



ENERGA SA

**Condensed Interim
Financial Statements
prepared in accordance
with IAS 34
for the nine-month period
ended 30 September 2016**

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CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

	3-month period ended 30 September 2016 (unaudited)	9-month period ended 30 September 2016 (unaudited)	3-month period ended 30 September 2015 (unaudited)	9-month period ended 30 September 2015 (unaudited)
Revenue	17	52	16	45
Cost of sales	(15)	(38)	(16)	(42)
Gross profit on sales	2	14	-	3
Other operating income	5	9	2	11
General and administrative expenses	(18)	(60)	(21)	(58)
Other operating expenses	(4)	(7)	(5)	(7)
Dividend income	-	874	-	914
Other financial income	56	177	56	174
Financial costs	(57)	(196)	(66)	(197)
Profit/(loss) before tax	(16)	811	(34)	840
Income tax	2	11	6	28
Net profit/(loss)	(14)	822	(28)	868
Earnings/(loss) per share (in PLN)				
Earnings/(loss) per share (basic and diluted)	(0.03)	1.99	(0.07)	2.10

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended 30 September 2016 (unaudited)	9-month period ended 30 September 2016 (unaudited)	3-month period ended 30 September 2015 (unaudited)	9-month period ended 30 September 2015 (unaudited)
Net profit/(loss)	(14)	822	(28)	868
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Cash flow hedges	13	26	(6)	31
Deferred tax	(3)	(5)	1	(6)
Net other comprehensive income	10	21	(5)	25
Total comprehensive income	(4)	843	(33)	893

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As at 30 September 2016 (unaudited)	As at 31 December 2015
ASSETS		
Non-current assets		
Intangible assets	26	58
Shares in subsidiaries and associates	6,695	5,996
Bonds	4,222	4,621
Deferred tax assets	7	24
Derivative financial instruments	94	48
Other non-current assets	179	118
	11,223	10,865
Current assets		
Dividend income	133	-
Cash pooling receivables	738	-
Trade receivables and other current financial receivables	61	34
Bonds	910	781
Current tax receivables	-	37
Portfolio of financial assets	-	314
Cash and cash equivalents	252	474
Other current assets	74	38
	2,168	1,678
TOTAL ASSETS	13,391	12,543

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (cont.)

	As at 30 September 2016 (unaudited)	As at 31 December 2015
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	4,522	4,522
Reserve capital	1,018	447
Supplementary capital	728	661
Cash flow hedge reserve	31	10
Retained earnings	866	885
Total equity	7,165	6,525
Non-current liabilities		
Loans and borrowings	4,438	4,582
Bonds issued	1,000	1,000
Non-current provisions	1	2
Deferred income and non-current grants	99	111
Derivative financial instruments	-	8
	5,538	5,703
Current liabilities		
Cash pooling liabilities	372	-
Trade payables and other financial liabilities	21	22
Current income tax liability	11	-
Current loans and borrowings	224	207
Bonds issued	20	16
Deferred income and grants	25	27
Accruals	9	9
Other current liabilities	6	34
	688	315
Total liabilities	6,226	6,018
TOTAL EQUITY AND LIABILITIES	13,391	12,543

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 2016	4,522	447	661	10	885	6,525
Cash flow hedges	-	-	-	21	-	21
Net profit for the period	-	-	-	-	822	822
Total comprehensive income for the period	-	-	-	21	822	843
Retained earnings distribution	-	571	67	-	(638)	-
Dividends	-	-	-	-	(203)	(203)
As at 30 September 2016 (unaudited)	4,522	1,018	728	31	866	7,165
As at 1 January 2015	4,522	447	606	-	695	6,270
Cash flow hedges	-	-	-	25	-	25
Net profit for the period	-	-	-	-	868	868
Total comprehensive income for the period	-	-	-	25	868	893
Retained earnings distribution	-	-	55	-	(55)	-
Dividends	-	-	-	-	(596)	(596)
As at 30 September 2015 (unaudited)	4,522	447	661	25	912	6,567

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	9-month period ended 30 September 2016 (unaudited)	9-month period ended 30 September 2015 (unaudited)
Cash flows from operating activities		
Profit before tax	811	840
Adjustments for:		
Foreign currency losses	4	1
Amortization and depreciation	4	4
Net interest and dividends	(716)	(888)
Profit on investing activities	-	(1)
Changes in working capital:		
Change in receivables	(98)	(37)
Change in liabilities excluding loans, borrowings and bonds	109	35
Change in prepayments and accruals	(15)	12
	99	(34)
Income tax paid	(128)	(8)
Net cash from operating activities	(29)	(42)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(66)	(15)
Sale of investment property	-	4
Proceeds from bond redemption by subsidiaries	718	574
Purchase of bonds issued by subsidiaries	(574)	(780)
Acquisition of shares in subsidiaries	(515)	-
Sale of participation units in the ENERGA Trading SFIO fund	306	126
Cash pooling cash flows	(366)	-
Dividends received	741	914
Interest received	95	173
Other	12	13
Net cash from investing activities	351	1,009
Cash flows from financing activities		
Proceeds from loans and borrowings	350	267
Repayment of loans and borrowings	(510)	(127)
Dividends paid to shareholders	(203)	(596)
Interest paid	(179)	(185)
Net cash from financing activities	(542)	(641)
Net increase (decrease) in cash and cash equivalents	(220)	326
Cash and cash equivalents at the beginning of the period	475	277
Cash and cash equivalents at the end of the period	255	603

ACCOUNTING PRINCIPLES (POLICIES) AND OTHER EXPLANATORY INFORMATION**1. General information**

These Condensed Interim Financial Statements of ENERGA SA ("Company") cover the nine-month period ended 30 September 2016 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 30 September 2016, 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 ENERGA 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 30 September 2016. These statements are available on the Company's website.

2. Composition of the Company's Management Board

In the period from 1 to 3 January 2016, the Management Board of the Parent Company was as follows:

- Roman Pionkowski – President of the Management Board,
- Seweryn Kędra – Vice-President of the Management Board for Financial Matters

On 29 December 2015, the Company's Supervisory Board adopted a resolution to appoint as of 4 January 2016 the Company's Management Board for the 5th term of office comprised of:

- Dariusz Kaśków – President of the Management Board,
- Mariusz Rędaszka – Vice-President of the Management Board for Financial Matters,
- Roman Pionkowski – Vice-President of the Management Board for Development Strategy, dismissed as of 26 February 2016.

On 1 February 2016, the Company's Supervisory Board adopted a resolution to appoint Mr. Grzegorz Ksepko to the Company's Management Board as of 1 February 2016 to serve as the Vice-President of the Management Board for Corporate Matters.

On 19 March 2016, the Company's Supervisory Board adopted a resolution to appoint to the Company's Management Board as of 21 March 2016: Ms. Mariola Zmudzińska to serve as the Vice-President of the Management Board for Investor Relations and Mr. Przemysław Piesiewicz to serve as the Vice-President of the Management Board for Development Strategy.

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 14 November 2016.

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 2015.

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 adopted for the first time in 2016**

The following amendments to the existing standards published by the International Accounting Standards Board ("IASB") and endorsed in the EU came into force in 2016:

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (applicable to annual periods beginning on or after 1 January 2016),

6. New standards and interpretations (cont.)

- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions - endorsed in the EU on 17 December 2015 (applicable to annual periods beginning on or after 1 February 2015),
- Amendments to various standards "Annual Improvements to IFRS (2010-2012 cycle)" – changes introduced during the annual cycle of improvements to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) aimed mainly at removing inconsistencies agreeing on the wording - endorsed in the EU on 17 December 2015 (applicable to annual periods beginning on or after 1 February 2015),
- Amendments to IFRS 11 "Joint Arrangements" (applicable to annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Acceptable methods of depreciation and amortization (applicable to annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture – Bearer Plants" (applicable to annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements (applicable to annual periods beginning on or after 1 January 2016),
- Amendments to various standards "Annual Improvements to IFRS (2012-2015 cycle)" – changes introduced during the annual cycle of improvements to IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) aimed mainly at removing inconsistencies agreeing on the wording (applicable to annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative (applicable to annual periods beginning on or after 1 January 2016).

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

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

- IFRS 9 "Financial Instruments" (applicable to annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (applicable to annual periods beginning on or after 1 January 2016),
- IFRS 15 "Revenue from Contracts with Customers" with clarifications (applicable to annual periods beginning on or after 1 January 2018),
- 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),

New standard IFRS 9 "Financial Instruments" introduces significant changes as compared to the currently applicable standards. After a tentative analysis, the Company expects these changes not to have a significant influence on its financial statements, which will be confirmed after this matter is examined more thoroughly.

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 and associates

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-OBRÓT SA	Gdańsk	330	100.00
ENERGA Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	4	100.00
ENERGA Wytwarzanie SA	Gdańsk	1,051	100.00
RGK Sp. z o.o.	Gdańsk	1	100.00
ENERGA Informatyka i Technologie Sp. z o.o.	Gdańsk	37	100.00
ENERGA Finance AB (publ)	Stockholm	85	100.00
ENERGA Serwis Sp. z o.o.	Ostrołęka	2	14.09
ENERGA Kogeneracja Sp. z o.o.	Elbląg	510	60.30
Enspirion Sp. z o.o.	Gdańsk	5	100.00
Elektrownia Ostrołęka SA	Ostrołęka	198	100.00
Other companies	Gdańsk	<1	100.00
Total value of shares		6,695	

On 27 April 2016, ENERGA SA made a cash contribution of PLN 510 m and in exchange it subscribed to newly-created shares in ENERGA Kogeneracja Sp. z o.o. The increase in the share capital of ENERGA Kogeneracja Sp. z o.o. was registered by the National Court Register on 22 June 2016.

On 28 September 2016, ENERGA SA acquired from ENERGA Wytwarzanie SA a 100% equity stake in Elektrownia Ostrołęka SA for PLN 198 m. Under a memorandum of agreement signed by ENERGA SA and ENERGA Wytwarzanie SA, the payment for the shares was effected through redemption of bonds by ENERGA Wytwarzanie SA (datio in solutum).

The value of shares specified in the table above is the value at purchase price less impairment losses. As at 30 September 2016, 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 30 September 2016 (unaudited)	As at 30 September 2015 (unaudited)
Cash in bank	146	79
Short-term deposits up to 3 months	106	524
Total cash and cash equivalents presented in the statement of financial position, including:	252	603
Unrealized foreign exchange differences and interest	3	-
Total cash and cash equivalents presented in the statement of cash flows	255	603

The Company does not have any restricted cash.

10. Dividends

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. By 30 September 2016, the entire declared dividend has been paid out, including PLN 71 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 30 September 2016 (unaudited)	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						
Dividend income	133	-	-	-	-	133
Cash pooling receivables	738	-	-	-	-	738
Cash and cash equivalents	-	252	-	-	-	252
Derivative financial instruments	-	-	-	94	-	94
Shares in subsidiaries and associates	-	-	-	-	6,695	6,695
Bonds	5,132	-	-	-	-	5,132
Trade receivables and other current financial receivables	41	-	-	-	20	61
Other financial assets	80	-	-	-	75	155
Contributions to capital	68	-	-	-	-	68
Other	12	-	-	-	75	87
TOTAL	6,124	252	-	94	6,790	13,260
Liabilities						
Loans and borrowings	-	-	4,662	-	-	4,662
Preferential loans and borrowings	-	-	1,505	-	-	1,505
Loans and borrowings	-	-	3,157	-	-	3,157
Bonds issued	-	-	1,020	-	-	1,020
Trade payables and other financial liabilities	-	-	21	-	-	21
Cash pooling liabilities	-	-	372	-	-	372
TOTAL	-	-	6,075	-	-	6,075

11. Financial instruments (cont.)

As at 31 December 2015	Financial assets at fair value through profit or loss	Loans and receivables	Cash and cash equivalents	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IAS 39	TOTAL
Assets								
Portfolio of financial assets	314	-	-	-	-	-	-	314
Cash and cash equivalents	-	-	474	-	-	-	-	474
Derivative financial instruments	8	-	-	-	-	40	-	48
Shares in subsidiaries and associates	-	-	-	-	-	-	5,996	5,996
Bonds	-	5,402	-	-	-	-	-	5,402
Trade receivables and other short-term financial receivables	-	23	-	-	-	-	11	34
Other financial assets	-	100	-	-	-	-	7	107
Contributions to capital	-	68	-	-	-	-	-	68
Other	-	32	-	-	-	-	7	39
TOTAL	322	5,525	474	-	-	40	6,014	12,375
Liabilities								
Loans and borrowings	-	-	-	-	4,789	-	-	4,789
Preferential loans and borrowings	-	-	-	-	1,549	-	-	1,549
Loans and borrowings	-	-	-	-	3,240	-	-	3,240
Bonds issued	-	-	-	-	1,016	-	-	1,016
Derivative financial instruments	-	-	-	8	-	-	-	8
Trade payables and other financial liabilities	-	-	-	-	22	-	-	22
TOTAL	-	-	-	8	5,827	-	-	5,835

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 30 September 2016 (unaudited) Level 2	As at 31 December 2015 Level 2
Assets		
Portfolio of financial assets	-	314
Hedging derivatives (CCIRS/IRS)	94	40
Derivatives (IRS)	-	8
Liabilities		
Derivatives (IRS)	-	8

The Company measures participation units in the ENERGA Trading SFIO fund as the product of their quantity and the value of a single participation unit, as measured by the fund management company pursuant to the Mutual Funds Act of 27 May 2004.

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.

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 30 September 2016 (unaudited)	2,153	2,364
As at 31 December 2015	2,145	2,290

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 30 September 2016. For non-listed shares and debt securities there is no active market, nor is it possible to apply to them any other valuation techniques providing reasonable output values, therefore the Company is not able to determine the range of their possible fair values. These assets are measured at purchase price less impairment losses.

11. Financial instruments (cont.)**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 30 September 2016 and 31 December 2015 are presented in the table below:

	As at 30 September 2016 (unaudited)	As at 31 December 2015
ENERGA-OPERATOR SA	3,931	3,666
ENERGA Wytwarzanie SA	1,023	1,252
ENERGA Elektrownie Ostrołęka SA	123	140
ENERGA Kogeneracja Sp. z o.o.	55	94
ENERGA-OBRÓT SA	-	250
TOTAL, of which:	5,132	5,402
Long-term	4,222	4,621
Short-term	910	781

11.4.2. Financial liabilities

All of the Company's financial liabilities are classified as financial liabilities measured at amortized cost, except for 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 30 September 2016 and 31 December 2015 are presented in the table below:

	As at 30 September 2016 (unaudited)		As at 31 December 2015	
Currency	PLN	EUR	PLN	EUR
Reference rate	WIBOR	Fixed	WIBOR	Fixed
Value of the loan/borrowing				
in currency	2,509	504	2,644	504
in PLN	2,509	2,153	2,644	2,145
of which maturing in:				
up to 1 year (short-term)	223	1	188	19
1 to 2 years	260	-	218	-
2 to 3 years	275	-	256	-
3 to 5 years	556	2,152	557	-
over 5 years	1,195	-	1,425	2,126

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

11. Financial instruments (cont.)**Liabilities under bonds issued**

Liabilities under bonds issued as at 30 September 2016 and 31 December 2015 are presented in the table below:

	As at 30 September 2016 (unaudited)	As at 31 December 2015
Currency	PLN	PLN
Reference rate	WIBOR	WIBOR
Value of the issue		
in currency	1,020	1,016
in PLN	1,020	1,016
of which maturing in:		
up to 1 year (short-term)	20	16
3 to 5 years	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.

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

ENERGA SA together with its subsidiary ENERGA-OPERATOR SA entered into loan agreements to finance the investment program of ENERGA-OPERATOR SA for the period 2009-2012 associated with the redevelopment and modernization of the distribution grid:

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

The above funding has been fully utilised by the Company and the following amounts are still outstanding and remain to be repaid: to EIB – PLN 741 m with the final maturity of 15 December 2025, to EBRD – PLN 480 m with the final maturity of 18 December 2024, to NIB – PLN 124 m with the final maturity of 15 June 2022.

In 2014, ENERGA SA with ENERGA-OPERATOR SA and EBRD amended the above loan agreement, as a result of which, among others, the available loan amount increased by PLN 276 m and is to be used to fund ENERGA-OPERATOR SA's capital expenditures, with the funds available for disbursement by the end of 2016.

As at 30 September 2016, the amount of financing available by the end of 2016 under the EBRD agreement and not yet disbursed was PLN 276 m.

Loans to finance the investment program at ENERGA-OPERATOR SA for the years 2012-2015

In 2013, ENERGA SA together with its subsidiary ENERGA-OPERATOR SA entered into loan agreements to finance the investment programme of ENERGA-OPERATOR SA for the period 2012-2015 associated with the redevelopment and modernization of the distribution grid:

- agreement with EBRD with a limit of PLN 800 m – as at 30 September 2016, PLN 312 m of the loan has been utilized. PLN 460 m remains available; the funds may be disbursed by the end of 2016. The final maturity of the loan is 18 December 2024;
- agreement with EIB with a limit of PLN 1,000 m – as at 30 September 2016, PLN 800 m of the loan has been utilized. PLN 200 m remains available; the funds may be disbursed by 10 December 2016. The final maturity of the disbursed loan is 15 March 2030.

Loan agreements

On 21 March 2013 and 25 March 2013, ENERGA SA signed loan agreements with ENERGA Finance AB (publ) for the total amount of EUR 499 m to finance current operations. As at 30 September 2016, the loans have been used in full.

Domestic bond issue

In 2012 a domestic bond issue program for up to PLN 4,000 m was established. As part of the program, on 19 October 2012 ENERGA SA issued 7-year bonds for the total amount of PLN 1,000 m. Since 29 January 2014, the bonds issued by ENERGA SA have been listed on the regulated market run by BondSpot S.A. As at 30 September 2016, the value of bonds subscribed by external investors was PLN 442 m.

Loans from PKO Bank Polski SA

ENERGA SA entered into the following loan agreements with PKO Bank Polski SA:

- master agreement to extend an overdraft limit to ENERGA SA and its subsidiaries with a total limit of PLN 150 m. As at 30 September 2016, the total available financing limit was PLN 4 m, out of which PLN 4 m had been used by subsidiaries, including PLN 1 m in the form of bank guarantees. The limit expired on 30 August 2016.
- master agreement to extend an overdraft limit to ENERGA SA and its subsidiaries with a total limit of PLN 200 m. As at 30 September 2016, the total available financing limit was PLN 116 m, out of which PLN 78 m had been used by subsidiaries, all in the form of bank guarantees. The facility expires on 19 September 2017,
- agreement for arranging loans for ENERGA SA with a total limit of PLN 300 m. As at 30 September 2016, the financing has not been used. The limit will expire on 7 June 2021.

11. Financial instruments (cont.)**Loans from Bank Pekao SA**

ENERGA SA entered into the following loan agreements with Bank Pekao SA:

- renewable loan agreement with a limit of PLN 500 m. As at 30 September 2016, the financing has not been used. The final maturity of the loan is 29 May 2020;
- loan agreement in the amount of PLN 85 m to be used to acquire bonds issued by ENERGA Elektrownie Ostrołęka SA in connection with the implementation of the investment program of the company. The aggregate use of the loan as at 30 September 2016 was PLN 22 m. The final maturity of the loan is 29 May 2022.

Bonds issue through PKO Bank Polski SA

In 2012, ENERGA SA concluded with PKO Bank Polski SA a bond issue agreement where the funds raised under the agreement were to be used to acquire bonds issued by ENERGA Elektrownie Ostrołęka SA in connection with the implementation of the investment program. The bonds may only be issued as short-term securities. As at 30 September 2016, no bond issue has been carried out under the agreement. As at 30 September 2016, PLN 69 m was available under the bond issue agreement.

NIB loan

On 23 October 2014, ENERGA SA signed an investment loan agreement with NIB in the amount of PLN 67 m to finance the Myślino wind farm construction project. The aggregate use of the loan as at 30 September 2016 was PLN 63 m. The final maturity of the loan is 15 September 2026.

11.6 Cash flow hedge accounting

The special purpose vehicle ENERGA Finance AB (publ) (the issuer of Eurobonds – see description in 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 description in 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.

11. Financial instruments (cont.)

The fair value of hedges is as follows:

	Value	Recognition in the statement of financial position
As at 30 September 2016 (unaudited)		
CCIRS I	87	Assets – Derivative financial instruments
CCIRS II	5	Assets – Derivative financial instruments
IRS	2	Assets – Derivative financial instruments
As at 31 December 2015		
CCIRS I	38	Assets – Derivative financial instruments
CCIRS II	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) increased in the reporting period by PLN 21 m.

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

	9-month period ended 30 September 2016 (unaudited)	9-month period ended 30 September 2015 (unaudited)
At the beginning of the reporting period	10	-
Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments	54	28
Accrued interest transferred from the reserve to financial income/costs	(7)	(7)
Revaluation of hedging instruments transferred from the reserve to financial income/costs	(21)	10
Income tax on other comprehensive income	(5)	(6)
At the end of the reporting period	31	25

As at 30 September 2016, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

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

Transactions with related entities 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. Transactions with related entities (without State Treasury companies)

	9-month period ended 30 September 2016 (unaudited)	9-month period ended 30 September 2015 (unaudited)
Net income from the sale of products, goods and materials	51	44
Cost of purchase	12	12
Other operating income	7	4
Dividend income	874	914
Other financial income	159	150
Financial costs	64	64

12. Information on related entities (cont.)

	As at 30 September 2016 (unaudited)	As at 31 December 2015
Assets		
Long-term receivables	87	39
Other non-current assets	1	-
Dividend income	133	-
Cash pooling receivables	738	-
Trade receivables	41	22
Other short-term financial receivables	20	12
Derivative financial instruments	-	8
Long-term bonds	4,222	4,621
Short-term bonds	910	781
Other current assets	24	-
Liabilities		
Non-current liabilities	2,152	2,126
Cash pooling liabilities	372	-
Current trade payables	1	2
Other current liabilities	14	51

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

	9-month period ended 30 September 2016 (unaudited)	9-month period ended 30 September 2015 (unaudited)
Management Board	4	2
Supervisory Board	<1	<1
TOTAL	4	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.

12.4. 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 2016 to 30 September 2016 was PLN 5 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**Zero-balancing cash pooling**

On 4 January 2016, a one-way zero-balancing cash pooling service was launched in the ENERGA SA Group for funds in Polish zloty. This tool allows the holding company to manage the Group's liquidity in an efficient fashion. According to the assumptions about the structure, at the end of each business day, cash owned by the Group's companies is consolidated on ENERGA SA's accounts and on the following day it may be used to finance payment liabilities of the individual participants. ENERGA SA acts as the coordinator of the cash pooling service in the ENERGA SA Group. Accordingly, the Company presents the balances arising from the transactions as cash pooling receivables or liabilities.

15. Subsequent events

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

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

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

Marek Pertkiewicz
Deputy Director of the Finance Department

Karol Jacewicz
Director of the Financial Reporting Unit
Chief Accountant

Grzegorz Radwański
President of the Management Board
ENERGA Centrum Usług Wspólnych Sp. z o.o.

Łukasz Malinowski
Vice-President of the Management Board
ENERGA Centrum Usług Wspólnych Sp. z o.o.

Krzysztof Śliwiński
Vice-President of the Management Board
ENERGA Centrum Usług Wspólnych Sp. z o.o.

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

Gdańsk, 14 November 2016