



**Consolidated financial statements
of the ENEA Group
for the financial year ended
31 December 2014**

Poznań, 3 March 2015

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ENEA Group

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

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

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as approved by the European Union and were accepted by the Management Board of ENEA S.A.

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

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Poznań, 3 March 2015

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

Consolidated Statement of Financial Position

		As at	
	Note	31.12.2014	31.12.2013 (Restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	7	13 701 956	11 811 566
Perpetual usufruct of land	8	77 281	68 431
Intangible assets	9	305 947	206 580
Investment property	11	23 431	30 641
Investments in associates	12	-	3 298
Deferred tax assets	31	167 207	179 725
Financial assets available for sale	16	47 479	61 761
Financial assets measured at fair value through profit or loss	23	99	1 860
Trade and other receivables	17	20 739	8 106
		14 344 139	12 371 968
Current assets			
CO2 emission rights	19	208 720	190 566
Inventory	20	508 163	521 498
Trade and other receivables	17	1 764 128	1 350 627
Current income tax receivables		20	11 455
Financial assets held to maturity	16	189 789	45
Financial assets measured at fair value through profit or loss	23	392 251	296 339
Cash and cash equivalents	22	687 316	1 573 195
Non-current assets held for sale	15	13 514	13 487
		3 763 901	3 957 212
Total assets		18 108 040	16 329 180

* - Restatements of comparative figures are presented in Note 3 to these consolidated financial statements

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

	Note	31.12.2014	31.12.2013 (Restated)*
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the Parent			
Share capital		588 018	588 018
Share premium		3 632 464	3 632 464
Share-based payments reserve		-	1 144 336
Financial instruments revaluation reserve		34 777	45 185
Other capital		(45 883)	(20 664)
Retained earnings		7 804 989	6 080 187
		12 014 365	11 469 526
Non-controlling interests		49 648	19 321
Total equity	24	12 064 013	11 488 847
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	26	2 209 648	819 909
Trade and other liabilities	25	3 275	-
Finance lease liabilities	29	814	1 784
Deferred income due to subsidies, connection fees and other	27	637 357	630 411
Deferred tax liability	31	255 374	218 909
Liabilities due to employee benefits		618 092	483 961
Financial liabilities measured at fair value through profit or loss	30	917	364
Provisions for other liabilities and charges	33	464 720	407 735
		4 190 197	2 563 073
Current liabilities			
Loans, borrowings and debt securities	26	8 875	22 648
Trade and other liabilities	25	1 135 657	1 401 593
Finance lease liabilities	29	1 752	2 940
Deferred income due to subsidies, connection fees and other	27	72 698	82 627
Current income tax liabilities		61 698	57 940
Liabilities due to employee benefits	32	268 277	270 809
Liabilities due to an equivalent of the right to acquire shares free of charge		281	292
Provisions for other liabilities and charges	33	304 374	438 141
Liabilities related to non-current assets held for sale	15	218	270
		1 853 830	2 277 260
Total liabilities		6 004 027	4 840 333
Total equity and liabilities		18 108 040	16 329 180

* - Restatements of comparative figures are presented in Note 3 to these consolidated financial statements

ENEA Group

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

(all amounts in PLN '000, unless specified otherwise)
Consolidated Statement of Profit or Loss and Other Comprehensive

	12 months ended 31.12.2014	12 months ended 31.12.2013 (Restated)*
Sales revenue	10 057 909	9 355 406
Excise duty	(202 514)	(204 886)
Net sales revenue	34 9 855 395	9 150 520
Other operating revenue	37 115 066	125 087
Depreciation	35 (728 408)	(761 759)
Costs of employee benefits	35 (948 872)	(1 036 215)
Consumption of materials and supplies and costs of goods sold	35 (1 821 196)	(1 822 994)
Energy purchase for sale	35 (3 835 730)	(3 303 371)
Transmission services	35 (710 577)	(599 170)
Other external services	35 (336 339)	(341 791)
Taxes and charges	35 (268 934)	(244 240)
Gain/(loss) on sale and liquidation of property, plant and equipment	(5 620)	109
Impairment loss of property, plant and equipment	7 (30 556)	(11 363)
Other operating expenses	37 (97 754)	(248 954)
Operating profit	1 186 475	905 859
Finance cost	39 (125 483)	(44 821)
Finance income	38 81 178	88 144
Impairment of goodwill	10 (3 131)	-
Dividend income	41 3 355	4 552
Share in profits/(losses) of associates measured using the equity method	708	331
Profit before tax	1 143 102	954 065
Income tax	40 (233 980)	(231 545)
Net profit for the reporting period	909 122	722 520
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
- change in fair value of financial assets available for sale	(14 282)	(4 966)
- cash flow hedge	-	(1 025)
- income tax	2 714	943
Items that will not be reclassified to profit or loss:		
- remeasurement of defined benefit liability	(95 354)	27 331
- income tax	18 116	(5 193)
Net other comprehensive income	(88 806)	17 090
Total comprehensive income	820 316	739 610
Including net profit:		
attributable to shareholders of the Parent	908 319	722 524
attributable to non-controlling interests	803	(4)
Including comprehensive income:		
attributable to shareholders of the Parent	819 562	739 595
attributable to non-controlling interests	754	15
Net profit attributable to shareholders of the Parent	908 319	722 524
Weighted average number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	2.06	1.64
Diluted earnings per share (in PLN per share)	2.06	1.64

* - Restatements of comparative figures are presented in Note 3 to these consolidated financial statements

The consolidated statement of profit or loss and other comprehensive income should be analyzed together with the notes, which constitute an integral part of the consolidated financial statements.

ENEA Group

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

(all amounts in PLN '000, unless specified otherwise)
Consolidated Statement of Changes in Equity:
(a) 2014

		Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Share-based payments reserve	Financial instruments revaluation reserve	Other capital	Retained earnings	Capital attributable to non-controlling interests	Total equity
Balance as at 01.01.2014	Note	441 443	146 575	588 018	3 632 464	1 144 336	45 185	(20 664)	6 080 187	19 321	11 488 847
Net profit/(loss) for the reporting period		-	-	-	-	-	-	-	908 319	803	909 122
Net other comprehensive income		-	-	-	-	-	(11 568)	-	(77 238)	-	(88 806)
Total comprehensive income for the period		-	-	-	-	-	(11 568)	-	831 081	803	820 316
Settlement of the share-based payment program	24	-	-	-	-	(1 144 336)	-	-	1 144 336	-	-
Dividends	41	-	-	-	-	-	-	-	(251 622)	-	(251 622)
Expiration of put option regarding redemption of non-controlling interests in subsidiaries		-	-	-	-	-	-	20 664	-	-	20 664
Put option for non-controlling interests in acquired subsidiary		-	-	-	-	-	-	(45 883)	-	-	(45 883)
Acquisition of subsidiary		-	-	-	-	-	-	-	-	29 524	29 524
Other		-	-	-	-	-	1 160	-	1 007	-	2 167
Balance as at 31.12.2014		441 443	146 575	588 018	3 632 464	-	34 777	(45 883)	7 804 989	49 648	12 064 013

The consolidated statement of changes in equity should be analyzed together with the notes, which constitute an integral part of the consolidated financial statements.

ENEA Group

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

(all amounts in PLN '000, unless specified otherwise)
(b) 2013

	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Share-based payments reserve	Financial instruments revaluation reserve	Other capital	Retained earnings	Capital attributable to non-controlling interests	Total equity
Balance as at 01.01.2013*	441 443	146 575	588 018	3 632 464	1 144 336	50 233	(21 317)	5 491 335	22 721	10 907 790
Net profit/(loss) for the reporting period **	-	-	-	-	-	-	-	722 524	(4)	722 520
Net other comprehensive income	-	-	-	-	-	(5 048)	-	22 138	-	17 090
Total comprehensive income for the period	-	-	-	-	-	(5 048)	-	744 662	(4)	739 610
Dividends	42	-	-	-	-	-	-	(158 919)	-	(158 919)
Acquisition of non-controlling interests in subsidiaries	-	-	-	-	-	-	653	3 109	(3 396)	366
Balance as at 31.12.2013	441 443	146 575	588 018	3 632 464	1 144 336	45 185	(20 664)	6 080 187	19 321	11 488 847

* - Restatement of comparative figures as at 1 January 2013 was presented in the consolidated financial statements as at 31 December 2013

** - Restatements of comparative figures are presented in Note 3 to these consolidated financial statements

The consolidated statement of changes in equity should be analyzed together with the notes, which constitute an integral part of the consolidated financial statements.

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

Consolidated Statement of Cash Flows

	12 months ended 31.12.2014	12 months ended 31.12.2013 (Restated)*
Cash flows from operating activities		
Net profit for the reporting period	909 122	722 520
Adjustments:		
Income tax in profit or loss	40 233 980	231 545
Depreciation	35 728 408	761 759
(Profit) / loss on sale and liquidation of property, plant and equipment	5 620	(109)
Impairment loss on property, plant and equipment	7 30 556	11 363
Impairment loss on goodwill	10 3 131	-
(Profit) / loss on sale of financial assets	(11 016)	9 637
Interest income	(23 975)	(31 327)
Dividend income	(3 355)	(4 552)
Interest expense	38 204	16 535
(Gain)/loss on measurement of financial assets	(473)	607
Other financial costs	25 756	-
Share in the (profit) / loss of associates	(708)	(331)
Exchange (gains) / losses on loans and borrowings	748	827
Other adjustments	(24 915)	(1 595)
	1 001 961	994 359
Income tax paid	(160 398)	(254 421)
Changes in working capital		
CO2 emission rights	(12 533)	4 056
Inventory	23 106	(11 921)
Trade and other receivables	(368 292)	9 008
Trade and other liabilities	(182 965)	(25 715)
Liabilities due to employee benefits	3341	53 691
Deferred income due to subsidies, connection fees and other	(12 659)	(74 534)
Liabilities due to an equivalent of the right to acquire shares free of charge	(11)	(14)
Non-current assets held for sale and related liabilities	(79)	(214)
Provisions for other liabilities and charges	(85 017)	227 395
	(635 009)	181 752
Net cash flows from operating activities	1 115 676	1 644 210
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(2 561 182)	(1 948 780)
Proceeds from disposal of property, plant and equipment and intangible assets	22 863	26 347
Acquisition of financial assets	(295 484)	(140 000)
Proceeds from disposal of financial assets	20 800	277 063
Acquisition of subsidiaries adjusted by acquired cash	(259 796)	(1 108)
Disposal of investments in subsidiaries and associates	3 000	3 000
Dividends received	3 355	4 552
Interests received	18 095	6 223
Other proceeds/(payments) from investing activities	(444)	1 844
Net cash flows from investing activities	(3 048 793)	(1 770 859)
Cash flows from financing activities		
Loans and borrowings received	278 635	795 041
Bond issue	1 120 000	-
Loans and borrowings repaid	(25 185)	(25 896)
Dividend paid to shareholders of the Parent	(251 622)	(158 919)
Payment of finance lease liabilities	(2 906)	(5 775)
Expenses related to future issue of bonds	(21 251)	-
Interest paid	(52 607)	(6 180)
Other proceeds/(payments) from financing activities	721	6 685
Net cash flows from financing activities	1 045 785	604 956
Net increase/ (decrease) in cash		
	(887 332)	478 307
Opening balance of cash	22 1 573 195	1 095 495
Effect of exchange rate fluctuations on cash	1 453	(607)
Closing balance of cash	22 687 316	1 573 195

* - Restatements of comparative figures are presented in Note 3 to these consolidated financial statement

**ENE A Group**

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

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

Notes to the consolidated financial statements

1. General information

1.1. General information about ENEA S.A. and the ENEA Group

Name (business name):	ENE A Spółka Akcyjna
Legal form:	joint-stock company
Country:	Poland
Registered office:	Poznań
Address:	Górecka 1, 60-201 Poznań
NUMBER IN NATIONAL COURT REGISTER (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

The main activities of the ENEA Group ("Group") are:

- production of electricity and heat (ENE A Wytwarzanie Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki, Miejska Energetyka Ciepła Piła Sp. z o.o., Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Białystok);
- trade in electricity (ENE A S.A., ENE A Trading Sp. z o.o.);
- distribution of electricity (ENE A Operator Sp. z o.o.);
- distribution of heat (ENE A Wytwarzanie Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki, Miejska Energetyka Ciepła Piła Sp. z o.o., Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Białystok).

As at 31 December 2014 the shareholding structure of ENE A S.A. was the following: the State Treasury of the Republic of Poland – 51.50% of shares, other shareholders – 48.50%.

As at 31 December 2014 the statutory share capital of ENE A 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.



ENE A Group

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

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

ENE A S.A. is the Parent of the ENE A Group, which as at 31 December 2014 comprised also 12 subsidiaries and 4 indirect subsidiaries.

The financial statements have been prepared under assumption that the Company will be able to continue as a going concern in the foreseeable future. No circumstances occur that would indicate a threat to the Company's operation as a going concern.

1.2. Composition of the Management Board and the Supervisory Board

As at 31 December 2014, the composition of the Management Board was as follows:

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

As at 31 December 2014, the composition of the Supervisory Board for the 8th term of office was as follows:

Wojciech Chmielewski	Chairman of the Supervisory Board
Jeremi Mordasewicz	Vice-Chairman of the Supervisory Board
Michał Kowalewski	Council secretary of the Supervisory Board
Małgorzata Niezgoda	Member of the Supervisory Board
Sandra Malinowska	Member of the Supervisory Board
Sławomir Brzeziński	Member of the Supervisory Board
Przemysław Łyczyński	Member of the Supervisory Board
Tadeusz Mikłosz	Member of the Supervisory Board

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 were held elections to select members of the Supervisory Board of ENE A SA, as a result of which Sławomir Brzeziński and Tadeusz Mikłosz were elected.

In January 2015 elections of three members of the Supervisory Board of ENE A 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.

2. Statement of compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS EU") and were approved by the Management Board of ENE A S.A.

The Management Board of the Parent Company has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the consolidated

**ENEA Group**

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

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

financial statements of the ENEA Group in accordance with IFRS-EU as at 31 December 2014. The presented statements and explanations have been prepared using due diligence. These consolidated financial statements were audited by a certified auditor.

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

The comparative data presented in these consolidated 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:

- a) The Group 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 Group changed the presentation of the transportation costs regarding purchase of coal. Previously, these costs were recognized in the cost of external services. From 2014 onwards the Group recognizes these costs as component of the costs of coal consumption and presents in profit or loss in consumption of materials and supplies and costs of goods sold.
- c) The Group 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.
- d) The Group changed presentation of the statement of financial position; accrued income from valuation of construction contracts and of street lighting modernization service are presented in these financial statements as income due to subsidies, connection fees and other. They were previously presented in other liabilities and provisions.

Restatement of consolidated statement of financial position

ASSETS	31.12.2013 Approved	(a)	Total adjustments	31.12.2013 Restated
Non-current assets				
Property, plant and equipment	11 811 566		-	11 811 566
Perpetual usufruct of land	68 431		-	68 431
Intangible assets	206 580		-	206 580
Investment property	30 641		-	30 641
Investments in subsidiaries and associates	3 298		-	3 298
Deferred tax assets	181 403	(1 678)	(1 678)	179 725
Financial assets available for sale	61 761		-	61 761
Financial assets measured at fair value through profit or loss	1 860		-	1 860
Trade and other receivables	3 933	4 173	4 173	8 106
	12 369 473	2 495	2 495	12 371 968
Current assets				
CO ₂ emission rights	190 566		-	190 566
Inventory	521 498		-	521 498
Trade and other receivables	1 345 966	4 661	4 661	1 350 627
Current income tax receivables	11 455		-	11 455
Financial assets held to maturity	45		-	45
Financial assets measured at fair value through profit or loss	296 339		-	296 339
Cash and cash equivalents	1 573 195		-	1 573 195
Non-current assets held for sale	13 487		-	13 487
	3 952 551	4 661	4 661	3 957 212
Total assets	16 322 024	7 156	7 156	16 329 180

ENEA Group

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

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

<u>EQUITY AND LIABILITIES</u>	31.12.2013 Approved	(a)	(d)	Total adjustments	31.12.2013 Restated
Equity attributable to shareholders of the Parent					
Share capital	588 018			-	588 018
Share premium	3 632 464			-	3 632 464
Share-based payments reserve	1 144 336			-	1 144 336
Financial instruments revaluation reserve	45 185			-	45 185
Other capital	(20 664)			-	(20 664)
Retained earnings	6 073 031	7 156		7 156	6 080 187
	11 462 370	7 156		7 156	11 469 526
Non-controlling interest	19 321			-	19 321
Total equity	11 481 691	7 156		7 156	11 488 847
Non-current liabilities					
Loans, borrowings and debt securities	819 909			-	819 909
Trade and other liabilities	-			-	-
Finance lease liabilities	1 784			-	1 784
Deferred income due to subsidies, connection fees and other	630 411			-	630 411
Deferred tax liability	218 909			-	218 909
Liabilities due to employee benefits	483 961			-	483 961
Liabilities due to an equivalent of the right to acquire shares free of charge	364			-	364
Provisions for other liabilities and charges	407 735			-	407 735
	2 563 073	-		-	2 563 073
Current liabilities					
Loans, borrowings and debt securities	22 648			-	22 648
Trade and other liabilities	1 407 703		(6 110)	(6 110)	1 401 593
Finance lease liabilities	2 940			-	2 940
Deferred income due to subsidies, connection fees and other	71 398		11 229	11 229	82 627
Current income tax liabilities	57 940			-	57 940
Liabilities due to employee benefits	270 809			-	270 809
Liabilities due to an equivalent of the right to acquire shares free of charge	292			-	292
Financial liabilities measured at fair value through profit or loss	-			-	-
Provisions for other liabilities and charges	443 260		(5 119)	(5 119)	438 141
Liabilities related to non-current assets held for sale	270			-	270
	2 277 260	-	-	-	2 277 260
Total equity and liabilities	16 322 024	7 156	-	7 156	16 329 180

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

	12 month period ended 31.12.2013 Approved	(a)	(b)	Total adjustments	12 month period ended 31.12.2013 Restated
Sales revenue	9 355 406			-	9 355 406
Excise duty	(204 886)			-	(204 886)
Net sales revenue	9 150 520		-	-	9 150 520
Other operating revenue	125 087			-	125 087
Depreciation	(761 759)			-	(761 759)
Costs of employee benefits	(1 036 215)			-	(1 036 215)
Consumption of materials and supplies and costs of goods sold	(1 753 573)		(69 421)	(69 421)	(1 822 994)
Energy purchased for resale	(3 303 371)			-	(3 303 371)
Transmission services	(599 170)			-	(599 170)
Other external services	(420 046)	8 834	69 421	78 255	(341 791)
Taxes and charges	(244 240)			-	(244 240)
Gain/(loss) on sale and liquidation of property, plant and equipment	109			-	109
Impairment loss on property, plant and equipment	(11 363)			-	(11 363)
Other operating expenses	(248 954)			-	(248 954)
Operating profit	897 025	8 834	-	8 834	905 859
Finance cost	(44 821)			-	(44 821)
Finance income	88 144			-	88 144
Impairment loss on goodwill	-			-	-
Dividend income	4 552			-	4 552
Share in profits/(losses) of associates measured using the equity method	331			-	331
Profit before tax	945 231	8 834	-	8 834	954 065
Income tax	(229 867)	(1 678)		(1 678)	(231 545)
Net profit for the reporting period	715 364	7 156	-	7 156	722 520

	12 month period ended 31.12.2013 Approved	(a)	(b)	Total adjustments	12 month period ended 31.12.2013 Restated
Other comprehensive income					
Items that are or may be reclassified to profit or loss:					
- change in fair value of financial assets available for sale	(4 966)			-	(4 966)
- cash flow hedge	(1 025)				(1 025)
- income tax	943			-	943
Items that will not be reclassified to profit or loss:					
- remeasurement of defined benefit liability	27 331			-	27 331
- other	-			-	-
- income tax	(5 193)			-	(5 193)
Net other comprehensive income	17 090	-	-	-	17 090
Total comprehensive income for the reporting period	732 454	7 156	-	7 156	739 610
Including net profit:					
attributable to shareholders of the Parent	715 368	7 156	-	7 156	722 524
attributable to non-controlling interests	(4)	-	-	-	(4)
Including comprehensive income:					
attributable to shareholders of the Parent	732 439	7 156	-	7 156	739 595
attributable to non-controlling interests	15	-	-	-	15

Restatement of consolidated statement of cash flow

	12 month period ended 31.12.2013 Approved	(a)	(c)	Total adjustments	12 month period ended 31.12.2013 Restated
Cash flows from operating activities					
Net profit for the reporting period	715 364	7 156		7 156	722 520
Adjustments:					
Income tax in the profit or loss	229 867	1 678		1 678	231 545
Depreciation	761 759			-	761 759
(Gain) / loss on sale and liquidation of property, plant and equipment	(109)			-	(109)
Impairment loss on property, plant and equipment	11 363			-	11 363
(Gain)/loss on disposal of financial assets	9 637			-	9 637
Interest income	(83 257)		51 930	51 930	(31 327)
Dividend income	(4 552)			-	(4 552)
Interest expense	12 745		3 790	3 790	16 535
(Gain)/loss on measurement of financial assets	607			-	607
Share in profits/losses of associates	(331)			-	(331)
Exchange (gains) / losses on loans and borrowings	827			-	827
Other adjustments	(1 595)			-	(1 595)
	936 961	1 678	55 720	57 398	994 359
Income tax paid	(254 421)				(254 421)
Interest received	72 713		(72 713)	(72 713)	-
Interest paid	(8 063)		8 063	8 063	-
Changes in working capital					
CO ₂ emission rights	4 056			-	4 056
Inventory	(11 921)			-	(11 921)
Trade and other receivables	63 471	(8 834)	(45 629)	(54 463)	9 008
Trade and other liabilities	(31 029)		5 314	5 314	(25 715)
Liabilities due to employee benefits	53 691			-	53 691
Deferred income due to subsidies, connection fees and other	(74 534)			-	(74 534)
Liabilities due to an equivalent of the right to acquire shares free of charge	(14)			-	(14)
Fixed assets held for sale and related liabilities	(214)			-	(214)
Provisions for other liabilities and charges	227 395			-	227 395
	230 901	(8 834)	(40 315)	(49 149)	181 752
Net cash flows from operating activities	1 693 455	-	(49 245)	(49 245)	1 644 210



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	12 month period ended 31.12.2013 Approved	(a)	(c)	Total adjustments	12 month period ended 31.12.2013 Restated
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets	(1 989 095)		40 315	40 315	(1 948 780)
Proceeds from disposal of property, plant and equipment	26 347			-	26 347
Acquisition of financial assets	(140 000)			-	(140 000)
Proceeds from disposal of financial assets	277 063			-	277 063
Acquisition of subsidiaries adjusted for acquired cash	(1 108)			-	(1 108)
Preceeds from disposal of subsidiary	3 000			-	3 000
Dividends received	4 552			-	4 552
Interests received	369		5 854	5 854	6 223
Other proceeds	1 844			-	1 844
Net cash flows from investing activities	(1 817 028)	-	46 169	46 169	(1 770 859)
Cash flows from financing activities					
Loans and borrowings received	795 041			-	795 041
Loans and borrowings repaid	(25 896)			-	(25 896)
Dividend paid to shareholders of the Parent	(158 919)			-	(158 919)
Payment of finance lease liabilities	(5 775)			-	(5 775)
Interests paid	-		(6 180)	(6 180)	(6 180)
Other adjustments	(2 571)		9 256	9 256	6 685
Net cash flows from financing activities	601 880	-	3 076	3 076	604 956
Net increase/(decrease) in cash	478 307	-	-	-	478 307
Opening balance of cash	1 095 495				1 095 495
Effect of exchange rate fluctuations on cash	(607)				(607)
Closing balance of cash	1 573 195	-	-	-	1 573 195

The notes presented on pages 11-115 constitute an integral part of the consolidated financial statements.

4. Material estimates and assumptions

The preparation of these consolidated 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 consolidated 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 consolidated financial statements include:

- **employment and 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 a long-term salaries and wages increase rate impact the accuracy of the estimate made (Note 32),
- **periods of depreciation of tangible and intangible fixed assets**– the amount of depreciation is determined on basis of the estimated economic useful life of property, plant and equipment or intangible assets. Economic periods are reviewed at least once during the year. Depreciation periods are presented in Notes 51.5, 51.6, 51.7 and 51.12 of these consolidated financial statements,
- **fair value of acquired assets, liabilities and goodwill** – the Group identifies and measures acquired assets, liabilities and goodwill. Valuation consider significant assumptions, such as: selection of the appropriate method of valuation, plans for use of the acquired assets, financial forecasts (including price trends specifying the key items of income and expenses), changes in legislation. Applied assumptions may have a significant impact on determination of fair value of acquired assets and liabilities and calculation of goodwill. The goodwill is tested for impairment together with the cash generating units centers to which it was allocated. Purchase price allocation of acquired assets, liabilities and goodwill is presented in Note 13 to these consolidated financial statements,
- **trade and other receivables allowance** – allowance is determined as the difference between the carrying amount and the present value of estimated future cash flows, discounted using the original interest rate; a change in estimated future cash flows shall cause a change in estimated allowance on receivables (Note 17),
- **uninvoiced sales revenue at the end of a financial year** – the amount of uninvoiced 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 17),
- **compensation for non-contractual use of land** – 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 Group based on analyses of claims filed on a case-by-case basis (Note 33, 49.5),
- **provision for land reclamation** – ENEA Wytwarzanie S.A., having filled or closed a slag and ash dump, is obliged to reclaim the land. As the company has large unfilled dumps, land reclamation is planned for 2060. Future estimated costs of land reclamation were discounted to their current value as at 31 December 2014 ,

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using a discount rate of 2,50 % (Note 33),

- **compensation for stranded costs** – originating from early termination of LTC concerning power and electricity are recognized in the amount of advances due for the given period adjusted by an estimated adjustment amount to be calculated by the President of the Energy Regulatory Office and depending upon a number of factors, including in particular performance of the generator, sales volume and average market price of electricity. Estimates of compensation have been made by the Group based on the applicable interpretations to the Act of 29 June 2007 on coverage of stranded costs resulting at generators in relation to accelerated termination of long-term contracts (DZ.U. 2009 no 130, item 905) ("LTC Act"), predictions as to resolve disputes with the President of the Energy Regulatory Office and on a number of significant assumptions, some of which are outside the control of the Group. An unfavorable outcome of settling disputes as referred in Note 46, in the area of interpretation of the LTC Act and changes in the assumptions can significant impact on the results of the estimates and as a consequence may cause to significant changes in financial position and performance of the Group. At the date of preparation of these consolidated financial statements, the result of disputes with the President of the Energy Regulatory Office is not possible to predict. During the reporting period the Group has updated estimates of LTC compensations. Further details are described in Note 45 to these financial statements.
- **recoverable amount of tangible and intangible fixed assets** – impairment tests of cash generating units are based on a number of significant assumptions, some of which are outside the control of the Group. Significant changes to the assumptions impact the results of impairment test and consequently the financial position and performance of the Group (Note 7 and 9),
- **provision for purchasing CO₂ emissions rights** – the assumptions concern the allocation of free of charge CO₂ emission rights for 2014 (Note 33).

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5. Composition of the Group - list of subsidiaries and associates

No	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. <i>Poznań, Strzeszyńska 58</i>	100	100
2.	ENEA Wytwarzanie Sp. z o.o. <i>Świerże Górne, commune Kozienice, Kozienice 1</i>	100	100
3.	ENEA Oświetlenie Sp. z o.o. (previously Eneos Sp. z o.o.) <i>Poznań, Strzeszyńska 58</i>	100	100
4.	ENEA Trading Sp. z o.o. <i>Świerże Górne, commune Kozienice, Kozienice 1</i>	100	100
5.	Hotel „EDISON” Sp. z o.o. <i>Baranowo near Poznań</i>	100	100
6.	Szpital Uzdrowiskowy ENERGETYK Sp. z o.o. <i>Inowrocław, Wilkońskiego 2</i>	100	99.94
7.	ENEA Logistyka Sp. z o.o. (previously BHU Sp. z o.o.) <i>Poznań, Strzeszyńska 58</i>	100	100
8.	ENEA Serwis Sp. z o.o. (previously EP PUE Energobud Leszno Sp. z o.o.) <i>Lipno, Gronówko 30</i>	100	100
9.	ENEA Centrum Sp. z o.o. <i>Poznań, Górecka 1</i>	100	100
10.	ENEA Pomiary Sp. z o.o. (previously Energomiary Sp. z o.o.) <i>Poznań, Strzeszyńska 58</i>	100	100
11.	ENERGO-TOUR Sp. z o.o. <i>Poznań, Marcinkowskiego 27</i>	99.92	99.92
12.	Annacond Enterprises Sp. z o.o. <i>Warszawa, Jana Pawła II 25</i>	61	61
13.	ENTUR Sp. z o.o. <i>Szczecin, Malczewskiego 5/7</i>	3	100 ³
14.	Windfarm Polska Sp. z o.o. <i>Koszalin, Wojska Polskiego 24-26</i>	4	100 ¹
15.	„ITSERWIS” Sp. z o.o. <i>Zielona Góra, Zacisze 28</i>	5	100
16.	Energetyka Poznańska Zakład Transportu Sp. z o.o. <i>Poznań, Strzeszyńska 58</i>	6	100
17.	„Ecebe” Sp. z o.o. <i>Augustów, Wojciech 8</i>	100 ¹	100 ¹
18.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. <i>Oborniki, Wybudowanie 56</i>	99.91 ¹	99.89 ¹
19.	Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. <i>Białystok, Warszawska 27</i>	86.36 ¹	-
20.	Miejska Energetyka Ciepła Piła Sp. z o.o. <i>Piła, Kaczorska 20</i>	71.11 ¹	65.03 ¹
21.	Energoinwest-Broker S.A. <i>Toruń, Jęczmienna 21</i>	-	38.46 ²

1 - an indirect subsidiary held through interests in ENEA Wytwarzanie Sp. z o.o.

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 a 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 with registered office in Szczecin 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.

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.

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 EP Zakład Transportu Sp. z o.o. EP PUE Energobud Leszno Sp. z o.o. assumed all the rights and obligations of the acquired company.



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On 26 May 2014 the agreement between the Municipality of Białystok and ENEA Wytwarzanie Sp. z o.o. concerning the purchase of 85% shares of Miejskie Przedsiębiorstwa Energetyki Ciepłej in Białystok for the amount of PLN 260,000 thousand was signed. On 8 September 2014 the President of the Office of Competition and Consumer Protection agreed on concentration. On 16 September 2014 acquisition price has been paid and on the same date ENEA Group took control over Miejskie Przedsiębiorstwa Energetyki Ciepłej in Białystok.

On 7 October 2014 the share capital of Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Białystok was increased by PLN 6,562 thousand. All newly issued shares were acquired by ENEA Wytwarzanie Sp. z o.o. based in Świerże Górne.

On 27 June 2014 a change of the name of Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrawiskowe ENERGETYK Sp. z o.o. to Szpital Uzdrawiskowy ENERGETYK Sp. z o.o. was registered in the National Court Register. On 4 December 2014 ENEA S.A. bought 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.

On 30 December 2014 ENEA Wytwarzanie Sp. z o.o. disposed 400 shares of Energo-Inwest-Broker S.A. for PLN 7,500 thousand. The result on the transaction recognized in these consolidated financial statements amounted to PLN 3,498 thousand.

On 30 January 2015 Ecebe Sp. z o.o. in liquidation has been deleted from the National Court Register (KRS).

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

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

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

On 20 February 2015 the change of the name of Eneos Sp. z o.o. to ENEA Oświetlenie Sp. z o.o. was registered in National Court Register.

6. Segment reporting

The management of the Company's activities is conducted by division of operations into segments, which are separated based on types of products and services offered. The Group has four operating segments:

- trade – purchase and sale of electricity;
- distribution – electricity transmission services;
- production – electricity and heat production;
- other activities - maintenance and modernization of road lighting equipment, hotel services, transport, construction services, travel services, health care services.

Segment revenue is generated from sales to external clients and transactions with other segments, which are directly attributable to a given segment with a relevant portion of the Group's revenue that may be reasonably attributed to a

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given segment. In 2014 and 2013 no single customer was responsible for more than 10% of revenues from sale of any of business segments.

Segment costs include costs of goods sold to external clients and costs of transactions with other Group segments, which result from operations of a given segment and may be directly allocated to a given segment with a relevant portion of the Group's costs that may be reasonably allocated to a given segment.

Market prices are used in inter-segment transactions, which allow individual units to earn a margin sufficient to carry out independent operations in the market.

Information about geographical areas

The Group's operations were conducted during 2014 and 2013 in one geographical area i.e. on the territory of Poland.



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Financial Results by Segments:

(a) Segment reporting for the period from 1 January to 31 December 2014:

	Trade	Distribution	Production	All other segments	Eliminations	Total
Net sales revenue	3 733 830	2 890 362	3 055 797	175 406	-	9 855 395
Inter-segment sales	447 560	97 186	433 964	243 013	(1 221 723)	-
Total net sales revenue	4 181 390	2 987 548	3 489 761	418 419	(1 221 723)	9 855 395
Total expenses	(4 075 665)	(2 257 291)	(3 068 436)	(410 616)	1 193 381	(8 618 627)
Segment profit/loss	105 725	730 257	421 325	7 803	(28 342)	1 236 768
Depreciation	(757)	(429 144)	(286 666)	(14 457)		
EBITDA	106 482	1 159 401	707 991	22 260		
% of net sales revenue	2,6%	38,8%	20,3%	5,3%		
Unassigned Group costs (general and administrative expenses)						(50 293)
Operating profit						1 186 475
Finance cost						(125 483)
Finance income						81 178
Impairment loss on goodwill						(3 131)
Dividend income						3 355
Share in profit/(loss) of associates						708
Income tax						(233 980)
Net profit						909 122
Share of non-controlling interests						803



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(b) Segment reporting for the period from 1 January to 31 December 2013:

	Trade	Distribution	Production	All other segments	Eliminations	Total
Net sales revenue	3 337 214	2 879 913	2 771 625	161 768	-	9 150 520
Inter-segment sales	279 442	99 372	346 837	149 710	(875 361)	-
Total net sales revenue	3 616 656	2 979 285	3 118 462	311 478	(875 361)	9 150 520
Total expenses	(3 409 043)	(2 430 032)	(2 919 058)	(296 413)	848 021	(8 206 525)
Segment profit/loss	207 613	549 253	199 404	15 065	(27 340)	943 995
Depreciation	(625)	(384 328)	(359 966)	(17 498)		
EBITDA	208 238	933 581	559 370	32 563		
% of net sales revenue	5.8%	31.3%	17.9%	10.5%		
Unassigned Group costs (general and administrative expenses)						(38 136)
Operating profit						905 859
Finance cost						(44 821)
Finance income						88 144
Dividend income						4 552
Share in profit/(loss) of associates						331
Income tax						(231 545)
Net profit						722 520
Share of non-controlling interests						(4)



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Other segment reporting information as at 31 December 2014 and for the 12-month period ended as at that date:

	Trade	Distribution	Production	All other segments	Eliminations	Total
Property, plant and equipment	16 337	7 072 950	6 600 818	301 116	(304 620)	13 686 601
Trade and other receivables	791 414	596 613	715 989	143 267	(565 072)	1 682 211
Total	807 751	7 669 563	7 316 807	444 383	(869 692)	15 368 812
ASSETS excluded from segmentation						2 739 228
- including property, plant and equipment						15 355
- including trade and other receivables						102 656
TOTAL: ASSETS						18 108 040
Trade and other liabilities	199 244	507 328	443 058	164 844	(562 923)	751 551
Equity and liabilities excluded from segmentation						17 356 489
- including trade and other liabilities						387 381
TOTAL: EQUITY AND LIABILITIES						18 108 040

for the 12-month period ended 31 December 2014

Capital expenditure for tangible and intangible fixed assets	1 019	822 336	1 579 772	87 323	(71 488)	2 418 962
Capital expenditure for tangible and intangible fixed assets excluded from segmentation						6 267
Depreciation and amortization	757	429 144	286 666	14 457	(9 363)	721 661
Depreciation and amortization excluded from segmentation						6 747
Recognition/(derecognition/utilization) of receivables allowance	(197)	3 753	507	(2 210)	(2)	1 851



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Other segment reporting information as at 31 December 2013 and for the 12-month period ended as at that date:

	Trade	Distribution	Production	All other segments	Eliminations	Total
Property, plant and equipment	18 004	6 699 959	5 069 013	239 948	(234 181)	11 792 743
Trade and other receivables	643 844	477 143	240 225	70 345	(174 449)	1 257 108
Total	661 848	7 177 102	5 309 238	310 293	(408 630)	13 049 851
ASSETS excluded from segmentation						3 279 329
- including property, plant and equipment						18 823
- including trade and other receivables						101 625
TOTAL: ASSETS						16 329 180
Trade and other liabilities	285 231	512 507	631 748	53 537	(173 892)	1 309 131
Equity and liabilities excluded from segmentation						15 020 049
- including trade and other liabilities						92 462
TOTAL: EQUITY AND LIABILITIES						16 329 180

for the 12-month period ended 31 December 2013

Capital expenditure for tangible and intangible fixed assets	2 251	900 992	1 260 053	24 420	(23 279)	2 164 437
Capital expenditure for tangible and intangible fixed assets excluded from segmentation						5 815
Depreciation and amortization	625	384 328	359 966	17 498	(7 795)	754 622
Depreciation and amortization excluded from segmentation						7 137
Recognition/(derecognition/utilization) of receivables allowance	(28 958)	7 291	(31 899)	(20)	-	(53 586)



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7. Property, plant and equipment
(a) 2014

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2014							
Cost	49 520	8 906 244	6 339 315	177 861	501 099	2 098 491	18 072 530
Accumulated depreciation	-	(3 263 734)	(2 567 976)	(76 599)	(322 926)	(590)	(6 231 825)
Impairment loss	(103)	(21 837)	-	(2)	(14)	(7 183)	(29 139)
Net carrying amount at beginning of the period	49 417	5 620 673	3 771 339	101 260	178 159	2 090 718	11 811 566
Changes in the 12 months ended 31 December 2014							
Reclassifications	3 129	680 096	392 714	12 764	45 619	(1 205 475)	(71 153)
Acquisition	-	24 624	4 347	2 798	1 092	2 415 294	2 448 155
Disposal (cost)	(47)	(38 376)	(6 081)	(2 406)	(535)	(30)	(47 475)
Disposal (accumulated depreciation)	-	22 194	2 532	2 150	41	-	26 917
Depreciation	-	(344 037)	(309 288)	(12 256)	(32 989)	-	(698 570)
Impairment loss (-)	(162)	(16 131)	(12 010)	(6)	(185)	720	(27 774)
Acquisition of subsidiaries	29 970	170 779	28 890	426	1 910	21 765	253 740
Liquidation (cost)	(119)	(46 750)	(23 158)	(866)	(54 372)	(313)	(125 578)
Liquidation (accumulated depreciation)	-	41 548	21 844	804	52 311	-	116 507
Other (cost)	1 192	22 706	(28 885)	(279)	(1 278)	(3 405)	(9 949)
Other (accumulated depreciation)	(1 073)	(3 228)	32 389	182	(634)	(2 066)	25 570
Balance as at 31 December 2014							
Cost at end of period	83 645	9 719 323	6 707 142	190 298	493 535	3 326 327	20 520 270
Accumulated depreciation	(1 073)	(3 547 257)	(2 820 499)	(85 719)	(304 197)	(2 656)	(6 761 401)
Impairment loss	(265)	(37 968)	(12 010)	(8)	(199)	(6 463)	(56 913)
Net carrying amount at end of the period	82 307	6 134 098	3 874 633	104 571	189 139	3 317 208	13 701 956



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(b) 2013

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2013							
Cost	45 597	8 337 103	6 008 196	168 005	470 255	1 038 894	16 068 050
Accumulated depreciation	-	(2 981 052)	(2 241 617)	(69 898)	(297 767)	(563)	(5 590 897)
Impairment loss	(103)	(11 152)	195	(23)	(16)	(6 677)	(17 776)
Net carrying amount at beginning of the period	45 494	5 344 899	3 766 774	98 084	172 472	1 031 654	10 459 377
Changes in the 12 months ended 31 December 2013							
Reclassifications	3 944	601 856	375 970	13 126	33 684	(1 085 281)	(56 701)
Acquisition	-	10 554	9 418	3 078	2 120	2 144 404	2 169 574
Disposal (cost)	(23)	(21 052)	(1 642)	(3 806)	(1 039)	(1 377)	(28 939)
Disposal (accumulated depreciation)	-	9 546	1 344	3 389	1 039	-	15 318
Depreciation	-	(320 352)	(377 063)	(11 856)	(28 868)	(27)	(738 166)
Impairment loss (-)	-	(10 685)	(195)	21	2	(506)	(11 363)
Other (cost)	2	(22 217)	(52 627)	(2 542)	(3 921)	1 851	(79 454)
Other (accumulated depreciation)	-	28 124	49 360	1 766	2 670	-	81 920
Balance as at 31 December 2013							
Cost at end of period	49 520	8 906 244	6 339 315	177 861	501 099	2 098 491	18 072 530
Accumulated depreciation	-	(3 263 734)	(2 567 976)	(76 599)	(322 926)	(590)	(6 231 825)
Impairment loss	(103)	(21 837)	-	(2)	(14)	(7 183)	(29 139)
Net carrying amount at end of the period	49 417	5 620 673	3 771 339	101 260	178 159	2 090 718	11 811 566

Collaterals established on the Group's property, plant and equipment are disclosed in Note 18.

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Due to a delay in construction of block 11 in Kozenice Power Plant as compared to planned works for 2014, the settlement of the whole construction phase has been made in January 2015 in the total net amount of PLN 280,796 thousand. The Group does not have an information of the individual works that have been completed by 31 December 2014, therefore the whole construction phase was formally approved and invoiced in January 2015 and recognized in the accounts, both in capital expenditures and liabilities, at the time of invoicing by the contractor, i.e. in January 2015.

Impairment test (property, plant and equipment)

As at 30 September 2014, due to the falling prices of electricity and certificates of energy origin, the Group carried out tests for impairment of tangible fixed assets in entities producing energy. As a result of the analysis the Group recognized an impairment loss on assets (biogas plants in Liszków and Gorzestaw), in the amount of PLN (28,658) thousand.

The key assumptions applied to test are as follow:

- energy price trends for years 2013-2035,
- 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 years 2015-2020 according to the derogation proposal (Art. 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 Kozenice 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 plant	Power plant Kozenice
Recognition of financial projections	Real	Real	Real	Real	Real	Real	Nominal	Nominal
Discount rates pre- tax	6.7%	7.1%	8.1%	6.3%	7.8%	7.3%	5.6%	6.5%
Residual discount rates	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 Kozenice – 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.

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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.

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.

Finance lease

The Group uses the following property, plant and equipment under finance lease:

	31.12.2014			31.12.2013		
	Initial value	Accumulated depreciation	Net carrying amount	Initial value	Accumulated depreciation	Net carrying amount
Technical equipment and machines	1 937	(783)	1 154	1 029	(308)	721
Vehicles	8 098	(3 390)	4 708	10 096	(3 755)	6 341
Other fixed assets	-	-	-	1 656	(346)	1 310
Total	10 035	(4 173)	5 862	12 781	(4 409)	8 372

The Group does not enter into finance lease agreements as a financing party.

8. Perpetual usufruct of land

	31.12.2014	31.12.2013
Cost opening balance	71 330	73 666
Acquisition	5 616	714
Disposal (cost)	-	(3 050)
Acquisition of subsidiaries	4 370	-
Liquidation (cost)	(126)	-
Reclassification to investment property	387	-
Cost closing balance	81 577	71 330
Opening balance of amortization	(2 835)	(3 233)
Disposal (accumulated amortization)	-	614
Amortization	(565)	-
Liquidation (accumulated amortization)	(23)	-
Reclassification to investment property	(29)	-
Other (accumulated amortization)	(620)	(216)
Closing balance of amortization	(4 072)	(2 835)
Opening balance of impairment	(64)	(64)
Closing balance of impairment	(224)	(64)
Net carrying amount opening balance	68 431	70 369
Net carrying amount closing balance	77 281	68 431



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9. Intangible assets

(a) 2014

Balance as at 1 January 2014

	Research and development expenses	Goodwill	Computer software, licenses, concessions and patents	Easement rights	Customer relations	Total
Cost opening balance	3 375	149 909	220 145	12 206	16 000	405 535
Accumulated amortization	(332)	-	(165 703)	(658)	(4 960)	(175 553)
Impairment loss	-	(23 184)	(218)	-	-	(23 402)
Net carrying amount opening balance	3 043	126 725	54 224	11 548	11 040	206 580

Changes in 12 months ended 31 December 2014

Reclassifications	-	-	24 542	7 000	-	31 542
Acquisition	-	-	13 488	59	-	13 547
Disposal (cost)	-	-	(10 518)	-	-	(10 518)
Disposal (accumulated amortization)	-	-	8 711	-	-	8 711
Depreciation	(92)	-	(18 699)	(600)	(8 832)	(28 223)
Impairment loss (-)	-	(3 131)	-	-	-	(3 131)
Acquisition of subsidiaries	-	79 414	2 362	3 600	-	85 376
Liquidation (cost)	-	-	(7 074)	-	-	(7 074)
Liquidation (accumulated amortization)	-	-	6 799	-	-	6 799
Other	-	-	1 974	-	-	1 974
Other (accumulated amortization)	-	-	364	-	-	364

Balance as at 31 December 2014

Cost closing balance	3 375	229 323	244 919	22 865	16 000	520 382
Accumulated amortization	(424)	-	(168 528)	(1 258)	(13 792)	(187 902)
Impairment loss	-	(26 315)	(218)	-	-	(26 533)
Net carrying amount closing balance	2 951	203 008	76 173	21 607	2 208	305 947



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(b) 2013

Balance as at 31 January 2013

	Research and development expenses	Goodwill	Computer software, licenses, concessions and patents	Easement rights	Customer relations	Certificates exchange agreements	Agreements on supply of coal	Total
Cost opening balance	3 375	149 909	203 902	6 137	16 000	3 900	3 520	386 743
Accumulated amortization	(239)	-	(155 210)	(378)	(1 120)	(1 517)	(3 520)	(161 984)
Impairment loss	-	(23 184)	(218)	-	-	-	-	(23 402)
Net carrying amount opening balance	3 136	126 725	48 474	5 759	14 880	2 383	-	201 357

Changes in the 12 months ended 31 December 2013

Reclassifications	-	-	20 514	6 056	-	-	-	26 570
Acquisition	-	-	665	13	-	-	-	678
Disposal (cost)	-	-	(7 560)	-	-	-	-	(7 560)
Disposal (accumulated amortization)	-	-	7 520	-	-	-	-	7 520
Depreciation	(93)	-	(21 391)	(280)	(3 840)	(2 383)	-	(27 987)
Other (Impairment loss)	-	-	2 624	-	-	-	(3 520)	(896)
Other	-	-	3 378	-	-	-	3 520	6 898

Balance as at 31 December 2013

Cost closing balance	3 375	149 909	220 145	12 206	16 000	3 900	-	405 535
Accumulated amortization	(332)	-	(165 703)	(658)	(4 960)	(3 900)	-	(175 553)
Impairment loss	-	(23 184)	(218)	-	-	-	-	(23 402)
Net carrying amount closing balance	3 043	126 725	54 224	11 548	11 040	-	-	206 580

No collateral has been established on intangible assets.

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10. Goodwill

Goodwill has been presented in detail in the table below:

	Period ended 31.12.2014	Period ended 31.12.2013
Goodwill		
Opening balance	149 909	149 909
Acquisition of subsidiary MPEC Sp. z o.o. in Białystok	79 414	-
Closing balance	229 323	149 909
Accumulated impairment loss		
Opening balance	(23 184)	(23 184)
Impairment loss recognized during the year	(3 131)	-
Closing balance	(26 315)	(23 184)
Net carrying amount		
Opening balance	126 725	126 725
Closing balance	203 008	126 725

Goodwill by cash generating units has been presented in the table below:

Goodwill	Net carrying amount
Wind farm Windfarm (currently part of ENEA Wytwarzanie Sp. z o.o.)	102 435
MPEC in Białystok	79 414
Wind farm Darżyno (currently part of ENEA Wytwarzanie Sp. z o.o.)	18 686
MEC Piła	1 806
Hydro-electric power plants (currently part of ENEA Wytwarzanie Sp. z o.o.)	667
	203 008

As at 30 September 2014 the Group carried out an impairment test on goodwill. The test covered significant goodwill related to two cash-generating units acquired in 2011: Wind farm Darżyno (currently part of ENEA Wytwarzanie Sp. z o.o.) and Biogas plant Dobitt (currently ENEA Wytwarzanie Sp. z o.o.) and also in unit acquired in 2012: Wind farm Windfarm (currently ENEA Wytwarzanie Sp. z o.o.). As a result of the analysis the Group recognized on 31 December 2014 an impairment loss on goodwill in the amount of PLN 3,131 thousand related to Biogas plant Dobitt.

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

- a) energy price trends for years 2013-2035,
- b) price trends of certificates of energy origin from renewable resources and cogeneration,
- c) price trends of CO₂ emission rights,
- d) price trends of coal,
- e) allocation of free of charge CO₂ emission rights for years 2015-2020 according to the derogation proposal (Art. 10 paragraph 5 of the Directive 2003/87/WE of the European Parliament and the Council),
- f) consideration of the new power unit no. 11 in Koźienice power plant,

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- g) consideration of support system for green energy for the whole projection period but not longer than 2029.
- h) Wind farm Darżyno: pre-tax discount rate 5.67%, residual growth rate 0.0%, projection period was extended till 2034 in line with the economic useful life of assets,
- i) Biogas plant Dobitt: pre-tax discount rate 6.3%, residual growth rate 0.0%, projection period was extended till 2034 in line with the economic useful life of assets,
- j) Wind farm Windfarm: pre-tax discount rate 7.8%, residual growth rate 0.0%, projection period was extended till 2034 in line with the economic useful life of assets,

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

11. Investment property

	31.12.2014	31.12.2013
Cost opening balance	36 165	34 356
Reclassifications	(3 435)	1 809
Disposal (cost)	(3)	-
Reclassification to assets held for sale (cost)	(830)	-
Other	24	-
Cost closing balance	31 921	36 165
Opening balance of accumulated depreciation	(2 545)	(1 585)
Disposal (accumulated depreciation)	(982)	56
Depreciation for the period	(592)	-
Liquidation (accumulated depreciation)	234	(136)
Other (accumulated depreciation)	(9)	(880)
Closing balance of accumulated depreciation	(3 894)	(2 545)
Opening balance of impairment loss	(2 979)	(2 019)
Impairment loss (-)	(1 617)	(960)
Closing balance of impairment loss	(4 596)	(2 979)
Net carrying amount opening balance	30 641	30 752
Net carrying amount closing balance	23 431	30 641

No collateral has been established on investment property.

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The income and expenses realized from investment property has been presented below:

	31.12.2014	31.12.2013
Revenue from investment property	2 970	2 906
Operating costs related to investment property:	(839)	(1 335)

The Group recognizes as investment properties among others office buildings, a hotel in Augustów and other commercial properties.

The most valuable investment property is ENEA S.A. former headquarter building, carrying amount of PLN 9,770 thousand. The Group estimates fair value of this property at PLN 18,162 thousand.

12. Investments in associates

	31.12.2014	31.12.2013
Opening balance	3 298	5 951
Share in the net change of net assets	708	331
Disposal of investments	(4 006)	(3 000)
Other changes	-	16
Closing balance	-	3 298

The share in the net profit/loss of associates consolidated at equity for 2014 amounted to PLN 708 thousand (PLN 331 thousand for 2013).

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The following table presents the key financial information regarding associates consolidated at equity.

31.12.2014	Revenue	Expenses	Net profit
Energo-Inwest-Broker S.A. (former associate)*	32 054	(29 013)	3 041
	32 054	(29 013)	3 041

*On 30 December 2014 ENEA Wytwarzanie Sp. z o.o sold 400 shares of Energo-Inwest-Broker S.A. for PLN 7,500 thousand. The Group recognized in these consolidated financial statements of this associate until the date of its disposal.

31.12.2013	Share in the ownership	Current assets	Non-current assets	Total assets	Current liabilities and provisions for liabilities	Non-current liabilities and provisions for liabilities	Total liabilities	Revenue	Expenses	Net profit
Energo-Inwest-Broker S.A. (an associate)	38.46%	5 733	6 854	12 587	3 381	651	4 032	31 727	(27 784)	3 943
		5 733	6 854	12 587	3 381	651	4 032	31 727	(27 784)	3 943

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13. Acquisition of a subsidiary

On 26 May 2014 an agreement between the Municipality of Białystok and ENEA Wytwarzanie S.A. concerning the acquisition of 85% shares of Miejskie Przedsiębiorstwo Energetyki Ciepłej in Białystok ("MPEC Białystok") for an amount of PLN 260,000 thousand was signed. The President of the Office of Competition and Consumer Protection has consented for the concentration on 8 September 2014. On 16 September 2014 the acquisition price has been paid and on the same date the ENEA Group took control over Miejskie Przedsiębiorstwo Energetyki Ciepłej in Białystok.

Acquisition of shares in the company allows to take control on the heating system in Białystok and optimizing production.

In the period from 16 September to 31 December 2014 MPEC Białystok earned revenues of PLN 70,934 thousand and net income of PLN 2,354 thousand. If the merger had taken place on 1 January 2014, according to the Management Board estimates, consolidated net sales revenues for the twelve month period ended 31 December 2014 would have amounted to PLN 9,876,624 thousand and consolidated net income would have amounted to PLN 943,284 thousand.

The following table presents fair values of the identifiable assets acquired and liabilities assumed at the acquisition date:

	16.09.2014
Acquisition price of 85% shares	260 002
Non-controlling interests	32 477
Implied acquisition price of 100% of equity	292 479
Intangible assets	11 584
Tangible fixed assets	258 111
Trade and other receivables	17 892
Cash and cash equivalents	777
Inventory	6 710
Deferred income tax	(10 037)
Liabilities	(71 972)
The fair value of the net assets at the acquisition date	213 065
Goodwill	79 414

In the agreement for the acquisition of shares of MPEC Białystok an irrevocable put option for remaining shares was included and is valid for a period of 4 years from the date the ownership of shares transferred to the Acquirer. The Group recognized financial liability arising from this option in correspondence with other equity (PLN 45,883 thousand).


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14. Non-controlling interests
(a) 2014

Subsidiary name	Energio-Tour Sp. z o.o.	Szpital Uzdrowiskowy Energetyk Sp. z o.o.	Miejska Energetyka Ciepna Pita Sp. z o.o.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki	Annacond Enterprises Sp. z o.o.	Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.	Total non-controlling interests
Non-controlling interests (%)	0.08%	0.00%	28.89%	0.09%	39.00%	13.64%	
Non-current assets	6 063	-	75 532	9 607	(342)	261 827	
Current assets	1 131	-	25 835	4 152	75	52 756	
Non-current liabilities	(882)	-	(19 676)	(2 976)	-	(45 703)	
Current liabilities	(582)	-	(11 217)	(1 264)	(2)	(53 492)	
Net assets	5 730	-	70 474	9 519	(269)	215 388	
Carrying amount of non-controlling interests	5	-	20 360	9	(105)	29 379	49 648
Sales revenue	8 236	10 066	37 682	7 157	43	70 934	
Net profit/ (loss) for the reporting period	(411)	564	3 259	(282)	(1 231)	2 354	
Total comprehensive income	(411)	564	3 259	(282)	(1 231)	2 354	
Profit / (Loss) attributable to non-controlling interests	-	-	998	(1)	(515)	321	803
Net cash flow from operating activities	(183)	1 145	4 525	1 390	(12)	14 104	
Net cash flow from investing activities	(5)	(70)	(19 419)	(439)	-	(15 571)	
Net cash flow from financing activities – before dividend payment for non-controlling interests	-	(1 016)	5 027	(320)	-	5 930	
Net cash flow from financing activities – dividend paid to non-controlling interests	-	-	-	-	-	-	
Net cash flows	(188)	59	(9 867)	631	(12)	4 463	


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(b) 2013

Subsidiary name	BHU S.A.	Ergo-Tour Sp. z o.o.	Centrum Uzdrowiskowe Energetyk Sp. z o.o.	Miejska Energetyka Ciepła Piła Sp. z o.o.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki	Annacond Enterprises Sp. z o.o.	Total non-controlling interests
Non-controlling interests (%)	0.00%	0.08%	0.06%	34.97%	0.11%	39.00%	
Non-current assets	-	6 338	23 317	46 167	10 081	1 440	
Current assets	-	1 136	690	33 078	4 928	299	
Non-current liabilities	-	(819)	(6 595)	(9 174)	(3 285)	(683)	
Current liabilities	-	(514)	(3 083)	(16 065)	(1 923)	(5)	
Net assets	-	6 141	14 329	54 006	9 801	1 051	
Carrying amount of non-controlling interests	-	5	9	18 886	11	410	19 321
Sales revenue	133 259	7 793	9 979	40 034	8 264	58	
Net profit/ (loss) for the reporting period	(5 599)	(393)	(746)	2 052	359	(1 429)	
Total comprehensive income	(5 599)	(393)	(746)	2 052	359	(1 429)	
Profit / (Loss) attributable to non-controlling interests	(192)	-	-	774	-	(586)	(4)
Net cash flow from operating activities	2 053	(283)	887	20 891	597	(708)	
Net cash flow from investing activities	(60)	(36)	(383)	(7 985)	(3 890)	-	
Net cash flow from financing activities – before dividend payment for non-controlling interests	1 332	-	(356)	2 036	2 164	400	
Net cash flow from financing activities –dividend paid to non-controlling interests	-	-	-	-	-	-	
Net cash flows	3 325	(319)	148	14 942	(1 129)	(308)	

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15. Non-current assets held for sale

	31.12.2014	31.12.2013
Tangible fixed assets	12 328	12 328
Perpetual usufruct of land	1 122	1 122
Inventory	8	8
Receivables	10	22
Cash	46	7
Non-current assets held for sale	13 514	13 487
Loans, borrowings and debt securities	-	123
Trade and other liabilities	151	76
Liabilities due to employee benefits	67	71
Liabilities related to non-current assets held for sale	218	270

As at 31 December 2014 assets of the subsidiary Hotel "Edison" Sp. z o.o. are presented as non-current assets held for sale and liabilities of that company as liabilities related to assets held for sale.

ENEA S.A. leads an active process of the sale of shares of Hotel "Edison" Sp. z o.o. under a public invitation to negotiations. It is anticipated the sale to be completed during the first quarter of 2015.

16. Financial assets

	31.12.2014	31.12.2013
Receivables and borrowings	20 739	8 106
Non-current financial assets available for sale (shares in unrelated parties)	47 479	61 761
Non-current financial assets measured at fair value through profit or loss	99	1 860
Total non-current financial assets	68 317	71 727
Receivables and loans	1 569 595	1 287 473
Current financial assets held to maturity	189 789	45
Current financial assets measured at fair value through profit or loss	392 251	296 339
Total current financial assets	2 151 635	1 583 857
Total	2 219 952	1 655 584

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(all amounts in PLN '000, unless specified otherwise)
17. Trade and other receivables

	31.12.2014	31.12.2013
Current trade and other receivables		
Trade receivables	1 183 206	1 020 209
Tax receivables (excluding income tax) and other similar charges	97 465	55 838
Other receivables	258 816	133 399
Advance payments	97 068	7 316
Receivables due to unbilled sales	247 431	251 223
Prepaid property insurance	2 581	3 230
	1 886 567	1 471 215
Less: impairment loss on receivables	(122 439)	(120 588)
Net current trade and other receivables	1 764 128	1 350 627

	31.12.2014	31.12.2013
Non-current trade and other receivables		
Non-current trade receivables	13 489	-
Other receivables	7 250	8 106
Net non-current trade and other receivables	20 739	8 106

Trade and other receivables allowance:

	31.12.2014	31.12.2013
Opening balance of receivables allowance	120 588	174 174
Addition	29 249	28 031
Release	(16 928)	(41 143)
Utilization	(10 470)	(40 474)
Closing balance of receivables allowance	122 439	120 588

Ageing structure of trade and other receivables:

	31.12.2014		
	Nominal value	Allowance (-)	Carrying amount
Current	1 483 985	(89)	1 483 896
Overdue	423 321	(122 350)	300 971
0-30 days	163 069	(358)	162 711
31- 90 days	40 334	(1 007)	39 327
91-180 days	24 628	(2 288)	22 340
over 180 days	195 290	(118 697)	76 593
TOTAL	1 907 306	(122 439)	1 784 867

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31.12.2013			
	Nominal value	Allowance (-)	Carrying amount
Current	1 059 107	(386)	1 058 721
Overdue	420 214	(120 202)	300 012
0-30 days	148 537	(27)	148 510
31- 90 days	51 359	(993)	50 366
91-180 days	18 565	(2 417)	16 148
over 180 days	201 753	(116 765)	84 988
TOTAL	1 479 321	(120 588)	1 358 733

18. Encumbrances and collaterals established on the Group's assets

Property, plant and equipment with limited ownership of the Group and classified as collateral of liabilities:

Entity's name	Collateral title	Type of collateral	Entity for which the collateral has been established	Indebtedness as at 31 Dec 2014	Indebtedness as at 31 Dec 2013	Collateral period
NZOZ Centrum Uzdrowiskowe Energetyk Sp. z o.o.	Loan	Capped mortgage up to PLN 8,450 thousand, registered pledge	Siemens Finance Sp. z o.o.	4 785	5 413	September 2020
EP PUE ENERGOBUD Leszno Sp. z o.o.	Investment loan	Mortgage in the amount of PLN 4,000 thousand	Nordea Bank Polska S.A.	-	778	July 2014
Hotel „EDISON” Sp. z o.o	Overdraft	Capped mortgage up to PLN 400 thousand	BZ WBK S.A.	-	123	October 2014
Elektrownie Wodne Sp. z o.o.	Investment loan	Mortgage, Capped mortgage, registered pledge	PKO BP S.A.	16 330	19 000	August 2020
PEC Sp. z o.o. in Obornikach	Lease	Capped mortgage, assignment of receivables	BZ WBK Leasing S.A.	-	42	November 2014
ENEA Wytwarzanie Sp. z o.o.	Long-term credit facility	Registered pledge on fixed assets, 16 blank bills of exchange, authorization to the bank account, assignment of insurance policy title	Nordic Investment Bank S.A.	-	15 666	November 2014


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Other collaterals, including those related to loans and borrowings presented in the preceding table.

No	Entity's name	Collateral title	Type of collateral	Entity for which the collateral has been established	Indebtedness as at 31.12.2014	indebtedness as at 31.12.2013	Collateral period
1.	Enea Serwis	Claims arising from the contract on purchase of products and services secured with Fleet Cards	Blank promissory note	PKN Orlen S.A.	64	38	unlimited
2.		Collateral for lease contracts	Blank promissory note	Pekao Leasing Sp. z o.o.	498	1 160	27 October 2015
3.		Collateral for tender guarantee	Blank promissory note	PZU S.A.	-	-	21 July 2016
4.		Collateral for tender guarantee	Blank promissory note	Warta S.A.	-	-	30 October 2014
5.		Contract insurance guarantee	Blank promissory note	TUiR Allianz Polska S.A.	-	-	20 August 2014
6.		Investment loan	Assignment of property insurance policy	NORDEA BANK POLSKA S.A.	-	778	31 July 2014
7.	MPEC Białystok	Investment loan	Blank promissory note	PKO BP SA	6 515	-	30 June 2022
8.		Investment loan	Blank promissory note	ING Bank Śląski SA	7 668	-	12 November 2023
9.		Borrowing	Blank promissory note, assignment of receivables from power sales contract	WFOŚiGW	222	-	31 December 2016
10.		Borrowing	Blank promissory note, assignment of receivables from power sales contract	WFOŚiGW	959	-	31 January 2017
11.		Collateral for lease contract	Blank promissory note	Millennium Leasing Sp. z o.o. Warszawa	93	-	Duration of the contract
12.		Collateral for lease contract	Blank promissory note	m Leasing Sp. z o.o. Warszawa	104	-	Duration of the contract
13.		Collateral for lease contract	Blank promissory note	Europejski Fundusz Leasingowy SA Wrocław	474	-	Duration of the contract
14.		Grant	Blank promissory note	NFOŚiGW	-	-	Duration of the contract
15.	Enea Wytwarzanie	Borrowing	Blank promissory note, assignment of receivables from power sales contract	NFOŚiGW	5 213	5 789	20 December 2023
16.	Eneos	Investment loan	Blank promissory note, assignment of a contract	PKO BP S.A.	-	1 562	20 December 2020
17.	Szpital Uzdrowskiowy Energetyk	Borrowing	Blank promissory note	Siemens Finance Sp. z o.o.	4 785	5 413	30 September 2020

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18.	Enea Logistyka	Collateral of a purchase limit	Blank promissory note	Philips Lighting Farel Mazury Sp. z o.o.	681	284	Duration of the contract
19.		Collateral of lease	Assets under lease agreement	M Leasing sp. z o.o.	369	618	21 January 2017
20.		Electricity and property rights trading on a commodity market	Bank guarantee	Izba Rozliczeniowa Giełd Towarowych S.A.	-	-	18 November 2014
21.		Rental agreement	Bank guarantee	Górecka Projekt Sp. z o.o.	-	-	31 December 2014
22.		Rental agreement	Bank guarantee	Atrium Tower Sp. z o.o.	-	-	31 August 2015
23.	ENE A	Collateral for costs of arbitration to the agreement No. 19338 between ENE A S.A. and EQUIVENTUS CAPITAL S.A.R.L.	Bank guarantee	International Chamber of Commerce	-	-	13 October 2014
24.		The guarantee provided by the bank for the liabilities of EP PUE Energobud Leszno Sp. z o.o.	Bank guarantee	Ardagh Glass S.A.	-	-	21 December 2016
25.	Enea Pomiary	Collateral for lease contract	Blank promissory note	Volkswagen Leasing Polska Sp. z o.o.	80	255	November 2014
26.	Enea Centrum	Lease agreement	Blank promissory	BZ WBK Leasing S.A.	-	9	20 March 2014
27.	PEC Oborniki	Borrowing collateral	Blank promissory and assignment of receivables	WFOŚiGW	2 166	3 150	30 June 2023
28.		Borrowing collateral	Blank promissory and assignment of receivables	WFOŚiGW	756	4 141	20 August 2018
29.		Borrowing	Blank promissory	NFOŚiGW	12 496	9 928	30 September 2018
30.	Enea Wytwarzanie	Borrowing	Blank promissory	Raiffeisen-Leasing Polska S.A.	35	93	30 June 2016
31.		Grant	Blank promissory	NFOŚiGW	-	-	30 November 2016

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(all amounts in PLN '000, unless specified otherwise)
19. CO₂ emission rights

	31.12.2014	31.12.2013
Opening balance		
Cost	190 566	194 622
Net carrying amount	190 566	194 622
Changes within 12 month period		
Acquisition	186 080	86 212
Redemption of emission rights	(107 029)	(90 268)
Sales	(55 500)	-
Other changes	(5 397)	-
Closing balance		
Cost	208 720	190 566
Net carrying amount	208 720	190 566

20. Inventory

	31.12.2014	31.12.2013
Materials	306 242	290 418
Semi-finished products and work in progress	744	591
Finished products	202	420
Certificates of origin	205 881	223 916
Goods for resale	10 999	11 032
Cost	524 068	526 377
Impairment loss on inventories	(15 905)	(4 879)
Net carrying amount	508 163	521 498

Inventories expensed during the current year amounted to PLN 1,817,431 thousand (PLN 1,747,463 thousand during 2013).

No collateral has been established on inventories.

21. Certificates of origin

	31.12.2014	31.12.2013
Net carrying amount opening balance	240 521	180 521
Self-production	199 838	182 328
Acquisition	252 197	199 585
Redemption of emission rights	(486 472)	(324 128)
Sale	-	-
Impairment loss (-)	(4 451)	1 596
Other changes	-	619
Net carrying amount closing balance	201 633	240 521

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22. Cash and cash equivalents

	31.12.2014	31.12.2013
Cash in hand and at bank	194 521	990 112
- cash in hand	276	532
- cash at bank	194 245	989 580
Other cash	492 795	583 083
-cash in transit	-	37
- deposits	431 837	582 938
- other	60 958	108
Total cash and cash equivalents	687 316	1 573 195
Cash disclosed in the statement of cash flows	687 316	1 573 195

Collaterals established on cash has been disclosed in Note 18.

As at 31 December 2014 the total restricted cash of the Group amounted to PLN 77,335 thousand (as at 31 December 2013 PLN 124,311 thousand). The total restricted cash of the Group comprised transaction deposits related to trading in energy and CO₂ emission rights and deposits received from suppliers.

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

	31.12.2014	31.12.2013
Investment portfolio	391 901	296 339
Other financial assets	449	1 860
Financial assets measured at fair value through profit or loss	392 350	298 199

As at 31 December 2014 carrying amount of the portfolio of financial assets measured at fair value through profit or loss- treasury bills and bonds is equal to PLN 391,901 thousand. On 23 December 2014 the Company sold shares of Pioneer Investment Fund, which as at 31 December 2013 were entirely presented as non-current assets (PLN 1,860 thousand).

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*(all amounts in PLN '000, unless specified otherwise)***24. Equity****Balance as at 31.12.2014**

Series of shares	Number of shares	Nominal value per 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		
Total share capital			441 443
Share capital (face value)			441 443
Capital from business combination			38 810
Hyperinflation adjustment of share capital			107 765
TOTAL SHARE CAPITAL			588 018
Share premium			3 632 464
Retained earnings			7 804 989
Financial instruments revaluation reserve			34 777
Other capital			(45 883)
Non-controlling interests			49 648
TOTAL EQUITY			12 064 013

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 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.



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Balance as at 31.12.2013

	Number of shares	Nominal value per share (in PLN)	Carrying amount
Series of shares			
“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		
Total share capital			441 443
Share capital (face value)			441 443
Capital from business combination			38 810
Hyperinflation adjustment of share capital			107 765
TOTAL SHARE CAPITAL			588 018
Share premium			3 632 464
Share-based payments reserve			1 144 336
Retained earnings			6 080 187
Financial instruments revaluation reserve			45 185
Other capital			(20 664)
Non-controlling interests			19 321
TOTAL EQUITY			11 488 847

25. Trade and other liabilities

	31.12.2014	31.12.2013
Non-current trade and other liabilities		
Non-current trade liabilities	111	-
Other	3 164	-
Non-current trade and other liabilities	3 275	-
Current trade and other liabilities		
Trade liabilities	313 386	454 180
Advance payments received for deliveries, works and services	82 983	61 881
Tax and similar liabilities (excluding income tax)	164 989	186 265
Liabilities due to the purchase of tangible and intangible fixed assets	398 781	549 786
Dividend liabilities	23	23
Special funds	1 289	574
Liabilities due to put options for purchase of shares in subsidiaries	45 883	-
Other	128 323	148 884
Current trade and other liabilities	1 135 657	1 401 593
Total	1 138 932	1 401 593

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26. Loans, borrowings and debt securities

	31.12.2014	31.12.2013
Bank loans	1 073 203	794 773
Borrowings	31 484	25 136
Bonds	1 104 961	-
Long-term	2 209 648	819 909
Bank loans	4 489	19 363
Borrowings	4 386	3 285
Short-term	8 875	22 648
Total	2 218 523	842 557

Loans and borrowings

A brief description of significant loan agreements and borrowings of the ENEA Group is presented below:

ENEA S.A. – On 18 October 2012 ENEA S.A. (Debtor) entered into a Financial Agreement (Agreement) with European Investment Bank (Bank) for a loan amounting to PLN 950,000 thousand (nine hundred fifty million złotych), or its equivalent in Euro currency. On 19 June 2013 ENEA S.A. (Debtor) entered into a Financial Agreement B (Agreement) with European Investment Bank (Bank) for a loan amounting to PLN 475,000 thousand, or its equivalent in Euro currency. Therefore the total amount of financing granted by the Bank over the last twelve months amounted to PLN 1,425,000 thousand.

The funds will be designated for financing of long-term investment plan (Programme) for the modernization and extension of power grids of ENEA Operator Sp. z o.o located in north - western Poland. The total amount of the Programme is estimated at approximately PLN 3,275.87 million.

The loan should be repaid after maximum of 15 years from the scheduled date of the loan drawing. The loan availability period expires on 31 December 2015 (availability period was extended under the Annex to the Agreement concluded on 12 August 2014). The interest rate of the loan can be fixed or floating.

Additionally, on 19 June 2013 ENEA S.A. and ENEA Operator Sp. z o.o. signed an Annex to the Agreement on the Programme of 18 October 2012, which settled realization rules for the part of the Programme financed by the Bank. The Annex updated rules of the Programme realization due to the increased level of financing by the Bank.

Under the agreements with European Investment Bank ENEA S.A. made drawings in three tranches in the 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 fixed interest rate.

ENEA Wytwarzanie Sp. z o.o. – during 2014 ENEA Wytwarzanie Sp. z oo, repaid loans in the total amount of PLN 18,336 thousand, including investment loan in the Nordic Investment Bank PLN 15,666 thousand and investment loan PKO BP S.A. PLN 2,678 thousand, movements in loans from the NFOŚiGW in the amount of

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PLN 1,992 thousand includes repayments in the amount of PLN 576 thousand new drawings in the amount of PLN 2,678 and accrued interest in the amount of PLN 110 thousand.

Miejskie Przedsiębiorstwo Energetyki Ciepłej w Białymstoku Sp. z o.o. – investment loan for the period from 1 August 2012 till 30 June 2022 - loan in the amount of PLN 7,818 thousand, secured with promissory note issued by the borrower with a declaration and statement of execution from the bill. The creditor is PKO BP S.A.

Investment loan for the period from 12 November 2013 to 12 November 2023 - loan in the amount of PLN 8,548 thousand secured with promissory note issued by the debtor with a declaration and statement of submission to enforcement. The creditor is ING Bank Śląski.

Overdraft facility in the amount of PLN 6,000 thousand till 31 March 2015 is secured by declaration of submission to execution.

Bonds

ENEA S.A. concludes agreements for the bond issue programs to finance current operations and investments needs of ENEA S.A. and its subsidiaries.

No	Name of the bonds issue programme	Date of conclusion of the programme	Amount of the programme	Bonds issued as at 31 December 2014	Bonds issued as at 31 December 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⁾	-

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 Polska 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 of 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 the debt incurred costs and expenses

³⁾ ENEA S.A. made corporate decisions to start the process of issuing bonds under the Programme. On 10 February 2015 a first bonds issue was carried out under the PLN 5,000,000 thousand Bond Issue Programme. 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 margin of 0.85%. Payments of interest will be due half-yearly on 10 August and 10 February

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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 expenditures in line with the strategy of the ENEA Group.

Hedging transactions

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.

27. Deferred income due to subsidies, connection fees and other

	Carrying amount 31.12.2014	Carrying amount 31.12.2013
Long-term		
Deferred income due to subsidies	167 026	164 345
Deferred income due to connection fees	454 084	466 066
Deferred income due to street lighting modernization services	16 247	-
	637 357	630 411
Short-term		
Deferred income due to subsidies	11 359	14 536
Deferred income due to connection fees	56 917	56 862
Deferred income due to street lighting modernization services	1 318	6 110
Valuation of building contracts	3 104	5 119
	72 698	82 627
Deferred income schedule		
	31.12.2014	31.12.2013
Up to 1 year	72 698	82 627
1 to 5 years	129 122	131 862
Over 5 years	508 235	498 549
	710 055	713 038

28. Financial instruments

28.1. Principles of financial risk management

The Group 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 Group'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 the Parent.

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 activity of the Group. Taking these into consideration, appropriate steps are undertaken aimed at mitigation of the risk or its transfer beyond the Group. In order to do so, the Group ensures that its employees are aware of possible occurrence of risks and their influence on the activity of individual organizational units.

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.

28.2. 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;

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- 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.).

The table below presents the structure of the assets illustrating the exposure of the ENEA Group to credit risk:

	31.12.2014	31.12.2013
Current and non-current financial assets held to maturity	189 789	45
Current and non-current financial assets measured at fair value through profit or loss	392 350	298 199
Trade and other receivables	1 587 161	1 282 352
Cash and cash equivalents	687 316	1 573 195
Total	2 856 616	3 153 791

The credit risk relating to receivables differs for individual market segments in which the Group carries out its business activities:

- electricity and distribution service sales to individual customers – a considerable amount of past due receivables. Although they do not represent a serious threat to the Group's financial position, measures aimed at their reduction have been undertaken. Steps aimed at improvement of the collection process have been taken 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 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. However, the collection procedure is similar and collection measures are undertaken within 6-10 business days of the payment date;
- 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 collect past due receivables through direct contact with the customer. ENEA also cooperates in the field of debt collection activities with specialized external entities.

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The Group monitors the amount of past due receivables on an ongoing basis and in justified cases files legal complaints and recognizes appropriate impairment losses.

28.3. Liquidity risk

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

The objective of the liquidity risk management carried out by the Group 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 address liquidity crises, i.e. periods of an increased demand for liquid assets.

The policy assumes ensuring available cash sufficient to repay liabilities in the course of standard operations and to continue undisturbed business operations in time of liquidity crisis in the period necessary to implement emergency financing plan which allows 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 financial surpluses are invested 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 key entities participating in ENEA Tax Group and expended intra-group bonds issue programmes resulting in an increase of cash effectiveness within the Group.

Taking into account ongoing risk management as well as the market and financial position of the Group 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 606,000 thousand.



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

31.12.2014

	Trade and other liabilities	Finance lease liabilities	Bank loans and bonds	Borrowings	Financial liabilities measured at fair value through profit or loss	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	890 960	2 566	2 182 653	35 870	917	(687 316)	(1 587 161)	(392 350)	(189 789)	256 350
Undiscounted contractual cash flows	(890 960)	(2 572)	(2 683 332)	(42 171)	(917)	687 614	1 587 161	392 350	189 789	(763 038)
up to 6 months	(887 685)	(931)	(36 021)	(4 394)	(917)	687 614	1 566 179	392 350	189 789	1 905 984
6 - 12 months	-	(777)	(36 276)	(4 365)	-	-	243	-	-	(41 175)
1 - 2 years	(3 275)	(864)	(72 302)	(10 180)	-	-	19 274	-	-	(67 347)
2 - 5 years	-	-	(511 897)	(18 610)	-	-	730	-	-	(529 777)
Over 5 years	-	-	(2 026 836)	(4 622)	-	-	735	-	-	(2 030 723)



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	31.12.2013									
	Trade and other liabilities	Finance lease liabilities	Bank loans and bonds	Borrowings	Financial liabilities measured at fair value through profit or loss	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	1 033 604	4 724	814 136	28 421	364	(1 573 195)	(1 282 352)	(298 199)	(45)	(1 272 542)
Undiscounted contractual cash flows	(1 034 061)	(5 037)	(1 041 299)	(36 363)	(364)	1 576 902	1 282 808	298 199	45	1 040 830
up to 6 months	(1 034 061)	(1 491)	(22 519)	(1 182)	-	1 576 902	1 199 252	298 199	45	2 015 145
6 - 12 months	-	(1 587)	(22 526)	(1 759)	(364)	-	148	-	-	(26 088)
1 - 2 years	-	(1 770)	(29 135)	(15 361)	-	-	82 626	-	-	36 360
2 - 5 years	-	(189)	(303 776)	(12 690)	-	-	759	-	-	(315 896)
Over 5 years	-	-	(663 343)	(5 371)	-	-	23	-	-	(668 691)

28.4. Commodity risk

Commodity risk is related to possible changes in revenue/cash flows generated by the Group resulting, in particular, from fluctuations in commodity prices and changing demand for products/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 the 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 Group'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 Group'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 S.A. 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 the market trends, taking account of the efficiency aspect in the context of that trend (achieving better results than the market average).



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28.5. Currency risk

The exposure of the Group to currency risk is presented below.

31.12.2014	Carrying amount	Including EUR amount denominated in the functional currency (PLN)	EUR currency risk impact on profit/(loss)		Including USD amount denominated in the functional currency (PLN)	USD currency risk impact on profit/(loss) (USD)		Total currency risk impact on profit/(loss)	
			+1%	-1%		+1%	-1%	+1%	-1%
Financial assets									
Cash and cash equivalents	687 316	52 848	528	(528)	-	-	-	528	(528)
Trade and other receivables	1 587 161	30 892	309	(309)	-	-	-	309	(309)
Forward contracts	-	-	-	-	-	-	-	-	-
Financial assets available for sale	47 479	-	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss	392 350	-	-	-	-	-	-	-	-
Financial assets held to maturity	189 789	-	-	-	-	-	-	-	-
Financial liabilities									
Loans, borrowings and debt securities	(2 218 523)	-	-	-	-	-	-	-	-
Trade and other liabilities	(890 960)	(57)	(1)	1	-	-	-	(1)	1
Finance lease liabilities	(2 566)	-	-	-	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss	(917)	-	-	-	-	-	-	-	-
Impact on profit/loss before tax			836	(836)				836	(836)
19% tax								(159)	159
Impact on profit/loss after tax								677	(677)

The notes presented on pages 11-115 constitute an integral part of the consolidated financial statements.



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31.12.2013	Carrying amount	Including EUR amount denominated in the functional currency (PLN)	EUR currency risk impact on profit/(loss)		Including USD amount denominated in the functional currency (PLN)	USD currency risk impact on profit/(loss) (USD)		Total currency risk impact on profit/(loss)	
			+1%	-1%		+1%	-1%	+1%	-1%
Financial assets									
Cash and cash equivalents	1 573 195	65 040	650	(650)	16	0	(0)	650	(650)
Trade and other receivables	1 282 352	1 321	13	(13)	-	-	-	13	(13)
Financial assets available for sale	61 761	-	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss	298 199	-	-	-	-	-	-	-	-
Financial assets held to maturity	45	-	-	-	-	-	-	-	-
Financial liabilities									
Loans, borrowings and debt securities	(842 557)	(14 008)	(140)	140	(1 658)	(17)	17	(157)	157
Trade and other liabilities	(1 033 604)	(142 173)	(1 422)	1 422	-	-	-	(1 422)	1 422
Finance lease liabilities	(4 724)	-	-	-	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss	(364)	(364)	(4)	4	-	-	-	(4)	4
Impact on profit/loss before tax			(903)	903		(17)	17	(920)	920
19% tax								175	(175)
Impact on profit/loss after tax								(745)	745

The notes presented on pages 11-115 constitute an integral part of the consolidated financial statements.

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The currency risk is related to possible changes in cash flows generated by the Group resulting from fluctuations in the currencies exchange rates in which such cash flows are denominated.

The ENEA Group is exposed in particular to currency risk arising from necessity to purchase CO₂ emission rights, whose market prices are denominated in Euro.

In 2014 ENEA Trading Sp. z o.o. had forward currency exchange transactions (forward EUR transactions) hedging currency risk related to purchase of CO₂ emission rights.

28.6. Interest rate risk

The interest rate risk, the Group is exposed to, results from bank loans, borrowings, debt securities and bank deposits. The Group tends to apply variable interest correlated with market (interbank) rates. At the same time, the Group monitors on an ongoing basis the market interest rates and remain prepared to take action to hedge the risk when indicators to do this occur.

Due to the applied by the Group model of financing, interest rate risk is identified and managed (quantified, hedged) at the level of the Parent company.

The table below, presents financial assets and liabilities by fixed and variable interest rates, showing the Group's sensitivity to interest rate risk:

	31.12.2014	31.12.2013
Fixed rate instruments		
Financial assets	1 672 984	1 299 507
Financial liabilities	(990 825)	(1 033 604)
Total	682 159	265 903
Variable rate instruments		
Financial assets	1 183 632	1 854 284
Financial liabilities	(2 121 224)	(847 645)
Total	(937 592)	1 006 639

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Effective interest rates applicable to interest bearing assets and liabilities are presented in the table below:

	31.12.2014		31.12.2013	
	Effective interest rate (%)	Carrying amount	Effective interest rate (%)	Carrying amount
Financial instruments held to maturity	3.75	189 789	-	-
Financial assets measured at fair value through profit or loss	4.68	392 350	3.61	298 199
Cash and cash equivalents	2.45	601 493	2.90	1 556 085
Finance lease liabilities	4.31	(2 566)	6.83	(4 724)
Bank loans	2.97	(977 827)	3.33	(814 136)
Borrowings	3.33	(35 870)	4.34	(28 421)
Bonds	4.00	(1 104 961)	-	-
Total		(937 592)		1 007 003

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



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

	Carrying amount as at 31.12.2014	Interest rate risk impact on profit (12-month period)		Carrying amount as at 31.12.2013	Interest rate risk impact on profit (12-month period)	
		+ 1 p.p.	- 1 p.p.		+ 1 p.p.	- 1 p.p.
Financial assets						
Cash	601 493	6 015	(6 015)	1 556 085	15 561	(15 561)
Financial assets held to maturity	189 789	1 898	(1 898)	45	-	-
Financial assets measured at fair value through profit or loss	392 350	3 924	(3 924)	298 199	2 982	(2 982)
		<u>11 837</u>	<u>(11 837)</u>		<u>18 543</u>	<u>(18 543)</u>
Impact on profit/loss before tax		<u>(2 249)</u>	<u>2 249</u>		<u>(3 523)</u>	<u>3 523</u>
19% tax		<u>9 588</u>	<u>(9 588)</u>		<u>15 020</u>	<u>(15 020)</u>
Impact on profit/loss after tax						
Financial liabilities						
Bank loans, borrowings and debt securities	(2 118 658)	(21 187)	21 187	(842 557)	(8 426)	8 426
Finance lease liabilities	(2 566)	(26)	26	(4 724)	(47)	47
Financial liabilities measured at fair value through profit or loss	-	-	-	(364)	(4)	4
		<u>(21 213)</u>	<u>21 213</u>		<u>(8 477)</u>	<u>8 477</u>
Impact on profit/loss before tax		<u>4 030</u>	<u>(4 030)</u>		<u>1 611</u>	<u>(1 611)</u>
19% tax		<u>(17 183)</u>	<u>17 183</u>		<u>(6 866)</u>	<u>6 866</u>
Impact on profit/loss after tax						
Total		<u>(7 595)</u>	<u>7 595</u>		<u>8 154</u>	<u>(8 154)</u>

The notes presented on pages 11-115 constitute an integral part of the consolidated financial statements.

28.7. Mangement of founding sources

The key assumption of the Group 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 the Group. Activities conducted in this area also tend to ensure the financial security of the Group and rewarding 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. The Group monitors its capital using the debt ratio and the return on equity ratio. Its objective is to ensure increase of capital effectiveness together with maintaining the capital at the safe level.

28.8. Fair value

The table below presents 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 available for sale (shares in unrelated parties)	47 479	47 479	61 761	61 761
Non-current financial assets measured at fair value through profit or loss	99	99	1 860	1 860
Current financial assets held to maturity	189 789	189 789	45	45
Current financial assets measured at fair value through profit or loss	392 251	392 251	296 339	296 339
Trade and other receivables	1 587 161	(*)	1 282 352	(*)
Cash and cash equivalents	687 316	687 316	1 573 195	1 573 195
Loans, borrowings and debt securities	2 218 523	2 218 523	842 557	842 557
Finance lease liabilities	2 566	2 566	4 724	4 724
Trade liabilities	890 960	(*)	1 033 604	(*)
Non-current financial liabilities measured at fair value through profit or loss	917	917	364	364

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

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 using a discounted cash flows method. The fair value of listed assets is determined using quotations from the active market.

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Current financial assets measured at fair value through profit or loss include an investment portfolio managed by a company specialized in professional fund management (note 23). The fair value of the investment portfolio is estimated based on market quotations.

Current financial assets held to maturity include bank deposits with the original maturity from 3 months to 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				
Forward contracts	-	449	-	449
Non-derivative financial assets held for trading	391 901	-	-	391 901
Financial assets available for sale				
Listed equity instruments	46 954	-	-	46 954
Not listed equity instruments	-	-	525	525
Securities secured on assets	-	-	-	-
Total	438 855	449	525	439 829
Financial liabilities measured at fair value through profit or loss				
Forward contracts	-	(917)	-	(917)
Total	-	(917)	-	(917)

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
Financial assets available for sale				
Listed equity instruments	61 236	-	-	61 236
Not listed equity instruments	-	-	525	525
Total	359 435	-	525	359 960
Financial liabilities measured at fair value through profit or loss				
Forward contracts	-	(364)	-	(364)
Total	-	(364)	-	(364)

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29. Finance lease liabilities

	31.12.2014	31.12.2013
Finance lease liabilities – minimum lease payments		
Up to 1 year	1 752	2 940
1 – 5 years	814	1 784
Over 5 years	-	-
Present value of lease payments	2 566	4 724

30. Financial liabilities measured at fair value through profit or loss

	31.12.2014	31.12.2013
Forward contracts (EUR)	(917)	(364)
Total	(917)	(364)

31. Deferred income tax

Changes in deferred tax liability (considering the net-off of assets and liability at the Group level) are as follows:

	Carrying amount 31.12.2014	Carrying amount 31.12.2013
Deferred tax asset	531 465	525 973
Set off of tax assets and liabilities at the level of taxable entities	(364 258)	(346 248)
Deferred tax asset disclosed in the statement of financial position	167 207	179 725
Deferred tax liability	619 632	565 157
Set off of tax assets and liabilities at the level of taxable entities	(364 258)	(346 248)
Deferred tax liability disclosed in the statement of financial position	255 374	218 909



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Changes in the deferred tax asset and liability during the financial year (prior to their set off):

Deferred tax assets:

	Receivables allowance	Liabilities due to employee benefits	Deferred income from connection fees	Provision for the costs of redemption of certificates of origin	Grants	Provision for disposal, land reclamation and purchase of CO ₂ emissions rights	Expenses deductible from taxable base after the end of the settlement period	Other	Total
Opening balance	4 776	131 630	94 693	44 233	28 758	21 783	77 381	72 403	475 657
Amount recognized in the profit or loss	(236)	11 189	(3 056)	7 181	(9 519)	2 478	10 796	36 899	55 732
Change recognized in other comprehensive income	-	(5 416)	-	-	-	-	-	-	(5 416)
Balance as at 31 December 2013 - 19% rate	4 540	137 403	91 637	51 414	19 239	24 261	88 177	109 302	525 973
Opening balance	4 540	137 403	91 637	51 414	19 239	24 261	88 177	109 302	525 973
Acquisition of subsidiaries	226	4 145	-	-	-	-	-	2 862	7 233
Amount recognized in the profit or loss	31	644	(3 097)	(20 710)	(2 652)	4 645	(7 398)	8 992	(19 545)
Change recognized in other comprehensive income	-	17 785	-	-	-	-	-	19	17 804
Balance as at 31 December 2014 - 19% rate	4 797	159 977	88 540	30 704	16 587	28 906	80 779	121 175	531 465

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Deferred tax liabilities:

	Income taxable after the end of the accounting period	Accrued uninvoiced sales	Difference in carrying and tax values of tangible and intangible assets	Other	Total
Balance as at 1 January 2013 - 19% rate					
Opening balance	96 166	47 987	354 034	38 833	537 020
Amount recognized in the profit or loss	5 311	5 330	17 343	1 319	29 303
Change recognized in other comprehensive income	(223)	-	-	(943)	(1 166)
Balance as at 31 December 2013 - 19% rate	101 254	53 317	371 377	39 209	565 157
Opening balance	101 254	53 317	371 377	39 209	565 157
Acquisition of subsidiaries	-	-	11 422	-	11 422
Amount recognized in the profit or loss	(9 339)	(6 292)	26 846	34 864	46 079
Change recognized in other comprehensive income	-	-	-	(3 026)	(3 026)
Balance as at 31 December 2014 - 19% rate	91 915	47 025	409 645	71 047	619 632

The Group has no significant unrecognized deferred tax assets and liabilities.

32. Liabilities due to employee benefits

Defined benefit plans:	31.12.2014	31.12.2013
Retirement benefits		
long-term portion	98 785	70 701
short-term portion	10 762	10 641
	109 547	81 342
Right to energy allowance after retirement		
long-term portion	218 809	174 674
short-term portion	8 013	8 273
	226 822	182 947
Appropriation to the Company's Social Benefits Fund for pensioners		
long-term portion	47 720	29 792
short-term portion	1 485	1 034
	49 205	30 826
Total: Defined benefit plans		
long-term portion	365 314	275 167
short-term portion	20 260	19 948
	385 574	295 115
Other non-current liabilities due to employee benefits		
Jubilee bonuses		
long-term portion	252 778	207 425
short-term portion	22 336	27 774
	275 114	235 199
Salaries and wages and other liabilities		
long-term portion	-	1 369
short-term portion	141 251	124 976
	141 251	126 345
Provision for Voluntary Redundancy Programme		
short-term	84 430	98 111
	84 430	98 111
Total liabilities due to employee benefits		
long-term portion	618 092	483 961
short-term portion	268 277	270 809
	886 369	754 770

Based on an arrangement entered into by the representatives of staff and the Group, its employees 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.

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 assessment basis for jubilee benefits as well as retirement and disability benefits.

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 1,750.00 thousand,
- pursuant to announcements of the Chairman 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 was assumed at 16.3 % in 2014, 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 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.

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 future date of the agreement;
- 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:
 - 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 years 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 till 30 June 2015.

2014

Changes during 12 months ended 31 December 2014	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	81 342	182 947	30 826	295 115
Liabilities assumed in a business combination	4 847	-	1 351	6 198
Costs recognized in profit or loss, including:	(477)	4 376	5 206	9 105
current employment costs	3 603	3 259	898	7 760
post-employment costs	(7 010)	(5 967)	2 944	(10 033)
interests	2 930	7 084	1 364	11 378
Costs recognized in other comprehensive income, including:	33 571	48 569	13 216	95 356
net actuarial losses/(profits) due to changes in financial assumption	19 140	38 255	10 062	67 457
net actuarial losses/(profits) due to changes in demographic assumptions	227	1 408	333	1 968
net actuarial losses/(profits) due to adjustments of ex-post assumptions	14 204	8 906	2 821	25 931
Decrease in liabilities due to benefits paid (negative amount)	(8 275)	(8 367)	(1 165)	(17 807)
Other changes	(1 461)	(703)	(229)	(2 393)
Total changes	28 205	43 875	18 379	90 459
Balance as at 31 December 2014	109 547	226 822	49 205	385 574

2013

Changes during 12 months ended 31 December 2013	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	92 224	214 221	33 634	340 079
Costs recognized in profit or loss, including:	(4 213)	2 189	(232)	(2 256)
current employment costs	3 942	3 545	790	8 277
post-employment costs	(11 208)	(9 415)	(2 286)	(22 909)
interests	3 053	8 059	1 264	12 376
Costs recognized in other comprehensive income, including:	(207)	(25 612)	(1 512)	(27 331)
net actuarial losses/(profits) due to changes in financial assumption	(6 307)	(34 162)	(2 425)	(42 894)
net actuarial losses/(profits) due to changes in demographic assumptions	2 802	3 055	614	6 471
net actuarial losses/(profits) due to adjustments of ex-post assumptions	3 298	5 495	299	9 092
Decrease in liabilities due to benefits paid (negative value)	(6 667)	(8 264)	(1 057)	(15 988)
Other changes	205	413	(7)	611
Total changes	(10 882)	(31 274)	(2 808)	(44 964)
Balance as at 31 December 2013	81 342	182 947	30 826	295 115

Sensitivity analysis for defined benefit plans

Defined benefit plans	Actuarial assumptions change impact on liabilities due to defined benefit plans	
	+ 1 pp	- 1 pp
Discount rate	(43 297)	64 788
Anticipated rise of salaries and wages	22 419	(18 470)
Average rise in the cash equivalent of the electricity allowance	38 194	(30 412)

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	16.5	15.7
Right to energy allowance after retirement	16.3	16.1
Appropriation to the Company's Social Benefits Fund for pensioners	17.5	17.6

Other long-term employee benefits - jubilee bonuses

	31.12.2014	31.12.2013
Opening balance	235 199	242 490
Liabilities assumed in business combination	15 299	-
Changes during 12 months ended 31 December 2014		
Costs recognized in profit or loss, including:	54 096	16 469
- current employment costs	12 804	12 749
- post-employment costs	(14 517)	(4 590)
- net actuarial losses/(profits) due to adjustments of ex-post assumptions	11 439	4 885
- net actuarial losses/(profits) due to changes in demographic assumptions	280	6 386
- (net actuarial losses/(profits) due to changes in financial assumptions	35 462	(11 557)
- interests	8 628	8 596
Decrease in liabilities due to benefits paid	(25 839)	(23 478)
Other changes	(3 641)	(282)
Total changes	39 915	(7 291)
Closing balance	275 114	235 199

33. Provisions for liabilities and other charges

Provision for liabilities and other charges divided into current and non-current portion

	31.12.2014	31.12.2013
Non-current	464 720	407 735
Current	304 374	438 141
Closing balance	769 094	845 876

Change in provisions for liabilities and other charges

for the period ended 31 Dec 2014

	Provision for non-contractual use of land	Provision for projected losses due to compensation proceedings	Provision for land reclamation	Provision for the environmental fee	Provision for certificates of origin	Provision for CO ₂ emissions rights	Other	Total
Opening balance	186 916	22 071	30 464	394	274 643	105 149	226 239	845 876
Unwinding of discount and discount rate change	(7 619)	-	2 527	-	-	-	-	(5 092)
Increase in provisions	12 871	6 452	24 724	-	413 403	106 678	23 488	587 616
Provisions used	(7 993)	-	(164)	-	(522 772)	(105 149)	(6 377)	(642 455)
Provision reversed	(11 321)	(1 161)	-	(394)	(396)	(920)	(2 659)	(16 851)
Closing balance	172 854	27 362	57 551	-	164 878	105 758	240 691	769 094

for the period ended 31 Dec 2013

	Provision for non-contractual use of land	Provision for projected losses due to compensation proceedings	Provision for land reclamation	Provision for the environmental fee	Provision for certificates of origin	Provision for CO ₂ emissions rights	Other	Total
Opening balance	159 861	23 695	24 648	2 098	236 083	90 361	86 842	623 588
Unwinding of discount and discount rate change	-	-	(2 968)	-	-	-	-	(2 968)
Increase in provisions	42 508	196	9 023	710	372 165	105 149	150 055	679 806
Provisions used	(4 144)	(48)	(239)	(1 704)	(324 541)	(90 361)	(5 627)	(426 664)
Provision reversed	(11 309)	(1 772)	-	(710)	(9 064)	-	(5 031)	(27 886)
Closing balance	186 916	22 071	30 464	394	274 643	105 149	226 239	845 876

Provisions for liabilities are determined in reasonable, reliably estimated amounts. Individual provisions are recognized for projected losses related to court action brought against the Group. 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. A description of material claims and the related contingent liabilities has been presented in Notes 49.2, 49.5 and 49.6.

Provisions for liabilities and other charges include mainly:

Provision for non-contractual use of land

Provision for claims of persons holding possession of real properties, arising from non-contractual use of land. The provision for claims concerning non-contractual use of real properties is measured according to so-called staged approach and weighting, i.e. the probability of losing the dispute and necessity to fulfil the claim.

Claims for non-contractual use of real property may be significant for the Group because of the number of properties used, but the Group is not able to estimate the maximum amount of compensation. ENEA Group - in relation to, inter alia, the notes presented on pages 11-115 constitute an integral part of the consolidated financial statements.

alia, the draft Transmission Corridors Act - estimated and included in provisions the compensations for non-contractual use of real properties on which the grid assets are located (power lines), for which no claims have yet been raised as at the reporting date.

Provision for land reclamation

After closing or filling a slag and ash dump, the Group is obliged to carry out appropriate land reclamation. As the Group has large unfilled dumps, land reclamation is planned for 2060. Future estimated costs of land reclamation were discounted to their current value using a discount rate of 2.50% (as at 31 December 2013 - 4.26%).

As at 31 December 2014 the provision amounted to PLN 57,551 thousand (as at 31 December 2013 it was PLN 30,464 thousand).

Provision for purchasing CO₂ emissions rights

As at 31 December 2014 the provision for CO₂ emissions rights amounted to PLN 105,758 thousand (as at 31 December 2013 it was PLN 105,149 thousand).

Other provisions

Other provisions relate mainly:

- potential liabilities related with electricity infrastructure and resulting from differences in interpretation of laws and regulations - PLN 109,563 thousand (as at 31 December 2013 PLN 93,508 thousand),
- costs of using forest lands managed by State Forests - PLN 115,921 thousand (as at 31 December 2013 PLN 120,605 thousand).

34. Net sales revenue

	31.12.2014	31.12.2013
Revenue from sales of electricity	6 220 527	5 832 788
Revenue from sales of distribution services	2 860 165	2 833 784
Revenue from sales of goods and materials	107 626	84 333
Revenue from sales of other services	116 596	142 240
Revenue from sales of certificates of origin	47 076	52 844
Revenue from sales of CO ₂ emission rights	32 936	14 236
Compensation to cover stranded costs	257 508	964
Revenue from sales of heat	212 961	189 331
Total net sales revenue	9 855 395	9 150 520

35. Costs by type

	31.12.2014	31.12.2013
Amortization and depreciation	(728 408)	(761 759)
Costs of employee benefits	(948 872)	(1 036 215)
- salaries and wages	(718 901)	(782 860)
- social security and other benefits	(229 971)	(253 355)
Consumption of materials, raw materials, value of goods and materials sold	(1 821 196)	(1 822 994)
- consumption of materials and energy	(1 564 522)	(1 728 067)
- cost of goods and materials sold	(256 674)	(94 927)
Cost of energy purchased for resale	(3 835 730)	(3 303 371)
External services	(1 046 916)	(940 961)
- transmission services	(710 577)	(599 170)
- other external services	(336 339)	(341 791)
Taxes and charges	(268 934)	(244 240)
Total costs of products, goods and materials sold, selling, marketing, general and administrative expenses	(8 650 056)	(8 109 540)

36. Costs of employee benefits

	31.12.2014	31.12.2013
Payroll expenses:	(718 901)	(782 860)
- current salaries and wages	(679 497)	(685 079)
- jubilee bonuses	(25 192)	(4 504)
- retirement benefits	1 054	7 182
- other	(15 266)	(100 459)
Social security and other benefits	(229 971)	(253 355)
- Social Security premiums	(133 620)	(141 031)
- appropriation to the Company's Social Benefits Fund	(30 639)	(25 096)
- other social benefits	(43 034)	(63 831)
- other post-employment benefits	(11 198)	(11 264)
- other	(11 480)	(12 133)
Total	(948 872)	(1 036 215)

Employment guarantees

Based on an arrangement entered into by the Group and labor unions, specific employment guarantees have been given to people employed by the Group before 29 June 2007, which expire 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 the employment contract is terminated by the employer, the Group is obliged to pay an employee an amount being the product of their monthly salary and the remaining period of the guarantee validity.

Pursuant to a social contract concluded on 10 August 2007 between ENEA Wytwarzanie S.A. and labor unions, employees of that entity obtained an employment guarantee extended by 11 years as at the contract effective date, i.e. by 30 January 2019.

Other payroll expenses

Other payroll expenses consist of the provision for Voluntary Redundancy Programme. The rules related to the provision are presented in Note 32.

37. Other operating revenue and expenses

Other operating revenue and expense

	31.12.2014	31.12.2013
Release of provisions for claims	15 756	11 256
Release of other provisions	1 061	898
Reimbursement of expenses by an insurance company	14 951	3 196
Settlement of income due to subsidies and connection fees	11 787	20 534
Damages, fines, penalties	15 052	10 906
Reversal of allowances	8 015	24 951
Fixed assets received free of charge	17 994	25 482
Other operating revenue	30 450	27 864
Total	115 066	125 087

Other operating expenses

	31.12.2014	31.12.2013
Increase of provisions for claims	(3 349)	(32 858)
Increase of other provisions	(13 536)	(157 004)
Allowances on receivables	(17 503)	(15 251)
Receivables written-off	(14 879)	(2 200)
Impairment loss on inventories	(3 623)	(1 594)
Costs of court proceedings	(706)	(7 387)
Trade union related expenses	(1 420)	(1 542)
Compensations for non-contractual use of property	(4 051)	(4 144)
Other operating revenue	(38 687)	(26 974)
Total	(97 754)	(248 954)

38. Finance income

	31.12.2014	31.12.2013
Interest income	67 646	76 886
- bank accounts and deposits	30 343	37 567
- other loans and receivables	17 834	16 321
- other interest income	19 469	22 998
Foreign exchange differences	601	1 064
- realized foreign exchange differences – hedging	318	371
- accrued foreign exchange differences - hedging	275	662
- other foreign exchange differences	8	31
Change in fair value of financial instruments	9 043	-
Other financial revenue	3 888	10 194
Total	81 178	88 144

39. Finance cost

	31.12.2014	31.12.2013
Interest expense	(39 426)	(11 283)
- interest expense on loans and borrowings	(7 927)	(6 822)
- interest expense on bonds	(19 097)	-
- finance lease cost	(248)	(47)
- other interest	(12 154)	(4 414)
Foreing exchange differences	(499)	(2 304)
- foreing exchange differences on loans and borrowings	(748)	(1 009)
- realized foreign exchange differences – hedging	184	-
- accrued foreign exchange differences - hedging	(662)	-
- other foreing exchange differences	727	(1 295)
Discounting liabilities due to employee benefits and provisions	(50 883)	(19 573)
Change in fair value of financial instruments	(140)	(9 873)
Costs of unused bonds	(25 422)	-
Other finance costs	(9 113)	(1 788)
Total	(125 483)	(44 821)

40. Income tax

	31.12.2014	31.12.2013
Current tax	(168 356)	(259 441)
Deferred tax	(65 624)	27 896
Total	(233 980)	(231 545)

The income tax on gross profit before tax differs from the theoretical amount resulting from application of the nominal tax rate applicable to the Group's consolidated profit in the following manner:

	31.12.2014	31.12.2013
Profit/(loss) before tax	1 143 102	954 065
Tax at a 19% rate	(217 189)	(181 272)
Costs not classified as tax-deductible expenses (permanent differences at 19% rate)	(10 640)	(27 196)
Income not subject to taxation (permanent differences at 19% rate)	(108)	2 242
Other at 19% rate	(6 043)	(25 319)
Amount charged to profit or loss due to income tax	(233 980)	(231 545)

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.

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.

41. 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 dividend in the amount of 30% of separate ENEA S.A. net profit.

On 24 April 2014 the General Shareholders' Meeting of ENEA S.A. adopted Resolution no. 7 concerning net profit distribution for the financial period from 1 January 2013 to 31 December 2013 under which the dividend for shareholders was determined in the amount of 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 the reporting date dividend was fully paid to shareholders. The payment of dividend to shareholders was reduced by the income tax on capital gains.

42. Earnings per share

	01.01.2014-31.12.2014	01.01.2013-31.12.2013
Net profit attributable to shareholders of the Parent	908 319	722 524
Number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	2.06	1.64
Diluted earnings per share (in PLN)	2.06	1.64

43. Related party transactions

The companies of the Group conclude the following related party transactions:

- The Group's constituent entities – transactions are eliminated at the consolidation stage;
- transactions concluded between the Group and Members of its governing bodies fall within two categories:
 - those resulting from employment contracts with Members of the Supervisory Board;
 - resulting from other agreements under civil law.
- Transactions with entities whose shares are held by the State Treasury of the Republic of Poland.

Transactions with members of the Group's governing bodies:

	Management Board of the Company		Supervisory Board of the Company	
	01.01.2014- 31.12.2014	01.01.2013- 31.12.2013	01.01.2014- 31.12.2014	01.01.2013- 31.12.2013
Remuneration under the contract of employment	-	-	-	-
Remuneration under managerial contracts and consultancy agreements	7 273	6 709	-	-
Remuneration relating to appointment of members of supervisory bodies	-	23	334	393
Remuneration for functions performed at supervisory boards of subsidiaries	-	-	-	-
Remuneration due to other employee benefits (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 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:

	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

	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 agreements under civil law concluded between the Parent and Members of the Parent's Bodies relate only to private use of company's cars by Members of the Management Board of ENEA S.A.

The Group also concludes business transactions with entities of the central and local administration and entities controlled by the State Treasury of the Republic of Poland.

The transactions concern mainly:

- purchase of coal, electricity and property rights resulting from certificates of origin as regards renewable energy and energy cogenerated with heat, transmission and distribution services provided by the Group to companies whose shares are held by the State Treasury;
- sale of electricity, distribution services, connection to the grid and other related fees, provided 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. The Group does not keep a register which would allow it to aggregate the values of all transactions with state institutions and entities whose shares are held by the State Treasury. The most significant customer of ENEA Group 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 150,003 thousand (in 2013 it was Polskie Sieci Elektroenergetyczne - net sales amounted to PLN 167,409 thousand), The most significant supplier is Katowicki Holding Węglowy S.A. - net purchase amounted to PLN 356,908 thousand (in 2013 it was Polskie Sieci Elektroenergetyczne: PLN 684,357 thousand).

44. Concession arrangements on the provision on public services

The key business activities carried out by the Group include generation, distribution and trading in electricity.

In line with the provisions of the Energy Law, on 26 November 1998 the Parent obtained the following two concessions to carry out its business activities:

- concession for trading in electricity, granted for a 10-year period, i.e. until 30 November 2008;
- concession for electricity transmission and distribution, granted also for a 10-year period, i.e. until 30 November 2008;

ENEA Operator Sp. z o.o. has a concession for distribution of electricity effective till 1 July 2017.

On 23 April 2007 **ENEA S.A.** filed a request to the President of the Energy Regulatory Office to extend the validity of the concession for trading in electricity. On 5 October 2007 ENEA S.A. received a decision on extension of the validity of the concession for trading in electricity until 31 December 2025.

On 12 September 2013 **ENEA S.A.** received a concession for trading in gaseous fuels from the President of Energy Regulatory Office. The concession will be valid from 1 January 2014 till 31 December 2030. Retail sales of natural gas was launched by the Company in 2014.

ENEA Wytwarzanie Sp. z o.o. is providing for commercial purposes and on their own account economic activities involving production and sale of electricity and heat production and sale. This activity is covered by the licenses granted by the President of the Energy Regulatory Office - after the merger of the companies ENEA Wytwarzanie Sp. z o.o. operates on the basis of:

Concession for electricity production WEE/115-ZTO-F/1271/W/DSW/2013/TW from 31 December 2013 - concession valid till 31 December 2030 with subsequent amendments introduced by decision WEE/115-ZTO-G/1271/W/OŁO/2014/KK dated 15 July 2014 - in connection with the merger with Windfarm Polska Sp. z o.o. and decision WEE/115-ZTO-H/1271/W/DSW/2014/BGr dated 21 July 2014 - upgrade of technical parameters of sources Kozenice power plant total installed electric power 2,960 MW.

Concession for heat production WCC/256-ZTO-H/1271/W/DSW/2013/TW dated 31 December 2013 concession valid till 31 December 2025 with subsequent amendments introduced by decision WCC/256-ZTO-I/1271/W/DSW/2014/BGr dated 21 July 2014 - extension of concession on sources located in Białystok, as well as in connection with modernization of units 3 and 4 in Kozenice power plant.

Concession for transmission and distribution of heat PCC/269-ZTO-C/1271/W/DRE/2013/RK dated 31 December 2013 valid till 31 December 2025.

Concession for electricity trading OEE/702/1271/W/2/2012/KL dated 21 December 2012 valid till 31 December 2030.

On 20 December 2005 the power plant obtained the decision from the Mazowiecki Province Governor; integrated permit for installation in the power industry for fuel combustion 6,812.6 MWt nominal power, which was last amended by a decision of the Marshal of the Mazovia dated 28 June 2013. An integrated permit is valid until 20 December 2015.

ENEA Trading Sp. z o.o. has a concession for trading in electricity for the period till 31 December 2030. The concession covers business activities in trading electricity for consumers located in Poland. ENEA Trading Sp. z o.o. has also concession for trading in gaseous fuels till 31 December 2030.

MEC Piła Sp. z o.o. and **PEC Sp. z o.o.** in Oborniki have a concessions for generation, transmission and distribution of heat till 31 December 2025.

MPEC Białystok Sp. z o.o. has a concession for production, transmission and distribution of heat till 30 September 2018.

45. Long-term contracts on the sale of power and electricity (LTC)

The European Commission has considered long-term contracts for sale of power and electricity (LTC) as disallowed public aid, therefore the Polish Parliament passed an act intended to eliminate those contracts. In accordance with the Act on compensations for costs incurred by producers in connection with early termination of long-term contracts for sale of power and electricity dated 29 June 2007 ("LTC Termination Act") the Company is eligible to receive compensation for stranded costs resulting from the early termination of long-term contracts since 1 April 2008.

The maximum amount of stranded costs for power plant Kozenice (currently ENEA Wytwarzanie Sp. z o.o.) in accordance with Annex No. 2 to the LTC Termination Act dated 29 June 2007 amounts to 623,612 PLN thousand (discounted amount as at 1 January 2007). This amount includes the amount of stranded costs is also attributable to the year 2007 and the first quarter of 2008, which is the period when the agreements were still in force (termination of contracts took place on 1 April 2008).

1. The amount of annual adjustments determined by the President of the Energy Regulatory Office is being disputed by the Company (and is the subject of court proceedings), as a result of divergent interpretation of the LTC Act regarding the calculation of the adjustment, especially the appropriateness of application of any indicators to adjust the amounts presented in the Appendices to the Act. The revenue due to compensation was recognized in the amount of PLN 257,508 thousand. This amount includes the projected annual adjustment for 2014 and full amount of expected final adjustment of stranded costs.

Status of cases:

Year of adjustments	Decision of ERO [thousand PLN]	ENEA Wytwarzanie Sp. z o.o. [thousand PLN]	Legally binding decision [thousand PLN]	Court proceedings status
2008	(-) 89,537	(-) 4,192	(-) 4,192	27 January 2014 the President of the ERO submitted a cassation appeal to the Supreme Court
2009	(+) 15,580	(+) 114,672	(+) 16,544	30 October 2013 the Company ERO submitted a cassation appeal to the Supreme Court - cassation appeal was accepted
2010	(+) 2,472	(+) 112,808		13 January 2014 annual adjustment decision of the Court of Competition and Consumer Protection (+) PLN 78,640 thousand - the President of the ERO and the Company submitted an appeal
2011	(-) 37,397	(+) 67,734		13 February 2015 annual adjustment decision of the Court of Competition and Consumer Protection (+) PLN 67,734 thousand - the President of the ERO announced an appeal
2012	(-) 17,687	(+) 74,841		24 November 2014 (+) PLN 74,841 thousand - the President of the ERO submitted an appeal
2013	(-) 22,570	(+) 54,827		18 August 2014 the Company submitted an appeal

2. Events of 2014:

Annual adjustment for 2008:

- In January 2014 the President of the Energy Regulatory Office submitted an appeal to the judgment of the Court of Appeal in Warsaw of 10 July 2013 concerning stranded costs for 2008 (decision of the President of Energy Regulatory Office for 2008 was set at (-) PLN 4,192 thousand instead of the initial (-) PLN 89,537 thousand.
- On 17 March 2014 the Company submitted its response to the cassation appeal to the Supreme Court.

Annual adjustment for 2009:

- On 12 August 2014 Supreme Court accepted cassation appeal of the Company on the annual adjustment for 2009.
- On 19 November 2014 a meeting of the Supreme Court on the cassation appeal on the annual adjustment for 2009 took place - the appeal has not been proceeded. The Supreme Court allowed for submission of pleadings by both parties.
- On 5 December 2014 the Company submitted pleading to the Supreme Court.

Annual adjustment for 2010:

- On 13 January 2014 the Court of Competition and Consumer Protection (SOKiK) made a decision, according to which the annual adjustment of stranded costs for 2010 was set at (+) PLN 78,640 thousand, i.e. PLN 76,168 thousand higher than the amount set out in the decision of the President of the Energy Regulatory Office. The Court considered appeal entirely in its original version. The decision is not legally binding. The decision has been appealed to the Court of Appeal in Warsaw by the Company on 18 February 2014 and by the President of the Energy Regulatory Office.

Annual adjustment for 2011:

- With the notification dated 5 September 2015 the President of the Energy Regulatory Office informed the Company of the ex-officio initiation of administrative proceeding concerning charging interest for 2011.
- On 18 September 2014 the Company submitted a formal request to the President of the Energy Regulatory Office, for cancellation and suspension of administrative proceeding pending the Court decision on the Company's appeal against the decision of the President of the Energy Regulatory Office.
- On 29 January 2015 the President of the Energy Regulatory Office issued a decision to suspend the proceeding concerning interests for 2011 based on the Article 35 of LTC Act until the annual adjustment for 2011 is legally binding.
- On 13 February 2015 the Court of Competition and Consumer Protection announced the decision considering the Company's appeal and has established the annual adjustment for 2011 in the amount of (+) PLN 67,734 thousand.

Annual adjustment for 2012:

- On 24 November 2014 the Court of Competition and Consumer Protection issued a decision determining an annual adjustment in the amount of (+) PLN 74,841 thousand.
- On 22 December 2014 the President of the Energy Regulatory Office appealed the decision of the Court of Competition and Consumer Protection to the Court of Appeal in Warsaw.
- On 27 January 2015 the Company submitted to the Court of Appeal in Warsaw a response to the appeal of the President of the Energy Regulatory Office.

Annual adjustment for 2013

- On 5 August 2014, the Company received a decision of the President of the Energy Regulatory Office dated 31 July 2014, determining the annual adjustment of stranded costs for 2013 which ENEA Wytwarzanie Sp. z o.o. should return to Zarządca Rozliczeń S.A. until 30 September 2014 - PLN (-) 22,570 thousand.

- On 18 August 2014 the Company appealed the decision to the Court of Competition and Consumer Protection (the appeal includes an application for suspension of execution of the decision pending the outcome of the Court case).
- On 25 August 2014, the Company submitted to the Court of Competition and Consumer Protection a separate application for suspension of execution of the decision of the President of the Energy Regulatory Office.
- On 2 September 2014 the Court of Competition and Consumer Protection issued a decision to suspend execution of the decision of the President of the Energy Regulatory Office.
- With the notification dated 5 September 2015 the President of the Energz Regulatorz Office informed the Company of the ex-officio initiation of administrative proceeding concerning interests for 2013.
- On 18 September 2014 the Company submitted a formal request to the President of the Energy Regulatory Office for cancellation and suspension of administrative proceeding pending the Court decision on Company's appeal of the President of the Energy Regulatory Office decision.
- On 29 January 2015 the President of the Energy Regulatory Office made a decision to suspend the proceeding concerning interests for 2013 in accordance with the Article 35 of LTC Act until the annual adjustment for 2013 is legally binding.

46. Future payments due to the right of perpetual usufruct acquired for a consideration and free of charge as well as lease, rental and operating lease agreements

The future liabilities arising from the right of perpetual usufruct (estimated based on 2014 fees) apply to the remaining term of agreements for the use of land (40-99 years).

	31.12.2014	31.12.2013
Up to 1 year	4 912	4 807
1 – 5 years	20 486	20 736
Over 5 years	342 309	345 689
	367 707	371 232

Future liabilities arising from rental and operating lease agreements:

	31.12.2014	31.12.2013
Up to 1 year	11 491	11 518
1 – 5 years	17 875	25 099
Over 5 years	5 264	10 141
	34 630	46 758

Perpetual usufruct, lease and rental expenses incurred in period:

	2014	2013
Perpetual usufruct of land	4 807	4 464
Lease, rental and operating lease agreements	11 518	9 785

Operating lease payments recognized in expenses

	31.12.2014	31.12.2013
Minimum lease payments	(6 596)	(7 784)
Revenue from sub-lease (-)	-	(6)
	(6 596)	(7 790)

Significant operating lease agreements of the ENEA Group entities have been presented below:

ENEA S.A. - the subject of lease are rental of office buildings, apartment, parking lots, warehouses, advertising space.

ENEA Wytwarzanie Sp z o.o. - the subject of lease are vehicles and trucks.

47. Future liabilities under contracts concluded as at the end of the reporting period

Contractual obligations assumed as 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	3 660 776	5 026 671
Acquisition of intangible assets	14 168	9 300
	3 674 944	5 035 971

48. Employment

	12 months ended 31.12.2014	12 months ended 31.12.2013
Blue-collar positions	5 016	4 980
White-collar positions	5 188	5 026
TOTAL	10 204	10 006

The information in the table is presented in FTE equivalent. Managerial positions are qualified as white collar.

49. Contingent liabilities and proceedings before courts, arbitration or public administration bodies

49.1. Sureties and guarantees

Sureties and guarantees are shown in Note 18 of these consolidated financial statements.

49.2. Pending proceedings before courts of general jurisdiction

Actions brought by the Group

Actions which ENEA S.A. and ENEA Operator Sp. z o.o. brought to courts of general jurisdiction refer to claims for receivables due to sale of electricity (the so-called electricity cases) and claims for other receivables – illegal consumption of electricity, connections to the grid and other specialized services (the so-called non-electricity cases).

Actions brought to courts of general jurisdiction by ENEA Wytwarzanie Sp. z o.o. are connected mainly with claims for receivables due to breaches of forwarding agreements, outstanding invoice payments and contractual penalties from the Company vendors.

As at 31 December 2014 the total of 10,662 cases brought by the Group were pending before common courts for the total amount of PLN 105,621 thousand (8,780 cases for the total amount of PLN 108,164 thousand as at 31 December 2013).

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

Actions brought against the Group

Actions against the Group are brought both by natural and legal entities. They mainly refer to issues such as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for use by the Group of real property where electrical devices are located. The Group considers actions concerning non-contractual use of real property as particularly important (Note 49.5).

As at 31 December 2014 there were 1,928 cases pending before common courts which have been brought against the Group for the total amount of PLN 281,481 thousand (as at 31 December 2013 1,589 cases for the total amount of PLN 251,977 thousand). Provisions related to the court cases are presented in note 33.

49.3. Arbitration proceedings

There are no arbitration proceedings related to the Group.

49.4. Proceedings before public administration bodies

Proceedings before the President of the Energy Regulatory Office in connection with the imposed penalty on alleged non-compliance with conditions and criterias of independence of the distribution system operator, which according to the President of the Energy Regulatory Office, have resulted from the concluded in 2010 technical support contract with ENEA S.A.

As a result of separation in 2007, ENEA Operator took control over customer service in the ENEA Group. In 2010, however, an amendment to the Energy Law was adopted, based on which any services of a distribution system operator for trading companies in the scope related to energy trading were intradicted. Therefore, in the ENEA Group started reorganization of customer service - ENEA S.A. took control over customer service in the scope of so-called "Front line " operations, and there was concluded a contract between ENEA S.A. and ENEA Operator to provide technical support. However, President of the Energy Regulatory Office had some concerns regarding the scope of the contract and initiated a proceeding against ENEA Operator.

Regarding ENEA Wytwarzanie Sp. z o.o. before the public administration bodies and administrative courts are carried out proceedings on:

1) Submitted by ENEA Wytwarzanie Sp. z o.o. applications for the refund of overpaid excise tax from previous years. Described in more detail in the financial statements for 2013. In 2013 the Supreme Administrative Court in Warsaw with decisions from January and early February dismissed 38 cassation appeals for the years 2006, 2007, 2008, 2009 in the scope of in refusal to confirm and return overpaid excise tax.

With decisions dated 28 March 2014 the Head of the Customs Office in Radom dismissed as unnecessary tax proceedings on the determination of tax liability duty for the months August 2006, April, May, June and October 2007.

2) Reinstatement of the due date for submitting a declaration of the quantities of the electricity used in the process of production of electricity (legal period for submitting statements is 15th day of the following month). In relation to the application submitted on 20 January 2011 by ENEA Wytwarzanie Sp. z o.o. to reinstate the due date to submit a statement of the quantities of electricity consumed in the process of production of electricity, released from excise duty for the month of December 2010. On 3 February 2011 the Head of the Radom Custom Office refused the reinstatement of the due date to forward the abovementioned declaration. As a result of a complaint filed the Director of the Customs Chamber in Warsaw reversed the decision of and remanded the case for reconsideration to the Head of the Radom Custom Office.

With a decision of 20 February 2013 the Head of the Radom Custom Office discontinued the proceeding on reinstatement the deadline. ENEA Wytwarzanie Sp. z o.o. From above mentioned decision ENEA Wytwarzanie S.A. filed an appeal. With a decision of 31 January 2014 Director of the Customs Chamber in Warsaw upheld the decision of first instance of the tax authority (the Head of the Customs Office in Radom). On 19 March 2014 ENEA Wytwarzanie Sp. z o.o. appealed against the above decision to the Administrative Court in Warsaw, Department VII in Radom. With ordinance dated 20 April 2014 the Administrative Court in Warsaw, Department VII in Radom called Enea Wytwarzanie S.A. to pay court fees in the amount of PLN 500 for complaints against decisions of the Director of the Customs Chamber in Warsaw. The fee was paid on 14 May 2014. Currently we are waiting for further action of the Court in this case.

3) Segment heat (former Elektrociepłownia Białystok) is prosecuting the case against the President of the Energy Regulatory Office, Local Branch in Lublin. The case on a request ENEA Wytwarzanie Sp. z o.o. to establish the conditions of the contract of sale of electricity produced from renewable energy sources to PGE Obrót S.A. in Rzeszów (ex officio seller); OLB sign-5111-3 (15) / 2013 / GS. The decision of the President of the Energy Regulatory Office dated 25 October 2013 under which the President of the Energy Regulatory Office ruled an agreement with PGE Obrót S.A. of the content attached to the decision. The decision is not legally binding. On 12 November 2013 PGE Obrót S.A. submitted an appeal to the District Court in Warsaw-the Court of Competition and Consumer Protection.

On the date of 28 January 2014 directed the respondent. The date of the hearing has been set on 9 February 2015, on which the case was postponed till 16 March 2015.

49.5. Risk related to the legal status of property used by the Group

The risk related to the legal status of the property used by the Group results from the fact that the Group does not have all legal titles to use the land where transmission networks and the related devices are located. The Group may have to incur costs related to non-contractual use of property in the future.

Considering the legal status, there is a risk of incurring 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).

Decisions related to these issues are significant as they considerably affect both the Group's strategy towards persons who raised pre-trial claims related to devices located on their land in the past and the approach to the legal status of devices in case of new investments.

The risk of loss of assets is low. The lack of legal status of the land where transmission networks are located does not constitute the risk of loss of Group's assets, but generates potential additional costs to be incurred as a result of claims for non-contractual use of land, rental and easement fees or exceptionally, in individual cases, relocation of assets (restoration of the land to the original state). The relevant provisions for that purpose have been made by the Group.

ENEA Group also recognized provision for the compensations for non-contractual use of the real properties on which the grid assets are located (power lines), in connection with transmission corridors and transmission easements on the above mentioned real properties.

As at 31 December 2014 the Group recognized the provision for non-contractual use of land in the amount of PLN 172,854 thousand.

49.6. Court proceedings to establish the ineffectiveness of withdrawal from the contract with Infovide-Matrix S.A.

On 20 September 2013 ENEA S.A. withdrew from the contract with Infovidxe-Matrix S.A. in Warsaw for the construction and implementation of the Customer Service Information System (CSIS) with a total agreement amounted to PLN 59,781 thousand. Between the companies ENEA S.A. and Infovide-Matrix S.A. there was a dispute as to the accuracy of execution of the Agreement and the effectiveness of withdrawal from the Agreement.

On 8 October 2014 between ENEA S.A. and Infovide-Matrix S.A. an agreement was reached on the resolution of the conflict on the implementation of the system (CSIS). The signed agreement provides for the withdrawal of lawsuits submitted by both companies.

According to the agreement, ENEA S.A. will return the amount of PLN 3,078 thousand which is a part of the amount received from Infovide-Matrix as a guarantee, while Infovide-Matrix S.A. will pay PLN 2,700 thousand to ENEA S.A., partially by realization of a guarantee in the amount of PLN 1,500 thousand.

Infovide-Matrix S.A. will pay to ENEA S.A. the remaining amount of PLN 1,200 thousand till 30 September 2016.

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

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

PGE Polska Grupa Energetyczna S.A. in the amount of	PLN 7,410 thousand
PKP Energetyka S.A. in the amount of	PLN 1,272 thousand
TAURON Polska Energia S.A. in the amount of	PLN 17,086 thousand
TAURON Sprzedaż GZE Sp. z o.o. in the amount of	PLN 1,826 thousand
FITEN S.A. in the amount of	PLN 207 thousand
Total:	PLN 27,801 thousand

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.

50. The participation on 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.

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.

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 attributable to the years 2014-2016 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. o.o (Current Report No. 31/2014).

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

51. Description of key accounting principles

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

51.1. Basis for preparation

These consolidated financial statements for the financial year ended 31 December 2014 have been prepared in compliance with the requirements of IFRS-EU.

These consolidated 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.

51.2. Consolidation principles

(a) Subsidiaries

Subsidiaries include all entities whose financial and operational policy may be managed by the Group, which usually results from the majority of votes in the Company's decision-making bodies. When assessing whether the Group 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. The subsidiaries are subject to consolidation using the full method as from the date of the Group's assumption of control over such entities. They are not consolidated starting from the date when the Group loses control over them.

The cost of business combination, which is not under common control, is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured initially at their fair value at the acquisition date, irrespective of the minority interest, if any.

The Group measures non-controlling interests in proportion to their share in the fair value of identifiable acquired net assets. In the following periods the value of non-controlling interests accounts for the amount recognized at the initial recognition adjusted by changes in the subsidiary's net assets in proportion to the non-controlling interests' share. The total comprehensive income is allocated to non-controlling interests even when it results in their negative value.

If a gain for a bargain purchase occurs, the Group verifies the fair value of each net asset acquired. If following the verification, the outcome remains negative, it is recognized in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between Group's companies are eliminated. Unrealized losses are also eliminated unless there is an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and joint-ventures

Associates include all entities over which the Group 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.

Investments in associates are accounted for using the equity method and are initially recognized at cost. Any surplus of the cost over the fair value of identifiable net assets of an associate as of the acquisition date is recognized as goodwill. Goodwill is included in the carrying amount of investments with impairment measured in relation to the total investment value. Any surplus of the Group's interest in the net amount of identifiable assets, liabilities and contingent liabilities over the acquisition cost after revaluation is immediately recognized in profit or loss.

Joint-ventures include all entities over which ENEA S.A. exercises control together with other companies based on contractual arrangements. Investments in jointly-controlled entities are accounted for using the equity method in the same way as investments in associates.

The post-acquisition Group's share in profits or losses of associates and/or joint-ventures is recognized in the profit or loss, and Group's share of post-acquisition movements in other capitals is recognized in other capitals. The carrying value of investments is adjusted by post-acquisition cumulative changes in equity. When the Group's share of losses in an associate or joint-venture equals or exceeds its interest in the equity accounted associate or joint venture, including any other unsecured receivables, recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealized gains on transactions between the Group and associates or joint-ventures are eliminated proportionally to the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the transferred asset. Accounting policies of associates and jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

51.3. Business combinations/acquisitions

Business combinations/acquisitions of entities beyond common control are settled using the acquisition method, presented in Note 3.2.(a).

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 Group adopted an accounting policy according to which such transactions are recognized in carrying amounts.

The acquirer recognizes the assets, equity and liabilities of the acquiree at their current carrying amount adjusted only for the purpose of applying the same accounting principles for the combined entities beginning from the acquisition date. Goodwill and negative goodwill is not recognized. Any difference 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 is recognized in the equity of the Group.

When applying the method based on carrying amounts, comparative data for presented historical periods are not restated.

51.4. Foreign currency transactions and measurement of foreign currency balances

(a) Functional and presentation currency

Balances presented in the financial statements of Group individual entities are measured in the currency of the primary economic environment in which the entity carries out its business activity (functional currency). The consolidated financial statements are presented in the Polish zloty (PLN), which is the functional and presentation currency of all Group companies.

(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 measurement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

51.5. 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 fixed asset or recognized as a separate fixed asset (where appropriate) only if it is probable that the Group 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 are recognized in profit or loss in the period when they are incurred.

If a 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 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 fixed asset with a different useful life is depreciated separately.

The useful lives of fixed assets are as follows:

- | | |
|------------------------------------|---------------|
| • buildings and structures | 10 – 80 years |
| including power grids | 33 years |
| • technical equipment and machines | 4 – 50 years |
| • vehicles | 5 – 20 years |
| • other fixed assets | 4 – 25 years |

The residual value and useful lives of 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 from the statement of financial position.

The Group receives fixed assets constituting electricity infrastructure free of charge. Until 31 December 2009, fixed assets taken over were measured at fair value upon initial recognition, with the corresponding entry to deferred income from fixed assets received free of charge, settled over time proportionally to depreciation of these fixed assets. Since 1 January 2010 components of electricity infrastructure received free of charge have been fully recognized in revenues at the moment of acquisition.

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

51.6. Perpetual usufruct 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 Group 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.

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

51.7. Intangible assets

(a) Goodwill

Goodwill arising from an acquisition results from a surplus of the consideration paid, non-controlling interests and fair value of shares previously held in the entity over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities as of the acquisition date.

If negative goodwill occurs, the Group verifies the fair value of each net asset acquired. If following the verification, the goodwill remains negative, it is immediately recognized in profit or loss.

Goodwill is initially recognized as an asset at cost and subsequently measured at cost less accumulated impairment loss.

For impairment testing purposes, goodwill is allocated to each cash generating unit (CGU) that should benefit from the post-combination synergy. CGU to which the goodwill is allocated are tested for impairment once a year or more

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frequently if according to reliable assumptions, impairment could occur. If the recoverable amount of a CGU is lower than its carrying amount, the impairment loss is first assigned in order to reduce the carrying amount of goodwill allocated to that CGU, and then to other assets of the unit pro rata to the carrying amount of each asset belonging therein. The impairment loss recognized for goodwill is not reversed in the following period.

(b) Other intangible assets

Other 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 amounting to:

- for server licenses and software 2 - 10 years;
- for workstation licenses and software as well as anti-virus software 4 - 10 years;
- for other intangible assets 2 - 7 years.

51.8. Research and development expenses

Research and development expenses are recognized in profit or loss in the period when they are incurred.

Like other intangible assets, research and development expenses meeting the capitalization criteria presented below 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 2-7 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.

51.9. Borrowing cost

Borrowing costs that may be directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a portion of the acquisition price or manufacturing cost of the asset. Other borrowing costs are recognized as an expense in the period they are incurred.

Capitalization of borrowing costs commences at the later of when expenditures for the asset are being incurred or

when borrowing costs are being incurred. The borrowing costs are no longer capitalized when all substantially all the activities necessary to prepare the asset for its intended use are complete.

51.10. Leases

Lease agreements that transfer substantially all the risks and rewards incidental to ownership to the Group are classified as finance leases. Leases other than finance leases are recognized 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 component of each lease payment is recognized in the income statement over the lease period in such a way as to arrive at a fixed periodic interest rate compared to the unsettled liability amount. 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.

51.11. Impairment of assets

The Group'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 (except from losses on goodwill) if events occur justifying the lack or change in the impairment of assets.

Financial assets

Financial assets are analyzed as at each reporting date 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 analyzed for impairment on a case-by-case basis.

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Other financial assets are analyzed for impairment by groups with similar credit risk.

The principles for recognition of impairment losses on financial assets have been presented in detail in Note 54.12.

51.12. Investment property

Investment property is maintained in order to generate rental income, for capital appreciation or for both. For measuring investment property after the initial recognition, the Group selected the acquisition cost model.

Investments in property are depreciated according to the straight-line method. Depreciation begins in the month of its commissioning. The estimated useful life period is as follows:

Buildings 25 – 33 years

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.

51.13. Financial assets

Financial instruments are classified 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 each reporting date, 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 the active market, not classified as derivatives. They arise when the Group spends cash, delivers goods or services directly to the debtor without the intention of classifying them as receivables held for trading.

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

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trade and other receivables.

Loans and receivables are measured at amortized cost using the effective interest rate.

(c) Investments held to maturity

Investments held to maturity are non-derivative financial assets with determined or determinable payments and fixed maturity that the Group intends to and is able to hold to maturity. Financial assets held to maturity are measured at amortized cost using the effective interest rate.

(d) Financial assets available for sale

Financial assets available for sale (AFS) are non-derivative financial assets designated as “available for sale” or not classified to any of the remaining categories. This category includes mainly shares in unrelated parties. AFS financial assets are recognized as non-current assets if the Group 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 the Group undertakes to purchase or sell a given asset. Financial assets are initially recognized at fair value increased by transaction costs, except for investments classified as financial assets measured at fair value through profit or loss, which are 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 the Group has transferred substantially all the risks and rewards incidental to their 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.

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.

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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) Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Derivatives are accounted for in accordance with fair value or cash flow hedge accounting, if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge,
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship,
- or cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,
- the effectiveness of the hedge can be reliably measured,
- the hedge is assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

If a fair value hedge is used, it is accounted for as follows:

- the gain or loss from remeasuring the hedging instrument at fair value is recognized in profit or loss, and
- the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in profit or loss (this applies also if the hedged item is an available-for-sale financial asset, whose changes in value are recognized directly in revaluation reserve).

The Group discontinues fair value hedge accounting if:

- the hedging instrument expires, is sold, terminated or exercised,
- the hedge no longer meets the criteria for hedge accounting, or
- the Group revokes the designation.

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.

A forecast transaction is an uncommitted but anticipated future transaction.

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If a cash flow hedge is used, it is accounted for as follows:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in revaluation reserve,
- the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in revaluation reserve are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. However, if the Group expects that all or a portion of a loss recognized in revaluation reserve will not be recovered in one or more future periods, it reclassifies to profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes the associated gains and losses that were recognized in revaluation reserve and includes them in the initial cost or other carrying amount of the asset or liability.

The Group discontinues cash flow hedge accounting if the hedging instrument expires, is sold, terminated or exercised or no longer meets the criteria for hedge accounting. In this case, the cumulative gain or loss on the hedging instrument is recognized in revaluation reserve until the hedged transaction occurs. In case the hedged transaction is no longer expected to occur, related cumulative net gain or loss recognized in revaluation reserve is immediately recognized in profit or loss.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(f) Impairment

At each reporting date, the Group verifies whether there is any objective evidence indicating impairment of a financial asset or a group of financial assets.

If such evidence exists in 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 corresponding to 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, 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 should not exceed the amortized cost which would be determined had no impairment loss been 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 market rate of return for similar financial assets. Such impairment losses are not reversed.

51.14. CO₂ emission rights

CO₂ emission rights granted free of charge under the National Allocation Plan (Krajowy Plan Rozdziatu Uprawnień) and additional CO₂ emission rights purchased for the purpose of redemption, i.e. fulfilling the CO₂ emission settlement obligation, are presented as current intangible assets which are not amortized but tested for impairment and are presented separately in current assets.

CO₂ emission rights granted free of charge for the given financial year are recognized at nil cost. CO₂ emission rights purchased are measured at acquisition price less any impairment loss.

CO₂ emission rights are registered in the following groups:

- green CER,
- free-of-charge and purchased EUA.

Within the above mentioned groups, costs are recognized according to FIFO (first in, first out) method. As regards CO₂ emissions associated with the electricity production process, the Group is obliged to settle them through presentation of a specified quantity of CO₂ emission rights for redemption. The costs related to fulfilling the aforementioned obligation are recognized in the accounting records systematically throughout the annual reporting period, in proportion to the actual and planned volume of production of electricity.

A provision is created for estimated CO₂ emissions during the reporting period, and charged to costs of operating activities. The amount of the provision, presented in the statement of financial position within liabilities, is determined in compliance with the following rules:

- the amount recognized as a provision should be the best estimate of the expenditure required to settle, in annual periods, the present obligation at the reporting date,
- first, the provision is established on the basis of the value of emission rights owned on the reporting date,
- if the demand for emission rights is not covered by the quantity of owned rights, a provision is established for the volume of uncovered estimated emissions, on the basis of the purchase prices of emission rights as

specified in forward contracts made (if the delivery date is set before the date of actual settlement of the obligation, i.e. redemption of emission rights),

- if the demand for emission rights is not covered by the quantity of emission rights owned, due and purchased on forward date, then a provision is established for the volume of uncovered estimated emissions, on the basis of market quotes (Bluenext) as at the reporting date.

The liability (provision) due to CO₂ emission is settled through redemption of emission rights.

Sales revenues and the cost of CO₂ emission rights sold are presented in operating income and costs, respectively.

The value of the emission rights sold is determined according to FIFO in the given group of emission rights:

- green CER,
- free-of-charge and purchased EUA.

51.15. Inventory

Inventories are measured at acquisition price or manufacturing cost not exceeding the net selling price.

Cost is determined according to the FIFO method except for production coal, biomass and limestone powder whose costs are determined in line with weighted average acquisition price method.

Certificates of origin acquired for redemption and for resale, as well as self produced certificates are presented in inventory.

As at the end of the reporting period, the acquired certificates of origin are measured at acquisition price, less impairment losses.

Certificates of origin produced by the Group are recognized at the moment of producing electricity (or as at the date on which their issuance has become probable), unless there is a reasonable doubt regarding the President of Energy Regulatory Office ability to issue them. The certificates of origin on self produced electricity are measured at market price on the last day of the month in which the energy related to the certificates was produced.

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 the Energy Regulatory Office, the redeemed certificates being subject to detailed identification.

51.16. Cash and cash equivalents

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

51.17. Share capital

The share capital of the Group is recognized in the amount stipulated in the by-laws and registered in the National Court Register, adjusted by the effects of hyperinflation as well as settlement of the effects of business combinations and acquisitions, respectively. Increases 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 are also disclosed as share capital.

51.18. Loans, borrowings and debt securities

Upon initial recognition financial liabilities are measured at fair value less transaction costs incurred by the Group. Following their initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

51.19. 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.

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.

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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.

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:

- 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;
- 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.

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51.20. Employee benefits

The following types of employee benefits are provided by the Group:

A. Short-term employee benefits

Short-term employee benefits 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 voluntary redundancy programme.

Liability due to short-term (accrued) paid leave (compensation for paid leave) even if employees are not entitled to receive payment in lieu of holiday.

In 2013 the Group initiated the Voluntary Redundancy Programme. The Programme assumes that employees who decide to terminate the employee contracts within the Programme period, will receive financial compensation

B. Defined benefit plans

Defined benefit plans of the Group 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.

2) Electricity allowance for pensioners

Retiring employees who have worked for the Group 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. The related liabilities are estimated using actuarial methods.

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.

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

Pursuant to the Collective Labor Agreement, when calculating the annual appropriation to the Social Benefits Fund, the Group 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.

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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

1) Jubilee bonuses

Other long-term employee benefits at ENEA S.A. include jubilee bonuses. 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.

D. Defined contribution plan

1) Social security contributions

The social security system in Poland is a state programme, in accordance with which the Group 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 the Group 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.

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.

51.21. Provisions

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

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

Provision for certificates of origin and energy performance certificates

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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.

Provisions are measured first at cost of unredeemed certificates of origin held as the end of the reporting period, second - 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, 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.

The provision for redemption of energy performance certificates amount is calculated on the number of energy performance certificates expressed in tons of oil equivalent 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 Efficiency Law. Provisions are measured first at acquisition price of unredeemed energy performance certificates held as the end of the reporting period, second - 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, 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 Efficiency Law, the missing amount of certificates is measured at the unit substitute fee for the given financial year.

51.22. Revenue recognition

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

Revenue from the sales of energy and distribution services is recognized upon delivery of the energy or transmission services 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

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associated with the transaction will flow to the entity.

Revenue from lease of investment property is recognized in the income statement according to the straight-line method over the term of the lease.

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.

51.23. Subsidies

The Group receives tangible fixed assets constituting electricity infrastructure free of charge. Until 31 December 2009 such transactions were recognized at fair value as property, plant and equipment, and their value was recognized under deferred income and settled over time in the profit or loss pro rata to depreciation costs accrued on the received assets. Since 1 January 2010 fixed assets constituting electricity infrastructure received free of charge are recognized in full amount as revenue in profit or loss.

Other subsidies received by the Group (i.e. grants in the form of other fixed assets and compensation for expenses incurred for other fixed assets) are recognized by the Group in the statement of financial position as deferred income when there is reasonable assurance that they will be received and that the Group will comply with appropriate conditions related to such grants. Grants received as compensation for costs already incurred by the Group 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 Group 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.

51.24. Connection fees

Revenue from connection fees for tasks completed by 31 December 2009 is recognized in deferred income and settled over the depreciation period of the connection, at present determined as 35 years. In financial statements the fees are recognized under long-term liabilities. At the end of each reporting period, the fees up to one-year maturity are reclassified to short-term liabilities.

Advances for connection fees paid to the Group until 31 December 2009 with connections commissioned after 1 January 2010 are recognized in full amount in revenue.

51.25. Compensation to cover stranded costs originating from early termination of long-term power and electricity sales contracts (LTC)

Compensation to cover the stranded costs is recognized in the profit or loss as revenue in the periods when the related stranded costs are incurred.

Compensation to cover stranded costs is recognized in the amount of advances due for a given financial period as

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determined in Appendix 4 to the Act on principles to cover producers' costs originating from early termination of LTC of 29 June 2007 adjusted by an estimated adjustment amount for the given period. The compensation for stranded costs for the given year is settled by the President of the Energy Regulatory Office by 31 July of the subsequent year and by 31 August following the last year of LTC remaining in force.

51.26. Dividend payment

Payments of dividends to shareholders (including minority shareholders for dividends of subsidiaries) are recognized as a liability in the financial statements of the Group for the period when they were approved by the Parent's shareholders

51.27. 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 aforementioned criteria have been satisfied. Amortization/depreciation charges are no longer applied starting from the date when the asset is designated as 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.

51.28. Statement regarding application of International Financial Reporting Standards**51.28.1. 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,

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- 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 Group plans to adopt these pronouncements when they become effective.

The Group 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 consolidated financial statements.

51.28.2. 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,
- 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.



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