual usufruct of land | 6 | 1 645 | 1 562 |
| Intangible assets | 7 | 2 932 | 2 459 |
| Investment property | 1 | 16 367 | 16 910 |
| Investments in subsidiaries and associates | 9 | 8 951 265 | 8 951 213 |
| Deferred tax assets | 22 | 25 726 | 43 866 |
| Financial assets held to maturity | 11 | 2 620 528 | 1 674 223 |
| Financial assets measured at fair value through profit or loss | 15 | - | 1 860 |
| Trade and other receivables | | 11 895 | 4 173 |
| | | 11 661 445 | 10 732 799 |
| Current assets | | | |
| Inventory | 13 | 116 117 | 117 449 |
| Trade and other receivables | 12 | 1 077 592 | 983 190 |
| Current income tax receivables | | - | 1 341 |
| Financial assets held to maturity | 11 | 1 158 418 | 38 109 |
| Financial assets measured at fair value through profit or loss | 15 | 391 901 | 296 339 |
| Cash and cash equivalents | 14 | 440 815 | 807 036 |
| Non-current assets held for sale | 10 | 12 876 | 12 876 |
| | | 3 197 719 | 2 256 340 |
| Total assets | | 14 859 164 | 12 989 139 |
| EQUITY | | | |
| Share capital | | 588 018 | 588 018 |
| Share premium | | 4 627 673 | 4 627 673 |
| Share-based payments reserve | | - | 1 144 336 |
| Reserve capital | | 2 151 228 | 1 569 385 |
| Retained earnings | | 4 235 607 | 3 233 162 |
| Total equity | 16 | 11 602 526 | 11 162 574 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Loans, borrowings and debt securities | 17 | 2 152 139 | 777 130 |
| Finance lease liabilities | 21 | - | 103 |
| Liabilities due to employee benefits | 23 | 63 266 | 61 682 |
| Provisions for other liabilities and charges | 24 | 10 802 | 13 333 |
| | | 2 226 207 | 852 248 |
| Current liabilities | | | |
| Trade and other liabilities | 19 | 504 484 | 645 479 |
| Finance lease liabilities | 21 | 172 | 1 052 |
| Deferred tax liabilities | | 58 193 | - |
| Liabilities due to employee benefits | 23 | 20 921 | 24 118 |
| Liabilities due to an equivalent of the right to acquire shares free of charge | | 281 | 292 |
| Other financial liabilities | 18 | 269 094 | - |
| Provisions for other liabilities and charges | 24 | 177 286 | 303 376 |
| | | 1 030 431 | 974 317 |
| Total liabilities | | 3 256 638 | 1 826 565 |
| Total equity and liabilities | | 14 859 164 | 12 989 139 |

* Restatements of comparative figures are presented in Note 2 of these separate financial statements

(all amounts in PLN '000, unless specified otherwise)

Separate statement of profit or loss and other comprehensive income

| | Note | For the period | |
|--|------|-------------------------------|-------------------------------|
| | | 12 months ended 31.12.2014 | 12 months ended 31.12.2013 |
| Sales revenue | | 5 286 480 | 5 155 991 |
| Excise duty | | (202 209) | (204 217) |
| Net sales revenue | 25 | 5 084 271 | 4 951 774 |
| Other operating revenue | 28 | 25 025 | 59 331 |
| Depreciation | 26 | (7 891) | (17 873) |
| Costs of employee benefits | 26 | (44 814) | (52 215) |
| Consumption of materials and supplies and costs of goods sold | 26 | (3 321) | (3 702) |
| Energy purchase for sale | 26 | (3 382 438) | (2 995 827) |
| Transmission and distribution services | 26 | (1 424 056) | (1 518 682) |
| Other external services | 26 | (147 840) | (166 478) |
| Taxes and charges | 26 | (3 435) | (9 333) |
| Gain/(loss) on sale and liquidation of property, plant and equipment | | (1 112) | (495) |
| Impairment loss of property, plant and equipment | 5 | - | (11 363) |
| Other operating expenses | 28 | (33 503) | (15 947) |
| Operating profit | | 60 886 | 219 190 |
| Financial expenses | 30 | (59 751) | (21 293) |
| Financial revenue | 29 | 158 824 | 92 720 |
| Dividends income | | 569 022 | 605 676 |
| Profit before tax | | 728 981 | 896 293 |
| Income tax | 31 | (32 373) | (55 672) |
| Net profit for the reporting period | | 696 608 | 840 621 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| - remeasurement of defined benefit liability | 23 | (6 215) | 8 915 |
| - income tax | | 1 181 | (1 694) |
| Net other comprehensive income | | (5 034) | 7 221 |
| Total comprehensive income | | 691 574 | 847 842 |
| | | | |
| Earnings attributable to the Company's shareholders | | 696 608 | 840 621 |
| Weighted average number of ordinary shares | | 441 442 578 | 441 442 578 |
| Basic earnings per share (in PLN per share) | | 1.58 | 1.90 |
| Diluted earnings per share (in PLN per share) | | 1.58 | 1.90 |

* Restatements of comparative figures are presented in Note 2 of these separate financial statements

(all amounts in PLN '000, unless specified otherwise)

Separate statement of changes in equity

| Note | Share capital (face value) | Revaluation of share capital | Total share capital | Share premium | Share-based payments reserve | Reserve capital | Retained earnings | Total equity |
|---------------------------------------|-------------------------------|---------------------------------|------------------------|------------------|------------------------------------|--------------------|----------------------|-------------------|
| Balance as at 01.01.2014 | 441 443 | 146 575 | 588 018 | 4 627 673 | 1 144 336 | 1 569 385 | 3 233 162 | 11 162 574 |
| Net profit | | | | | | | 696 608 | 696 608 |
| Net other comprehensive income | | | | | | | (5 034) | (5 034) |
| Total comprehensive income | | | | | | | 691 574 | 691 574 |
| Distribution of the net profit | | | | | | 581 843 | (581 843) | - |
| Dividends | 32 | | | | | | (251 622) | (251 622) |
| Other | 16 | | | | (1 144 336) | | 1 144 336 | - |
| Balance as at 31.12.2014 | 441 443 | 146 575 | 588 018 | 4 627 673 | - | 2 151 228 | 4 235 607 | 11 602 526 |

| Note | Share capital (face value) | Revaluation of share capital | Total share capital | Share premium | Share-based payments reserve | Reserve capital | Retained earnings | Total equity |
|---------------------------------------|-------------------------------|---------------------------------|------------------------|------------------|------------------------------------|--------------------|----------------------|-------------------|
| Balance as at 01.01.2013* | 441 443 | 146 575 | 588 018 | 4 627 673 | 1 144 336 | 1 205 625 | 2 907 999 | 10 473 651 |
| Net profit ** | | | | | | | 840 621 | 840 621 |
| Net other comprehensive income | | | | | | | 7 221 | 7 221 |
| Total comprehensive income | | | | | | | 847 842 | 847 842 |
| Distribution of the net profit | | | | | | 363 760 | (363 760) | - |
| Dividends | 32 | | | | | | (158 919) | (158 919) |
| Balance as at 31.12.2013 | 441 443 | 146 575 | 588 018 | 4 627 673 | 1 144 336 | 1 569 385 | 3 233 162 | 11 162 574 |

* Restatements of comparative figures as at 1 January 2013 was presented in the separate financial statements prepared as at 31 December 2013

** Restatements of comparative figures are presented in Note 2 of these separate financial statements

(all amounts in PLN '000, unless specified otherwise)

Separate statement of cash flows

| | Note | For the period | |
|--|------|-------------------------------|--|
| | | 12 months ended 31.12.2014 | 12 months ended 31.12.2013 (Restated)* |
| Cash flows from operating activities | | | |
| Net profit for the reporting period | | 696 608 | 840 621 |
| Adjustments: | | | |
| Income tax disclosed in the profit or loss | 31 | 32 373 | 55 672 |
| Depreciation | 26 | 7 891 | 17 873 |
| Loss on sale and liquidation of property, plant and equipment | | 1 112 | 495 |
| Impairment loss on property, plant and equipment | 5 | - | 11 363 |
| (Gain)/loss on disposal of financial assets | | (7 524) | 9 867 |
| Interest income | | (113 249) | (74 642) |
| Dividend income | | (569 022) | (605 676) |
| Interest expense | | 56 314 | 7 224 |
| | | (592 105) | (577 824) |
| Income tax paid | | (96 349) | (50 028) |
| Inflows due to settlements within Tax Group | | 104 631 | - |
| Changes in working capital | | | |
| Inventory | | 1 332 | 2 711 |
| Trade and other receivables | | (63 668) | (29 711) |
| Trade and other liabilities | | 130 657 | (54 396) |
| Liabilities due to employee benefits | | (671) | (9 871) |
| Deferred income due to subsidies and connection fees | | - | (32 890) |
| Liabilities due to an equivalent of the right to acquire shares free of charge | | (11) | (14) |
| Provisions for other liabilities and charges | | (128 621) | 27 366 |
| | | (60 982) | (96 805) |
| Net cash flows from operating activities | | 51 803 | 115 964 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment and intangible assets | | (6 616) | (29 595) |
| Proceeds from disposal of property, plant and equipment and intangible assets | | - | 116 |
| Acquisition of financial assets | | (2 234 013) | (1 567 000) |
| Proceeds from disposal of financial assets | | 59 385 | 644 209 |
| Acquisition of subsidiaries and associates | | (52) | (305) |
| Proceeds from disposal of subsidiary | | - | 3 000 |
| Dividends received | | 571 022 | 603 676 |
| Proceeds related to the acquisition of financial assets | | 21 344 | - |
| Interest received | | 105 526 | 64 289 |
| Net cash flows from investing activities | | (1 483 404) | (281 610) |
| Cash flows from financing activities | | | |
| Proceeds from loans and borrowings | | 270 000 | 780 000 |
| Proceeds from bonds issue | | 1 120 000 | - |
| Dividends paid | | (251 622) | (158 919) |
| Payments of finance lease liabilities | | (983) | (3 620) |
| Payments related to issuance of bonds | | (21 251) | - |
| Interests paid | | (50 764) | (6 180) |
| Net cash flows from financing activities | | 1 065 380 | 611 281 |
| Net increase/ (decrease) in cash | | (366 221) | 445 635 |
| Opening balance of cash | 14 | 807 036 | 361 401 |
| Closing balance of cash | 14 | 440 815 | 807 036 |

* Restatements of comparative figures are presented in Note 2 of these separate financial statements

The separate statement of cash flow should be analyzed together with the notes which constitute an integral part of these separate financial statements

(all amounts in PLN '000, unless specified otherwise)

Notes to the separate financial statements

1. General information

1.1. General information about ENEA S.A.

| | |
|---|--|
| Name (business name): | ENEA Spółka Akcyjna |
| Legal form: | joint-stock company |
| Country: | Poland |
| Registered office: | Poznań |
| Address: | Górecka 1, 60-201 Poznań |
| National Court Register - District Court in Poznań | KRS 0000012483 |
| Telephone: | (+48 61) 884 55 44 |
| Fax: | (+48 61) 884 59 59 |
| E-mail: | enea@enea.pl |
| Website: | www.enea.pl |
| Statistical number (REGON): | 630139960 |
| Tax identification number (NIP): | 777-00-20-640 |

ENEA S.A., operating previously under the company name Energetyka Poznańska S.A, was registered in the National Court Register at the District Court in Poznań under KRS number 0000012483 on 21 May 2001.

As at 31 December 2014 the shareholding structure of ENEA S.A. was as follows: the State Treasury of the Republic of Poland – 51.5% of shares, other shareholders – 48.5%.

As at 31 December 2014 the statutory share capital of ENEA S.A. equaled PLN 441,443 thousand (PLN 588,018 thousand upon adoption of IFRS-EU and considering hyperinflation and other adjustments) and was divided into 441,442,578 shares.

Trade in electricity is the core business of ENEA S.A. (ENEA, the Company).

ENEA S.A. is the parent company in the ENEA Group (the Group). As at 31 December 2014 the Group comprised of 12 subsidiaries and 4 indirect subsidiaries.

The separate financial statements have been prepared on the going concern basis. There are no circumstances indicating that the ability of ENEA S.A. to continue as a going concern might be at risk.

1.2. Composition of the Management Board and the Supervisory Board

Management Board

| | 31.12.2014 | 31.12.2013 |
|---|-------------------|-------------------|
| President of the Company's Management Board | Krzysztof Zamasz | Krzysztof Zamasz |
| Member of the Company's Management Board responsible for Financial Affairs | Dalida Gepfert | Dalida Gepfert |
| Member of the Company's Management Board responsible for Commercial Affairs | Grzegorz Kinelski | Grzegorz Kinelski |
| Member of the Company's Management Board responsible for Corporate Affairs | Paweł Orlof | Paweł Orlof |

Supervisory Board

| | 31.12.2014 | 31.12.2013 |
|-----------------------------------|----------------------|----------------------|
| Chairman of the Supervisory Board | Wojciech Chmielewski | Wojciech Chmielewski |
| Member of the Supervisory Board | Jeremi Mordasewicz | Jeremi Mordasewicz |
| Member of the Supervisory Board | Michał Kowalewski | Michał Kowalewski |
| Member of the Supervisory Board | Sandra Malinowska | Sandra Malinowska |
| Member of the Supervisory Board | Małgorzata Niezgoda | Małgorzata Niezgoda |
| Member of the Supervisory Board | Sławomir Brzeziński | Sławomir Brzeziński |
| Member of the Supervisory Board | Przemysław Łyczyński | Przemysław Łyczyński |
| Member of the Supervisory Board | Tadeusz Mikłosz | Tadeusz Mikłosz |
| Member of the Supervisory Board | - | Wahlborg Torbjörn |

On 22 January 2014 Mr Wahlborg Torbjörn resigned from the position of the Member of Supervisory Board. The resignation was submitted together with the notice of sale of the Company's shares by Vattenfall AB.

In January 2015 elections of three members of the Supervisory Board of ENEA S.A. elected by employees of the Company for another term were held. As a result Mr Sławomir Brzeziński and Mr Tadeusz Mikłosz were elected. The elections for the vacant post in the Supervisory Board will be held on 5 March 2015.

1.3. Financial information prepared in accordance with the requirements of the Energy Law

These financial statements do not contain financial information as required by to Article 44, paragraph 2 of the Energy Law Act of 10 April 1997 (Journal of Laws of 2012, No. 1059, as amended). In order to meet these requirements, the Company will prepare a separate regulatory financial statements at a later date, which will be audited by subject to an audit, in accordance with Article 44, paragraph 3 of the Energy Law Act.

2. Adjustment and changes in presentation of financial data for prior reporting period

The comparative data presented in these separate financial statements derived from the approved financial statements for the year ended 31 December 2013 have been restated in order to maintain comparability. Restatements relate to the following:

(all amounts in PLN '000, unless specified otherwise)

- a) The Company changed recognition of commissions paid to partners for concluding energy sales contracts and complex contracts. Previously they were expensed when incurred. Currently they are recognized as prepayments. Costs of commissions are recognized on a straight-line basis during the term of electricity sales contracts /complex contracts in proportion to the number of months of a contract. Prepaid commissions are presented in the financial statements as non-current and current trade and other receivables.
- b) The Company changed the presentation of cash flows. Payments concerning interest on loans and bonds are presented in cash flows from financial activities as interests paid while receipts of interest concerning cash deposits for more than 3 months are presented in cash flows from investing activities as interests received.
There are also changes in the presentation of liabilities related to VAT regarding the acquisition of property, plant and equipment. They are included in payments for acquisition of property, plant and equipment and intangible assets. Previously change in liabilities related to investment VAT was recognized as changes in working capital in cash flows from operating activities.

(all amounts in PLN '000, unless specified otherwise)

Restatement of separate statement of financial position

| <u>ASSETS</u> | Approved 31.12.2013 | (a) | Restated 31.12.2013 |
|--|--------------------------------|--------------|--------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 36 533 | | 36 533 |
| Perpetual usufruct of land | 1 562 | | 1 562 |
| Intangible assets | 2 459 | | 2 459 |
| Investment property | 16 910 | | 16 910 |
| Investments in subsidiaries and associates | 8 951 213 | | 8 951 213 |
| Deferred tax assets | 45 544 | (1 678) | 43 866 |
| Financial assets held to maturity | 1 674 223 | | 1 674 223 |
| Financial assets measured at fair value through profit or loss | 1 860 | | 1 860 |
| Trade and other receivables | - | 4 173 | 4 173 |
| | 10 730 304 | 2 495 | 10 732 799 |
| Current assets | | | |
| Inventory | 117 449 | | 117 449 |
| Trade and other receivables | 978 529 | 4 661 | 983 190 |
| Current income tax receivable | 1 341 | | 1 341 |
| Financial assets held to maturity | 38 109 | | 38 109 |
| Financial assets measured at fair value through profit or loss | 296 339 | | 296 339 |
| Cash and cash equivalents | 807 036 | | 807 036 |
| Non-current assets classified as held for sale | 12 876 | | 12 876 |
| | 2 251 679 | 4 661 | 2 256 340 |
| TOTAL ASSETS | 12 981 983 | 7 156 | 12 989 139 |
| <u>EQUITY AND LIABILITIES</u> | | | |
| | Approved 31.12.2013 | (a) | Restated 31.12.2013 |
| Share capital | 588 018 | | 588 018 |
| Share premium | 4 627 673 | | 4 627 673 |
| Share-based payments reserve | 1 144 336 | | 1 144 336 |
| Reserve capital | 1 569 385 | | 1 569 385 |
| Retained earnings | 3 226 006 | 7 156 | 3 233 162 |
| Total equity | 11 155 418 | 7 156 | 11 162 574 |
| Non-current liabilities | | | |
| Loans, borrowings and debt securities | 777 130 | | 777 130 |
| Finance lease liabilities | 103 | | 103 |
| Liabilities due to employee benefits | 61 682 | | 61 682 |
| Provisions for other liabilities and charges | 13 333 | | 13 333 |
| | 852 248 | | 852 248 |
| Current liabilities | | | |
| Trade and other liabilities | 645 479 | | 645 479 |
| Finance lease liabilities | 1 052 | | 1 052 |
| Liabilities due to employee benefits | 24 118 | | 24 118 |
| Liabilities due to an equivalent of the right to acquire shares free of charge | 292 | | 292 |
| Provisions for other liabilities and charges | 303 376 | | 303 376 |
| | 974 317 | | 974 317 |
| Total liabilities | 1 826 565 | | 1 826 565 |
| Total equity and liabilities | 12 981 983 | 7 156 | 12 989 139 |

(all amounts in PLN '000, unless specified otherwise)

Restatement of separate statement of profit or loss and other comprehensive income

| | 12 month period ended 31.12.2013 Approved | (a) | 12 month period ended 31.12.2013 Restated |
|---|--|--------------|---|
| Sales revenue | 5 155 991 | | 5 155 991 |
| Excise duty | (204 217) | | (204 217) |
| Net sales revenue | 4 951 774 | - | 4 951 774 |
| Other operating revenue | 59 331 | | 59 331 |
| Depreciation | (17 873) | | (17 873) |
| Costs of employee benefits | (52 215) | | (52 215) |
| Consumption of materials and supplies and costs of goods sold | (3 702) | | (3 702) |
| Energy purchase for resale | (2 995 827) | | (2 995 827) |
| Transmission and distribution services | (1 518 682) | | (1 518 682) |
| Other external services | (175 312) | 8 834 | (166 478) |
| Taxes and charges | (9 333) | | (9 333) |
| Gain/(loss) on sale and liquidation of tangible fixed assets | (495) | | (495) |
| Other operating expenses | (15 947) | | (15 947) |
| Operating profit | 210 356 | 8 834 | 219 190 |
| Finance cost | (21 293) | | (21 293) |
| Finance income | 92 720 | | 92 720 |
| Dividend income | 605 676 | | 605 676 |
| Profit before tax | 887 459 | 8 834 | 896 293 |
| Income tax | (53 994) | (1 678) | (55 672) |
| Net profit for the reporting period | 833 465 | 7 156 | 840 621 |
| Other comprehensive income | | | |
| Items that will never be reclassified to profit or loss | | | |
| - remeasurement of defined benefit liability | 8 915 | | 8 915 |
| - income tax | (1 694) | | (1 694) |
| Net other comprehensive income | 7 221 | - | 7 221 |
| Total comprehensive income for the reporting period | 840 686 | - | 847 842 |

(all amounts in PLN '000, unless specified otherwise)

Restatement of separate statement of cash flow

| | 12 months ended 31.12.2013 | | 12 months ended 31.12.2013 | |
|--|-------------------------------|----------|-------------------------------|------------------|
| | Approved | (a) | (b) | Restated |
| Cash flows from operating activities | | | | |
| Net profit for the reporting period | 833 465 | 7 156 | | 840 621 |
| Adjustments: | | | | |
| Income tax in the profit or loss | 53 994 | 1 678 | | 55 672 |
| Depreciation | 17 873 | | | 17 873 |
| Loss on sale and liquidation of property, plant and equipment | 495 | | | 495 |
| Impairment loss on property, plant and equipment | 11 363 | | | 11 363 |
| Loss on disposal of financial assets | 9 867 | | | 9 867 |
| Interest income | (99 271) | | 24 629 | (74 642) |
| Dividend income | (605 676) | | | (605 676) |
| Interest expense | 11 426 | | (4 202) | 7 224 |
| | (599 929) | 1 678 | 20 427 | (577 824) |
| Income tax paid | (50 028) | | | (50 028) |
| Interest received | 85 391 | | (85 391) | - |
| Interest paid | (7 224) | | 7 224 | - |
| Changes in working capital | | | | |
| Inventory | 2 711 | | | 2 711 |
| Trade and other receivables | (20 877) | (8 834) | | 29 711 |
| Trade and other liabilities | (59 710) | | 5 314 | (54 396) |
| Liabilities due to employee benefits | (9 871) | | | (9 871) |
| Deferred income due to subsidies and connection fees | (32 890) | | | (32 890) |
| Liabilities due to an equivalent of the right to acquire shares free of charge | (14) | | | (14) |
| Non-current assets held for sale and associated liabilities | - | | | - |
| Provisions for other liabilities and charges | 27 366 | | | 27 366 |
| | (93 285) | (8 834) | 5 314 | (96 805) |
| Net cash flows from operating activities | 168 390 | - | (52 426) | 115 964 |
| Cash flows from investing activities | | | | |
| Acquisition of property, plant and equipment and intangible assets | (24 281) | | (5 314) | (29 595) |
| Proceeds from disposal of property, plant and equipment | 116 | | | 116 |
| Acquisition of financial assets | (1 567 000) | | | (1 567 000) |
| Proceeds from disposal of financial assets | 644 209 | | | 644 209 |
| Acquisition of subsidiaries and associates | (305) | | | (305) |
| Proceeds from disposal of subsidiary | 3 000 | | | 3 000 |
| Dividends received | 603 676 | | | 603 676 |
| Interests received | 369 | | 63 920 | 64 289 |
| Net cash flows from investing activities | (340 216) | - | 58 606 | (281 610) |
| Net cash flows from financing activities | | | | |
| Proceeds from loans and borrowings received | 780 000 | | | 780 000 |
| Dividends paid | (158 919) | | | (158 919) |
| Payment of finance lease liabilities | (3 620) | | | (3 620) |
| Interest paid | - | - | (6 180) | (6 180) |
| Net cash flows from financing activities | 617 461 | - | (6 180) | 611 281 |
| Net increase/ (decrease) in cash | 445 635 | - | - | 445 635 |
| Opening balance of cash | 361 401 | | | 361 401 |
| Closing balance of cash | 807 036 | - | - | 807 036 |

(all amounts in PLN '000, unless specified otherwise)

3. Material estimates and assumptions

The preparation of these financial statements in accordance with IFRS-EU requires that the Management Board makes certain estimates and assumptions that affect the adopted accounting policies and the amounts disclosed in the financial statements and notes thereto. The adopted assumptions and estimates are based on the Management Board's best knowledge of the current and future activities and events. The actual figures, however, can be different from those assumed.

The key areas in which the estimates made by the Management Board have a material impact on the financial statements include:

- **post-employment benefits** – the provisions for employee benefits are measured using a method which involves determination of the opening balance of liabilities due to expected future benefit payments as at the end of the reporting period, calculated in line with actuarial methods; a change in the discount rate and the long-term increase of salaries and wages affect the estimate made (Note 23),

- **trade and other receivables allowance** – their value is determined as the difference between the carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. A change in the estimated value of future cash flows results in a change in the estimated value of allowance on receivables (Note 12),

- **unbilled sales revenue at the end of the financial year** – the value of unbilled energy sales is estimated based on the estimated consumption of electricity in the period from the last meter reading date until the end of the financial period (Note 12),

- **compensation for non-contractual use of property** – the potential payment of compensation for the so called non-contractual use of land and rental fee is estimated by the technical staff of the Company based on analyses of claims filed on a case-by-case basis (Note 24 and 37.5),

- **recoverable amount of shares in subsidiaries** – impairment tests of carrying amount of shares are based on a number of significant assumptions, some of which are outside the control of ENEA S.A. Significant changes to the assumptions impact results of impairment tests and consequently the financial position and performance of the Company (Note 9),

- **provisions** – the recognition of provisions requires the most appropriate estimate of the expenditure necessary to settle the obligation at the end of the reporting period; the most significant values refer to provisions for certificates of origin (Note 24).

(all amounts in PLN '000, unless specified otherwise)

4. Composition of the Capital Group - list of subsidiaries and associates

| | Name and address of the company | Share of ENEA S.A. in the total number of votes in % 31.12.2014 | Share of ENEA S.A. in the total number of votes in % 31.12.2013 |
|-----|--|--|--|
| 1. | ENEA Operator Sp. z o.o. Poznań, Strzeszyńska 58 | 100 | 100 |
| 2. | ENEA Wytwarzanie Sp. z o.o. Świerże Górne, commune Kozienice, Kozienice 1 | 100 | 100 |
| 3. | ENEA Oświetlenie Sp. z o.o. (previously ENEOS Sp. z o.o.) ¹¹ Poznań, Strzeszyńska 58 | 100 | 100 |
| 4. | ENEA Trading Sp. z o.o. Świerże Górne, commune Kozienice, Kozienice 1 | 100 | 100 |
| 5. | Hotel „EDISON” Sp. z o.o. Baranowo near Poznań | 100 | 100 |
| 6. | Szpital Uzdrawiskowy ENERGETYK Sp. z o.o. Inowrocław, Wilkońskiego 2 | 100 ⁷ | 99.94 |
| 7. | ENEA Logistyka Sp. z o.o. (previously BHU Sp. z o.o.) ¹⁰ Poznań, Strzeszyńska 58 | 100 | 100 |
| 8. | ENEA Serwis Sp. z o.o. (previously EP PUE Energobud Leszno Sp. z o.o.) ⁸ Lipno, Gronówko 30 | 100 | 100 |
| 9. | ENEA Centrum Sp. z o.o. Poznań, Górecka 1 | 100 | 100 |
| 10. | ENEA Pomiary Sp. z o.o. (previously ENERGOMIAR Sp. z o.o.) ⁹ Poznań, Strzeszyńska 58 | 100 | 100 |
| 11. | ENERGO-TOUR Sp. z o.o. Poznań, Marcinkowskiego 27 | 99.92 | 99.92 |
| 12. | Annacond Enterprises Sp. z o.o. Warszawa, Jana Pawła II 25 | 61 | 61 |
| 13. | ENTUR Sp. z o.o. Szczecin, Malczewskiego 5/7 | _ ³ | 100 ³ |
| 14. | Windfarm Polska Sp z o.o. Koszalin, Wojska Polskiego 24-26 | _ ⁴ | 100 ¹ |
| 15. | „ITSERWIS” Sp. z o.o. Zielona Góra, Zacisze 28 | _ ⁵ | 100 |
| 16. | Energetyka Poznańska Zakład Transportu Sp. z o.o. Poznań, Strzeszyńska 58 | _ ⁶ | 100 |
| 17. | „Ecebe” Sp. z o.o. in liquidation Augustów, Wojciech 8 | 100 ¹ | 100 ¹ |
| 18. | Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Oborniki, Wybudowanie 56 | 99.91 ¹ | 99.89 ¹ |
| 19. | Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Białystok, Warszawska 27 | 86.36 | - |
| 20. | Miejska Energetyka Ciepła Piła Sp. z o.o. Piła, Kaczorska 20 | 71.11 ¹ | 65.03 ¹ |
| 21. | Energo-Inwest-Broker S.A. Toruń, Jęczmienna 21 | _ ¹² | 38.46 ² |

¹ - an indirect subsidiary held through interests in ENEA Wytwarzanie Sp. z o.o. On 30 January 2015 “Ecebe” Sp. z o.o. in liquidation has been deleted from the National Court Register.

² - an associate of ENEA Wytwarzanie Sp. z o.o.

³ - on 27 February 2013 the Extraordinary Shareholders’ Meeting of Entur Sp. z o.o. with registered office in Szczecin adopted the Resolution No. 3 about the dissolution of the company after liquidation proceedings.

On 16 April 2014 the Extraordinary Shareholders’ Meeting of Entur Sp. z o.o. in liquidation adopted the Resolution No. 1 about the revocation of dissolution of the company and its going concern. On 29 August 2014 ENEA Centrum Sp. z o.o. merged with ENTUR Sp. z o.o. ENEA Centrum Sp. z o.o. assumed all the rights and obligations of the acquired company.

On 29 August 2014 ENEA Centrum Sp. z o.o. merged with Entur Sp. z o.o. ENEA Centrum Sp. z o.o. assumed all the rights and obligations of the acquired company.

⁴ - on 30 June 2014 ENEA Wytwarzanie Sp. z o.o. merged with Windfarm Polska Sp. z o.o. ENEA Wytwarzanie Sp. z o.o. assumed all the rights and obligations of the acquired company.

(all amounts in PLN '000, unless specified otherwise)

⁵ - on 29 August 2014 ENEA Centrum Sp. z o.o. merged with ITSERWIS Sp. z o.o. ENEA Centrum Sp. z o.o. assumed all the rights and obligations of the acquired company.

⁶ - on 1 September 2014 EP PUE Energobud Leszno Sp. z o.o. merged with the EP Zakład Transportu Sp. z o.o. At the same time EP PUE Energobud Leszno Sp. z o.o. assumed all the rights and obligations of the acquired company.

⁷ - On 27 June 2014 the change of the name was registered in National Court Register of Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrawiskowe ENERGETYK Sp. z o.o. to Szpital Uzdrawiskowy ENERGETYK Sp. z o.o. On 4 December 2014 ENEA S.A. acquired 20 shares in the share capital of Szpital Uzdrawiskowy ENERGETYK Sp. z o.o. based in Inowrocław representing 0.06% of the share capital of the Company.

⁸ - on 20 January 2015 the change of the name was registered in National Court Register of EP PUE Energobud Leszno Sp. z o.o. to ENEA Serwis Sp. z o.o.

⁹ - on 26 January 2015 the change of the name was registered in National Court Register of ENERGOMIAR Sp. z o.o. to ENEA Pomiary Sp. z o.o.

¹⁰ - on 29 January 2015 the change of the name was registered in National Court Register of BHU Sp. z o.o. to ENEA Logistyka Sp. z o.o.

¹¹ - on 20 February 2015 the change of the name was registered in National Court Register of ENEOS Sp. z o.o. to ENEA Oświetlenie Sp. z o.o.

¹² - on 30 December 2014 ENEA Wytwarzanie Sp. z o.o. sold 400 shares in Energo-Inwest-Broker S.A. for PLN 7,500 thousand.

(all amounts in PLN '000, unless specified otherwise)

5. Property, plant and equipment

| | Land | Buildings and structures | Technical equipment and machines | Vehicles | Other fixed assets | Fixed assets under construction | Total |
|--|--------------|--------------------------|----------------------------------|--------------|--------------------|---------------------------------|---------------|
| Balance as at 1 January 2014 | | | | | | | |
| Cost | 1 917 | 28 172 | 20 870 | 5 738 | 5 595 | 6 711 | 69 003 |
| Accumulated depreciation | - | (9 744) | (14 226) | (3 936) | (2 972) | - | (30 878) |
| Impairment loss | - | 477 | 204 | - | (1) | (2 272) | (1 592) |
| Net carrying amount | 1 917 | 18 905 | 6 848 | 1 802 | 2 622 | 4 439 | 36 533 |
| Changes in the 12 months ended 31 December 2014 | | | | | | | |
| Reclassifications | - | 549 | 1 544 | 1 362 | 36 | (8 798) | (5 307) |
| Acquisition | - | - | - | 90 | - | 3 441 | 3 531 |
| Depreciation | - | (502) | (3 693) | (1 156) | (511) | - | (5 862) |
| Impairment loss | - | - | - | - | - | 2 272 | 2 272 |
| Liquidation (cost) | - | - | (329) | (527) | (1 596) | - | (2 452) |
| Liquidation (accumulated depreciation) | - | - | 316 | 529 | 493 | - | 1 338 |
| Other (cost) | 1 042 | 2 265 | (2) | (339) | (16) | - | 2 950 |
| Other (accumulated depreciation) | (1 073) | (1 129) | (3) | 276 | 13 | - | (1 916) |
| Balance as at 31 December 2014 | | | | | | | |
| Cost | 2 959 | 30 986 | 22 083 | 6 324 | 4 019 | 1 354 | 67 725 |
| Accumulated depreciation | (1 073) | (11 375) | (17 606) | (4 287) | (2 977) | - | (37 318) |
| Impairment loss | - | 477 | 204 | - | (1) | - | 680 |
| Net carrying amount | 1 886 | 20 088 | 4 681 | 2 037 | 1 041 | 1 354 | 31 087 |

(all amounts in PLN '000, unless specified otherwise)

| | Land | Buildings and structures | Technical equipment and machines | Vehicles | Other fixed assets | Fixed assets under construction | Total |
|--|--------------|--------------------------|----------------------------------|--------------|--------------------|---------------------------------|----------------|
| Balance as at 1 January 2013 | | | | | | | |
| Cost | 1 917 | 258 356 | 20 017 | 6 108 | 4 625 | 12 525 | 303 548 |
| Accumulated depreciation | - | (101 114) | (11 943) | (3 614) | (2 577) | - | (119 248) |
| Impairment loss | - | 477 | 204 | - | (1) | (2 272) | (1 592) |
| Net carrying amount | 1 917 | 157 719 | 8 278 | 2 494 | 2 047 | 10 253 | 182 708 |
| Changes in the 12 months ended 31 December 2013 | | | | | | | |
| Reclassifications | - | 18 461 | 2 304 | 984 | 996 | (23 539) | (794) |
| Acquisition | - | 5 671 | 4 | - | 5 | 19 102 | 24 782 |
| Disposal (cost) | - | (2 308) | (24) | - | - | (1 377) | (3 709) |
| Disposal (accumulated depreciation) | - | 2 290 | 15 | - | - | - | 2 305 |
| Contribution in kind (cost) | - | (247 888) | - | - | - | - | (247 888) |
| Contribution in kind (accumulated depreciation) | - | 97 547 | - | - | - | - | 97 547 |
| Contribution in kind (impairment loss) | - | 11 363 | - | - | - | - | 11 363 |
| Depreciation | - | (10 070) | (3 658) | (1 421) | (426) | - | (15 575) |
| Impairment loss | - | (11 363) | - | - | - | - | (11 363) |
| Other (cost) | - | (4 120) | (1 431) | (1 354) | (31) | - | (6 936) |
| Other (accumulated depreciation) | - | 1 603 | 1 360 | 1 099 | 31 | - | 4 093 |
| Balance as at 31 December 2013 | | | | | | | |
| Cost | 1 917 | 28 172 | 20 870 | 5 738 | 5 595 | 6 711 | 69 003 |
| Accumulated depreciation | - | (9 744) | (14 226) | (3 936) | (2 972) | - | (30 878) |
| Impairment loss | - | 477 | 204 | - | (1) | (2 272) | (1 592) |
| Net carrying amount | 1 917 | 18 905 | 6 848 | 1 802 | 2 622 | 4 439 | 36 533 |

(all amounts in PLN '000, unless specified otherwise)

ENEA S.A. uses the following property, plant and equipment under finance leases:

| | 31.12.2014 | 31.12.2013 |
|---------------------------------|-------------------|-------------------|
| Cost | 787 | 3 332 |
| - Vehicles | 787 | 1 768 |
| - Other fixed assets | - | 1 564 |
| Accumulated depreciation | (620) | (1 533) |
| - Vehicles | (620) | (1 207) |
| - Other fixed assets | - | (326) |
| Net carrying amount | 167 | 1 799 |
| - Vehicles | 167 | 561 |
| - Other fixed assets | - | 1 238 |

ENEA S.A. does not act in finance lease agreements as lessor.

No collateral has been pledged on the Company's property, plant and equipment, except for fixed assets used under finance lease agreements.

6. Perpetual usufruct of land

| | 31.12.2014 | 31.12.2013 |
|--|-------------------|-------------------|
| Cost opening balance | 1 691 | 1 547 |
| Acquisition | 187 | 144 |
| Disposal (initial value) | (95) | - |
| Cost closing balance | 1 783 | 1 691 |
| Opening balance of amortization | (129) | (110) |
| Disposal (accumulated amortization) | 13 | - |
| Amortization | (22) | (19) |
| Closing balance of amortization | (138) | (129) |
| Net carrying amount opening balance | 1 562 | 1 437 |
| Net carrying amount closing balance | 1 645 | 1 562 |

7. Intangible assets

| | Computer software, licenses, concessions and patents | |
|--|---|-------------------|
| | 31.12.2014 | 31.12.2013 |
| Cost at the beginning of period | 8 556 | 8 942 |
| Reclassification | 1 906 | 470 |
| Liquidation (cost) | - | (856) |
| Cost at the end of period | 10 462 | 8 556 |
| Accumulated amortization at beginning of period | (6 097) | (5 370) |
| Amortization | (1 433) | (1 307) |
| Liquidation (accumulated amortization) | - | 580 |
| Accumulated amortization at the end of period | (7 530) | (6 097) |
| Net carrying amount at the beginning of period | 2 459 | 3 572 |
| Net carrying amount at the end of period | 2 932 | 2 459 |

No collateral has been pledged on intangible assets.

(all amounts in PLN '000, unless specified otherwise)

8. Investment property

| | 31.12.2014 | 31.12.2013 |
|--|-------------------|-------------------|
| Cost at the beginning of period | 19 186 | 19 186 |
| Cost at the end of period | 19 186 | 19 186 |
| Accumulated amortization at beginning of period | (2 276) | (1 731) |
| Accumulated amortization for the period | (543) | (545) |
| Accumulated amortization at the end of period | (2 819) | (2 276) |
| Net carrying amount at the beginning of period | 16 910 | 17 455 |
| Net carrying amount at the end of period | 16 367 | 16 910 |

ENEA S.A. recognizes the office building and other commercial properties as investment properties. The most significant investment property is the office building; the lease agreement was concluded in January 2012 for the period of 60 months with the possibility to terminate the contract after 48 months, subject to 6-month notice period submitted no earlier than in 42 months of the contract. The revenue from the rental of the building in 2014 amounted to PLN 1,463 thousand, the maintenance costs of the building amounted to PLN 398 thousand.

The most valuable investment property is the former seat of ENEA S.A., recognized in the amount of PLN 9,770 thousand. The Company estimates the fair value of the investment property at PLN 18,162 thousand.

9. Investments in subsidiaries and associates

| | 31.12.2014 | 31.12.2013 |
|----------------------------|-------------------|-------------------|
| Opening balance | 8 951 213 | 8 820 100 |
| Acquisition of investments | 52 | 134 343 |
| Disposal of investments | - | (3 000) |
| Change of impairment loss | - | (230) |
| Closing balance | 8 951 265 | 8 951 213 |

2014

On 4 December 2014 ENEA S.A. signed with a trade union Organizacja Podzakładowa NSZZ „Solidarność” ENEA Bydgoszcz and with a trade union Zakładowa Organizacja Związkowa Międzyzakładowego Związku Zawodowego Pracowników Grupy Kapitałowej ENEA w Bydgoszczy agreements for the purchase of minority shares in Szpital Uzdrowiskowy ENERGETYK Sp. z o.o., under which ENEA S.A. acquired 20 shares in the share capital for PLN 49 thousand.

2013

On 9 August 2013 ENEA S.A. signed with ENERGA S.A. an agreement for the purchase of BHU S.A. minority shares, under which ENEA S.A. acquired 12,200 shares for PLN 305 thousand.

On 31 December 2013 the Extraordinary Shareholders' Meeting of ENEOS Sp. z o.o. decided to increase the share capital by PLN 134,037.5 thousand, from PLN 32,089.5 thousand up to PLN 166,127 thousand, by way of issuing 268,075 new shares of PLN 500 each. The new shares in the company's share capital were acquired by ENEA S.A. for contributing in kind – an organised part of the enterprise of ENEA S.A. - the street lighting business.

On 17 December 2013 ENEA S.A. received reimbursement of PLN 3,000 thousand paid in advance for acquisition of shares in Farma Wiatrowa Łańcut Sp. z o.o. and Farma Wiatrowa Gać Sp. z o.o.

(all amounts in PLN '000, unless specified otherwise)

Impairment loss on investments

| | 31.12.2014 | 31.12.2013 |
|--|---------------|---------------|
| Opening balance of impairment loss on investments | 30 104 | 29 874 |
| Recognized | - | 230 |
| Closing balance of impairment loss on investments | 30 104 | 30 104 |

As at 30 September 2014, following decreasing electric energy prices, the Company carried out an impairment test of investments in subsidiaries which produce energy. As a result of the analysis the Company did not recognized an impairment loss on shares.

Impairment test (property, plant and equipment)

The key assumptions adopted by the Company for impairment testing are presented below:

- energy price trends for years 2014-2035,
- price trends of certificates of energy origin from renewable resources and cogeneration,
- price trends of CO2 emission rights,
- price trends of coal,
- allocation of free of charge CO2 emission rights for the years 2015-2020 according to the derogation proposal (Article 10, paragraph 5 of the Directive 2003/87/WE of the European Parliament and the Council),
- consideration of the new power unit no. 11 in Koziernice power plant,
- consideration of support system for green energy for the whole projection period but not longer than 2029.

| | PEC Oborniki | MEC Piła | Wind farm Darżyno | Biogas plant Dobitt | Wind farm Windfarm | Heat and power plant Białystok | Hydro- electric power plants | Power plant Koziernice |
|--|-----------------|----------|----------------------|---------------------------|-----------------------|---|---------------------------------------|------------------------------|
| Recognition of financial projections | Real | Real | Real | Real | Real | Real | Nominal | Nominal |
| Pre-tax discount rate | 6.7% | 7.1% | 8.1% | 6.3% | 7.8% | 7.3% | 5.6% | 6.5% |
| Residual period growth rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 2.5% |

Projection periods applied for particular cash generating units:

- Power plant Koziernice – till 2035,
- Heat and power plant Białystok – till 2018,
- Biogas plant Dobitt and wind farm Windfarm – till 2034,
- Hydroelectric power plants – till 2034,
- Wind farm Darżyno – till 2034,
- MEC Piła – till 2018,
- PEC Oborniki – till 2018.

Adoption of longer than five years financial projections period is justified by the fact, that assets used by cash generating units have longer economic useful life.

(all amounts in PLN '000, unless specified otherwise)

Based on the sensitivity analysis performed, prices of energy, certificates of origin, CO₂ emission rights and discount rates are the key factors having an impact on the estimated value in use of cash generating units.

10. Non-current assets held for sale

| | <u>31.12.2014</u> | <u>31.12.2013</u> |
|------------------------|-------------------|-------------------|
| Opening balance | 12 876 | 12 876 |
| Closing balance | 12 876 | 12 876 |

As at 31 December 2014 the shares in Hotel "Edison" Sp. z o.o. are presented as non-current assets held for sale.

On 23 January 2014 the announcement of the sale of the hotel was published in Gazeta Wyborcza – an invitation to negotiation for sale of all shares in Hotel "Edison" Sp. z o.o. The Memorandum was requested by four bidders. Three of them submitted preliminary offers within the prescribed period (3 February 2014). On 21 March 2014 binding offers were obtained from potential investors.

On 24 June 2014 the process was ended without selecting an investor.

On the basis of a resolution of the Management Board of ENEA S.A. No. 308/2014 dated 23 September 2014 the Company commenced public invitation to negotiations for the sale of Hotel "Edison" Sp. z o.o. To the deadline (30 October 2014) two entities responded to the public invitation by submitting preliminary offers. The sale of shares is expected to be completed in first quarter 2015.

11. Financial assets

ENEA Group adopted a model of intra-group financing of investments conducted by subsidiaries. ENEA S.A. raises on a financial market long-term funds through borrowing or issuing bonds, and then distributes them within the Group. The table below presents currently ongoing programmes of intra-group bonds issue pending as at 31 December 2014 and as at 31 December 2013:

(all amounts in PLN '000, unless specified otherwise)

| Issuer | Date of contracts | Final redemption | Credit limit in PLN '000 | Amount used in PLN '000 | Bonds issued as at 31 Dec 2014 (principal) in PLN '000 | Bonds issued as at 31 Dec 2013 (principal) in PLN '000 |
|-----------------------------|--|---|--------------------------|-------------------------|--|--|
| ENEA Wytwarzanie Sp. z o.o. | 10 March 2011 | 31 March 2023 | 26 000 | 26 000 | 26 000 | 26 000 |
| ENEA Wytwarzanie Sp. z o.o. | 29 September 2011 | 29 September 2019 | 14 500 | 14 500 | 9 500 | 14 500 |
| ENEA Wytwarzanie Sp. z o.o. | 23 July 2012 | 22 July 2019 | 158 500 | 158 500 | 113 159 | 146 268 |
| ENEA Wytwarzanie Sp. z o.o. | 8 September 2012, agreement in the amount of PLN 4,000,000 thousand reduced by annex dated 21 January 2015 to the amount of PLN 3,000,000 thousand | 15 June 2020 or 15 December 2020 depending on dates of bond series issue, the remaining amount at the latest 15 June 2022 | 3 000 000 | 860 000 | 860 000 | - |
| ENEA Operator Sp. z o.o. | 20 June 2013 | Depending on dates of bond series issue, but not later than 18 October 2029 | 1 425 000 | 1 050 000 | 1 050 000 | 780 000 |
| ENEA Wytwarzanie Sp. z o.o. | 16 July 2013 with an annex dated 17 January 2014 | 15 July 2015 | 936 000 | 936 000 | 936 000 | 746 000 |
| ENEA Wytwarzanie Sp. z o.o. | 12 August 2014 | Redemption in installments – final maturity 15 December 2026 | 260 000 | 260 000 | 260 000 | - |
| ENEA Wytwarzanie Sp. z o.o. | 17 November 2014 | 31 March 2020 | 740 000 | 350 000 | 350 000 | - |
| | | | Total | | 3 604 659 | 1 712 768 |

On 21 January 2015 an Annex to the intra-group Bonds Issue Programme of 8 September 2012 for the amount of PLN 4,000,000 thousand was signed between ENEA S.A., ENEA Wytwarzanie Sp. z o.o. and mBank S.A. Programme has been reduced to the amount of PLN 3,000,000 thousand.

On 17 February 2015 a Programme execution agreement for PLN 760,000 thousand bond issue was concluded between ENEA S.A. as guarantor, ENEA Wytwarzanie Sp. z o.o. as issuer and PKO Bank Polski S.A. as agent. The agreement provides possibility of up to 5 bond issue until 31 December 2015.

The redemption date of bonds is 10 February 2020. The interest rate will be calculated based on a variable WIBOR rate for 6-month deposits plus a margin. On 2 March 2015 a first bond issue was made under this programme in the amount of PLN 330,000 thousand.

(all amounts in PLN '000, unless specified otherwise)

12. Trade and other receivables

| | 31.12.2014 | 31.12.2013 |
|---|------------------|------------------|
| Current trade and other receivables | | |
| Trade receivables | 784 493 | 703 653 |
| Receivables due to taxes (excluding income tax) and other similar charges | - | 795 |
| Other receivables | 121 537 | 104 185 |
| Receivables due to uninvoiced sales | 225 202 | 230 310 |
| | 1 131 232 | 1 038 943 |
| Less: receivables allowance | (53 640) | (55 753) |
| Net current trade and other receivables | 1 077 592 | 983 190 |

| | 31.12.2014 | 31.12.2013 |
|--|---------------|--------------|
| Non-current trade and other receivables | | |
| Trade receivables | 10 508 | 4 173 |
| Other receivables | 1 387 | - |
| | 11 895 | 4 173 |
| Less: receivables allowance | - | - |
| Non-current trade and other receivables and other receivables | 11 895 | 4 173 |

Trade and other receivables allowance:

| | 31.12.2014 | 31.12.2013 |
|---|---------------|---------------|
| Opening balance of receivables allowance | 55 753 | 85 666 |
| Addition | 16 164 | 9 514 |
| Release | (8 664) | (775) |
| Utilization | (9 613) | (38 652) |
| Closing balance of receivables allowance | 53 640 | 55 753 |

Ageing structure of trade and other receivables:

| | Nominal amount | Allowance | Net carrying amount |
|-------------------|------------------|-----------------|---------------------|
| 31.12.2014 | | | |
| Current | 885 994 | - | 885 994 |
| Overdue | | | |
| 0-30 days | 102 319 | - | 102 319 |
| 31- 90 days | 29 157 | (18) | 29 139 |
| 91-180 days | 15 113 | (885) | 14 228 |
| over 180 days | 110 544 | (52 737) | 57 807 |
| TOTAL | 1 143 127 | (53 640) | 1 089 487 |

(all amounts in PLN '000, unless specified otherwise)

| | Nominal amount | Allowance | Net carrying amount |
|-------------------|-------------------|-----------------|------------------------|
| 31.12.2013 | | | |
| Current | 754 827 | - | 754 827 |
| Overdue | | | |
| 0-30 days | 110 067 | (2) | 110 065 |
| 31- 90 days | 41 835 | (72) | 41 763 |
| 91-180 days | 14 207 | (853) | 13 354 |
| over 180 days | 122 180 | (54 826) | 67 354 |
| TOTAL | 1 043 116 | (55 753) | 987 363 |

13. Inventory

| | 31.12.2014 | 31.12.2013 |
|------------------------|----------------|----------------|
| Certificates of origin | 116 117 | 117 449 |
| Total inventory | 116 117 | 117 449 |

Certificates of origin

| | 31.12.2014 | 31.12.2013 |
|------------------------|----------------|----------------|
| Opening balance | 117 449 | 120 160 |
| Acquisition | 484 413 | 321 157 |
| Redemption | (485 745) | (323 868) |
| Closing balance | 116 117 | 117 449 |

The costs of certificates of origin' redemption are presented in profit of loss in energy purchased for resale.

14. Cash and cash equivalents

| | 31.12.2014 | 31.12.2013 |
|--|----------------|----------------|
| Cash in hand and at bank | 55 783 | 807 036 |
| - cash in hand | - | 19 |
| - cash at bank | 55 783 | 807 017 |
| Other cash | 385 032 | - |
| - bank deposits | 384 719 | - |
| - other | 313 | - |
| Total cash and cash equivalents | 440 815 | 807 036 |
| Cash disclosed in the statement of cash flows | 440 815 | 807 036 |

As at 31 December 2014 ENEA S.A. had no restricted cash.

As at 31 December 2013 the restricted cash amounted to PLN 50 thousand.

15. Financial assets measured at fair value through profit or loss

As at 31 December 2014 portfolio of financial instruments managed by a specialized institution amounted to PLN 607,218 thousand and comprised of financial assets measured at fair value through profit or loss - treasury bills and bonds amounting to PLN 391,901 thousand (as at 31.12.2013 carrying amount of the portfolio was PLN 328,603 thousand, including financial assets measured at fair value through profit or loss - treasury bills and bonds of PLN 296,339 thousand).

(all amounts in PLN '000, unless specified otherwise)

On 23 December 2014 the Company sold participation units in the "Pioneer" Investment Fund, which as at 31 December 2013 were fully recognized as long-term assets in the amount of PLN 1,860 thousand.

16. Equity

Equity as at 31 December 2014:

| Series of shares | Number of shares | Nominal value of 1 share (in PLN) | Carrying amount |
|--|--------------------|-----------------------------------|-------------------|
| "A" series | 295 987 473 | 1 | 295 988 |
| "B" series | 41 638 955 | 1 | 41 639 |
| "C" series | 103 816 150 | 1 | 103 816 |
| Total number of shares | 441 442 578 | | |
| Share capital (face value) | | | 441 443 |
| Capital from business combination | | | 38 810 |
| Hyperinflation adjustment of share capital | | | 107 765 |
| Total share capital | | | 588 018 |
| Treasury shares | | | - |
| Share premium | | | 4 627 673 |
| Reserve capital | | | 2 151 228 |
| Retained earnings | | | 4 235 607 |
| Total equity | | | 11 602 526 |

Equity as at 31 December 2013:

| Series of shares | Number of shares | Nominal value of 1 share (in PLN) | Carrying amount |
|--|--------------------|-----------------------------------|-------------------|
| "A" series | 295 987 473 | 1 | 295 988 |
| "B" series | 41 638 955 | 1 | 41 639 |
| "C" series | 103 816 150 | 1 | 103 816 |
| Total number of shares | 441 442 578 | | |
| Share capital (face value) | | | 441 443 |
| Capital from business combination | | | 38 810 |
| Hyperinflation adjustment of share capital | | | 107 765 |
| Total share capital | | | 588 018 |
| Treasury shares | | | - |
| Share premium | | | 4 627 673 |
| Share-based payments reserve | | | 1 144 336 |
| Reserve capital | | | 1 569 385 |
| Retained earnings | | | 3 233 162 |
| Total equity | | | 11 162 574 |

On 24 April 2014 the General Shareholders' Meeting of ENEA S.A. adopted Resolution no. 7 concerning distribution of net profit for the financial period from 1 January 2013 to 31 December 2013 under which PLN 581,843 thousand has been allocated to the reserve capital. The remaining amount of PLN 251,622 thousand had been paid as a dividend.

On 24 April 2013 the General Shareholders' Meeting of ENEA S.A. adopted Resolution no. 7 concerning distribution of net profit for the financial period from 1 January 2012 to 31 December 2012 under which PLN 363,760 thousand has been allocated to the reserve capital. The remaining amount of PLN 158,919 thousand had been paid as a dividend.

The Employees Shares Programme, implemented based on the Act of 30 August 1996 on the Commercialization and Privatization, resulting in granting 15% of ENEA S.A. shares to entitled employees, was executed and completed in

(all amounts in PLN '000, unless specified otherwise)

prior years. Pursuant to the completion of the Programme, the share-based payments reserve amounted to PLN 1,144 thousand as at 31 December 2013 has been finally settled and reclassified to retained earnings during 2014.

17. Loans, borrowings and debt securities

| | 31.12.2014 | 31.12.2013 |
|---|-------------------|-------------------|
| Long-term | | |
| Bank loans | 1 047 178 | 777 130 |
| Bonds | 1 104 961 | - |
| Balance as at the reporting date | 2 152 139 | 777 130 |

Loans

ENE S.A. has entered into two loan agreements with European Investment Bank for the total amount of PLN 1,425,000 thousand (Loan agreement A – PLN 950,000 thousand and Loan agreement B – PLN 475,000 thousand).

The funds from the issue will be designated for financing of long-term investment plan (Programme) for the modernization and extension of power grids of ENE Operator Sp. z o.o. The availability period of loan agreement B expires on 31 December 2015. The interest rate of the loan can be fixed or floating.

In connection with loan agreements realization, the Agreement on the Programme realization between ENE S.A., Bank and ENE Operator Sp. z o.o. is also concluded. The Agreement settled issues relating the rules of the Programme realization within the scope financed by the Bank.

Under the agreements with European Investment Bank ENE S.A. drawn in three tranches a total amount of PLN 1,050 million. The currency of the loan is the Polish zloty. Two tranches in the total amount of PLN 950 million are at variable interest rate based on WIBOR rate for 6-month deposits plus a margin and one tranche of PLN 100 million is at a fixed interest rate.

Bond issue programs

ENE S.A. concludes agreements for bonds issue programmes to finance current operations and investments of ENE S.A. and its subsidiaries.

| No | Name of bonds issue programme | Date of the conclusion of programme | Amount of programme | Amount issued as at 31 Dec 2014 | Amount issued as at 31 Dec 2013 |
|----|--|-------------------------------------|-------------------------|---------------------------------|---------------------------------|
| 1. | Bonds Issue Programme Agreement with PKO BP S.A., Bank Pekao S.A., BZ WBK S.A. and Bank Handlowy S.A. (guaranteed) ¹⁾ | 21 June 2012 | 3,000,000 ²⁾ | 860,000 | - |
| 2. | Bonds Issue Programme Agreement with Bank Gospodarstwa Krajowego (guaranteed) | 15 May 2014 | 1,000,000 | 260,000 | - |
| 3. | Bonds Issue Programme Agreement with ING Bank Śląski S.A., PKO BP S.A., Bank PEKAO S.A. and mBank S.A. | 30 June 2014 | 5,000 000 | - ³⁾ | - |

(all amounts in PLN '000, unless specified otherwise)

¹⁾ On 31 January 2014 Annex to the Agreement was concluded. The Annex changed the terms of financing conditions adapting them to the current market situation. On 31 October 2014 PKO BP S.A. took over the share of Nordea Bank Poland S.A. as a result of the legal merger of the two banks.

²⁾ On 15 December 2014 there was a reduction of bonds Issue Programme implemented under the Programme Agreement from 21 June 2012 from the amount of PLN 4,000,000 thousand to PLN 3,000,000 thousand. Due to the reduction of the Programme the Group will optimize available sources of funding and reduce cost of debt.

³⁾ ENEA S.A. made corporate decisions to start the process of issuing bonds under the Programme.

On 10 February 2015 the first bond issue was carried out under the Bond Issue Programme up to the amount of PLN 5,000,000 thousand. The total amount of the issue was PLN 1,000,000 thousand. The interest rate on the bonds will be calculated based on WIBOR rate for 6-month deposits plus the margin of 0.85%. Interest will be paid half-yearly on 10 August and 10 February each year. The total redemption of bonds is planned at 10 February 2020. Proceeds from the bonds issue will be used to finance the capital expenditure in line with the strategy of the ENEA Group.

Financing conditions – covenants

Financing agreements assume compliance by the Company and the Group with certain financial ratios. As at 31 December 2014 and the date of these separate financial statements, these financial ratios were met.

18. Other financial liabilities

Cash management in ENEA Group is performed by ENEA S.A., allowing efficient cash surplus management (economies of scale) and reduction of external financing costs. Cash management covers subsidiaries which constitute ENEA Tax Group and is based on “Cash management system between group of bank accounts” – cash pooling.

Under this service at the end of each day cash surplus from a bank accounts of a participant is transferred to a bank account of the Pool Leader – ENEA S.A. On the next day account balances are reversed and cash transferred back to the bank account of the participant.

19. Trade and other liabilities

| | 31.12.2014 | 31.12.2013 |
|--|-------------------|-------------------|
| Current trade and other liabilities | | |
| Trade liabilities | 362 840 | 470 465 |
| Advance payments received for deliveries, works and services | 41 843 | 41 296 |
| Tax liabilities (excluding income tax) | 42 973 | 51 940 |
| Others | 56 828 | 81 778 |
| Total | 504 484 | 645 479 |

20. Financial instruments

20.1. Principles of financial risk management

The Company is exposed to the following categories of risk related to financial instruments:

- credit risk,
- liquidity risk,
- commodity risk,
- currency risk,
- interest rate risk.

This note presents information on the Company's exposure to each of the aforementioned risks as well as the risk and capital management objectives, policy and procedures.

Development of the general guidelines and rules of the risk management policy is the responsibility of the Management Board of ENEA S.A.

Risk is managed on an ongoing basis. Risks are analyzed in connection with the impact of the external environment as well as changes in the structure and activities of ENEA S.A. Taking these into consideration, the steps are undertaken aimed at mitigation of the risk or its transfer outside the Company. In order to do so, the Company makes sure that its employees are aware of the possibility of risks occurrence and their influence on the activity of individual organizational unit.

Aware of the risks relating to its business activities, ENEA S.A. continues actions aimed at development of an integrated, formalized risk management system covering credit, liquidity, market, currency and interest rate risks. In 2012 the Management Board of ENEA S.A. adopted Liquidity Risk Management Policy, Currency Risk and Interest Rate Risk Management Policy. As a consequence, in 2013 supplementary procedures concerning Policies in the range of process has been also adopted. In 2014 the principles and methods of measurement and mitigation of the commodity risk were developed by the Company. In 2014 the Company carried out further development of an integrated risk management system.

20.2. Credit risk

Credit risk is the risk of financial losses which may be incurred if a counterparty or a customer being a party to a financial instrument fails to meet its contractual obligations.

Credit risk is mainly related to debt collection. The key factors that affect the occurrence of credit risk at the Company include:

- a substantial number of small customers resulting in an increase in the costs incurred to monitor debt collection,
- the necessity to supply electricity to budgetary units facing financial difficulties,
- legal requirements defining the principles for electricity supply suspension as a result of default on payment.

The Management Board applies a credit policy which provides monitoring exposure to credit risk on an ongoing basis and undertakes actions for risk minimization. The main tool for credit risk management is the analysis of the creditworthiness of most relevant partners of ENEA S.A. under the terms of the contract with a counterparty are subject to appropriate structuring (terms of payment, any collateral contract, etc.).

Notes presented on pages 9-73 constitute an integral part of these separate financial statements.

(all amounts in PLN '000, unless specified otherwise)

The table below presents the structure of assets illustrating the exposure of ENEA S.A. to credit risk:

| | 31.12.2014 | 31.12.2013 |
|--|-------------------|-------------------|
| Financial assets held to maturity | 3 778 946 | 1 712 332 |
| Financial assets measured at fair value through profit or loss | 391 901 | 298 199 |
| Trade and other receivables | 1 089 487 | 986 568 |
| Cash and cash equivalents | 440 815 | 807 036 |
| Total | 5 701 149 | 3 804 135 |

The credit risk relating to receivables differs for individual market segments in which ENEA S.A. carries out its business activities:

- electricity sales to individual customers – a considerable amount of past due receivables. Although they do not represent a serious threat to the Company's financial position, measures aimed at their reduction have been undertaken. Actions aimed at improvement of the collection process have been undertaken involving development of new and update of the existing manuals and principles of collection and cooperation with professional entities. The collection process starts 20-25 days after the payment deadline. Thanks to a unified collection policy, including soft collection, the entity is able to shorten the collection period and avoid long-lasting and quite ineffective hard collections, i.e. enforcement by court or a bailiff. Court or bailiff's collections are applied to cases whose value is higher than the cost-benefit ratio for debt collection,
- sales of electricity and distribution services to business, key and strategic clients, where overdue receivables are higher than in the segment of individual clients. Because of the much smaller number of customers in these segments, the principles of recovery are based mainly on soft recovery. Activities related to the soft recovery are taken no later than 6 days after the payment deadline, and as a rule do not last longer than 30 days after the payment deadline,
- other receivables – compared to the above segments the amounts of past due receivables are immaterial.

A key role in the debt collection process is played by employees supervising contacts with customers. They monitor the debt collection process and attempt to collect past due receivables through direct contact with the customer. Cooperation with a debtor as well as obtaining information on its current and future financial position is one of the tasks of the function established for that purpose.

ENEA S.A. monitors the amount of past due receivables on an ongoing basis and in justified cases files legal claims and recognizes appropriate impairment losses.

20.3. Liquidity risk

The liquidity risk is the risk that ENEA S.A. will be unable to meet its financial obligations at due date.

The objective of the liquidity risk management carried out by the Company is to reduce the probability of loss or limited ability to repay liabilities to an acceptable level. In particular, the policy assumes ensuring the ability to effectively react liquidity crises, i.e. periods of an increased demand for liquid assets.

(all amounts in PLN '000, unless specified otherwise)

The policy assumes ensuring available cash sufficient to repay liabilities in the course of standard operations and to continue undisturbed business operations in the time of liquidity crisis during a period necessary to launch an emergency financing plan to increase liquidity without delay.

Liquidity management focuses on a detailed analysis of the receivables collection scheme, the ongoing monitoring of bank accounts and cash concentration in consolidated accounts. The Company invests surplus funds in current assets in the form of term deposits. A long-term surpluses are transmitted to the Investment Portfolio managed by an external entity from the area of Asset Management. The effectiveness of investment process is monitored on an ongoing basis. The Company diversifies sources of external financing and investments to mitigate liquidity risk and ensure stability of financing.

ENEA S.A. has undertaken actions toward concentration of liquidity management between entities within the Group, comprising introduction of a cash pooling in entities participating in ENEA Tax Group and intra-group bonds issue programmes, whereby effectiveness of cash within the Group increases.

Taking into account ongoing risk management as well as the market and financial position of the Company it may be concluded that its liquidity risk remains at a minimum level.

Additionally, the Company manages its liquidity risk by maintaining open and unused credit facilities of PLN 169,000 thousand.

(all amounts in PLN '000, unless specified otherwise)

The Company's financial assets and liabilities by maturity are presented in the table below:

| 31.12.2014 | Trade and other liabilities | Other financial liabilities | Finance lease liabilities | Bank loans | Cash and cash equivalents | Trade and other receivables | Financial assets measured at fair value through profit or loss | Financial instruments held to maturity | Total |
|-------------------------------------|-----------------------------|-----------------------------|---------------------------|--------------------|---------------------------|-----------------------------|--|--|--------------------|
| Carrying amount | 461 511 | 269 094 | 172 | 2 152 139 | (440 815) | (1 089 487) | (391 901) | (3 778 946) | (2 818 233) |
| Undiscounted contractual cash flows | (461 511) | (269 094) | (176) | (2 647 800) | 440 815 | 1 089 487 | 391 901 | 4 357 517 | 2 901 139 |
| up to 6 months | (461 511) | (269 094) | (88) | (33 019) | 440 815 | 1 089 487 | 391 901 | 265 914 | 1 424 405 |
| 6 - 12 months | - | - | (88) | (33 232) | - | - | - | 994 174 | 960 854 |
| 1 - 2 years | - | - | - | (66 436) | - | - | - | 105 175 | 38 739 |
| 2 - 5 years | - | - | - | (495 276) | - | - | - | 600 592 | 105 316 |
| Over 5 years | - | - | - | (2 019 837) | - | - | - | 2 391 662 | 371 825 |

| 31.12.2013 | Trade and other liabilities | Finance lease liabilities | Bank loans | Cash and cash equivalents | Trade and other receivables | Financial assets measured at fair value through profit or loss | Financial instruments held to maturity | Total |
|-------------------------------------|-----------------------------|---------------------------|------------------|---------------------------|-----------------------------|--|--|--------------------|
| Carrying amount | 552 243 | 1 155 | 777 130 | (808 364) | (986 568) | (298 199) | (1 712 332) | (2 474 935) |
| Undiscounted contractual cash flows | (552 243) | (1 445) | (999 726) | 808 364 | 986 568 | 298 199 | 2 014 172 | 2 553 889 |
| up to 6 months | (552 243) | (584) | (12 207) | 808 364 | 986 568 | 298 199 | 49 157 | 1 577 254 |
| 6 - 12 months | - | (584) | (12 207) | - | - | - | 53 756 | 40 965 |
| 1 - 2 years | - | (277) | (24 414) | - | - | - | 827 411 | 802 720 |
| 2 - 5 years | - | - | (293 173) | - | - | - | 404 690 | 111 517 |
| Over 5 years | - | - | (657 725) | - | - | - | 679 158 | 21 433 |

(all amounts in PLN '000, unless specified otherwise)

20.4. Commodity risk

Commodity risk is related to possible changes in revenue/cash flows generated by the Company resulting, in particular, from fluctuations in commodity prices and changing demand for products and services offered. The objective of commodity risk management is to maintain the risk exposure within an acceptable level while optimizing the return on risk.

One of the key aspects of the commodity risk results from the fact that being an energy company operating based on an electricity trading license, the entity is required to submit electricity tariffs for G-tariff groups for approval. The Company purchases energy at market prices and calculates its tariff based on costs regarded as legitimate by the President of the Energy Regulatory Office as well as margins (for electricity trading) planned to be earned in the subsequent tariff period. Therefore, during the tariff period the Company's possibility to transfer adverse changes in its operating costs to electricity customers is limited. A tariff adjustment request may be filed to the President of the Energy Regulatory Office only in the event of a dramatic rise in costs for reasons that are beyond the Company's control.

Commodity risk management in the scope of pricing is based on continuous monitoring of an open position in trading (both with regard to securing the volume of retail sales, and to proprietary trading) and measurement - using value at risk tools - of the level of risk of possible electricity price fluctuation with respect to such an open position in trading. An appropriate risk mitigation technique in this case is to close an item that generates excessive value of potential loss.

Commodity risk management in terms of volumetric involves using scenario methods, optimizing the planning processes and control of commercial activities which allows possibly the most accurate way to estimate expected volumes of electricity and related goods that are traded.

A commodity risk management based on the above mentioned principles was implemented in 2014. Moreover, independently from mentioned above, the ENEA SA applies the management principles defined by the strategic regulation (so-called Wholesale Trading Procedure), defining the operating methods related to optimization of ENEA's trading position, with the primary purpose of minimizing the risk of taking actions contrary to market trends, taking account of the efficiency aspect in the context of that trend (achieving better results than the market average).

20.5. Currency risk

Currency risk is related to possible changes in cash flows generated by the Company resulting from fluctuations of currencies exchange rates in which such cash flows are denominated.

During the reporting period ENEA S.A. was not exposed to currency risk.

20.6. Interest rate risk

The interest rate risk, the Company is exposed to, results from credit facilities and loans taken by ENEA S.A. and financial assets in the form of debt securities portfolio and bank deposits. The Company tends to apply variable interest rate correlated with market (interbank) rates. At the same time, the Company monitors on an ongoing basis the market interest rates and remain prepared to take action in the field of risk security.

(all amounts in PLN '000, unless specified otherwise)

As at 31 December 2014 the Company has liabilities arising from credit facilities in the amount of PLN 2,152,139 thousand. As at 31 December 2014 financial liabilities with a variable interest rate consisted of bank loans, issued bonds and finance lease liabilities.

The table below, presenting financial assets and liabilities by fixed and variable interest rates, shows the Company's sensitivity to interest rate risk:

| | 31.12.2014 | 31.12.2013 |
|----------------------------------|-------------------|-------------------|
| Fixed rate instruments | | |
| Financial assets | 1 175 310 | 1 003 678 |
| Financial liabilities | (788 627) | (552 243) |
| Total | 386 683 | 451 435 |
| Variable rate instruments | | |
| Financial assets | 4 525 839 | 2 800 457 |
| Financial liabilities | (2 052 446) | (778 285) |
| Total | 2 473 393 | 2 022 172 |

Effective interest rate applicable to interest bearing assets and liabilities is presented in the table below:

| | as at 31 December 2014 | | as at 31 December 2013 | |
|--|-------------------------|------------------|-------------------------|------------------|
| | Effective interest rate | Carrying amount | Effective interest rate | Carrying amount |
| Financial assets held to maturity | 3.75 | 3 778 946 | 4.59 | 1 712 332 |
| Financial assets measured at fair value through profit or loss | 4.68 | 391 901 | 3.61 | 298 199 |
| Cash and cash equivalents | 2.65 | 354 992 | 3.53 | 789 926 |
| Finance lease liabilities | 2.06 | (172) | 2.61 | (1 155) |
| Bank loans, borrowings and debt securities | 3.35 | (2 052 274) | 3.13 | (777 130) |
| Total | - | 2 473 393 | - | 2 022 172 |

The effective interest rates presented in the table above are determined as the weighted average of interest rates.

The table below presents the impact of interest rate changes on the Company's net profit.

| | Carrying amount as at 31 Dec 2014 | Interest rate risk impact on profit (12-month period) | | Carrying amount as at 31 Dec 2013 | Interest rate risk impact on profit (12-month period) | |
|--|-----------------------------------|---|-----------------|-----------------------------------|---|-----------------|
| | | + 1 p.p. | - 1 p.p. | | + 1 p.p. | - 1 p.p. |
| Financial assets | | | | | | |
| Cash | 354 992 | 3 550 | (3 550) | 789 926 | 7 899 | (7 899) |
| Financial assets held to maturity | 3 778 946 | 37 789 | (37 789) | 1 712 332 | 17 123 | (17 123) |
| Financial assets measured at fair value through profit or loss | 391 901 | 3 919 | (3 919) | 298 199 | 2 982 | (2 982) |
| Impact on profit/loss before tax | | 45 258 | (45 258) | | 28 004 | (28 004) |
| 19% tax | | (8 599) | 8 599 | | (5 321) | 5 321 |
| Impact on profit/loss after tax | | 36 659 | (36 659) | | 22 683 | (22 683) |

(all amounts in PLN '000, unless specified otherwise)

| | Carrying amount as at 31 Dec 2014 | Interest rate risk impact on profit (12-month period) | | Carrying amount as at 31 Dec 2013 | Interest rate risk impact on profit (12-month period) | |
|--|-----------------------------------|---|-----------------|-----------------------------------|---|-----------------|
| | | + 1 p.p. | - 1 p.p. | | + 1 p.p. | - 1 p.p. |
| Financial liabilities | | | | | | |
| Bank loans, borrowings and debt securities | (2 052 274) | (20 523) | 20 523 | (777 130) | (7 771) | 7 771 |
| Finance lease liabilities | (172) | (2) | 2 | (1 155) | (12) | 12 |
| Impact on profit/loss before tax | | (20 523) | 20 523 | | (7 783) | 7 783 |
| 19% tax | | 3 899 | (3 899) | | 1 479 | (1 479) |
| Impact on profit/loss after tax | | (16 624) | 16 624 | | (6 304) | 6 304 |
| Total | | 20 035 | (20 035) | | 16 379 | (16 379) |

20.7. Management of funding sources

The key assumption of ENEA S.A. in management of funding sources is maintaining optimal liabilities structure to reduce the cost of funding operations, secure credit rating at the investment level and sources of funding for operating and investing activities of ENEA S.A. and its subsidiaries. Activities conducted in this area also tend to ensure the financial security of ENEA S.A. and relevant value for shareholders. When optimizing the structure of liabilities by applying financial leverage, it is also important to maintain a strong capital base being a foundation for building confidence of investors, creditors and market. ENEA S.A. monitors its capital using the debt ratio and the return on equity ratio. Its objective is to ensure an increase of capital effectiveness together with maintaining the capital at a safe level.

20.8. Fair value

The table below presents the fair values as compared to carrying amounts:

| | 31.12.2014 | | 31.12.2013 | |
|--|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Non-current financial assets held to maturity | 2 620 528 | 2 620 528 | 1 674 223 | 1 674 223 |
| Non-current financial assets measured at fair value through profit or loss | - | - | 1 860 | 1 860 |
| Current financial assets held to maturity | 1 158 418 | 1 158 418 | 38 109 | 38 109 |
| Current financial assets measured at fair value through profit or loss | 391 901 | 391 901 | 296 339 | 296 339 |
| Trade and others receivables | 1 089 487 | (*) | 986 568 | (*) |
| Cash and cash equivalents | 440 815 | 440 815 | 807 036 | 807 036 |
| Bank loans, borrowings and debt securities | 2 152 139 | 2 152 139 | 777 130 | 777 130 |
| Finance lease liabilities | 172 | 172 | 1 155 | 1 155 |
| Other financial liabilities | 269 094 | 269 094 | - | - |
| Trade and other liabilities | 419 668 | (*) | 552 243 | (*) |

(*) the carrying amounts of trade and other receivables, trade and other liabilities approximates their fair values.

(all amounts in PLN '000, unless specified otherwise)

Financial assets available for sale include shares in unrelated parties for which the ratio of interest in equity is lower than 20%. The fair value of not listed assets is estimated based on discounted cash flows. The fair value of listed assets is determined using the quotations from the active market.

Non-current financial assets held to maturity include acquired debt instruments – bonds with an original maturity exceeding 1 year.

Short-term financial assets measured at fair value through profit or loss include an investment portfolio managed by a company specialized in professional cash management (Note 15). The fair value of the investment portfolio is estimated based on market quotations.

Short-term financial assets held to maturity include acquired debt instruments – bonds with an original maturity not exceeding 1 year.

The table below presents the analysis of financial instruments measured at fair value and classified into the following three levels:

Level 1 – fair value based on stock exchange prices (unadjusted) offered for identical assets or liabilities in active markets,

Level 2 – fair value determined based on market observations instead of market quotations (e.g. direct or indirect reference to similar instruments traded in the market),

Level 3 – fair value determined using various valuation methods, but not based on any observable market information.

| | 31.12.2014 | | | |
|---|-------------------|----------------|----------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value through profit or loss | | | | |
| Non-derivative financial assets held for trading | 391 901 | - | - | 391 901 |
| Total | 391 901 | - | - | 391 901 |

| | 31.12.2013 | | | |
|---|-------------------|----------------|----------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value through profit or loss | | | | |
| Non-derivative financial assets held for trading | 298 199 | - | - | 298 199 |
| Total | 298 199 | - | - | 298 199 |

21. Finance lease liabilities

| | 31.12.2014 | 31.12.2013 |
|--------------|-------------------|-------------------|
| Up to 1 year | 172 | 1 052 |
| 1-5 years | - | 103 |
| Total | 172 | 1 155 |

(all amounts in PLN '000, unless specified otherwise)

The subject of finance leases are personal vehicles.

| | Finance lease liabilities | Interests | Total |
|---------------------------------|----------------------------------|------------------|--------------|
| Up to 1 year | 172 | 4 | 176 |
| Balance as at 31.12.2014 | 172 | 4 | 176 |

| | Finance lease liabilities | Interests | Total |
|---------------------------------|----------------------------------|------------------|--------------|
| Up to 1 year | 1 052 | 116 | 1 168 |
| 1-5 years | 103 | 174 | 277 |
| Balance as at 31.12.2013 | 1 155 | 290 | 1 445 |

(all amounts in PLN '000, unless specified otherwise)

22. Deferred income tax

Changes in deferred tax are as follows:

Deferred tax assets:

| | Receivables allowance | Liabilities due to employee benefits | Provision for costs of redemption of certificates of origin | Grants | Tax deductible expenses after the end of the settlement period | Measurement of investments in shares | Other | Total |
|--|-----------------------|--------------------------------------|---|---------|--|--------------------------------------|---------|----------|
| Balance as at 1 January 2013 – 19% rate | 3 030 | 18 326 | 44 793 | 5 268 | 77 368 | 3 913 | 9 267 | 161 965 |
| Amount recognized in the profit or loss due to a change in temporary differences | (1 430) | (825) | 7 181 | (5 268) | 10 792 | (97) | (5 032) | 5 321 |
| Change recognized in other comprehensive income | - | (1 694) | - | - | - | - | - | (1 694) |
| Balance as at 31 December 2013 – 19% rate | 1 600 | 15 807 | 51 974 | - | 88 160 | 3 816 | 4 235 | 165 592 |
| Amount recognized in the profit or loss due to a change in temporary differences | (267) | (1 418) | (20 710) | - | (7 398) | - | 6 456 | (23 337) |
| Change recognized in other comprehensive income | - | 1 181 | - | - | - | - | - | 1 181 |
| Balance as at 31 December 2014 – 19% rate | 1 333 | 15 570 | 31 264 | - | 80 762 | 3 816 | 10 691 | 143 436 |

Provision for deferred income tax:

| | Income taxable after the end of the reporting period | Accrued unbilled sales | Measurement of fixed assets at fair value | Other | Total |
|--|--|------------------------|---|---------|---------|
| Balance as at 1 January 2013 – 19% rate | 81 476 | 27 396 | 646 | 4 652 | 114 170 |
| Amount recognized in the profit or loss due to a change in temporary differences | 14 036 | 3 902 | (634) | (9 748) | 7 556 |
| Balance as at 31 December 2013 – 19% rate | 95 512 | 31 298 | 12 | (5 096) | 121 726 |
| Amount recognized in the profit or loss due to a change in temporary differences | (9 350) | (6 582) | (329) | 12 245 | (4 016) |
| Balance as at 31 December 2014 – 19% rate | 86 162 | 24 716 | (317) | 7 149 | 117 710 |

(all amounts in PLN '000, unless specified otherwise)

23. Liabilities due to employee benefits

| | 31.12.2014 | 31.12.2013 |
|--|----------------------|----------------------|
| Defined benefit plans | | |
| Retirement benefits | | |
| - long-term portion | 924 | 1 028 |
| - short-term portion | 43 | 107 |
| | <u>967</u> | <u>1 135</u> |
| Right to energy allowance after retirement | | |
| - long-term portion | 52 282 | 50 161 |
| - short-term portion | 3 957 | 4 338 |
| | <u>56 239</u> | <u>54 499</u> |
| Appropriation to the Company's Social Benefits Fund for pensioners | | |
| - long-term portion | 6 287 | 5 456 |
| - short-term portion | 454 | 404 |
| | <u>6 741</u> | <u>5 860</u> |
| Total defined benefit plans | | |
| - long-term portion | 59 493 | 56 645 |
| - short-term portion | 4 454 | 4 849 |
| | <u>63 947</u> | <u>61 494</u> |
| Jubilee bonuses | | |
| - long-term portion | 3 773 | 5 037 |
| - short-term portion | 96 | 599 |
| | <u>3 869</u> | <u>5 636</u> |
| Salaries and wages and other liabilities | | |
| - long-term portion | - | - |
| - short-term portion | 12 615 | 14 400 |
| | <u>12 615</u> | <u>14 400</u> |
| Provision for voluntary redundancy program – short-term | 3 756 | 4 270 |
| Total liabilities due to employee benefits | | |
| - long-term portion | 63 266 | 61 682 |
| - short-term portion | 20 921 | 24 118 |
| | <u>84 187</u> | <u>85 800</u> |

Based on an arrangement entered into by the representatives of employees and the Company, the employees of ENEA S.A. are entitled to specific benefits other than remuneration, i.e.:

- Jubilee bonuses,
- retirement and disability benefits,
- electricity allowance,
- an appropriation to the Company's Social Benefits Fund,

all mentioned above benefits are fully financed by the Company.

The present value of the related future liabilities has been measured using actuarial methods. Calculations were made using basic individual data for the employees of ENEA S.A. as at 31 December 2014 (taking into account their gender) regarding:

- age,
- length of service with the Company,
- total length of service,
- remuneration constituting the calculation basis for jubilee bonuses as well as retirement and disability benefits.

(all amounts in PLN '000, unless specified otherwise)

Additionally, the following assumptions were made for the purpose of the analysis:

- the probable number of leaving employees was determined based on historical data concerning staff turnover in the Company and industry statistics,
- the value of minimum remuneration in the Polish economy since 1 January 2015 was assumed at PLN 1,750,
- pursuant to announcements of the President of the Central Statistical Office, the average salary in the Polish economy, less premiums for retirement, pension and health insurance paid by the insured was assumed at PLN 2,917.14 (average amount assumed for the second half of 2010, which will constitute the basis for calculating the appropriation to the Company's Social Benefits Fund in 2014 under the amendment to the Act on Company Social Benefits Fund dated 8 November 2013),
- under the assumptions defined at the corporate level, the growth of the average salary in the Polish economy (being the basis for creating the appropriation to the Company's Social Benefits Fund) was assumed at 3.9% in 2015, 4.5% in 2016, 4.9% in 2017-2019, 4.8% in 2020-2021, 4.7% in 2022-2023, 4.6% in 2024 and at 4.5% in the remaining period of the projection,
- mortality rate and the probability of receiving benefits were adopted in line with the 2013 Life Expectancy Tables published by the Central Statistical Office,
- the value of the provision for disability benefits was not determined separately but the individuals receiving disability allowance were not taken into consideration in calculating the employee turnover ratio,
- standard retirement age was assumed under particular regulations of the Act of Pension, excluding these employees, which fulfill the conditions expected to earlier retirement,
- the long-term salaries and wages increase rate was adopted at the level of 1.0% in 2015, 2.038% in 2016, 2.418% in 2017 and 2.5% in the remaining years (as at 31 December 2013: 2.3%),
- the valuation procedure includes plans to launch again Voluntary Redundancy Program in the Company, under which during the period from 1 January 2015 till 30 June 2015 the employment relationship will be terminated with:
 - 50% persons qualified to eligible employees of the Group I,
 - 50% persons qualified to eligible employees of the Group II,
 - 7.7% persons qualified to eligible employees of the Group III,
- the interest rate for discounting future benefits was adopted at the level of 2.5% (as at 31 December 2013: 4.26%),
- value of the annual equivalent of the electricity allowance paid in 2015 was adopted at the level of PLN 1,382.57 (as at 31 December 2013 PLN 1,452.24),
- the average rise in the cash equivalent of the electricity allowance was adopted for 2015 at the level of 1.6%, for 2016 (+) 4.0%, for 2017 (+) 4.9%, for 2018 (+) 5.9 %, for 2019-2026 at the level of 3.9% and the following years at the level of 2.5% (as at 31.12.2013 the increase in 2014 at the level of (-)2.9%, for 2015 (+) 10.2%, for 2016 (+) 6.7%, (+) 2017 (+) 3.9%, for 2018- 2025 at the level of 4.0%, for 2026-2027 at the level of 4.1% and the following years at the level of 2.5%).

To determine the amount of provisions for employee benefits Projected Unit Credit Method was used, the same method was used for the analysis of sensitivity for defined benefit plan.

(all amounts in PLN '000, unless specified otherwise)

Defined benefit plan

| | Retirement benefits | Right to energy allowance after retirement | Appropriation to the Company's Social Benefits Fund for pensioners | Total |
|---|------------------------|--|--|-----------------|
| Balance as at 1 January 2014 | 1 135 | 54 499 | 5 860 | 61 494 |
| Changes during 12 months ended 31 December 2014 | | | | |
| Costs recognized in profit or loss, including: | (559) | 1 363 | 133 | 937 |
| - current employment costs | 93 | 75 | 22 | 190 |
| - post-employment costs | (677) | (606) | (107) | (1 390) |
| - interests | 25 | 1 894 | 218 | 2 137 |
| Costs recognized in other comprehensive income, including: | 398 | 4 666 | 1 151 | 6 215 |
| - net actuarial losses/(profits) due to adjustments of ex-post assumptions | 139 | 408 | 108 | 655 |
| - net actuarial losses/(profits) due to changes in demographic assumptions | (38) | 375 | 38 | 375 |
| - net actuarial losses/(profits) due to changes in financial assumptions | 297 | 3 883 | 1005 | 5 185 |
| Decrease in the liability due to benefits paid | (7) | (4 289) | (403) | (4 699) |
| Total changes | (168) | 1 740 | 881 | 2 453 |
| Balance as at 31 December 2014 | 967 | 56 239 | 6 741 | 63 947 |
| | | | | |
| | Retirement benefits | Right to energy allowance after retirement | Appropriation to the Company's Social Benefits Fund for pensioners | Total |
| Balance as at 1 January 2013 | 1 292 | 65 007 | 6 669 | 72 968 |
| Changes during 12 months ended 31 December 2013 | | | | |
| Costs recognized in profit or loss, including: | (80) | 2 229 | 232 | 2 381 |
| - current employment costs | 186 | 152 | 32 | 370 |
| - post-employment costs | (315) | (280) | (43) | (638) |
| - interests | 49 | 2 357 | 243 | 2 649 |
| Costs recognized in other comprehensive income, including: | (69) | (8 238) | (608) | (8 915) |
| - net actuarial losses/(profits) due to adjustments of ex-post assumptions | (16) | 314 | (115) | 183 |
| - net actuarial losses/(profits) due to changes in demographic assumptions | 107 | 321 | 42 | 470 |
| - net actuarial losses/(profits) due to changes in financial assumptions | (160) | (8 873) | (535) | (9 568) |
| Decrease in the liability due to benefits paid | (8) | (4 499) | (433) | (4 940) |
| Total changes | (157) | (10 508) | (809) | (11 474) |
| Balance as at 31 December 2013 | 1 135 | 54 499 | 5 860 | 61 494 |

(all amounts in PLN '000, unless specified otherwise)

Sensitivity analysis for defined benefit plans

| | Actuarial assumptions change impact on the liabilities due to defined benefit plans | |
|--|---|---------|
| | + 1 pp | + 1 pp |
| Defined benefit plans | | |
| Discount rate | (6 061) | 7 283 |
| Anticipated rise in salaries and wages rate | 941 | (784) |
| Average rise in the cash equivalent of the electricity allowance | 5 759 | (4 925) |

Maturity of liabilities due to defined benefit plans

| The weighted average duration of liabilities due to defined benefit plans (in years) | 31.12.2014 | 31.12.2013 |
|--|------------|------------|
| Retirement benefits | 27.5 | 25.4 |
| Right to energy allowance after retirement | 10.5 | 9.8 |
| Appropriation to the Company's Social Benefits Fund for pensioners | 11.0 | 10.5 |

Other long-term employee benefits - jubilee bonuses

| | 31.12.2014 | 31.12.2013 |
|--|----------------|--------------|
| Opening balance | 5 636 | 5 550 |
| Changes in the 12 months ended at the reporting date | | |
| Costs recognized in profit or loss, including: | (1 394) | 652 |
| - current employment costs | 641 | 867 |
| - post-employment costs | (2 313) | (176) |
| - net actuarial losses/(profits) due to adjustments of ex-post assumptions | (602) | (145) |
| - net actuarial losses/(profits) due to changes in demographic assumptions | (143) | 383 |
| - net actuarial losses/(profits) due to changes in financial assumptions | 873 | (472) |
| - interests | 150 | 195 |
| Decrease in the liability due to benefits paid (negative value) | (373) | (566) |
| Total changes | (1 767) | 86 |
| Closing balance | 3 869 | 5 636 |

Provision for the Voluntary Redundancy Program

On 10 December 2014 the Management Board of ENEA S.A. adopted a resolution to launch the Voluntary Redundancy Program (Program). The Program is dedicated to Employees:

- employed under a contract of employment no matter the type and nature of their work;
- not being in the period of notice and who have not signed an agreement to terminate the employment contract outside the Program with a date of an employment contract in the future;
- not being employed on other civil or employment contracts in another entity within ENEA Group as at the date of employment contract termination within the Program;
- belonging to one of the following groups:

(all amounts in PLN '000, unless specified otherwise)

- Group no. I – Employees have reached a standard retirement age till 31 December 2014 and did not terminate the employment contract due to retirement or will acquire pension rights arising from achieving standard retirement age till 31 December 2015;
- Group no. II - Employees who are to achieve the standard retirement age within 3 year inclusive, counting from 31 December 2015;
- Group no. II - Employees who acquire pension rights after 31 December 2018.

The program is valid from 15 December 2014 until 30 June 2015.

24. Provision for liabilities and other charges

Non-current and current provisions for liabilities and other charges:

| | 31.12.2014 | 31.12.2013 |
|--------------|-------------------|-------------------|
| Non-current | 10 802 | 13 333 |
| Current | 177 286 | 303 376 |
| Total | 188 088 | 316 709 |

| | Provision for non-contractual use of property | Provision for projected loss due to compensation proceedings | Provisions for certificates of origins | Other | Total |
|------------------------|--|---|---|--------------|------------------|
| Balance as at | | | | | |
| 01.01.2013 | 39 406 | 4 439 | 235 754 | 9 744 | 289 343 |
| Provisions applied | 4 239 | 196 | 370 997 | - | 375 432 |
| Provisions used | - | (48) | (324 155) | (3 600) | (327 803) |
| Reversal of provisions | (5 447) | (1 772) | (9 050) | (3 994) | (20 263) |
| Balance as at | | | | | |
| 31.12.2013 | 38 198 | 2 815 | 273 546 | 2 150 | 316 709 |
| Provisions applied | 2 981 | | 412 534 | - | 415 515 |
| Provisions used | (7 972) | - | (521 292) | - | (529 264) |
| Reversal of provisions | (11 321) | (1 161) | (240) | (2 150) | (14 872) |
| Balance as at | | | | | |
| 31.12.2014 | 21 886 | 1 654 | 164 548 | - | 188 088 |

Provisions for liabilities are determined in reasonable, reliably estimated amounts. Individual provisions are recognized for projected losses related to court action brought against the Company. The amount recognized as a provision is the best estimate of the expenditure required to settle a claim. The cost of provisions is recognized under other operating expenses. The descriptions of claims and relevant contingent liabilities have been presented in Note 37.

Provisions for non-contractual use of property claims, refers to individuals owning real estate property, to which the Company had not the legal title. The majority of such claims are requests for compensation for non-contractual use of land, determination of a rental fee or, in a few cases, requests for relocation of facilities (restoring land to its previous condition). As at 31 December 2014, a substantial number of claims filed had not been brought to court. The Company

(all amounts in PLN '000, unless specified otherwise)

recognizes a related provision for both disputed claims brought to court and claims which have not been submitted to court yet.

Provisions for non-contractual use of property claims (stage before judicial proceeding) are presented as non-current liabilities.

Provisions for non- contractual use of lands (proceedings brought to court) as well as other provisions and provisions for certificates of origin are presented as current liabilities.

25. Net sales revenue

| | 01.01.2014 | 01.01.2013 |
|---|-------------------|-------------------|
| | 31.12.2014 | 31.12.2013 |
| Revenue from sales of electricity | 5 074 658 | 4 885 481 |
| Revenue from sales of goods and materials | - | 28 |
| Revenue from sales of other services | 9 613 | 66 265 |
| Total | 5 084 271 | 4 951 774 |

26. Costs by type

| | 01.01.2014 | 01.01.2013 |
|---|--------------------|--------------------|
| | 31.12.2014 | 31.12.2013 |
| Depreciation | (7 891) | (17 873) |
| Costs of employee benefits | (44 814) | (52 215) |
| - salaries and wages | (36 948) | (42 194) |
| - social security and other benefits | (7 866) | (10 021) |
| Consumption of materials and supplies and costs of goods sold | (3 321) | (3 702) |
| - consumption of materials and energy | (3 321) | (3 702) |
| External services | (1 571 896) | (1 685 160) |
| - transmission and distribution services | (1 424 056) | (1 518 682) |
| - other external services | (147 840) | (166 478) |
| Taxes and charges | (3 435) | (9 333) |
| Cost of energy purchased for resale | (3 382 438) | (2 995 827) |
| Total costs of products, goods and materials sold, selling, marketing, general and administrative expenses | (5 013 795) | (4 755 710) |

27. Costs of employee benefits

| | 01.01.2014 | 01.01.2013 |
|---|-------------------|-------------------|
| | 31.12.2014 | 31.12.2013 |
| Payroll costs | (36 948) | (42 194) |
| - current salaries and wages | (39 796) | (38 348) |
| - jubilee benefits | 1544 | (457) |
| - retirement bonuses | 584 | 129 |
| - other | 514 | (3 779) |
| Social insurance | (7 866) | (10 021) |
| - Social Security premiums | (5 472) | (4 756) |
| - appropriation to the Company's Social Benefits Fund | (1 214) | (1 529) |
| - other social benefits | (1 180) | (4 059) |
| - other | - | 323 |
| | (44 814) | (52 215) |

Employment guarantees

Based on an arrangement entered into by the Company and labor unions, specific employment guarantees have been given to people employed by the Company before 29 June 2007, which expire

(all amounts in PLN '000, unless specified otherwise)

on 31 December 2018.

Furthermore, the provisions of the aforementioned arrangement will remain in force longer for employees who, at the expiry of the guarantees, have maximum four years to satisfy the conditions to acquire pension rights. This implies that in the event the employer fails to comply with the guarantees, employment contracts may not be terminated without payment of additional benefits to employees who, at the expiry of the guarantees, have maximum four years to satisfy the conditions to acquire pension rights.

Under the employment guarantees, in case an employee contract is terminated by the employer, ENEA S.A. is obliged to pay the employee an amount being a product of their monthly salary and the remaining period of the guarantee validity.

28. Other operating revenue and expenses

Other operating revenue

| | 01.01.2014 | 01.01.2013 |
|---|-------------------|-------------------|
| | 31.12.2014 | 31.12.2013 |
| Release of provisions for claims | 14 633 | 11 256 |
| Reimbursement of expenses by an insurance company | 68 | 221 |
| Reversal of receivables allowance | - | 4 679 |
| Received damages and fines | 3 609 | 4 805 |
| Fixed assets received free of charge | - | 32 967 |
| Other operating revenue | 6 715 | 5 403 |
| Total | 25 025 | 59 331 |

Other operating expenses

| | 01.01.2014 | 01.01.2013 |
|---------------------------------------|-------------------|-------------------|
| | 31.12.2014 | 31.12.2013 |
| Cost of provision for claims | (2 981) | (4 428) |
| Costs of other provisions | (499) | (153) |
| Receivables allowance | (7 468) | - |
| Uncollectible receivables written off | (11 920) | (172) |
| Court fees | (435) | (2 811) |
| Trade union related expenses | (82) | (89) |
| Other operating expenses | (10 118) | (8 294) |
| Total | (33 503) | (15 947) |

29. Finance income

| | 01.01.2014 | 01.01.2013 |
|---|-------------------|-------------------|
| | 31.12.2014 | 31.12.2013 |
| Interest income | 149 781 | 92 720 |
| - bank accounts and deposits | 22 722 | 13 552 |
| - bonds | 110 667 | 64 044 |
| - other loans and receivables | 15 832 | 14 097 |
| - other interest income | 560 | 1 027 |
| Remeasurement of financial assets measured at fair value through profit or loss | 9 043 | - |
| Total | 158 824 | 92 720 |

(all amounts in PLN '000, unless specified otherwise)

30. Finance costs

| | 01.01.2014 | 01.01.2013 |
|---|-------------------|-------------------|
| | 31.12.2014 | 31.12.2013 |
| Interest expense | (57 462) | (8 581) |
| - on loans and borrowings | (29 244) | (7 219) |
| - on bonds | (19 097) | - |
| - on leases | (58) | (528) |
| - other interest | (9 063) | (834) |
| Foreign currency differences | - | - |
| Costs of discounted liabilities due to employee benefits | (2 289) | (2 845) |
| Remeasurement of financial assets measured at fair value through profit or loss | - | (9 867) |
| Total | (59 751) | (21 293) |

31. Income tax

| | 01.01.2014 | 01.01.2013 |
|--------------|-------------------|-------------------|
| | 31.12.2014 | 31.12.2013 |
| Current tax | (13 053) | (53 437) |
| Deferred tax | (19 320) | (2 235) |
| Total | (32 373) | (55 672) |

The difference between the income tax on gross profit before tax and the theoretical amount resulting from application of the nominal tax rate applicable to the Company's profit is presented below:

| | 01.01.2014 | 01.01.2013 |
|---|-------------------|-------------------|
| | 31.12.2014 | 31.12.2013 |
| Profit before tax (including discontinued operation) | 728 981 | 896 293 |
| Tax at a 19% rate | (138 506) | (170 295) |
| Costs not classified as tax-deductible expenses (permanent differences) at a 19% rate | (1 981) | (455) |
| Dividends received at a 19% rate | 108 114 | 115 078 |
| Amount charged to profit or loss due to income tax | (32 373) | (55 672) |

32. Dividend

A decision regarding the payment of dividend for the financial year shall be made by General Shareholders Meeting in 2015. The Management Board intends to propose payment of the dividend in the amount of 30% of separate ENEA S.A. net profit for 2014.

On 24 April 2014 the General Shareholders' Meeting of ENEA S.A. adopted Resolution no. 7 concerning distribution of the net profit for the financial period from 1 January 2013 to 31 December 2013 under which the dividend for shareholders amounts to PLN 251,622 thousand. Dividend per share amounted to PLN 0.57 (the dividend paid in 2013 for the financial period from 1 January 2012 to 31 December 2012 amounted to PLN 158,919 thousand, PLN 0.36 per share). Until reporting date dividend was fully paid to shareholders. The dividend paid to shareholders was reduced by the income tax on capital gains.

(all amounts in PLN '000, unless specified otherwise)

33. Related party transactions

The Company concludes transactions with the following related parties:

1. Companies of the ENEA Group

| | 01.01.2014 - 31.12.2014 | 01.01.2013 - 31.12.2013 |
|------------------------------------|-------------------------|-------------------------|
| Purchases, including: | 4 349 207 | 3 924 869 |
| investment purchases | 307 | 12 307 |
| materials | 244 | 733 |
| services | 1 518 364 | 1 642 455 |
| other (including energy) | 2 830 292 | 2 269 374 |
| Sales, including: | 83 535 | 51 337 |
| energy | 58 124 | 27 488 |
| services | 10 473 | 13 761 |
| other | 14 938 | 10 088 |
| Interest income, including: | 96 576 | 45 534 |
| bonds | 96 363 | 45 534 |
| loans | 213 | - |
| Dividend income | 605 676 | 605 676 |
| | 31.12.2014 | 31.12.2013 |
| Receivables | 59 941 | 18 878 |
| Liabilities | 629 767 | 398 289 |
| Financial assets - bonds | 3 589 638 | 1 712 332 |

Such transactions are concluded under arm's length terms and their conditions do not differ from those applied in transactions with other entities.

2. Transactions concluded between the Company and members of its governing bodies fall within two categories:

- those related to the appointment of Members of Supervisory Boards;
- resulting from other civil law agreements.

The value of transactions has been presented below:

| Item | Management Board of the Company | | Supervisory Board of the Company | |
|---|---------------------------------|--------------|----------------------------------|------------|
| | 01.01.2014 | 01.01.2013 | 01.01.2014 | 01.01.2013 |
| | 31.12.2014 | 31.12.2013 | 31.12.2014 | 31.12.2013 |
| Remuneration under managerial and consultancy agreements | 7 273 | 6 709 | - | - |
| Remuneration relating to appointment of members of management or supervisory bodies | - | 23 | 334 | 393 |
| Remuneration due to other employee benefits (including electricity allowance) | - | 33 | - | - |
| TOTAL | 7 273 | 6 765 | 334 | 393 |

As at 31 December 2014 the liabilities resulting from managerial contracts and consultancy agreements to members of

(all amounts in PLN '000, unless specified otherwise)

the Management Board amount to PLN 732 thousand. The provision for bonuses to members of the Management Board amount to PLN 2,680 thousand (as at 31 December 2013 respectively PLN 2,191 thousand), the amount of provisions are not included in the table above.

The remuneration under managerial and consultancy agreements included bonus for 2013 paid in 2014 in the amount of PLN 2,680 thousand (in 2013 no bonus was paid for 2012).

Transactions related to loans from the Company's Social Benefits Fund:

| Governing body | Balance as at 01.01.2014 | Granted from 01.01.2014 | Repaid till 31.12.2014 | Balance as at 31.12.2014 |
|-----------------------|-----------------------------|----------------------------|---------------------------|-----------------------------|
| Management Board | - | - | - | - |
| Supervisory Board | 27 | - | (5) | 22 |
| TOTAL | 27 | - | (5) | 22 |

| Governing body | Balance as at 01.01.2013 | Granted from 01.01.2013 | Repaid till 31.12.2013 | Balance as at 31.12.2013 |
|-----------------------|-----------------------------|----------------------------|---------------------------|-----------------------------|
| Management Board | - | - | - | - |
| Supervisory Board | 21 | 10 | (4) | 27 |
| TOTAL | 21 | 10 | (4) | 27 |

Other transactions resulting from civil law agreements concluded between the Company and Members of its governing bodies relate only to private use of company cars by Members of the Company's Management Board.

3. Transactions with entities controlled by the State Treasury

ENE A S.A. also concludes business transactions with entities of the central and local administration and entities whose shares are held by the State Treasury of the Republic of Poland.

The transactions concern mainly:

- purchase of electricity and property rights resulting from certificates of origin as regards renewable energy and energy cogenerated with heat from companies whose shares are held by the State Treasury and;
- sale of electricity, distribution services and other related fees, provided by the Company both to central and local administration bodies (sale to end users) and entities whose shares are held by the State Treasury (wholesale and retail sale to end users).

Such transactions are concluded under arm's length terms and their conditions do not differ from those applied in transactions with other entities. As the Company does not keep a record of the aggregate value of all transactions concluded with all state institutions and entities controlled by the State Treasury, the turnover and balances of transactions with related parties disclosed in these separate financial statements do not include data related to transactions with entities controlled by the State Treasury.

The most significant customer of ENE A S.A. among entities controlled by the State Treasury is Zakłady Azotowe w Tarnowie-Mościcach S.A. (Grupa Azoty). In 2014 the net sales to the entity amounted to PLN 149,603 thousand (in 2013 it was nil). The most significant supplier of ENE A S.A. is PGE Polska Grupa Energetyczna S.A. with net sales amount PLN 342,620 thousand (in 2013 PLN 232,804 thousand).

(all amounts in PLN '000, unless specified otherwise)

34. Concession arrangements on the provision on public services

The core business of ENEA S.A. is trade in electricity.

ENEA S.A. received on 5 October 2007 a decision on extension of the validity of the concession for trading in electricity until 31 December 2025.

Pursuant to the provisions of the Energy Law, the President of the Energy Regulatory Office is responsible for granting concessions, exercising supervision over energy companies as well as approval of tariffs. Energy prices, fee rates and the principles for their application laid down in the Tariff are approved by the President of the Energy Regulatory Office based on administrative decisions.

In terms of sale of electricity to customers in households in 2014 in force was "Electricity Tariff" for tariff group G, approved by the President of the Energy Regulatory Office on 17 December 2013 for the period from 1 January 2014 till 31 December 2014.

On 12 September 2013 ENEA S.A. received from the President of the Energy Regulatory Office license to trade in gas fuels. The license will be valid for the period from 1 January 2014 up to 31 December 2030. Retail sales of natural gas by the Company started in 2014. In terms of natural gas sales in force was "Tariff for high methane natural gas", approved by the President of the Energy Regulatory Office on 18 July 2014 and implemented from 1 September 2014. Pursuant to Resolution of the Management Board of ENEA S.A. from 30 July 2014, the tariff for natural gas has been effective for customers connected to the network of Polska Spółka Gazownictwa Sp. z o.o.

35. Future payments due to the right of perpetual usufruct of land as well as rental and operating lease agreements

The future liabilities arising from the right of perpetual usufruct of land (estimated based on 2014 fees) apply to the remaining term of agreements for the use of land (40-99 years). Such agreements are recognized as operating leases, where ENEA S.A. acts as a lessee:

| | 31.12.2014 | 31.12.2013 |
|--------------|-------------------|-------------------|
| Up to 1 year | 3 719 | 5 839 |
| 1 – 5 years | 3 274 | 11 336 |
| Over 5 years | 56 243 | 53 911 |
| Total | 63 236 | 71 086 |

36. Future liabilities under contract concluded at the end of the reporting period

Contractual obligations assumed at the end of the reporting period, not yet recognized in the statement of financial position:

| | 31.12.2014 | 31.12.2013 |
|--|-------------------|-------------------|
| Acquisition of property, plant and equipment | - | 1 358 |
| Acquisition of intangible assets | 2 978 | 977 |
| Total | 2 978 | 2 335 |

37. Contingent liabilities and proceedings before court, bodies competent to conduct arbitration proceedings or public administration bodies

37.1. Sureties and guaranties

On 25 February 2014 ENEA S.A. entered into contract of surety with Zespół Elektrowni Pątnów-Adamów-Konin S.A. Under this contract, ENEA S.A. guarantees the liabilities of its subsidiary ENEA Trading Sp. z o.o. regarding wholesale electricity trading, up to the maximum amount of PLN 12,000 thousand.

On 14 April 2014 Bank PEKAO S.A. issued, based on ENEA S.A.'s request a bank guarantee to Izba Rozliczeniowa Giełd Towarowych S.A. up to the amount of PLN 50 million for the liabilities of ENEA Wytwarzanie Sp. z o.o.

The guarantee expires on 31 December 2014. With the Annex no. 1 from 27 October 2014 the amount of the guarantee was reduced to PLN 25,000 thousand. On 16 December 2014 under the Annex no. 2 to the guarantee - the issuer of the guarantee extended the expiry date until 31 December 2015.

On 1 July 2014 the corporate surety contract was signed between ENEA S.A. and the Municipality of Białystok amounted to PLN 50,000 thousand. Under the agreement, ENEA S.A. undertakes, in the event of default by ENEA Wytwarzanie Sp. z o.o. obligation to pay to the Municipality of Białystok price for sale of shares in accordance with the ENEA Wytwarzanie Sp. z o.o.'s offer accepted by the Municipality Białystok.

On 10 July 2014 an annex to the bank guarantee issued on request of ENEA S.A. by PKO BP S.A. on 19 November 2013 decreasing the level of collateral from PLN 230,000 thousand to PLN 50,000 thousand for Izba Rozliczeniowa Giełd Towarowych S.A. The guarantee secures contribution of transaction deposits by ENEA Trading Sp. z o.o. With an Annex no. 2 from 16 October 2014 - the amount of guarantee was reduced to PLN 15,000 thousand.

On 21 July 2014 an annex No.3 to the surety contract dated 21 July 2011 for the amount of PLN 50,000 thousand was signed between ENEA S.A. and Izba Rozliczeniowa Giełd Towarowych S.A. extending duration of the surety until 1 August 2017. As part of the agreement, ENEA S.A. guarantees for all liabilities incurred by ENEA Trading Sp. z o.o. to Izba Rozliczeniowa Giełd Towarowych S.A. in connection with its membership.

On 9 September 2014 a surety contract was concluded between ENEA S.A. and the National Fund for Environmental Protection and Water Management up to the maximum amount of PLN 11,806 thousand in which ENEA S.A. undertakes to repay the obligations of the Miejska Energetyka Ciepła Piła Sp. z o.o. related to financing by Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej of a project conducted by Miejska Energetyka Ciepła Piła Sp. z o.o.

On 30 October 2014 ENEA S.A. and EDF Trading Limited concluded a guarantee agreement, under which ENEA S.A. granted a surety for the obligations of the ENEA Trading Sp. z o.o. resulting from Individual agreements concerning sale and purchase of electricity and rights associated with them up to the amount of PLN 10,000 thousand.

(all amounts in PLN '000, unless specified otherwise)

Moreover, on 26 September 2014 on behalf of ENEA S.A. the bank guarantee was issued by Bank Pekao S.A. in the amount of PLN 100.75 thousand, valid from 21 December 2014 to 21 December 2016 on behalf of Ardagh Glass S.A. for the obligations of the company ENEA Pomiar Sp. z o.o.

On 29 December 2014 on behalf of ENEA S.A. the bank guarantee was issued by Bank Pekao S.A. in the amount of PLN 1,600 thousand for the obligations of ENEA S.A. due to collateral of the lease agreement for the company Górecka Projekt Sp. z o.o. The guarantee was set to be valid from 1 January 2015.

On 23 December 2014, in order to establish collateral to the Agreement for the provision of electricity transmission services concluded between the PSE S.A. and ENEA Wytwarzanie Sp. z o.o, for the beneficiary - PSE S.A., the bank guarantee was issued on behalf of ENEA S.A. by Bank Pekao S.A. in the amount of PLN 15,000 thousand and is valid from 1 January 2015.

Separate financial statements for the financial year ended 31 December 2014 prepared in accordance with IFRS-EU.

(all amounts in PLN '000, unless specified otherwise)

Guarantees and sureties as at 31 December 2014

| No. | Name of the beneficiary of the guarantee or surety | Total liabilities subject to guarantee or surety | Total amount of liabilities, which was underwritten | Tenor | Relation between the Company and the entity which incurred the liability |
|-----|--|--|---|-------------------------|--|
| 1. | EP PUE Energobud Leszno Sp. z o.o. (previously EP Zakład Transportu Sp. z o.o.) | PLN 209 thousand (EUR 49 thousand) | in order to meet the statutory conditions for obtaining a license conducting gainful transport activity | 31-08-2017 | subsidiary |
| 2. | ENEA Trading Sp. z o.o. | PLN 50,000 thousand | security for liabilities incurred by ENEA Trading in connection with membership in GIR | 01-08-2017 | subsidiary |
| 3. | ENEA Trading Sp. z o.o. | PLN 12,000 thousand | security for liabilities incurred by ENEA Trading | 31-01-2015 | subsidiary |
| 4. | ENEA Wytwarzanie Sp. z o.o. | PLN 50,000 thousand | secure payment of the sale price of shares purchased by ENEA Wytwarzanie S.A. | validity period of bids | subsidiary |
| 5. | Miejska Energetyka Ciepła Piła Sp. z o.o. | PLN 11,806 thousand | security for liabilities incurred by MEC Piła Sp. z o.o. | 30-06-2020 | subsidiary |
| 6. | ENEA Trading Sp. z o.o. | PLN 10,000 thousand | collateral for the liabilities of ENEA Trading to EDF Trading Limited | 30-10-2017 | subsidiary |

Guarantees and sureties as at 31 December 2013

| No. | Name of the beneficiary of the guarantee or surety | Total liabilities subject to guarantee or surety | Tenor | Relation between the Company and the entity which incurred the liability |
|-----|--|--|------------|--|
| 1. | EP Zakład Transportu Sp. z o.o. | PLN 203 thousand (EUR 49 thousand) | 31-08-2017 | subsidiary |
| 2. | ENEA Trading Sp. z o.o. | PLN 50,000 thousand | 31-07-2013 | subsidiary |

Notes presented on pages 9-73 constitute an integral part of these separate financial statements.

Other collateral, including for the liabilities presented in the table above

| No | Entity's name | Collateralized liability | Type of collateral (e.g. blank promissory notes) | Collateral value | Collateral for | Collateral period |
|----|---------------|--|--|---------------------|--|-------------------|
| 1. | ENE A S.A. | Bank guarantee for liabilities of ENE A Trading Sp. z o.o. | bank guarantee granted under a guarantee limit of PLN 350,000 thousand | PLN 15,000 thousand | Izba Rozliczeniowa Giełd Towarowych S.A. | 30.11.2015 |
| 2. | ENE A S.A. | Securing payment under the contract of lease of office space | bank guarantee granted under a guarantee limit of PLN 350,000 thousand | PLN 1,600 thousand | Górecka Projekt Sp. z o.o. | 31.12.2014 |
| 3. | ENE A S.A. | Securing payment under the contract of lease of office space | bank guarantee granted under a guarantee limit of PLN 250,000 thousand | PLN 186 thousand | Atrium Tower Sp. z o.o. | 31.08.2015 |
| 4. | ENE A S.A. | Bank guarantee for liabilities of ENE A Wytwarzanie Sp. z o.o. | bank guarantee granted under a guarantee limit of PLN 100 000 thousand | PLN 25,000 thousand | Izba Rozliczeniowa Giełd Towarowych S.A. | 31.12.2015 |
| 5. | ENE A S.A. | Bank guarantee for liabilities of EP PUE Energobud Leszno Sp. z o.o. | bank guarantee granted under a guarantee limit of PLN 100 000 thousand | PLN 100.75 thousand | Ardagh Glass S.A. | 21.12.2016 |

(all amounts in PLN '000, unless specified otherwise)

37.2. Pending proceedings before courts of general jurisdiction

Actions brought by the Company

Actions which ENEA S.A. brought to common courts of law refer to claims for receivables due to supply of electricity and claims for other receivables – illegal consumption of electricity, connections to the power grid and other specialist services rendered by the Company.

As at 31 December 2014, the total of 8,024 cases brought by the Company were pending before common courts for the total amount of PLN 22,111 thousand (6,264 cases for the total amount of PLN 16,444 thousand as at 31 December 2013).

None of these cases can significantly affect the Company's net profit.

Actions brought against the Company

Actions against the Company are brought both by natural and legal persons. They mainly refer to such issues as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for the Company's use of real property where electrical devices are located. The Company considers actions concerning non-contractual use of real property not owned by the Company as particularly important (Note 24, Note 37.5).

As at 31 December 2014 the total of 102 cases against the Company were pending before common courts for the total amount of PLN 12,738 thousand (98 cases for the total amount of PLN 18,681 thousand as at 31 December 2013).

None of these cases can significantly affect the Company's net profit.

37.3. Risk related to the legal status of property used by ENEA S.A.

The risk related to the legal status of the property used by the Company (currently used by ENEA Operator Sp. z o.o.) results from the fact that the Company does not have all legal titles to use the land where transmission networks and the related devices are located. In the future the Company may have to incur costs related to non-contractual use of property, for the past period until the separation off of ENEA Operator Sp. z o.o.

There is a risk of additional costs related to compensation claims for non-contractual use of land, rental fee or, rarely, claims related to the change of facility location (restoring land to its previous condition).

Court decisions related to these issues are important as they considerably affect the Company's strategy towards persons who raised pre-court claims related to devices located on their land.

The Company recognized a provision for all claims lodged by owners of property on which transmission networks and devices are located, based on best estimates of expenditures necessary to settle the claims adopted by the Management Board for the period until separation of the distribution system operator. Since the date of separation of the distribution system operator such claims have also been filed to ENEA Operator Sp. z o.o., which is currently the owner of the transmission networks and the related devices.

(all amounts in PLN '000, unless specified otherwise)

37.4. Motions for settlement of not balanced energy trading in 2012

On 30 and 31 December 2014 ENEA S.A. submitted motions for settlement to:

| | Claimed amounts in PLN thousand |
|------------------------------------|------------------------------------|
| PGE Polska Grupa Energetyczna S.A. | 7 410 |
| PKP Energetyka S.A. | 1 272 |
| TAURON Polska Energia S.A. | 17 086 |
| TAURON Sprzedaż GZE Sp. z o.o. | 1 826 |
| FITEN S.A. | 207 |
| Total | 27 801 |

The subject of motions was claim for the payment of electric energy consumed under the system of energy balancing. Claimed companies earned unjustified benefits by refusing ENEA S.A. to issue invoice corrections for 2012.

Till the reporting date two proceedings were conducted (with PGE and PKP) but claims of ENEA S.A. were not accepted.

38. Employment at ENEA S.A.

The average number of employees in the Company in 2014 and 2013 was as follows:

| | 31.12.2014 | 31.12.2013 |
|------------------------|------------|------------|
| White-collar positions | 295 | 401 |
| Total | 295 | 401 |

The data in the table are presented in full time employee equivalent.

The fall in the employment in 2014 compared to 2013 results from reorganizations. During 2014 130 people transferred to ENEA Centrum Sp. z o.o. in accordance with regulations of the Article 23' of the Labour Law.

39. Tax group

On 18 September 2013 the Company concluded a tax group agreement for a period of three years from 2014, which involves 9 companies of ENEA Group: ENEA S.A., ENEA Operator Sp. z o.o., ENEA Wytwarzanie Sp. z o.o., ENEA Centrum Sp. z o.o., ENEA Oświetlenie Sp. z o.o., ENEA Trading Sp. z o.o., ENEA Serwis Sp. z o.o., ENEA Pomiary Sp. z o.o. and ENEA Logistyka Sp. z o.o. The entity that represents the tax group is ENEA S.A.

The Corporate Income Tax Act treats the tax capital group as a separate CIT income tax entity, which means that the companies comprising the tax group lose their status of separate entities for the purpose of corporate income tax and this subjectivity acquires tax group as a whole. The subject of the income tax is determined by the total revenue of the group, calculated as the excess of the total income of all the companies in the group over the sum of their losses. Separateness of the tax group exists only on the basis of corporate income tax law. It should not be identified as separate legal entity. It does not apply well to obligations of other taxes. In particular, each company forming part of a tax group is a separate taxpayer of VAT tax, real estate tax and payer of personal income tax.

(all amounts in PLN '000, unless specified otherwise)

Companies comprising a tax group are obliged to comply with several requirements including, inter alia: an appropriate level of capital, the parent company's share in subsidiaries forming part of a tax capital group must be at least 95%, no capital relations between subsidiaries, no tax arrears, 3% share of separate income in the group consolidated revenue and conducting transactions with entities outside the tax group only based on arms-length conditions. Violation of these requirements results in dissolution of the tax group and loss of its separate status of a taxpayer. Beginning from the moment of separation each of companies forming previously the tax group becomes an independent taxpayer of corporate income tax.

40. The participation in the construction of the atomic power plant programme

On 5 September 2012 ENEA S.A. (ENEA), PGE Polska Grupa Energetyczna S.A. (PGE), TAURON Polska Energia S.A.(TAURON) and KGHM Polska Miedź S.A., have signed a letter of intent concerning the purchase of shares in the first special purpose vehicle, established for the construction and operation of the first nuclear power plant in Poland. In accordance with the letter the companies will undertake the development of a draft agreement for the purchase of shares of PGE EJ 1 Sp. z o.o., a special purpose vehicle, which is responsible for the direct preparation of the investment process of the construction and operation of the first nuclear power plant in Poland. The agreement is to regulate the rights and obligations of each party by the realization of the project, assuming that PGE Polska Grupa Energetyczna S.A. will act, directly or through a subsidiary, as a leader in the process of the project preparation and realization. On 28 December 2012 the Parties to the letter of intent agreed to extend its validity period till 31 March 2013. On 25 June 2013 ENEA, KGHM, PGE and TAURON concluded an Agreement on continuation of development of a draft agreement for the purchase of PGE EJ 1 Sp. z o.o. (Agreement), which was announced in the Current Report No. 28/2013 dated 26 June 2013.

On 23 September 2013 ENEA, PGE, KGHM and Tauron, as a result of working out the draft agreement for the purchase of shares in the special purpose vehicle for the construction and operation of the nuclear power plant, initialed the Agreement of Shareholders. The Agreement of Shareholders will commit the Parties to conclude a purchase agreement of shares in PGE EJ1 ("Share Purchase Agreement"). In accordance with the Agreement, PGE will sell a block of 438,000 shares representing 30% of PGE EJ1 share capital to other Parties of the Agreement, and as a result PGE will own 70% of shares of PGE EJ1. The shares will be purchased in the following way:

- ENEA S.A. will purchase 146,000 shares which represents 10% of share capital of PGE EJ1,
- KGHM Polska Miedź S.A. will purchase 146,000 shares which represents 10% of share capital of PGE EJ1,
- TAURON Polska Energia S.A. will purchase 146,000 shares which represents 10% of share capital of PGE EJ1.

Initiated on 23 September 2014 draft of the Agreement of Shareholders also determines the rules of the participation of all Parties in the preparation of the project and construction of nuclear power plant in Poland. PGE and other Parties will be obliged to conclude the Share Purchase Agreement after realization of two precedent conditions:

- obtaining the unconditional approval of the President of the Office for Competition and Consumer Protection for the concentration,
- the adoption of Polish Nuclear Power Programme by the Council of Ministers in 2013.

(all amounts in PLN '000, unless specified otherwise)

Despite the failure of the conditions precedent provided in the draft shareholders agreement initiated on 23 September 2013, the parties agreed to continue work on the project preparation and construction of the nuclear power plant in Poland and develop the updated records in the draft shareholders agreement including appendices.

On 28 January 2014 The Council of Ministers accepted by resolution of Polish Nuclear Power Program, as indicated in the Shareholders Agreement initialled the project as one of the two conditions suspending the conclusion of the Share Purchase Agreement.

During 2014 the Parties agreed the final draft of the shareholders agreement.

On 3 September 2014 Shareholders Agreement was concluded between ENEA S.A., PGE Polska Grupa Energetyczna S.A. ("PGE"), TAURON Polska Energia S.A. and KGHM Polska Miedź S.A. under which ENEA S.A., TAURON Polska Energia S.A. and KGHM Polska Miedź S.A. as Business Partners will acquire together from PGE, under a separate agreement. 30% of shares (each Business Partner will acquire 10% of shares) in the special purpose vehicle - PGE EJ 1 Sp. z o.o., which is responsible for the preparation and implementation of investment involving the construction and operation of the first Polish nuclear power plant with a capacity of approx. 3,000 MWe (the "Project"). According to the assumptions, the PGE Group will act as the project leader, and PGE EJ 1 Sp. z o.o. will act as plant operator. The condition of the acquisition of shares in PGE EJ 1 Sp. z o.o. by Business Partners is to obtain the consent for the concentration from the President of the Office for Competition and Consumer Protection. The application on this matter has been submitted by the parties to the Shareholders Agreement on 1 August 2014.

In accordance with the Shareholder Agreement, the parties jointly oblige, in proportion to their shareholding, to finance the activities as part of the initial phase of the Project ("Initial Phase"). The Initial Phase aims to identify elements such as potential partners, including strategic partner, technology providers, contractors EPC (Engineering, Procurement, Construction) supplier of nuclear fuel and obtaining financing for the Project, as well as organizational and competence preparation of PGE EJ 1 Sp. z o.o. to the future role of nuclear power plant operator, responsible for its safe and efficient exploitation ("Integrated Disposal"). In accordance with the Shareholder Agreement, the financial commitment of ENEA S.A. during the Initial Phase will not exceed the amount of approximately PLN 107 million in a front of contributions to the share capital of PGE EJ 1 Sp. z o.o. The Shareholders Agreement parties predict that subsequent decisions regarding the Project, including the decision on the declaration of further participation of the Parties (including ENEA S.A.) in the next phase of the project will be taken after the completion of the Initial Phase immediately prior to the decision of the Integrated proceeding. The Company informed about signing of the Shareholders Agreement in the current report No. 30/2014 dated 3 September 2014.

The President of the Office of Competition and Consumer Protection issued an unconditional permission to the concentration involving the establishment by the Applicants (PGE, ENEA, TAURON, KGHM), a common enterprise under the name of PGE EJ 1 Sp z o.o (current report No. 31/2014).

Parties continue their cooperation in preparation for the conclusion of the Share Purchase Agreement.

41. Subsequent events

Between 12 February and 25 February 2015 ENEA S.A. concluded 5 Interest Rate Swap transactions to hedge bonds issued debt of PLN 860,000 thousand. The transactions are connected with realization of an interest rate risk management policy adopted for ENEA Group companies.

(all amounts in PLN '000, unless specified otherwise)

42. Description of key accounting principles

The key accounting principles applied in the preparation of these financial statements have been presented below. The principles have been applied consistently in all presented financial periods.

42.1 Basis for preparation

These separate financial statements for the period from 1 January 2014 to 31 December 2014 have been prepared in compliance with the requirements of the International Financial Reporting Standards as endorsed by the European Union ("IFRS-EU").

In line with the guidelines laid down in article 69 of the Polish Accounting Act the Company prepares the separate financial statements with requirement to provide to appropriate Court Register.

These financial statements have been prepared on the historical cost basis, except for financial assets measured at fair value through profit or loss, financial assets available for sale payments.

The Company prepares the consolidated financial statements of the ENEA Group in accordance with the IFRS EU. In the consolidated financial statements the entities in which the Company holds shares, directly or indirectly, giving the right to at least 50% of votes or over which it exercises effective control in any other way, have been subject to consolidation using the full consolidation method. The consolidated financial statements of the ENEA Group were approved by the Management Board of ENEA S.A. on the same date as the separate financial statements.

The separate financial statements of ENEA S.A. ought to be read together with the consolidated financial statements of the ENEA Group for the period from 1 January to 31 December 2014 in order to obtain complete information on the financial position as well as the financial result of the Group as a whole.

42.2 Business combinations / acquisitions

Business combinations/acquisitions of entities under common control do not fall within the scope of IFRS regulations. Considering the lack of detailed IFRS regulations, in line with the guidelines laid down in IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors", the entity ought to develop accounting principles applicable to such transactions.

The Company adopted an accounting policy according to which such transactions are recognized at carrying amounts. The acquirer recognizes the assets, equity and liabilities of the acquiree at their current carrying amounts adjusted only for the purpose of applying the same accounting principles for the combined entities. Goodwill and a gain on a bargain purchase are not recognized. Any differences between the carrying amount of the net assets acquired and the fair value of the payment in the form of equity instruments and/or assets given by the entity are recognized in the equity of the combined entities.

(all amounts in PLN '000, unless specified otherwise)

42.3 Measurement of investments in subsidiaries, associates and jointly controlled entities

Subsidiaries include all entities whose financial and operational policy may be managed by ENEA S.A., which usually results from the majority of votes in the Company's decision-making bodies. When assessing whether ENEA S.A. controls an entity, the existence and impact of potential voting rights that may be exercised or exchanged at a given moment are taken into consideration. Subsidiaries are subject to consolidation using the full method as from the date of the Company's assumption of control over such entities. They are not consolidated starting from the date when the Group loses control over them.

Associates include all entities over which ENEA S.A. has a substantial influence without exercising control, which usually results from holding 20-50% of the total number of votes in an entity's decision-making bodies.

Jointly controlled entities include all entities over which ENEA S.A. exercises control together with other companies based on contractual arrangements.

Investments in subsidiaries, associates and jointly controlled entities are measured at acquisition price less impairment losses. Impairment losses on investments are charged to financial expenses. If the circumstances based on which an impairment loss was made are no longer present, the equivalent of the total amount or an appropriate portion of the impairment loss recognized previously increases the value of investments and is disclosed under financial revenue.

42.4 Foreign currency transactions and measurement of foreign currency balance

(a) Functional and presentation currency

Balance presented in the financial statements are measured in the currency of the primary economic environment in which the entity carries out its business activity (functional currency). The financial statements are presented in the Polish zloty (PLN), which is the functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated upon their initial recognition to the functional currency at the exchange rate ruling as at the transaction date.

As at the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate (the average exchange rate published by the National Bank of Poland as at the measurement date).

Exchange gains and losses arising from settlement of foreign currency transactions and balance sheet measurement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

42.5 Property, plant and equipment

Property, plant and equipment is measured at acquisition price or manufacturing cost less accumulated depreciation and accumulated impairment losses.

Further expenditures are recognized in the carrying amount of a given tangible fixed asset or recognized as a separate

(all amounts in PLN '000, unless specified otherwise)

tangible fixed asset (where appropriate) only if it is probable that ENEA S.A will generate economic benefits in connection with such an asset, whereas the cost of an item may be reliably measured.

Any other expenditure incurred for repair and maintenance is recognized in profit or loss in the period when they are incurred.

If a tangible fixed asset is replaced, the cost of the replaced component of the asset is recognized in its carrying amount, whereas the carrying amount of the replaced component is derecognized from the statement of financial position irrespective of whether it has been depreciated separately, and recognized in profit or loss.

Land is not subject to depreciation. Other tangible fixed assets are depreciated using the straight-line method over the expected useful life of the asset. Depreciation is calculated based on the gross value reduced by the residual value, provided it is material. Each material component of a tangible fixed asset with a different useful life is depreciated separately.

The useful lives of property, plant and equipment are as follows:

| | |
|------------------------------------|---------------|
| - buildings and structures | 25 – 80 years |
| - technical equipment and machines | 4 – 50 years |
| - vehicles | 5 – 20 years |
| - other equipment | 5 – 15 years |

The residual value and useful lives of tangible fixed assets are reviewed at least on an annual basis.

Depreciation begins when a given asset has been commissioned for use. Depreciation is no longer recognized when an asset is to be sold or derecognized in financial statement.

Gains and losses on disposal of tangible fixed assets, which constitute the difference between sales revenue and the carrying amount of the tangible fixed asset disposed of, are recognized in profit or loss.

42.6 Perpetual usufruct right of land

Land owned by the State Treasury, local governments or their associations may be used based on the right of perpetual usufruct (PU). The perpetual usufruct of land is a special property right based on which property may be used with the exclusion or other parties and the object (right) may be disposed of.

Depending on the method of acquisition, the Company classifies the right of perpetual usufruct as follows:

1. PU acquired by virtue of the law free of charge pursuant to a decision of the Voivode or local government authorities is recognized as an operating lease;
2. PU acquired for consideration from third parties is recognized as an asset under right of perpetual usufruct at acquisition price reduced by depreciation charges;
3. PU acquired under a land perpetual usufruct agreement entered into with the State Treasury or local governments is recognized as a surplus of the first payment over the annual fee, disclosed as an asset under right of perpetual usufruct and depreciated.

(all amounts in PLN '000, unless specified otherwise)

The right of perpetual usufruct is amortized in the period for which it was granted (40-99 years).

42.7 Intangible assets

Other intangible assets

Intangible assets include: computer software, licenses as well as other intangible assets. Intangible assets are measured at acquisition price or manufacturing cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated based on the straight-line method, taking into account the estimated useful life, which is as follows:

- for server licenses and software 2 - 7 years;
- for workstation licenses and software as well as anti-virus software 4 - 7 years;
- for other intangible assets 2 - 7 years.

42.8 Research and development expenses

Like other intangible assets, R&D expenses meeting the capitalization criteria presented below are measured at acquisition or manufacturing cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated based on the straight-line method, taking into account the estimated useful life, which is from 2 to 7 years.

Capitalization criteria:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- the intention to complete the intangible asset and use or sell it,
- ability to use or sell the intangible asset,
- the way the intangible asset will generate probable future economic benefits. Among other things, the enterprise should demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

42.9 Investment property

Investment property is maintained in order to generate rental income, for capital appreciation or for both. For measurement Investment property after the initial recognition, ENEA S.A. selected the acquisition cost model. Investments property are depreciated according to the straight-line method. Depreciation begins in the month following the month of its commissioning.

The estimated useful life period is as follows:

- buildings 25 – 33 years

(all amounts in PLN '000, unless specified otherwise)

Revenue from lease of investment property is recognized in the profit or loss according to the straight-line method over the term of the lease.

42.10 Leases

Lease agreements that transfer substantially all the risks and rewards incidental to ownership to ENEA S.A. are classified as finance leases. Leases other than finance leases are regarded as operating leases.

The object of a finance lease is recognized in the assets as at the lease commencement date at the lower of: the fair value of the leased asset or the present value of the minimum lease payments. Each finance lease payment is divided into an amount reducing the balance of the liability and financial expenses so as to produce a constant rate of interest on the remaining balance of the liability. The interest portion of a lease payment is recognized under financial expenses in profit or loss over the lease term. Depreciable assets acquired under finance lease agreements are depreciated over their useful life.

Lease payments under an operating lease (less any special promotional offers from the lessor) are recognized as an expense on a straight-line basis over the lease term.

42.11 Impairment of assets

The Company's assets are tested for impairment whenever there are indications that an impairment loss might have occurred.

Non-financial assets

An impairment loss is recognized up to the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of: the fair value less the costs of bringing an asset into condition for its sale or value in use (i.e. the present estimated value of the future cash flows expected to be derived from an asset or cash-generating unit). For the purpose of impairment testing, assets are grouped at the lowest possible level with respect to which separate cash flows may be identified (cash-generating units).

All impairment losses are recognized in profit or loss. Impairment losses may be reversed in subsequent periods if events occur justifying the lack or change in the impairment of assets.

Financial assets

Financial assets are analyzed for impairment at the end of each reporting period so as to determine whether there are any indications of their impairment. It is assumed that financial assets have been impaired if there are objective indications that one or more events having a negative impact on the estimated future cash flows relating to the assets have occurred.

Individual financial instruments with material value are tested for impairment on a case-by-case basis. Other financial assets are tested for impairment by groups with a similar credit risk level.

The principles for recognition of impairment losses on financial assets have been presented in detail in Note 44.12.

(all amounts in PLN '000, unless specified otherwise)

42.12 Financial assets

Financial instruments are classified by ENEA S.A. to the following categories: financial assets measured at fair value through profit or loss, loans and receivables, investments held to maturity and financial assets available for sale.

The classification is based on the purpose of acquiring an investment. The assets are classified upon initial recognition and then reviewed at the end of each reporting period, if required or accepted by IAS 39.

(a) Financial assets measured at fair value through profit or loss

The category includes two sub-categories:

- financial assets held for trading if they have been acquired principally for the purpose of being sold in the short term;
- financial assets designated as measured at fair value through profit or loss upon initial recognition.

These assets are recognized as current assets, if the Company intends to sell or realize them within 12 months from the end of the reporting period.

(b) Loans and receivables

Loans and receivables are financial assets with determined or determinable payments, which are not quoted on an active market.

Loans and receivables are classified as current assets if their maturity as at the end of the reporting period does not exceed 12 months. Loans and receivables whose maturity as at the end of the reporting period exceeds 12 months are classified as non-current assets. Loans and receivables are recognized in the statement of financial position under trade and other receivables. Loans and receivables as well as financial assets held to maturity are measured at amortized cost using the effective interest rate.

(c) Investments held to maturity

Investments held to maturity are financial assets with determined or determinable payments and fixed maturity that ENEA S.A. intends to and is able to hold to maturity. Investments held to maturity are measured at amortized cost using the effective interest rate.

(d) Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments designated as "available for sale" or not included in any other category. This category includes mainly shares in unrelated parties. AFS financial assets are recognized as non-current assets if ENEA S.A. does not intend to dispose of the investment within 12 months from the end of the reporting period.

Acquisition and sale of financial assets is recognized as at the date of the transaction, i.e. the day when ENEA S.A. undertakes to purchase or sell a given asset. Financial assets are initially recognized at fair value increased by transaction costs, except while investments are classified at fair value through profit or loss, and initially measured at fair value without transaction costs.

Financial assets are derecognized from the accounting records if the rights to the related cash flows have expired or have been transferred and ENEA S.A. has transferred substantially all the risks and rewards incidental to their

Notes presented on pages 9-73 constitute an integral part of these separate financial statements.

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ownership.

AFS financial assets and those measured at fair value through profit or loss are initially recognized at fair value. AFS financial assets are measured at acquisition price less impairment losses if it is not possible to determine their fair value and they do not have a fixed maturity.

The effects of measurement of financial assets at fair value through profit or loss are recognized in profit or loss in the period when they occurred. The effects of measurement of AFS financial assets are recognized in equity, except for impairment losses. Upon derecognition of an asset classified as "available for sale" from the accounting records, the total accumulated profits or loss previously recognized in equity are recognized in profit or loss.

The fair value of investments quoted in an active market is determined with reference to their current purchase price. If there is no active market for financial assets (or the securities are not quoted), ENEA S.A. determines their fair value using adequate measurement techniques which include: recent transactions conducted under arm's length conditions, comparison to other instruments which are identical in substance, an analysis of discounted cash flows, option valuation models and other techniques and models widely applied in the market, adjusted to the specific situation of the issuer.

(e) Impairment

At the end of each reporting period, ENEA S.A. verifies whether there is any objective evidence indicating impairment of a financial asset or a group of financial assets.

If such evidence exists in the case of financial assets available for sale, the total accumulated losses recognized in equity, determined as the difference between the acquisition price and their current fair value less possible impairment losses recognized previously in profit or loss, are excluded from equity and recognized in profit or loss. Impairment losses recognized in profit or loss and relating to equity instruments are not reversed in correspondence with profit or loss. The reversal of impairment losses on debt securities is recognized in profit or loss if the fair value increased as a result of subsequent events after the recognition of impairment in the periods following the recognition of the impairment loss.

If there are indications of impairment of loans and receivables or investments held to maturity measured at amortized cost using the effective interest method, impairment losses are determined as the difference between the carrying amount of the assets and the present value of estimated future cash flows discounted using the original effective interest rate for such assets (i.e. the effective interest rate calculated upon initial recognition for assets based on a fixed interest rate and the effective interest rate determined for the last revaluation of assets based on a floating interest rate). Impairment losses are recognized in profit or loss. Impairment is reversed if in subsequent periods the impairment decreases and the reduction may be attributed to events that occurred after the impairment recognition. As a result of reversal of the impairment, the carrying amount of financial assets may not exceed the amortized cost which would be determined if no impairment loss was recognized. Reversal of impairment losses is recognized in profit or loss.

If there are indications of impairment of unquoted equity instruments measured at acquisition price (as their fair value may not be determined reliably), the amount of the impairment loss is determined as the difference between the carrying amount of the assets and the present value of the estimated future cash flows discounted using the current

(all amounts in PLN '000, unless specified otherwise)

market rate of return for similar financial assets. Such impairment losses are not reversed.

42.13 Inventory

Certificates of origin acquired for redemption and for resale are presented as inventory. As at the moment of purchase certificates of origin are measured at acquisition price. As at the end of the reporting period, the certificates of origin acquired for redemption are measured at acquisition price, less impairment losses.

The deadline for complying with the requirement of certificate redemption or substitute fee payment expires on 31 March of the following year.

During the financial year and until 31 March of the following year the Company presents certificates of origin for redemption on a monthly basis in order to fulfill its obligation regarding the financial year. Redemption of certificates of origin is recognized in the accounting records based on a redemption decision issued by the President of Energy Regulatory Office, the redeemed certificates being subject to detailed identification.

42.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, call bank deposits and other short-term investments maturing within three months with high liquidity. As at the end of the reporting period, cash is measured at nominal value.

42.15 Share capital

The share capital of the Company is recognized in the amount specified in the Company's by-laws and registered in the court register, adjusted by the effects of hyperinflation as well as settlement of the effects of business combinations and acquisitions. An increase in the share capital covered by the shareholders as at the end of the reporting period and not yet registered in the National Court Register is also disclosed as share capital.

42.16 Loans, borrowings and debt securities

Upon initial recognition financial liabilities are measured at fair value less transaction costs incurred by the Company.

Following their initial recognition, financial liabilities as loans, borrowings and debt securities are measured at amortized cost using the effective interest method.

42.17 Income tax (including deferred income tax)

Income tax presented in the statement of profit or loss and other comprehensive income includes the current and deferred portion.

The current tax liability is calculated based on the taxable profit (tax base) for a given reporting period. The taxable profit/(loss) differs from net accounting profit/(loss) due to the exclusion of taxable income and expenses classified as tax-deductible in the following years as well as expenses and revenue which will never be subject to taxation. Tax liabilities are calculated based on tax rates applicable in a given reporting period.

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The deferred tax is a tax of from events that occurred in a given period, recognized on the accrual basis in the accounting records of the period but realized in future.

The balance sheet liability method is used to calculate the deferred tax. The method is characterized with temporary differences between the carrying and tax amount of assets and liabilities.

The carrying value of assets and liabilities recognized in the accounting records is the base value, which is compared to the tax amount and tax loss deductible in future.

Differences between the carrying amount and tax value of an asset or liability may include:

- a positive amount resulting in an increase of the future taxable base upon settlement or realization of the carrying value of the asset or liability;
- a negative amount resulting in a reduction of the future taxable base upon settlement or realization of the carrying value of the asset or liability.

If the carrying amount of an asset or liability is equal to its tax amount, no temporary differences occur.

Temporary differences multiplied by appropriate tax rates produce assets for deductible and deferred tax provisions for taxable differences.

The deferred tax provision resulting from taxable temporary differences between the tax value of assets and liabilities and their carrying amount is recognized in the financial statements in its full amount.

The deferred tax asset is recognized if it is probable that the Company will generate taxable income which will allow it to deduct temporary differences or use tax losses in the future.

The Company does not recognize a deferred tax asset and liability if they result from the initial recognition of an asset or liability arising from a transaction other than a business combination and if the transaction does not have an impact on the gross financial profit/loss or the taxable profit when it is effected. Additionally, the deferred tax liability is not recognized with respect to temporary differences arising upon initial recognition of goodwill or goodwill whose amortization is not regarded as a tax-deductible expense.

No deferred tax asset or provision is created on temporary differences arising from investments in related parties that jointly meet the following two conditions:

- the Company is able to control the timing of the reversal of the temporary differences; and
- it is probable that the temporary differences will not reverse in the foreseeable future.

The deferred income tax is determined based on tax rates (and regulations) which are expected to be applicable when an asset is used and the liability settled, on the basis of the tax rates (and regulations) which were legally or actually applicable as at the end of the reporting period.

If the tax law allows changes in tax rates, the total amount of assets and liabilities is calculated in accordance with various tax rates.

(all amounts in PLN '000, unless specified otherwise)

If changes in tax rates occur in the period from determining the deferred tax assets or provisions to their settlement, the effects of measurement of assets and provisions are included in the reporting period in which the tax regulations have been amended.

The deferred tax asset is recognized only to the extent that it is probable that sufficient taxable income to use the deferred tax asset in part or in whole will be generated.

Deferred tax is recognized in profit or loss for a given period, except for instances when deferred tax:

1. pertains to a transaction or event that is recognized directly in other comprehensive income, in which case it is also recognized in the relevant other item of other comprehensive income depending on an event it results from;
2. results from business combinations, in which cases it affects the value of goodwill or the surplus of the interest in the net fair value of assets over business combination costs.

Deferred tax asset and liabilities are set off if there is a legally enforceable right to set off a current tax asset against a current tax liability when the deferred tax asset and liability relate to income taxes levied by the same taxation authority on the same taxable entity.

For the purpose of presentation in the statement of financial position, the deferred tax asset and liability should be offset and the surplus of the asset over the liability (or the surplus of the liability over asset) recognized in the statement of financial position.

42.18 Employee benefits

The following types of employee benefits are provided by ENEA S.A.:

A. Short-term employee benefits

Short-term employee benefits at ENEA S.A. include but are not limited to: monthly wages, salaries, annual bonuses, electricity allowance, short-term paid leave with social security contributions, industry specific bonus and liability due to voluntary redundancy program.

The liability due to short-term (accumulated) paid leave (compensation for paid leave) is recognized even if employees are not entitled to receive payment in lieu of holiday.

In 2013 ENEA S.A. initiated voluntary redundancy program. Program assumes financial compensation to those employees, who decide voluntary terminate employment in the period specified in the program regulation.

B. Defined benefit plans

Defined benefit plans of ENEA S.A. include:

- 1) Retirement benefits

Employees retiring (eligible for disability benefits) are entitled to receive retirement benefits in the form of cash compensation. The value of such benefits depends on the length of service and the remuneration received by the employee. The related liabilities are estimated using actuarial methods.

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2) Right to energy allowance after retirement

Retiring employees who have worked for ENEA S.A. for at least one year are entitled to a reduced price of consumed energy amounting to 3,000 kWh/year. In case of an employee's death, the right is transferred to his/her spouse if that person receives a family allowance.

Pensioners and disability pensioners acquire the right to an electricity allowance in the amount of 3000 kWh x 80% of the electricity price and the variable component of the transmission charge and 100% the fixed network charge and subscription charge at the single-zone rate household tariff. The equivalent is paid twice a year: by 15 May and by 15 September, each time in the amount of the half of the annual equivalent. The related liabilities are estimated using actuarial methods.

3) Appropriation to the Company's Social Benefits Fund for pensioners

Pursuant to the Collective Labor Agreement of ENEA S.A., when calculating the annual appropriation to the Company's Social Benefits Fund the Company also takes into consideration pensioners entitled to the benefits. The liability is recognized proportionally to the expected period of performing work by employees. The value of the provision is estimated using actuarial methods.

Liabilities relating to the benefits referred to in points 1-3 are estimated by an actuary using the projected unit credit method. The total value of actuarial gains and losses is recognized in other comprehensive income.

C. Other long-term employee benefits

Jubilee bonuses

Other long-term employee benefits at ENEA S.A. include jubilee benefits. Their value is dependent on the length of service and the remuneration received by the employee. The related liabilities are estimated using actuarial methods. The total value of actuarial gains and losses is recognized in profit or loss of the current period.

D. Defined contribution plan

1) Social security contributions

The social security system in Poland is a state program, in accordance with which ENEA S.A. is obliged to make social security contributions for employees when they become due. No legal or constructive obligation has been imposed on the Company to pay future benefits relating to social security. The costs of contributions pertaining to the current period are recognized by ENEA S.A. in profit or loss as the costs of employee benefits.

2) Employee Pension Scheme

Pursuant to Appendix No. 18 to the Collective Labor Agreement, ENEA S.A. operates an Employee Pension Scheme in the form of unit-linked group employee insurance in line with the statutory principles and under conditions negotiated with the labor unions.

The Employee Pension Scheme is available to all employees of ENEA S.A. after one year of service, irrespective of the type of their employment contract.

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Employees join the Employee Pension Scheme under the following terms and conditions:

- the insurance is group life insurance with insurance protection;
- the amount of the basic premium is set at 7% of the participant's salary;
- 90% of the basic premium is allocated to investment premium and 10% to insurance protection.

42.19 Provisions

Provisions are created if ENEA S.A. has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation, discounted at the end of the reporting period.

Provision for redemption of certificates of origin and energy performance certificates

When at the end of the reporting period there is the missing amount of required number of certificates according to the Energy Law and Energy Effectiveness Law the Company recognizes a provision for redemption of certificates of origin and energy performance certificates or substitute fee.

The basis for determining the provision for redemption of certificates of origin for each of the values is the number of certificates of origin accounting for the difference between the number of certificates redeemed as at the end of the reporting period and the number required for redemption by the Energy Law.

The basis for determining the provision for the redemption of certificates of energy efficiency is the number of certificates in tonnes of oil equivalent representing the difference between the number of certificates required for redemption in accordance with the requirements of the Energy Efficiency Act, and the number of certificates redeemed at the balance sheet date.

Provisions are measured:

1. firstly, at acquisition price of unredeemed certificates of origin held as the end of the reporting period,
2. secondly, on the basis of the purchase price resulting from the concluded sales contracts by the Company, in respect of that part of the certificates, which the Company plans to receive in the first instance,
3. thirdly, on the basis of weighted average price in session and off-session transactions closed at the Property Rights Market operated by the Polish Power Exchange during the month preceding the reporting date at which the measurement of the provision is determined,
4. and if there are no such transactions or there is a shortage of specific certificates on the market, preventing the Company from acquiring a required number of certificates to be redeemed according to the Energy Law, the missing amount of certificates is measured at the unit substitute fee for the given financial year.

42.20 Revenue recognition

Sales revenue is measured at the fair value of the consideration received or receivable less the value added tax, discounts and rebates.

(all amounts in PLN '000, unless specified otherwise)

Revenue from the sales of energy is recognized upon energy delivery to the customer. In order to determine the value of revenue for a period from the last billing date to the end of the reporting period, an estimate is made and recognized in the statement of financial position under trade and other receivables.

Revenue from the sales of goods and materials is recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and materials it is probable that the economic benefits associated with the transaction will flow to the entity.

Interest income is recognized on an accrual basis using the effective interest rate if its receipt is not doubtful.

Dividend income is recognized when the Company acquires the right to receive the related payments.

42.21 Grants

ENEA S.A. receives grants in the form of fixed assets and compensation for expenses incurred for fixed assets.

The Company recognizes these grants in accordance with IAS 20 *Government Grants*.

Such grants are recognized by the Company in the statement of financial position as deferred income when there is reasonable assurance that they will be received and that the Company will comply with appropriate conditions related to such grants. Grants received as compensation for costs already incurred by the Company are recognized on a systematic basis as revenue in profit or loss in the periods in which the entity recognizes as expenses the related costs. Grants received by the Company as compensation for capital expenditure incurred are recognized on a systematic basis in proportion to the depreciation charges as other operating revenue in profit or loss over the useful life of an asset.

42.22 Dividend payment

Payments of dividends to shareholders are recognized as a liability in the financial statements of ENEA S.A. for the period when they were approved by the shareholders.

42.23 Non-current assets held for sale

Non-current assets held for sale include items satisfying the following criteria:

- their carrying amount will be recovered principally through sale transactions rather than through continuing use;
- the Management Board of the Company submitted a sales declaration and started to search actively for a potential buyer;
- the assets are available for immediate sale in their current condition;
- the sale transaction is highly probable and may be settled within 12 months of the date of the decision;
- the sales price is reasonable compared to the current fair value;
- the probability that changes to the asset disposal plan will be made is low.

If the aforementioned criteria have been satisfied after the end of the reporting period, the asset is not reclassified at the end of the financial year preceding the event. The classification change is reflected in the reporting period when the

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aforementioned criteria have been satisfied. Amortization/depreciation charges are no longer applied starting from the date when the asset is reclassified to assets held for sale.

Assets held for sale are measured at the lower of: the net carrying amount or the fair value less costs to sell.

42.24 Statement regarding application of new International Financial Reporting Standards and Interpretations

42.24.1 Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2014

The following new Standards, amendments to the existing Standards and Interpretations adopted by the EU are not yet mandatorily effective for annual periods ending on 31 December 2014:

- IFRIC Interpretation 21 Levies - for annual periods beginning 17 June 2014,
- Amendments to IAS 19 Employee Benefits entitled Defined benefit plans: Employee contributions - for annual periods beginning 1 February 2015,
- Amendments to IFRS 2010-2012 - for periods beginning 1 February 2015,
- Amendments to IFRS 2011-2013 - for periods beginning 1 January 2015.

The Company plans to adopt these pronouncements when they become effective.

The Company is currently evaluating the impact of above mentioned new Standards, amendments to Standards and Interpretations. However, it is not expected to have a significant effect on its separate financial statements.

42.24.2 Standards and interpretations not yet endorsed by the EU

The following new Standards, amendments to Standards and Interpretations not yet endorsed by the EU are not mandatorily effective for annual periods ending on 31 December 2014:

- IFRS 9 Financial Instruments (2014) – for annual periods beginning 1 January 2018,
- IFRS 14 Regulatory Deferral Accounts – for annual periods beginning 1 January 2016,
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 Joint Arrangements) – for annual periods beginning 1 January 2016,
- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets) – for annual periods beginning 1 January 2016,
- IFRS 15 Revenue from Contracts with Customers – for annual periods beginning 1 January 2017,
- Agriculture - Bearer Plants (Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture) – for annual periods beginning 1 January 2016,
- Equity Method in Separate Financial Statements (Amendments to IAS 27 Separate Financial Statements) – for annual periods beginning 1 January 2016,

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- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and to IAS 28 (Investments in Associates) – for annual periods beginning 1 January 2016,
- Amendments to IFRS 2012-2014 – for annual periods beginning 1 January 2016,
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in associates and joint ventures) – for annual periods beginning 1 January 2016,
- Disclosure Initiative (amendments to IAS 1 Presentation of Financial Statements) – for annual periods beginning 1 January 2016.

The Company plans to adopt these pronouncements when they become effective.

The Company has not yet analysed the likely impact of the new Standards, amendments to Standards and Interpretations on its financial position or performance.