



Energa

**ENERGA SA
Group**

**Condensed Interim
Consolidated
Financial Statements
prepared in accordance
with IAS 34
for the six-month
period ended
30 June 2015**

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Three-month period ended 30 June 2015 (unaudited) | Six-month period ended 30 June 2015 (unaudited) | Three-month period ended 30 June 2014 (unaudited) (restated) | Six-month period ended 30 June 2014 (unaudited) |
|--|--|--|--|--|
| Continuing operations | | | | |
| Sales of products and goods for resale including excise tax | 1 520 399 | 3 353 106 | 1 602 045 | 3 358 064 |
| <i>Excise tax</i> | <i>(62 061)</i> | <i>(128 214)</i> | <i>(61 312)</i> | <i>(129 026)</i> |
| Sales of products and goods for resale | 1 458 338 | 3 224 892 | 1 540 733 | 3 229 038 |
| Sales of services | 1 032 944 | 2 157 987 | 976 621 | 2 013 562 |
| Rental income | 20 816 | 42 211 | 21 173 | 43 906 |
| Revenue | 2 512 098 | 5 425 090 | 2 538 527 | 5 286 506 |
| Cost of sales | (2 048 689) | (4 325 465) | (1 943 554) | (4 132 333) |
| Gross profit on sales | 463 409 | 1 099 625 | 594 973 | 1 154 173 |
| Other operating income | 16 997 | 44 163 | 16 557 | 64 515 |
| Selling and distribution expenses | (78 353) | (155 400) | (67 158) | (121 826) |
| General and administrative expenses | (78 733) | (165 858) | (89 144) | (176 963) |
| Other operating expenses | (25 366) | (57 700) | (32 672) | (62 225) |
| Financial income | 11 372 | 34 524 | 22 676 | 60 227 |
| Financial costs | (70 534) | (142 220) | (81 187) | (160 014) |
| Share of profit (loss) of associates | - | - | - | (157) |
| Profit before tax | 238 792 | 657 134 | 364 045 | 757 730 |
| Income tax | (59 074) | (122 494) | (69 798) | (148 107) |
| Net profit on continuing operations | 179 718 | 534 640 | 294 247 | 609 623 |
| Discontinued operations | | | | |
| Net profit (loss) on discontinued operations | - | - | (2 193) | (3 147) |
| Net profit for the period | 179 718 | 534 640 | 292 054 | 606 476 |
| Attributable to: | | | | |
| Equity holders of the Parent Company | 177 953 | 529 781 | 283 532 | 595 403 |
| Non-controlling interests | 1 765 | 4 859 | 8 521 | 11 073 |
| Earnings per share (in PLN) | | | | |
| - basic | 0,43 | 1,28 | 0,69 | 1,45 |
| - diluted | 0,43 | 1,28 | 0,69 | 1,45 |

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Three-month period ended 30 June 2015 (unaudited) | Six-month period ended 30 June 2015 (unaudited) | Three-month period ended 30 June 2014 (unaudited) | Six-month period ended 30 June 2014 (unaudited) |
|--|--|--|--|--|
| Net profit for the period | 179 718 | 534 640 | 292 054 | 606 476 |
| Items that will never be reclassified to profit or loss | 33 117 | 6 419 | (39 310) | (41 137) |
| Actuarial gains and losses on defined benefit plans | 40 863 | 7 899 | (48 530) | (50 786) |
| Deferred tax on other comprehensive income | (7 746) | (1 480) | 9 220 | 9 649 |
| Items that are or may be reclassified subsequently to profit or loss | 21 592 | 35 075 | (22 923) | (1 904) |
| Foreign exchange gains / (losses) arising on translation of foreign operations | 2 469 | (1 599) | (252) | 334 |
| Cash flow hedges | 23 591 | 45 258 | (27 989) | (2 763) |
| Deferred tax on other comprehensive income | (4 468) | (8 584) | 5 318 | 525 |
| Net other comprehensive income | 54 709 | 41 494 | (62 233) | (43 041) |
| Total comprehensive income | 234 427 | 576 134 | 229 821 | 563 435 |
| Attributable to: | | | | |
| Equity holders of the Parent Company | 232 662 | 571 275 | 221 834 | 552 984 |
| Non-controlling interests | 1 765 | 4 859 | 7 987 | 10 451 |

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at 30 June 2015 (unaudited) | As at 31 December 2014 (restated) | As at 1 January 2014 (restated) |
|------------------------------------|--------------------------------------|---|---------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 476 307 | 12 315 221 | 11 760 776 |
| Investment property | 43 303 | 40 408 | 15 189 |
| Intangible assets | 375 619 | 393 079 | 398 677 |
| Goodwill | 143 058 | 143 058 | 156 773 |
| Deferred tax assets | 272 080 | 245 591 | 245 086 |
| Derivative financial instruments | 36 388 | 28 662 | 13 017 |
| Other non-current financial assets | 20 327 | 20 327 | 17 727 |
| Other non-current assets | 75 745 | 55 110 | 42 291 |
| | 13 442 827 | 13 241 456 | 12 649 536 |
| Current assets | | | |
| Inventories | 514 079 | 295 741 | 302 043 |
| Current tax receivables | 24 532 | 76 090 | 43 427 |
| Trade receivables | 1 619 095 | 1 550 754 | 1 469 543 |
| Portfolio of financial assets | 555 456 | 763 760 | 567 249 |
| Deposits | 4 037 | 42 | 4 121 |
| Other current financial assets | 21 701 | 22 364 | 8 891 |
| Cash and cash equivalents | 1 649 792 | 1 931 638 | 1 785 056 |
| Other current assets | 296 062 | 208 201 | 145 574 |
| Assets classified as held for sale | - | 26 632 | 109 116 |
| | 4 684 754 | 4 875 222 | 4 435 020 |
| TOTAL ASSETS | 18 127 581 | 18 116 678 | 17 084 556 |

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

| | As at 30 June 2015 (unaudited) | As at 31 December 2014 (restated) | As at 1 January 2014 (restated) |
|---|--------------------------------------|---|---------------------------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 4 521 613 | 4 521 613 | 4 521 613 |
| Foreign exchange gains / (losses) arising on translation of foreign operation | (1 182) | 417 | (2 310) |
| Reserve capital | 447 192 | 447 192 | 447 192 |
| Supplementary capital | 660 754 | 606 472 | 521 490 |
| Cash flow hedge reserve | 19 742 | (16 932) | 26 539 |
| Retained earnings | 2 842 607 | 2 956 946 | 2 519 955 |
| Equity attributable to equity holders of the Parent Company | 8 490 726 | 8 515 708 | 8 034 479 |
| Non-controlling interests | 42 710 | 37 851 | 13 816 |
| | 8 533 436 | 8 553 559 | 8 048 295 |
| Non-current liabilities | | | |
| Loans and borrowings | 2 563 954 | 2 389 554 | 1 811 548 |
| Bonds issued | 3 083 113 | 3 116 835 | 3 119 453 |
| Non-current provisions | 638 467 | 631 716 | 549 499 |
| Deferred tax liabilities | 572 690 | 553 387 | 544 001 |
| Deferred income and non-current grants | 528 492 | 525 824 | 489 234 |
| Derivative financial instruments | 15 563 | 22 748 | - |
| Other financial non-current liabilities | 8 232 | 8 539 | 4 873 |
| Other non-current liabilities | 104 | 1 186 | 1 406 |
| | 7 410 615 | 7 249 789 | 6 520 014 |
| Current liabilities | | | |
| Trade liabilities | 682 524 | 869 106 | 889 902 |
| Current loans and borrowings | 216 556 | 170 568 | 274 177 |
| Bonds issued | 37 760 | 71 540 | 70 584 |
| Current income tax liability | 80 471 | 50 432 | 6 838 |
| Deferred income and grants | 41 906 | 36 965 | 32 048 |
| Accruals | 81 914 | 120 594 | 126 813 |
| Provisions | 531 896 | 373 995 | 444 108 |
| Other financial liabilities | 120 090 | 228 910 | 234 725 |
| Other current liabilities | 390 413 | 362 314 | 355 733 |
| Liabilities related to assets classified as held for sale | - | 28 906 | 81 319 |
| | 2 183 530 | 2 313 330 | 2 516 247 |
| Total liabilities | 9 594 145 | 9 563 119 | 9 036 261 |
| TOTAL EQUITY AND LIABILITIES | 18 127 581 | 18 116 678 | 17 084 556 |

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended 30 June 2015

| | Equity attributable to equity holders of the Parent Company | | | | | | Total | Non-controlling interests | Total equity |
|--|---|--|-----------------|-----------------------|-------------------------|-------------------|------------------|---------------------------|------------------|
| | Share capital | Foreign exchange gains / (losses) arising on translation of foreign operations | Reserve capital | Supplementary capital | Cash flow hedge reserve | Retained earnings | | | |
| As at 1 January 2015 | 4 521 613 | 417 | 447 192 | 606 472 | (16 932) | 2 956 946 | 8 515 708 | 37 851 | 8 553 559 |
| Actuarial gains and losses on defined benefit plans | - | - | - | - | - | 6 419 | 6 419 | - | 6 419 |
| Foreign exchange gains / (losses) arising on translation of foreign operations | - | (1 599) | - | - | - | - | (1 599) | - | (1 599) |
| Cash flow hedges | - | - | - | - | 36 674 | - | 36 674 | - | 36 674 |
| Profit for the period | - | - | - | - | - | 529 780 | 529 780 | 4 859 | 534 639 |
| Total comprehensive income for the period | - | (1 599) | - | - | 36 674 | 536 199 | 571 274 | 4 859 | 576 133 |
| Retained earnings distribution | - | - | - | 54 282 | - | (54 282) | - | - | - |
| Dividends | - | - | - | - | - | (596 257) | (596 257) | - | (596 257) |
| As at 30 June 2015 (unaudited) | 4 521 613 | (1 182) | 447 192 | 660 754 | 19 742 | 2 842 606 | 8 490 725 | 42 710 | 8 533 435 |

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the six-month period ended 30 June 2014

| | Equity attributable to equity holders of the Parent Company | | | | | | Total | Non-controlling interests | Total equity |
|--|---|--|-----------------|-----------------------|-------------------------|-------------------|------------------|---------------------------|------------------|
| | Share capital | Foreign exchange gains / (losses) arising on translation of foreign operations | Reserve capital | Supplementary capital | Cash flow hedge reserve | Retained earnings | | | |
| As at 1 January 2014 | 4 521 613 | (2 310) | 447 192 | 521 490 | 26 539 | 2 519 955 | 8 034 479 | 13 816 | 8 048 295 |
| Actuarial gains and losses on defined benefit plans | - | - | - | - | - | (40 515) | (40 515) | (622) | (41 137) |
| Foreign exchange gains / (losses) arising on translation of foreign operations | - | 334 | - | - | - | - | 334 | - | 334 |
| Cash flow hedges | - | - | - | - | (2 238) | - | (2 238) | - | (2 238) |
| Profit for the period | - | - | - | - | - | 595 403 | 595 403 | 11 073 | 606 476 |
| Total comprehensive income for the period | - | 334 | - | - | (2 238) | 554 888 | 552 984 | 10 451 | 563 435 |
| Retained earnings distribution | - | - | - | 84 982 | - | (84 982) | - | - | - |
| Dividends | - | - | - | - | - | (414 067) | (414 067) | - | (414 067) |
| Disposal of shares in subsidiaries | - | - | - | - | - | 524 | 524 | - | 524 |
| As at 30 June 2014 (unaudited) | 4 521 613 | (1 976) | 447 192 | 606 472 | 24 301 | 2 576 318 | 8 173 920 | 24 267 | 8 198 187 |

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six-month period ended 30 June 2015 (unaudited) | Six-month period ended 30 June 2014 (unaudited) (restated) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before tax from continuing operations | 657 134 | 757 730 |
| Loss before tax on discontinued operations and disposal of non-current assets classified as held for sale | - | (3 147) |
| Adjustments for: | | |
| Share of loss of associates | - | 157 |
| Foreign currency (gains)/ losses | (6 607) | (1 452) |
| Amortization and depreciation | 450 790 | 423 635 |
| Net interest and dividends | 154 141 | 99 289 |
| Loss on investing activities | 18 059 | 4 919 |
| Changes in working capital: | | |
| Change in receivables | 24 310 | (68 884) |
| Change in inventories | (221 572) | 39 041 |
| Change in payables excluding loans and borrowings | (225 269) | (290 815) |
| Change in prepayments and accruals | (203 240) | (164 992) |
| Change in provisions | 158 212 | (152 780) |
| | 805 958 | 642 701 |
| Income tax paid | (58 173) | (92 735) |
| Net cash from operating activities | 747 785 | 549 966 |
| Cash flows from investing activities | | |
| Disposal of property, plant and equipment and intangible assets | 8 633 | 21 539 |
| Purchase of property, plant and equipment and intangible assets | (742 572) | (575 158) |
| Disposal of shares in associates | - | 3 188 |
| Disposal of other financial assets | 12 000 | 34 524 |
| Purchase of other financial assets | (14 060) | (28 763) |
| Purchase of ENERGA Trading SFIO Fund units | - | (244 826) |
| Disposal of ENERGA Trading SFIO Fund units | 208 304 | - |
| Disposal of subsidiary | - | 20 525 |
| Dividends received | 12 | 116 |
| Interest received | 215 | 287 |
| Net cash used in investing activities | (527 468) | (768 568) |
| Cash flows from financing activities | | |
| Payment of finance lease liabilities | (1 294) | (4 008) |
| Proceeds from loans and borrowings | 310 873 | 939 180 |
| Repayment of loans and borrowings | (93 715) | (154 769) |
| Dividends paid | (596 257) | (405 200) |
| Interest paid | (146 349) | (150 021) |
| Other | - | (3 313) |
| Net cash from financing activities | (526 742) | 221 869 |
| Net increase / (decrease) in cash and cash equivalents | (306 425) | 3 267 |
| Cash and cash equivalents at the beginning of the period | 1 910 821 | 1 783 464 |
| Cash and cash equivalents at the end of the period | 1 604 396 | 1 786 731 |

ACCOUNTING PRINCIPLES (POLICIES) AND NOTES

1. General information

The ENERGA SA Group (the "Group") consists of **ENERGA Spółka Akcyjna** ("Parent Company", "Company") and its subsidiaries (see Note 2). The condensed interim consolidated financial statements of the ENERGA Group covers the six-month period ended 30 June 2015 and contains appropriate comparative data.

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

The Parent Company's REGON statistical number is 220353024.

The primary activities of the Group are as follows:

1. distribution and sales of electricity and heat,
2. electricity and heat,
3. trading in electricity.

As at 30 June 2015, the Polish State Treasury is the Company's parent and ultimate controlling party of the ENERGA Group.

2. Composition of the Group and its changes

2.1. Composition of the Group at the end of the reporting period

As at 30 June 2015, the Group consists of ENERGA SA and the following companies:

| No. | Company name | Registered office | Line of business | % held by the Group in share capital as at | |
|-----|--|-------------------|-----------------------------|--|------------------|
| | | | | 30 June 2015 | 31 December 2014 |
| 1 | ENERGA-OPERATOR SA | Gdańsk | distribution of electricity | 100.00 | 100.00 |
| 2 | ENERGA-OBROT SA | Gdańsk | trading in electricity | 100.00 | 100.00 |
| 3 | ENERGA Wytwarzanie SA | Gdańsk | energy production | 100.00 | 100.00 |
| 4 | AEGIR 4 Sp. z o.o. | Gdańsk | energy production | 100.00 | 100.00 |
| 5 | BORA Sp. z o.o. | Gdańsk | energy production | 100.00 | 100.00 |
| 6 | Breva Sp. z o.o. ¹ | Gdańsk | energy production | - | 100.00 |
| 7 | Ciepło Kaliskie Sp. z o.o. | Kalisz | heat distribution | 91.24 | 91.24 |
| 8 | Ekologiczne Materiały Grzewcze Sp. z o.o. | Gdańsk | consulting activity | 100.00 | 100.00 |
| 9 | Elektrownia CCGT Gdańsk Sp. z o.o. | Gdańsk | energy production | 100.00 | 100.00 |
| 10 | Elektrownia CCGT Grudziądz Sp. z o.o. | Grudziądz | energy production | 100.00 | 100.00 |
| 11 | Elektrownia Ostrołęka SA | Ostrołęka | energy production | 100.00 | 100.00 |
| 12 | ENERGA-OPERATOR Eksploatacja Elbląg Sp. z o.o. | Elbląg | grid operation | 100.00 | 100.00 |
| 13 | ENERGA-OPERATOR Eksploatacja Gdańsk Sp. z o.o. | Gdańsk | grid operation | 100.00 | 100.00 |

| No. | Company name | Registered office | Line of business | % held by the Group in share capital as at | |
|-----|---|-------------------|---|--|------------------|
| | | | | 30 June 2015 | 31 December 2014 |
| 14 | ENERGA-OPERATOR Eksploatacja Kalisz Sp. z o.o. | Kalisz | grid operation | 100.00 | 100.00 |
| 15 | ENERGA-OPERATOR Eksploatacja Plock Sp. z o.o. | Plock | grid operation | 100.00 | 100.00 |
| 16 | ENERGA-OPERATOR Eksploatacja Slupsk Sp. z o.o. | Slupsk | grid operation | 100.00 | 100.00 |
| 17 | ENERGA-OPERATOR Eksploatacja Torun Sp. z o.o. | Torun | grid operation | 100.00 | 100.00 |
| 18 | ENERGA-OPERATOR Techniczna Obsluga Odbiorców Sp. z o.o. | Koszalin | technical customer service | 100.00 | 100.00 |
| 19 | ENERGA Centrum Usług Wspólnych Sp. z o.o. | Gdansk | accounting, payroll and administrative services | 100.00 | 100.00 |
| 20 | ENERGA Elektrociepłownia Kalisz SA w likwidacji (in liquidation) | Kalisz | energy production | 100.00 | 100.00 |
| 21 | ENERGA Elektrownie Ostrołęka SA | Ostrołęka | energy production | 89.64 | 89.38 |
| 22 | ENERGA Finance AB (publ) | Stockholm | financing activity | 100.00 | 100.00 |
| 23 | ENERGA Informatyka i Technologie Sp. z o.o. | Gdansk | information and communication technologies | 100.00 | 100.00 |
| 24 | Enspirion Sp. z o.o. (formerly: ENERGA Innowacje Sp. z o.o.) ² | Gdansk | organization and management of development of innovative power projects | 100.00 | 100.00 |
| 25 | ENERGA Invest SA | Gdansk | investment project management | 100.00 | 100.00 |
| 26 | ENERGA Kogeneracja Sp. z o.o. | Elblag | energy production | 100.00 | 100.00 |
| 27 | ENERGA Obsluga i Sprzedaz Sp. z o.o. | Gdansk | customer service | 100.00 | 100.00 |
| 28 | ENERGA OPEC Sp. z o.o. | Ostrołęka | heat distribution | 99.99 | 99.99 |
| 29 | ENERGA Oświetlenie Sp. z o.o. | Sopot | lighting services | 100.00 | 100.00 |
| 30 | ENERGA Serwis Sp. z o.o. | Ostrołęka | repairs and maintenance services | 94.81 | 94.68 |
| 31 | ENERGA SLOVAKIA s.r.o. | Bratislava | trading in electricity | 100.00 | 100.00 |
| 32 | Energetyka Kaliska – Usługi Techniczne Sp. z o.o. | Kalisz | contracting and design | 100.00 | 100.00 |
| 33 | ENSA PGK1 Sp. z o.o. | Gdansk | financing services | 100.00 | 100.00 |
| 34 | ENSA PGK2 Sp. z o.o. | Gdansk | financing services | 100.00 | 100.00 |
| 35 | ENSA PGK3 Sp. z o.o. | Gdansk | financing services | 100.00 | 100.00 |
| 36 | ENSA PGK4 Sp. z o.o. | Gdansk | financing services | 100.00 | 100.00 |
| 37 | ENSA PGK5 Sp. z o.o. | Gdansk | financing services | 100.00 | 100.00 |
| 38 | ENSA PGK6 Sp. z o.o. | Gdansk | financing services | 100.00 | 100.00 |
| 39 | ENSA PGK7 Sp. z o.o. | Gdansk | financing services | 100.00 | 100.00 |
| 40 | ENSA PGK8 Sp. z o.o. | Gdansk | financing services | 100.00 | 100.00 |

| No. | Company name | Registered office | Line of business | % held by the Group in share capital as at | |
|-----|--|-------------------|--|--|------------------|
| | | | | 30 June 2015 | 31 December 2014 |
| 41 | EOB PGK1 Sp. z o.o. | Gdańsk | financing services | 100.00 | 100.00 |
| 42 | EOB PGK2 Sp. z o.o. | Gdańsk | financing services | 100.00 | 100.00 |
| 43 | Przedsiębiorstwo Budownictwa Elektroenergetycznego ENBUD Słupsk Sp. z o.o. | Słupsk | contracting and design | 100.00 | 100.00 |
| 44 | RGK Sp. z o.o. | Gdańsk | financing services and property management | 100.00 | 100.00 |
| 45 | Zakład Budownictwa Energetycznego Sp. z o.o. | Koszalin | contracting and design | 100.00 | 100.00 |
| 46 | ENERGA-OPERATOR Logistyka Sp. z o.o. | Płock | logistics and supply | 100.00 | 100.00 |
| 47 | Zakład Energetyczny Toruń - ENERGOHANDEL Sp. z o.o. w likwidacji (in liquidation) ³ | Toruń | supply | 100.00 | 100.00 |
| 48 | ZEC Żychlin Sp. z o.o. | Żychlin | heat distribution | 100.00 | 100.00 |
| 49 | ZEP - Centrum Wykonawstwa Specjalistycznego Sp. z o.o. | Płock | contracting and design | 100.00 | 100.00 |

¹ See description in note 2.2.

² On 30 January 2015 the Court of Registration registered the change of the company's business name from ENERGA Innowacje Sp. z o.o. to ENSPIRION Sp. z o.o.

³ On 23 January 2015, the Extraordinary General Meeting of the company adopted a resolution on dissolution and commencement of the company's liquidation process.

2.2. Changes in the composition of the Group in the reporting period

On 15 April 2015, the merger of ENERGA Wytwarzanie SA (acquiring company) and BREVA Sp. z o.o. (acquired company) was registered. The merger has been carried out without increasing the share capital of the acquiring company.

3. Composition of the Parent Company's Management Board

In the period from 1 January to 29 April 2015, the Management Board of the Parent Company was as follows:

- Mirosław Bieliński – President of the Management Board,
- Roman Szyszko – Vice President, Chief Financial Officer,
- Wojciech Topolnicki – Vice-President, Strategy and Investments.

On 28 April 2015, the Company's Supervisory Board adopted a resolution to appoint the Management Board for the next term of office, comprised of:

- Andrzej Tersa – President of the Management Board,
- Seweryn Kędra – Vice-President of the Management Board for Financial Matters,
- Jolanta Szydłowska – Vice-President of the Management Board for Corporate Matters.

4. Approval of the financial statements

These consolidated financial statements were approved for publication by the Company's Management Board on 11 August 2015.

5. Basis for preparation of the financial statements

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

These consolidated financial statements have been prepared based on the assumption that the Group would continue as a going concern in the foreseeable future. As at the date of these financial statements there is no evidence indicating significant uncertainty as to the ability of the Group to continue its business activities as a going concern.

5.1. Statement of compliance

These consolidated financial statements of ENERGA SA Group have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. They do not include all the information required for a complete set of financial statements compliant with the International Financial Reporting Standards ("IFRS"). However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2014.

5.2. Functional and presentation currency

The functional currency of the Parent Company and other Polish subsidiaries and the presentation currency of these consolidated financial statements is the Polish zloty and all the numbers are given in thousands of Polish zloty ("PLN 000s") unless stated otherwise.

The functional currency of ENERGA SLOVAKIA s.r.o. and ENERGA Finance AB (publ) is the Euro. The underlying accounts of the above-mentioned companies have been translated into PLN as follows: data in the statement of financial position, except equity - exchange rates at the reporting date; equity - exchange rates at the date of transaction and data in the statement of profit or loss - at the weighted average exchange rate for the financial period.

The following exchange rates were used for measurement purposes at the end of the reporting period:

| Exchange rate at the end of each respective reporting period | | |
|--|--------------|------------------|
| Currency | 30 June 2015 | 31 December 2014 |
| EURO | 4,1944 | 4,2623 |

The weighted average exchange rates for each respective reporting period are as follows:

| Average exchange rate in the period | | |
|-------------------------------------|-----------------------------|-----------------------------|
| Currency | 1 January - 30 June 2015 | 1 January - 30 June 2014 |
| EURO | 4,1341 | 4,1784 |

6. Material items subject to judgment and estimates

In the current reporting period no changes were made in the methods used to make material estimations. Changes of estimates resulted from events that occurred during the reporting period.

The preparation of the condensed interim consolidated financial statements in accordance with the International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union ("EU") requires the Management Board to adopt certain assumptions and estimates that affect the amounts reported in these condensed interim consolidated financial statements and notes thereto. The assumptions and estimates are based on the Management Board's best knowledge of current and future activities and events. However actual results may differ from those anticipated.

7. Significant accounting policies

The accounting policies of the Group are applied on a continuous basis, except for

- the changes caused by amendments in IFRS EU,
- the changes in the presentation of investments in participation units of the ENERGA Trading SFIO fund.

Presentation of participation units of the ENERGA Trading SFIO fund

In the previous reporting periods, the Group recognized its investments in participation units of the ENERGA Trading SFIO fund ("Fund") as cash equivalents. In the current reporting period, the Group decided to change this presentation practice by creating a separate current assets item "Portfolio of financial assets". The Management Board of the Group believes that such a presentation is a better reflection of the risks associated with the investment in the Fund.

The adjustments made to comparative data are presented in note 9.

7.1. Standards and interpretations adopted for the first time in 2015

The following amendments to the existing standards published by the International Accounting Standards Board and endorsed in the EU came into force in 2015:

- IFRIC 21 "Levies" interpretation endorsed in the EU on 13 June 2014 (applicable to annual periods beginning on or after 17 June 2014).
- Amendments to various standards "Annual Improvements to IFRS (2011-2013 cycle)" – changes introduced during the annual cycle of improvements to IFRS (IFRS 1, IFRS 3, IFRS 13, and IAS 40) aimed mainly at removing inconsistencies agreeing on the wording - endorsed in the EU on 18 December 2014 (applicable to annual periods beginning on or after 1 January 2015).

These amendments to the standards have had no significant impact on the Group's accounting policies applied so far.

7.2. Standards and interpretations already published and endorsed in the EU, which have not come into effect

When approving these financial statements, the Group did not apply the following standards, amendments to standards and interpretations that were published and endorsed in the EU but have not yet become effective:

- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions - endorsed in the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015),
- Amendments to various standards "Annual Improvements to IFRS (2010-2012 cycle)" – changes introduced during the annual cycle of improvements to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) aimed mainly at removing inconsistencies agreeing on the wording - endorsed in the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015).

The Group estimates that the above amendments to standards would have had no material influence on the financial statements, had they been applied by the Group as at the end of this reporting period.

7.3. Standards and interpretations adopted by the IASB but not yet endorsed in the EU

IFRS as endorsed in the EU do not currently differ from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, amendments to standards and interpretations, which as at the date of approving these financial statements have not yet been adopted for application:

- IFRS 9 "Financial Instruments" (applicable to annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (applicable to annual periods beginning on or after 1 January 2016).
- IFRS 15 "Revenue from Contracts with Customers" (applicable to annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 11 "Joint Arrangements" (applicable to annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Acceptable methods of amortization and depreciation (applicable to annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture – Bearer Plants" (applicable to annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements (applicable to annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sales or contributions of assets between an investor and its associate/joint venture (applicable to annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (applicable to annual periods beginning on or after 1 January 2016).
- Amendments to various standards "Annual Improvements to IFRS (2012-2014 cycle)" – changes introduced during the annual cycle of improvements to IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) aimed mainly at removing inconsistencies agreeing on the wording (applicable to annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative (applicable to annual periods beginning on or after 1 January 2016).

The Group believes that the introduction of the above-mentioned standards, amendments to standards and interpretations will not have any substantial impact on the accounting policies currently applied by the Group.

8. Explanations regarding the seasonality and cyclicity of operations in the period under review

Sales and distribution of electricity and heat during the year are subject to seasonal fluctuations. The volume of energy sold and distributed, and consequently sales revenues, rise during the winter

months and fall in the summer months. This is dependent on the ambient temperature and length of the day. The extent of fluctuations is determined by low temperatures and shorter days in winter and higher temperatures and longer days in summer. The seasonal nature of electric energy sales and distribution applies to a greater extent to small individual customers than to industrial sector clients.

9. Restatement of comparative information

Following the change in the presentation of participation units of the ENERGA Trading fund (see note 7), the Group restated the statements of financial position as at 31 December 2014 and 1 January 2014 and statements of cash flows for the six-month period ended 30 June 2014.

This change did not affect the comparative data presented in the statement of profit or loss and the earnings per share amount.

The adjustments made to comparative data are presented in the tables below:

| | As at 31 December 2014 (previously reported) | Adjustments | As at 31 December 2014 (restated) |
|-------------------------------|---|-------------|---|
| ASSETS | | | |
| Portfolio of financial assets | - | 763 760 | 763 760 |
| Cash and cash equivalents | 2 695 398 | (763 760) | 1 931 638 |

| Title | As at 1 January 2014 (previously reported) | Adjustments | As at 1 January 2014 (restated) |
|-------------------------------|---|-------------|------------------------------------|
| ASSETS | | | |
| Portfolio of financial assets | - | 567 249 | 567 249 |
| Cash and cash equivalents | 2 352 305 | (567 249) | 1 785 056 |

| | Six-month period ended 30 June 2014 (previously reported) | Adjustments | Six-month period ended 30 June 2014 (restated) |
|---|---|------------------|---|
| Cash flows from investing activities | | | |
| Purchase of units in the ENERGA Trading SFIO Fund | - | (244 826) | (244 826) |
| Net increase / (decrease) in cash and cash equivalents | 248 093 | (244 826) | 3 267 |
| Cash and cash equivalents at the beginning of the period | 2 350 713 | (567 249) | 1 783 464 |
| Cash and cash equivalents at the end of the period | 2 598 806 | (812 075) | 1 786 731 |

10. Operating segments

The Group is organized and managed in the following operating segments, which are also reporting segments:

- Distribution – distribution of electricity by ENERGA-OPERATOR SA (Distribution System Operator), as well as operations directly associated with the distribution operations conducted by other Group companies;
- Generation – production of electricity from conventional and renewable sources, production and distribution of heat and maintenance and repair activity, related directly to the production of energy;

- Sales - trading in electricity (wholesale trading and retail sales) and lighting services.
- Other - shared services centers in the accounting, HR and salary, administration and ITC areas as well as financing activity and real estate management areas. The Parent Company has also been classified as belonging to the other segment.

The key measures used to assess the performance of segments is net profit and EBITDA, i.e. operating profit /(loss) (calculated as the net profit /(loss) on continuing operations, adjusted by income tax, the share of profit of the associate, financial income and financial costs) adjusted for amortization and depreciation.

The rules applied to the determination of segment results and measure the segment's assets and liabilities are consistent with the rules used to prepare the consolidated financial statements.

Transactions between segments are settled on market terms.

The sales segment also comprises the total effect of the measurement of provisions for the redemption of certificates of origin of electricity as at the end of the reporting period. In H1 2014, this measurement was partially presented as consolidation eliminations and adjustments. Therefore, the H1 2014 data have been restated accordingly.

The Group does not present information by geographic segments since its operations conducted for international clients do not have a significant impact on the Group's results.

The tables below show the breakdown of revenues and expenses for the period from 1 January to 30 June 2015 and the assets and liabilities as at 30 June 2015 by individual segments, together with duly restated comparative information.

| Six-month period ended 30 June 2015 (unaudited) or as at 30 June 2015 (unaudited) | Distribution | Sales | Generation | Other | Total | Consolidation eliminations and adjustments | Total activity |
|--|-------------------|------------------|------------------|-------------------|-------------------|--|-------------------|
| Revenue | | | | | | | |
| Sales to external clients | 2 083 750 | 2 784 961 | 554 257 | 2 122 | 5 425 090 | - | 5 425 090 |
| Inter-segment sales | 26 023 | 90 861 | 201 090 | 102 760 | 420 734 | (420 734) | - |
| Total segment revenues | 2 109 773 | 2 875 822 | 755 347 | 104 882 | 5 845 824 | (420 734) | 5 425 090 |
| EBITDA | | | | | | | |
| EBITDA | 933 621 | 66 981 | 227 517 | 16 419 | 1 244 538 | (28 918) | 1 215 620 |
| Profit/ (loss) on continuing operations before tax and finance income/expense | 581 290 | 50 583 | 148 406 | 7 292 | 787 571 | (22 741) | 764 830 |
| Net finance income/expense | (64 833) | 9 797 | (34 716) | 902 530 | 812 778 | (920 474) | (107 696) |
| Profit/ (loss) before tax | 516 457 | 60 380 | 113 690 | 909 822 | 1 600 349 | (943 215) | 657 134 |
| Income tax | (108 340) | (10 965) | (20 521) | 14 969 | (124 857) | 2 363 | (122 494) |
| Net profit/ (loss) for the period | 408 117 | 49 415 | 93 169 | 924 791 | 1 475 492 | (940 852) | 534 640 |
| Assets and liabilities | | | | | | | |
| Cash and cash equivalents | 515 668 | 35 146 | 214 253 | 884 725 | 1 649 792 | - | 1 649 792 |
| Total assets | 11 838 681 | 2 254 145 | 4 376 807 | 12 864 495 | 31 334 128 | (13 206 547) | 18 127 581 |
| Financial liabilities | 3 531 813 | 130 308 | 1 397 248 | 5 834 206 | 10 893 575 | (4 992 192) | 5 901 383 |
| Total liabilities | 5 819 286 | 1 438 315 | 1 861 692 | 6 053 347 | 15 172 640 | (5 578 495) | 9 594 145 |
| Other segment information | | | | | | | |
| Capital expenditure | 449 257 | 25 231 | 157 699 | 23 640 | 655 827 | (36 843) | 618 984 |
| Amortization and depreciation | 352 331 | 16 398 | 79 111 | 9 127 | 456 967 | (6 177) | 450 790 |
| Impairment losses on property, plant and equipment, intangible assets and investment property | (19) | - | 11 372 | - | 11 353 | - | 11 353 |

| Six-month period ended 30 June 2014 (unaudited) (restated) or as at 31 December 2014 (restated) | Distribution | Sales | Generation | Other | Total | Consolidation eliminations and adjustments | Total activity |
|--|-------------------|------------------|------------------|-------------------|-------------------|--|-------------------|
| Revenue | | | | | | | |
| Sales to external clients | 1 957 158 | 2 589 193 | 733 418 | 6 737 | 5 286 506 | - | 5 286 506 |
| Inter-segment sales | 26 799 | 263 073 | 166 325 | 67 415 | 523 612 | (523 612) | - |
| Total segment revenues | 1 983 957 | 2 852 266 | 899 743 | 74 152 | 5 810 118 | (523 612) | 5 286 506 |
| EBITDA | | | | | | | |
| EBITDA | 793 774 | 107 178 | 373 490 | (26 774) | 1 247 668 | 33 641 | 1 281 309 |
| Profit/(loss) on continuing operations before tax and finance income/expense | 448 962 | 92 480 | 305 520 | (37 915) | 809 047 | 48 627 | 857 674 |
| Net finance income/expense | (70 396) | 20 076 | (37 622) | 719 462 | 631 520 | (731 307) | (99 787) |
| Share of profit/(loss) of associates | - | - | - | - | - | (157) | (157) |
| Profit/(loss) before tax | 378 566 | 112 556 | 267 898 | 681 547 | 1 440 567 | (682 837) | 757 730 |
| Income tax | (67 477) | (23 672) | (50 988) | 3 524 | (138 613) | (9 494) | (148 107) |
| Net loss on discontinued operations and disposal of assets classified as held for sale | - | - | - | (3 147) | (3 147) | - | (3 147) |
| Net profit/(loss) for the period | 311 089 | 88 884 | 216 910 | 681 924 | 1 298 807 | (692 331) | 606 476 |
| Cash and cash equivalents | | | | | | | |
| Cash and cash equivalents | 839 964 | 321 489 | 350 273 | 419 912 | 1 931 638 | - | 1 931 638 |
| Total assets | 12 203 969 | 2 385 956 | 4 686 612 | 12 368 852 | 31 645 389 | (13 528 711) | 18 116 678 |
| Financial liabilities | | | | | | | |
| Financial liabilities | 3 474 170 | 51 173 | 1 473 868 | 5 716 018 | 10 715 229 | (4 966 732) | 5 748 497 |
| Total liabilities | 6 026 966 | 1 517 589 | 2 030 868 | 5 914 665 | 15 490 088 | (5 926 969) | 9 563 119 |
| Other segment information | | | | | | | |
| Capital expenditure | 318 354 | 12 634 | 70 916 | 20 289 | 422 193 | (3 057) | 419 136 |
| Amortization and depreciation | 344 812 | 14 698 | 67 970 | 11 141 | 438 621 | (14 986) | 423 635 |
| Impairment losses on property, plant and equipment, intangible assets and investment property | - | - | 10 494 | 1 773 | 12 267 | - | 12 267 |

11. Property, plant and equipment

In the current reporting period, the Group:

- incurred expenditures towards property, plant and equipment in the amount of PLN 589.2 m (PLN 381.8 m in the corresponding period of 2014);
- sold and scrapped property, plant and equipment with a total carrying value of PLN 20.6 m (PLN 18.2 m in the corresponding period of 2014);
- recognized impairment losses on property, plant and equipment in the amount of PLN 11.4 m (PLN 12.2 m in the corresponding period of 2014).

12. Impairment tests for property, plant and equipment

In connection with changes arising in its market environment, the Group has identified certain indications, which may result in a decline of recoverable amount of property, plant and equipment of the companies in the generation segment.

The impairment tests were performed using the income method, determining the value in use based on the discounted value of estimated cash flows from operating activities, taking into account, among others, the following assumptions:

- paths for electricity prices for the period of 2015-2035, taking into account, among others, fuel costs, costs of CO₂ allowances and the impact of the balance of demand and supply of electricity in the market, paths for prices of certificates of origin, on the basis of latest available report prepared by an independent agency for the Polish market in May 2015,
- CO₂ emission limits for 2014-2021 as specified in the Regulation of the Council of Ministers of 31 March 2014 (Item 439) and 8 April 2014 (Item 472),
- volumes of production from renewable energy sources resulting from production capacities,
- maintaining the production capacities of the existing non-current assets following replacement investments.
- provisions of law governing the support system as prescribed by the Renewable Energy Sources Act of 20 February 2015.

The performed sensitivity analyses show that the most important factors affecting the estimated value in use of cash generating units are the price paths of electricity, CO₂ emission allowances, fuels and discount rates.

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

Power Plant B ("CGU Ostrołęka B") and heating network ("CGU OPEC") in Ostrołęka

The impairment tests of CGU Ostrołęka B and CGU OPEC were performed as at 31 May 2015 using the discounted cash flow method, based on the comparison of financial projections for the period of June 2015 - December 2022 for CGU Ostrołęka B and June 2015 - December 2020 for CGU OPEC and residual value. To calculate the value in use of CGU Ostrołęka B and CGU OPEC, a discount rate equal to the weighted average cost of capital (WACC) at 6.70% and 7.15, respectively before tax (6.35% and 6.08%, respectively, after tax). The growth rate used to extrapolate cash flow projections beyond the period covered by detailed planning was adopted at the level of 2.0% which does not exceed the average long-term inflation growth rates in Poland.

Based on the results of the test, the Group has found no need to recognize impairment losses on CGU Ostrołęka B and CGU OPEC.

Karcino, Karścino, Bystra, Myślino wind farms

As at 31 May 2015, impairment tests have also been conducted for the Group's wind farms. On account of the assumed 25-year period of operation of the wind farms, the calculations were made on the basis of the financial projections for the full duration of their operation. The discount rates at the

pre-tax weighted-average cost of capital (WACC) used for calculation fell within the range from 7.33% to 7.73% (5.94% after tax).

Based on the results of the tests, the Group has found no need to recognize impairment losses on the wind farms.

Wind projects

In the current reporting period, the Group recognized impairment losses of PLN 11.4 m for two wind projects. This was caused by the inability to develop these projects further, in connection with a negative decision of the municipalities on the location of the farms.

Goodwill

As at 31 May 2015, the Group conducted impairment tests of the goodwill recognized as a result of the acquisition of heating assets and wind farms. The total tested goodwill amounted to PLN 143 m. The tests were conducted using the discounted cash flow method based on the projection of assets to which goodwill is attributed. The discount rates at the pre-tax weighted-average cost of capital (WACC) were used and fell within the range from 6.74% to 7.73%. Based on the results, no impairment losses on goodwill was required at the end of the reporting period.

The performed sensitivity analyses show that the key factor affecting the estimate of the value in use are the discount rate and projected price paths for electricity and property rights. In case of significant changes in market conditions there is a risk that test results will be different in the future.

13. Investment commitments

At the end of the reporting period, the Group's commitments to incur expenditures for the purchase of property, plant and equipment and intangible assets, which have not yet been included in the statement of financial position, were about PLN 5,787.4 m, of which:

- undertakings covered by the development plan of ENERGA-OPERATOR SA to satisfy the current and future demand for electricity in the years 2014-2019 (agreed upon with the President of the Energy Regulatory Office) – approx. PLN 5,276.1 m;
- undertakings executed in the Ostrołęka Power Plant (building a heat source, modernization of power units, construction of an installation for denitrifying exhaust fumes) – approx. PLN 292.4 m;
- wind projects – approx. PLN 109.3 m;
- sales support system – approx. PLN 62.3 m;
- construction of gas-steam power plants in Grudziądz and Gdańsk – approx. PLN 35.5 m;
- modernization of a heating system in Kalisz – approx. PLN 8.1 m.

14. Cash and cash equivalents

Cash in the bank earns interest at variable interest rates negotiated with banks, the level of which depends on the interest rate applicable to overnight bank deposits. Short-term deposits are made for different periods, from one day to three months, depending on the Group's current cash requirements and earn interest at interest rates negotiated individually with banks.

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

| | As at 30 June 2015 (unaudited) | As at 30 June 2014 (unaudited) (restated) |
|---|--------------------------------------|--|
| Cash at bank and in hand | 282 926 | 741 240 |
| Short term deposits up to 3 months | 1 366 866 | 1 099 686 |
| Total cash and cash equivalents presented in the statement of financial position | 1 649 792 | 1 840 926 |
| Unrealised exchange rate differences and interest | (3 291) | (3 892) |
| Cash and cash equivalents classified as assets held for sale | - | - |
| Current account overdrafts | (42 105) | (50 303) |
| Total cash and cash equivalents presented in the statement of cash flow | 1 604 396 | 1 786 731 |

15. Assets classified as held for sale

In Q3 2014, the Group has taken action to sell the 100% stake held by the Company in ENERGA Serwis Sp. z o.o. Despite the initial interest shown by potential investors, the Group did not receive any binding purchase offers. As at the date of the reporting period, the performance of active undertakings aiming at the sale of shares in the company had been halted. Accordingly, the Group ceased to classify the assets and liabilities of this company as held for sale. The amount of non-current assets was adjusted for depreciation, which would have been recognized had they been not classified as held for sale. This adjustment of PLN 265 thousand was charged to cost of sales.

| | As at 30 June 2015 (unaudited) | As at 31 December 2014 |
|--|--------------------------------------|---------------------------|
| ASSETS | | |
| Property, plant and equipment | - | 4 156 |
| Intangible assets | - | 208 |
| Deferred tax assets | - | 4 749 |
| Inventories | - | 2 865 |
| Current tax receivables | - | 1 277 |
| Trade receivables | - | 4 876 |
| Other financial assets | - | 114 |
| Cash and cash equivalents | - | 3 093 |
| Other current assets | - | 5 294 |
| Assets classified as held for sale | - | 26 632 |
| LIABILITIES | | |
| Non-current provisions | - | 14 638 |
| Other long-term Liabilities | - | 118 |
| Trade liabilities | - | 3 546 |
| Other financial liabilities | - | 490 |
| Deferred income and grants | - | 325 |
| Accruals | - | 3 311 |
| Provisions | - | 875 |
| Other short-term Liabilities | - | 5 603 |
| Liabilities related to assets classified as held for sale | - | 28 906 |

16. Earnings per share

There were no diluting instruments in the Company and therefore diluted earnings per share are equal to basic earnings per share. The data used to calculate earnings per share are presented below.

| | Six-month period ended 30 June 2015 (unaudited) | Six-month period ended 30 June 2014 (unaudited) |
|--|--|--|
| Net profit on continuing operations attributable to the shareholders of the Parent Company | 529 781 | 598 550 |
| Net loss on discontinued operations attributable to the shareholders of the Parent Company | - | (3 147) |
| Net profit attributable to the ordinary shareholders of the Parent Company | 529 781 | 595 403 |
| Number of shares at the end of the period (in thousands) | 414 067 | 414 067 |
| Number of shares used to calculate earnings per share (in thousands) | 414 067 | 414 067 |
| Earnings per share from continuing operations (basic and diluted) (in PLN) | 1,28 | 1,45 |
| Earnings per share from discontinued operations (basic and diluted) (in PLN) | 0,00 | (0,01) |

17. Dividend

| | Six-month period ended 30 June 2015 (unaudited) | Six-month period ended 30 June 2014 (unaudited) |
|--|--|--|
| Dividends declared in the period | | |
| dividend declared by subsidiaries | - | - |
| dividend declared by the Parent Company | 596 257 | 414 067 |
| Total | 596 257 | 414 067 |
| Dividends paid in the period | | |
| dividend paid in the period by subsidiaries to non-controlling interests | - | - |
| dividend paid in the period by the Parent Company | 596 257 | 405 200 |
| <i>including dividend paid to preferred shares</i> | <i>208 696</i> | <i>114 982</i> |
| Total | 596 257 | 405 200 |

On 29 April 2015, the Annual General Meeting of the Parent Company adopted a resolution to distribute the 2014 profit, out of which PLN 596,257 thousand, i.e. PLN 1.44 per share, was allocated to a dividend for the Company's shareholders.

18. Provisions

| | Post-employment benefits | Jubilee bonuses | Employee matters | Restructuring provision | Total provisions for employee benefit | Provision for legal claims | Provision for reclamation and decommissioning costs | Provision for gas emission liabilities | Provision for redemption of energy certificates of origin | Other provisions | Total other provisions | Total |
|---|--------------------------|-----------------|------------------|-------------------------|---------------------------------------|----------------------------|---|--|---|------------------|------------------------|------------------|
| As at 1 January 2015 | 386 290 | 241 149 | 1 388 | 17 955 | 646 782 | 82 993 | 36 292 | 40 242 | 153 988 | 45 414 | 358 929 | 1 005 711 |
| Current service cost | 4 329 | 6 633 | - | - | 10 962 | - | - | - | - | - | - | 10 962 |
| Actuarial gains and losses | (7 899) | (3 509) | - | - | (11 408) | - | - | - | - | - | - | (11 408) |
| Benefits paid | (7 887) | (4 955) | - | - | (12 842) | - | - | - | - | - | - | (12 842) |
| Interest cost | 5 601 | 3 559 | - | - | 9 160 | - | 519 | - | - | - | 519 | 9 679 |
| Raised | - | - | - | - | - | 11 280 | 2 490 | 15 358 | 333 617 | 38 069 | 400 814 | 400 814 |
| Released | (2 711) | (2 165) | - | (3 199) | (8 075) | (13 610) | (1 342) | (133) | (2 423) | (1 306) | (18 814) | (26 889) |
| Used | - | - | - | (4 647) | (4 647) | (1 043) | - | (39 078) | (141 878) | (34 531) | (216 530) | (221 177) |
| Transfer to liabilities related to assets classified as held for sale | 7 732 | 7 618 | - | - | 15 350 | - | - | - | - | 163 | 163 | 15 513 |
| As at 30 June 2015 (unaudited), including: | 385 455 | 248 330 | 1 388 | 10 109 | 645 282 | 79 620 | 37 959 | 16 389 | 343 304 | 47 809 | 525 081 | 1 170 363 |
| <i>Short-term</i> | <i>15 191</i> | <i>18 086</i> | <i>1 388</i> | <i>10 109</i> | <i>44 774</i> | <i>79 620</i> | <i>-</i> | <i>16 389</i> | <i>343 304</i> | <i>47 809</i> | <i>487 122</i> | <i>531 896</i> |
| <i>Long-term</i> | <i>370 264</i> | <i>230 244</i> | <i>-</i> | <i>-</i> | <i>600 508</i> | <i>-</i> | <i>37 959</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>37 959</i> | <i>638 467</i> |

| | Post-employment benefits | Jubilee bonuses | Employee matters | Restructuring provision | Total provisions for employee benefit | Provision for legal claims | Provision for reclamation and decommissioning costs | Provision for gas emission liabilities | Provision for redemption of energy certificates of origin | Other provisions | Total other provisions | Total |
|---|--------------------------|-----------------|------------------|-------------------------|---------------------------------------|----------------------------|---|--|---|------------------|------------------------|----------------|
| As at 1 January 2014 | 334 415 | 226 754 | 1 345 | 80 687 | 643 201 | 100 192 | 23 808 | 62 746 | 116 603 | 47 057 | 350 406 | 993 607 |
| Purchase of subsidiary | (37) | - | - | - | (37) | - | - | - | - | - | - | (37) |
| Current service cost | 5 383 | 7 156 | - | - | 12 539 | - | - | - | - | - | - | 12 539 |
| Actuarial gains and losses | 50 786 | 18 597 | - | - | 69 383 | - | - | - | - | - | - | 69 383 |
| Benefits paid | (7 825) | (5 025) | - | - | (12 850) | - | - | - | - | - | - | (12 850) |
| Interest cost | 7 699 | 5 152 | - | - | 12 851 | - | 504 | - | - | - | 504 | 13 355 |
| Raised | - | - | - | 18 835 | 18 835 | 14 558 | 3 038 | 18 757 | 58 558 | 43 228 | 138 139 | 156 974 |
| Released | (5 599) | (5 172) | - | (15 518) | (26 289) | (36 170) | - | (36 112) | - | (1 813) | (74 095) | (100 384) |
| Used | - | - | - | (53 940) | (53 940) | (1 594) | - | (24 889) | (116 603) | (38 369) | (181 455) | (235 395) |
| Reclassification | (4 664) | (2 324) | - | 6 988 | - | - | - | - | - | - | - | - |
| Transfer to liabilities related to assets classified as held for sale | 12 083 | 7 093 | - | - | 19 176 | - | - | - | - | 328 | 328 | 19 504 |
| As at 30 June 2014 (unaudited), including: | 392 241 | 252 231 | 1 345 | 37 052 | 682 869 | 76 986 | 27 350 | 20 502 | 58 558 | 50 431 | 233 827 | 916 696 |
| <i>Short-term</i> | <i>14 610</i> | <i>19 815</i> | <i>1 345</i> | <i>37 052</i> | <i>72 822</i> | <i>76 986</i> | <i>-</i> | <i>20 502</i> | <i>58 558</i> | <i>50 431</i> | <i>206 477</i> | <i>279 299</i> |
| <i>Long-term</i> | <i>377 631</i> | <i>232 416</i> | <i>-</i> | <i>-</i> | <i>610 047</i> | <i>-</i> | <i>27 350</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>27 350</i> | <i>637 397</i> |

The Group recognizes provisions for post-employment benefits and jubilee bonuses in amounts calculated using actuarial methods. The amount of provisions recognized in these financial statements derives from the projection of provisions as at 30 June 2015, carried out by an independent actuary. The projection was based on the previously calculated amounts of provisions as at 31 December 2014 and based on the main assumptions used as at that date, while the discount rate was updated. The discount rate applied for the projections of the provisions as at 30 June 2015 was applied at the level of 3.43% (31 December 2014: 2.68%).

19. Information on related entities

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

19.1. Transactions involving entities related to the State Treasury

The Group's parent is the State Treasury. Accordingly, other entities related to the State Treasury are treated by the Group as related entities.

Transactions with entities related to the State Treasury were concluded in regular business dealings and pertained mainly to the purchase and sale of electricity and property rights, sale of electricity distribution services (including transit), settlements with the transmission system operator in the balancing market, for transmission services, system services and intervention work services and the purchase and transportation of fuel (mainly coal). The Group does not keep records that would allow it to aggregate the value of all transactions concluded with all state institutions and with subsidiaries of the State Treasury.

19.2. Compensation of key management

| | Six-month period ended 30 June 2015 (unaudited) | Six-month period ended 30 June 2014 (unaudited) (restated) |
|---|--|--|
| Management Board of the parent company | 2 938 | 2 085 |
| Supervisory Board of the parent company | 172 | 144 |
| Management Boards of subsidiaries | 17 773 | 16 189 |
| Supervisory Boards of subsidiaries | 369 | 306 |
| Other key management | 8 508 | 6 687 |
| Total | 29 760 | 25 411 |

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

20. Financial instruments

20.1. Carrying value of financial instruments by category and class

| As at 30 June 2015 (unaudited) | Financial assets and liabilities measured at fair value through profit or loss | Financial assets available for sale | Loans and receivables | Cash and cash equivalents | Financial liabilities measured at fair value through profit or loss | Financial liabilities measured at amortized cost | Hedging derivatives | Financial assets out of scope of IAS 39 | Total |
|---|--|--|--------------------------|------------------------------|--|--|------------------------|---|------------------|
| Assets | | | | | | | | | |
| Trade receivables | - | - | 1 619 095 | - | - | - | - | - | 1 619 095 |
| Deposits | - | - | 4 037 | - | - | - | - | - | 4 037 |
| Portfolio of financial assets | 555 456 | - | - | - | - | - | - | - | 555 456 |
| Cash and cash equivalents | - | - | - | 1 649 792 | - | - | - | - | 1 649 792 |
| Derivative financial instruments | - | - | - | - | - | - | 36 388 | - | 36 388 |
| Other financial assets | - | 1 133 | 40 895 | - | - | - | - | - | 42 028 |
| <i>Shares</i> | - | 1 133 | - | - | - | - | - | - | 1 133 |
| <i>Loans granted</i> | - | - | 2 282 | - | - | - | - | - | 2 282 |
| <i>Bonds, treasury bills and other debt instruments</i> | - | - | 19 456 | - | - | - | - | - | 19 456 |
| <i>Other</i> | - | - | 19 157 | - | - | - | - | - | 19 157 |
| Total financial assets | 555 456 | 1 133 | 1 664 027 | 1 649 792 | - | - | 36 388 | - | 3 906 796 |
| Liabilities | | | | | | | | | |
| Loans and borrowings | - | - | - | - | - | 2 780 510 | - | - | 2 780 510 |
| <i>Preferential loans and borrowings</i> | - | - | - | - | - | 1 584 497 | - | - | 1 584 497 |
| <i>Loans and borrowings</i> | - | - | - | - | - | 1 153 908 | - | - | 1 153 908 |
| <i>Current account overdraft</i> | - | - | - | - | - | 42 105 | - | - | 42 105 |
| Bonds issued | - | - | - | - | - | 3 120 873 | - | - | 3 120 873 |
| Derivative financial instruments | - | - | - | - | 160 | - | 15 403 | - | 15 563 |
| Trade liabilities | - | - | - | - | - | 682 524 | - | - | 682 524 |
| Other financial liabilities | - | - | - | - | - | 124 927 | - | 3 395 | 128 322 |
| <i>Liabilities from purchase of property, plant & equipment and intangible assets</i> | - | - | - | - | - | 94 215 | - | - | 94 215 |
| <i>Other</i> | - | - | - | - | - | 30 712 | - | 3 395 | 34 107 |
| Total financial liabilities | - | - | - | - | 160 | 6 708 834 | 15 403 | 3 395 | 6 727 792 |

| As at 31 December 2014 (restated) | Financial assets and liabilities measured at fair value through profit or loss | Financial assets available for sale | Loans and receivables | Cash and cash equivalents | Financial liabilities measured at fair value through profit or loss | Financial liabilities measured at amortized cost | Hedging derivatives | Financial assets out of scope of IAS 39 | Total |
|---|--|--|--------------------------|------------------------------|--|--|------------------------|---|------------------|
| Assets | | | | | | | | | |
| Trade receivables | - | - | 1 550 754 | - | - | - | - | - | 1 550 754 |
| Deposits | - | - | 42 | - | - | - | - | - | 42 |
| Portfolio of financial assets | 763 760 | - | - | - | - | - | - | - | 763 760 |
| Cash and cash equivalents | - | - | - | 1 931 638 | - | - | - | - | 1 931 638 |
| Derivative financial instruments | - | - | - | - | - | - | 28 662 | - | 28 662 |
| Other financial assets | - | 1 133 | 46 803 | - | - | - | - | - | 47 936 |
| <i>Shares</i> | - | 1 133 | - | - | - | - | - | - | 1 133 |
| <i>Loans granted</i> | - | - | 2 330 | - | - | - | - | - | 2 330 |
| <i>Bonds, treasury bills and other debt instruments</i> | - | - | 19 456 | - | - | - | - | - | 19 456 |
| <i>Other</i> | - | - | 25 017 | - | - | - | - | - | 25 017 |
| Total financial assets | 763 760 | 1 133 | 1 597 599 | 1 931 638 | - | - | 28 662 | - | 4 322 792 |
| Liabilities | | | | | | | | | |
| Loans and borrowings | - | - | - | - | - | 2 560 122 | - | - | 2 560 122 |
| <i>Preferential loans and borrowings</i> | - | - | - | - | - | 1 430 971 | - | - | 1 430 971 |
| <i>Loans and borrowings</i> | - | - | - | - | - | 1 118 093 | - | - | 1 118 093 |
| <i>Current account overdraft</i> | - | - | - | - | - | 11 058 | - | - | 11 058 |
| Bonds issued | - | - | - | - | - | 3 188 375 | - | - | 3 188 375 |
| Derivative financial instruments | - | - | - | - | 128 | - | 22 620 | - | 22 748 |
| Trade liabilities | - | - | - | - | - | 869 106 | - | - | 869 106 |
| Other financial liabilities | - | - | - | - | - | 232 761 | - | 4 688 | 237 449 |
| <i>Liabilities from purchase of property, plant & equipment and intangible assets</i> | - | - | - | - | - | 211 061 | - | - | 211 061 |
| <i>Other</i> | - | - | - | - | - | 21 700 | - | 4 688 | 26 388 |
| Total financial liabilities | - | - | - | - | 128 | 6 850 364 | 22 620 | 4 688 | 6 877 800 |

In the current reporting period, the Group reviewed the classification of financial assets in different categories of financial instruments. As a result, the data presented in the tables above are based on a different presentation of some of the instrument classes than in the previous periods (data for the previous year were restated accordingly). This change has no effect on data presented in the statement of financial position.

20.2. Fair value of financial instruments measured at fair value on an ongoing basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period.

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

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

| | 30 June 2015 (unaudited) | | |
|--------------------------------|--------------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| Assets | | | |
| Portfolio of financial assets | - | 555 456 | - |
| Hedging derivatives (CCIRS I) | - | 35 018 | - |
| Hedging derivatives (CCIRS II) | - | 1 370 | - |
| Liabilities | | | |
| Hedging derivatives (IRS) | - | 15 403 | - |
| Derivatives (IRS)* | - | 160 | - |

* 97% of the nominal value of the concluded IRS transactions was designated for hedge accounting.

The Group measures portfolio of financial assets as the product of their quantity and the value of a single participation unit, as measured by the fund management company pursuant to the Mutual Funds Act of 27 May 2004.

Cross Currency Interest Rate Swaps (CCIRSs) and Interest Rate Swaps (IRSs) are measured at fair value by discounting future cash flows. The interest rates and the basis spread used in discounting are obtained from Bloomberg.

20.3. Fair value of financial instruments that are not measured at fair value on a recurring basis

Except for the information given in the table below, the carrying amounts of financial assets and liabilities do not depart in a material way from their fair values.

| | Book value | 30 June 2015 (unaudited) | | |
|---|------------|--------------------------|-----------------------|---------|
| | | Level 1 | Fair value Level 2 | Level 3 |
| Liabilities arising from the issue of Eurobonds | 2 106 379 | 2 273 449 | - | - |

The fair value of liabilities arising from the issue of Eurobonds has been estimated on the basis of quotations from the Bloomberg system from 30 June 2015.

For non-listed shares and debt securities there is no active market, nor is it possible to apply to them any other valuation techniques providing reasonable output values, therefore the Group is not able to

determine the range of their possible fair values. These assets are measured at purchase price less impairment allowances.

20.4. ENERGA Trading SFIO fund

The Group has been investing in a portfolio of assets financed through the Fund in which it has 100% participation units.

The Fund has been established to manage financial surpluses of ENERGA Group companies and is an alternative to bank deposits, even overnight deposits. The fund is high liquidity and low risk. Mechanisms embedded in the fund settlement system offer the redemption of Fund units to cash on the same or the next business day. Additionally, ENERGA Group companies may offset their mutual receivables and liabilities using the units in the Fund.

The Group classifies the following assets within the Fund portfolio structure:

- treasury bills and bonds,
- corporate debt instruments – financial sector,
- corporate debt instruments – non-financial sector,
- bonds issued by Bank Gospodarstwa Krajowego,
- mortgage bonds,
- municipal bonds,
- other.

The following table presents the structure of the Fund's assets at the end of the reporting period and comparative periods.

| | As at 30 June 2015 (unaudited) | As at 31 December 2014 | As at 1 January 2014 |
|---|--------------------------------------|------------------------------|-------------------------|
| Treasury bills and bonds | 233 311 | 342 307 | 231 841 |
| Corporate debt instruments – financial sector | 103 681 | 257 123 | 75 471 |
| Corporate debt instruments – non-financial sector | 52 070 | 67 875 | 28 633 |
| Bonds issued by Bank Gospodarstwa Krajowego | 67 705 | 123 085 | 103 850 |
| Mortgage bonds | 82 210 | 101 443 | 117 080 |
| Municipal bonds | 17 154 | 39 802 | 8 655 |
| Total | 556 131 | 931 635 | 565 530 |

20.5. Loans and borrowings

| | As at 30 June 2015 (unaudited) | As at 31 December 2014 |
|-------------------------------------|--------------------------------------|---------------------------|
| Currency | | PLN |
| Reference Rate | | WIBOR, Rediscount rate |
| Value of the loan/ borrowing | 2 780 510 | 2 560 122 |
| Of which, repayable: | | |
| up to 1 year (short-term) | 216 556 | 170 568 |
| 1 to 2 years | 195 447 | 188 647 |
| 2 to 3 years | 241 687 | 209 476 |
| 3 to 5 years | 553 622 | 511 540 |
| over 5 years | 1 573 198 | 1 479 891 |

As at 30 June 2015 and 31 December 2014, the amount of credit limits available to the Group was PLN 4,802 m (59.4% used) and PLN 4,937 m (45.4% used) respectively.

Detailed information on contracted loans and borrowings is presented in Note 20.7.

20.6. Liabilities under bonds issued

| | As at 30 June 2015 (unaudited) | As at 31 December 2014 |
|-----------------------------|--------------------------------------|---------------------------|
| Currency | | PLN |
| Reference Rate | | WIBOR |
| Value of the issue | 1 014 494 | 1 014 108 |
| of which, repayable: | | |
| up to 1 year (short-term) | 14 494 | 14 108 |
| 1 to 2 years | - | - |
| 2 to 3 years | - | - |
| 3 to 5 years | 1 000 000 | 1 000 000 |
| over 5 years | - | - |

| | As at 30 June 2015 (unaudited) | As at 31 December 2014 |
|-----------------------------|--------------------------------------|---------------------------|
| Currency | | EUR |
| Reference Rate | | fixed |
| Value of the issue | | |
| in currency | 502 189 | 510 116 |
| in PLN | 2 106 379 | 2 174 267 |
| of which, repayable: | | |
| up to 1 year (short-term) | 23 266 | 57 432 |
| 1 to 2 years | - | - |
| 2 to 3 years | - | - |
| 3 to 5 years | 2 083 113 | - |
| over 5 years | - | 2 116 835 |

Detailed information on bonds issued is provided in Note 20.7.

20.7. Available external financing

In the current reporting period:

- a tranche of PLN 200 m was committed under the credit facility agreement with the European Investment Bank ("EIB") with the limit of up to PLN 1,000 m;
- an investment loan from the Nordic Investment Bank ("NIB") was committed in the full amount of PLN 67.5 m;
- ENERGA SA concluded a master loan agreement with Bank Handlowy w Warszawie SA with a limit of PLN 75 m.

In the current reporting period and as at the last day of the reporting period and as at the date of approving these financial statements for publication, there were no events of default on contractual obligations under the terms and conditions of any external funding acquired.

Loans to finance the investment program at ENERGA-OPERATOR SA for the years 2009-2012

ENERGA SA together with its subsidiary ENERGA-OPERATOR SA entered into loan agreements to finance the investment program of ENERGA-OPERATOR SA for the period 2009-2012 associated with the redevelopment and modernization of the distribution grid:

1. agreement with the EIB with the limit of PLN 1,050 m;
2. agreement with the European Bank for Reconstruction and Development ("EBRD") with the limit of PLN 800 m;
3. agreement with the NIB with the limit of PLN 200 m.

The above funding has been fully utilised and the following amounts are still outstanding and remain to be repaid: to EIB – PLN 848.6 m with the final maturity of 15 December 2025, to EBRD – PLN 552.2 m with the final maturity of 18 December 2024, to NIB – PLN 151.4 m with the final maturity of 15 June 2022.

In 2014, ENERGA SA with ENERGA-OPERATOR SA and EBRD amended the above loan agreement, as a result of which, among others, the available loan amount increased by PLN 275.8 m and is to be used to fund ENERGA-OPERATOR SA's capital expenditures, with the funds available for drawdown by the end of 2015. As at 30 June 2015, the available financing amount has not been drawn down.

Loans to finance the investment program at ENERGA-OPERATOR SA for the years 2012-2015

In 2013, ENERGA SA together with its subsidiary ENERGA-OPERATOR SA entered into loan agreements to finance the investment program of ENERGA-OPERATOR SA for the period 2012-2015 associated with the redevelopment and modernization of the distribution grid:

1. agreement with EBRD with a limit of PLN 800 m – as at 30 June 2015, PLN 340 m of the loan has been utilized. PLN 460 m remains available. The final maturity of the loan is 18 December 2024;
2. agreement with EIB with a limit of PLN 1,000 m – as at 30 June 2015, PLN 800 m of the loan has been utilized, out of which PLN 200 m was drawn down in Q1 2015 (PLN 29.1 m matures in 1 to 5 years, while the remaining amount in the period of above 5 years). PLN 200 m remains available. The final maturity of the drawn loan is 15 March 2030.

Eurobond issue program

As part of the Euro Medium Term Note (EMTN) issue program launched in 2012 for up to EUR 1,000 m, on 19 March 2013, the subsidiary Energa Finance AB (publ) conducted the first issue of Eurobonds in the amount of EUR 500 m. The first issue included Eurobonds with a 7-year maturity paying an annual coupon of 3.25%. The Eurobonds are listed on the Luxembourg exchange.

Domestic bond issue

In 2012 a domestic bond issue program for up to PLN 4,000 m was established. As part of the program, on 19 October 2012 ENERGA SA issued 7-year bonds for the total amount of PLN 1,000 m. Since 29 January 2014, the bonds issued by ENERGA SA have been listed on the regulated market run by BondSpot S.A.

Loans from PKO Bank Polski SA

ENERGA SA entered into the following loan agreements with PKO Bank Polski SA:

1. master agreement to extend an overdraft limit to ENERGA SA and its subsidiaries with a total limit of PLN 150 m. As at 30 June 2015, the financing limit for the aggregated amount of PLN 113.6 m has been committed and PLN 49.1 m has been used, of which PLN 0.7 m in the form of bank guarantees. The limit will expire on 30 August 2016;
2. master agreement to extend an overdraft limit to ENERGA SA and its subsidiaries with a total limit of PLN 200 m. As at 30 June 2015, the financing limit for the aggregated amount of PLN 168.5 m has been committed, of which PLN 101.8 m has been used, all in the form of bank guarantees. The limit will expire on 19 September 2017.
3. agreement for arranging loans for ENERGA SA with a total limit of PLN 300 m. As at 30 June 2015, the financing was not used. The limit will expire on 11 October 2016.

Loans from Pekao SA

ENERGA SA entered into the following loan agreements with Bank Pekao SA:

1. renewable loan agreement with a limit of PLN 500 m. As at 30 June 2015 the loan has not been used. The final maturity of the loan is 29 May 2020;
2. loan agreement in the amount of PLN 85 m to be used to acquire bonds issued by ENERGA Elektrownie Ostrołęka SA in connection with the implementation of the investment program of the company. The aggregate use of the loan as at 30 June 2015 reached PLN 27 m. The final maturity of the loan is 29 May 2022.

Loans from Bank Handlowy w Warszawie SA

On 14 May 2015, ENERGA SA concluded a master agreement with Bank Handlowy w Warszawie SA setting forth the terms and conditions of availability of different forms of loan transactions for ENERGA Group entities up to the limit amount of PLN 75 m. As at 30 June 2015, the financing was not used. The limit will expire on 30 May 2020.

Bonds issue through PKO Bank Polski SA

In 2012, ENERGA SA concluded with PKO Bank Polski SA a bond issue agreement where the funds raised under the agreement were to be used to acquire bonds issued by ENERGA Elektrownie Ostrołęka SA in connection with the implementation of the investment program. The bonds may only be issued as short-term securities. As at 30 June 2015, no bond issue has been carried out under the agreement. As at 30 June 2015, PLN 83.3 m was available under the bond issue agreement.

NIB loan

On 23 October 2014, ENERGA SA signed an investment loan agreement with NIB in the amount of PLN 67.5 m to finance the Myślino wind farm construction project. In the current reporting period, the full amount of the loan was committed. The final maturity of the loan is 15 September 2026, of which PLN 23.6 m is to be repaid within 1 to 5 years and the remaining amount in the period of above 5 years.

20.8. Cash flow hedge accounting

FX risk hedging

The special purpose vehicle ENERGA Finance AB (publ) (the issuer of Eurobonds – see description in Note 20.7) and ENERGA SA signed two loan agreements denominated in EUR for the total amount of EUR 499 m. In order to hedge currency risk under these loans, in 2013 and 2014 the Group concluded cross-currency interest rate swap transactions with nominal amounts of EUR 400 m (CCIRS I) and EUR 25 m (CCIRS II), respectively.

As a hedged position under the above hedging relationships the Group designated the foreign currency risk arising from intra-group loans denominated in EUR. The foreign currency risk is hedged at the level of 85% of the total nominal amount of loans.

As the hedge the Group designated CCIRS transactions under which the Group receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN. Cash flows received by the Group correspond with the cash flows under the intra-group loans. The Group expects that the hedged cash flows will continue until March 2020.

Interest rate risk hedging

In 2014, the Group concluded interest rate swap transactions to hedge the interest rate risk arising from the financing used under (see description in note 20.7):

- loan agreement concluded with EIB in 2013 – PLN 600 m;
- domestic bond issue program established in 2012 – PLN 1,000 m,
- loan agreement concluded with EBRD in 2013 – PLN 340 m (the hedging applies to interest flows accruing on the principal of PLN 330.6 m, interest accruing on principal above this amount remain outside of hedge accounting).

As hedged positions under hedging relationships, the Group designated the risk related to the WIBOR 3M interest rate arising from interest payments on the financial liabilities stated above in the period no longer than 2 years from the date of the hedging transactions.

As the hedge the Group designated the IRS transactions under which the Group receives floating-rate cash flows in PLN and pays fixed-rate cash flows in PLN. Interest cash flows received by the Group correspond with interest cash flows under the hedged financial liabilities. The Group expects that the hedged cash flows will continue until June 2016.

Fair value of hedges

The fair value of hedges as at 30 June 2015 was:

- CCIRS I – an asset of PLN 35.0 m;
- CCIRS II – an asset of PLN 1.4 m;
- IRS – a liability of PLN 15.4 m.

All of the above instruments were recognized in the statement of financial position in assets or liabilities as Derivative financial instruments.

Under cash flow hedge accounting, the cash flow hedge reserve (the effective portion of changes in the value of the hedge, less deferred tax) increased in the reporting period by PLN 36.7 m.

The table below presents changes in the cash flow hedge reserve resulting from the hedge accounting in the reporting period:

| Changes in the cash flow hedge reserve within the reporting period | Six-month period ended 30 June 2015 (unaudited) |
|--|--|
| At the beginning of the reporting period | (16 932) |
| Amount recognized in the cash flow hedge reserve during the period, equal to the change in the fair value of hedge instruments | 14 806 |
| Accrued interest transferred from the reserve to the interest expense | 1 594 |
| Revaluation of hedging instruments transferred from the equity to foreign exchange (gains) / losses | 28 858 |
| Income tax on other comprehensive income | (8 584) |
| At the end of the reporting period | 19 742 |

As at 30 June 2015, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

20.9. Liability repayment collateral

At the end of the reporting period, assets with the following carrying amounts constituted collateral for the repayment of actual or contingent liabilities:

| Group of assets on which collateral was established | Carrying value of assets securing repayment of liabilities as at | |
|---|---|---------------------------|
| | As at 30 June 2015 (unaudited) | As at 31 December 2014 |
| Property, plant and equipment | 46 123 | 50 338 |
| Cash | 19 277 | 94 561 |
| Total assets securing repayment of financial liabilities | 65 400 | 144 899 |

The collateral presented here secures primarily the loan granted to ENERGA Elektrownie Ostrołęka SA by the National Fund for Environmental Protection and Water Management and the guarantees extended by banks to contractors of ENERGA-OBRÓT SA.

21. Contingent assets and liabilities

21.1. Contingent liabilities

Contingent liabilities at the end of the reporting period are presented in the table below:

| | As at 30 June 2015 (unaudited) | As at 31 December 2014 |
|------------------------|--------------------------------------|---------------------------|
| Contingent liabilities | 211 787 | 175 266 |

The Group recognizes as contingent liabilities the contingent liabilities relating to disputes involving ENERGA Group companies, where a victory by the company is probable and no provision has been recognized for these cases.

The largest contingent liability item consists of disputed cases and claims pursued under conciliatory proceedings (settlement attempts) relating to ENERGA-OPERATOR SA's power infrastructure located on private land. As at 30 June 2015, the amounts under these items recognized as contingent liabilities were PLN 83.8 m and PLN 79.5 m, respectively.

Other contingent liabilities also included PLN 22.9 m relating to the legal action taken against ENERGA Kogeneracja Sp. z o.o. by Biomatec Sp. z o.o., on account of its joint and several liability for amounts due from Mostostal Warszawa SA (the main contractor of the biomass-fired power unit in Elbląg). The dispute concerns payment of remuneration to Biomatec Sp. z o.o. as one of the subcontractors of Mostostal Warszawa SA.

21.2. Contingent assets

As at 30 June 2015, the Group recognized contingent assets in the amount of PLN 37.1 m, of which PLN 27.9 m is related to the dispute with PKN ORLEN SA described in Note 22.2.

22. Other information significantly affecting the assessment of assets, financial position and the financial result of the Group

22.1. Establishment of the ENERGA Tax Group

On 27 January 2015, ENERGA SA and its related entities: ENERGA-OPERATOR SA, ENERGA-OBRÓT SA, ENERGA Wytwarzanie SA, ENERGA Informatyka i Technologie Sp. z o.o., ENERGA Centrum Usług Wspólnych Sp. z o.o., RGK Sp. z o.o., ENSA PGK1 Sp. z o.o., ENSA PGK2 Sp. z o.o., ENSA PGK3 Sp. z o.o., ENSA PGK4 Sp. z o.o., ENSA PGK5 Sp. z o.o., ENSA PGK6 Sp. z o.o., ENSA PGK7 Sp. z o.o., ENSA PGK8 Sp. z o.o., EOB PGK1 Sp. z o.o. and EOB PGK2 Sp. z o.o., concluded a tax group agreement for a tax group under the name of PGK ENERGA. The agreement was registered by the Head of the Pomorski Tax Authority on 27 February 2015. ENERGA SA was selected as the company representing PGK ENERGA in respect to the duties arising from the Corporate Income Tax Act and the Tax Ordinance Act.

PGK ENERGA started its activity on 1 May 2015. The agreement was concluded for 3 fiscal years, that is until 31 December 2017. Income tax will be calculated on income earned in the fiscal year equal to the surplus of aggregated income of all companies comprising the group over their aggregate losses.

22.2. Dispute with PSE S.A. and PKN ORLEN S.A.

On 27 October 2014, the District Court in Warsaw announced its judgment in the case filed by ENERGA-OPERATOR SA against PKN to pay PLN 46.2 m following a re-examination of the case. The court awarded ENERGA-OPERATOR SA the full amount of the claim pursued in the lawsuit, that is PLN 46.2 m, with interest calculated for the period from 30 June 2004. The entire amount due to ENERGA-OPERATOR SA including statutory interest calculated as at 30 June 2015 is over PLN 100 m. The judgment is not final.

22.3. Other information

On 14 April 2015, a merger plan was signed to merge ENERGA Elektrownie Ostrołęka SA (acquiring company) and ENERGA Kogeneracja Sp. z o.o. (acquired company). The merger was to be executed by transferring all assets of the acquired company to the acquiring company. On 26 May 2015 a decision was made to close the Project and thus end all the activities leading to the integration of those companies.

23. Subsequent events

After the final day of the reporting period, there were no material events.

Signatures of Management Board Members and persons responsible for the accounts of the ENERGA SA Group:

Andrzej Tersa
President of the Management Board

Seweryn Kędra
Vice-President of the Management Board for Financial Matters

Jolanta Szydłowska
Vice-President of the Management Board for Corporate Matters

Marcin Biniś
Director of the Finance and Corporate Governance Center

Marek Pertkiewicz
Director of the Corporate Governance and Consolidation Department

Gdańsk, 11 August 2015