



Energa

ENERGA SA

**Condensed Interim
Financial Statements
prepared in accordance
with IAS 34
for the three-month
period
ended 31 March 2017**

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CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

	3-month period ended 31 March 2017 (unaudited)	3-month period ended 31 March 2016 (unaudited)
Revenue	18	15
Cost of sales	(12)	(11)
Gross profit on sales	6	4
Other operating income	2	2
General and administrative expenses	(22)	(21)
Other operating expenses	(8)	(2)
Dividend income	-	874
Other financial income	112	61
Financial costs	(56)	(66)
Profit before tax	34	852
Income tax	2	4
Net profit	36	856
Earnings per share (in PLN)		
Earnings per share (basic and diluted)	0.09	2.07

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended 31 March 2017 (unaudited)	3-month period ended 31 March 2016 (unaudited)
Net profit	36	856
<i>Items that are or may be reclassified subsequently to profit or loss</i>	(9)	(1)
Cash flow hedges	(11)	(1)
Deferred tax	2	-
Net other comprehensive income	(9)	(1)
Total comprehensive income	27	855

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As at 31 March 2017 (unaudited)	As at 31 December 2016
ASSETS		
Non-current assets		
Intangible assets	43	24
Shares in subsidiaries, associates and joint ventures	6,861	6,780
Bonds	4,105	3,959
Deferred tax assets	-	5
Derivative financial instruments	116	147
Other non-current assets	161	158
	11,286	11,073
Current assets		
Cash pooling receivables	776	577
Trade receivables and other current financial receivables	108	52
Bonds	462	1,243
Current tax receivables	99	102
Cash and cash equivalents	985	1,295
Other current assets	29	38
	2,459	3,307
TOTAL ASSETS	13,745	14,380

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (cont.)

	As at 31 March 2017 (unaudited)	As at 31 December 2016
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	4,522	4,522
Reserve capital	1,018	1,018
Supplementary capital	728	728
Cash flow hedge reserve	32	41
Retained earnings	864	828
Total equity	7,164	7,137
Non-current liabilities		
Loans and borrowings	4,502	4,673
Bonds issued	1,000	1,000
Non-current provisions	1	1
Deferred tax liabilities	7	-
Deferred income and non-current grants	91	94
	5,601	5,768
Current liabilities		
Cash pooling liabilities	526	1,009
Trade payables and other financial liabilities	15	19
Current loans and borrowings	282	290
Bonds issued	20	20
Deferred income and grants	17	23
Accruals	13	12
Other current liabilities	107	102
	980	1,475
Total liabilities	6,581	7,243
TOTAL EQUITY AND LIABILITIES	13,745	14,380

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Supplementary capital	Cash flow hedge reserve	Retained earnings	Total equity
As at 1 January 2017	4,522	1,018	728	41	828	7,137
Cash flow hedges	-	-	-	(9)	-	(9)
Net profit for the period	-	-	-	-	36	36
Total comprehensive income for the period	-	-	-	(9)	36	27
As at 31 March 2017 (unaudited)	4,522	1,018	728	32	864	7,164
As at 1 January 2016	4,522	447	661	10	885	6,525
Cash flow hedges	-	-	-	(1)	-	(1)
Net profit for the period	-	-	-	-	856	856
Total comprehensive income for the period	-	-	-	(1)	856	855
As at 31 March 2016 (unaudited)	4,522	447	661	9	1,741	7,380

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	3-month period ended 31 March 2017 (unaudited)	3-month period ended 31 March 2016 (unaudited)
Cash flows from operating activities		
Profit before tax	34	852
Adjustments for:		
Foreign currency (gains)/losses	(9)	1
(Profit)/loss on investing activities	(53)	-
Amortization and depreciation	1	1
Net interest and dividends	15	(720)
Changes in working capital:		
Change in receivables	18	(112)
Change in liabilities excluding loans, borrowings and bonds	21	43
Change in prepayments and accruals	(4)	(6)
	23	59
Income tax paid	(19)	(54)
Net cash from operating activities	4	5
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(2)	(39)
Proceeds from bond redemption by subsidiaries	931	547
Purchase of bonds issued by subsidiaries	(267)	-
Acquisition of shares in subsidiaries and associates	(182)	-
Sale of shares in subsidiaries	24	-
Cash pooling expenditures	(681)	(740)
Dividends received	-	731
Interest received	12	6
Other	(3)	1
Net cash from investing activities	(168)	506
Cash flows from financing activities		
Repayment of loans and borrowings	(62)	(53)
Interest paid	(78)	(78)
Net cash from financing activities	(140)	(131)
Net increase/(decrease) in cash and cash equivalents	(304)	380
Cash and cash equivalents at the beginning of the period	1,293	475
Cash and cash equivalents at the end of the period	989	855

ACCOUNTING PRINCIPLES (POLICIES) AND OTHER EXPLANATORY INFORMATION

1. General information

These Condensed Interim Financial Statements of ENERGA SA ("Company") cover the three-month period ended 31 March 2017 and contain the relevant comparative data.

ENERGA SA is entered in the Register of Entrepreneurs of the National Court Register held by the District Court Gdańsk-Północ, 7th Commercial Division of the National Court Register under number KRS 0000271591. The Company has been given the statistical number REGON 220353024.

As at 31 March 2017, the Company was controlled by the State Treasury. Since December 2013, the Company's shares have been publicly traded.

The core business of the Company is holding activity. The Company is the parent entity in the ENERGA SA Group. In order to achieve full understanding of the financial position and results of the Company as the parent entity in the Group, these financial statements should be read in conjunction with the condensed interim consolidated financial statements for the period ended 31 March 2017. These statements are available on the Company's website.

2. Composition of the Company's Management Board

In the period from 1 to 16 January 2017, the Management Board of the Parent Company was as follows:

- Dariusz Kaśków – President of the Management Board,
- Mariusz Rędaszka – Vice-President of the Management Board for Financial Matters,
- Grzegorz Ksepko – Vice-President of the Management Board for Corporate Matters,
- Mariola Zmudzińska – Vice-President of the Management Board for Investor Relations,
- Przemysław Piesiewicz – Vice-President of the Management Board for Development Strategy.

On 17 January 2017, the Company's Supervisory Board adopted a resolution to delegate Mr. Jacek Kościelniak to act as the President of the Management Board. At the same time, Mr. Dariusz Kaśków, the previous President of the Management Board, Mr. Mariusz Rędaszka, the Vice-President of the Management Board for Financial Matters and Mr. Przemysław Piesiewicz, the Vice-President of the Management Board for Development Strategy, were dismissed from their functions.

On 10 February 2017, the Company's Supervisory Board adopted a resolution to appoint the following to the Management Board: Mr. Daniel Obajtek (as President of the Management Board), Ms. Alicja Klimiuk (as Vice-President of the Management Board for Operations) and Mr. Jacek Kościelniak (as Vice-President of the Management Board for Financial Matters).

On 16 February 2017, the Company's Supervisory Board adopted a resolution to dismiss from the Company's Management Board Ms. Mariola Zmudzińska, who served as the Vice-President of the Management Board for Investor Relations.

3. Approval of the financial statements

These financial statements and the consolidated financial statements of the ENERGA SA Group were approved for publication by the Company's Management Board on 9 May 2017.

4. Basis for preparation of the financial statements

These financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value through profit or loss and hedging derivatives.

These financial statements have been prepared based on the assumption that ENERGA SA would continue as a going concern in the foreseeable future. As at the date of these financial statements there is no evidence indicating significant uncertainty as to the ability of the Company to continue its business activities as a going concern.

4.1. Statement of compliance

These financial statements have been prepared in accordance with the International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union ("EU"). They do not contain all the information required in the full financial statements according to the International Financial Reporting Standards ("IFRS"), however, selected notes are included to explain the events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the most recent annual financial statements as at and for the year ended 31 December 2016.

4.2. Functional and presentation currency

The functional currency of the Company and other Polish subsidiaries and the presentation currency of these financial statements is the Polish zloty and all the numbers are given in millions of Polish zloty ("PLN m") unless stated otherwise.

5. Significant accounting policies

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

6. New standards and interpretations

6.1. Standards and interpretations already published and endorsed in the EU, which have not come into effect

When approving these financial statements, the Company did not apply the following standards, amendments to standards and interpretations that were published and endorsed in the EU but have not yet become effective:

- IFRS 15 "Revenue from Contracts with Customers" (applicable to annual periods beginning on or after 1 January 2018),

6. New standards and interpretations (cont.)

- IFRS 9 "Financial Instruments" (applicable to annual periods beginning on or after 1 January 2018).

The Company estimates that the above amendments to standards would have had no material influence on the financial statements, had they been applied by the Company as at the end of this reporting period, except for the methodology for calculating impairment losses recognized on financial assets.

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

IFRS as endorsed in the EU do not currently differ from the regulations adopted by the International Accounting Standards Board, with the exception of the following standards, amendments to standards and interpretations, which as at the date of approving these financial statements have not yet been adopted for application:

- IFRS 14 "Regulatory Deferral Accounts" (applicable to annual periods beginning on or after 1 January 2016),
- IFRS 16 "Leases" (applicable to annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sales or contributions of assets between an investor and its associate/joint venture (no effective date specified),
- Amendments to IAS 12 "Income Taxes" – Detailed regulation of the recognition of deferred tax assets for unrealized losses (applicable to annual periods beginning on or after 1 January 2017),
- Amendments to IAS 7 "Statement of Cash Flows" – Disclosure Initiative (applicable to annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 2 "Share-based Payment" – Classification and Measurement of Share-based Payment Transactions (applicable to annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4 "Insurance Contracts" – Applying changes introduced by IFRS 9 "Financial Instruments" (applicable to annual periods beginning on or after 1 January 2018),
- Clarifications to IFRS 15 "Revenue from Contracts with Customers" (applicable to annual periods beginning on or after 1 January 2018),
- Amendments to IAS 40 "Investment Property" – Transfers of Investment Property to other asset groups (applicable to annual periods beginning on or after 1 January 2018),
- IFRIC 22 interpretation: "Foreign Currency Transactions and Advance Consideration" (applicable to annual periods beginning on or after 1 January 2018),
- Improvements to IFRSs (2014-2016 cycle) – Amendments to IFRS 1, IAS 28 (applicable to annual periods beginning on or after 1 January 2018) and IFRS 12 (applicable to annual periods beginning on or after 1 January 2017).

Also, in the event that the above-mentioned standards are implemented, the Company does not anticipate the related changes to have a significant impact on its financial statements.

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

Due to the inherent nature of the holding business, the Company's financial income fluctuates heavily during the year; it depends on the dates of resolutions to pay out dividends by the companies in which the Company holds shares, unless such resolutions indicate other dividend rights dates.

NOTES TO CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

8. Shares in subsidiaries, associates and joint ventures

Name and legal form	Registered office	Value of shares in the books of ENERGA SA	Share of ENERGA SA in the share capital, in all votes and in management (%)
ENERGA-OPERATOR SA	Gdańsk	4,471	100.00
ENERGA Wytwarzanie SA	Gdańsk	1,051	100.00
ENERGA Kogeneracja Sp. z o.o.	Elbląg	621	64.59
ENERGA-OBRÓT SA	Gdańsk	330	100.00
Elektrownia Ostrołęka SA	Ostrołęka	101	50.00
ENERGA Finance AB (publ)	Stockholm	85	100.00
Polimex-Mostostal SA	Warsaw	82	16.48
ENERGA Invest SA	Gdańsk	68	100.00
ENERGA Informatyka i Technologie Sp. z o.o.	Gdańsk	37	100.00
Enspirion Sp. z o.o.	Gdańsk	5	100.00
ENERGA Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	4	100.00
ENERGA Serwis Sp. z o.o.	Ostrołęka	2	14.09
RGK Sp. z o.o.	Gdańsk	1	100.00
Other companies*	-	3	-
Total value of shares		6,861	

* including shares in an associate

In January 2017, ENERGA SA in performance of the investment agreement of 18 January 2017 concluded by and between ENERGA SA, Enea SA, PGE Polska Grupa Energetyczna SA, PGNiG Technologie SA and Polimex-Mostostal SA, purchased the newly-issued shares in Polimex-Mostostal SA and also purchased shares of that company on the Warsaw Stock Exchange.

On 8 December 2016, ENERGA SA, Enea SA and Elektrownia Ostrołęka SA signed an investment agreement regarding the execution of the new power unit construction project in Ostrołęka. The condition precedent for the transaction was obtaining an approval from the President of the Office of Competition and Consumer Protection ("UOKiK") for the concentration involving the purchase of 50% of shares in the special-purpose vehicle Elektrownia Ostrołęka SA by Enea SA. On 11 January 2017, the President of UOKiK issued an unconditional approval, which means that the condition precedent has been fulfilled. On 1 February 2017, Enea S.A. executed the first of three tranches of payments for Elektrownia Ostrołęka SA shares in the amount of PLN 24 m. In connection with the above transaction, Elektrownia Ostrołęka SA is no longer a subsidiary of ENERGA SA and is now classified as a joint venture.

On 31 March 2017, ENERGA SA made a cash contribution of PLN 100 m and in exchange it subscribed to newly-created shares in ENERGA Kogeneracja Sp. z o.o., increasing its share in the company's capital by 3.74%.

The value of shares specified in the table above is the value at purchase price less impairment losses. As at 31 March 2017, the total amount of impairment losses on shares was PLN 29 m; the entire amount pertained to shares in RGK Sp. z o.o. No changes in impairment losses on shares were recognized in the current reporting period.

9. Cash and cash equivalents

Cash in the bank earns interest at variable interest rates, the level of which depends on the interest rate applicable to overnight bank deposits. Short-term deposits are made for different periods, from one day to three months, depending on the current cash requirements and earn interest at interest rates negotiated individually with banks.

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

	As at 31 March 2017 (unaudited)	As at 31 March 2016 (unaudited)
Cash in bank	332	578
Short-term deposits up to 3 months	653	276
Total cash and cash equivalents presented in the statement of financial position, including:	985	854
Unrealized foreign exchange differences and interest	4	1
Total cash and cash equivalents presented in the statement of cash flows	989	855

The Company does not have any restricted cash.

10. Dividends

By the date of approval of these financial statements for publication, the proposed distribution of the 2016 profit has not been adopted.

On 24 June 2016, the Annual General Meeting adopted a resolution to distribute the 2015 profit, out of which PLN 203 m, i.e. PLN 0.49 per share, was allocated to a dividend for the Company's shareholders. The dividend was paid out in full, out of which PLN 71 m on preferred shares.

NOTES ON FINANCIAL INSTRUMENTS

11. Financial instruments

11.1. Carrying value of financial instruments by category and class

As at 31 March 2017 (unaudited)	Financial assets measured at fair value through profit or loss	Loans and receivables	Cash and cash equivalents	Financial liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IAS 39	TOTAL
Assets							
Cash pooling receivables	-	776	-	-	-	-	776
Cash and cash equivalents	-	-	985	-	-	-	985
Derivative financial instruments	60	-	-	-	56	-	116
Shares in subsidiaries, associates and joint ventures	-	-	-	-	-	6,861	6,861
Bonds	-	4,567	-	-	-	-	4,567
Lease receivables	-	-	-	-	-	92	92
Trade receivables and other current financial receivables	-	92	-	-	-	-	92
Other financial assets	-	72	-	-	-	-	72
Contributions to capital	-	60	-	-	-	-	60
Other	-	12	-	-	-	-	12
TOTAL	60	5,507	985	-	56	6,953	13,561
Liabilities							
Loans and borrowings	-	-	-	4,784	-	-	4,784
Preferential loans and borrowings	-	-	-	1,469	-	-	1,469
Loans and borrowings	-	-	-	3,315	-	-	3,315
Bonds issued	-	-	-	1,020	-	-	1,020
Trade payables and other financial liabilities	-	-	-	15	-	-	15
Cash pooling liabilities	-	-	-	526	-	-	526
TOTAL	-	-	-	6,345	-	-	6,345

11. Financial instruments (cont.)

As at 31 December 2016	Loans and receivables	Cash and cash equivalents	Financial liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IAS 39	TOTAL
Assets						
Cash pooling receivables	577	-	-	-	-	577
Cash and cash equivalents	-	1,295	-	-	-	1,295
Derivative financial instruments	-	-	-	147	-	147
Shares in subsidiaries and associates	-	-	-	-	6,780	6,780
Bonds	5,202	-	-	-	-	5,202
Lease receivables	-	-	-	-	94	94
Trade receivables and other current financial receivables	33	-	-	-	-	33
Other financial assets	72	-	-	-	-	72
Contributions to capital	60	-	-	-	-	60
Other	12	-	-	-	-	12
TOTAL	5,884	1,295	-	147	6,874	14,200
Liabilities						
Loans and borrowings	-	-	4,963	-	-	4,963
Preferential loans and borrowings	-	-	1,487	-	-	1,487
Loans and borrowings	-	-	3,476	-	-	3,476
Bonds issued	-	-	1,020	-	-	1,020
Trade payables and other financial liabilities	-	-	19	-	-	19
Cash pooling liabilities	-	-	1,009	-	-	1,009
TOTAL	-	-	7,011	-	-	7,011

11. Financial instruments (cont.)**11.2. Fair value of financial instruments**

Some of the Company's financial assets and liabilities are measured at fair value at the end of each reporting period.

The table below analyses fair value measurements for financial assets and financial liabilities categorized into three level hierarchy:

- level 1 – fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- level 2 – fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3 – fair value based on unobservable inputs for the asset or liability.

	As at 31 March 2017 (unaudited) Level 2	As at 31 December 2016 Level 2
Assets		
Hedging derivatives (CCIRS/IRS)	56	147
Other derivatives	60	-

Cross Currency Interest Rate Swaps (CCIRSs) and Interest Rate Swaps (IRSs) are measured at fair value by discounting future cash flows. The interest rates and the basis spread used in discounting are obtained from Bloomberg.

Other derivatives include options to purchase shares in Polimex-Mostostal SA. The options were purchased from Towarzystwo Finansowe Silesia Sp. z o.o. under the agreement of 18 January 2017 and refer to the purchase, in three tranches, a total of 9 million shares of Polimex-Mostostal SA, at the nominal price of PLN 2 per share. The option exercise dates were set at: 30 July 2020, 30 July 2021 and 30 July 2022. The fair value measurement of the call options to purchase shares of Polimex-Mostostal SA was carried out using the Black-Scholes model. The measurement considered the current price and historic volatility of the company's share prices. The risk-free rate was determined on the basis of the yield of treasury bonds with maturities similar to the option expiration date.

11.3. Fair value of financial instruments not measured at fair value on an ongoing basis

Except for the information given in the table below, the carrying amounts of financial assets and liabilities do not depart in a material way from their fair values.

Loan from ENERGA Finance AB (publ)	Carrying amount	Fair value Level 2
As at 31 March 2017 (unaudited)	2,107	2,221
As at 31 December 2016	2,227	2,361

The fair value measurement of liabilities under loans has been estimated on the basis of an analysis of future cash flows discounted using market interest rates updated for 31 March 2017.

11.4. Description of material items in individual categories of financial instruments**11.4.1. Financial assets****Loans and receivables**

Financial instruments classified by the Company as loans and receivables comprise mainly: purchased bonds and cash pooling receivables.

Purchased bonds, by issuer, as at 31 March 2017 and 31 December 2016 are presented in the table below:

	As at 31 March 2017 (unaudited)	As at 31 December 2016
ENERGA-OPERATOR SA	3,532	4,164
ENERGA Wytwarzanie SA	878	871
ENERGA Elektrownie Ostrołęka SA	110	116
ENERGA Kogeneracja Sp. z o.o.	47	51
TOTAL, of which:	4,567	5,202
Long-term	4,105	3,959
Short-term	462	1,243

11. Financial instruments (cont.)**11.4.2. Financial liabilities**

All of the Company's financial liabilities are classified as financial liabilities measured at amortized cost, except for hedging derivatives. This category of the Company's financial instruments includes primarily contracted loans and borrowings, issued bonds and cash pooling liabilities.

Loans and borrowings

Loans and borrowings contracted as at 31 March 2017 and 31 December 2016 are presented in the table below:

	As at 31 March 2017 (unaudited)		As at 31 December 2016	
	PLN	EUR	PLN	EUR
Currency				
Reference rate	WIBOR	Fixed	WIBOR	Fixed
Value of the loan/borrowing				
in currency	2,677	499	2,736	503
in PLN	2,677	2,107	2,736	2,227
of which maturing in:				
up to 1 year (short-term)	281	1	270	20
1 to 2 years	301	-	297	-
2 to 3 years	314	2,106	310	-
3 to 5 years	628	-	625	2,207
over 5 years	1,153	-	1,234	-

Detailed information on contracted external financing is provided in Note 11.5.

Liabilities under bonds issued

Liabilities under bonds issued as at 31 March 2017 and 31 December 2016 are presented in the table below:

	As at 31 March 2017 (unaudited)		As at 31 December 2016	
	PLN	PLN	PLN	PLN
Currency				
Reference rate	WIBOR	WIBOR	WIBOR	WIBOR
Value of the issue				
in currency	1,020	1,020	1,020	1,020
in PLN	1,020	1,020	1,020	1,020
of which maturing in:				
up to 1 year (short-term)	20	20	20	20
2 to 3 years	1,000	1,000	1,000	1,000

Detailed information on bonds issued is provided in Note 11.5.

11.5. Available external financing

In the current reporting period and as at the last day of the reporting period and as at the date of approving these financial statements for publication, there were no events of default on contractual obligations under the terms and conditions of any external funding acquired.

The external financing available as at 31 March 2017 is presented in the table below:

11. Financial instruments (cont.)

Financing institution	Type of liability	Purpose of financing	Date of the agreement	Financing limit (for the ENERGA SA Group)	Available financing amount	Nominal indebtedness of ENERGA SA as at 31 March 2017	Repayment date
European Investment Bank	Loan	ENERGA-OPERATOR SA Investment Program	16-12-2009	1,050	-	699	15-12-2025
European Investment Bank	Loan	ENERGA-OPERATOR SA Investment Program	10-07-2013	1,000	-	800	15-09-2031
European Bank for Reconstruction and Development	Loan	ENERGA-OPERATOR SA Investment Program	29-04-2010	1,076	-	718	18-12-2024
European Bank for Reconstruction and Development	Loan	ENERGA-OPERATOR SA Investment Program	26-06-2013	800	-	293	18-12-2024
Nordic Investment Bank	Loan	ENERGA-OPERATOR SA Investment Program	30-04-2010	200	-	114	15-06-2022
ENERGA Finance AB (publ)	Loan	Current operations	21-03-2013	2,106*	-	2 106*	18-03-2020
Bondholders	Domestic bonds	General corporate purposes	19-10-2012	1,000	-	1,000	19-10-2019
PKO Bank Polski SA	Credit limit	General corporate purposes	12-10-2011	300	300	-	07-06-2021
PKO Bank Polski SA	Bonds	ENERGA Elektrownie Ostrołęka SA Investment Program	30-05-2012	100	64	-	31-12-2022
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	116	4**	19-09-2017
Bank PEKAO SA	Renewable loan	General corporate purposes	13-10-2011	500	500	-	29-05-2020
Bank PEKAO SA	Loan	ENERGA Elektrownie Ostrołęka SA Investment Program	30-05-2012	85	-	20	29-05-2022
Nordic Investment Bank	Loan	Construction Myślino Wind Farm	23-10-2014	68	-	60	15-09-2026
TOTAL				8,485	980	5,814	

* liability of EUR 499 m converted using the exchange rate for 31 March 2017

** the limit amount has been used in the form of a guarantee

11. Financial instruments (cont.)**11.6 Cash flow hedge accounting**

The special purpose vehicle ENERGA Finance AB (publ) (the issuer of Eurobonds – see Note 11.5) and ENERGA SA signed two loan agreements denominated in EUR for the total amount of EUR 499 m. In order to hedge currency risk under these loans, in 2013 and in July 2014, the Company concluded cross-currency interest rate swap transactions with nominal values of EUR 400 m (CCIRS I) and EUR 25 m (CCIRS II), respectively.

As a hedged position under the above hedging relationships the Company designated the foreign currency risk arising from intra-group loans denominated in EUR. The foreign currency risk is hedged at the level of 85% of the total nominal amount of loans.

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

In January 2016, the Company concluded interest rate swap transactions to hedge the interest rate risk arising from the financing used under (see Note 11.5):

- loan agreement concluded with EIB in 2013 – PLN 200 m;
- loan agreement concluded with EBRD in 2010 – PLN 200 m.

In August 2016, the Company additionally concluded IRS transactions with similar characteristics for the following:

- loan agreement concluded with EBRD in 2010 – PLN 150 m;
- loan agreement concluded with EBRD in 2013 – PLN 150 m;
- loan agreement concluded with EIB in 2013 – PLN 150 m.

As hedged positions under hedging relationships, the Company designated the risk related to the WIBOR 3M interest rate arising from interest payments on the financial liabilities stated above in the period no longer than 2 years from the date of the hedging transactions. In the case of the PLN 150 m transaction pertaining to the 2013 EIB loan agreement, this is a four-year period.

As the hedge the Company designated the IRS transactions under which the Company receives floating-rate cash flows in PLN and pays fixed-rate cash flows in PLN. Interest cash flows received by the Company correspond with interest cash flows under the hedged financial liabilities. The Company expects that the hedged cash flows will continue until June 2020 and not longer.

The fair value of hedging is as follows:

	Value	Recognition in the statement of financial position
As at 31 March 2017 (unaudited)		
CCIRS I	49	Non-current assets – Derivative financial instruments
CCIRS II	3	Non-current assets – Derivative financial instruments
IRS	4	Non-current assets – Derivative financial instruments
As at 31 December 2016		
CCIRS I	135	Non-current assets – Derivative financial instruments
CCIRS II	8	Non-current assets – Derivative financial instruments
IRS	4	Non-current assets – Derivative financial instruments

Under cash flow hedge accounting, the cash flow hedge reserve (the effective portion of changes in the value of the hedge, less deferred tax) decreased in the reporting period by PLN 9 m.

The table below presents changes in the cash flow hedge reserve resulting from the hedge accounting in the reporting period:

	3-month period ended 31 March 2017 (unaudited)	3-month period ended 31 March 2016 (unaudited)
At the beginning of the reporting period	41	10
Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments	(91)	8
Accrued interest transferred from the reserve to financial income/costs	(7)	(7)
Revaluation of hedging instruments transferred from the reserve to financial income/costs	87	(2)
Income tax on other comprehensive income	2	-
At the end of the reporting period	32	9

11. Financial instruments (cont.)

As at 31 March 2017, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

OTHER NOTES**12. Information on related entities**

Related party transactions are made based on market prices of goods, products or services delivered.

12.1. Transactions involving entities related to the State Treasury

The Company's parent entity is the State Treasury. ENERGA SA concludes transactions with other related entities and with the State Treasury associated with normal, daily business operations. These transactions are concluded on an arms' length basis and their terms and conditions do not deviate from transactions with other entities. They do not constitute material transactions. The Company does not keep records that would allow it to aggregate the value of all transactions concluded with all state institutions and with subsidiaries of the State Treasury.

12.2. Related party transactions (without State Treasury companies)

	3-month period ended 31 March 2017 (unaudited)	3-month period ended 31 March 2016 (unaudited)
Net income from the sale of products, goods and materials	18	15
Cost of purchase	4	4
Dividend income	-	874
Other financial income	44	50
Financial costs	18	23

	As at 31 March 2017 (unaudited)	As at 31 December 2016
Assets		
Long-term receivables	88	87
Other non-current assets	2	2
Cash pooling receivables	776	577
Trade receivables	14	33
Other short-term financial receivables	16	19
Long-term bonds	4,105	3,959
Short-term bonds	462	1,243
Equity and liabilities		
Non-current liabilities on account of loans and borrowings	2,106	2,207
Cash pooling liabilities	526	1,009
Current trade payables	2	1
Other current liabilities	106	120

The tables above present transactions with subsidiaries within the ENERGA SA Group.

The transactions involving the acquisition and disposal of shares are presented in Note 8.

12.3. Compensation paid or due to the Company's Management Board members and Supervisory Board members

	3-month period ended 31 March 2017 (unaudited)	3-month period ended 31 March 2016 (unaudited)
Management Board	2	2
Supervisory Board	<1	<1
TOTAL	2	2

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

12. Information on related entities (cont.)**12.4. Compensation paid or due to senior management (except for members of the Company's Management Board and Supervisory Board)**

The amount of benefits paid or due to the senior management in the period from 1 January 2017 to 31 March 2017 was PLN 2 m and did not change from the corresponding period of the previous year.

12.5. Collateral securing repayment of liabilities

As at the end of the reporting period, there was no collateral established on the Company's assets.

13. Contingent assets and liabilities

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

14. Other information significantly affecting the assessment of assets, financial position and the financial result of the Company

On 30 November 2016, ENERGA SA together with PGE Polska Grupa Energetyczna SA, Enea SA and PGNiG Termika SA submitted a new proposal to EDF International SAS ("EDF") to purchase shares in EDF companies in Poland holding conventional generation assets and carrying out service activities. The new proposal was submitted in connection with the approaching date of expiry of the proposal submitted on 16 September 2016. The new proposal will be valid for 90 days of the date of submission and will be conditional on, among others, the outcome of the due diligence process, which will provide the basis for making further decisions regarding the transaction, if any.

15. Subsequent events

After the final day of the reporting period, there were no material events in the Company.

Signatures of ENERGA SA Management Board Members:

Daniel Obajtek
President of the Management Board

Jacek Kościelniak
Vice-President of the Management Board for Financial Matters

Grzegorz Ksepko
Vice-President of the Management Board for Corporate Matters

Alicja Klimiuk
Vice-President of the Management Board for Operations

Entity responsible for keeping accounting ledgers and for preparing the financial statements:

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al. Grunwaldzka 472, 80-309 Gdańsk
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Gdańsk, 9 May 2017