



ENERGA Capital Group Management Board Activity Report for the H1 2014

Gdańsk, 12 August 2014



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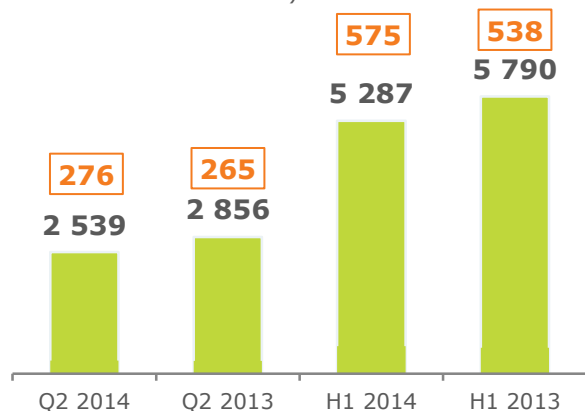
SUMMARY OF THE SECOND QUARTER OF 2014:

- 1 The ENERGA Group's revenues exceeded PLN 2.5 bn, which was PLN 317 m less than in the analogous period last year; Revenues increased in the Generation Segment (19 percent) and Distribution Segment (3 percent) while the Sales Segment posted a decrease (by 22 percent). The Group's revenues in H1 2014 were PLN 5.3 bn, which was PLN 503 m, or 9 percent less than in the same period of the previous year.
- 2 The Group generated EBITDA of PLN 638 m, down PLN 12 m, or 2% YoY. The Distribution Segment contributed 61%, the Generation Segment 29% and the Sales Segment about 10%. Net profit was PLN 292 m, falling 16 percent YoY.
- 3 The total installed capacity of the ENERGA Group was 1.3 GW. The Group generated 1.3 TWh of electricity: 62 percent of gross energy came from black coal, 19 percent from water, 14 percent from biomass and 5 percent from wind. Gross heat production reached 635.4 TJ. The Group's distribution company, ENERGA-OPERATOR SA, supplied 5.1 TWh of electrical energy to 2.9 million customers.
- 4 The Distribution Segment, despite the declining WACC, maintained EBITDA on the level comparable to the same period of the previous year. Due to lowers costs, the Segment investment efficiency increased.
- 5 Generation companies in the ENERGA Group generated approx. 92 GWh (i.e. 8 percent) more electricity than in Q2 2013. The improvement occurred in the conventional plant, which, to the significant extent, offset the lower production of hydro plants due to the worse hydrologic conditions in Q2 of this year. The level of electricity production was positively affected by the acquisition of wind farms in 2013. At the end of June of this year, the 25 MWe and 30 MWt biomass unit at the Elbląg CHP Plant was put into service. At the end of the second quarter, the Group had the installed capacity of over 0.5 GW in renewable energy sources (RES), which generated 478 GWh of gross electricity production.
- 6 The Sales Segment, despite lower revenues, improved its EBITDA margin. EBITDA was comparable to the corresponding period of the previous year, despite the negative effect of expenses related to the discharge of the "ex officio seller" function and restored obligation to redeem red and yellow property rights.
- 7 At the end of the second quarter, the SAIDI ratio was 54.2 min./customer and was 10% higher than in the relevant period of the previous year. The increase in SAIDI resulted from the modernization of transformer substations for the purposes of the AMI infrastructure. The SAIFI ratio (0.80 interruptions) was 8% higher than in Q2 2013.
- 8 In Q2 2014, the Group's capital expenditures were PLN 224 m, where the highest contribution to this amount consisted of Distribution Segment expenditures of PLN 164 m



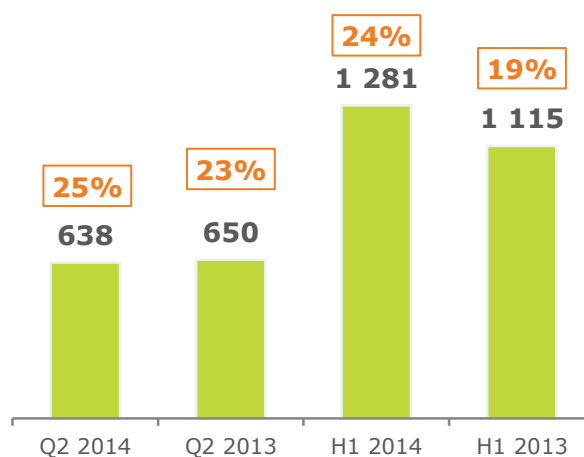
Revenue (PLN m)

□ - Revenue per employee in thousand PLN (year-end headcount)

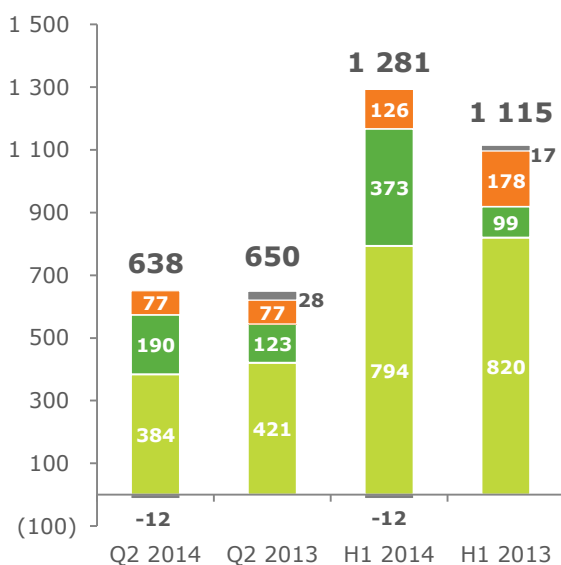


EBITDA (PLN m)

□ - EBITDA margin



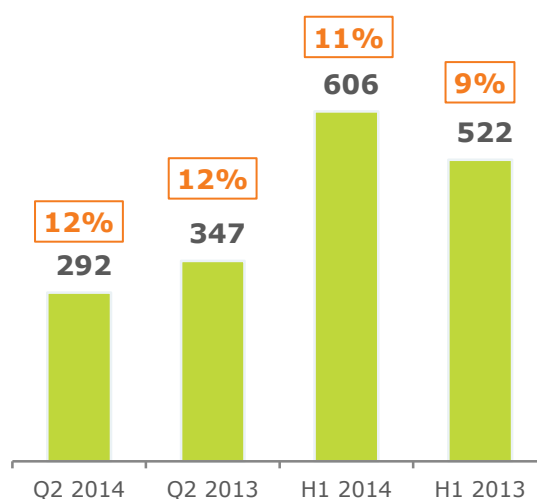
EBITDA (PLN m)



■ Other and adjustments ■ Sales ■ Generation

Net profit (PLN m)

□ - Profit margin



The tables below depict consolidated and stand-alone financial highlights during the nine months ended 30 June 2014 and 30 June 2013, while for balance sheet-related data as at 30 June 2014 and 31 December 2013.

Consolidated financial highlights of the ENERGA Group

	6 months ended 30 June		6 months ended 30 June	
	2014 (unaudited)	2013 (unaudited, restated)	2014 (unaudited)	2013 (unaudited, restated)
	PLN 000s		EUR 000s	
Sales revenue	5,286,506	5,789,544	1,265,199	1,373,883
Operating profit	857,674	737,427	205,264	174,995
Profit before tax	757,730	688,749	181,345	163,443
Net profit attributable to equity holders of the Parent Company	595,403	535,905	142,495	127,173
Comprehensive income	563,435	572,341	134,845	135,819
Net cash from operating activities	549,966	1,185,009	131,621	281,208
Net cash from investing activities	(523,742)	(1,093,132)	(125,345)	(259,405)
Net cash from financing activities	221,869	1,234,122	53,099	292,862
Net change in cash and cash equivalents	248,093	1,325,999	59,375	314,665
Earnings per share, basic and diluted (PLN/EUR per share)	1.45	1.30	0.35	0.31
Number of shares used to calculate basic earnings per share (thous.)	414,067	414,067	414,067	414,067



	Balance as at		Balance as at	
	30 June 2014 (unaudited)	31 December 2013 (pro forma)	30 June 2014 (unaudited)	31 December 2013 (pro forma)
	PLN 000s		EUR 000s	
Non-current assets	12,634,621	12,649,536	3,036,512	3,050,139
Current assets	4,848,497	4,435,020	1,165,252	1,069,401
Total assets	17,483,118	17,084,556	4,201,764	4,119,540
Non-current liabilities	7,372,779	6,520,014	1,771,919	1,572,148
Current liabilities	1,912,152	2,516,247	459,553	606,734
Equity	8,198,187	8,048,295	1,970,292	1,940,658
Equity attributable to equity holders of the Parent Company	8,173,920	8,034,479	1,964,460	1,937,326
Share capital	4,521,613	4,521,613	1,086,691	1,090,281
Book value per share (in PLN/EUR per share)*	19.74	19.40	4.74	4.68
Number of common shares at the end of the period (thous.)	414,067	4,968,805**	414,067	4,968,805**

* Book value, meaning assets reduced by liabilities, divided by the number of shares.

** Data pertains to the situation before the consolidation of ENERGA SA shares. To ensure comparability of data, post-consolidation number of shares was considered for the calculation of the total assets per share ratio (i.e. 414,067 thousand shares).

Stand-alone financial highlights of ENERGA SA

	6 months ended 30 June		6 months ended 30 June	
	2014 (unaudited)	2013 (unaudited, restated)	2014 (unaudited)	2013 (unaudited, restated)
	PLN 000s		EUR 000s	
Sales revenue	28,312	29,277	6,776	6,948
Operating profit	(33,812)	(40,830)	(8,092)	(9,689)



Profit before tax	699,477	566,943	167,403	134,538
Net profit	699,597	562,031	167,432	133,372
Comprehensive income	700,210	586,503	167,578	139,180
Net cash from operating activities	(45,628)	(29,111)	(10,920)	(6,908)
Net cash from investing activities	219,695	(284,583)	52,579	(67,533)
Net cash from financing activities	225,555	688,433	53,981	163,368
Net change in cash and cash equivalents	399,622	374,739	95,640	88,927
Earnings per share, basic and diluted (PLN/EUR per share)	1.69	1.36	0.40	0.32
Number of outstanding common shares used to calculate earnings per share	414,067	414,067	414,067	414,067

Balance as at

Balance as at

30 June 2014
(unaudited)31 December 2013
(restated)30 June 2014
(unaudited)31 December
2013
(restated)

PLN 000s

EUR 000s

Non-current assets	10,948,608	10,465,281	2,631,308	2,523,457
Current assets	1,492,070	1,099,806	358,593	265,192
Non-current assets classified as held for sale	-	-	-	-
Total assets	12,440,678	11,565,087	2,989,901	2,788,649
Non-current liabilities	5,750,868	4,988,638	1,382,121	1,202,893
Current liabilities	343,649	516,431	82,590	124,525
Equity	6,346,161	6,060,018	1,525,190	1,461,231
Share capital	4,521,613	4,521,613	1,086,691	1,090,281
Book value per share (in PLN/EUR per share)	15.33	14.64	3.68	3.53



Number of common shares at the end of the period (thous.)	414,067	4,968,805*	414,067	4,968,805
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* Data pertains to the situation before the consolidation of ENERGA SA shares. To ensure comparability of data, post-consolidation number of shares was considered for the calculation of the total assets per share ratio (i.e. 414,067 thousand shares).

The above financial data for the periods ended 30 June 2014 and 30 June 2013 were converted into EUR according to the following rules:

- individual items of the statement of financial position – at the average EUR exchange rate set by the National Bank of Poland: PLN 4.1609 on 30 June 2014 and PLN 4.1472 on 31 December 2013.
- individual items of the statement of comprehensive income and the cash flow statement – at the exchange rate calculated as the arithmetic mean of the average EUR exchange rates set by the National Bank of Poland on the last day of each month of the financial period: PLN 4.1784 for the period 1 January-30 June 2014, PLN 4.2140 for 1 January-30 June 2013, 4.1674 for 1 April-30 June 2014 and PLN 4.2541 for 1 April-30 June 2013.
- individual items of the statement of comprehensive income – at the exchange rate calculated as the arithmetic mean of the average EUR exchange rates set by the National Bank of Poland on the last day of each month of the financial period: PLN 4.1784 for the period 1 January-30 June 2014, PLN 4.2140 for 1 January-30 June 2013, 4.1674 for 1 April-30 June 2014 and PLN 4.2541 for 1 April-30 June 2013.



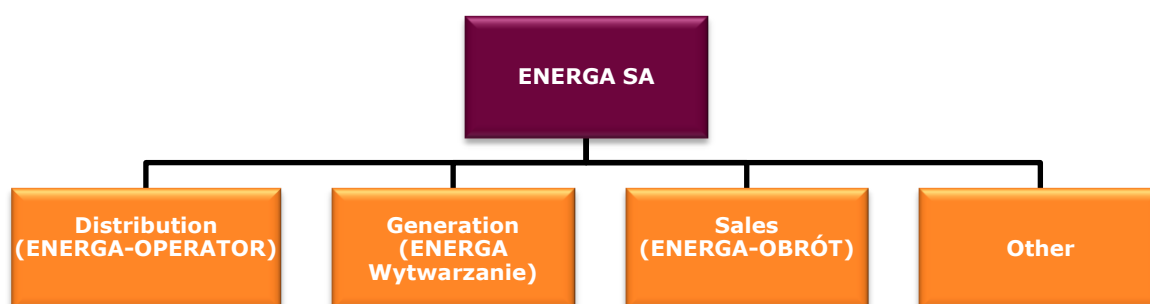
1. Description of the organization of the ENERGA Capital Group

1.1. Structure of the Group

As at 30 June 2014, the ENERGA Capital Group (ENERGA Group, Group) was composed of the parent company ENERGA SA (Company, Issuer) and 40 subsidiaries.

The organizational chart of the ENERGA Group at the end of Q2 2014 did not change compared to the previous reporting period and was as follows:

Fig. 1: Structure of the ENERGA Group (by operating segment)



The full composition of the ENERGA Group as at the end of the reporting period, organizational and/or capital ties as well as chronological list of formal and legal changes are included in note no. 2.1 to the Condensed Interim consolidated financial statements of the ENERGA Capital Group for the 6 months ended 30 June 2014.

In line with the principles for preparing consolidated statements in place in the ENERGA Group, both direct and indirect subsidiaries are consolidated using the full method, while investments in associates are measured using the equity method.

1.2. Group Management Model

The organization and management of the ENERGA Capital Group has not changed since 17 December 2013, when a new internal regulation named Organizational Governance was introduced to ensure a clear allocation of responsibility for operational effectiveness and efficiency as well as the financial performance, to individual Segments. ENERGA SA performs strategic and control functions only.

1.3. Major changes of the Group's organization and corporate governance principles

To implement the strategy of development and optimization of the ENERGA Group's structure, the following changes in its organization were introduced in the period of 6 months ended 30 June 2014:



Fig. 2: Key changes in the organization and structure of the ENERGA Group in H1 2014

11 February 2014	<p>Split of EPW Energia Olecko Sp. z o.o. by transferring part of assets of the company's unit, EPW Energia Olecko Sp. z o.o. Branch in Kętrzyn, to EPW 1 Sp. z o.o. (an indirect subsidiary of ENERGA SA).</p> <p>As a result of the split, PGE Polska Grupa Energetyczna SA has become the sole shareholder of EPW Energia Olecko Sp. z o.o. and therefore the original company subject to the split is no longer owned by the ENERGA Group.</p>
28 February 2014	<p>Split of EPW Energia Sp. z o.o. by transferring two parts of the company's assets, i.e.</p> <ul style="list-style-type: none"> the units: EPW Energia Sp. z o.o. "Kisielice/Malbork" Wrocław Branch and EPW Energia Sp. z o.o. "Galicja" Orzechowce Branch, to PGE Energia Natury Sp. z o.o. with its registered office in Warsaw, EPW Energia Sp. z o.o. "Pipeline" Branch Pruszcz Gdański, to EPW Parsówek Sp. z o.o. (indirect subsidiary of ENERGA SA). <p>As a result of the split, the sole shareholder of ENERGA Wytwarzanie Sp. z o.o. has become the sole shareholder of EPW Energia Sp. z o.o.</p>
18 March 2014	<p>Increase of the share capital of ENERGA Wytwarzanie Sp. z o.o. up to 1 billion 171 million 382 thousand zloty. New shares in the increased share capital were subscribed by ENERGA SA by making a contribution-in-kind in the following form:</p> <ul style="list-style-type: none"> 100% shares in Elektrownia Ostrołęka SA, 89.38% shares in ENERGA Elektrownie Ostrołęka SA, 100% shares in Ekologiczne Materiały Grzewcze Sp. z o.o.
30 April 2014	<p>Merger of ENERGA Invest SA (surviving company) with: 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).</p>
15 May 2014	<p>Sale of shares by ENERGA SA in ZEP-MOT Sp. z o.o., which was the sole shareholder of ZEP-AUTO Sp. z o.o. As a result of this transaction, neither of those companies is now owned by the ENERGA Group.</p>
21 May 2014	<p>Merger of ENERGA Wytwarzanie Sp. z o.o. (surviving company) and EPW Energia Sp. z o.o.</p>
3 June 2014	<p>Transformation of ENERGA Wytwarzanie Sp. z o.o. into a joint stock company.</p>

The changes in the ENERGA Group made in H1 2014 were dictated primarily by:

- further sorting and simplification of organizational and capital ties (also after the transaction of take-over of wind farms, together with Polska Grupa Energetyczna (PGE), from the Danish company DONG Energy A/S and Spanish Iberdrola in 2013),
- disposal of entities conducting activity unrelated to the Segments' core business.

Apart from the aforementioned major changes, the following actions were taken in individual Segments.



In the Generation Segment:

- on 8 January 2014, the process of merging the target companies: AEGIR 1 Sp. z o.o., AEGIR 2 Sp. z o.o. and AEGIR 3 Sp. z o.o., with AEGIR 4 Sp. z o.o., was completed.
- on 28 April 2014, ENERGA Wytwarzanie Sp. z o.o. sold the shares in an associated entity Bio-Power Sp. z o.o.
- on 9 May 2014, the capital increase of Ciepło Kaliskie Sp. z o.o. by PLN 6,118,000 to PLN 49,375,000 was entered in the register. The new shares were taken up for a contribution in kind in the form of an organized part of an enterprise, by ENERGA Elektrociepłownia Kalisz SA. It is planned to liquidate this company following the resolution on dissolution of the company adopted on 1 July 2014 by the General Meeting of ENERGA Elektrociepłownia Kalisz SA.
- on 3 June 2014, together registration in the National Court Register, the process of transformation of ENERGA Wytwarzanie Sp. z o.o. into a joint stock company was completed. The company's significant assets, its high share capital and the scale and broad scope of business activity clearly spoke in favor of changing the legal form.

In the Distribution Segment:

- on 17 February 2014, Zakład Energetyczny Płock-Dystrybucja Zachód Sp. z o.o. in liquidation was deleted from the Register of Entrepreneurs of the National Court Register, which completed the process of its liquidation.
- on 27 February 2014, ENERGA-OPERATOR SA sold all of its shares (i.e. 100%) in the companies: ENERGA-OPERATOR Produkcja Sp. z o.o. and Przedsiębiorstwo Wielobranżowe Energetyki „ELEKTROINSTAL” Sp. z o.o. to an entity from outside the ENERGA Group.
- on 16 April 2014 ENERGETYK Sp. z o.o. in liquidation was deleted from the Register of Entrepreneurs of the National Court Register, which completed the process of its liquidation.

In addition, ENERGA SA:

- on 13 May 2014 sold its shares in an associate SOEN Sp. z o.o. as a result of the fulfillment of a suspension condition envisaged in the conditional agreement on the sale of shares, entered into on 1 April 2014.

As a result of the aforementioned processes of merger, sale and liquidation of companies (taking into account the aforementioned events), as at the date of publication of this Report, in relation to the balance as at the end of 2013 the number of the Issuer's subsidiaries fell from 56 to 40. 16 subsidiaries and 2 associates were removed from the ENERGA Group's structures.

Additionally, as regards capital changes in the ENERGA Group, on 14 April 2014 a General Meeting of ENERGA-OPERATOR SA was held; it adopted a resolution to increase the company's share capital by PLN 135 m to PLN 1,356,110,400, allocating for this purpose its own funds from the company's reserve capital, supplemented by the net profit generated by in 2013. The increase was registered in the National Court Register (KRS) on 5 May 2014.

2. Operations of the ENERGA Capital Group

2.1. Description of operations of the Capital Group, by operating segment

At the end of Q1 2014, the ENERGA Group was the third distribution system operator (DSO) in Poland in terms of the volume of electrical energy supplied to end users, with a leading position on the Polish market in terms of electricity distribution as a percentage of the Group's EBITDA. Among Poland's largest utilities (PGE, TAURON, ENEA), it also held a leading position in terms of the generation percentage of electricity originating from renewable energy sources (RES) in the total volume of electrical energy generated. The Group was the third largest electricity supplier in Poland in terms of the volume of electricity sold to end users.



The business of the ENERGA Group focuses on the following key operating segments:

Generation Segment – primarily entails the generation of electrical energy from renewable energy sources and generation activity in conventional power plants and combined heat and power plants as well as the distribution of heat. The leader in this segment is ENERGA Wytwarzanie SA.

Distribution Segment – entails activity involving the distribution of electrical energy by the DSO – ENERGA-OPERATOR SA (Segment Leader), as well as activity directly connected to distribution conducted by other companies in this Segment.

Sales Segment – primarily consists of activity related to the sales of electrical energy and customer service conducted by ENERGA-OBRÓT SA (segment leader) and ENERGA Obsługa i Sprzedaż Sp. z o.o. as well as street and road lighting services provided by ENERGA Oświetlenie Sp. z o.o. This Segment also comprises ENERGA Innowacje Sp z o.o., the primary line of business of which is organization and management of development of innovative energy projects.

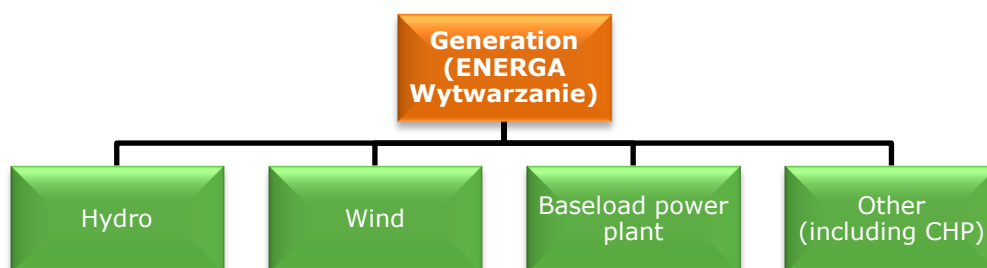
The activity supporting the Group's three principal operational segments is consolidated within the 'Other' Segment managed by ENERGA SA as the Group's holding company. The companies providing support services for the major operational Segments include mainly the shared services center providing accounting, HR, payroll, administrative and ICT support services.

The **Distribution Segment** is key from the standpoint of building the Group's operating profitability. Distribution of electricity in Poland is a regulated activity, conducted on the basis of tariffs approved by the President of the Energy Regulatory Office (ERO). The Group has a natural monopoly position in the northern and central part of Poland, where its distribution assets are located, through which it supplies electricity to 2.9 million customers. As at 30 June 2014, the distribution grid consisted of power lines with a total length of over 191 thousand km and covered almost 77 thousand km², i.e. about 25% of the country's landmass.

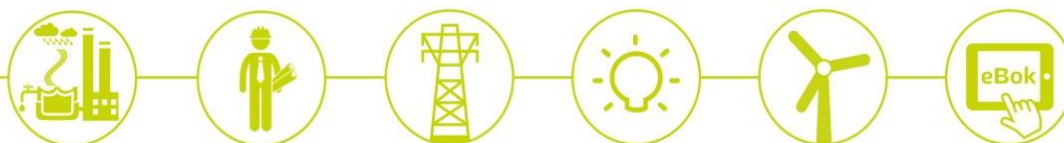
The **Generation Segment** consists of a baseload power plant, hydroelectric plants, wind farms and combined heat and power (cogeneration, CHP) plants. At the end of June 2014, the total installed generation capacity in the Group's power plants was approximately 1.3 GW.

The Group's gross electricity production was 1.3 TWh in Q2 2014 and 2.5 TWh in the entire first half of the year. The installed capacity of our power plants relies on diverse energy sources, such as hard coal, hydropower, wind and biomass. In Q2 2014, 62% of the Group's gross energy production originated from hard coal, 19% from hydro, 14% from biomass and 5% from wind. In H1 2014, 61% of the Group's gross energy production originated from hard coal, 20% from hydro, 12% from biomass and 7% from wind.

Fig. 3: Structure of the Generation Segment, by energy source



The ENERGA Group has a leading position in terms of the percentage of electrical energy originating from renewable energy sources in the total energy generated among the major utilities operating on the Polish market; it owes this primarily to the generation of energy in hydro power plants. Green energy is produced in 46 hydro power plants, 3 wind farms and in biomass-fired



installations (mainly in ENERGA Elektrownie Ostrołęka SA). At the end of June 2014, the Group had the installed capacity of over 0.5 GW in renewable energy sources, with a gross production of 478 GWh of electricity in Q2 2014 and 960 GWh in the entire first half of the year.

The **Sales Segment** sells electricity to all customer segments, from industry, through big, medium-sized and small business, to households. The biggest share in terms of volume goes to industrial customers, and households are the most numerous group of customers. At the end of H1 2014, the ENERGA Group supplied 2.9 million customers, out of which over 2.6 million were G tariff customers.

In the Sales Segment, ENERGA Obsługa i Sprzedaż (EOiS) is responsible for the administration, payment, billing and collection processes for customers of all of the Group's segments. In H1 2014 actions aimed at improving the quality of services together with simultaneous optimization of operating expenses were consistently continued. The purpose of the actions taken in the area of sales and contact channels was to obtain a balanced structure and optimum efficiency, combined with ensuring the expected customer satisfaction level. The projects carried out in this area envisage development of new channels and migration of contacts from traditional channels – Customer Service Offices (BOK) to alternative channels (eBOK, tBOK).

A at 30 June 2014:

- 9 Partner Outlets, operated and managed by third party agents, were opened,
- 9 Customer Service Offices were transformed into professional Sales Salons (located in DSO ENERGA-OPERATOR),
- the launch of ENERGA's Sales Outlets was started in selected cities throughout Poland,
- 14 Customer Service Offices were closed down.

In the area of customer service, among other things, the following projects are carried out:

- strategic project – "Implementation of the Sales Service System in the Sales Segment", involving introduction of a single IT environment for customer service and billing (CRM and Billing). One of the objectives of the project is to improve satisfaction of ENERGA Group's customers through improvement of the product and service billing process. The project will also make it possible to reduce the costs of customer service;
- in the area of the electronic customer service office (BOK) (eBOK 2013 – aimed at optimizing the operation of the eBOK service and eBOK 2014 – aimed at implementation of new functionalities in the service, e.g. Live Chat), developing the infrastructure and functionalities and thus improving the efficiency of the operation of the existing Internet customer contact channel;
- concentration on the development and increase of efficiency of the telephone customer service channel (development and optimization of the Contact Center)
- "Mystery Shopper", where interviews using the mystery shopper formula are carried out in all service and contact channels, and as a result of execution of the "NPS System" project, which implements the customer relationship system based on the level of loyalty measured with the NPS ratio and the customer value for the Sales Segment.
- "Implementation of the Contact Channel Development Model till 2016", executed on the basis of the service area operation concept in the Segment and the methods of its measurement.

2.2. Key operational data of the Group

2.2.1 Distribution Segment

Distribution of electricity, by tariff groups

Distribution of electricity, by tariff groups (in GWh)	Q2 2014	Q2 2013	Change	Change (%)	H1 2014	H1 2013	Change	Change (%)
Tariff Group A (HV)	1,037	1,021	16	2%	1,997	1,867	130	7%



Tariff Group B (MV)	1,738	1,719	19	1%	3,505	3,339	166	5%
Tariff Group C (LV)	981	1,037	-56	-5%	2,107	2,096	11	1%
Tariff Group G (LV)	1,314	1,373	-59	-4%	2,718	2,821	-103	-4%
Total	5,070	5,150	-80	-2%	10,327	10,123	204	2%

* Billed sales.

In Q2 2014, the volume of supplied electricity was lower than the one in the same period of 2013, by 2% on average. However, in the period under analysis, the average distribution rate increased by approx. 5%. In H1 2014, the volume of electricity supplied was 2% higher than that in the same period of 2013.

SAIDI and SAIFI ratios

	SAIDI			SAIFI		
	unplanned incl. catastrophic	planned	Total	unplanned incl. catastrophic	planned	Total
	Number of minutes per customer in the relevant period			Disruptions per customer in the relevant period		
Q2 2014	38.6	15.6	54.2	0.69	0.11	0.80
Q2 2013	37.1	12.3	49.4	0.66	0.08	0.74
Change	1.5	3.3	4.8	0.03	0.03	0.06
Change (%)	4%	27%	10%	5%	34%	8%
H1 2014	123.8	36.4	160.3	1.60	0.22	1.82
H1 2013	63.4	25.6	89.1	1.12	0.16	1.28
Change	60.4	10.8	71.2	0.48	0.06	0.54
Change (%)	95%	42%	80%	43%	37%	42%

In Q2 2014, the ENERGA Group reached a SAIDI level of 54.2 minutes/customer, which was 10% higher than that in the corresponding period of the previous year. The increase in SAIDI was driven by the modernization of transformer substations for the purposes of the AMI infrastructure. The SAIFI ratio (0.80 interruptions) was 8% higher than in Q2 2013. In H1 2014, the SAIDI ratio reached 160.2 min./customer and was 80% higher than in the comparable period of the previous year. The SAIFI ratio (1.82 interruptions) was 42% higher than in H1 2013.

2.2.2 Sales Segment

Sales of electricity by the Sales Segment

Sales of electricity by the Sales Segment (GWh)*	Q2 2014	Q2 2013	Change	Change (%)	H1 2014	H1 2013	Change	Change (%)
Retail electricity sales	3,847	4,593	-746	-16%	8,127	9,324	-1,196	-13%
Electricity sales on the wholesale market	2,187	2,935	-748	-25%	4,877	5,934	-1,057	-18%
Electricity sales to the balancing market	-4	109	-113	-103%	209	467	-257	-55%
Electricity sales to ENERGA-OPERATOR to cover network	220	250	-30	-12%	722	700	22	3%



losses								
Electricity sales to foreign customers	3	59	-56	-94%	23	141	-118	-84%
Other wholesale	1,967	2,517	-550	-22%	3,924	4,627	-704	-15%
Total sale of energy	6,034	7,528	-1,494	-20%	13,004	15,258	-2,254	-15%

* Excluding electricity sold by generators.

In Q2 2014, the volume of electricity sold to end users decreased by approximately 16% (-0.7 TWh) when compared to Q2 2013. The decrease was seen in all tariff groups, but the largest deviation in terms of volume was recorded in tariff groups A and B. This follows from the change of the sales strategy and the decision not to renew unprofitable contracts (in tariff groups A and B). In terms of volume, sales to households (tariff G) in Q2 2014 accounted for 35% of the sales billed to end users by ENERGA-OBRÓT (28% in the corresponding period of the previous year). In the period analyzed, the decrease of energy sales was recorded also in the wholesale market (approx. -25%). Electricity trading on the wholesale market aims largely at optimizing the average purchase price of energy to be sold on the retail market.

2.2.3 Generation Segment

Gross production of electricity in the ENERGA Group

Gross production of electricity (GWh)	Q2 2014	Q2 2013	Change	Change (%)	H1 2014	H1 2013	Change	Change (%)
Power plants - coal-fired	773.7	647.2	126.5	20%	1,481.8	1,430.0	51.8	4%
Power plants - biomass co-fired	176.0	154.3	21.7	14%	317.2	322.4	-5.2	-2%
CHP plants - coal-fired	27.0	29.1	-2.2	-7%	73.6	82.0	-8.4	-10%
Biomass-fired CHP plants	-	-	-	-	0.1	0.1	-	-
Power plants - hydro	238.2	356.2	-118.0	-33%	475.4	639.6	-164.2	-26%
Pumped-storage plant	5.2	4.7	0.5	11%	20.8	8.2	12.6	154%
Power plants - wind	63.9	-	63.9	-	167.3	-	167.3	-
Total production of electricity	1,284.0	1,191.6	92.4	8%	2,536.2	2,482.3	54.0	2%
<i>incl. RES</i>	478.1	510.5	-32.4	-6%	960.0	962.0	-2.0	-

During the second quarter of 2014, the generating companies of the ENERGA Group produced approx. 92 GWh (or 8%) more electricity than in the same period of 2013. The increase in production was recorded in the baseload plant (148 GWh) which offset most of the reduction in the production of run of the river hydro power (-118 GWh, mainly due to the worse hydrologic conditions in Q2 2014). The acquisition of wind farms had a positive effect on electricity production levels in Q2 2014 compared to the same period in 2013; it contributed the additional 64 GWh of electricity in this reporting period (in the previous year, the production of the wind farms, not yet controlled by the ENERGA Group at that time, was 61 GWh).



Production of heat

Gross heat production (TJ)	Q2 2014	Q2 2013	Change	Change (%)	H1 2014	H1 2013	Change	Change (%)
ENERGA Kogeneracja Sp. z o.o.	357.6	394.5	-36.9	-9%	1,261.1	1,461.6	-200.5	-14%
ENERGA Elektrownie Ostrołęka SA	277.8	246.9	30.9	13%	832.0	865.8	-33.8	-4%
Total gross heat production	635.4	641.5	-6.1	-1%	2,093.1	2,327.4	-234.3	-10%

In Q2 2014, a slight decrease in heat production was recorded by approx. 6 TJ (1%) compared to the same period of the previous year.

Volume and cost* of consumption of key fuels

Consumption of fuel	Q2 2014	Q2 2013	Change	Change (%)	H1 2014	H1 2013	Change	Change (%)
Coal								
Quantity [000s tons]	381.3	329.2	52.1	16%	783.5	775.1	8.4	1%
Cost [PLN m]	97.3	100.9	-3.6	-4%	203.4	237.0	-33.6	-14%
Biomass								
Quantity [000s tons]	114.8	119.8	-5.0	-4%	208.6	229.2	-20.6	-9%
Cost [PLN m]	44.9	50.0	-5.1	-10%	81.5	98.7	-17.2	-17%
Total fuel consumption (PLN m)	142.2	150.9	-8.7	-6%	284.9	335.7	-50.8	-15%

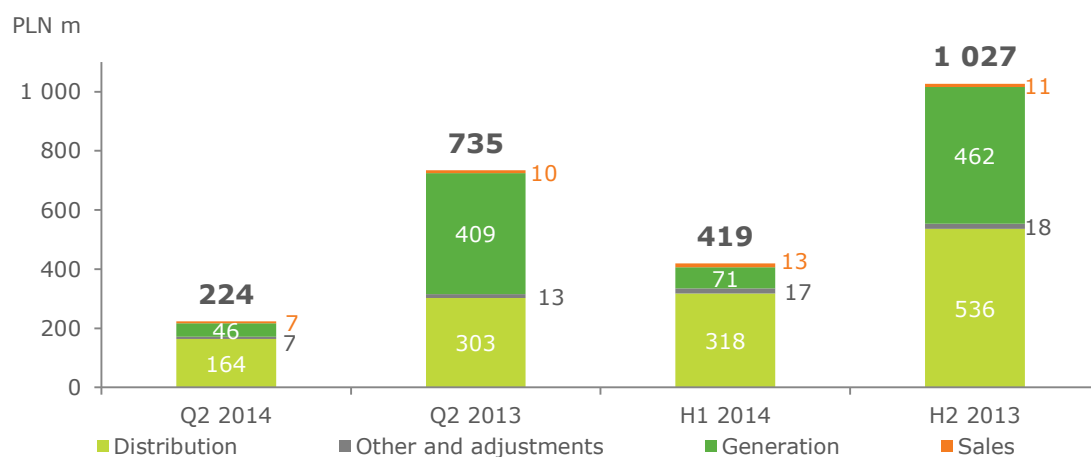
* Including the cost of transportation.

In Q2 2014, the generators from the ENERGA Group consumed approx. 52 thousand tons (16%) of black coal more than the year before. This was associated with increase of electricity production from black coal by 18%. Consumption of biomass in the analyzed period decreased by approx. 5 thousand tons (4%) as a result of limitation of production of heat from biomass in the Elektrociepłownia Ostrołęka A CHP plant, which started a phasing out stage in 2014. This was partially compensated by higher production of electricity from biomass in Elektrownia Ostrołęka B. Changes of the consumption volumes of individual raw materials were accompanied by decreases of the average cost of consumption of individual fuels (by 17% for coal and 6% for biomass), which translated into reduction of the cost of consumption of both fuels by 4% and 10%, respectively. In Q2, the cost of consumption of key fuels was about PLN 9 m (or 6%) lower than in the comparable period of 2013.



2.3. Implementation of the investment program

Fig. 4: Capital expenditures incurred in H1 2014 and in 2013



In H1 2014, the entities comprising the ENERGA Group incurred capital expenditures of PLN 419 m, out of which the Distribution Segment contributed the largest portion of PLN 318 m.



In H1 2014, capital expenditures made by the ENERGA Group comprised:

Expansion and modernization of the distribution network, including implementation of the Smart Grid.	Construction of a biomass unit at CHP plant in Elbląg (EC Elbląg) with the capacity of 25 MWe and 30 MWt. On 1 July 2014, the unit was put into service.	Addition of heat generation to the power units in Elektrownia Ostrołęka B. The investment is at the construction stage. The commissioning of the new heat source is planned for the 2014/2015 heating season.
Construction of the NOx emission reduction installation at Elektrownia Ostrołęka B. The tendering procedure to select the general contractor and general designer is under way.	Construction of a ~26 MWe wind farm in Parsówek. Currently the work to prepare the investment project for execution is under way: tenders have been announced to select the supplier of wind turbines and a general contractor. The project is to be completed in 2015.	Construction of a wind farm in Myśliń with the capacity of approx. 20 MWe. At present, the contractor is building foundations for the wind turbines. Operational launch of the project is planned for 2015.
Construction of a photovoltaic power plant in Czernikowo with the approximate capacity of 4 MWe. The general contractor tender has been completed. The initiative is executed as part of the Smart Toruń project.	Preparation of a project to build a combined cycle plant in Grudziądz with the capacity of approx. 500 MWe. The investment is at the stage of a tender to select the General Contractor. A decision to go ahead with the construction phase is conditional upon satisfaction of the required economic prerequisites.	Construction of a photovoltaic power plant in Gdańsk with the capacity of approx. 2 MWe. Construction work is currently performed. The power plant is to be put into operation in 2014.
Preparation of a project to build a combined cycle power plant in Gdańsk with the capacity of approx. 500 MWe. The investment project is at the stage of preparation of the design documentation and obtaining the required permits and decisions.	Preparation of a project to build a combined cycle unit in EC Elbląg with the capacity of ~115 MWe and 83 MWt. The unit is to replace the hard coal-fired units which are to be decommissioned. The general designer has completed its work on the tentative design and environmental report. An application for an environmental decision has been filed.	

3. Factors and events influencing the financial results

3.1. Macroeconomic situation

Poland's macroeconomic situation is one of the elements which impact the financial results recorded by the ENERGA Group. In Q1 2014, Poland's economic growth accelerated to PLN 3.4% in annual terms, which was associated primarily with increase of domestic demand.

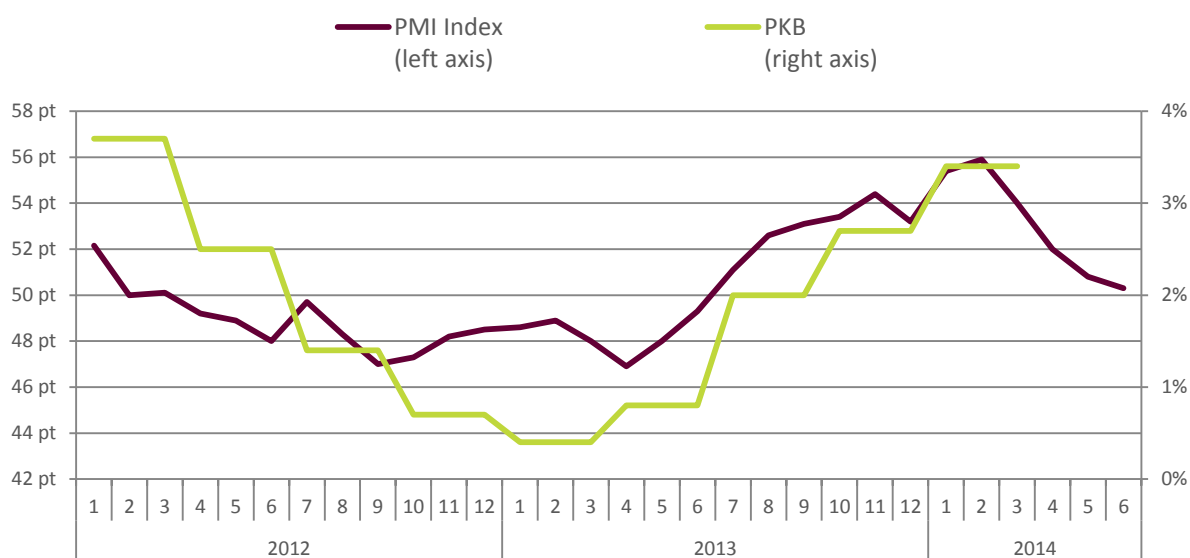
In Q2 2014, the respondents of the study carried out by the National Bank of Poland (NBP) on the condition of the enterprise sector, with special focus on the overall economic situation in Q1 and forecasts for Q3 2014, thought their condition was better than in the previous quarter, noting an improvement of Poland's economic situation. In their opinion, quicker growth should be facilitated by higher investment activity and relatively high profitability of companies, especially those selling on foreign markets.



Recovery of business activity was accompanied by gradual improvement of the situation in the labor market. The unemployment rate registered in May 2014 amounted to 12.5% and decreased by 8.7% in annual terms. The average employment in the enterprise sector in the first six months increased by 0.4% compared to the corresponding period of 2013. Also the average gross remuneration in the enterprise sector recorded a 4.1% growth.

The PMI index published for June 2014 for the Polish industrial sector, however, shows that in Q2 symptoms of stagnation appeared in the Polish industry – its value decreased four months in a row – this time by 0.5 points to 50.3 points. According to the estimates of the Market Economy Research Institute (IBnGR), the GDP growth rate in Q2 2014 amounted to 3.4% YoY, i.e. the same as in the first three months of the year.

Fig. 5: Change of GDP in annual terms and PMI index in the industry sector in 2012-2014



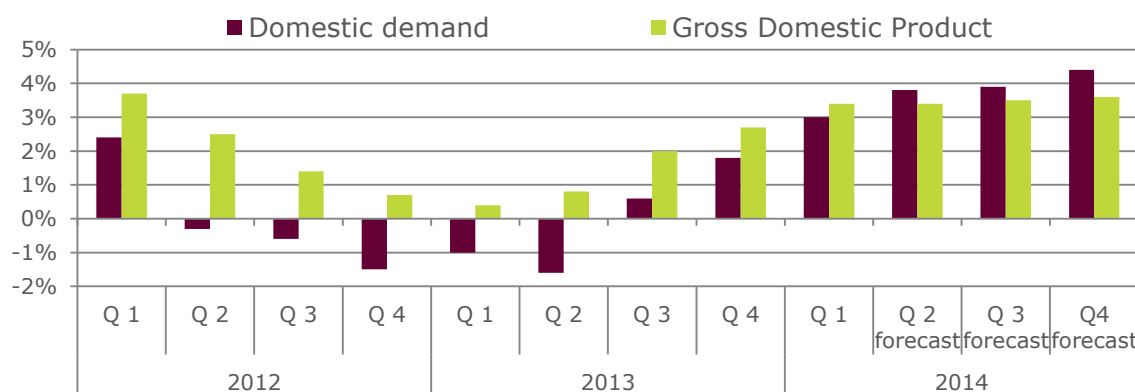
Source: Own material on the basis of GUS data and Markit Economics.

Also inflation pressure remained weak in Q2 2014. In June the consumer price index in Poland amounted to 0.3% YoY, which resulted from decreasing prices of clothes and shoes, food and energy. According to NBP's forecasts, this year the average energy price growth rate will be still negative and will amount to -0.4%. NBP attributes it to the following factors: change of the tariffs last year and this year for electricity and natural gas for households and decrease of oil prices in global markets. Growth of energy prices is also limited by the continuing low prices of CO₂ emission allowances.

The forecasts for the next months of this year and for 2015 are positive and better situation in the labor market, increase of the lending activity and investments in the first months of the year show that the weakening should not worsen. In accordance with the "Inflation and GDP projection" prepared by NBP, domestic demand should still increase, however in the medium and longer time horizon the process will slow down, among other things due to the expected decrease of capital transfers as a result of settlement of the EU financial perspective for 2007-2013. The scenario for 2014 envisages economic growth in the range of 3.3%, accompanied by stabilization in the next two years at 3.6%. Acceleration of GDP growth in Poland will be facilitated by gradual improvement of the overall economic situation in the Eurozone.



Fig. 6. Poland's annual GDP and domestic demand growth rate by quarter in 2012-2014, together with forecast for the next quarters of the year



Source: Own material on the basis of GUS data and IbnGR forecast.

Among Poland's main foreign buyers in all countries, Q2 saw an increase of the average ESI indicator (Economic Sentiment Indicator) compared to the average for Q1, although in Germany and in France, just like in Poland, the indicator has been clearly stabilizing recently. Real GDP in the Eurozone in Q1 2014 increased 0.9% in annual terms. The most recent results of questionnaire surveys carried out by the European Central Bank (ECB) point to a moderate rise also in Q2. A similar assessment follows from macroeconomic projections of Eurosystem experts for the Eurozone from June 2014 which envisage an increase of real GDP in annual terms by 1.0% in 2014, 1.7% in 2015 and 1.8% in 2016.

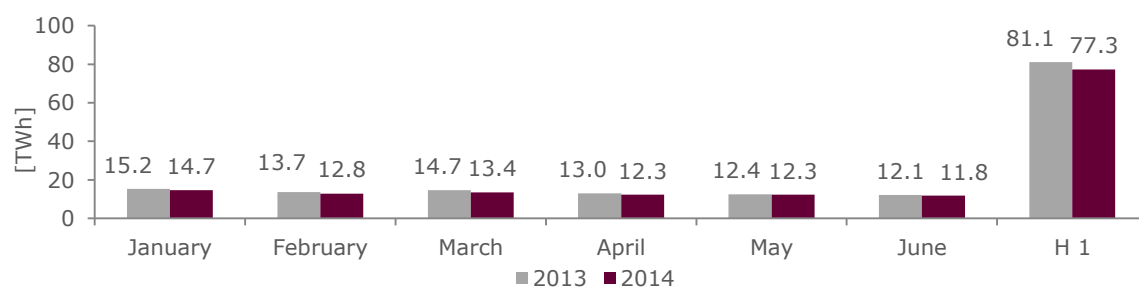
Also the global economy is on the path to gradual recovery, despite that the growth rate slightly dropped in Q1 as a result of temporary factors which had impact on the US and Chinese economy. As the negative impact of these factors gradually disappears, the economic activity in the world in the period to come should speed up, which will be attributable to both developed and emerging economies. According to ECB, the real GDP growth rate in the world (excluding the Eurozone) is expected to gradually increase from 3.6% in 2014 to 4.0% in 2015 and 4.1% in 2016.

3.2. Situation in the electricity market

Domestic production of electricity

Production of electricity in Poland, according to the data published by *Polskie Sieci Energetyczne* (PSE) after H1 2014, was much lower than in the corresponding period last year (4.7%). The biggest decrease of electricity production compared to the corresponding period of 2013 occurred in March (by 8.6%). Summing up Q2 2014, the biggest decrease of production was recorded in April (by 5.2%), with relatively smallest reduction of demand in May (only by 1.1%).

Fig. 7. Domestic production of electricity in Poland in H1 2014



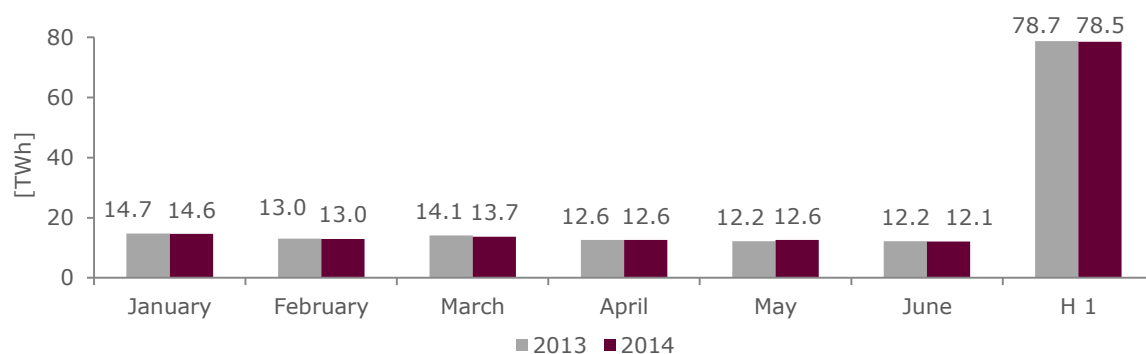
Source: PSE.



Domestic consumption of electricity

Domestic consumption of electricity in Poland, according to the data published by PSE after H1 2014, was 0.3 % lower than in the same period of the previous year. It should be noted however that just in Q2 of this year, the consumption volume was slightly higher than in 2013. The largest drop in electricity consumption (over 3% YoY) was registered in March, while the largest increase in May. The lower consumption of electricity was driven mainly by the weather conditions (higher temperatures).

Fig. 8. Domestic consumption of electricity in Poland in H1 2014

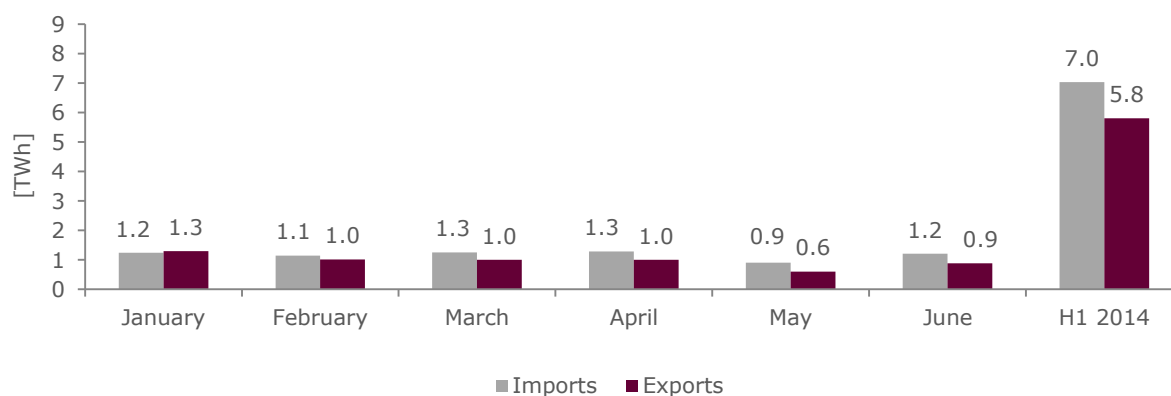


Source: PSE.

Inter-system exchange

In H1 2014, we may notice much higher imports of electricity, the volume of which was higher than exports from Poland. The decisive factor was the low energy price in the neighboring countries. As the individual months are analyzed, we can see a surplus of exports over imports was recorded only in January 2014 (approx. 4%) whereas in other months imports were much higher.

Fig. 9. Monthly volumes of intersystem exchange in Poland in H1 2014



Source: PSE.

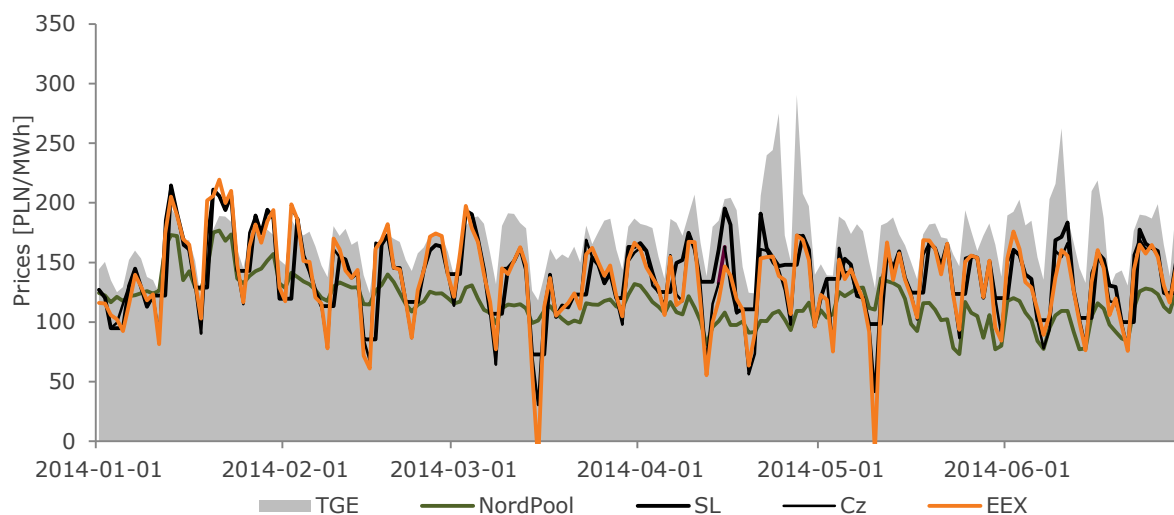
SPOT electricity market in Poland and in neighboring countries

For comparison of energy prices in Poland and in neighboring countries, one may use the prices on the SPOT market as a reference market. Taking into account the PLN exchange rate, the price level in Poland was in a significant number of hours higher than in the neighboring countries. January was an exception – peak hours in Poland were lower. The main reason of the higher SPOT prices in 2014 were, among other things, introduction of a surcharge for operating reserves, which was associated with the most expensive generators leaving available capacity for the transmission network operator (decrease of supply) and (especially in Q2), a large number of unit shutdowns for



overhaul. Additionally, the increase of prices in this market was supported by technical limitations in import of energy from neighboring countries.

Fig. 10. Electricity prices on the SPOT market in Poland and in neighboring countries in H1 2014

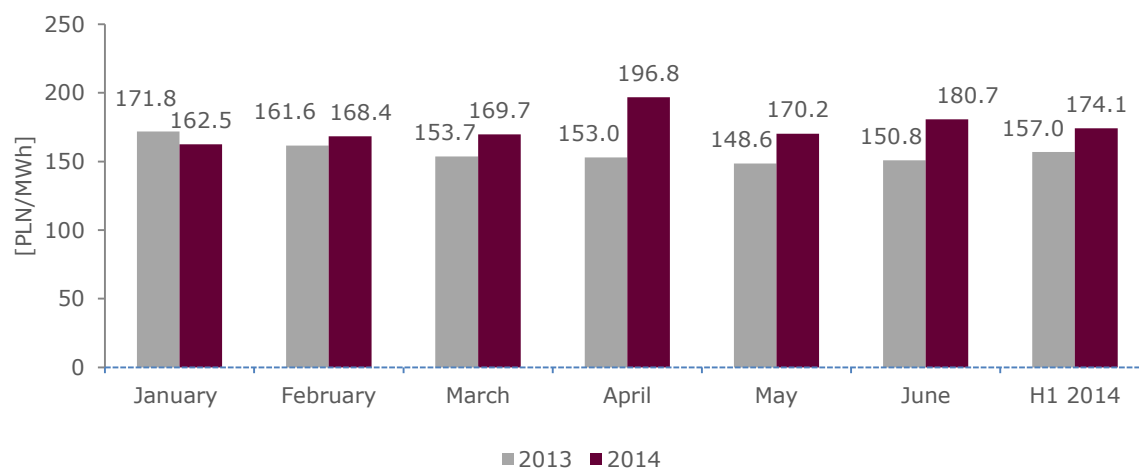


Source: Bloomberg.

Electricity Day-Ahead Market (DAM) in Poland

Average prices in the DAM market in H1 2014 were much higher than the prices from the year before (over 17 PLN/MWh). Although the prices in January 2013 were over 17 PLN/MWh higher than in January 2014, in the next months this tendency reversed.

Fig. 11. Energy prices in the Day-Ahead Market in H1 2014



Source: Polish Power Exchange (POLPX).

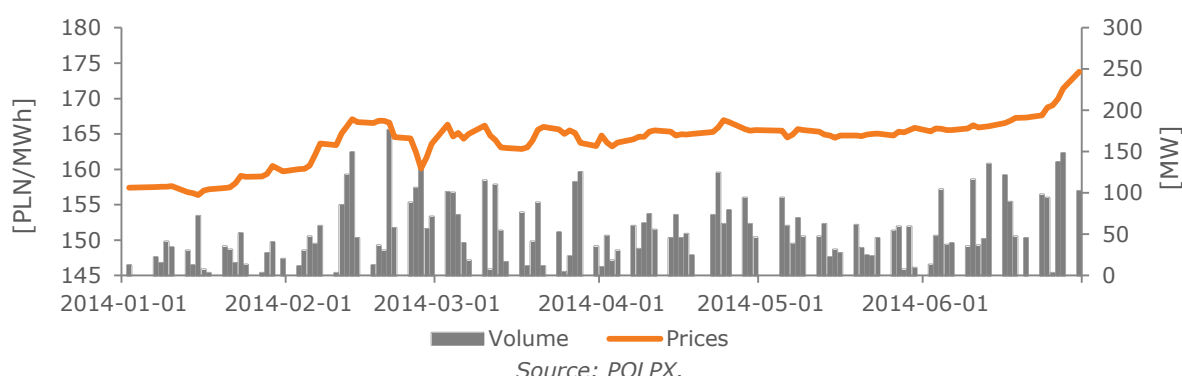
Electricity forward market in Poland

To assess the forward market in Poland, the annual forward contract for delivery of base energy in the whole 2015 was used as a reference product. We can see that the surcharge for the operating reserve has had its influence on the increase of prices on the forward market. This year's product prices were higher than those in H1 of the previous year. At the same time, the high level of prices has shown an upward trend over time. Considering the raising prices in Q2 2014 on the SPOT and



mid-term markets, we cannot rule out that the prices for the reference product will continue to grow.

Fig. 12. Forward contract price – base with delivery in 2015, in H1 2014



Property rights market

In accordance with prevailing regulations, in Q1 2014, trading companies selling electricity to end users, were obligated to obtain and submit certificates of origin for redemption – “green certificates” (PMOZE_A), “purple certificates” (PMMET) and energy efficiency (“white”) certificates (PMEF). However on 30 April 2014 the Cogeneration Act (Act of 14 March 2014 amending the Energy Law and certain other acts) came into effect, introducing an obligation to obtain and present for redemption the so-called yellow certificates (PMGM) and red certificates (PMEC) till the end of 2018. According to the provisions of the aforementioned Act, on 13 May of this year, the ERO President announced substitution fees for cogeneration prevailing in 2014.

Below is a breakdown of volume-weighted average indices calculated in Q1 and Q2 2014 together with indication of the percentage-based redemption obligation imposed as of 2014 for individual types of property rights and the unit values of substitution fees:

Statement of average price and percentage redemption obligation for different certificates of origin

Index (type of certificate)	Index value Q1 2014 [PLN/MWh]	Index value Q2 2014 [PLN/MWh]	Obligation percentage [%]	Substitution fee [PLN/MWh]
OZEX_A_POLPX (PMOZE_A – green) *	215.92	202.09	13.00	300.03
KMETX (PMMET – purple) **	59.69	55.47	1.10	63.26
KECX (PMEC-2014 – red)	-	-	23.20	11.00
KGMX (PMGM-2014 – yellow)	-	-	3.90	110.00
EFX (PMEF – white) ***	960.60	941.58	1.50	1,000.00

Source: Proprietary material based on POLPX data; mandatory redemption percentage according to executive regulations; unit substitution fees according to information from the ERO President.

* The OZEX_A_POLPX index comprises all transactions regarding trading in green property rights (contracts concluded in sessions and OTC).

** The index level takes into account transactions concluded for re-settlement of the obligation for 2013.

*** Unit [PLN/toe].

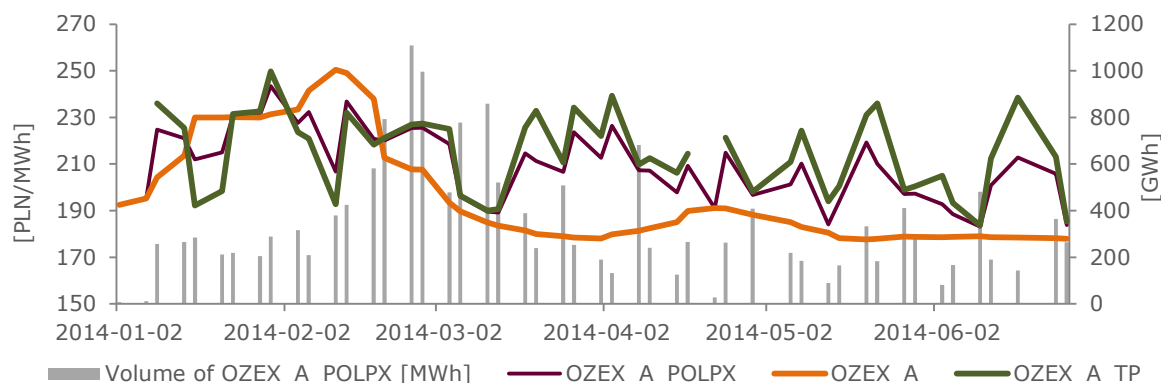
On 30 May 2014, unit substitution fees were announced also for 2015. Compared to this year, the level of the substitution fee for the so-called yellow certificates increased to 121.63 PLN/MWh.

Fig. 13 presents a detailed analysis of the prices and volumes of the products listed in H1 2014 at POLPX. In the case of “green” property rights, 2014 started with dynamic price increases. From the first session of 2014 the OZEX_A index (comprising session transactions) increased by nearly 60 PLN/MWh to 250 PLN/MWh in mid-February. This situation was primarily caused by the elapsing deadline for performance of the obligation to obtain and submit for redemption property rights for 2013 and delays in issuance of property rights by the President of the Energy Regulatory Office (in wood biomass burning installations). The second half of February brought a reversal of the



increasing trend and the whole Q2 of the year was characterized by stable pricing levels. Only the sessions at the end of April were characterized by an increasing trend, so the OZEX_A index reached the maximum level of 191.04 PLN/MWh.

Fig. 13. Analysis of prices and volumes at POLPX for session transactions (PMOZE_A)



One should also point to the above OZEX_A_POLPX index (comprising OTC transactions listed on POLPX), which was characterized by higher price volatility due to the high share of OTC transactions (OZEX_A_TP index) in relation to all transactions.

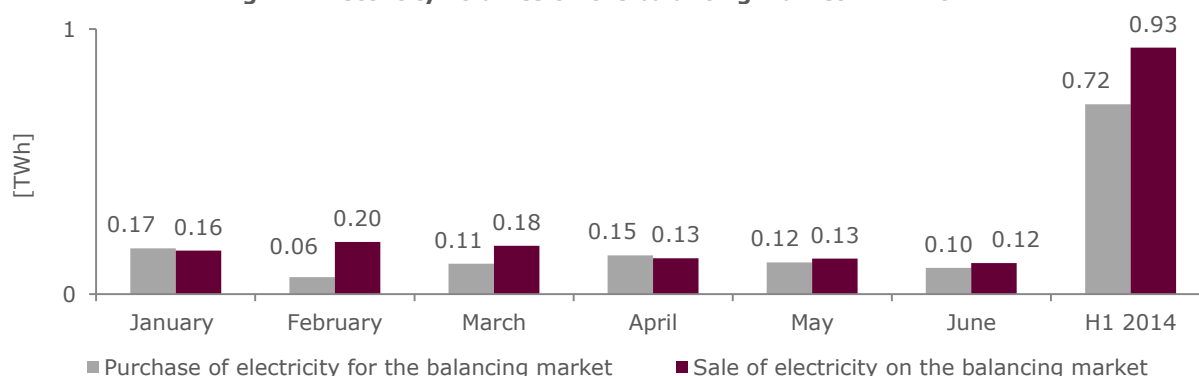
In the case of "purple" property rights, Q1 2014 was characterized by increased activity of market participants in comparison to earlier periods. This situation was associated with the elapsing deadline for performing the obligation for 2013. In Q2 the activity of market participants significantly weakened. Only June brought a slight recovery – according to information from the ERO President, by 30 June 2014 it was possible to settle again the obligation for the previous year with certificates obtained from production of electricity in 2013.

In the case of "white certificates", the first transaction on these new instruments aimed at supporting energy efficiency was recorded in Q1 2014. With negligible trading volumes, the average index settled down at 960.60 PLN/toe. In Q2, there were even less transactions and the index reached PLN 941.58/toe in that period.

Balancing Market

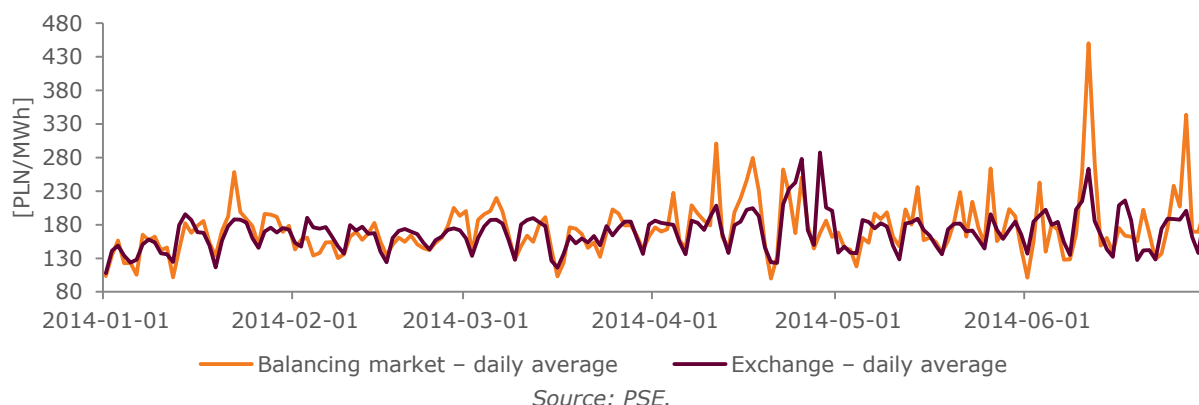
In the balancing market in H1 2014, approx. 930 GWh were delivered and approx. 717 GWh were collected from the market. Only in January and April there was more energy collected from the market than energy delivered (which may attest to over-contracting by market participants).

Fig. 14. Electricity volumes on the balancing market in H1 2014



In Q1 2014 one could observe a stable price level in the balancing market, which at the same time recorded pricing levels similar to those quoted on the energy exchange. Only April brought increased price volatility which later on (in June) resulted in price levels which were even higher than 300 PLN/MWh.

Fig. 15. Statement of prices on the balancing market (BM) and the SPOT market (Exchange) in H1 2014

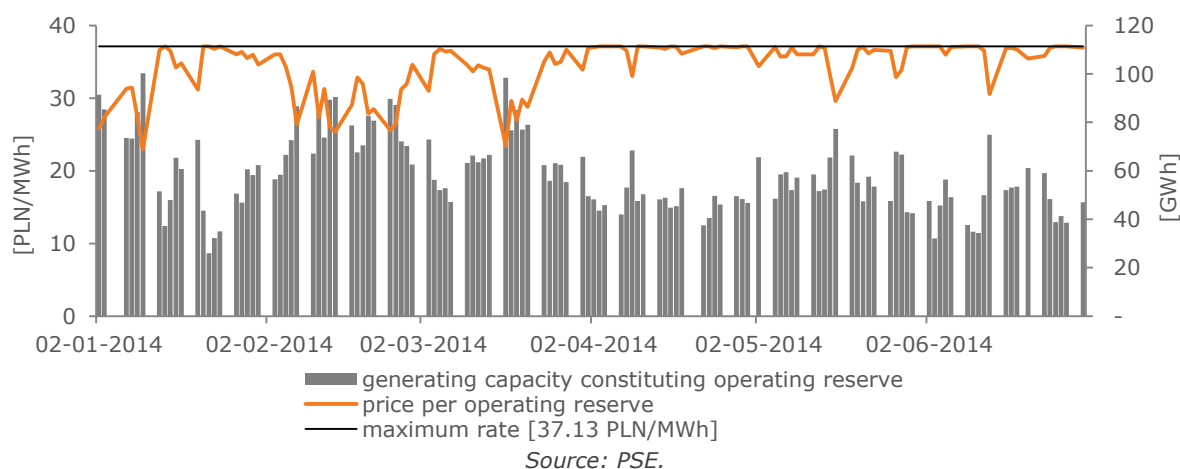


Operating reserve

As of the beginning of 2014, the catalogue of system services provided to PSE was expanded to include an operating reserve. The operating reserve is made up by generation units which have free capacity not covered by sales contracts. The size of the operating reserve is 18% of the average maximum hourly gross demand for power for individual months of the previous year. The units participating in the operating reserve receive a fee for their readiness to work for the operator in peak hours (7-22) determined on the basis of average fixed costs without the cost of amortization, management and sales, which in 2014 amounts to 37.13 PLN/MWh. In the event of a higher number of units reported as available the price is proportionally reduced.

The chart below presents the prices and generating capacities which make up the aforementioned reserve. Analysis has shown that in Q1 of this year (due to the level of capacities submitted by generators to the reserve), the maximum rate was often not achieved. When the second quarter came, the price stabilized at the upper limit.

Fig. 16. Prices and generating capacity constituting operating reserve in H1 2014



Emission allowance market

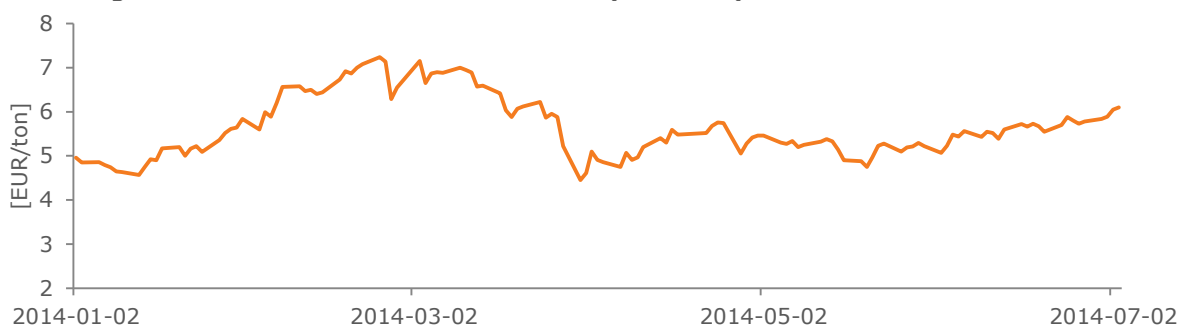
The EUA emission allowance market with delivery in December 2014 was characterized by high volatility especially in Q1 of this year. The main reason was the final approval of the "backloading"



(i.e. a plan to freeze the auction of some of the existing surplus of CO₂ emission allowances) by the European Parliament (still in December of the previous year). The volatility resulted also from delays in delivery of free installation allowances (the settlement obligation for the previous year elapsed on 30 April 2014). The end of Q1 was characterized by declining prices of emission allowances, driven by the fact that some countries, including Poland, have already been allocated the allowances. In Q2, the CO₂ emission allowance market with delivery in December 2014 was characterized by a medium-term upward trend.

Moreover, some of the EU states proposed the launch of a stability reserve to regulate the supply of EUA units on the market (the Market Stability Reserve, or MSR). This mechanism would be responsible for, respectively, buying and selling EUAs in the periods when the price exceeds the assumed minimum and maximum levels.

Fig. 17. Prices of EUA emission allowances (DEC 2014) for emissions in H1 2014



Source: Reuters.

3.3. Regulatory environment

In the first half of 2014 and by the date of this Report, the following draft bills came either into force or were announced and work on them was continued:

- **Bill on renewable energy sources** adopted by the minutes of decisions of the Council of Ministers no. 14/2014 of 8 April of this year (currently Parliamentary Paper 2604): the purpose of the act is to optimize the costs of the existing RES support system and implement Poland's energy policy till 2030. The act comprehensively regulates the mechanisms and instruments supporting energy generation in RES. From the ENERGA Group's perspective, the most important change that the bill introduces is exclusion of water power plants with the capacity over 5 MW from the support system, which means that, as at today, the impact of this legal act on the Group's activity is negative.
- **Draft assumptions for the bill of the Water Law** of 28 March 2014: it still emphasizes the need to introduce fees for utilization of inland water for energy purposes, as part of implementation of the Framework Water Directive (2000/60/EC of 23 October 2000) into the Polish law. The fees, if any, may have a negative impact on the profitability of conventional generation installations and water power plants, including the installations of both types operated in the ENERGA Group.
- **The MP bill of an act amending the construction law and the zoning act** (Parliamentary Paper 758) and **bill of an act amending certain acts in connection with strengthening the tools for landscape protection** (Parliamentary Paper 1525): they provide for, among other things, introduction of a number of limitations regarding location of energy-related facilities (RES installations, including wind farms). Adoption of the acts introducing the limitations may have an adverse impact on the operations of the ENERGA Group, both for the existing wind farms under operation and the investment plans in this respect.
- **The amendment of the Energy Law** of 14 March of this year (Journal of Laws number 0 Item 490): results in resumption of the system supporting high-efficiency cogeneration (CHP) in Poland, i.e. gas fuel-fired plants or plants with total installed capacity below 1 MW (the so-called "yellow certificates" – PMGM) and in other coal-fired cogeneration units (the so-called



"red certificates" – PMEC). As at the end of 2018, the obligation to redeem certificates from electricity production from cogeneration installations expires. For the Generation Segment, this may mean additional revenues on account of red certificates in 2014, however in the Sales Segment the costs associated with the mandatory redemption of red certificates have had a visible effect since May 2014. The total effect of those amendments coming into force for the ENERGA Group may be detrimental.

- **Bill of the act on the so-called transmission corridors:** the work on the act is aimed at introducing a legal mechanism facilitating execution of investments in construction and modernization of electricity grids in Poland. In June 2014 the oversight over the drafting of the act was moved from the Ministry of Economy to the Ministry of Infrastructure and Development. Further work on the regulation can be continued as part of the legislative works on the so-called Urban and Construction Code (framework code for public purpose investments). Currently it is not possible to estimate the impact of the new act, however its scope suggests that it may be significant for the Distribution Segment.
- **Bill of the new energy efficiency act** of 12 June 2014 (version 1.16): aimed at implementing the so-called EED Directive (2012/27/EC of 25 October 2012) in the national legislation. The provisions of the existing act will be gradually phased out until 1 April 2016. The consequences of the regulation may apply to the Distribution and Generation Segments in the context of the possibility of obtaining the so-called white certificates, and the Sales Segment, as regards the redemption obligation for such certificates of origin. At present it is not possible to provide an aggregate assessment of the impact of the new regulation.

4. Assets and financial standing of the ENERGA Group

4.1. Group's financial results

4.1.1. Description of the rules for preparing the interim condensed consolidated financial statements

The condensed interim consolidated financial statements of the ENERGA SA Capital Group for the 6 months ended 30 June 2014 were prepared in accordance with:

- International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union;
- the historical cost basis except for financial instruments measured at fair value through profit or loss and hedging derivatives;
- the assumption that the Group would continue as a going concern in the foreseeable future. As at the date of the financial statements there is no evidence indicating significant uncertainty as to the ability of the ENERGA Group to continue its business activities as a going concern.

The accounting policies applied to the preparation of the interim condensed consolidated financial statements are presented in Note 6 to the condensed interim consolidated financial statements of the ENERGA SA Group consistent with IAS 34 for the 6 months ended 30 June 2014.

4.1.2. Consolidated profit and loss account

	6 months ended 30 June 2014 (unaudited, restated)	6 months ended 30 June 2013 (unaudited, restated)	Change	Change (%)
PLN 000s				
Sales revenue	5,286,506	5,789,544	(503,038)	-9%
Cost of sales	(4,132,333)	(4,746,882)	614,549	13%



Gross profit	1,154,173	1,042,662	111,511	11%
Other operating income	64,515	60,684	3,831	6%
Selling and distribution expenses	(121,826)	(138,240)	16,414	12%
General and administrative expenses	(176,963)	(182,489)	5,526	3%
Other operating expenses	(62,225)	(45,190)	(17,035)	-38%
Operating profit	857,674	737,427	120,247	16%
Financial income	60,227	103,150	(42,923)	-42%
Financial costs	(160,014)	(151,431)	(8,583)	-6%
Share of profit (loss) of associates	(157)	(397)	240	60%
Profit before tax	757,730	688,749	68,981	10%
Income tax	(148,107)	(164,341)	16,234	10%
Discontinued activity and non-current assets classified as held for sale	(3,147)	(2,576)	(571)	-22%
Net profit for the period	606,476	521,832	84,644	16%
EBITDA	1,281,309	1,114,522	166,787	15%

3 months ended
30 June 2014
(unaudited,
restated)

3 months ended
30 June 2013
(unaudited,
restated)

Change

Change
(%)

PLN 000s

Sales revenue	2,538,527	2,855,730	(317,203)	-11%
Cost of sales	(1,943,554)	(2,246,295)	302,741	13%
Gross profit	594,973	609,435	(14,462)	-2%
Other operating income	16,557	37,245	(20,688)	-56%



Selling and distribution expenses	(67,158)	(67,818)	660	1%
General and administrative expenses	(89,144)	(88,989)	(155)	-
Other operating expenses	(32,672)	(27,321)	(5,351)	-20%
Operating profit	422,556	462,552	(39,996)	-9%
Financial income	22,676	73,776	(51,100)	-69%
Financial costs	(81,187)	(83,176)	1,989	2%
Share of profit (loss) of associates	-	112	(112)	-100%
Profit before tax	364,045	453,264	(89,219)	-20%
Income tax	(69,798)	(105,112)	35,314	34%
Discontinued activity and non-current assets classified as held for sale	(2,193)	(963)	(1,230)	-128%
Net profit for the period	292,054	347,189	(55,135)	-16%
EBITDA	638,117	650,097	(11,980)	-2%

In Q2 2014 the Group's sales revenues amounted to PLN 2,539 m and were lower than in Q2 the year before by 11%, i.e. PLN 317 m. Increase of revenues in Q2 2014 was recorded by the Generation Segment (19%) and Distribution Segment (3%) whereas the Sales Segment recorded a 22% decrease in relation to the same quarter 2013.

The biggest impact on increase of the revenues of the Generation Segment in Q2 2014 was exerted by the purchase of 3 wind farms in 2013 (approx. PLN 24 m) and sale of the stock of property rights (green certificates) at prices higher than those on the date of generation¹ (this pertains mainly to the stock of property rights for co-burning of biomass for 2013 granted in 2014).

The level of revenues of the Distribution Segment, which was 3% higher than in Q2 2013, was impacted by an increase of the average rate of sale of distribution services of ENERGA-OPERATOR SA YoY (5%), resulting from increase of the distribution tariff, with simultaneous decrease of the volume of distributed electricity (2%).

Decrease of revenues of the Sales Segment by 22% in Q2 2014 results from lower electricity sales volumes and lower average energy sales prices.

Cost of sales in Q2 2014 was lower by 13%, i.e. PLN 303 m compared to the corresponding period of 2013. Lower cost of sales of the Group was primarily the result of lower cost of fuel consumption (6% YoY) and reversal of the provision for CO₂ emission allowances established in 2013.

¹ In accordance with the Group's Accounting Policy, certificates of origin generated in the given period are recognized at fair value as operating income and as inventory. Upon sale of the certificates the difference between the sales price obtained and the value of certificates determined at the time of generation is recognized as adjustment of operating income.



Other operating income in Q2 2014 was lower in annual terms by 56%, i.e. PLN 21 m. The difference results among other things from occurrence in Q2 2013 of a one-off event, i.e. recognition of PLN 12 m profit from bargain purchase arising from acquisition of wind assets from DONG Energy Wind Power A/S.

As a result the Group's EBITDA in Q2 2014 amounted to PLN 638 m, which is 2% less than in the same period of 2013. The Group's lower EBITDA was attributable primarily to worse EBITDA of the Distribution Segment in Q2 2014 by PLN 37 m YoY as a result of increase of the costs associated with actuarial provisions and decrease of revenues from connections. In addition, the Group's result in Q2 2013 improved the profit from the bargain purchase of the assets from DONG Energy Wind Power A/S and adjustment on the Group level of the provision for redemption of property rights. Positive impact on the Group's EBITDA in Q2 2014 was exerted by improved results of the Generation Segment attributable to reversal of the provision for CO₂ emission allowances established in 2013 and resulting from not receiving free allowances.

Financial income in Q2 2014 was lower than in the corresponding period of the year before by PLN 51 m (i.e. 69%). The decrease resulted, among other things, from reversal in Q2 2013 of the provision for interest on the court case in the amount of PLN 27 m (provision for the litigation of ENERGA-OPERATOR with PSE) and revaluation charge of approx. PLN 12 m, in connection with the sale of the shares in Oświetlenie Uliczne i Drogowe Sp. z o.o.

ENERGA Group's net result in Q2 2014 amounted to PLN 292 m, i.e. decreased by 16% YoY.

The table below shows the Group's EBITDA adjusted for effects of non-recurring events, by Segments, in Q2 2014 and Q2 2013.

H1 2014 (PLN 000s)	Distribution	Sales	Generation	Other and adjustments	All operations
EBITDA	793,774	126,260	373,490	(12,215)	1,281,309
Impairment allowances for property, plant and equipment and intangible assets	-	-	10,494	1,773	12,267
Surplus of headcount restructuring (income)/expenses	7,239	(9,991)	9,079	1,587	7,914
Reversal of the additional provision for CO ₂ emissions pertaining to unobtained free allowances	-	-	(35,800)	-	(35,800)
Adjusted EBITDA	801,013	116,269	357,263	(8,855)	1,265,690
H1 2013 (PLN 000s)	Distribution	Sales	Generation	Other and adjustments	All operations
EBITDA (pro forma)	820,340	177,796	99,125	17,261	1,114,522
Impairment allowances for property, plant and equipment and intangible assets	168	-	123,589	(2)	123,755
Surplus of headcount restructuring (income)/expenses	1,252	164	(2,071)	(291)	(946)
Gains from bargain purchases arising from the acquisition of related companies	-	-	-	(11,794)	(11,794)



Adjusted EBITDA	821,760	177,960	220,643	5,174	1,225,537
Q2 2014 (PLN 000s)	Distribution	Sales	Generation	Other and adjustments	All operations
EBITDA	383,937	76,507	189,664	(11,991)	638,117
Impairment allowances for property, plant and equipment and intangible assets	-	-	4,059	1,773	5,832
Surplus of headcount restructuring (income)/expenses	4,983	2,680	1,859	13	9,535
Reversal of the additional provision for CO ₂ emissions pertaining to unobtained free allowances	-	-	(35,800)	-	(35,800)
Adjusted EBITDA	388,920	79,187	159,782	(10,205)	617,684
Q2 2013 (PLN 000s)	Distribution	Sales	Generation	Other and adjustments	All operations
EBITDA (pro forma)	421,395	77,427	123,329	27,946	650,097
Impairment allowances for property, plant and equipment and intangible assets	-	-	117	(1)	116
Surplus of headcount restructuring (income)/expenses	180	164	(2,881)	(291)	(2,828)
Gains from bargain purchases arising from the acquisition of related companies	-	-	-	(11,794)	(11,794)
Adjusted EBITDA	421,575	77,591	120,565	15,860	635,591

4.1.3. Consolidated Statement of Financial Position

PLN 000s	As at 30 June 2014 (unaudited, restated)	As at 31 December 2013 (unaudited, restated)	Change	Change (%)
ASSETS				
Non-current assets				
Property, plant and equipment	11,757,950	11,760,776	(2,826)	-
Investment property	17,230	15,189	2,041	13%
Intangible assets	394,855	398,677	(3,822)	-1%
Goodwill	156,773	156,773	-	-
Deferred tax assets	210,358	245,086	(34,728)	-14%
Hedging derivatives	18,877	13,017	5,860	45%
Other non-current financial assets	15,698	17,727	(2,029)	-11%



Other non-current assets	62,880	42,291	20,589	49%
	12,634,621	12,649,536	(14,915)	-
Current assets				
Inventories	270,797	302,043	(31,246)	-10%
Current tax receivables	45,230	43,427	1,803	4%
Trade receivables	1,498,886	1,469,543	29,343	2%
Deposits	20,018	4,121	15,897	386%
Other current financial assets	24,095	8,891	15,204	171%
Cash and cash equivalents	2,653,001	2,352,305	300,696	13%
Other current assets	335,572	145,574	189,998	131%
Assets classified as held for sale	898	109,116	(108,218)	-99%
	4,848,497	4,435,020	413,477	9%
TOTAL ASSETS	17,483,118	17,084,556	398,562	2%

EQUITY AND LIABILITIES

Equity attributable to equity holders of the Parent

Share capital	4,521,613	4,521,613	-	-
Exchange gains resulting from conversion of a foreign entity	(1,976)	(2,310)	334	14%
Reserve capital	447,192	447,192	-	-
Supplementary capital	606,472	521,490	84,982	16%
Cash flow hedge reserve	24,301	26,539	(2,238)	-8%
Retained earnings	2,576,318	2,519,955	56,363	2%
Non-controlling interest	24,267	13,816	10,451	76%
Total equity	8,198,187	8,048,295	149,892	2%

Non-current liabilities

Loans and borrowings	2,528,771	1,811,548	717,223	40%
Bonds issued	3,121,171	3,119,453	1,718	-
Non-current provisions	637,397	549,499	87,898	16%
Deferred tax liabilities	548,359	544,001	4,358	1%
Deferred income and non-current grants	519,615	489,234	30,381	6%
Other non-current financial liabilities	13,941	4,873	9,068	186%
Other non-current liabilities	3,525	1,406	2,119	151%
	7,372,779	6,520,014	852,765	13%

Current liabilities

Trade payables	595,894	889,902	(294,008)	-33%
Other financial liabilities	97,381	234,725	(137,344)	-59%
Current loans and borrowings	320,393	274,177	46,216	17%
Bonds issued	42,509	70,584	(28,075)	-40%
Current income tax liability	14,753	6,838	7,915	116%
Deferred income and government grants	35,837	32,048	3,789	12%



Accruals	75,694	126,813	(51,119)	-40%
Provisions	279,299	444,108	(164,809)	-37%
Other current liabilities	450,392	355,733	94,659	27%
Liability related directly to assets classified as held for sale	-	81,319	(81,319)	-100%
	1,912,152	2,516,247	(604,095)	-24%
Total liabilities	9,284,931	9,036,261	248,670	3%
TOTAL EQUITY AND LIABILITIES	17,483,118	17,084,556	398,562	2%

As at 30 June 2014, total assets of the ENERGA Group reached PLN 17,483 m and were PLN 399 m higher than on 31 December 2013.

A significant increase by PLN 21 m, i.e. 49%, in relation to the data for 31 December 2013, took place in other long-term assets. It resulted primarily from transfer of advance payments for construction of a wind farm (approx. PLN 14 m) and a photovoltaic farm (approx. PLN 2.6 m).

The increase of current assets by PLN 413 m (9%) in the analyzed period compared to December 2013 was impacted by increase of cash in the amount of PLN 301 m and other short-term assets by PLN 190 m (as a consequence of deferral of real estate tax for 2014), with simultaneous decrease of the value of assets classified as held for sale by PLN 108 m. Decrease of the value of assets classified as held for sale occurred in connection with absence of real interest of potential purchases for some of the companies from the Distribution Segment previously held for sale and suspension of the Group's active efforts to sell the shares in such companies.

On the side of liabilities, a material change was recorded in short-term liabilities, where, compared to December 2013, the total balance decreased by PLN 604 m (24%). The change of the balance of short-term liabilities was attributable, among other things, to decrease of other financial liabilities by PLN 137 m (59%), as a result of decrease of investment liabilities, in particular of ENERGA-OPERATOR SA.

At the same time an increase of other short-term liabilities by PLN 95 m (27%) was recorded. Additionally, no liabilities from assets held for sale were recorded. Their value at the end of 2013 oscillated around PLN 81 m.

The balance of loans and borrowings which, compared to the end of December 2013, showed an increase by PLN 763 m (37%), resulted from launch of the next tranches of the loan from international financial institutions (EIB, EBRD) to finance investment projects carried out in the Distribution Segment.

The balance of short- and long-term provisions decreased compared to 31 December 2013 by PLN 77 m, primarily as a result of utilization of the employment restructuring provisions established in previous periods, reversal of provisions for gas emissions and reversal of provisions for redemption of certificates and increase of the provisions for pension benefits et al., and reversal of provisions for legal claims.

ENERGA Group's equity increased by PLN 150 m, mainly due to the positive result in H1 2014. As at 30 June 2014, equity covered 46.9% of the Group's assets, while the same ratio at the end of 2013 was 47.1%.

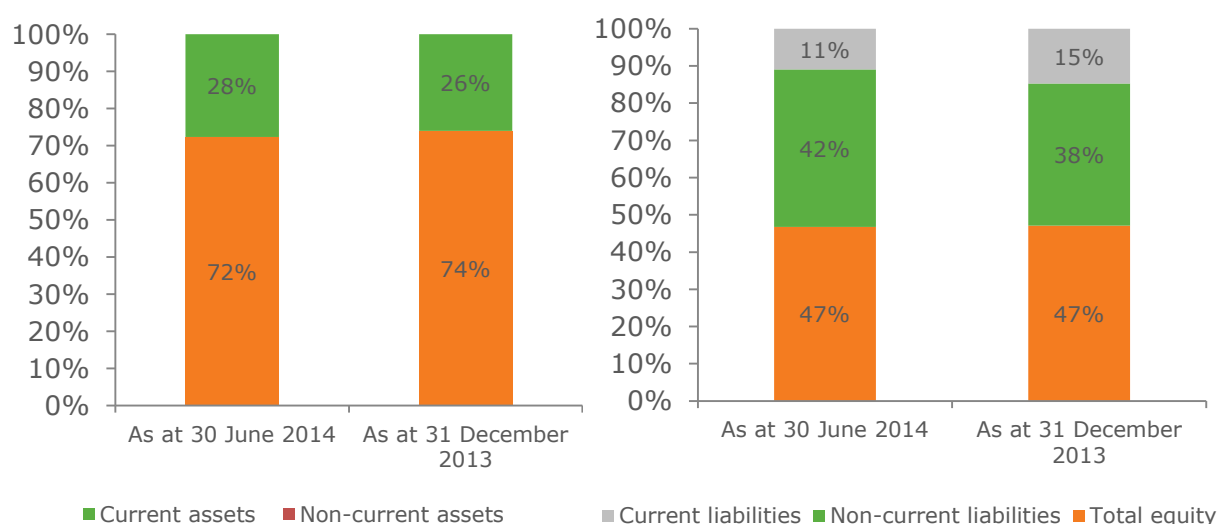
The Group's net debt increased by PLN 436 m reaching the level of PLN 3,360 m (net debt is calculated as the sum of accounts payable under loans and borrowings and long- and short-term debt securities less cash and cash equivalents).

Consolidated Statement of Financial Position	As at 30 June 2014	As at 31 December 2013
ASSETS		
Non-current assets	72.3%	74.0%



Current assets	27.7%	26.0%
TOTAL ASSETS	100.0%	100.0%
Consolidated Statement of Financial Position		
	As at 30 June 2014	As at 31 December 2013
EQUITY AND LIABILITIES		
Equity attributable to shareholders in the parent company	46.8%	47.0%
Non-controlling interest	0.1%	0.1%
Total equity	46.9%	47.1%
Non-current liabilities	42.2%	38.2%
Current liabilities	10.9%	14.7%
Total liabilities	53.1%	52.9%
TOTAL EQUITY AND LIABILITIES	100.00%	100.00%
Financial liabilities	34.4%	30.9%
Net financial liabilities	19.2%	17.1%
Net debt-to-EBITDA ratio*	1.58	1.49
Current liquidity ratio	2.5	1.8

* EBITDA for the last 12 months.



4.1.4. Consolidated Cash Flow Statement

	As at 30 June 2014	As at 30 June 2013	Change	Change (%)
PLN 000s				
Net cash flow from operating activities	549,966	1,185,009	(635,043)	-54%
Net cash flow from investing activities	(523,742)	(1,093,132)	569,390	52%
Net cash flow from financing activities	221,869	1,234,122	(1,012,253)	-82%
Net increase / (decrease) in cash and cash equivalents	248,093	1,325,999	(1,077,906)	-81%
Cash and cash equivalents at the end of the period	2,598,806	3,355,372	(756,566)	-23%



As at 30 June 2014, the balance of the Group's cash was PLN 2,599 m and was PLN 757 m (or 23%) less than the cash balance one year earlier.

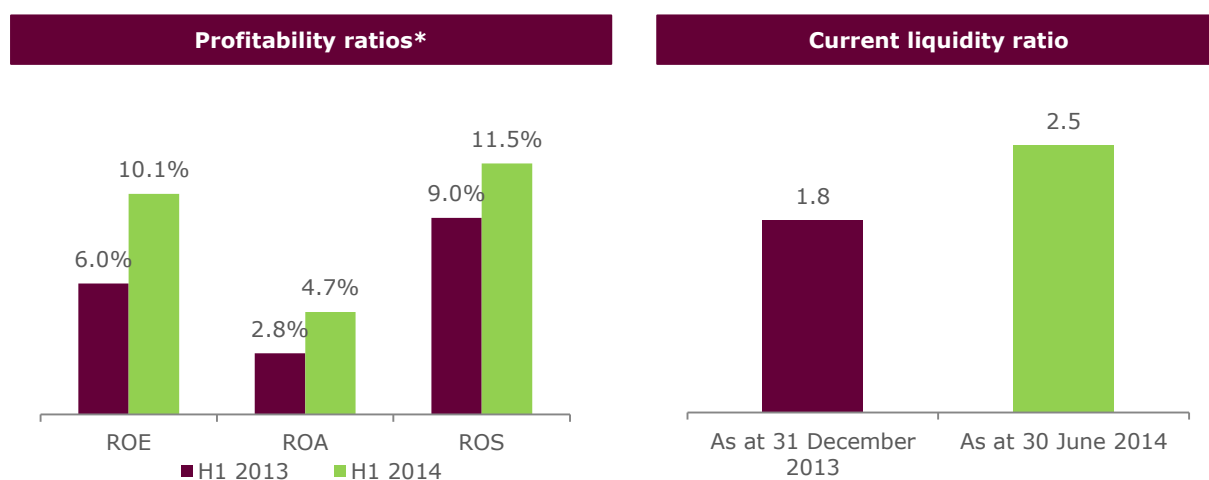
The total net cash flows from the Group's operating, investing and financing activities in H1 2014 were positive at PLN 248 m, compared to the positive cash flows of PLN 1,326 m in the same period of the previous year.

Cash flow from operating activities fell by PLN 635 m (54%) compared to H1 of the previous year. The decline in cash flows from operating activities was caused mainly by the reduced balance of the Group's liabilities vs. the end of 2013 (an opposite trend was recorded in the same period of the previous year).

Net cash flows from investing activities in H1 2014 increased by PLN 569 m (52%) in annual terms, which is attributable mainly to lower capital expenditures on the Group's distribution network and reduction of expenditures associated with acquisition of subsidiaries (in H1 2013 the Group acquired the shares in the wind assets of DONG Energy Wind Power A/S).

In the period in question cash flows from financing activities were positive and amounted to PLN 222 m, i.e. were PLN 1,012 m (82%) lower than in H1 2013. In H1 2014 the financing from the European Investment Bank and European Bank for Reconstruction and Development for the total amount of PLN 890 m was launched, whereas in the corresponding period last year the impact of the first issue of the eurobond tranche in the amount of EUR 500 m was visible. In 2014, the Group paid out interest on that issue for the first time, which increased the amounts of interest paid compared to H1 2013.

4.1.5. Selected economic ratios



* Net profit for last 12 months.

4.2. Operating segments

4.2.1. DISTRIBUTION

PLN 000s	Q2 2014	Q2 2013	Change	Change (%)
Revenues	966,805	934,895	31,910	3%
EBITDA	383,937	421,395	-37,458	-9%
of which depreciation:	174,711	161,793	12,918	8%
EBIT	209,226	259,602	-50,376	-19%
Net profit	137,775	211,565	-73,790	-35%
CAPEX	164,051	303,460	-139,409	-46%



PLN 000s	H1 2014	H1 2013	Change	Change (%)
Revenues	1,983,957	1,878,907	105,050	6%
EBITDA	793,774	820,340	-26,566	-3%
<i>of which depreciation:</i>	<i>344,812</i>	<i>322,930</i>	<i>21,882</i>	<i>7%</i>
EBIT	448,962	497,410	-48,448	-10%
Net profit	311,089	358,826	-47,737	-13%
CAPEX	318,354	536,346	-217,992	-41%

PLN 000s	As at 30 June 2014	As at 31 December 2013	Change	Change (%)
Cash	1,095,015	606,098	488,917	81%
Financial debt	3,714,464	2,917,002	797,462	27%
Headcount at the end of the period (people)	5,632	6,079	-447	-7%

In Q2 2014, the Distribution Segment contributed 61% to ENERGA Group's EBITDA (approx. 65% year earlier).

Sales revenues of the Distribution Segment in Q2 2014 were higher than in the corresponding quarter last year by over 3%. The increase of revenues was attributable to the increase of the average rate of sale of distribution services of ENERGA-OPERATOR (by 5%), resulting from a higher distribution tariff. The negative impact on the level of revenues came from reduction of the volume of distributed electricity (by nearly 2%). In Q2 the revenues from connection fees amounted to nearly PLN 16 m i.e. 39% less than in the same period in 2013, which is attributable to decrease of connection rates.

EBITDA decreased by 9% YoY to PLN 384 m and EBIT dropped PLN 50 m (19% YoY). The level of the operating result of PLN 260 m was significantly impacted by the increase of the distribution margin by nearly PLN 21 m, increase of operating expenses (including negative impact of the discount rate cut on the amount of costs associated with actuarial provisions in the amount of PLN 23 m) and PLN 13 m higher depreciation.

Net profit in Q2 2014 was lower than in the same quarter the year before by nearly PLN 74 m. This resulted from weaker operating results of the Segment and lower balance on financing activities (in Q2 2013 the provision for interest on a court case in the amount of PLN 27 m was dissolved), accompanied by lower mandatory tax burden.

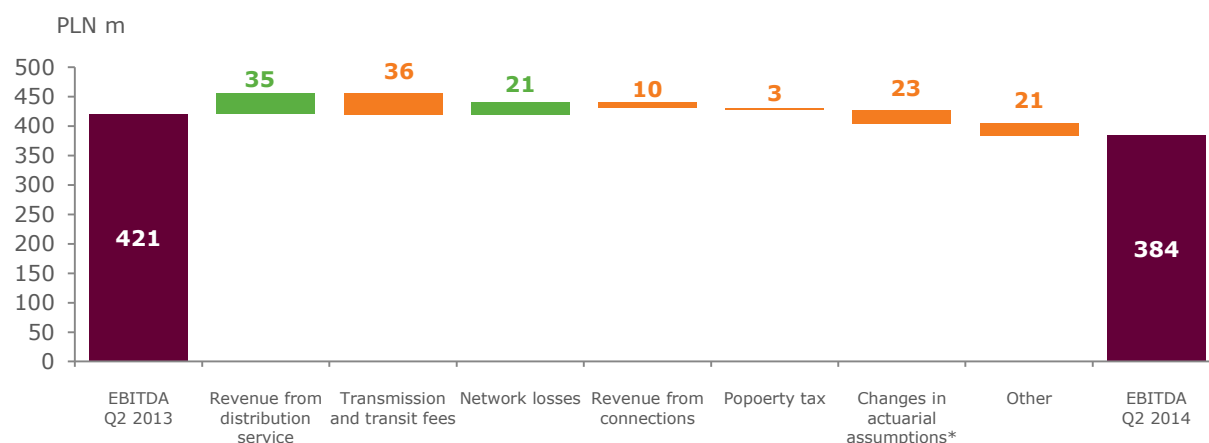
The capital expenditures of the Distribution Segment at PLN 164 m were PLN 139 m lower than in the corresponding period last year. The low level of expenditures in the quarter in question resulted from the Segment's lower capital expenditures plan and delays in execution of investment projects.

Compared to 31 December 2013, the Segment's financial debt increased by PLN 797 m, as a result of issue, in Q2 2014, of long-term bonds with the total value of PLN 890 m taken up by ENERGA SA. This was related to execution of the investment program of the subsidiary, ENERGA-OPERATOR SA, to which the funds raised and drawn by ENERGA SA from the loan from the European Bank for Reconstruction and Development and European Investment Bank (described in more detail in note 19.6 of the Group's consolidated financial statements for H1 2014) are transferred using an intra-group bond issue. Cash balance was 81% higher than as at 31 December 2013. As a result, net debt increased by almost PLN 309 m from the end of December 2013.

In Q2 2014, the Distribution Segment continued the implementation of employment restructuring processes, as a result of which headcount has fallen by 447 people since 31 December 2013.



EBITDA Bridge of the Distribution Segment



* Including the adverse effect of the declining discount rate on the level of costs associated with actuarial provisions.

4.2.2. SALES

PLN 000s	Q2 2014	Q2 2013	Change	Change (%)
Revenues	1,342,438	1,722,943	-380,505	-22%
EBITDA	76,507	77,427	-920	-1%
of which depreciation:	7,347	6,555	792	12%
EBIT	69,160	70,872	-1,712	-2%
Net profit	64,679	64,377	302	0%
CAPEX	7,039	9,751	-2,712	-28%

PLN 000s	H1 2014	H1 2013	Change	Change (%)
Revenues	2,852,266	3,583,069	-730,803	-20%
EBITDA	126,260	177,796	-51,536	-29%
of which depreciation:	14,698	13,121	1,577	12%
EBIT	111,562	164,675	-53,113	-32%
Net profit	104,340	153,213	-48,873	-32%
CAPEX	12,634	11,437	1,197	10%

PLN 000s	As at 30 June 2014	As at 31 December 2013	Change	Change (%)
Cash	129,300	456,995	-327,695	-72%
Financial debt	46,404	1,768	44,636	2525%
Headcount at the end of the period [people]	1,191	1,303	-112	-9%



Similarly as in Q2 2013, in Q2 2014 the Sales Segment contributed PLN 77 m of EBITDA, i.e. about 10% of ENERGA Group's EBITDA.

The Sales Segment's revenues in Q2 2014 were lower (by 22%) than in Q2 2013 and stood at PLN 1,342 m. The lower revenues resulted from lower volumes of electricity sales to end users, on the wholesale market and lower sales prices. In Q2 of this year, the volume of electricity sold by the Sales Segment to end users decreased by approximately 16% (0.75 TWh) when compared to the same period of the previous year. The decline was driven mainly by a change in the Segment's strategy and the termination of unprofitable contracts with A and B tariff group customers.

In Q2 2014, the average electricity selling prices to end users decreased by approximately 8% compared to Q2 2013. A drop in the average selling prices was recorded in all tariff groups, having taken into account the decision made by the ERO President to reduce tariff G by approx. 4% starting from July 2013 and another 6% from January of this year. In the wholesale market the average sales prices were also approx. 8% lower than those in the comparable period of the year before.

As at 30 April 2014, the obligation to redeem "red" and "yellow" property rights was restored, which had negative impact on the Segment's results. In Q2 2014 the Segment incurred PLN 6.7 of costs associated with the obligation.

Another factor that had negative impact on the Segment's results was the purchase of electricity as part of ENERGA-OBRÓT SA's function of an "ex officio seller". In Q2 2014 ENERGA-OBRÓT SA recorded a 25% increase of the energy purchase volume compared to Q2 2013. The share of the electricity purchase volume as part of performing the "ex officio seller" function in the total purchase volume was 17% in Q2 2014 (the share of purchases from ENERGA Group's generation units accounted for 28% of the total volume) compared to 11% in Q2 2013 (the share of the purchase volume from ENERGA Group's generation units accounted for 43% of the total volume). ENERGA-OBRÓT SA, as an ex officio seller, is obligated to purchase energy generated in renewable sources (on the request of the RES generator) in the area of ENERGA-OPERATOR SA's operations. This purchase takes place at the average electricity sales price in the competitive market in the previous calendar year.

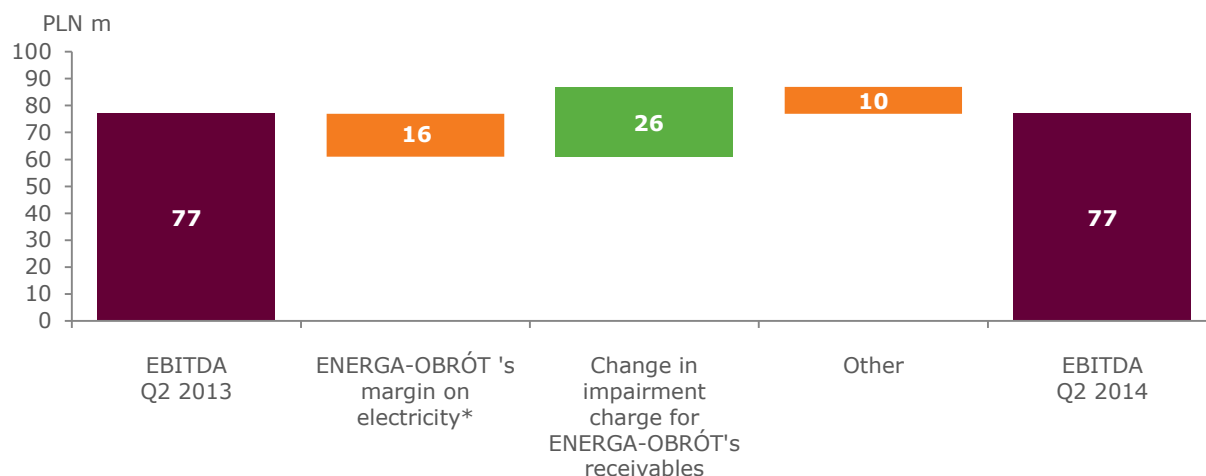
Change of the charge for ENERGA-OBRÓT SA's receivables, occurred as a result of decrease of the balance of overdue receivables qualifying for the charge, and the Company's efforts in the area of collectability and recovery of receivables, had a positive impact on the Segment's EBITDA in Q2 2014 compared to Q2 2013.

The headcount in the Segment in the 6 months in question dropped in annual terms by 112 persons, which was primarily caused by the restructuring measures taken.

The Segment's EBITDA in Q2 2014 was 54% higher than in Q1 2014, when it amounted to PLN 50 m. The improvement of the Segment's results in Q2 compared to Q2 last year was attributable to the higher margin on sale of electricity to end users.



EBITDA Bridge of the Sales Segment



* This item includes costs of the obligation to redeem "red" and "yellow" property rights introduced as of 30 April 2014.

4.2.3. GENERATION

PLN 000s	Q2 2014	Q2 2013	Change	Change (%)
Revenues	437,597	366,334	71,263	19%
EBITDA	189,664	123,329	66,335	54%
of which depreciation:	34,377	22,222	12,155	55%
EBIT	155,287	101,107	54,180	54%
Net profit	116,556	78,535	38,021	48%
CAPEX	45,510	409,075	-363,565	-89%

PLN 000s	H1 2014	H1 2013	Change	Change (%)
Revenues	899,743	734,419	165,324	23%
EBITDA	373,490	99,125	274,365	277%
of which depreciation:	67,970	46,045	21,925	48%
EBIT	305,520	53,080	252,440	476%
Net profit	216,910	38,400	178,510	465%
CAPEX	70,916	461,839	-390,923	-85%

PLN 000s	As at 30 June 2014	As at 31 December 2013	Change	Change (%)
Cash	227,371	448,330	-220,959	-49%
Financial debt	1,404,485	1,555,834	-151,349	-10%
Headcount at the end of the period [people]	1,700	1,641	59	4%



The table below presents a breakdown of EBITDA of the Generation Segment by business lines. This table includes individual data plus the management cost charge for managing the Generation Segment and consolidation adjustments.

Generation Segment EBITDA

EBITDA (PLN 000s)	Q2 2014	Q2 2013	Change	Change (%)	H1 2014	H1 2013	Change	Change (%)
Hydro*	77,661	153,253	-75,592	-49%	173,826	243,039	-69,214	-28%
Wind*	15,350	-	15,350	-	49,963	-	49,963	-
Ostrołęka Power Plant*	104,905	-22,784	127,690	560%	151,856	-151,503	303,359	200%
Other and adjustments	-8,252	-7,139	-1,113	-16%	-2,156	7,588	-9,744	-128%
Total Generation	189,664	123,329	66,335	54%	373,490	99,125	274,365	277%

* Individual data plus the management cost charge for managing the Generation Segment and consolidation adjustments.

The Generation Segment's contribution to total EBITDA of the ENERGA Group amounted to 29% in Q2 2014. The YoY EBITDA growth was PLN 66 m and was largely caused by the improvement in the performance of a business line Ostrołęka Power Plant and inclusion of electricity generated by wind farms in production results.

Ostrołęka Power Plant had the highest contribution to EBITDA of the Generation Segment (55%). Thanks to acquisition of three wind farms in 2013, in the structure of the Generation Segment's EBITDA, a new item associated with production of electricity using wind appeared (8% in the Segment's EBITDA for Q2 2014).

Revenues from the Segment's sales were 19% higher than in Q2 of the previous year. The biggest contributor to the increase of revenues was the purchase of 3 wind farms in the second half of 2013 (approx. PLN 24 m). The primary negative factor impacting the sales revenues in the Generation Segment in Q2 2014 compared to the corresponding period the year before was the decrease of the gross electricity production volume in water power plants (by 33%) and the related lower volume of generated property rights. This was partly compensated by the sale of the stock of property rights (green certificates) at prices higher than on the date of generation² (this pertains mainly to the stock of property rights from biomass co-burning for 2013 which were granted in 2014).

The costs of fuel consumption in the Generation Segment in Q2 2014 dropped YoY by 6%, i.e. PLN 9 m. The decrease of the costs of fuel consumption results mainly from lower unit costs of coal and biomass consumption. The coal consumption volume in Q2 2014 increased YoY by 16%.

The favorable impact on the Segment's results in the analyzed period came from reversal of the provision for CO₂ emission allowances established in 2013 and pertaining to the free allowances that were not received (approx. PLN 36 m). This effect was partly compensated in connection with the change of the rules of establishment of provisions for emission liabilities. In previous reporting periods the Group established provisions at the time of occurrence of a surplus of CO₂ emissions above the volume of granted free allowances as at the day ending the reporting period. Now provisions are recognized systematically during the reporting period on the basis of actual CO₂ emissions, taking into account the free emission allowances.

² In accordance with the Group's Accounting Policy, certificates of origin generated in the given period are recognized at fair value as operating income and as inventory. Upon sale of the certificates the difference between the sales price obtained and the value of certificates determined at the time of generation is recognized as adjustment of operating income.

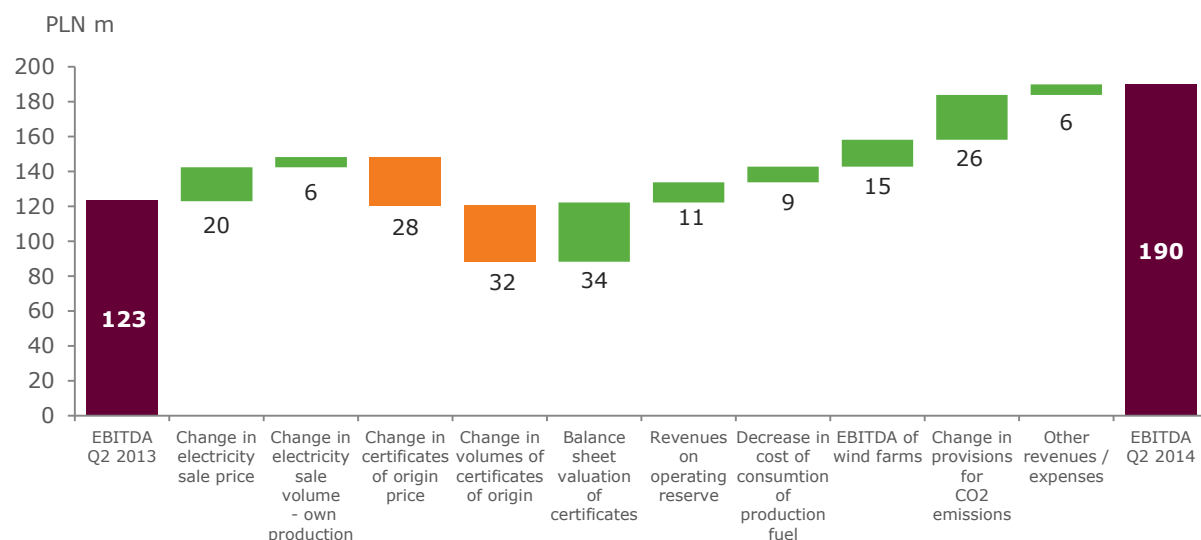


The net profit earned by the Generation Segment in Q2 2014 was affected by the costs of service of the financial debt incurred to purchase the wind farms in 2013.

Capital expenditures in the Segment were PLN 364 m lower in the analyzed period compared to Q2 2013, which took into account, among other things, purchase of the wind assets from DONG Energy A/S in June 2013.

In Q2 2014 the Generation Segment recorded a decrease of debt by PLN 151 m (10%) associated with repayment of part of the liabilities by the Segment Leader – ENERGA Wytwarzanie.

EBITDA Bridge of the Generation Segment



Hydro

The table presents individual data plus the management cost charge for managing the Generation Segment and consolidation adjustments.

HYDRO PLN 000s	Q2 2014	Q2 2013	Change	Change (%)	H1 2014	H1 2013	Change	Change (%)
Revenues	96,529	161,704	-65,175	-40%	221,933	269,148	-47,215	-18%
EBITDA	77,661	153,253	-75,592	-49%	173,826	243,039	-69,214	-28%
EBIT	70,511	146,948	76,437	-52%	160,227	230,149	69,922	-30%
CAPEX	7,380	1,109	6,271	565%	12,944	14,520	-1,576	-11%

The contribution of hydro power plants to total EBITDA of the Generation Segment in Q2 2014 was 41%. EBITDA generated in hydro power plants declined by 49% compared to Q2 2013. The lower EBITDA in Q2 of this year was lower production of electricity in hydro power plants (YoY decrease of 33%) in connection with hydrologic conditions worse than those in the similar period of the previous year.

A decline in revenues on sales of electricity and proper rights by 40% (or PLN 65 m) compared to the same period of the previous year resulted from the lower production in hydro power plants and lower selling prices.

Wind

The table presents individual data plus the management cost charge for managing the Generation Segment and consolidation adjustments.



Wind PLN 000s	Q2 2014	Q2 2013	Change	Change (%)	H1 2014	H1 2013	Change	Change (%)
Revenues	23,808	-	23,808	-	72,215	-	72,215	-
EBITDA	15,350	-	15,350	-	49,963	-	49,963	-
EBIT	5,310	-	5,310	-	30,175	-	30,175	-
CAPEX	2,298	302,396	-300,098	-99%	2,323	302,396	-300,073	-99%

The share of the water power plants in the total level of EBITDA of the Generation Segment in Q2 2014 was 8%. The wind farms were purchased at the end of June and in July 2013 and have been recognized in the results of ENERGA Group's Generation Segment starting from Q3 2013.

Revenues generated by ENERGA Group's wind assets in Q2 2014 reached almost PLN 24 m. The EBITDA achieved by ENERGA Group's wind farms was over PLN 15 m.

Ostrołęka Power Plant

The breakdown comprises individual data, including the costs of management of the Generation Segment and key consolidation adjustments (valuation of property rights and revaluation charges for property, plant and equipment).

Ostrołęka Power Plant PLN 000s	Q2 2014	Q2 2013	Change	Change (%)	H1 2014	H1 2013	Change	Change (%)
Revenues	283,109	179,479	103,629	58%	524,055	385,975	138,080	36%
EBITDA	104,905	-22,784	127,690	560%	151,856	-151,503	303,359	200%
EBIT	92,450	-33,849	126,299	373%	126,920	-176,366	303,285	172%
CAPEX	7,616	47,064	-39,448	-84%	12,688	57,627	-44,939	-78%

The contribution of Ostrołęka Power Plant to the total EBITDA of the Generation Segment in Q2 2014 was 55%.

In Q2 2014, sales revenues of the Ostrołęka Power Plant line of business increased in relation to the same period of last year by PLN 104 m, i.e. 58%. This resulted, among other things, from sale of the stock of property rights (green certificates) at prices higher than the prices on the date of generation³ (this applied primarily to the stock of property rights from co-burning of biomass for 2013, which were granted in 2014), increase of the electricity sales prices and higher revenues from regulated system services.

The average electricity sales price for own production was in Q2 2014 higher than in the corresponding period last year by 17%.

The result improved as a consequence of decrease of operating expenses in Ostrołęka Power Plant. The costs of fuel consumption dropped in Q2 2014 by 3% YoY, i.e. by PLN 4 m. The decrease of the fuel consumption costs was primarily the result of decrease of unit coal and biomass costs. The black coal consumption volume increased in Q2 2014 by 21% compared to the same period the year before. Additionally, reversal of the CO₂ provision established in 2013 for not received free allowances had positive impact (partly compensated by change of the rules of establishment of provisions for emission liabilities).

³ In accordance with the Group's Accounting Policy, certificates of origin generated in the given period are recognized at fair value as operating income and as inventory. Upon sale of the certificates the difference between the sales price obtained and the value of certificates determined at the time of generation is recognized as adjustment of operating income.



Other and adjustments

Other and adjustments PLN 000s	Q2 2014	Q2 2013	Change	Change (%)	H1 2014	H1 2013	Change	Change (%)
Revenues	34,151	25,151	9,000	36%	81,540	79,296	2,244	3%
EBITDA	-8,252	-7,139	-1,113	-16%	-2,156	7,588	-9,744	-128%
EBIT	-12,985	-11,992	-992	-8%	-11,802	-704	-11,098	-1,577%
CAPEX	28,216	58,505	-30,290	-52%	42,961	87,296	-44,334	-51%

The Other category comprises the Generation Segment's CHP assets, companies providing services to the Generation Segment and special purpose vehicles executing investment projects in the area of construction of new generation sources in the ENERGA Group. Consolidation adjustments are also recognized.

The capital expenditures in the Other and adjustments line item comprise additionally capital expenditures made by the special purpose vehicles of the Generation Segment, including the wind farm construction projects executed in the ENERGA Group.

4.3. Projected financial results

ENERGA SA's Management Board has not published forecast of stand-alone or consolidated financial results for the 2014 financial year.

4.4. Financial and market risk management

Implementing the provisions of the ENERGA Group Financial Policy, the Group companies conclude different kinds of financial agreements which entail financial and market risks. The most important ones include the interest rate risk, FX risk, credit risk and liquidity risk. The above risk categories determine the financial results of individual companies and the ENERGA Group.

Interest rate risk

ENERGA Capital Group companies finance their operating or investing activity with debt liabilities bearing interest at a floating or fixed interest rate. Interest rates are also associated with investment of surplus cash in floating or fixed interest rate assets.

The floating interest rate risk resulting from concluded debt liabilities pertains only to rates based on the WIBOR rate. In respect to liabilities denominated in EUR, the ENERGA Group has contracted financial debt under issued fixed-coupon Eurobonds.

In connection with implementation of hedge accounting, the Group also identifies interest rate risk related to the concluded CCIRS hedging transaction, which however has no effect on the Group's financial result.

According to the interest rate risk policy, risk of variation in interest rates is mitigated by maintaining a portion of debt with fixed interest rate. As part of those plans, in Q2 2014, IRS transactions were concluded to hedge the risk of the WIBOR 3M interest rate, which is used as the base for the company's debts in PLN.

Foreign exchange risk

In the financial area the FX risk is associated with incurring and servicing ENERGA Group's debt liabilities in foreign currencies, mainly under the EMTN Eurobond Issue Program. Additionally, selected Group companies had foreign currency surpluses resulting from their operating activity or debt issues.

The ENERGA Group monitors the foreign exchange risk and manages it primarily through contracted CCIRS hedge transactions and implemented hedge accounting.



Credit risk

This risk arises due to the counterparty's potential permanent or temporary insolvency with regard to financial assets such as cash and cash equivalents and financial assets available for sale. The risk arises due to the contractual counterparty's inability to make the payment and the maximum exposure to this risk equals the balance sheet value of acquired instruments. In this respect, to minimize credit risk the ratings of financial institutions with which the Group cooperates are monitored.

Credit risk is also incurred in the case of funds involved in participation units in the ENERGA Trading SFIO fund. According to the adopted investment policy, the fund invests in assets such as treasury bills and bonds and commercial debt instruments. Credit risk associated with investments in treasury bills and bonds is referred to the solvency risk of the State Treasury. Credit risk associated with investments in commercial debt instruments is mitigated through the fund's properly defined investment policy. The fund may invest its monies only in assets characterized by an investment rating awarded by rating agencies or awarded internally by the fund manager.

Liquidity risk

Risk of loss of financial liquidity – associated with the possibility of losing the ability to pay liabilities on time or losing possible benefits resulting from over-liquidity.

ENERGA Group companies monitor the liquidity risk using a periodic liquidity planning tool. The tool takes into account the payment due/maturity dates both for investment liabilities and financial assets and liabilities and projected cash flows from operating activity. The Group aims at maintaining the balance between continuity and flexibility of financing through use of various sources of financing, such as working capital and investment loans, local bonds and Eurobonds. Due to centralization of the debt-related activity in ENERGA SA, this entity conducts ongoing monitoring of fulfillment of the covenants and their forecasts in long-term periods, which makes it possible to define the Group's capability to incur debt, determines its investment capacity and affects its ability to pay liabilities on time in longer time horizon.

To efficiently manage the liquidity of Group companies, the ENERGA Group uses the mechanism of issuing short-term bonds offered by the issuer – a Group company – only to other Group companies. The procedure is coordinated by ENERGA SA, which makes it possible to optimize the organization of the whole process. In addition, ENERGA SA concluded with several financial institutions loan agreements which, if necessary, constitute a potential source of funds for immediate use. If it is necessary to use surplus cash, the ENERGA Trading SFIO fund makes it possible to redeem units at any time and makes it possible to maintain unlimited and quick access to the funds invested in it.

5. Risks and threats to the ENERGA Capital Group

The activity of key ENERGA Group companies, as power sector entities, is exposed to threats coming from both external environment and internal organization. Efficient and comprehensive management of such risks is ensured by the Integrated risk management system (ERM – Enterprise Risk Management) aimed at identifying potential events that may have impact on the organization, maintaining the risk within established boundaries and supporting the execution of strategic and operational objectives.

As part of periodic corporate risk assessments carried out in March and June 2014, the risks identified on the Group, Segment and company level were analyzed. The measurement of individual risks pertained to both measurement in the context of probability of materialization, impact on the strategic, financial (EBITDA), operational and legal and legislative area and effectiveness of the existing control mechanisms and financial measurement, i.e. the value of potential consequences measured in PLN.



5.1. Risk associated with macro-economic factors

The results of the ENERGA Group's activity depend on the country's macroeconomic situation which is subject to significant impact of the trends in the European economy. Among the risk factors associated with the economic prospects of the Eurozone one should list geopolitical threats and the situation in emerging economies and global financial markets. Poland's GDP growth rate, unemployment rate, inflation rate and interest rates are further macroeconomic factors which impact the Group's operations. Improvement of the situation in the labor market and stabilization of the economic growth in H1 2014 had positive impact on the Group's financial results, despite the fact that energy prices remained on a low level, which resulted from relatively low raw material prices in the global markets, and decrease of electricity tariffs by the ERO President in July 2013 and January 2014, and the expected absence of increases of energy prices until the end of this year. In June 2014 the European Central Bank (ECB) cut the interest rates, which caused an inflow of capital to countries with higher interest rates, including Poland.

As a result of these movements, the PLN strengthened and demand for treasury securities increased. A similar decision made by the Polish Monetary Policy Council (RPP) may impact the level of the Group's financial costs through reduction of interest on the debt based on variable interest rates. This applies also to interest income from investments. In the case of assets and liabilities denominated in foreign currencies the movements in the FX market towards appreciation of PLN also impact the results.

5.2. Risk associated with competitive activity

In connection with new players appearing in the energy seller market and increasing interest of consumers in changing the seller, the ENERGA Group is exposed to the risk of higher competition which may force it to reduce electricity sales prices or result in drop of the volume of sold electricity, which in turn may have material unfavorable impact on the financial standing. As it appears from the monitoring by the ERO President, as at the end of May 2014, over 201 thousand households (i.e. G tariff group) throughout Poland took advantage of the right to choose the seller. In the area of DSO ENERGA-OPERATOR SA there were over 38 thousand such users. As for industrial buyers (i.e. A, B and C tariff groups) the number of seller changes as at the end of May 2014 exceeded 111 thousand and from the end of December 2013 increased by 20.6%. To mitigate this risk actions are taken to monitor the customer satisfaction level and monitoring of market sentiments is carried out, thanks to which the Group's operating activities are adapted to market conditions. Increase of energy awareness among consumers, spreading of energy efficient technologies and simplified consumer procedures also are not insignificant to the sales volume and, as a consequence, to the Group's financial results.

5.3. Legal risk

The nature of the current operating activities of individual ENERGA Group companies, and unsettled legal status of real properties on which the network infrastructure is located constitute the current risk factors of legal nature. Coordination of court, arbitration and administration proceedings in the Group, monitoring and reporting of the value of litigations and other actions taken both by ENERGA SA and companies being parties to the proceedings, are aimed at mitigating the risk and resolution of court disputes, if any, in a manner desired by the Group. Although historically, in the ENERGA Group, there was a negligible number of cases in which the companies were forced to pay any significant fines, a tendency can be seen in the market to make claims against companies dealing with distribution and transmission of energy, and the number of court cases and value of litigations increase every year.

5.4. Regulatory risk

Regulations and laws, both national and EU, have significant impact on the ENERGA Group's activity. Unstable legal environment and potentially unfavorable changes in the energy law and related regulations may have negative impact on the activity of individual companies and the entire



ENERGA Group, which is described in more detail in chapter 3.3. Regulatory Environment, of this Report.

5.5. Loss of concession risk

Business activity in the area of generation, distribution and sale of electricity and heat is based on concessions. Maintaining concessions or other administrative permits held by individual Group companies is a condition for further conduct of operations. The probability of materialization of this risk is not high, but its consequences may have significant negative impact on the activity, financial performance, financial standing and growth prospects of the ENERGA Group.

5.6. Operational risk

Due to the large size of ENERGA Group's assets and the age of some facilities, the Group's activity is exposed to such risk factors as: breakdowns, weather anomalies, fortuitous events or acts of vandalism. Actions taken in this respect (among other things, insurance agreements) are aimed at ensuring an optimum level of security of the Group's assets and operations. One should note, however, that there are areas where insurance cover does not guarantee funds to cover all lost benefits or replacement of assets.

The legal obligation of connection of new buyers and generators of electricity from RES to the distribution network on a request satisfying specific technical and economic criteria, results in the necessity to incur capital expenditures on the power grid on all voltage levels. Thus optimum matching of the distribution network development plan to the expectations of the stakeholders constitutes an important issue because failure to meet the legal obligations in this respect may in particular result in the necessity to pay compensations or fines envisaged by the Energy Law.

Power utilities in Poland, just like in Europe and globally, are potential targets of hacking attacks, hence the risk associated with security and functionality of IT systems in the organization becomes increasingly important. Additionally, due to the complicated nature of the Group, in the daily operational work, different IT systems are used, which generates additional risk of lack of coordination and cooperation between them.

Inconsistency between the systems is also significant in the area of customer service, which results in high costs of customer retention, targeting customers with a new, consistent offering, and collection of receivables. In connection with this threat, the ENERGA Group introduces pertinent control mechanisms and implements procedures and takes appropriate measures to minimize the risk of failure of IT systems and safeguard the organization against third party actions.

Some of the electricity produced by the ENERGA Group is generated in the Włocławek Water Power Plant, hence the question of correct operation of this plant impacts the Group's operational activity. The risk pertains to availability of generation facilities, impact and limitations related to atmospheric and hydrological factors, efficiency of the production infrastructure of EW Włocławek, and fortuitous events which may halt production and the work of the power plant, e.g. due to an accident, intentional actions of third parties or lack of human potential (qualified maintenance employees). The actions taken in this respect and the control mechanisms introduced are aimed at preventing the materialization of the risk and ensuring continuity of operations of EW Włocławek's production infrastructure.

6. Material events in the reporting period and after the balance sheet date

6.1. Distribution of ENERGA SA's net profit for 2013

In accordance with the content of Current Report No. 24/2014 of 20 May 2014, the Company announced that the Annual General Meeting of ENERGA SA held on the date of the Current Report, adopted a resolution on distribution of net profit for the financial year covering the period from 1 January to 31 December 2013 in the amount of PLN 499,048,758.09, with the following



allocation: dividend for shareholders – PLN 414,067,114.00, i.e. PLN 1.00 per share (approx. 83% of net profit), and for reserve capital – PLN 84,981,644.09 (approx. 17% of net profit). The number of shares covered by the dividend was 414,067,114. The dividend date was set at 27 May 2014 and the dividend payment date at 10 June 2014.

6.2. Annual General Meeting of ENERGA SA of 20 May 2014

In Current Report No. 20/2014 of 23 April 2014, the Company published information on convening the Annual General Meeting of ENERGA SA ("AGM") to be held on 20 May 2014. In the next current report the Company also published the content of AGM resolutions and in current report no. 25/2014 of 21 May 2014 published the results of voting on individual resolutions adopted at the AGM. Then, on 26 May 2014, ENERGA SA announced in Current Report No. 27/2014, that at the Company's AGM the only shareholder holding at least 5% of votes was the State Treasury, entitled to 358,254,317 votes from the shares held, constituting 90.6% in the total number of votes participating in the AGM, and corresponding to 64.09% of the total number of votes in the Company.

6.3. Sale of ENERGA SA's shares by a subsidiary, ENERGA Wytwarzanie SA

On 12 June 2014, the Company announced (Current Report No. 31/2014) that on this day the subsidiary, ENERGA Wytwarzanie SA, sold 3,190 shares of ENERGA SA at the average purchase price of PLN 20.36 per share, i.e. for the total amount of PLN 64,935.89. The Company's shares sold by ENERGA Wytwarzanie SA with the par value of PLN 10.92 each, constituted 0.00077% of ENERGA SA's share capital and entitled the holder to 3,190 votes at the Company's General Meeting. Following the share purchase transaction ENERGA Wytwarzanie SA does not hold any shares in the Company.

6.4. Dissolution of ENERGA Elektrociepłownia Kalisz SA

The Extraordinary General Meeting of an indirect subsidiary, ENERGA Elektrociepłownia Kalisz SA, on 1 July 2014 adopted resolutions on dissolution of the company and opening its liquidation and establishing a liquidator, Paweł Błażyński. ENERGA SA announced this fact in Current Report No. 33/2014 dated 3 July 2014. ENERGA Elektrociepłownia Kalisz SA is a 100% subsidiary of ENERGA Kogeneracja Sp. z o.o., where 100% shares are held by the Issuer's direct subsidiary – ENERGA Wytwarzanie SA. The company's production assets and real properties were sold in full to ENERGA Kogeneracja Sp. z o.o., and an organized part of its enterprise was transferred to ENERGA SA's indirect subsidiary – Ciepło Kaliskie Sp. z o.o. The process of the company dissolution results from the consolidation of individual operating Segments and is aimed at simplification of the structure and limitation of the number of entities in the ENERGA Group.

6.5. Information on material agreements and transactions concluded with related entities

In the ENERGA Group, material agreements are those, which:

- are concluded outside of the ordinary course of business, including agreements to acquire shares in other entities,
- agreements concluded in the ordinary course of business whose value exceeds 10% of the Company's equity or agreements which are material for the Group's activity, regardless of their value, including electricity transmission agreements, "intervention work" agreements, agreements on fuel supply by entities from outside the Group, and
- financing arrangements.

6.5.1 Update of the estimate value of ENERGA Group's agreements with PSE SA

The Issuer's subsidiary, ENERGA Elektrownie Ostrołęka SA (EEO), on 27 May 2014, submitted information about annual update of the estimate value of the agreement entered into on 23 February 2012 on provision of electricity transmission services with PSE SA as a result of which it updated the estimate value of the agreements between ENERGA Group's entities and the PSE SA



capital group. The estimated net value of the aforementioned agreement in the period of 5 years amounted to approx. PLN 3 bn, and its revaluation resulted from the following reasons:

- increase of revenues from electricity produced as part of forced generation for PSE in connection with decrease of electricity prices in the market,
- occurrence, from the beginning of 2014, of an increased payment for the operating reserve in connection with introduction of the so-called "capacity mechanism".

Consequently, the total estimate turnover of the ENERGA Group with PSE in the five-year period increased to the net amount of PLN 7.4 bn, which was communicated by ENERGA SA in Current Report No. 28/2014 of 27 May 2014.

6.5.2 Conclusion of an amendment agreement between ENERGA SA and Pekao SA

In accordance with Current Report No. 32/2014 of 25 June 2014, ENERGA SA entered into an amendment agreement to the loan agreement with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw (Pekao S.A.) of 13 October 2011 (Agreement), under which the renewable loan limit under the Agreement was increased from PLN 200 m to PLN 500 m and the repayment date of the final installment was changed from 12 October 2016 to 29 May 2020. The amendment agreement was the biggest, in terms of value, among all agreements entered into by the ENERGA Group with Pekao S.A. over the past 12 months, and as a result of its conclusion the total estimate turnover of the ENERGA Group with Pekao S.A. increased to a net amount of approx. PLN 886 m.

6.5.3 Guarantees and sureties

Upon request of ENERGA SA, the surety agreement concluded on 19 April 2013 with PGE Polska Grupa Energetyczna SA, under which PGE extended a surety to ENERGA-OBRÓT for the period from 30 April 2013 to 30 June 2016 for trade liabilities associated with the purchase of electricity up to PLN 500 m, was terminated with effect on 1 February 2014.

In Q2 2014, the situation of the ENERGA Group in respect to guarantees and sureties did not change as compared to 31 March 2013.

6.5.4 Transactions with related entities

Information on the transactions with affiliated entities is presented in note no. 18 to the Condensed consolidated interim financial statements for the period of 6 months ended 30 June 2014.

6.6. Transfer of the Issuer's bonds to the regulated market

On 24 June 2014, in line with the Company's request, ENERGA SA bonds were moved from the over-the-counter trading on Catalyst to the regulated market, which was reported by the Management Board of ENERGA SA in a Current Report.

6.7. Amendments to ENERGA SA's Articles of Association

On 8 April 2014, the District Court Gdańsk-Północ in Gdańsk, the 7th Economic Division of the National Court Register entered in the register of undertakings KRS an amendment to the Articles of Association of ENERGA SA adopted by a resolution of the Extraordinary General Meeting of ENERGA SA of 17 February 2014. The current § 33 section 2 of the Company's Articles of Association, reading:

„2. The personal rights referred to in § 18 and § 19 of the Articles of Association shall expire on the day on which the share of the rights holder in the share capital falls below 10%.”,

will not read as follows:

„2. The personal rights referred to in § 18 and § 19 of the Articles of Association shall expire on the day on which the share of the rights holder in the share capital falls below 20%.”,

The Company reported on the amendments in its Current Report No. 19/2014 of 11 April 2014.



6.8. Research and development functions

On 27 June 2014, the ENERGA Group, together with 3 biggest energy groups in Poland (i.e. PGE, Tauron and ENEA) undertook cooperation in the area of research, innovation and improvement of competitiveness, signing a letter of intent on cooperation in research and development projects. The main objective of the cooperation is to look for technological solutions addressing key challenges faced by the Polish energy sector, inter alia, reduction of CO₂ emissions, increase of energy efficiency and development of intelligent networks.

7. Shares and shareholding structure

7.1. ENERGA SA's shareholding structure

Issuer's shares by series and types

Series	Type of action	Shares	(%)	Votes	(%)
AA	ordinary bearer shares	269,139,114	65.00	269,139,114	48.15
BB	registered preferred shares*	144,928,000	35.00	289,856,000	51.85
TOTAL		414,067,114	100.00	558,995,114	100.00

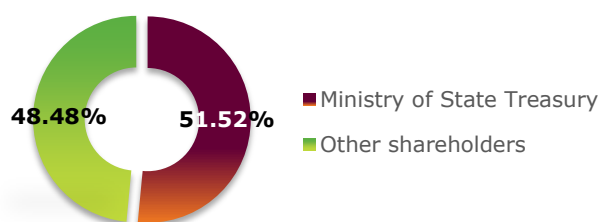
* One preferred share entitles its holder to two votes at the General Meeting. The owner of these shares is the State Treasury.

On 27 January 2014, State Treasury Minister announced that as a result of return transfer of 6,286,317 series AA ordinary bearer shares of the Company outside the regulated market by one of stabilizing managers (IPO-related stabilization activities were completed in December 2013), the State Treasury's shareholding in ENERGA SA increased. The State Treasury held 144,928,000 series BB registered shares preferred in terms of voting at the General Meeting so that one share entitles the holder to 2 votes at the General Meeting.

Shareholding structure of ENERGA as at 27 January 2014 and the date of preparing this Report

Shareholder's name	Company's shareholding structure			
	Shares	(%)	Votes	(%)
State Treasury*	213,326,317	51.52	358,254,317	64.09
Others	200,740,797	48.48	200,740,797	35.91
TOTAL	414,067,114	100.00	558,995,114	100.00

* One preferred share entitles its holder to two votes at the General Meeting.



7.2. Company listings on the Warsaw Stock Exchange

Data for ENERGA in H1 2014

Data	Value
Issue Price	PLN 17.00
Number of shares	414,067,114



H1 2014 Min.	PLN 15.51
H1 2014 Max.	PLN 21.09
Stock price at the end of the period	PLN 20.68
Minimum at closing in H1 2014	PLN 15.80
Maximum at closing in H1 2014	PLN 20.80
Average turnover	PLN 24,243 thousand
Average trading volume	1,334,155
Average number of trades	1,729

Source: Proprietary material based on data from Central Statistical www.gpwinfostrefa.pl.

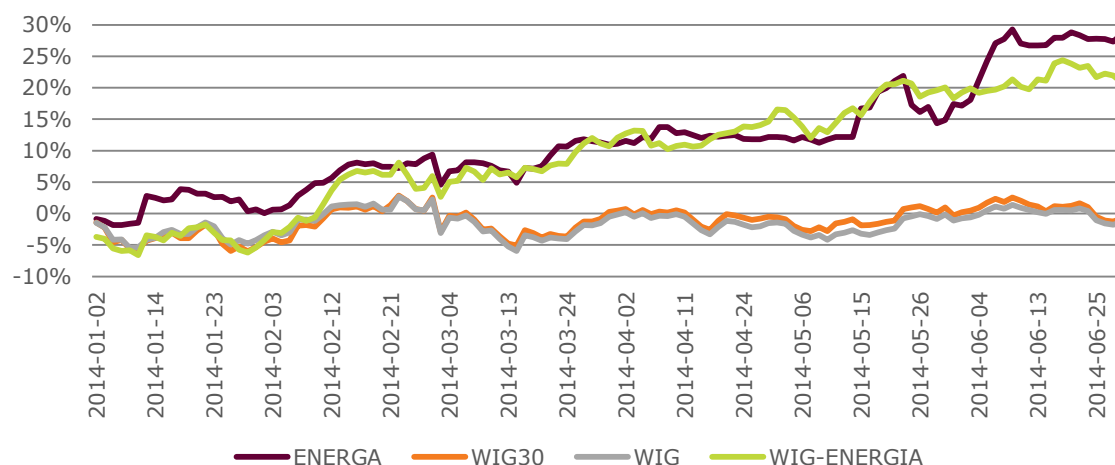
In the period from 1 January to 30 June 2014, the ENERGA SA stock price increased from PLN 15.95 to PLN 20.68 at the end of the period. This represented an increase of about 30% from the price in the beginning of the period. On 7 January 2014, the stock price reached the H1 2014 minimum of PLN 15.51, with a session closing price of PLN 15.80, while the maximum price was achieved on 10 June when PLN 20.80 was paid per share of the Company. The upward trend was maintained also after the end of the reporting period. The Company's stock price crossed the PLN 21 threshold on 24 July, reaching PLN 21.40 at session closing.

Fig. 18. ENERGA SA stock price in H1 2014



Source: In-house study based on the data from gpwinfostrefa.pl.

Fig. 19. Changes in ENERGA stock prices compared to changes in WIG 30, WIG and WIG-ENERGIA in H1 2014



Source: In-house study based on the data from gpwinfostrefa.pl.



As at 30 June 2014, ENERGA SA comprised the following stock market indices:

- **WIG30** – price index (meaning that only prices of concluded transactions are taken into account in its calculation) launched on 23 September 2013, comprising (30) companies with the highest position in the ranking determined on the basis of the data after the last session of January, April, July and October. The ranking is calculated on the basis of the trading volume for the past 12 months and the value of shares in free float as at the ranking date.
- **MSCI-Poland** – an index which is an important factor for foreign funds investing in Polish equities. Equities of a company may be eligible for the index if they have the required market capitalization and adequate liquidity.
- **WIG** – an index comprised of all companies listed on the Main Market of the Warsaw Stock Exchange (WSE), which meet the base criteria for participation in the indices.
- **WIG-Energia** – a sector index, which is comprised of companies which participate in the WIG index and are at the same time categorized as "power sector" companies.
- **WIG-Poland** – an index comprised only of shares of domestic companies listed on the Main Market of WSE, which meet the base criteria for participation in the indices.

The Company's shares have been listed in the MSCI Poland index starting from 2 June 2014. In addition, pursuant to the decision of the WSE Management Board of 12 May 2014, after the session on 20 June, ENERGA SA's shares were included in the WIG30 index, which resulted from the quarterly review of the index under which the list of its participants changes and the sizes of stakes of participating equities are determined.

7.3. Recommendations for the shares in the Company

In H1 2014, the analysts of brokerage houses and investment banks issued the following recommendations for ENERGA SA shares:

Recommendations issued for the shares of ENERGA

Date	Institution	Recommendation	Target price	Listing on the date of issuing the
16 July 2014	DM Citi Handlowy	Neutral	PLN 19.80	PLN 20.77
27 June 2014	Trigon Dom Maklerski	Buy	PLN 25.50	PLN 20.55
23 June 2014	JP Morgan	Overweigh	PLN 23.00	PLN 20.73
16 June 2014	Wood&Co	Hold	PLN 21.90	PLN 20.40
5 June 2014	UBS	Buy	PLN 21.00	PLN 20.00
4 June 2014	Ipopema	Hold	PLN 20.60	PLN 17.40
25 May 2014	mDom Maklerski	Hold	PLN 19.90	PLN 18.85
14 April 2014	DB Securities	Hold	PLN 18.40	PLN 18.17
4 April 2014	UniCredit	Buy	PLN 21.80	PLN 17.85
10 March 2014	PKO Dom Maklerski	Buy	PLN 18.80	PLN 17.50
6 March 2014	mDom Maklerski	Accumulate	PLN 19.90	PLN 17.20
7 February 2014	Dom Maklerski Citi Handlowy	Buy	PLN 19.00	PLN 16.55
23 January 2014	mDom Maklerski	Buy	PLN 19.90	PLN 16.60
17 January 2014	PKO Dom Maklerski	Buy	PLN 18.20	PLN 16.71
13 January 2014	UniCredit	Buy	PLN 17.90	PLN 16.54
13 January 2014	BofA Merrill Lynch	Buy	PLN 18.00	PLN 16.54
13 January 2014	UBS	Buy	PLN 17.50	PLN 16.54
13 January 2014	JP Morgan	Overweigh	PLN 19.00	PLN 16.54



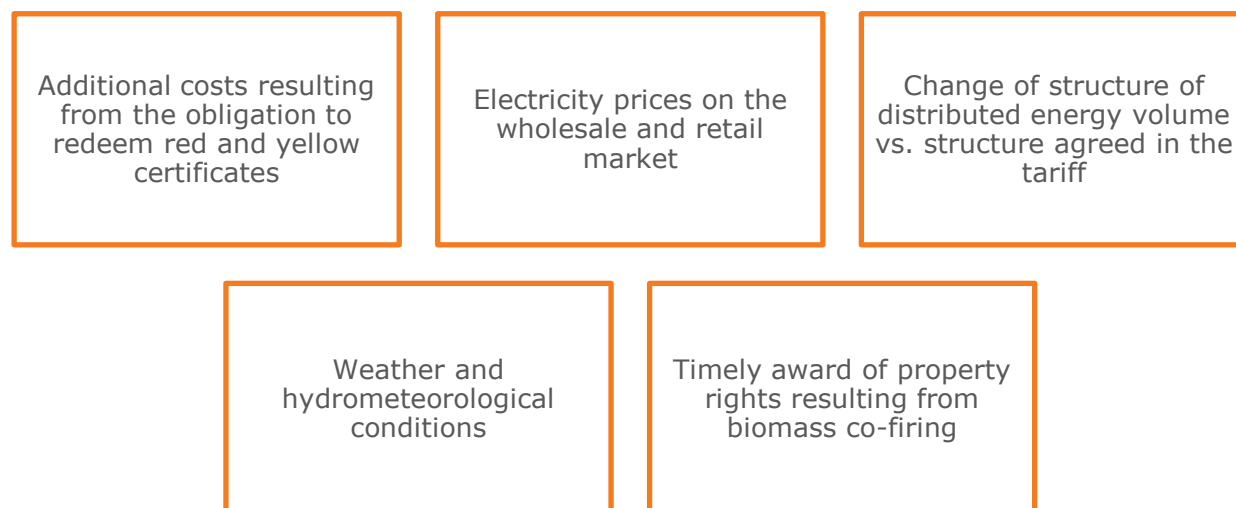
7.4. Ratings

By the date of this Report, the ratings awarded to ENERGA have not changed and were as follows:

	Moody's	Fitch
Company's long-term rating	Baa1	BBB
Rating outlook	Stable	Stable
Rating date	23 December 2011	19 January 2012
Last change of rating		12 October 2012
Last confirmation of rating	16 December 2013	10 October 2013

8. ENERGA Group performance drivers in the next quarter and later

In the opinion of the ENERGA SA Management Board, the following factors may impact the results and activity of the Company and the ENERGA Group in the perspective of at least one quarter of 2014:



9. ENERGA SA's governing bodies

9.1. Composition of the Management Board

As at the delivery date of this report the personnel composition of the Management Board was as follows:

Name of the Management Board member	Function
Mirosław Bieliński	President of the Management Board
Roman Szyszko	Executive Vice-President of the Management Board
Wojciech Topolnicki	Executive Vice-President of the Management Board

9.2. Appointment of Supervisory Board members

In Current Report No. 2/2014 of 17 January 2014 the Company published information about submission by the Shareholder, State Treasury Minister, of a representation on appointment on 16 January 2014 of Mr. Bogusław Nadolnik to the Supervisory Board pursuant to its personal right under § 18 sec. 3 item 3 of the Company's Articles of Association.

On 21 May 2014, in Current Report No. 26/2014, the Company published information about appointment by the State Treasury Minister, pursuant to its personal right, the following persons to the Supervisory Board:



- Mr. Zbigniew Wtulich as a Supervisory Board Member,
- Mr. Bogusław Nadolnik as a Supervisory Board Member and nominated him, pursuant to § 19 sec. 1 of the Company's Articles of Association, to be the Supervisory Board Chairman,
- Ms. Paula Ziemiecka-Księżak as a Supervisory Board Member,
- Mr. Jakub Żołyniak as a Supervisory Board Member.

In addition, the Company's AGM, on 20 May 2014, adopted a resolution to appoint to the Supervisory Board 3 persons satisfying the criteria of independence:

- Mr. Mirosław Szreder as a Supervisory Board Member,
- Mr. Marian Gawrylczyk as a Supervisory Board Member, and
- Mr. Jarosław Mioduszeński as a Supervisory Board Member.

The aforementioned persons were appointed to discharge the above functions for a joint fourth term of office, starting as of the date of adoption of the resolution by the Issuer's Annual General Meeting.

On 6 June 2014 the Company's Supervisory Board was officially formed, which was communicated by ENERGA SA in Current Report No. 29/2014. In addition, the Supervisory Board decided to appoint to the Audit Committee the following members: Mirosław Szreder, Marian Gawrylczyk, Jarosław Mioduszeński and Zbigniew Wtulich. On 8 August 2014, Mr. Mirosław Szreder became the Chairman of the Audit Committee.

As at the date of this Report the following persons sat on the Supervisory Board:

Name of the Supervisory Board member	Function
Bogusław Nadolnik	Supervisory Board Chairman
Marian Gawrylczyk	Supervisory Board Deputy Chairman, Audit Committee Member
Paula Ziemiecka-Księżak	Supervisory Board Secretary
Jarosław Mioduszeński	Supervisory Board member, Audit Committee member
Mirosław Szreder	Supervisory Board member, Audit Committee Chairman
Zbigniew Wtulich	Supervisory Board member, Audit Committee member
Jakub Żołyniak	Supervisory Board member

9.3. Shares held by executive and supervisory personnel

In the Current Report No. 22/2014, the Company reported that on 7 May 2014 it received a notification from Mr. Mirosław Bieliński, the CEO of ENERGA SA, about his purchase, on 25 April 2014, of 725 shares of ENERGA SA at PLN 17.97 per share, in session transactions at WSE.

Number of Company shares and shares in related entities held by persons discharging management functions as at 8 May 2014 and the date of this Report, i.e. 12 August 2014

Full name	ENERGA shares		Shares in entities related to ENERGA	
	Number of shares	Par value in PLN	Number of shares	Par value in PLN
status as at the date of this Report, i.e. 12 August 2014				
Mirosław Bieliński	2,500	27,300	0	0
Roman Szyszko	0	0	0	0
Wojciech Topolnicki	0	0	0	0



Number of Company shares and shares in related entities held by persons discharging supervisory functions as at 30 June 2014 and the date of this Report

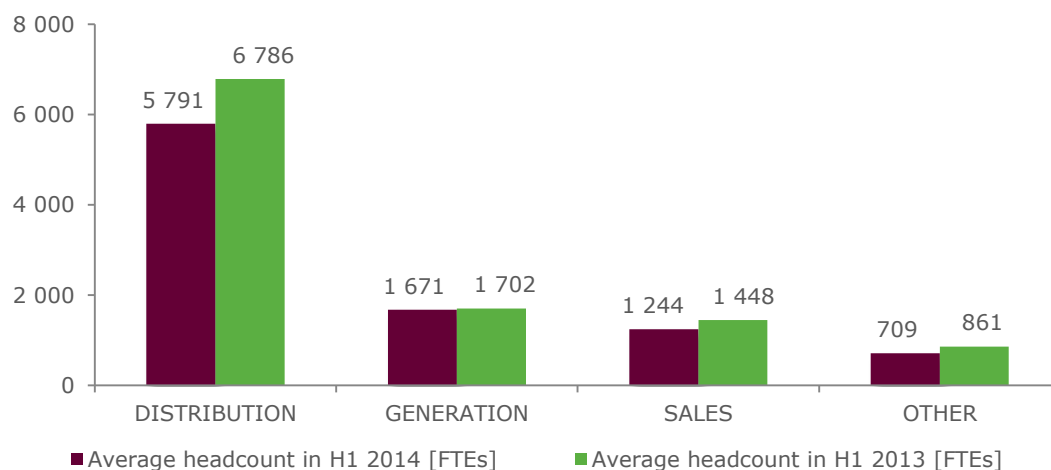
Full name	ENERGA shares		Shares in entities related to ENERGA	
	Number of shares	Par value in PLN	Number of shares	Nominal value in PLN
as at 30 June 2014 and the date of this Report, i.e. 12 August 2014				
Bogusław Nadolnik	0	0	0	0
Zbigniew Wtulich	0	0	0	0
Marian Gawrylczyk	0	0	0	0
Paula Ziemiecka-Księżak	0	0	0	0
Jarosław Mioduszewski	0	0	0	0
Mirosław Szreder	0	0	0	0
Jakub Żołyniak	0	0	0	0

10. Other information of importance for evaluating the personnel, assets and financial standing of the ENERGA Group

10.1. Headcount in the Group

As at 30 June 2014, the total headcount at the ENERGA Group was 9,187 people, compared to 10,770 people at the end of H1 2013; average headcount in FTEs in the period of January-June 2014 was 9,415 FTEs (10,797 in H1 2013). The chart below presents the average headcount by Segment*.

Fig. 20. Average headcount in the ENERGA Group in the period of January-June 2014 and 2013 (FTEs)



* Data from Group companies by Segment, in accordance with the Resolution of the ENERGA SA Management Board of 20 January 2014.

During the 12 months ended 30 June 2014, the headcount in the ENERGA Group decreased by 1,583 people, which is almost 15%. The headcount decreased in all the operating Segments. The biggest drop in employment was recorded in the electricity Distribution Segment - by almost 1,100 persons, or 16.3%. This decline was driven mainly by the continuing employment restructuring process and the sale of companies, which were not associated through relevant processes with the Distribution Segment. The Sales Segment has also recorded a significant decrease in employment



by 289 persons, or 19.5%, driven by the implemented restructuring plan. A change in the headcount in the Other Segment resulted from the sale or liquidation of certain companies classified in that Segment and reorganization carried out in other companies.

10.2. Collective disputes and agreements

As at 30 June 2014, approx. 61% of our employees belonged to trade unions and there were 30 inter-company trade union organizations active in more than one entity in the Group. Most organizations belong or are affiliated with the following three trade unions and trade union federations which have representation rights on the national level: NSZZ Solidarność, Trade Union of Engineers and Technicians and the Trade Union College.

The Group companies and trade unions are also parties to collective bargaining agreements that guarantee a specific level of employee benefits. The possibility of termination of collective bargaining agreements by the Group companies is limited due to their provisions.

On 8 May 2014, joint representation of the trade unions MOZ NSZZ "Solidarność" and MZZ Pracowników Energetyki Płockiej applied to the employer ZEP-Centrum Handlowe Sp. z o.o. with demands pertaining to:

- inclusion of the trade unions as a party in the decision-making on determining the amount of base salaries and the bonus fund for employees;
- payment of an overdue bonus according to the bylaws to each employee, in the amount of 20% of the employee's base salary, by 14 May 2014;
- increase of the base salary for each company employee by PLN 500 gross as of 1 June 2014.

A collective dispute was initiated between the parties. On 28 May 2014 the parties held negotiations ended with signing a discrepancy report. Currently the dispute is at the stage of mediations.

In addition, on 20 May 2014, Organizacja Międzyzakładowa NSZZ "Solidarność" Region Mazowsze in ENERGA Elektrownie Ostrołęka SA, acting in ENERGA Serwis Sp. z o.o., filed with the employer, ENERGA Serwis sp. z o.o., demands pertaining to granting an additional one-off bonus in the amount of PLN 2,000 to the employees taken over from ENERGA Elektrownie Ostrołęka SA. As the parties did not come to an agreement with regard to the demands, a collective dispute was initiated. The dispute was reported to the Regional Labor Inspectorate (OIP) in Warsaw on 29 May 2014 (registered on 4 June 2014). The parties did not reach an agreement and ended the stage of negotiations on 5 June 2014 by signing a discrepancy report. The first meeting at the stage of mediations was set for 9 July 2014.

10.3. ENERGA-OBROT as "ex officio seller"

Pursuant to the Energy Law, a RES generator may offer electricity to ENERGA-OBROT. In such case ENERGA-OBROT is obligated to purchase the electricity generated from RES from the generator connected to the network in the geographic area where it conducts activity as the so-called ex officio seller, at the price equal to the average electricity sales price at the competitive market in the previous calendar year, announced by the President of Energy Regulatory Office. As a consequence, if at the time of purchase the electricity market price is lower than the price of the President of Energy Regulatory Office, the competitive position of ENERGA-OBROT may be weakened or the company may be forced to resell the energy with a loss.

Due to the fact that ENERGA-OBROT is an entity purchasing a significant amount of electricity from RES in Poland, it is particularly exposed to unfavorable relations between the price announced by the President of Energy Regulatory Office and the market price of electricity. Continuation of this situation or its further occurrence in the future may have unfavorable impact on the competitive position and margins earned on sale of electricity to end users, which may have significant unfavorable impact on the activity, financial performance, financial standing and prospects of development of the ENERGA Group.



10.4. Proceedings pending before the court, arbitration bodies or public administration bodies

As at 30 June 2014, the ENERGA Group was a party to 4,838 court procedures; their total value did not exceed 10% of ENERGA SA's equity. The Group was the plaintiff in 3,070 cases where the aggregated value of the subject matter of the dispute was approx. PLN 121 m. The Group was the defendant in 1,747 cases where the aggregated value of the subject matter of the dispute was approx. PLN 357.3 m.

As at 30 June 2014, the total value of claims related to placement of electric power devices on third party's real properties without the legal title, awarded by a legally binding court ruling, was PLN 8 m (there were 1,369 cases). The value of the subject matter of the dispute in 2,169 pending court cases was PLN 238.4 m. On the basis of the available data regarding the currently pending procedures, we assume that the amount to be paid after the foregoing disputes are resolved may be PLN 65.2 m, with the reservation that that amount may change if new court cases related to placement of electric power devices on third party's real properties without the legal title are commenced against ENERGA-OPERATOR.

In addition, on 18 February 2014, ENERGA's Management Board announced in the form of Current Report No. 12/2014 that in the case filed by a shareholder, FORTA Sp. z o.o., seated in Jasin, the Regional Court in Gdańsk, in its judgment of 26 March 2014 in the case with file no. IX Gc 820/13:

- dismissed the case for declaring invalid or repealing resolution no. 24 of the ENERGA SA EGM of 3 September 2013 in the matter of determining the series of the Company's shares and amending the Company's Articles of Association referred to in the resolution on preferential treatment of series BB shares in terms of voting rights (one preference share entitles the holder to two votes at the General Meeting), finding the claim groundless;
- discontinued the proceedings in the part pertaining to repealing resolution no. 23 of the ENERGA SA EGM of 3 September 2013 in the matter of decreasing the Company's share capital due to effective withdrawal of the claim in this part by FORTA Sp. z o.o.;
- awarded the costs of the proceeding from the plaintiff, FORTA Sp. z o.o., to the defendant, ENERGA.

The dismissal of the claim is not final. Forta requested a justification of the judgment. No appeal in this respect has been delivered by 30 June 2014. The judgment on discontinuation of the proceedings pertaining to the withdrawn claim is final.



11. Prizes and distinctions received by the ENERGA Group in H1 2014

In H1 2014 the ENERGA Group and individual Group companies received the following prizes and distinctions:

<p>17 February 2014: Distinction for ENERGA SA for the highest IPO value in 2013 granted by WSE</p>	<p>15 February 2014 Title of the Sponsor of the Year 2013 for ENERGA SA granted by the Mayor of Toruń for contribution to development of sport in Toruń</p>	<p>1 April 2014 3rd place for ENERGA SA in the category "Investor Relations" in the ranking "Listed Company of the Year" granted by <i>Puls Biznesu</i></p>
<p>21 May 2014 ENERGA-OPERATOR SA winner of the Leaders of the Energy World Competition – 2013 organized by Euro Power</p>	<p>3 May 2014 CSR White Leaf for the ENERGA Group for implementation of material solutions for efficient management of the organization's impact and continuing improvement of the measures in this respect granted by <i>Polityka</i></p>	<p>25 June 2014 Premium Brand 2014 title after an audit of reputation of brands among consumers and companies in the business environment organized by MMT Management</p>



12. Management Board's representation

The ENERGA SA Management Board hereby represents that:

- (i) according to the best knowledge, the condensed interim consolidated and stand-alone financial statements and the comparative data were prepared in line with the accounting principles, and reflect, truly, reliably, and clearly, the asset and financial position of ENERGA SA and the ENERGA Capital Group and its financial result. The Management Board Report on the activity of the ENERGA Capital Group contains a true presentation of developments, achievements, and situation of the Capital Group, including a description of key risks and threats;
- (ii) KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa, an entity authorized to audit the financial statements, which reviewed the condensed consolidated interim financial statements of the ENERGA Capital Group and the stand-alone interim financial statements of ENERGA SA for H1 2014, was selected in accordance with the applicable regulations. That entity as well as the statutory auditors who reviewed the aforementioned financial statements satisfied the conditions for issuing unbiased and independent reports on the review of the interim condensed financial statements as required by the binding regulations and professional norms.

Gdańsk, 12 August 2014

Signatures of ENERGA SA Management Board Members

Mirosław Bieliński

President of the ENERGA SA Management Board

Roman Szyszko

Executive Vice-President of the ENERGA SA Management Board, Chief Financial Officer

Wojciech Topolnicki

Executive Vice-President of the ENERGA SA Management Board, Growth Strategy



Glossary of terms and abbreviations

AGM	Annual General Meeting of ENERGA SA convened this year for 20 May 2014
BASE	Contract for the supply of 1MWh during every hour of the day
Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and remnants of agricultural and forestry production, the industry processing their products, and also a portion of other biodegradable waste, and especially agricultural raw materials
Book value per share	Book value, meaning assets reduced by liabilities, divided by the number of shares
CAPEX	Capital expenditures
Catalyst	The Catalyst bond market is run on the transaction platforms of the Warsaw Stock Exchange and BondSpot
Certificate of origin	Certificate of origin from renewable sources and certificate of origin from cogeneration
Certificate of origin from co-generation	Document issued by the ERO President pursuant to art. 9I of the Energy Law confirming the generation of electrical energy in highly-efficient cogeneration generated in: (i) a cogeneration unit fired with gaseous fuels or with the total installed electrical capacity at source being under 1 MW (known as a yellow certificate), (ii) a cogeneration unit fired with methane released and drained in the course of underground mining activity in hard coal mines that are active, that are being shut down or that have been shut down or with gas obtained by processing biomass (known as a purple certificate), or (iii) some other cogeneration unit (known as a red certificate)
Certificate of origin from renewable energy sources, green certificate	Document issued by the ERO President pursuant to art. 9e of the Energy Law confirming the generation of electrical energy in a renewable energy source (known as a green certificate)
CIRS, CCIRS	Currency Interest Rate Swap or Cross-Currency Interest Rate Swap transactions, as part of which payments will be made in two different currencies on the basis of variable interest rates for the set period of time and in the set frequency
CRE	Reference Price of Electricity
CRM (Customer Relationship Management)	A system to manage Customer relationships. The CRM method is an approach based on identification and maintenance of close relations with the Customer. The main goal is to grow sales volumes and improve service quality over the long term
CO ₂	Carbon dioxide
Cogeneration, CHP	Technological process of simultaneous combustion of heat and electrical or mechanical energy in the course of the very same technological process
Co-firing	Generation of electricity or heat using a process of simultaneous and joint combustion of biomass or biogas with other fuels in a single device; a portion of the energy generated in this manner may be deemed to be energy generated in a renewable energy source
Covenants	Contractual clauses providing safeguards
Distribution System Operator, DSO	Utility dealing with the distribution of gaseous fuels or electrical energy, responsible for grid operation in the gaseous distribution system or in the electrical energy distribution system, the current and long-term operational safety of this system, the operation, maintenance, refurbishment and required expansion of the distribution grid, including connections with other gaseous systems or other electrical energy systems
DSCR - Debt Service Coverage Ratio	The debt service coverage ratio shows the coverage of due and payable credit liabilities, including interest, with the financial surplus (remaining at the company's disposal) earned in the period. The ratio is calculated as follows: Debt service coverage ratio = [(net profit + depreciation + interest) / (principal installments + interest)] x 100%
EBITDA – Earnings before interest, taxes, depreciation and amortization	ENERGA SA defines and calculates EBITDA as operating profit /(loss) (calculated as the net profit /(loss) on continuing operations for the financial period/year, adjusted by (i) income tax, (ii) the share of profit of the associate, (iii) financial income and (iv) expenses) adjusted by depreciation (posted to profit and loss account). EBITDA has not been defined by IFRS and it should not be treated as an alternative for



	measures and categories consistent with IFRS. In addition, EBITDA does not have a single definition. The method of calculating EBITDA by other companies may significantly differ from the method in which ENERGA SA calculates it. As a result, EBITDA presented herein cannot be compared to EBITDA presented by other companies
EBIT – Earnings before interest and taxes	Operating profit
eBOK (Electronic Customer Service Department)	The main objective of the eBOK channel is to improve contact with ENERGA through the Internet. This site offers, among others, access to invoices, balance, payment terms and electricity consumption analyses
EGM	Extraordinary General Meeting of ENERGA SA called this year for 17 February 2014
EMTN (Euro Medium Term Notes)	Program to issue Euro Medium Term Notes
ENERGA Capital Group, ENERGA Group, Group	Capital Group dealing with the generation, supply and distribution of electrical and thermal energy. It also conducts activity related to street lighting, design, procurement of materials, grid-related services, and IT services
ENERGA SA, Company	Parent company in the ENERGA Capital Group
ERO	Energy Regulatory Office
ESI (Economic sentiment indicator)	Sentiment index for the economy, published every month by the European Commission
EU	European Union
EUA (European Union Allowance)	Emission Allowance
EUR	Euro, currency used in countries belonging to the European Union's Eurozone
GDP	Gross Domestic Product
GUS	Central Statistical Office in Poland
GW	Gigawatt, unit of power in the International System of Units, 1 GW = 109 W
GWe	Gigawatt of electrical power
GWh	Gigawatt hour
IBnGR	Market Economy Research Institute based in Gdańsk
IPO	Initial Public Offering
KNF	Polish Financial Supervision Authority
KRS	National Court Register
kWh	Kilowatt hour, unit of electrical energy generated or used by equipment with 1 kW of power in an hour; 1 kWh = 3,600,000 J = 3.6 MJ
Live Chat	Type of a web service used to carry out sales and remotely service the web users by allowing the user to chat with the company's representative through the website.
MST	State Treasury Ministry
MW	Unit of power in the International System of Units, 1 MW = 106 W
MWe	Megawatt of electrical power
MWh	Megawatt hour
MWt	Megawatt of thermal power
NBP	National Bank of Poland, central bank in Poland
NPS (Net Promoter Score)	Ratio measuring loyalty level of customers. It is based on the evaluation of consumers' propensity to recommend a brand
Off-peak	Contract for the supply of 1MWh of energy in low demand hours from 0:00-7:00 and 22:00-24:00
OZEX_A	Volume-weighted average price using all transactions pertaining to the PMOZE_A contract on an exchange session
PEAK	Contract for the supply of 1MWh of energy during every peak hour 7:00-22:00
PGE	PGE Polska Grupa Energetyczna SA
PLN	Polish zloty, national currency
PMI	Industrial economic activity index computed by Markit in cooperation with HSBC



PMOZE_A	Property rights to certificates of origin for electrical energy generated in RES whose period of generation, as specified in the certificate of origin, commenced after 1 March 2009
Polish Power Exchange, POLPX	Polish Power Exchange S.A., a mercantile exchange on which commodities admitted to be traded on the exchange are traded, i.e. electrical energy, liquid and gaseous fuels, mine gas, pollution emission limits and property rights ensuing from certificates of origin whose price is directly or indirectly dependent on the price of electrical energy, liquid or gaseous fuels and the quantity of pollution emissions
Property rights	Negotiable rights constituting a commodity arising from certificates of origin for energy generated from renewable energy sources and cogeneration
PSE	Polskie Sieci Elektroenergetyczne Spółka Akcyjna with its registered office in Warsaw, entered in the register of entrepreneurs of the National Court Register under file number KRS 0000197596; company designated by ERO President decision No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 to be the electrical power transmission system operator in the Republic of Poland for the period from 1 January 2008 until 1 July 2014
Renewable Energy Sources, RES	In the process of conversion a source using the energy of the wind, solar radiation, geothermal energy, waves, currents and marine tides, run of rivers and energy obtained from biomass, garbage dump biogas as well as biogas ensuing from waste removal or treatment processes or the degeneration of stored plant and animal remains
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SFIO	Specialized Open-end Mutual Funds
Smart Grid	Electric power system intelligently integrating the actions of all the participants in the processes of generation, transmission, distribution and usage to deliver electricity in an economical, reliable and safe manner. It entails comprehensive energy solutions making it possible to combine, facilitate reciprocal communication and control in an optimum way elements of power grids that have been diverse to date
SOHO (Small Office/ Home Office)	This term describes small undertakings, usually with 1 to 10 employees, running their business activity in small offices or home offices.
SPOT	Day-Ahead Market (DAM) – energy market operating in the “day ahead” time interval (DA) providing for energy supply on day D
Tariff G	Tariff group for individual customers – households
Tariff Group	Group of customers off-taking electrical energy or heat or using electricity or heat supply services with respect to which a single set of prices or fee rates along with their terms and conditions are applicable
tBOK (Telephone Customer Service Department)	A channel that allows for contact with ENERGA using a telephone connection and, among others: change of the Client's contact data, resolution of problems associated with selection of the appropriate tariff group and eBOK services. Under this solution, consultant also provide information on prices, promotions, account balance and the different methods of payment for electricity
Toe	Tone of oil equivalent, which is the unit of fuel used to compare different fossil fuels which are measured in different units that are often not comparable
Transmission System Operator, Electrical power TSO, TSO	Utility dealing with the transmission of gaseous fuels or electrical energy, responsible for grid operation in the gaseous transmission system or in the electrical energy transmission system, the current and long-term operational safety of this system, the operation, maintenance, refurbishment and required expansion of the transmission grid, including connections with other gaseous systems or other electrical energy systems
TWh	Terawatt hour, a multiple unit of electrical energy in the International System of Units. 1 TWh is 109 kWh
WACC	Weighted average cost of capital
WIBOR	Warsaw Interbank Offered Rate
WSE	Warsaw Stock Exchange S.A.
YoY	Year over year

