



***Energa***

**ENERGA SA**

**Condensed Interim  
Financial Statements  
prepared  
in accordance  
with IAS 34  
for the three-month  
period ended  
31 March 2018**

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## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

	3-month period ended 31 March 2018 (unaudited)	3-month period ended 31 March 2017 (unaudited)
Sales revenues	20	18
Cost of sales	(18)	(12)
<b>Gross profit on sales</b>	<b>2</b>	<b>6</b>
Other operating income	2	2
General and administrative expenses	(24)	(22)
Other operating expenses	(11)	(8)
Other financial income	57	112
Financial costs	(85)	(56)
<b>Profit or loss before tax</b>	<b>(59)</b>	<b>34</b>
Income tax	9	2
<b>Net profit or loss for the period</b>	<b>(50)</b>	<b>36</b>
<b>Earnings or loss per share (in PLN)</b>		
Earnings or loss per share (basic and diluted)	(0.12)	0.09

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended 31 March 2018 (unaudited)	3-month period ended 31 March 2017 (unaudited)
<b>Net result for the period</b>	<b>(50)</b>	<b>36</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>	<b>(15)</b>	<b>(9)</b>
Cash flow hedge	(19)	(11)
Deferred income tax	4	2
<b>Net other comprehensive income</b>	<b>(15)</b>	<b>(9)</b>
<b>Total comprehensive income</b>	<b>(65)</b>	<b>27</b>



## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As at 31 March 2018 (unaudited)	As at 31 December 2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	10	13
Shares in subsidiaries, associates and joint ventures	7,172	7,149
Bonds	4,791	3,805
Deferred tax assets	10	19
Derivative financial instruments	47	33
Other non-current assets	149	149
	<b>12,179</b>	<b>11,168</b>
<b>Current assets</b>		
Cash pooling receivables	330	553
Trade receivables and other current financial receivables	36	99
Bonds	464	444
Income tax receivables	-	19
Cash and cash equivalents	2,738	3,013
Other current assets	94	96
	<b>3,662</b>	<b>4,224</b>
<b>TOTAL ASSETS</b>	<b>15,841</b>	<b>15,392</b>

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (continued)

	As at 31 March 2018 (unaudited)	As at 31 December 2017
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders</b>		
Share capital	4,522	4,522
Reserve capital	1,018	1,018
Supplementary capital	1,433	1,433
Cash flow hedge reserve	(13)	2
Retained earnings	101	151
<b>Total equity</b>	<b>7,061</b>	<b>7,126</b>
<b>Non-current liabilities</b>		
Loans and borrowings	5,038	5,087
Bonds issued	2,052	2,043
Deferred income and non-current grants	75	79
Derivative financial instruments	73	78
	<b>7,238</b>	<b>7,287</b>
<b>Current liabilities</b>		
Cash pooling liabilities	1,046	477
Trade payables and other financial liabilities	17	23
Current loans and borrowings	308	326
Bonds issued	37	30
Current income tax liability	40	-
Deferred income and grants	16	19
Accruals	10	8
Other current liabilities	68	96
	<b>1,542</b>	<b>979</b>
<b>Total liabilities</b>	<b>8,780</b>	<b>8,266</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,841</b>	<b>15,392</b>

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Supplementary capital	Cash flow hedge reserve	Retained earnings	Total equity
<b>As at 1 January 2018</b>	<b>4,522</b>	<b>1,018</b>	<b>1,433</b>	<b>2</b>	<b>151</b>	<b>7,126</b>
Cash flow hedge	-	-	-	(15)	-	(15)
Net loss for the period	-	-	-	-	(50)	(50)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15)</b>	<b>(50)</b>	<b>(65)</b>
<b>As at 31 March 2018 (unaudited)</b>	<b>4,522</b>	<b>1,018</b>	<b>1,433</b>	<b>(13)</b>	<b>101</b>	<b>7,061</b>
<b>As at 1 January 2017</b>	<b>4,522</b>	<b>1,018</b>	<b>728</b>	<b>41</b>	<b>828</b>	<b>7,137</b>
Cash flow hedge	-	-	-	(9)	-	(9)
Net profit for the period	-	-	-	-	36	36
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>36</b>	<b>27</b>
<b>As at 31 March 2017 (unaudited)</b>	<b>4,522</b>	<b>1,018</b>	<b>728</b>	<b>32</b>	<b>864</b>	<b>7,164</b>

## CONDENSED INTERIM STATEMENT OF CASH FLOWS

	3-month period ended 31 March 2018 (unaudited)	3-month period ended 31 March 2017 (unaudited)
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	(59)	34
Adjustments for:		
Foreign currency (gains)/losses	2	(9)
(Profit)/loss on investing activities	1	(53)
Amortization and depreciation	2	1
Net interest and dividends	32	15
Changes in working capital:		
Change in receivables	37	18
Change in liabilities excluding loans, borrowings and bonds	16	21
Change in prepayments and accruals	(4)	(4)
	<b>27</b>	<b>23</b>
Income tax paid	-	(19)
<b>Net cash from operating activities</b>	<b>27</b>	<b>4</b>
<b>Cash flow from investing activities</b>		
Disposal of property, plant and equipment and intangible assets	2	-
Purchase of property, plant and equipment and intangible assets	(2)	(2)
Proceeds from bond redemption by subsidiaries	96	931
Purchase of bonds issued by subsidiaries	(1,066)	(267)
Acquisition of shares in subsidiaries, associates and joint ventures	(22)	(182)
Sale of shares in subsidiaries	58	24
Cash pooling expenditures	-	(681)
Interest received	5	12
Repayment of loans granted	10	-
Other	(7)	(3)
<b>Net cash from investing activities</b>	<b>(926)</b>	<b>(168)</b>
<b>Cash flows from financing activities</b>		
Repayment of loans	(74)	(62)
Cash pooling receipts	792	-
Interest paid	(99)	(78)
<b>Net cash from financing activities</b>	<b>619</b>	<b>(140)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(280)</b>	<b>(304)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,015</b>	<b>1,293</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,735</b>	<b>989</b>

## ACCOUNTING PRINCIPLES (POLICIES) AND OTHER EXPLANATORY INFORMATION

### 1. General information

These Condensed Interim Financial Statements of Energ SA ("Company") cover the three-month period ended 31 March 2018 and contain the relevant comparative data.

Energ SA is entered in the Register of Entrepreneurs of the National Court Register held by the District Court Gdańsk-Północ, 7<sup>th</sup> Commercial Division of the National Court Register under KRS number 0000271591. The entity's statistical number is REGON 220353024.

As at 31 March 2018, the Company is 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 Energ 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 2018. These statements are available on the Company's website.

### 2. Composition of the Company's Management Board

During Q1 2018 and until these financial statements were prepared, the composition of the Management Board of Energ SA was as follows:

1) in the period from 1 January 2018 to 5 February 2018:

- Mr Daniel Obajtek - President of the Management Board,
- Ms Alicja Barbara Klimiuk - Vice-President of the Management Board for Operational Matters,
- Mr Jacek Kościelniak - Vice-President of the Management Board for Financial Matters,
- Mr Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters,

2) in the period from 6 February 2018 until the day these financial statements were prepared:

- Ms Alicja Barbara Klimiuk - Vice-President of the Management Board for Operational Matters, acting as the President of the Management Board
- Mr Jacek Kościelniak - Vice-President of the Management Board for Financial Matters,
- Mr Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters.

Since Mr Daniel Obajtek resigned as President of the Management Board of Energ SA on 5 February 2018, on 6 February 2018 the Management Board of Energ SA adopted a resolution entrusting the function of the President of the Management Board of the Company to Ms Alicja Barbara Klimiuk. On 6 February 2018 the Supervisory Board of the Company approved the decision on entrusting the function of the President of the Management Board of Energ SA to Vice-President of the Management Board for Operational Matters, Ms Alicja Barbara Klimiuk.

### 3. Approval of the financial statements

These financial statements and consolidated financial statements of the Energ SA Group were approved for publication by the Company's Management Board on 9 May 2018.

### 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 Energ SA would continue as a going concern in the foreseeable future. As at the date of these financial statements there is no evidence indicating that the continuation of the Company's business activities as a going concern may be at risk.

#### 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 2017.

#### 4.2. Functional and presentation currency

The functional currency of the Company and the presentation currency of these financial statements is the Polish zloty and all the figures are stated in millions of Polish zlotys ("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, in particular concerning IFRS 9 "Financial instruments" and IFRS 15 "Revenue from Contracts with Customers", applied for the first time in this reporting period. For the hedge accounting purposes, the Company applies IAS 39 on a continuous basis.

### 6. New standards and interpretations

#### 6.1. Standards and interpretations applied in 2018 for the first time

The following amendments to existing standards published by the IASB and approved by the EU came into force in 2018:



**6. New standards and interpretations (cont.)**

- IFRS 9 "Financial Instruments" (applicable to annual periods beginning on or after 1 January 2018),
- IFRS 15 "Revenue from Contracts with Customers" (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 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),
- Improvements to IFRS (2014-2016 cycle) – Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IAS 28 "Investments in Associates and Joint Ventures" (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),

The introduction of the above-mentioned amendments did not have a material effect on the Company's accounting policies.

**6.2. 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 16 "Leases" (applicable to annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation (applicable to annual periods beginning on or after 1 January 2019).

The Company is still analysing contracts which will be subject to disclosure in the balance sheet in accordance with IFRS 16, as their quantity and value is subject to continuous changes.

**6.3. 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 IASB, with the exception of the following standards, amendments to standards and interpretations, which as at the date of approving these financial statements have not yet been adopted for application:

- IFRS 14 "Regulatory Assets and Liabilities" (applicable to annual periods beginning on or after 1 January 2016); the European Commission has decided not to endorse this transitional standard pending an appropriate standard,
- Changes regarding references to the Conceptual Framework in the IFRS (applicable to annual periods beginning on or after 1 January 2020);
- IFRS 17 "Insurance Contracts" (applicable to annual periods beginning on or after 1 January 2021),
- Amendments to IAS 19 "Employee Benefits" – amendments to the defined benefit plan (applicable to annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" – Detailed scope of application of the standard for long-term interests in associates and joint ventures (applicable to annual periods beginning on or after 1 January 2019),
- Amendments to various standards – "Improvements to IFRS (2015-2017 Cycle)" amendments made as part of the process of introducing annual amendments to IFRS the (IFRS 3, IFRS 11, IAS 12, and IAS 23) aimed primarily at resolving inconsistencies and clarification of the terminology (applicable to annual periods beginning on or after 1 January 2019),
- Interpretation IFRIC 23 "Uncertainty over Income Tax Treatments" (applicable to annual periods beginning on or after 1 January 2019),

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 revenue 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 Energia SA	Share Energia SA in the share capital, in all votes and in management (%)
<b>Subsidiaries</b>			
Energia-Operator SA	Gdańsk	4,471	100.00
Energia Wytwarzanie SA	Gdańsk	1,051	100.00
Energia Kogeneracja Sp. z o.o.	Elbląg	621	64.59
Energia-Obrót SA	Gdańsk	330	100.00
Energia Oświetlenie Sp. z o.o.	Sopot	234	100.00
Energia Finance AB (publ)	Stockholm	103	100.00
Energia Invest Sp. z o.o.	Gdańsk	68	100.00
Energia Informatyka i Technologie Sp. z o.o.	Gdańsk	37	100.00
Energia-Operator Logistyka Sp. z o.o.	Płock	25	100.00
Enspirion Sp. z o.o.	Gdańsk	5	100.00
Energia Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	4	100.00
Energia Serwis Sp. z o.o.	Ostrołęka	2	14.09
RGK Sp. z o.o.	Gdańsk	1	100.00
Energia Ochrona Sp. z o.o.	Gdańsk	1	100.00
Other companies	-	1	-
<b>Associates</b>			
Polimex-Mostostal SA	Warsaw	82	16.48
ElectroMobility Poland SA	Warsaw	7	25.00
<b>Joint ventures</b>			
Elektrownia Ostrołęka Sp. z o.o.	Ostrołęka	129	50.00
<b>Total value of shares</b>		<b>7,172</b>	

The value of shares specified in the table above is the value at purchase price less impairment losses. As at 31 March 2018, 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.

On 29 March 2018, Energia SA made a cash contribution of PLN 18m and in exchange it subscribed to newly-created shares in Elektrownia Ostrołęka Sp. z o.o. The stake held by Energia SA in the company's capital did not change.

## 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 2018 (unaudited)	As at 31 March 2017 (unaudited)
Cash in bank	841	332
Short-term deposits up to 3 months	1,897	653
<b>Total cash and cash equivalents presented in the statement of financial position, including:</b>	<b>2,738</b>	<b>985</b>
Unrealized foreign exchange differences and interest	(3)	4
<b>Total cash and cash equivalents presented in the statement of cash flows</b>	<b>2,735</b>	<b>989</b>

The Company does not have any restricted cash.

**10. Dividends**

By the date of publication of these financial statements, no proposal for the distribution of profit for 2017 had been adopted.

On 26 June 2017 the Ordinary General Meeting of Shareholders adopted a resolution on the distribution of profit for 2016, where PLN 79m was appropriated for payment of the dividend for shareholders of the Company, which is PLN 0.19 per share. The dividend was paid out in full, including PLN 28 m on account of shares with voting preference.

## NOTES ON FINANCIAL INSTRUMENTS

## 11. Financial instruments

## 11.1. Carrying value of financial instruments by category and class

As at 31 March 2018 (unaudited)	Financial assets measured at fair value through profit or loss	Financial assets and liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IFRS 9	TOTAL
<b>Assets</b>					
Cash pooling receivables	-	330	-	-	330
Cash and cash equivalents	-	2,738	-	-	2,738
Derivative financial instruments	22	-	25	-	47
Shares in subsidiaries, associates and joint ventures	-	-	-	7,172	7,172
Bonds	-	5,255	-	-	5,255
Lease receivables	-	-	-	82	82
Trade receivables and other current financial liabilities	-	20	-	-	20
Capital contributions	-	75	-	-	75
<b>TOTAL</b>	<b>22</b>	<b>8,418</b>	<b>25</b>	<b>7,254</b>	<b>15,719</b>
<b>Liabilities</b>					
Loans and borrowings	-	5,346	-	-	5,346
Preferential loans and borrowings	-	1,347	-	-	1,347
Loans and borrowings	-	3,999	-	-	3,999
Bonds issued	-	2,089	-	-	2,089
Derivative financial instruments	-	-	73	-	73
Trade payables and other financial liabilities	-	17	-	-	17
Cash pooling liabilities	-	1,046	-	-	1,046
<b>TOTAL</b>	<b>-</b>	<b>8,498</b>	<b>73</b>	<b>-</b>	<b>8,571</b>

## 11. Financial instruments (cont.)

As at 31 December 2017	Financial assets measured at fair value through profit or loss	Financial assets and liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IFRS 9	TOTAL
<b>Assets</b>					
Cash pooling receivables	-	553	-	-	553
Cash and cash equivalents	-	3,013	-	-	3,013
Derivative financial instruments	24	-	9	-	33
Shares in subsidiaries, associates and joint ventures	-	-	-	7,149	7,149
Bonds	-	4,249	-	-	4,249
Lease receivables	-	-	-	86	86
Trade receivables and other current financial receivables	-	83	-	-	83
Capital contributions	-	71	-	-	71
<b>TOTAL</b>	<b>24</b>	<b>7,969</b>	<b>9</b>	<b>7,235</b>	<b>15,237</b>
<b>Liabilities</b>					
Loans and borrowings	-	5,413	-	-	5,413
Preferential loans and borrowings	-	1,378	-	-	1,378
Loans and borrowings	-	4,035	-	-	4,035
Bonds issued	-	2,073	-	-	2,073
Derivative financial instruments	-	-	78	-	78
Trade payables other financial liabilities	-	23	-	-	23
Trade liabilities	-	14	-	-	14
Capital contributions	-	8	-	-	8
Purchase of property, plant and equipment and and intangible assets	-	1	-	-	1
Cash pooling liabilities	-	477	-	-	477
<b>TOTAL</b>	<b>-</b>	<b>7,986</b>	<b>78</b>	<b>-</b>	<b>8,064</b>



**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 instruments categorised into three level hierarchy:

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

	As at 31 March 2018 (unaudited) Level 2	As at 31 December 2017 Level 2
<b>Assets</b>		
Hedging derivatives (CCIRS/IRS)	25	9
Other derivatives	22	24
<b>Liabilities</b>		
Hedging derivatives (CCIRS)	73	78

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 Energia Finance AB (publ)	Carrying amount	Fair value Level 2
As at 31 March 2018 (unaudited)	2,948	3,039
As at 31 December 2017	2,944	3,047

Hybrid bond issue	Carrying amount	Fair value Level 2
As at 31 March 2018 (unaudited)	1,072	1,051
As at 31 December 2017	1,055	1,152

The fair value measurement of liabilities under loans and hybrid bond issue has been estimated on the basis of an analysis of future cash flows discounted using market interest rates updated for 30 March 2018.

**11.4. Description of material items in individual categories of financial instruments****11.4.1. Financial assets****Financial assets measured at amortized cost**

Financial instruments classified by the Company as financial assets measured at amortized cost comprise mainly purchased bonds, cash and cash equivalents, cash pooling receivables.

Purchased bonds, by issuer, as at 31 March 2018 and 31 December 2017 are presented in the table below:

## 11. Financial instruments (cont.)

	As at 31 March 2018 (unaudited)	As at 31 December 2017
Energia-Operator SA	4,277	3,273
Energia Wytwarzanie SA	859	848
Energia Elektrownie Ostrołęka SA	89	94
Energia Kogeneracja Sp. z o.o.	30	34
<b>TOTAL, of which:</b>	<b>5,255</b>	<b>4,249</b>
Long-term	4,791	3,805
Short-term	464	444

## 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 2018 and 31 December 2017 are presented in the table below:

	As at 31 March 2018 (unaudited)		As at 31 December 2017	
Currency	PLN	EUR	PLN	EUR
Reference rate	WIBOR	Fixed	WIBOR	Fixed
<b>Value of the loan/borrowing</b>				
in currency	2,398	700	2,469	706
in PLN	2,398	2,948	2,469	2,944
<b>of which maturing in:</b>				
up to 1 year (short-term)	302	6	297	29
1 to 2 years	317	2,100	313	-
2 years to 3 years	316	-	317	2,081
3 years to 5 years	609	-	616	-
over 5 years	854	842	926	834

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

## Liabilities under bonds issued

Liabilities under bonds issued as at 31 March 2018 and 31 December 2017 are presented in the table below:

	As at 31 March 2018 (unaudited)		As at 31 December 2017	
Currency	PLN	EUR	PLN	EUR
Reference rate	WIBOR	Fixed	WIBOR	Fixed
<b>Value of the issue</b>				
in currency	1,017	255	1,018	253
in PLN	1,017	1,072	1,018	1,055
<b>of which maturing in:</b>				
up to 1 year (short-term)	17	20	18	12
1 to 2 years	1,000	-	1,000	-
over 5 years	-	1,052	-	1,043

Detailed information on bonds issued is provided in Note 11.5.

## 11. Financial instruments (cont.)

## 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 2018 is presented in the table below:

Financing institution	Type of liability	Purpose of financing	Date of the agreement	Financing limit (for the Energ SA Group)	Available financing amount	Nominal indebtedness of Energ SA as at 31 March 2018	Repayment date
European Investment Bank	Loan	Energ-Operator SA Investment Programme	16-12-2009	1,050	-	613	15-12-2025
European Investment Bank	Loan	Energ-Operator SA Investment Programme	10-07-2013	1,000	-	750	15-09-2031
European Bank for Reconstruction and Development	Loan	Energ-Operator SA Investment Programme	29-04-2010	1,076	-	625	18-12-2024
European Bank for Reconstruction and Development	Loan	Energ-Operator SA Investment Programme	26-06-2013	800	-	255	18-12-2024
Nordic Investment Bank	Loan	Energ-Operator SA Investment Programme	30-04-2010	200	-	92	15-06-2022
Energ Finance AB (publ)	Loan	Current operations	21-03-2013	2,100 <sup>1</sup>	-	2,100 <sup>1</sup>	18-03-2020
Energ Finance AB (publ)	Loan	Current operations	28-06-2017	842 <sup>2</sup>	-	842 <sup>2</sup>	28-02-2027
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	Energ Elektrownie Ostrołęka SA Investment Programme	30-05-2012	100	53	-	31-12-2022
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	188	5 <sup>3</sup>	19-09-2022
Bank PEKAO SA	Revolving loan	General corporate purposes	13-10-2011	500	500	-	29-05-2020
Bank PEKAO SA	Loan	Energ Elektrownie Ostrołęka SA Investment Programme	30-05-2012	85	-	16	29-05-2022
Nordic Investment Bank	Loan	Construction of Myślino Wind Farm	23-10-2014	68	-	53	15-09-2026
European Investment Bank	Hybrid bonds	Energ-Operator SA Investment Programme	04-09-2017	1,052 <sup>4</sup>	-	1,052 <sup>4</sup>	12-09-2037
<b>TOTAL</b>				<b>10,373</b>	<b>1,041</b>	<b>7,403</b>	

<sup>1</sup> liability of EUR 499 m converted using the average NBP exchange rate of 30 March 2018

<sup>2</sup> liability of EUR 200 m converted using the average NBP exchange rate of 30 March 2018

<sup>3</sup> value of limits awarded to Energ SA based on the concluded executive agreements (utilization of the global limit)

<sup>4</sup> liability of EUR 250 m converted using the average NBP exchange rate of 30 March 2018

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

The special purpose vehicle Energia Finance AB (publ) and Energia SA have signed three loan agreements denominated in EUR for the total amount of EUR 699 m. In order to hedge currency risk under these loans, in 2013, in July 2014 and April 2017, the Company concluded cross-currency interest rate swap transactions with nominal values of EUR 400 m ("CCIRS I"), EUR 25 m ("CCIRS II") and EUR 200 m ("CCIRS III"), 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 89% 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 June 2027.

In September 2017, Energia SA issued hybrid bonds for the total amount of EUR 250 m. In order to hedge the currency risk under these bonds, the Company concluded CCIRS transactions ("CCIRS IV").

As a hedged position under the above hedging relationships the Company designated the foreign currency risk arising from the issue of hybrid bonds denominated in EUR. The foreign currency risk is hedged at the level of 100% of the total nominal amount of the issued bonds.

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 bonds issued. The Company expects that the hedged cash flows will continue until September 2027.

In August 2016, the Company additionally concluded IRS transactions to hedge interest rate risk arising out of contracted financing with regard to (see note 11.5):

- 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
<b>As at 31 March 2018 (unaudited)</b>		
CCIRS I	23	Assets – Derivative financial instruments
CCIRS II	1	Assets – Derivative financial instruments
CCIRS III	40	Liabilities – Derivative financial instruments
CCIRS IV	33	Liabilities – Derivative financial instruments
IRS	1	Assets – Derivative financial instruments
<b>As at 31 December 2017</b>		
CCIRS I	7	Assets – Derivative financial instruments
CCIRS II	<1	Assets – Derivative financial instruments
CCIRS III	49	Liabilities – Derivative financial instruments
CCIRS IV	29	Liabilities – Derivative financial instruments
IRS	2	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 15 m.

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

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 2018 (unaudited)	3-month period ended 31 March 2017 (unaudited)
<b>At the beginning of the reporting period</b>	<b>2</b>	<b>41</b>
Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments	21	(91)
Accrued interest transferred from the reserve to financial income/costs	(7)	(7)
Revaluation of hedging instruments transferred from the reserve to financial income/costs	(33)	87
Income tax on other comprehensive income	4	2
<b>At the end of the reporting period</b>	<b>(13)</b>	<b>32</b>

As at 31 March 2018, 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 parties related to the State Treasury**

The Company's parent entity is the State Treasury. Energia SA concludes transactions with other related parties 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 2018 (unaudited)	3-month period ended 31 March 2017 (unaudited)
Net income from sale of products, goods and materials	20	18
Cost of purchase	4	4
Other financial revenue	45	44
Financial costs	30	22



**12. Information on related entities (cont.)**

	As at 31 March 2018 (unaudited)	As at 31 December 2017
<b>Assets</b>		
Non-current receivables	66	69
Cash pooling receivables	330	553
Trade receivables	19	15
Other current financial receivables - subsidiaries	16	17
Other current financial receivables - joint ventures	-	10
Long-term bonds	4,791	3,805
Short-term bonds	464	444
Other current assets	74	79
<b>Equity and liabilities</b>		
Long-term borrowings	2,942	2,915
Non-current liabilities on account of loans and borrowings	1,014	844
Cash pooling liabilities	1,046	477
Current trade payables	2	3
Other financial liabilities	-	9
Current loans and borrowings	6	29
Current loans and borrowings	8	6
Other current liabilities	63	90

The tables above present transactions with subsidiaries within the Energia SA Group and with joint ventures. Transactions with associates are irrelevant items.

The transactions involving the acquisition of shares in subsidiaries, associates and joint ventures 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 2018 (unaudited)	3-month period ended 31 March 2017 (unaudited)
Management Board	1	2
Supervisory Board	<1	<1
<b>TOTAL</b>	<b>1</b>	<b>2</b>

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 Energia SA.

**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 2018 to 31 March 2018 was PLN 3 m, while it was PLN 2 m in 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 4 April 2018 Elektrownia Ostrołęka sp. z o.o. ("Contracting Authority") awarded the contract in the public procurement procedure entitled "Construction of Ostrołęka C Power Station with the capacity of approx. 1000 MW" ("Procedure", "Contract") by selecting the Consortium of GE Power Sp. z o.o. and Alstom Power System S.A.S as the General Contractor, which offered performance of the subject of the contract with parameters specified in the tender for the net price of PLN 5,050 m, PLN 6,023 m gross.

Award of the Contract is not equivalent to:

- giving the consent to conclude the contract with the General Contractor – such a consent needs a prior approval from the Supervisory Board of Energia SA;

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

- giving the consent for the NTP (notice to proceed) - the NTP requires a prior approval from the Supervisory Board of Energia SA and a prior specific approval from General Meeting of Shareholders of Energia SA to commence the Construction Stage.

Earlier, on 24 March 2018 the Management Board of Energia SA, as a shareholder of Contracting Authority, received a request from the Contracting Authority for the consent to award the Contract (Current Report No 11/2018). The Management Board of Energia SA gave the consent on 27 March 2018 (Current Report No 13/2018).

**15. Subsequent events**

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

Members of the Management Board

Alicja Barbara Klimiuk .....  
Acting 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

Energa Centrum Usług Wspólnych Sp. z o.o. ....  
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and for preparing the financial statements:  
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Gdańsk, 9 May 2018