

Energa Finance AB (publ)

Annual Accounts 2015-01-01--2015-12-31

(CID. 556898-6862)

Address: c/o AB 1909 Corporate Services

Norrlandsgatan 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 amounts in euro are to the disposal of the General Meeting of Shareholders :

Retained earnings	287 873
Net income	<u>149 943</u>
	437 817

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

Carried forward	<u>437 817</u>
	437 817

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

Profit and loss statement

Amounts in EUR	Note	2015	2014
Other external expenses	4	-236 640	-149 841
Income before financial items		-236 640	-149 841
Interest income from parent company		17 197 134	17 197 751
Other interest income		23 711	9 197
Interest expense		-16 722 798	-16 706 954
Exchange gains/losses net		-1 085	594
Income before appropriations		260 322	350 747
Appr. to profit equalization reserve		-66 494	-84 299
Income before taxes		193 829	266 448
Current taxes	5	-43 886	-55 637
Net income		149 943	210 810

Balance sheet

Amounts in EUR	Note	2015-12-31	2014-12-31
Assets			
<i>Financial long term assets</i>			
Loan to the parent company	2	499 000 000	499 000 000
<i>Current assets</i>			
Current tax receivable		10 146	-
Accrued interest income, parent company	2	4 536 617	4 554 983
Prepaid expenses		7 061	9 451
Bank funds	2	27 760 406	27 035 127
Total assets		531 314 232	530 599 561

Liabilities and equity**Equity***Restricted equity*

Share capital (20 000 000 shares)	20 000 000	20 000 000
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Retained earnings

Earnings carried forward	287 873	77 063
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Current profit	<u>149 943</u>	<u>210 810</u>
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	437 817	287 873
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Total equity

	20 437 817	20 287 874
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Untaxed reserves

Profit equalization reserve	183 486	116 992
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Liabilities*Long term borrowings*

Bonds	2,3	496 641 558	496 641 558
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Short term liabilities

Value added tax		18 947	17 890
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Accrued interest expenses	2,3	13 946 808	13 474 493
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Current income tax		-	51 511
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Accrued expenses		85 616	9 243
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<i>Total short-term liabilities</i>		14 051 371	13 553 137
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Total liabilities

	510 692 929	510 194 695
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Total liabilities and equity

	531 314 232	530 599 561
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Pledged assets

	None	None
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Commitments

	None	None
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REPORT OF CHANGES IN EQUITY

Amounts in EUR	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
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
Opening balance 2015-01-01	20 000 000	287 873	20 287 873
Current income		149 943	149 943
Closing balance 2015-12-31	20 000 000	437 816	20 437 816

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	2015	2014
Operating activities		
Interest and other payments from the parent company	17 215 500	17 215 500
Interest on bank deposits	23 704	9 197
Interest payments re. bond loans	-16 250 000	-16 250 000
Tax payments	-124 639	-236 474
Payments to suppliers	-138 867	-172 993
Cash flow from operating activities	725 698	565 230
Net increase of cash	725 698	565 230
Cash at the beginning of the period	27 035 127	26 470 204
Effect on foreign exchange in cash	-419	-307
Cash at the end of the period	27 760 406	27 035 127

Management report

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Total liabilities		510 692 929	510 194 695
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Total liabilities and equity		531 314 232	530 599 561
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Pledged assets	None	None
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Commitments	None	None
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REPORT OF CHANGES IN EQUITY

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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 a 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

	<u>2015</u>	<u>2014</u>
<i>Transactions</i>		
Interest payments from parent company	17 215 500	17 215 500
<i>Balance sheet items</i>		
Loans, parent company	499 000 000	499 000 000
Accrued interest income, parent company	4 536 617	4 554 983
<i>Profit-and loss items</i>		
Interest income, parent company	17 197 134	17 197 751

Note 2 Financial assts and liabilities - specified per

	Reported value		Real value
	2015-12-31		2015-12-31
	Loans and receivables	Other debts	
Loans, parent company	499 000 000		537 289 033
Accrued interest income, parent company	4 536 617		-
Cash and banks	27 760 406		-
Total	531 297 023		537 289 033
Bond loans		496 641 558	531 730 000
Accrued interest expense		13 946 808	
Accounts payable		0	-
Total		510 588 366	531 730 000

	Reported value		Real value
	2014-12-31		2014-12-31
	Loans and receivables	Other debts	
Loans	499 000 000		547 981 840
Accrued interest income	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

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 2 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

2015-12-31	Bond loan	Accrued interest expenses
Total	581 250 000	13 946 808
< 1 month	-	-
1-3 months	16 250 000	13 946 808
3 months - 1 year	-	-
1-5 years	65 000 000	-
> 5 years	500 000 000	-

2014-12-31

Total	597 500 000	13 474 493
< 1 month	0	-
1-3 months	16 250 000	13 474 493
3 months - 1 year	0	-
1-5 years	65 000 000	-
> 5 years	516 250 000	-

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

Note 4 Audit expenses

	2015	2014
Audit work, KPMG	7 088	7 000

Note 5 Reconciliation of effective tax

	2015	2015	2014	2014
	(%)		(%)	
Income before tax		193 829		266 448
Current tax rate	22,00%	42 642	22,00%	58 619
Non-deductible expenses		156		-
Non-taxable income		-7		-
Imputed interest on profit equalisation reserve		771		665
Currency effects		635		-3 646
Tax relating to prior years		-		0
Reported effective tax	20,88%	43 886	20,88%	55 637

Stockholm

Marcin Binias

Juliusz Komorowski
Chariman

Magnus Sundström
Managing director

Our audit report was issued 2016-
KPMG AB

Tobias Palmgren
Authorized auditor