

Energa Finance AB (publ)

Annual report 2014-01-01–2014-12-31

(CID. 556898-6862)

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Norrandsgatan 18
111 43 Stockholm (Domicile and head office)
Sweden (country of registration)

Management report

Business

The business of the company is financial activities, mainly by issuing bonds or other financial instruments to institutional and private investors, onlending the borrowed funds to companies within the Energa group.

The business activities will however be limited to such business activities that do not require authorisation from the Finance Supervisory Authority or any other authority. The reporting currency is EUR.

In November 2012 a program for issuance of medium term bonds up to a value of EUR 1 000 000 000 was established. In March 2013 the first tranche of EUR 500 000 000 of this programme was issued. The bonds are guaranteed by the parent company and the funds were on-lent to the parent company (EUR 499 000 000).

The financial year

The company has not issued any new loans during the year of reporting.

Expected future development

It is assumed that the future activities of the company will be unchanged and no additional borrowings or lendings are currently planned.

Risks and uncertainties

Market risk

The loans granted to the parent company that constitute the main assets of the company are financed by bond loans in the same currencies and with the same interest and repayment terms. Bearing this in mind the company is not exposed to any material market risk. The interest on the loan to the parent company is fixed as is the interest on the bond loan. Both loans are denominated in EUR and are due for repayment in March 2020 (the loan to the parent company is due for repayment somewhat before the bond loan).

Liquidity risks

The interest payments on the bond loan are made in March each year. The interest payments from the parent company occurs semi-annually in September and March (before the interest on the bond loan is payable). Bearing in mind the size of the equity and available cash balances the company will, with considerable margin, be able to finance the above-mentioned interest payments. Other obligations are not material.

Credit risk

Energa SA is the company's only borrower and also guarantor of all the Company's obligations that follow from the bond issues. The financial situation of Energa SA is good for which reason the credit risk of the company is deemed to be low. The liquid funds of the company are held by Nordea, Sweden.

Currency risk

The functional currency of the company is EUR. Since all material assets and liabilities are denominated in this currency the currency exposure is insignificant.

Corporate governance report

All financial reports that are prepared by the Company are checked for accuracy by the parent company and the Board of Directors.

Public reports are in addition audited by the elected auditors. In view of the limited activities and low number of transactions the Board of Directors considers the control system described above to be appropriate.

Proposal for appropriation of retained earnings

The following profit is to be appropriated by the Annual General Meeting of Shareholders :

Retained earnings	77 063
Current profit	<u>210 810</u>
	287 873

The Board of Directors proposes that the earnings are appropriated as follows

Carried forward	287 873
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For further information please refer to the accompanying profit and loss statement, balance sheet and notes.

Profit and loss statement

Amounts in EUR	Note	2012-07-10--	
		2014	2013-12-31
Interest income from parent company		17 197 751	13 251 231
Interest expense		-16 706 954	-13 017 540
Other external expenses	4	-149 841	-114 243
Income before financial items		340 956	119 448
Other interest income		9 197	9 618
Exchange gains/losses net		594	6 484
Income before appropriations		350 747	135 550
Appr. to profit equalization reserve		-84 299	-32 693
Income before taxes		266 448	102 857
Current taxes	5	-55 637	-25 795
Net income		210 810	77 063

Balance sheet

Amounts in EUR	Note	2014-12-31	2013-12-31
Assets			
<i>Financial long term assets</i>			
Loan to the parent company	2	499 000 000	499 000 000
<i>Current assets</i>			
Accrued interest income, parent company	2	4 554 983	4 572 732
Prepaid expenses		9 451	6 885
Bank funds	2	27 035 127	26 470 204
Total assets		530 599 561	530 049 820
Liabilities and equity			
Equity			
<i>Restricted equity</i>			
Share capital (20 000 000 shares)		20 000 000	20 000 000
<i>Retained earnings</i>			
Earnings carried forward		77 063	-
Current profit		<u>210 810</u>	<u>77 063</u>
		287 873	77 063
Total equity		20 287 873	20 077 063
Untaxed reserves			
Profit equalization reserve		116 992	32 693
Liabilities			
<i>Long term borrowings</i>			
Bonds	2,3	496 641 558	496 641 558
<i>Short term liabilities</i>			
Accounts payable		-	7 639
Value added tax		17 890	235 266
Current income tax		51 511	25 795
Accrued interest expenses		13 474 493	13 017 539
Accrued expenses		<u>9 243</u>	<u>12 268</u>
<i>Total short-term liabilities</i>		13 553 138	13 298 507
Total liabilities		510 194 696	509 940 065
Total liabilities and equity		530 599 561	530 049 820
Pledged assets		None	None
Commitments		None	None

REPORT OF CHANGES IN EQUITY

Amounts in EUR	Share capital	Retained earnings	Total equity
Opening balance 2013-07-10	0	0	0
Issued share capital	6 000		6 000
Rights issues	19 994 000		19 994 000
Current income		77 063	77 063
Closing balance 2013-12-31	20 000 000	77 063	20 077 063
Opening balance 2014-01-01	20 000 000	77 063	20 077 063
Current income		210 810	210 810
Closing balance 2014-12-31	20 000 000	287 873	20 287 873

The shares of the company have no nominal values and are fully paid. The number of shares at time of incorporation of the company was 6 000. There have been three issues of new shares in 2013 when an additional 19 994 000 shares have been subscribed by the parent company. All shares are of the same class and have a quote value of EUR 1.

CASH FLOW STATEMENT

Amounts in EUR	2014	2013-12-31
Operating activities		
Interest and other payments from the parent company	17 215 500	8 678 499
Interest on bank deposits	9 197	9 618
Interest payments re. bond loans	-16 250 000	-
Tax payments	-236 474	
Payments to suppliers	-172 993	<u>-3 218 522</u>
Cash flow from operating activities	565 230	5 469 595
Investment activities		
Loans to the parent company	0	-499 000 000
Financing activities		
Share subscriptions	0	20 000 000
Issuance of bond loan	0	<u>500 000 000</u>
	0	520 000 000
Net increase of cash	565 230	26 469 595
Cash at the beginning of the period	26 470 204	
Effect on foreign exchange in cash	-307	609
Cash at the end of the period	27 035 127	26 470 204

NOTES

Note 1 Accounting principles

The annual report is prepared in accordance with the Annual Accounts Act (1995:1554) and recommendation number 2 from the Financial Reporting Council (RFR 2) ; Reporting for legal entities. RFR 2 obligates the company to apply International Financial Reporting Standards (IFRS) as adopted by the European Union, to the extent this is possible within the framework of the Annual Accounts Act. (1995:1554) and the Security Act (1967:531) and taking into account the bearing of accounting and taxation. The recommendation indicates which exceptions and additions that are needed in relation to IFRS.

Assets and liabilities are reported at cost or nominal value respectively if nothing other is shown. The functional and reporting currency of the company is EUR. All amounts are, if nothing else is shown, reported in EUR. Transactions in other currencies than the reporting currency are revalued to the reporting currency at rate of the date of transaction. Assets and liabilities in other currencies than the reporting currency are revalued at the current rate. Currency exchange differences are reported in the profit-and-loss statement.

Long term assets and liabilities mainly consist of amounts that are expected to be recovered or paid more than 12 months subsequent to the balance sheet date. Current assets and liabilities mainly consist of amounts that are expected to be recovered or paid within 12 months from the balance sheet date.

A financial asset or liability is recorded in the balance sheet when the company becomes a party in accordance with the agreed terms of the instrument. A receivable is recorded when the company has performed and there is an contractual obligation for the other party to pay, even if an invoice has not been issued. A liability is recorded when the other party has performed and there is a contractual obligation to pay even if an invoice has not yet been received.

A financial asset is removed from the balance sheet when the rights of an agreement are realized, loses its validity or the company lose control over them. A financial liability is removed from the balance sheet when the contractual obligations have been fulfilled or has been cancelled in some other way.

The financial instruments of the company mainly consist of loans to the parent company, bank deposits and issued bonds. These instruments are initially recorded at cost net of transaction expenses.

The loans and the bonds are recorded at accrued cost in accordance with the effective interest method. Interest income and expenses are recorded by using the effective interest method. The effective interest is the interest which discounts the estimated cash flow during the term of a financial instrument to the bookvalue of the financial asset or liability. The calculation includes all fees that have been paid or received by the contractual parties such as transaction expenses and all over and below pari values.

At the time of each reporting the company considers if there are objective evidence of any need for revaluation of the loans. Objective evidence are observable conditions that have an adverse effect of the possibility to recover the cost. If any objective evidence of this is observed future expected cash flows are discounted by the original effective interest. If this present value is lower than the recorded value, a write-down is recorded in the profit- and loss statement.

Parent company

The company is subsidiary of Energa SA, domiciled in Gdansk, Poland with CID 0000271591. The parent company prepares consolidated accounts and is the ultimate parent company. Consolidated accounts are available in English on the homepage of Energa SA, www.ir.energa.pl.

Transactions with associated companies

	2014	2012-07-10-- 2013-12-31
<i>Transactions</i>		
Loans, parent company	-	499 000 000
Interest payments from parent company	17 215 500	8 678 499
<i>Balance sheet items</i>		
Loans, parent company	499 000 000	499 000 000
Accrued interest income, parent company	4 554 983	4 572 732
<i>Profit-and loss items</i>		
Interest income, parent company	17 197 751	13 251 231

Note 2 Financial assts and liabilities - specified per

	Reported value		Real value
	2014-12-31		2014-12-31
	Loans and receivables	Other debts	
Loans, parent company	499 000 000		547 981 840
Accrued interest income, parent company	4 554 983		-
Cash and banks	27 035 127		-
Total	530 590 110		547 981 840
Bond loans		496 641 558	549 080 000
Accrued interest expense		13 474 493	
Accounts payable		7 639	-
Total		510 123 690	549 080 000

	Reported value		Real value
	2013-12-31		2013-12-31
	Loans and receivables	Other debts	
Loans	499 000 000		515 836 260
Accrued interest income	4 572 732		-
Cash and banks	26 470 204		-
Total	530 042 936		515 836 260
Bond loans		496 641 558	516 870 000
Accrued interest expense		13 017 539	
Accounts payable		7 639	-
Total		509 666 736	516 870 000

Book values are reasonable approximations of real values in the cases where no real values are reported for financial instruments above since their terms are short. The information above that relates to Loans and Bond Loans belongs to level 1 in the real-value hierarchy and have been valued to the latest market value noted on the Luxembourg stock exchanges. The Loans are valued at the same value since the parent company guarantees the Loan.

Note 3 Maturity structure financial liabilities - non discounted cash flows and risk information

2014-12-31	Bond loan	Accrued interest expenses	Accounts payable
Total	597 500 000	13 474 493	-
< 1 month	-	0	0
1-3 months	16 250 000	13 474 493	0
3 months - 1 year	-	0	0
1-5 years	65 000 000	0	0
> 5 years	516 250 000	0	0

2013-12-31

Total	613 750 000	13 017 539	7 639
< 1 month	-	0	7 639
1-3 months	16 250 000	13 017 539	0
3 months - 1 year	-	0	0
1-5 years	65 000 000	0	0
> 5 years	532 500 000	0	0

For additional risk-information on financial instruments please see the Management report, "Risks and uncertainties".

Note 4 Audit expenses

	2014	2012-07-10-- 2013-12-31
Audit work, KPMG	7 000	7 000

Note 5 Reconciliation of effective tax

	2014	2014	2012-07-10-- 2013-12-31	2012-07-10-- 2013-12-31
	(%)		(%)	
Income before tax		266 448		102 857
Current tax rate	22,00%	58 618	26,30%	27 051
Non-deductible expenses				
Non-taxable income				
Imputed interest on profit equalisation reserve		665		
Currency effects		-3 646		-1256
Tax relating to prior years		0		
Reported effective tax	20,88%	55 637	26,30%	25 795

Stockholm

Aleksandra Gajda-Gryber
Verkställande direktör

Juliusz Komorowski
Ordförande

Magnus Sundström

Our audit report was issued 2015-
KPMG AB

Tobias Palmgren
Authorized auditor