



Energa

ENERGA SA Group

**Condensed Interim Consolidated Financial Statements
prepared in accordance with IAS 34
for the three-month period ended 31 March 2014**

TABLE OF CONTENTS

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS	3
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS	8
1. General information	9
2. Composition of the Group and its changes	10
3. Approval of the financial statements	12
4. Basis for preparation of the financial statements	13
5. Estimates	13
6. Significant accounting policies	14
7. Explanations regarding the seasonality and cyclicity of operations in the period under review	15
8. Restatement of comparative information	15
9. Operating segments	16
10. Property, plant and equipment	19
11. Investment commitments	19
12. Cash and cash equivalents	19
13. Earnings per share	20
14. Dividend	20
15. Assets classified as held for sale	20
16. Provisions	22
17. Transactions with related entities	23
18. Financial instruments	24
19. Contingent assets and liabilities	29
20. Other information significantly affecting the evaluation of assets, financial standing and the financial result of the Group	30
21. Subsequent events	31

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Three-month period ended 31 March 2014 (unaudited)	Three-month period ended 31 March 2013 (unaudited)
Continuing operations		
Sales of products and goods for resale including excise tax	1 756 019	2 038 599
Excise tax	(67 714)	(74 953)
Sales of products and goods for resale	1 688 305	1 963 646
Sales of services	1 036 941	957 228
Rental income	22 733	12 940
Revenue	2 747 979	2 933 814
Cost of sales	(2 178 171)	(2 492 976)
Gross profit on sales	569 808	440 838
Other operating income	47 958	23 439
Selling and distribution expenses	(54 668)	(70 422)
General and administrative expenses	(87 819)	(93 500)
Other operating expenses	(29 553)	(17 869)
Financial income	37 551	29 374
Financial costs	(78 827)	(68 255)
Share of profit (loss) of associates	(157)	(509)
Profit before tax	404 293	243 096
Income tax	(80 324)	(60 675)
Net profit on continuing operations	323 969	182 421
Discontinued operations		
Net loss on discontinued operations	(954)	(1 613)
Net profit for the period	323 015	180 808
Attributable to:		
Equity holders of the Parent Company	319 661	192 362
Non-controlling interests	3 354	(11 554)
Earnings per share (in PLN)		
- basic	0,77	0,47
- diluted	0,77	0,47
Earnings per share from discontinued operations (in PLN)		
- basic	(0,00)	(0,00)
- diluted	(0,00)	(0,00)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three-month period ended 31 March 2014 (unaudited)	Three-month period ended 31 March 2013 (unaudited)
Net profit for the period	323 015	180 808
Items that will never be reclassified to profit or loss	(1 827)	(321)
Actuarial gains and (losses) on defined benefit plans	(2 256)	(396)
Income tax on items that will never be reclassified to profit or loss	429	75
Items that are or may be reclassified subsequently to profit or loss	21 019	139
Foreign exchange gains / (losses) arising on translation of foreign operations	586	139
Cash flow hedges	25 226	-
Income tax on items that are or may be reclassified subsequently to profit or loss	(4 793)	-
Net other comprehensive income	19 192	(182)
Total comprehensive income	342 207	180 626
Attributable to:		
Equity holders of the Parent Company	338 941	192 180
Non-controlling interests	3 266	(11 554)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2014 (unaudited)	As at 31 December 2013 (restated)
ASSETS		
Non-current assets		
Property, plant and equipment	11 728 596	11 760 776
Investment property	16 089	15 189
Intangible assets	398 433	398 677
Goodwill	156 773	156 773
Deferred tax assets	232 540	245 086
Hedging derivatives	55 224	13 017
Other non-current financial assets	17 685	17 727
Other non-current assets	55 389	42 291
	12 660 729	12 649 536
Current assets		
Inventories	336 906	302 043
Current tax receivables	59 476	43 427
Trade receivables	1 436 743	1 469 543
Deposits	26 363	4 121
Other current financial assets	22 542	8 891
Cash and cash equivalents	2 054 862	2 352 305
Other current assets	328 540	145 574
Assets classified as held for sale	98 850	109 116
	4 364 282	4 435 020
TOTAL ASSETS	17 025 011	17 084 556

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 31 March 2014 (unaudited)	As at 31 December 2013
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Parent Company		
Share capital	4 521 613	4 521 613
Foreign exchange gains / (losses) arising on translation of foreign operation	(1 724)	(2 310)
Reserve capital	447 192	447 192
Supplementary capital	521 490	521 490
Cash flow hedge reserve	46 972	26 539
Retained earnings	2 837 497	2 519 955
Non-controlling interests	17 082	13 816
Total equity	8 390 122	8 048 295
Non-current liabilities		
Loans and borrowings	1 742 732	1 811 548
Bonds issued	3 129 479	3 119 453
Non-current provisions	559 798	549 499
Deferred tax liabilities	546 884	544 001
Deferred income and non-current grants	485 826	489 234
Other financial non-current liabilities	9 886	4 873
Other non-current liabilities	684	1 406
	6 475 289	6 520 014
Current liabilities		
Trade liabilities	627 634	889 902
Other financial liabilities	59 758	234 725
Current loans and borrowings	297 708	274 177
Bonds issued	23 692	70 584
Current income tax liability	14 072	6 838
Deferred income and grants	33 867	32 048
Accruals	73 628	126 813
Provisions	416 679	444 108
Other current liabilities	577 371	355 733
Liabilities related to assets classified as held for sale	35 191	81 319
	2 159 600	2 516 247
Total liabilities	8 634 889	9 036 261
TOTAL EQUITY AND LIABILITIES	17 025 011	17 084 556

ENERGA SA Group

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



CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	-	-	-	-	-	(1 739)	(1 739)	(88)	(1 827)
Foreign exchange gains / (losses) arising on translation of foreign operations	-	586	-	-	-	-	586	-	586
Cash flow hedges	-	-	-	-	20 433	-	20 433	-	20 433
Profit for the period	-	-	-	-	-	319 661	319 661	3 354	323 015
Total comprehensive income for the period	-	586	-	-	20 433	317 922	338 941	3 266	342 207
Disposal of shares in subsidiaries	-	-	-	-	-	(380)	(380)	-	(380)
As at 31 March 2014 (unaudited)	4 521 613	(1 724)	447 192	521 490	46 972	2 837 497	8 373 040	17 082	8 390 122

	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 2013	4 968 805	48	-	471 235	-	2 231 138	7 671 226	47 296	7 718 522
Actuarial gains and (losses) on defined benefit plans	-	-	-	-	-	(321)	(321)	-	(321)
Foreign exchange gains / (losses) arising on translation of foreign operations	-	139	-	-	-	-	139	-	139
Profit for the period	-	-	-	-	-	192 362	192 362	(11 554)	180 808
Total comprehensive income for the period	-	139	-	-	-	192 041	192 180	(11 554)	180 626
Dividends	-	-	-	-	-	-	-	(1 755)	(1 755)
Purchase of shares in subsidiaries	-	-	-	-	-	(5 520)	(5 520)	4 064	(1 456)
As at 31 March 2013 (unaudited)	4 968 805	187	-	471 235	-	2 417 659	7 857 886	38 051	7 895 937

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Three-month period ended 31 March 2014 (unaudited)	Three-month period ended 31 March 2013 (unaudited)
Cash flows from operating activities		
Profit before tax from continuing operations	404 293	243 096
Loss before tax on discontinued operations and disposal of non-current assets classified as held for sale	(954)	(1 613)
Adjustments for:	(75 001)	551 932
Share of profit (loss) of associates	157	509
Foreign currency gains/(losses)	1 649	139
Amortization and depreciation	208 074	189 550
Net interest and dividends	83 777	29 937
Loss on investing activities	770	125 179
Change in receivables	79 334	75 106
Change in inventories	(25 158)	92 519
Change in payables excluding loans and borrowings	(108 963)	293 149
Change in prepayments and accruals	(290 375)	(231 862)
Change in provisions	(22 008)	(21 972)
Other	(2 258)	(322)
Income tax paid	(78 074)	(89 608)
Net cash from operating activities	250 264	703 807
Cash flows from investing activities		
Disposal of property, plant and equipment and intangible assets	12 405	6 278
Purchase of property, plant and equipment and intangible assets	(391 968)	(346 475)
Disposal of other financial assets	28 600	25 624
Acquisition of other investments	(26 363)	-
Disposal of subsidiary	20 500	1 450
Acquisition of subsidiary, net of cash acquired	-	(10 750)
Dividends received	43	-
Interest received	232	739
Net cash used in investing activities	(356 551)	(323 134)
Cash flows from financing activities		
Proceeds from bond issue	-	2 088 700
Payment of finance lease liabilities	(3 124)	(4 369)
Proceeds from loans and borrowings	21 786	863
Repayment of loans and borrowings	(77 144)	(203 028)
Dividends paid	41	(794)
Interest paid	(114 804)	(48 044)
Other	(3 313)	(3 080)
Net cash from financing activities	(176 558)	1 830 248
Net increase/(decrease) in cash and cash equivalents	(282 845)	2 210 921
Cash and cash equivalents at the beginning of the period	2 350 713	2 029 373
Cash and cash equivalents at the end of the period	2 067 868	4 240 294

ACCOUNTING PRINCIPLES (POLICY) AND ADDITIONAL EXPLANATORY NOTES

1. General information

ENERGA SA Group (the "Group") consists of ENERGA Spółka Akcyjna (the "Parent Company", the "Company"), its subsidiaries and the Group's interests in associates (see Note 2). These condensed interim consolidated financial statements cover the period from 1 January to 31 March 2014 and include comparative information at 31 December 2013 for the condensed interim consolidated statement of financial position and for the period from 1 January to 31 March 2013 for the condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of cash flows and condensed interim consolidated statement of changes in equity.

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 received a statistical number REGON 220353024.

The primary activities of the Group companies are as follows:

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

As at 31 March 2014, the Polish State Treasury is the Company's parent and ultimate controlling party.

2. Composition of the Group and its changes

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

As at 31 March 2014, the Group consists of ENERGA SA and the following companies:

Subsidiaries

No.	Company name	Registered office	Line of business	% of the Group's share capital as at	
				31 March 2014	31 December 2013
1	ENERGA – OPERATOR SA	Gdańsk	distribution of electricity	100.00	100.00
2	ENERGA – OBRÓT SA	Gdańsk	trading in electricity	100.00	100.00
3	ENERGA Wytwarzanie Sp. z o.o.	Straszyn	energy production	100.00	100.00
4	AEGIR 1 Sp. z o.o. ¹	Gdańsk	energy production	-	100.00
5	AEGIR 2 Sp. z o.o. ¹	Gdańsk	energy production	-	100.00
6	AEGIR 3 Sp. z o.o. ¹	Gdańsk	energy production	-	100.00
7	AEGIR 4 Sp. z o.o.	Gdańsk	energy production	100.00	100.00
8	AEGIR 5 Sp. z o.o.	Gdańsk	energy production	100.00	100.00
9	Breva Sp. z o.o.	Gdańsk	energy production	100.00	100.00
10	Ciepło Kaliskie Sp. z o.o.	Kalisz	heat and energy distribution	90.00	90.00
11	Ekologiczne Materiały Grzewcze Sp. z o.o.	Gdańsk	biomass production	100.00	100.00
12	Elektrownia CCGT Gdańsk Sp. z o.o.	Gdańsk	energy production	100.00	100.00
13	Elektrownia CCGT Grudziądz Sp. z o.o.	Grudziądz	energy production	100.00	100.00
14	Elektrownia Ostrołęka SA	Ostrołęka	contracting and designing	100.00	100.00
15	ENERGA – OPERATOR Eksploatacja i Inwestycje Elbląg Sp. z o.o.	Elbląg	network operation and investment projects	100.00	100.00
16	ENERGA – OPERATOR Eksploatacja i Inwestycje Gdańsk Sp. z o.o.	Gdańsk	network operation and investment projects	100.00	100.00
17	ENERGA – OPERATOR Eksploatacja i Inwestycje Kalisz Sp. z o.o.	Kalisz	network operation and investment projects	100.00	100.00
18	ENERGA – OPERATOR Eksploatacja i Inwestycje Płock Sp. z o.o.	Płock	network operation and investment projects	100.00	100.00
19	ENERGA – OPERATOR Eksploatacja i Inwestycje Słupsk Sp. z o.o.	Słupsk	network operation and investment projects	100.00	100.00
20	ENERGA – OPERATOR Eksploatacja i Inwestycje Toruń Sp. z o.o.	Toruń	network operation and investment projects	100.00	100.00
21	ENERGA – OPERATOR Produkcja Sp. z o.o. ¹	Kalisz	production of power devices	-	100.00
22	ENERGA – OPERATOR Techniczna Obsługa Odbiorców Sp. z o.o.	Koszalin	technical customer service	100.00	100.00
23	ENERGA Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	accounting, payroll and administrative services	100.00	100.00
24	ENERGA Elektrociepłownia Kalisz S.A.	Kalisz	energy production	100.00	100.00

No.	Company name	Registered office	Line of business	% of the Group's share capital as at	
				31 March 2014	31 December 2013
25	ENERGA Elektrownie Ostrołęka SA	Ostrołęka	energy production	89.38	89.38
26	ENERGA Finance AB (publ)	Stockholm	financing activity	100.00	100.00
27	ENERGA Informatyka i Technologie Sp. z o.o.	Gdańsk	ICT	100.00	100.00
28	ENERGA Innowacje Sp. z o.o.	Gdańsk	organisation and management of development of innovative power projects	100.00	100.00
29	ENERGA Invest SA	Gdańsk	investment project management	100.00	100.00
30	ENERGA Kogeneracja Sp. z o.o.	Elbląg	energy production	100.00	100.00
31	ENERGA Obsługa i Sprzedaż Sp. z o.o.	Gdańsk	customer service	100.00	100.00
32	ENERGA OPEC Sp. z o.o.	Ostrołęka	heat and energy distribution	99.99	99.99
33	ENERGA Oświetlenie Sp. z o.o.	Sopot	lighting services	100.00	100.00
34	ENERGA Serwis Sp. z o.o.	Ostrołęka	repairs and maintenance services	94.68	94.68
35	ENERGA SLOVAKIA s.r.o.	Bratislava	trading in electricity	100.00	100.00
36	ENERGETYK Sp. z o.o. w likwidacji (in liquidation) ²	Płock	contracting and designing	100.00	100.00
37	Energetyka Kaliska – Usługi Techniczne Sp. z o.o.	Kalisz	contracting and designing	100.00	100.00
38	ENSPIRION Sp. z o.o.	Gdańsk	energy consulting and management of demand for electricity	100.00	100.00
39	EPW 1 Sp. z o.o.	Pruszcz Gdański	energy production	100.00	100.00
40	EPW 2 Sp. z o.o.	Pruszcz Gdański	energy production	100.00	100.00
41	EPW 3 Sp. z o.o.	Pruszcz Gdański	energy production	100.00	100.00
42	EPW Energia Olecko Sp. z o.o. ³	Warsaw	energy production	-	19.00
43	EPW Energia Sp. z o.o. ³	Warsaw	energy production	100.00	67.30
44	EPW Parsówek Sp. z o.o.	Pruszcz Gdański	energy production	100.00	100.00
45	Międzynarodowe Centrum Szkolenia Energetyki Sp. z o.o. w likwidacji (in liquidation)	Straszyn	hotel and training services	100.00	100.00
46	Przedsiębiorstwo Budownictwa Elektroenergetycznego ENBUD Słupsk Sp. z o.o.	Słupsk	contracting and designing	100.00	100.00
47	Przedsiębiorstwo Wielobranżowe Energetyki "ELEKTROINSTAL" Sp. z o.o. ¹	Raciąż	contracting and designing	-	100.00
48	RGK Sp. z o.o.	Gdańsk	financing activity	100.00	100.00
49	Zakład Budownictwa Energetycznego Sp. z o.o.	Koszalin	contracting and designing	100.00	100.00
50	Zakład Energetyczny Płock - Centrum Handlowe Sp. z o.o.	Płock	procurement	100.00	100.00
51	Zakład Energetyczny Płock - Dystrybucja Zachód Sp. z o.o. w likwidacji (in liquidation) ¹	Sierpc	network operation and investment projects	-	100.00
52	Zakład Energetyczny Toruń - ENERGOHANDEL Sp. z o.o.	Toruń	procurement	100.00	100.00

No.	Company name	Registered office	Line of business	% of the Group's share capital as at	
				31 March 2014	31 December 2013
53	ZEC Żychlin Sp. z o.o.	Żychlin	heat and energy distribution	100.00	100.00
54	ZEP - AUTO Sp. z o.o.	Płock	sale and repair of motor vehicles	100.00	100.00
55	ZEP - Centrum Wykonawstwa Specjalistycznego Sp. z o.o.	Płock	contracting and designing	100.00	100.00
56	ZEP - MOT Sp. z o.o.	Płock	sale and repair of motor vehicles	100.00	100.00

¹ See description in Note 2.2.

² The Company was deregistered from the Register of Entrepreneurs of the National Court Register on 16 April 2014.

³ See description in Note 20.4.

Associates

No.	Company name	Registered office	Line of business	% of the Group's share capital as at	
				31 March 2014	31 December 2012
1	Bio - Power Sp. z o.o. ¹	Międzyrzec Podlaski	energy production	25.00	25.00
2	SOEN Sp. z o.o. ²	Grudziądz	hotel and administration services	48.50	48.50

¹ Shares in the company were sold on 28 April 2014.

² Shares in the company are classified as held for sale (see note 15).

2.2. Changes in the composition of the Group

Disposals of shares in subsidiaries

ENERGA – OPERATOR SA sold all of its shares (i.e. 100%) in companies: ENERGA – OPERATOR Produkcja Sp. z o.o. and Przedsiębiorstwo Wielobranżowe Energetyki „ELEKTROINSTAL” Sp. z o.o. pursuant to a sale agreement concluded on 6 February 2014 with an entity from outside of the ENERGA Group. The sale agreement was concluded with a condition precedent, that is for the President of the Office of Competition and Consumer Protection to grant his approval for concentration. The approval was issued on 27 February 2014 and therefore the ownership title to the shares of the companies mentioned above was transferred to the new shareholder.

Liquidation of subsidiaries

On 17 February 2014, Zakład Energetyczny Płock – Dystrybucja Zachód Sp. z o.o. w likwidacji (in liquidation) was deregistered from the Register of Entrepreneurs of the National Court Register which completed the process of its liquidation.

Combinations of subsidiaries

On 8 January 2014, a merger of AEGIR 4 Sp. z o.o. (acquiring company), AEGIR 1 Sp. z o.o., AEGIR 2 Sp. z o.o. and AEGIR 3 Sp. z o.o. (acquired companies) was registered.

3. Approval of the financial statements

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

4. Basis for preparation of the financial statements

These condensed interim 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 condensed interim consolidated financial statements are presented in thousands of zloty ("PLN").

These condensed interim 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.

4.1. Statement of compliance

These condensed interim 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 explanatory 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 2013.

4.2. Functional and presentation currency

The functional currency of the parent company and other Polish companies covered by these condensed interim consolidated financial statements and the presentation currency of these condensed interim consolidated financial statements is the Polish zloty except for ENERGA SLOVAKIA s.r.o. and ENERGA Finance AB (publ) where the functional currency of their individual financial statements is euro. For the purpose of these financial statements, 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 valuation purposes in the statement of financial position:

Exchange rate at the end of each respective reporting period		
Currency	31 March 2014	31 December 2013
EURO	4,1713	4,1472

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

Average exchange rate in the period		
Currency	1 January - 31 March 2014	1 January - 31 March 2013
EURO	4,1894	4,1738

5. Estimates

During the period covered by these condensed interim consolidated 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 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 application of accounting policies and 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.

6. Significant accounting policies

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

- the changes caused by amendments introduced in IFRS EU.
- changes in the presentation of CO₂ emission allowances.

Amendments to standards adopted for the first time in 2014

The following amendments to the existing standards published by the International Accounting Standards Board ("IASB") and endorsed in the EU, for which the Group 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 Group's accounting policies applied so far.

Change in the presentation of CO₂ emission allowances

In the previous reporting periods, the Group presented CO₂ emission allowances acquired for redemption in non-current assets, as intangible assets. At present, the Group presents CO₂ emission allowances in current assets, as inventories. As at 31 March 2014, this asset was measured at PLN 24.9 m. The Group did not convert any of the comparative data, since there were no such assets as at 31 December 2013.

6.1. 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 Group believes that the introduction of the above-mentioned standards, amendments to standards and interpretations will not have any substantial impact on the accounting principles (policy) applied by the Group.

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

Sales and distribution of electric energy and heat during the year are subject to seasonal fluctuations. The volume of energy sold and distributed rises during the winter months and falls 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. Observations from previous years indicate that mainly due to weather conditions, but also market conditions associated with the contracting processes, the ENERGA SA Group usually generates better results in the first half of the year.

8. Restatement of comparative information

In these condensed consolidated financial statements, comparative information for the three months ended 31 March 2013 have been restated, as compared to the information approved in connection with the correction of allocation of the purchase price of the wind assets acquired in 2013 from EPW Energia Sp. z o.o. (formerly Iberdrola Renewables Polska Sp. z o.o.). In the approved consolidated financial statements for 2013, part of the purchase price was incorrectly allocated between the wind farm projects portfolio and operational wind farms. As a result, the goodwill recognized on the transaction was PLN 11.8 m less than it should be.

The adjustments relating to the prior period presented in the consolidated financial statements are presented in the table below:

Title	Previously reported	Adjustments	Restated
Property, plant and equipment	11 772 576	(11 800)	11 760 776
Goodwill	144 973	11 800	156 773

9. Operating segments

The Group is organized and managed in the following operating segments: distribution, generation, sales of electricity and other.

In the previous reporting period, the Group presented as separate certain segments (services and other) which are currently presented as a single segment – other. Additionally, in the current reporting period:

- the companies ENERGA Invest SA and Ekologiczne Materiały Grzewcze Sp. z o.o. were included in the generation segment (previously service segment);
- ENERGA Innowacje Sp. z o.o. was included in the sales segment (previously service segment).

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 31 March 2014 and the assets and liabilities as at 31 March 2014 assigned to individual segments, together with comparative information restated according to the new presentation of segments.

ENERGA SA Group

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



Three-month period ended 31 March 2014 (unaudited) or as at 31 March 2014 (unaudited)	Distribution of electricity	Sales	Generation	Other	Total	Consolidation eliminations and adjustments	Total activity
Revenue							
Sales to external clients	1 002 548	1 359 525	380 721	5 185	2 747 979	-	2 747 979
Inter-segment sales	14 604	150 303	81 425	33 372	279 704	(279 704)	-
Total segment revenues	1 017 152	1 509 828	462 146	38 557	3 027 683	(279 704)	2 747 979
EBITDA							
EBITDA	409 837	49 753	194 434	(16 963)	637 061	16 739	653 800
Profit/(loss) on continuing operations before tax and finance income/expense	239 736	42 402	160 841	(22 581)	420 398	25 328	445 726
Net finance income/expense	(27 223)	9 327	(19 279)	737 188	700 013	(741 289)	(41 276)
Share of profit/(loss) of associates	-	-	-	-	-	(157)	(157)
Profit/(loss) before tax	212 513	51 729	141 562	714 607	1 120 411	(716 118)	404 293
Income tax	(39 199)	(12 068)	(32 616)	4 915	(78 968)	(1 356)	(80 324)
Net loss on discontinued operations and disposal of assets classified as held for sale	-	-	-	(954)	(954)	-	(954)
Net profit/(loss) for the period	173 314	39 661	108 946	718 568	1 040 489	(717 474)	323 015
Assets and liabilities							
Cash and cash equivalents	458 394	373 520	492 535	730 413	2 054 862	-	2 054 862
Total assets	11 322 576	2 305 025	5 307 417	12 289 601	31 224 619	(14 199 608)	17 025 011
Financial liabilities	2 868 751	1 607	1 577 423	5 141 828	9 589 609	(4 395 998)	5 193 611
Total liabilities	5 490 731	1 508 710	2 244 698	5 296 229	14 540 368	(5 905 479)	8 634 889
Other segment information							
Capital expenditure	154 303	5 595	25 406	11 058	196 362	(957)	195 405
Amortization and depreciation	170 101	7 351	33 593	5 618	216 663	(8 589)	208 074
Impairment losses on property, plant and equipment, intangible assets and investment property	-	-	6 435	-	6 435	-	6 435

ENERGA SA Group

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



Three-month period ended 31 March 2013 (unaudited) (restated) or as at 31 December 2013 (restated)	Distribution of electricity	Sales	Generation	Other	Total	Consolidation eliminations and adjustments	Total activity
Revenue							
Sales to external clients	932 155	1 727 793	267 123	6 743	2 933 814	-	2 933 814
Inter-segment sales	11 857	132 333	100 962	33 893	279 045	(279 045)	-
Total segment revenues	944 012	1 860 126	368 085	40 636	3 212 859	(279 045)	2 933 814
EBITDA	398 945	100 369	(16 593)	(12 143)	470 578	1 458	472 036
Profit/(loss) on continuing operations before tax and finance income/expense	237 808	93 803	(40 416)	(16 554)	274 641	7 845	282 486
Net finance income/expense	(39 428)	11 703	(2 356)	600 610	570 529	(609 410)	(38 881)
Share of profit/(loss) of associates	-	-	-	-	-	(509)	(509)
Profit/(loss) before tax	198 380	105 506	(42 772)	584 056	845 170	(602 074)	243 096
Income tax	(51 119)	(16 670)	8 802	(1 157)	(60 144)	(531)	(60 675)
Net loss on discontinued operations and disposal of assets classified as held for sale	-	-	-	(1 613)	(1 613)	-	(1 613)
Net profit/(loss) for the period	147 261	88 836	(33 970)	581 286	783 413	(602 605)	180 808
Assets and liabilities							
Cash and cash equivalents	606 098	456 995	448 330	840 882	2 352 305	-	2 352 305
Total assets	11 338 567	2 508 896	4 733 905	10 764 274	29 345 642	(12 261 086)	17 084 556
Financial liabilities	2 917 002	1 768	1 555 834	5 241 799	9 716 403	(4 440 641)	5 275 762
Total liabilities	5 246 806	1 461 340	2 106 327	5 595 304	14 409 777	(5 373 516)	9 036 261
Other segment information							
Capital expenditure	232 886	1 686	52 764	7 232	294 568	(2 701)	291 867
Amortization and depreciation	161 137	6 566	23 823	4 411	195 937	(6 387)	189 550
Impairment losses on property, plant and equipment, intangible assets and investment property	168	-	123 472	(1)	123 639	-	123 639

10. Property, plant and equipment

In the current reporting period, the Group:

- incurred expenditures on property, plant and equipment in the amount of PLN 172.7 m.
- sold and scrapped property, plant and equipment with a total book value of PLN 12.0 m.

11. 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 7,145.7 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 6,846.6 m;
- execution of wind projects (mainly WF Myślino) – approx. PLN 102.5 m;
- sales support system – approx. PLN 68.7 m.
- construction of a heat source in Ostrołęka – approx. PLN 50.3 m;
- construction of gas-steam power plants in Grudziądz and Gdańsk – approx. PLN 38.9 m;
- biomass unit in Elbląg – approx. PLN 21.1 m;
- expansion of a heating system in Kalisz – approx. PLN 9.5 m;
- modernization of hydro power plants – approx. PLN 8.1 m.

12. Cash and cash equivalents

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

Title	As at 31 March 2014 (unaudited)	As at 31 March 2013 (unaudited)
Cash at bank and in hand	331 790	383 162
Short term deposits up to 3 months	1 278 246	2 908 741
Participation units in liquidity funds	444 777	956 266
Other	49	6
Total cash and cash equivalents presented in the statement of financial position	2 054 862	4 248 175
Unrealised exchange rate differences and interest	(1 128)	(7 679)
Cash and cash equivalents classified as assets held for sale	41 773	-
Current account overdrafts	(27 639)	(202)
Total cash and cash equivalents presented in the statement of cash flow	2 067 868	4 240 294

13. Earnings per share

The following data regarding profit and shares were used to calculate the basic and diluted earnings per share ratio:

Title	Three-month period ended 31 March 2014 (unaudited)	Three-month period ended 31 March 2013 (unaudited)
Net profit on continuing operations attributable to the ordinary shareholders of the Parent Company	320 615	193 975
Net loss on discontinued operations attributable to the ordinary shareholders of the Parent Company	(954)	(1 613)
Net profit attributable to the ordinary shareholders of the parent company	319 661	192 362
Number of ordinary shares at the end of the period (in thousands)	414 067	4 968 805
Number of issued common shares used to calculate basic earnings per share* (in thousands)	414 067	414 067
Earnings per share from continuing operations (basic and diluted) (in PLN)	0,77	0,47
Earnings per share from discontinued operations (basic and diluted) (in PLN)	(0,00)	(0,00)

*for calculation of earnings per share for the previous period, the number of shares after the reverse split was used

14. Dividend

The Management Board of ENERGA SA 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.

15. Assets classified as held for sale

In 2013, the Group has taken steps to sell shares in the following subsidiaries operating as supporting services providers for the Distribution System Operator business (ENERGA – OPERATOR SA), i.e. design and specialized power construction and the production of power devices: Przedsiębiorstwo Budownictwa Elektroenergetycznego "ENBUD" Słupsk Sp. z o.o., Zakład Budownictwa Energetycznego Sp. z o.o., ZEP – Centrum Wykonawstwa Specjalistycznego Sp. z o.o., Energetyka Kaliska – Usługi Techniczne Sp. z o.o., ENERGA – OPERATOR Produkcja Sp. z o.o., Przedsiębiorstwo Wielobranżowe Energetyki "ELEKTROINSTAL" Sp. z o.o.

On 6 February 2014, conditional sales agreements were concluded for 100% stakes in ENERGA – OPERATOR Produkcja Sp. z o.o. and Przedsiębiorstwo Wielobranżowe Energetyki "ELEKTROINSTAL" Sp. z o.o. The condition precedent was for the President of Office of Competition and Consumer Protection to issue an approval for concentration, which was issued on 27 February 2014. Currently the Group continues the search of prospective buyers for shares in the remaining entities.

In the current reporting period, action was also taken to sell shares in ZEP-MOT Sp. z o.o. held by the parent company. Conditional sales agreements were concluded on 30 April 2014 (this results in a sale of all shares held by the Group in ZEP-AUTO Sp. z o.o., in which ZEP-MOT Sp. z o.o. holds 100% of shares).

The assets and liabilities of the above entities were presented in the consolidated statement of financial position as held for sale.

The Group also presents the following as assets held for sale:

- part of the assets of Międzynarodowe Centrum Szkolenia Energetyki Sp. z o.o. w likwidacji (in liquidation) (hotel and recreation and leisure facilities),
- shares held by the parent company in an associate SOEN Sp. z o.o. - on 1 April 2014, a conditional sale agreement was signed for the shares (the condition upon which the agreement is to be performed is for the remaining shareholders not to exercise their priority right to acquire shares),
- shares in an associate Bio - Power Sp. z o.o. – sale agreement for the shares was signed on 28 April 2014.

Main categories of assets and liabilities making up the operations classified as held for sale at the end of the reporting period are presented in the following table:

Title	As at 31 March 2014 (unaudited)	As at 31 December 2013
ASSETS		
Property, plant and equipment	40 321	44 568
Investment property	3 036	3 029
Intangible assets	1 700	1 156
Investments in associates accounted for under the equity method	1 688	-
Deferred tax assets	3 852	4 217
Other non-current assets	886	900
Inventories	2 577	8 038
Current tax receivables	1 108	1 473
Trade receivables	329	4 959
Deposits	-	24 057
Other financial assets	894	-
Cash and cash equivalents	41 773	14 439
Other current assets	686	2 280
Assets classified as held for sale	98 850	109 116
LIABILITIES		
Non-current provisions	18 794	20 632
Deferred tax liabilities	658	506
Other financial non-current liabilities	951	951
Trade liabilities	5 621	39 208
Other financial liabilities	1 138	2 199
Accruals	1 033	1 941
Provisions	752	1 286
Other current liabilities	6 244	14 596
Liabilities related to assets classified as held for sale	35 191	81 319

16. 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 of property, plant and equipment	Provision for liabilities for gas emissions	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
Current service cost	1 850	3 841	-	-	5 691	-	-	-	-	-	-	5 691
Actuarial gains and losses	2 256	2 020	-	-	4 276	-	-	-	-	-	-	4 276
Benefits paid	(1 248)	(2 584)	-	-	(3 832)	-	-	-	-	-	-	(3 832)
Interest cost	3 886	2 527	-	-	6 413	-	368	-	-	-	368	6 781
Raised	-	-	268	8 505	8 773	7 539	-	105	162 428	43 979	214 051	222 824
Released	(2 093)	(1 702)	-	(15 374)	(19 169)	(33 197)	(18)	-	-	(1 040)	(34 255)	(53 424)
Used	-	-	-	(21 885)	(21 885)	(1 057)	-	-	(138 392)	(38 071)	(177 520)	(199 405)
Reclassified	(100)	-	-	100	-	-	-	-	-	-	-	-
Transfer to liabilities related to assets classified as held for sale	(282)	(87)	-	-	(369)	-	-	-	-	328	328	(41)
As at 31 March 2014 (unaudited)	338 684	230 769	1 613	52 033	623 099	73 477	24 158	62 851	140 639	52 253	353 378	976 477
Short-term as at 31 March 2014 (unaudited)	15 133	18 680	1 613	52 033	87 459	73 477	-	62 851	140 639	52 253	329 220	416 679
Long-term as at 31 March 2014 (unaudited)	323 551	212 089	-	-	535 640	-	24 158	-	-	-	24 158	559 798

	Post-employment benefits	Jubilee bonuses	Employee matters	Restructuring provision	Total provisions for employee benefit	Provision for legal claims	Provision for reclamation of property, plant and equipment	Provision for liabilities for gas emissions	Provision for redemption of energy certificates of origin	Other provisions	Total other provisions	Total
As at 1 January 2013 roku	458 932	275 407	3 505	56 913	794 757	199 092	9 299	307	211 036	51 640	471 374	1 266 131
Current service cost	2 834	3 964	-	-	6 798	-	-	-	-	-	-	6 798
Actuarial gains and losses	396	841	-	-	1 237	-	-	-	-	-	-	1 237
Benefits paid	(1 067)	(2 568)	-	-	(3 635)	-	-	-	-	-	-	(3 635)
Interest cost	4 579	2 772	-	-	7 351	-	88	-	-	-	88	7 439
Disposal of subsidiary	-	-	-	-	-	(393)	-	-	-	(3)	(396)	(396)
Raised	-	-	750	-	750	8 867	-	-	141 251	56 989	207 107	207 857
Released	-	-	(327)	(189)	(516)	(3 346)	-	-	-	(32)	(3 378)	(3 894)
Used	-	-	(1 804)	(7 665)	(9 469)	(376)	-	(17)	(188 648)	(38 868)	(227 909)	(237 378)
As at 31 March 2013 (unaudited)	465 674	280 416	2 124	49 059	797 273	203 844	9 387	290	163 639	69 726	446 886	1 244 159
Short-term as at 31 March 2013 (unaudited)	14 831	18 650	2 096	48 229	83 806	203 844	-	290	163 639	69 709	437 482	521 288
Long-term as at 31 March 2013 (unaudited)	450 843	261 766	28	830	713 467	-	9 387	-	-	17	9 404	722 871

The Group establishes 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 31 March 2014, carried out by an independent actuary. The projection was based on the previously calculated amounts of provisions as at 31 December 2013 and based on the main assumptions used as at that date, except the discount rate. The discount rate applied for the projections of the provisions as at 31 March 2014 was applied at the level of 4.56% (31 December 2013: 4.66%).

17. 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.

17.1. Transactions with members of Management Boards and Supervisory Boards

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.

The amount of remuneration paid or due to members of the Management Boards and Supervisory Boards of ENERGA SA Group companies in the period of 3 months ended 31 March 2014 was approximately PLN 9.5 m (of which PLN 1.4 m was paid by the Parent Company).

17.2. Transactions involving State Treasury companies

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

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.

17.3. Transactions with associates

In the current reporting period, there were no material transactions with associates.

18. Financial instruments

18.1. Carrying value of financial instruments by category and class

Title	As at 31 March 2014 (unaudited)	As at 31 December 2013
Classes of financial instruments		
Deposits	26 363	4 121
Bonds, treasury bills and other debt instruments	14 728	14 728
(Non-consolidated) shareholdings	1 281	1 314
Trade receivables	1 436 743	1 469 543
Cash and cash equivalents, including:	2 054 862	2 352 305
Units of participation in the ENERGA Trading SFIO fund	444 777	567 249
Receivables from sale of property, plant & equipment and intangible assets	589	1 979
Other financial assets	23 325	7 528
Hedging derivatives (assets)	55 304	13 017
Total assets	3 613 195	3 864 535
Preferential loans and borrowings	919 079	935 800
Loans and borrowings	1 093 722	1 140 657
Current account overdraft	27 639	9 269
Bonds issued	3 153 171	3 190 037
Trade liabilities	627 634	889 902
Other financial liabilities	20 558	12 462
Liabilities from purchase of property, plant & equipment and intangible assets	44 714	219 640
Total liabilities	5 886 517	6 397 767
Categories of financial instruments		
Financial assets measured at fair value through profit or loss	2 079 468	2 361 147
Financial assets available for sale	14 728	14 728
Investments held to maturity	26 363	4 121
Loans and receivables	1 437 332	1 471 522
Hedging derivatives	55 304	13 017
Total assets	3 613 195	3 864 535
Financial liabilities measured at amortized cost	5 886 517	6 397 767
Total liabilities	5 886 517	6 397 767

18.2. 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.

Title	31 March 2014 (unaudited)		
	Level 1	Level 2	Level 3
Assets			
Units of participation in the ENERGA Trading SFIO fund	-	444 777	-
Hedging derivatives (CCIRS)	-	55 224	-

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.

18.3. 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	-
Liabilities arising from the issue of Eurobonds	2 075 730	2 178 545	-	-

Measurement of fair values of liabilities on account of issued:

- domestic bonds – has been estimated on the basis of an analysis of future cash flows discounted using market interest rates updated for 31 March 2014;
- Eurobonds – has been estimated on the basis of quotations from the Bloomberg system from 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 Group is not able to determine the range of their possible fair values. These assets are measured at purchase price less impairment allowances.

18.4. Loans and borrowings

	As at 31 March 2014 (unaudited)	As at 31 December 2013
Currency	PLN	
Reference Rate	WIBOR, Rediscount rate	
Value of the loan/ borrowing	2 040 440	2 085 725
Of which, repayable:		
up to 1 year (short-term)	297 708	274 177
1 to 2 years	350 035	361 109
2 to 3 years	221 610	229 592
3 to 5 years	432 151	454 902
over 5 years	738 936	765 945

Detailed information on contracted external financing is set out in Note 18.6.

18.5. Liabilities under notes issued

	As at 31 March 2014 (unaudited)	As at 31 December 2013
Currency	PLN	
Reference Rate	WIBOR	
Value of the issue	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

	As at 31 March 2014 (unaudited)	As at 31 December 2013
Currency	EUR	
Reference Rate	fixed	
Value of the issue		
in currency	497 622	509 659
in PLN	2 075 730	2 113 658
of which, repayable:		
up to 1 year (short-term)	4 089	53 986
1 to 2 years	-	-
2 to 3 years	-	-
3 to 5 years	-	-
over 5 years	2 071 641	2 059 672

Detailed information on issued notes is set out in Note 18.6.

18.6. 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 m;
2. agreement with the European Bank for Reconstruction and Development ("EBRD") with the limit of up to PLN 800 m;
3. agreement with the Nordic Investment Bank ("NIB") with the limit of up to PLN 200 m.

The above funding has been fully utilised of which the following amounts are still outstanding and remain to be repaid: to EIB – PLN 955.7 m with the final maturity of 15 December 2025, to EBRD – PLN 654.2 m with the final maturity of 18 December 2021, to NIB – PLN 178.4 m 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 m: use of the loan as at 31 March 2014 was PLN 50.0 m (the final maturity of the loan is 18 December 2024).
2. agreement with EIB with a limit of PLN 1,000 m: as at 31 March 2014, the financing has not been utilized (on 1 April 2014, the first tranche of PLN 600 m was committed).

Eurobond issue program

As part of the EMTN medium-term Eurobond issue program launched in 2012 for up to EUR 1,000 m, on 19 March 2013, the subsidiary Energa Finance AB (publ) proceeded with the first issue of Eurobonds with the value of EUR 500 m. The first issue includes Eurobonds maturing in 7 years and paying an annual coupon of 3.250%. 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 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 m for the purchase of bonds issued by ENERGA Hydro 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 m was committed under the loan, of which PLN 75 m remains to be repaid by 7 September 2015.
2. investment loan agreement for PLN 160 m 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 134.7 m was committed under the loan, of which PLN 97.2 m remains to be repaid by 16 December 2015.

3. agreement for arranging loans for ENERGA Group's companies with a total limit of PLN 75 m. As at 31 March 2014, the financing amount of PLN 49.8 m was committed of which PLN 11.8 m was actually used. The facilities expire on 29 June 2015.
4. master agreement for bank guarantees for ENERGA Group's companies with a total limit of PLN 10 m. As at 31 March 2014, the limit was used in the amount of PLN 7.8 m. The facilities expire on 15 October 2016.
5. agreement for arranging loans for ENERGA SA with a total limit of PLN 300 m. As at 31 March 2014, the financing 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 total limit of PLN 200 m. 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 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 use of the loan as at 31 March 2014 reached PLN 32.0 m. 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:

3. master agreement to extend an overdraft limit to ENERGA SA and its subsidiaries with a total limit of PLN 150 m. As at 31 March 2014, the financing limit for the aggregated amount of PLN 147.6 m was committed of which PLN 28.5 m was actually used. The facilities expire on 30 August 2016;
4. master agreement to extend an overdraft limit to ENERGA SA and its subsidiaries with a total limit of PLN 200 m. As at 31 March 2014, the financing limit for the aggregated amount of PLN 97.8 m was committed of which PLN 94.7 m was used. The facilities expire on 19 September 2017.

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 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 64.2 m as at 31 March 2014.

18.7. 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	As at
	31 March 2014 (unaudited)	31 December 2013
Property, plant and equipment	56 660	44 227
Receivables	1 844	1 500
Inventories	-	1 709
Cash	151 879	154 140
Total assets securing repayment of financial liabilities	210 383	201 576

18.8. Cash flow hedge accounting

The special purpose vehicle ENERGA Finance AB (publ) (the issuer of Eurobonds – see description in Note 18.6) and ENERGA SA signed two loan agreements denominated in EUR for the total amount of EUR 499 m. In order to hedge the currency risk under such loans, the Group concluded CCIRS transactions.

As a hedged position under the above hedging relationship the Group designates the foreign currency risk arising from intra-group loans denominated in EUR. The foreign currency risk is hedged at the level of 80% 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.

The fair value of the hedge as at 31 March 2014 was PLN 55.3 m.

Under the cash flow hedge accounting the Group recognized PLN 20.4 m during the reporting period in the cash flow hedge reserve (the effective portion of changes in the value of the hedge less deferred tax).

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	Three-month period ended 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.

19. Contingent assets and liabilities

19.1. Contingent liabilities

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

Title	As at 31 March 2014 (unaudited)	As at 31 December 2013
Contingent liabilities		
legal claims	174 913	180 474
other	11 624	11 624
Total	186 537	192 098

The Group presents as contingent liabilities mostly disputes relating to power infrastructure of ENERGA – OPERATOR SA where it is located on private land.

19.2. Contingent assets

As at 31 March 2014, the Group recognized contingent assets in the amount of PLN 54.2 m.

The major items making up the above amount include damages for default in performance of agreements by counterparties to the Group's companies and the disputed case concerning PKN ORLEN SA described in note 20.3.

20. Other information significantly affecting the evaluation of assets, financial standing and the financial result of the Group

20.1. CO₂ emission allowances

On 31 March 2014, the government adopted a regulation with a list of installations other than power generating installations, covered by the trading system of greenhouse gas emission allowances in the period starting on 1 January 2013 and the number of emission allowances awarded to them. By the end of the reporting period, the European Commission has not issued its final decision regarding the level of allowances for power generating installations covered by the emission allowance trading system in Poland. Also, a government regulation on CO₂ emission allowances awarded to power generating installations has not been adopted (see the description of subsequent events in note 21).

20.2. 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 shareholder FORTA Sp. z o.o. 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.

20.3. Dispute with PSE SA and PKN ORLEN SA

In July 2003 PSE SA (formerly PSE–Operator SA) filed a court action against ENERGA – OPERATOR SA (formerly Zakład Energetyczny Płock S.A. hereinafter referred to as "EOP") for the payment of PLN 62.5 m as charges for transmission services. In response to the action EOP sued PKN ORLEN S.A. ("PKN"). On 30 June 2004 EOP filed in the Regional Court in Warsaw an action against PKN for the payment of PLN 46.2 m as a system fee pursuant to § 36 of the Tariff Ordinance.

On 2 August 2013, the "Agreement on terms of the settlement with PSE SA" was signed ("Settlement Agreement"), under which EOP paid to PSE the amount of PLN 95.5 m (including the principal of PLN 62.5 m and statutory interest of PLN 33.0 m) on 9 August 2013. On 4 February 2014, a court settlement was concluded on the terms and conditions set forth in the "Settlement Agreement".

On the other hand, taking into account the procedural status of the case between EOP and PKN, it can be assumed that EOP's action against PKN is justified, and only the amount thereof is in dispute. In connection with the current status of the case, the Group recognized a contingent asset of PLN 27.9 m. As at the date of these financial statements, no final decisions were issued in that case.

20.4. Restructuring of the Group

In the current reporting period, the following actions were taken involving a restructuring of the Group's structure:

- On 10 January 2014, Extraordinary General Meetings of EPW Energia Sp. z o.o., EPW Parsówek Sp. z o.o. and PGE Energia Natury Sp. z o.o. were held. They adopted resolutions to divide EPW Energia Sp. z o.o. by transferring two parts of the company's assets, as:
 - branches under the business names of: EPW Energia Sp. z o.o. Branch "Kisielice/Malbork" Wrocławek and EPW Energia Sp. z o.o. Branch "Galicja" Orzechowce, to PGE Energia Natury Sp. z o.o. with its registered office in Warsaw,
 - branch under the business name of EPW Energia Sp. z o.o. Branch "Pipeline" Pruszcz Gdański, to EPW Parsówek Sp. z o.o. with its registered office in Pruszcz Gdański.

In connection with the division of EPW Energia Sp. z o.o., an increase of the share capital of EPW Parsówek Sp. z o.o. was registered on 4 February 2014 and a reduction of the share capital of EPW Energia Sp. z o.o. was registered on 10 February 2014. On 28 February 2014, a capital increase in PGE Energia Natury Sp. z o.o. was registered, which was tantamount to registration of a split of EPW Energia Sp. z o.o.

- On 10 January 2014, Extraordinary General Meetings of EPW Energia Olecko Sp. z o.o. and EPW 1 Sp. z o.o. were held. They adopted resolutions to divide EPW Energia Olecko Sp. z o.o. by transferring part of assets of the company being divided, i.e. a branch under the name of EPW Energia Olecko Sp. z o.o. Branch in Kętrzyn to EPW 1 Sp. z o.o. The division of the company was registered on 11 February 2014. As a result, EPW 1 Sp. z o.o. took over the assets spun off from EPW Energia Olecko Sp. z o.o.
- On 12 March 2014, an Extraordinary General Meeting of ENERGA Wytwarzanie Sp. z o.o. was held, where a resolution was adopted to increase the company's share capital by PLN 512,531,500, i.e. up to PLN 1,171,382,000. On 18 March 2014, the capital increase was registered in the National Court Register.

New shares in the increased share capital of ENERGA Wytwarzanie Sp. z o.o. was subscribed by ENERGA SA by making a contribution-in-kind in the following form:

- 100 % shares in the share capital of Ekologiczne Materiały Grzewcze Sp. z o.o.
- 100 % shares in Elektrownia Ostrołęka SA
- 89.38 % shares in ENERGA Elektrownie Ostrołęka SA
- On 25 April 2014, General Meetings of the following subsidiaries: ENERGA Invest SA (the acquiring company) and EPW 1 Sp. z o.o., EPW 2 Sp. z o.o., EPW 3 Sp. z o.o., EPW Parsówek Sp. z o.o. and AEGIR 5 Sp. z o.o. (acquired companies) were held, at which merger resolutions were adopted. On 30 April 2014 merger of the above companies was registered in the National Court Register.
- As at the date of approval of these financial statements, the work is pending on transforming ENERGA Wytwarzanie Sp. z o.o. into a joint stock company. The company transformation process is planned to be completed in Q2 2014.

21. Subsequent events

- On 8 April 2014, the European Commission completed the analysis of the report on the fulfillment of investment tasks by Polish power companies in the period of June 2009 - June 2013, which was used as the grounds for issuing free CO₂ emission allowances to power sector entities for 2013. On the same date, the government adopted a regulation listing power generating installations covered by the trading system of greenhouse gas emission allowances in the period starting on 1 January 2013 and the number of emission allowances awarded to them in successive years in the period 2013 – 2020. By the date of approval of

these financial statements, the Group companies received the CO₂ emission allowances for 2013 in numbers stated in the regulation.

Accordingly, in the next reporting period, the Group will reverse part of the provision for gas emission liabilities (PLN 35.7 m) corresponding to the provision recognized as at 31 December 2013 for unreceived free CO₂ emission allowances for 2013.

- On 16 April 2014 an Extraordinary General Meeting of EPW Energia Sp. z o.o. was held, at which the shareholders adopted a resolution on the merger of EPW Energia Sp. z o.o. (acquired company) with ENERGA Wytwarzanie Sp. z o.o. (acquiring company) following the procedure specified in Article 515 § 1 of the Commercial Company Code, i.e. without an increase of the share capital of ENERGA Wytwarzanie Sp. z o.o.

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

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

Marek Pertkiewicz
Director of the Corporate Governance and Consolidation Department

Gdańsk, 12 May 2014