



ENERGA SA

**Condensed interim financial statements
prepared in accordance with IAS 34
for the 3 months ended 31 March 2014**

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CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

| | Three-month period ended 31 March 2014 (unaudited) | Three-month period ended 31 March 2013 |
|-------------------------------------|---|--|
| Continuing operations | | |
| Sales of services | 14 498 | 13 245 |
| Rental income | 324 | 341 |
| Revenue | 14 822 | 13 586 |
| Cost of sales | (13 645) | (11 529) |
| Gross loss | 1 177 | 2 057 |
| Other operating income | 1 765 | 2 915 |
| General and administrative expenses | (19 036) | (21 319) |
| Other operating expenses | (708) | (744) |
| Financial income | 806 085 | 741 232 |
| Financial costs | (68 717) | (140 642) |
| Profit before tax | 720 566 | 583 499 |
| Income tax | 4 793 | 2 873 |
| Net profit for the period | 725 359 | 586 372 |

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

| | Three-month period ended 31 March 2014 (unaudited) | Three-month period ended 31 March 2013 |
|---|---|--|
| Net profit for the period | 725 359 | 586 372 |
| Net other comprehensive income | 20 433 | - |
| <i>Items that are or may be reclassified subsequently to profit or loss</i> | 20 433 | - |
| Cash flow hedges | 25 226 | - |
| Deferred tax on other comprehensive income | (4 793) | - |
| Net other comprehensive income | 20 433 | - |
| Total comprehensive income | 745 792 | 586 372 |
| Earnings per share (in PLN) | | |
| Net profit per share (ordinary & diluted) | 1,75 | 1,42 |

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

| | As at 31 March 2014 (unaudited) | As at 31 December 2013 |
|--|---------------------------------------|---------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 10 958 | 10 962 |
| Investment property | 12 032 | 11 079 |
| Intangible assets | 33 865 | 25 680 |
| Investments in subsidiaries and associates at cost | 5 981 948 | 6 170 698 |
| Bonds | 4 029 621 | 4 104 817 |
| Hedging derivatives | 55 304 | 13 017 |
| Other non-current assets | 126 263 | 129 028 |
| | 10 249 991 | 10 465 281 |
| Current assets | | |
| Inventories | 523 | 467 |
| Trade receivables and other financial receivables | 47 211 | 39 864 |
| Shares | - | 1 000 |
| Bonds | 366 349 | 335 787 |
| Dividend receivables | 740 764 | - |
| Cash and cash equivalents | 633 325 | 710 399 |
| Other current assets | 15 249 | 12 289 |
| | 1 803 421 | 1 099 806 |
| Assets classified as held for sale | 2 088 | - |
| TOTAL ASSETS | 12 055 500 | 11 565 087 |

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | As at 31 March 2014 (unaudited) | As at 31 December 2013 |
|---|---------------------------------------|---------------------------|
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders | | |
| Share capital | 4 521 613 | 4 521 613 |
| Supplementary capital | 521 490 | 521 490 |
| Reserve capital | 447 192 | 447 192 |
| Cash flow hedge reserve | 46 972 | 26 539 |
| Retained earnings | 1 268 543 | 543 184 |
| Total equity | 6 805 810 | 6 060 018 |
| Non-current liabilities | | |
| Loans and borrowings | 3 809 864 | 3 866 077 |
| Bonds issued | 1 057 838 | 1 059 781 |
| Non-current provisions | 744 | 723 |
| Deferred income and non-current government grants | 60 578 | 62 057 |
| | 4 929 024 | 4 988 638 |
| Current liabilities | | |
| Trade and other financial liabilities | 22 011 | 23 468 |
| Current loans and borrowings | 256 306 | 266 545 |
| Bonds issued | 19 603 | 16 598 |
| Deferred income and government grants | 9 121 | 8 251 |
| Accruals | 6 823 | 7 949 |
| Provisions | 103 | 144 |
| Other current liabilities | 6 699 | 193 476 |
| | 320 666 | 516 431 |
| Total liabilities | 5 249 690 | 5 505 069 |
| TOTAL EQUITY AND LIABILITIES | 12 055 500 | 11 565 087 |

ENERGA SA

*Condensed interim financial statements
as at and for the period of 3 months ended 31 March 2014 (in thousands of PLN)*



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

| | Share capital | Supplementary capital | Reserve capital | Cash flow hedge reserve | Retained earnings | Total equity |
|--|------------------|-----------------------|-----------------|-------------------------|-------------------|------------------|
| As at 1 January 2014 | 4 521 613 | 521 490 | 447 192 | 26 539 | 543 184 | 6 060 018 |
| Cash flow hedges | - | - | - | 20 433 | - | 20 433 |
| Profit for the period | - | - | - | - | 725 359 | 725 359 |
| Total comprehensive income for the period | - | - | - | 20 433 | 725 359 | 745 792 |
| As at 31 March 2014 (unaudited) | 4 521 613 | 521 490 | 447 192 | 46 972 | 1 268 543 | 6 805 810 |

| | Share capital | Supplementary capital | Reserve capital | Cash flow hedge reserve | Retained earnings | Total equity |
|--|------------------|-----------------------|-----------------|-------------------------|-------------------|------------------|
| As at 1 January 2013 | 4 968 805 | 471 235 | - | - | 591 232 | 6 031 272 |
| Profit for the period | - | - | - | - | 586 372 | 586 372 |
| Total comprehensive income for the period | - | - | - | - | 586 372 | 586 372 |
| As at 31 March 2013 | 4 968 805 | 471 235 | - | - | 1 177 604 | 6 617 644 |

CONDENSED INTERIM STATEMENT OF CASH FLOWS

| | Three-month period ended 31 March 2014 (unaudited) | Three-month period ended 31 March 2013 |
|--|---|--|
| Cash flows from operating activities | | |
| Profit before tax | 720 566 | 583 499 |
| Adjustments for: | (749 194) | (598 228) |
| Foreign currency gains/(losses) | 1 332 | - |
| Amortization and depreciation | 1 592 | 2 140 |
| Net interest and dividends | 4 025 | (669 118) |
| (Profit)/loss on investing activities | (1 411) | 68 456 |
| Change in receivables | (749 709) | 3 336 |
| Change in inventories | (56) | 121 |
| Change in payables excluding loans and borrowings | (2 174) | 935 |
| Change in prepayments and accruals | (2 773) | (4 129) |
| Change in provisions | (20) | 1 564 |
| Other | - | (1 533) |
| Income tax paid | - | - |
| Net cash from operating activities | (28 628) | (14 729) |
| Cash flows from investing activities | | |
| Disposal of property, plant and equipment and intangible assets | - | 20 |
| Purchases of property, plant and equipment and intangible assets | (8 033) | (5 171) |
| Disposal of other financial assets | 70 862 | 97 572 |
| Purchase of other financial assets | - | (28 170) |
| Dividends received | - | 679 277 |
| Interest received | 36 905 | 48 754 |
| Other | 2 889 | (767) |
| Net cash used in investing activities | 102 623 | 791 515 |
| Cash flows from financing activities | | |
| Repurchase of bonds issued | (1 848) | (480 000) |
| Payment of finance lease liabilities | (127) | - |
| Proceeds from loans and borrowings | - | 2 080 616 |
| Repayment of loans and borrowings | (69 501) | (176 895) |
| Interest paid | (81 646) | (53 613) |
| Net cash from financing activities | (153 122) | 1 370 108 |
| Net increase/(decrease) in cash and cash equivalents | (79 127) | 2 146 894 |
| Cash and cash equivalents at the beginning of the period | 706 805 | 677 573 |
| Cash and cash equivalents at the end of the period | 627 678 | 2 819 317 |

ACCOUNTING PRINCIPLES (POLICY) AND ADDITIONAL EXPLANATORY NOTES

1. General information

These condensed interim financial statements of ENERGA SA cover the period from 1 January to 31 March 2014 and include comparative information as at 31 December 2013 for the condensed interim statement of financial position and for the period from 1 January to 31 March 2013 for the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity.

ENERGA SA 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 Company has been given the statistical number REGON 220353024.

The core business of the Company is holding activity.

As at 31 March 2014, the Company was controlled by the State Treasury. Since 2013, the Company's shares are publicly traded.

2. Approval of the financial statements

These financial statements have been approved for publication by the Company's Management Board on 12 May 2014.

3. Basis for preparation of the financial statements

These condensed interim 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.

Unless stated otherwise, these condensed interim financial statements have been drawn up in thousands of Polish zloty (PLN 000s).

These condensed interim financial statements have been prepared on the assumption that ENERGA SA will continue to operate as a going concern for the foreseeable future and there are no circumstances indicating a threat to the Company's continuing operations.

3.1. Statement of compliance

These condensed interim financial statements have been prepared in accordance with the International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union. They do not contain all the information required in the full financial statements according to IFRS, however, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the most recent financial statements as at and for the year ended 31 December 2013.

3.2. Functional and presentation currency

The Company's functional currency and presentation currency used in these financial statements is the Polish zloty.

4. Estimates

During the period covered by these condensed interim financial statements no changes in the methods used in determining significant estimates occurred. Changes of estimates resulted from events that occurred during the reporting period.

The preparation of the condensed interim 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 application of accounting policies and the amounts reported in these condensed interim 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.

5. New standards and interpretations, which have been applied and standards and interpretations already published, but not yet effective

Standards and interpretations applied for the first time in 2014

The accounting policies of the Company are applied on a continuous basis, except for the changes caused by amendments introduced in IFRS EU.

The following amendments to the existing standards published by the International Accounting Standards Board and endorsed in the EU, for which the Company has not chosen the early application option, came into force in 2014:

- Amendments to IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities, endorsed in the EU on 13 December 2012 (applicable to annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of assets" – disclosures concerning the recoverable amount of non-financial assets, endorsed in the EU on 19 December 2013 (applicable to annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Novation of Derivatives and Continuation of Hedge Accounting, endorsed in the EU on 19 December 2013 (applicable to annual periods beginning on or after 1 January 2014).

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

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

IFRS as endorsed in the EU do not currently differ materially 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" (the final effective date has not been specified yet),
- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions (applicable to annual periods beginning on or after 1 July 2014),
- 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 (applicable to annual periods beginning on or after 1 July 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 (applicable to annual periods beginning on or after 1 July 2014),
- IFRIC 21 "Levies" (applicable to annual periods beginning on or after 1 January 2014),
- IFRS 14 "Regulatory Deferral Accounts" (applicable to annual periods beginning on or after 1 January 2016).

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

6. Explanations regarding the seasonality and cyclicity of operations in the reported period

Due to the inherent nature of the holding business, the Company's financial income fluctuates heavily during the year and depends on the dates of resolutions to pay out dividends, unless such resolutions indicate other record dates.

7. Property, plant and equipment and intangible assets

In the current reporting period, the Company:

- incurred expenditures in the amount of PLN 300 thousand towards property, plant and equipment and PLN 9,399 thousand towards intangible assets (including ones that have not yet been commissioned for use),
- acting as a lessor, has not handed over intangible assets under a lease agreement.

8. Investment commitments

On 24 June 2013, ENERGA SA signed an agreement with Infovide-Matrix S.A. for the development and implementation of the sales support system, including billing and customer relationship management system in the ENERGA Group and on the provision of warranty and repair services for that system. Under that agreement, the Company undertook to incur the expenditures for property, plant and equipment and intangible assets in the amounts of PLN 5,494 thousand and PLN 63,197 thousand, respectively.

9. Cash and cash equivalents

The balance of cash and cash equivalents presented in the cash flow statement consisted of the following items:

| | As at 31 March 2014 (unaudited) | As at 31 March 2013 |
|---|---------------------------------------|------------------------|
| Cash at bank and in hand | 3 771 | 60 |
| Short term deposits up to 3 months | 319 764 | 2 118 131 |
| Participation units in liquidity funds Energa | 309 790 | 716 964 |
| Total cash and cash equivalents presented in the statement of financial position, including: | 633 325 | 2 835 155 |
| Unrealised exchange rate differences and interest | (5 647) | (15 838) |
| Total cash and cash equivalents presented in the statement of cash flow | 627 678 | 2 819 317 |

10. Dividend

The Management Board proposed to pay out a dividend from the 2013 profit in the amount of PLN 1 per share, which makes up the total amount of PLN 414,067 thousand. The Supervisory Board issued a positive opinion on the Management Board's proposal. The General meeting, which is to decide on the distribution of the 2013 result, was convened for 20 May 2014.

In 2014, the Company did not pay out dividends for previous years.

11. Assets classified as held for sale

As at 31 March 2014, non-current assets held for sale was PLN 2,088 thousand. This item consists of shares in SOEN Sp. z o.o. – on 1 April 2014, the Company signed a conditional sale agreement for the shares. The condition for the performance of the agreement is for the remaining shareholders not to exercise the priority right to purchase shares.

In the current reporting period, action was also taken to sell shares in ZEP-MOT Sp. z o.o. held by the company. Conditional sale agreements were concluded on 30 April 2014.

12. Transactions with related entities

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

12.1. Transactions with members of Managements Board and Supervisory Boards

Remuneration of members of the ENERGA SA Management and Supervisory Boards in the current period was PLN 1,395 thousand (PLN 753 thousand in the same period of 2013).

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

12.2. Transactions involving State Treasury companies

In 2014, the main transactions involving State Treasury companies related to the purchase of fuel for cars.

12.3. Transactions involving entities excluding State Treasury companies

| Subsidiaries | Three-month period ended 31 March 2014 (unaudited) | Three-month period ended 31 March 2013 |
|---|---|--|
| Net income from sale of products, goods and materials | 14 452 | 13 254 |
| Costs of purchase | 3 849 | 5 297 |
| Other operating income | 201 | 1 203 |
| Other operating expenses | - | 10 |
| Financial income | 801 623 | 735 479 |
| Financial costs | 18 076 | 11 076 |

| | As at 31 March 2014 (unaudited) | As at 31 December 2013 |
|-------------------------|---------------------------------------|---------------------------|
| Long-term receivables | 22 340 | 24 818 |
| Trade receivables | 37 282 | 30 390 |
| Long-term investments | 4 029 621 | 4 104 817 |
| Current investments | 366 349 | 335 787 |
| Other receivables | 750 519 | 9 446 |
| Non-current liabilities | 2 081 479 | 2 069 453 |
| Trade liabilities | 1 020 | 1 414 |
| Other liabilities | 3 096 | 211 298 |

| Associated entities and other | Three-month period ended 31 March 2014 (unaudited) | Three-month period ended 31 March 2013 |
|-------------------------------|---|--|
| Costs of purchase | - | 1 372 |

| | As at 31 March 2014 (unaudited) | As at 31 December 2013 |
|-------------------|---------------------------------------|---------------------------|
| Trade receivables | - | 301 |

13. Financial instruments

13.1. Carrying value of financial instruments by category and class

| | As at 31 March 2014 (unaudited) | As at 31 December 2013 |
|---|---------------------------------------|---------------------------|
| Classes of financial instruments | | |
| Bonds, treasury bills and other debt instruments | 4 395 970 | 4 440 604 |
| Trade receivables and other financial receivables | 47 211 | 30 418 |
| Dividend receivables | 740 764 | - |
| Cash and cash equivalents, including: | 633 325 | 710 399 |
| Units of participation in the ENERGA Trading SFIO fund | 309 790 | 374 763 |
| Capital contributions | 66 480 | 66 480 |
| Hedging derivatives (assets) | 55 304 | 13 017 |
| Total assets | 5 939 054 | 5 260 918 |
| Liabilities | | |
| Loans and borrowings | 4 066 170 | 4 132 622 |
| Bonds issued | 1 077 441 | 1 076 379 |
| Trade and other payables | 12 152 | 16 302 |
| Liabilities from the purchase of shares | 1 075 | 189 825 |
| Liabilities from purchase of property & equipment and intangible assets | 9 859 | 7 166 |
| Total liabilities | 5 166 697 | 5 422 294 |
| Categories of financial instruments | | |
| Financial assets measured at fair value through profit or loss | 633 325 | 710 399 |
| Hedge derivatives | 55 304 | 13 017 |
| Investments held to maturity | 4 395 970 | 4 440 604 |
| Loans and receivables | 854 455 | 96 898 |
| Total assets | 5 939 054 | 5 260 918 |
| Financial liabilities measured at amortised cost | 5 166 697 | 5 422 294 |
| Total liabilities | 5 166 697 | 5 422 294 |

13.2. Fair value of financial instruments

Some of the Company'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 Company 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.

| Title | As at 31 March 2014 (unaudited) | | |
|--|------------------------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| Assets | | | |
| Units of participation in the ENERGA Trading SFIO fund | - | 309 790 | - |
| Hedging derivatives (CCIRS) | - | 55 304 | - |

The value of participation units in the ENERGA Trading SFIO fund is measured as the product of their quantity and the value of a single participation unit. Measurement is made by the fund management company in accordance with the Act on investment funds of 27 May 2004.

Cross Currency Interest Rate Swaps (CCIRSs) are measured at fair value by discounting future cash flows separately for each currency. Interest rates for each currency and basis spread used in discounting are obtained from Bloomberg.

During the reporting period no significant changes in the financial risk management policy were introduced.

13.3. 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.

| Title | Book value | 31 March 2014 (unaudited) Fair value | | |
|---|------------|---|-----------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Liabilities | | | | |
| Liabilities arising from the issue of domestic bond | 1 012 615 | - | 1 017 210 | - |

The fair value measurement of liabilities under domestic bonds issued has been estimated on the basis of an analysis of future cash flows discounted using market interest rates updated for 31 March 2014.

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 Company is not able to determine the range of their possible fair values. These assets are measured at purchase price less impairment allowances.

13.4. List of companies where the entity holds at least 20% of shares in the capital or of the total number of votes in the company's decision-making body; the list should contain information about the percentage of shares, the degree of participation in management

| No. | Company | Registered office | Value of the shares in the books of Energa SA | Share of ENERGA SA in the share capital (%) | Share of ENERGA SA in the total number of votes (%) | Share of ENERGA SA in control (%) |
|-----|---|-------------------|---|---|---|-----------------------------------|
| 1 | ENERGA - OPERATOR SA | Gdańsk | 4 471 126 | 100,00 | 100,00 | 100,00 |
| 2 | ENERGA - OBRÓT SA | Gdańsk | 329 409 | 100,00 | 100,00 | 100,00 |
| 3 | ENERGA Centrum Usług Wspólnych Sp. z o.o. | Gdańsk | 4 342 | 100,00 | 100,00 | 100,00 |
| 4 | ENERGA Wytwarzanie Sp. z o.o. | Straszyn | 1 051 090 | 100,00 | 100,00 | 100,00 |
| 5 | Międzynarodowe Centrum Szkolenia Energetyki Sp. z o.o. w likwidacji | Straszyn | 1 429 | 100,00 | 100,00 | 100,00 |
| 6 | ZEP - MOT Sp. z o.o. * | Płock | 400 | 100,00 | 100,00 | 100,00 |
| 7 | ENERGA Informatyka i Technologie Sp. z o.o. | Gdańsk | 37 229 | 100,00 | 100,00 | 100,00 |
| 8 | ENERGA Finance AB | Sztokholm | 85 308 | 100,00 | 100,00 | 100,00 |
| 9 | SOEN Sp. z o.o. * | Grudziądz | 1 688 | 48,50 | 48,50 | 48,50 |
| 10 | RGK Sp. z o.o. | Gdańsk | - | 100,00 | 100,00 | 100,00 |

* Shares classified as at 31 March 2014 as assets held for sale.

The above list does not present companies where the share of ENERGA SA in share capital is less than 20% and accordingly it does not include shares with the aggregated carrying value of PLN 2,015 thousand.

The value of shares specified in the table above is the value at purchase price less impairment allowances. As at 31 March 2014, the total amount of impairment allowances for shares was PLN 38,275 thousand. In the current period, the allowances for shares in SOEN Sp. z o.o. and ZEP-MOT Sp. z o.o. were partially derecognized in the amount of PLN 1,088 thousand.

In order to clarify the ownership structure, shares held by ENERGA SA in: ENERGA Elektrownie Ostrołęka SA, Elektrownia Ostrołęka SA and Ekologiczne Materiały Grzewcze Sp. z o.o., were contributed as a contribution-in-kind to ENERGA Wytwarzanie Sp. z o.o.

13.5. Financial assets held to maturity

The Company classifies purchased bonds as assets held to maturity.

The purchased bonds are presented in the table below, broken down by issuers.

| | As at 31 March 2014 (unaudited) | As at 31 December 2013 |
|---------------------------------|---------------------------------------|---------------------------|
| ENERGA-OPERATOR SA | 2 866 178 | 2 913 931 |
| ENERGA Hydro Sp. z o.o. | 1 225 049 | 1 211 462 |
| ENERGA Elektrownie Ostrołęka SA | 180 981 | 185 440 |
| ENERGA Kogeneracja Sp. z o.o. | 123 762 | 129 771 |
| Total, including: | 4 395 970 | 4 440 604 |
| Long-term | 4 029 621 | 4 104 817 |
| Short-term | 366 349 | 335 787 |

13.6. Loans and borrowings

Loans and borrowings as at 31 March 2014 and 31 December 2013 are presented in the table below:

| | As at 31 March 2014 (unaudited) | | As at 31 December 2013 | |
|-------------------------------------|---------------------------------------|-----------|---------------------------|-----------|
| | PLN | EUR | PLN | EUR |
| Currency | PLN | EUR | PLN | EUR |
| Reference Rate | WIBOR | Fixed | WIBOR | Fixed |
| Value of the loan/ borrowing | | | | |
| in currency | 1 983 230 | 499 350 | 2 044 206 | 503 573 |
| in PLN | 1 983 230 | 2 082 940 | 2 044 206 | 2 088 416 |
| Of which, repayable: | | | | |
| up to 1 year (short-term) | 254 845 | 1 461 | 247 582 | 18 963 |
| 1 to 2 years | 340 260 | - | 351 132 | - |
| 2 to 3 years | 220 223 | - | 228 177 | - |
| 3 to 5 years | 429 370 | - | 452 123 | - |
| over 5 years | 738 532 | 2 081 479 | 765 192 | 2 069 453 |

Detailed information on external financing is set out in Note 13.8.

13.7. Liabilities under bonds issued

Liabilities under bonds issued as at 31 March 2014 and 31 December 2013 are presented in the table below:

| | As at 31 March 2014 (unaudited) | As at 31 December 2013 |
|-----------------------------|---------------------------------------|---------------------------|
| | PLN | PLN |
| Currency | PLN | PLN |
| Reference Rate | WIBOR | WIBOR |
| Value of the issue | | |
| in currency | 1 077 441 | 1 076 379 |
| in PLN | 1 077 441 | 1 076 379 |
| of which, repayable: | | |
| up to 1 year (short-term) | 19 603 | 16 598 |
| 1 to 2 years | 7 252 | 7 203 |
| 2 to 3 years | 7 433 | 7 630 |
| 3 to 5 years | 15 116 | 15 306 |
| over 5 years | 1 028 037 | 1 029 642 |

Detailed information on issued notes is set out in Note 13.8.

13.8. Available external financing

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

In the years 2009-2010 ENERGA SA together with its subsidiary ENERGA-OPERATOR SA entered into loan agreements to finance the investment programme of ENERGA-OPERATOR SA for the period 2009-2012 associated with the redevelopment and modernisation of the distribution grid:

1. agreement with the European Investment Bank ("EIB") with the limit of up to PLN 1,050,000 thousand;
2. agreement with the European Bank for Reconstruction and Development ("EBRD") with the limit of up to PLN 800,000 thousand;
3. agreement with the Nordic Investment Bank ("NIB") with the limit of up to PLN 200,000 thousand.

The above funding has been fully utilized by the Company, of which the following amounts are still outstanding and remain to be repaid: to EIB – PLN 955,714 thousand with the final maturity of 15 December 2025, to EBRD – PLN 654,167 thousand with the final maturity of 18 December 2021, to NIB – PLN 178,378 thousand with the final maturity of 15 June 2022.

Loans to finance the investment programme 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 programme of ENERGA–OPERATOR SA for the period 2012-2015 associated with the redevelopment and modernisation of the distribution grid:

1. agreement with EBRD with a limit of PLN 800,000 thousand: use of the loan as at 31 March 2014 was PLN 50,000 thousand (the final maturity of the loan is 18 December 2024).
2. agreement with EIB with a limit of PLN 1,000,000 thousand: as at 31 March 2014, the financing has not been utilized (on 1 April 2014, the first tranche of PLN 600,000 thousand was committed).

Loan agreements

On 21 March 2013 and 25 March 2013, ENERGA SA signed loan agreements with ENERGA Finance AB (publ) for the total amount of EUR 499,000 thousand. As at 31 March 2014, the loans have been used in full.

Domestic bond issue

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

Loans from NORDEA Bank Polska SA

In the years 2010-2011 ENERGA SA entered into the following loan agreements with NORDEA Bank Polska SA:

1. investment loan agreement for PLN 100,000 thousand for the purchase of bonds issued by ENERGA Wytwarzanie Sp. z o.o. in connection with the investments carried out in the modernisation of the pumped-storage power plant in Żydowo. By 31 March 2014, the full amount of PLN 100,000 thousand was committed under the loan, of which PLN 75,000 thousand remains to be repaid by 7 September 2015 according to the agreed schedule;
2. investment loan agreement for PLN 160,000 thousand for the purchase of bonds issued by ENERGA Kogeneracja Sp. z o.o. in connection with the investments carried out on the modernisation of the boiler including the implementation of the biomass joint combustion option, on the construction of a straw-based pellet production unit and on the construction of a new power unit. By 31 March 2014, the amount of PLN 134,700 thousand was committed under the loan, of which PLN 97,200 thousand remains to be repaid by 16 December 2015 according to the agreed schedule;
3. agreement for arranging loans for ENERGA Group's companies with a total limit of PLN 75,000 thousand. As at 31 March 2014, the financing amount of PLN 49,800 thousand was committed of which PLN 11,800 thousand was actually used. The limit will expire on 29 June 2015;
4. master agreement for bank guarantees for ENERGA Group's companies with a total limit of PLN 10,000 thousand. As at 31 March 2014, the limit was used in the amount of PLN 7,800 thousand. The limit will expire on 15 October 2016;
5. agreement for arranging loans for ENERGA SA with a total limit of PLN 300,000 thousand. As at 31 March 2014, the funding limit committed was not used. The facilities expire on 11 October 2016.

Loans from Pekao SA

In the years 2011-2012 ENERGA SA entered into the following loan agreements with Pekao SA:

1. loan agreement with a limit of PLN 200,000 thousand. As at 31 March 2014, the loan was not used. The loan is to be repaid by 12 October 2016;
2. loan agreement in the amount of PLN 85,000 thousand 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 use of the loan as at 31 March 2014 was PLN 32,000 thousand. The loan is to be repaid by 29 May 2022.

Loans from PKO Bank Polski SA

In the years 2011-2012 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 150,000 thousand. As at 31 March 2014, the financing limit for the aggregated amount of PLN 147,600 thousand was committed of which PLN 28,500 thousand was actually used. The facilities 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 200,000 thousand. As at 31 March 2014, the financing limit for the aggregated amount of PLN 97,800 thousand was committed of which PLN 94,700 thousand was actually used. The facilities expire on 19 September 2017.

Bonds issue through PKO Bank Polski SA

In 2012 ENERGA SA entered into a bonds issue agreement with PKO Bank Polski SA. Proceeds under the agreement are to be used to acquire bonds issued by ENERGA Elektrownie Ostrołęka SA in connection with the implementation of the company's investment program. The bonds are issued as short-term securities, which, in quarterly cycles will be exchanged (rolled over) to bonds of a new issue, with the commitment of the Bank to cover them under the terms of the issue agreement throughout the entire period of its duration. The value of the issues under this financing programme was PLN 64,200 thousand as at 31 March 2014.

13.9. Cash flow hedge accounting

The special purpose vehicle ENERGA AB (publ) (the issuer of Eurobonds) and ENERGA SA signed two loan agreements denominated in EUR for the total amount of EUR 499,000 thousand. In order to hedge future cash flow under these loans, the Company concluded CCIRS transactions.

As a hedged position under the above hedging relationship the Company designates the cash flows under the fixed rate loans denominated in EUR that it took out.

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

The fair value of the hedge at 31 March 2014 was PLN 55,304 thousand.

Under cash flow hedge accounting, the Company recognized the amount of PLN 20,433 thousand during the reporting period in the cash flow hedge reserve (the effective portion of changes in the value of the hedge after taking into account deferred income tax).

The table below presents changes in the balance of the revaluation reserve resulting from the hedge accounting in the reporting period:

| Changes in the cash flow hedge reserve within the reporting period | As at 31 March 2014 (unaudited) |
|--|---------------------------------------|
| At the beginning of the reporting period | 26 539 |
| Amount recognized in the cash flow hedge reserve during the period, equal to the change in the fair value of hedge instruments | 42 287 |
| Accrued interest transferred from the reserve to the interest expense | (7 421) |
| Revaluation of hedging instruments transferred from the equity to foreign exchange (gains) / losses | (9 640) |
| Income tax on other comprehensive income | (4 793) |
| At the end of the reporting period | 46 972 |

As at 31 March 2014, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

14. Contingent assets and liabilities

There are no significant contingent assets and liabilities in the Company.

15. Other information with material influence on the evaluation of the Company's assets and financial standing and its financial performance

Proceedings initiated by FORTA Sp. z o.o.

On 3 September 2013 the Extraordinary General Meeting of ENERGA SA adopted, inter alia, the resolution on determining the series of the company's shares and amending the Articles of Association (the "Resolution on Preferred Shares"). Pursuant to the Resolution on Preferred Shares preference in respect of voting rights of series BB shares was introduced to the Articles of Association. On 16 October 2013, ENERGA SA was served with a statement of claim filed by a shareholder FORTA Sp. z o.o. ("FORTA") to rule on invalidity of the Resolution on Preferred Shares or to repeal it, as the resolution was allegedly adopted in breach of good practices, hurting the Company's interest and aimed at harming a shareholder – FORTA. The Regional Court in Gdańsk in a judgment of 26 March 2014 dismissed FORTA's claim in this case. As at the approval date of these financial statements, the judgment has not become legal.

16. Subsequent events

No subsequent events have occurred that would require recognition or disclosure in the condensed interim financial statements.

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

Mirostaw Bieliński
President of the Management Board

Roman Szyszko
Executive Vice-President of the Management Board, Chief Financial Officer

Wojciech Topolnicki
Executive Vice-President of the Management Board, Strategy and Investments

Aleksandra Gajda – Gryber
Director of the Finance and Corporate Governance Center

Karol Jacewicz
Chief Accountant

Artur Chmura
President of the Management Board
ENERGA Centrum Usług Wspólnych Sp. z o.o.

Katarzyna Ogrodowska
Vice-President of the Management Board
ENERGA Centrum Usług Wspólnych Sp. z o.o.

Ewa Banaszak
Director of the Other Companies Servicing Department
ENERGA Centrum Usług Wspólnych Sp. z o.o.

Gdańsk, 12 May 2014