



**Information  
to the condensed  
consolidated report  
of the Energa  
Group**

**for Q1 2019**

Gdańsk  
Publication date: 7 June 2019

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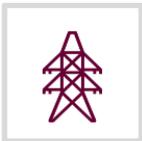
# 1. SUMMARY



## THE GROUP AFTER 3 MONTHS OF 2019

One of the leading energy groups and a reliable supplier of electricity and services for 1/4 of Poland, with a 44-percent share of RES in own production.

### OPERATING DATA



**5.8 TWh**

volume of electricity supplied



**1.0 TWh**

gross electricity production

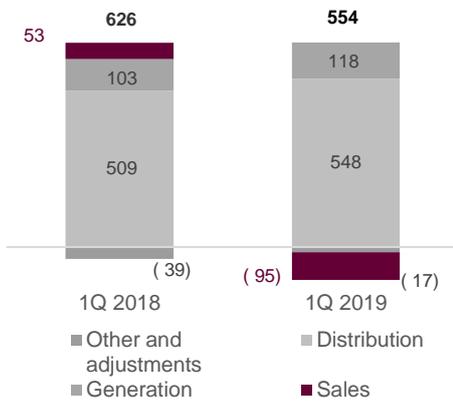


**5.0 TWh**

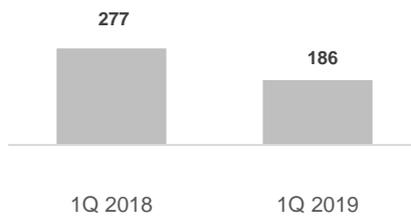
retail sales

### FINANCIAL RESULTS

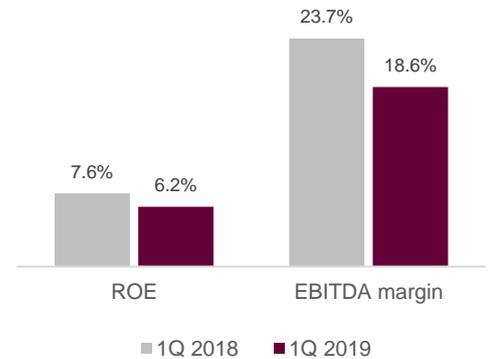
#### EBITDA (PLN m)



#### Net profit (PLN m)



#### Profitability ratios

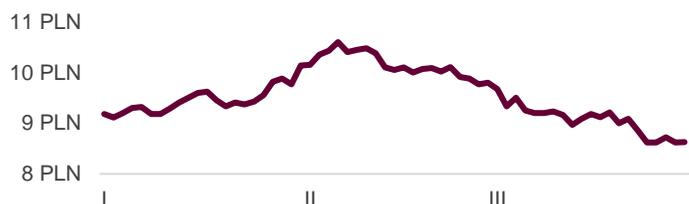


### Energa SA ON THE WSE

Market capitalisation: **PLN 3.57 bn\***

\* According to share price as at closing on 29 March 2019.

#### Prices of Energa shares



## KEY RESOURCES



Distribution network length:

**188 thousand km**



Installed capacity

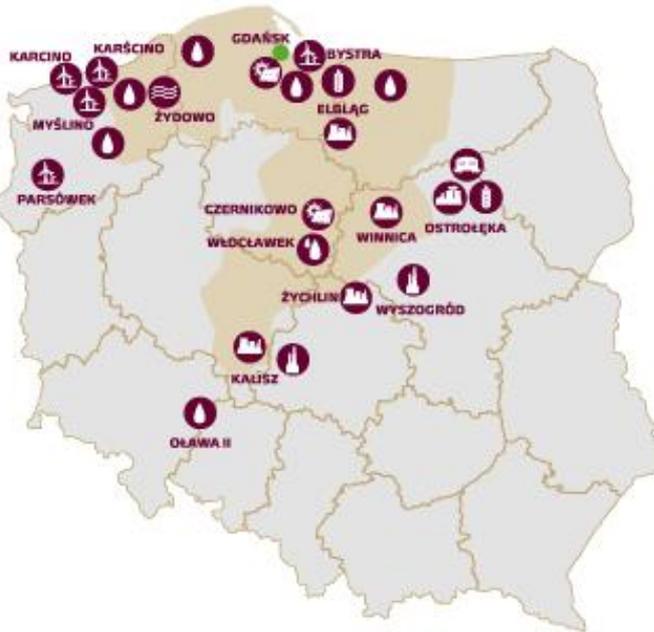
**1.35 GWe**

of which **38%** are RES

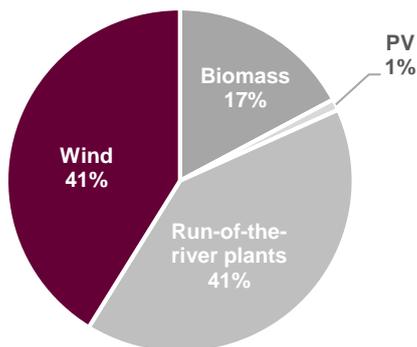


**9.8 thousand**

employees



## RENEWABLE ENERGY SOURCES



Installed capacity

**513 MWe**



Renewable energy production

**455 GWh**

## INVESTMENT PROJECTS IN THE ENERGA

In the first 3 months of 2019, the Energa Group completed investment projects worth **PLN 369 million**, of which almost PLN 334 m in the Distribution Business Line.

As a result of the completed investments, in the first 3 months of 2019 **12.4 thousand new customers** were connected, **1,045 km** of high, medium and low voltage lines were built and upgraded, and **24 MW** of new renewable energy sources were connected to the grid.

# Key information about the Group



## **2. KEY INFORMATION ABOUT THE GROUP**

### **2.1. Material events in the reporting period and after the balance sheet date**

#### **2.1.1. Material events in the reporting period**

##### **Information on the reversal of impairment losses on assets**

The Management Board of Energa SA announced that due to market developments, in particular the increase in electricity and green certificate prices, potential triggers for the reversal of impairment losses on certain assets of the Energa Group had been identified.

Impairment testing carried out in the second half of 2018 revealed an increase in the recoverable amount of wind and photovoltaic assets. On 17 January 2019 a decision was made to reverse impairment losses on wind and photovoltaic assets in the Generation Business Line in the total amount of PLN 145.4 m. The estimated effect of the reversal of the above impairment losses on the consolidated net results of operations of the Energa Group for 2018 was PLN 117.8 m. No cash flows will be involved. This improved the operating result of the Energa Group without affecting its EBITDA. Adjusted for the reversal, the book value of wind and photovoltaic farms in the consolidated balance sheet of the Energa Group amounts to PLN 806 m.

The final outcome of testing and the amounts of reversals will be presented in the consolidated financial statements of the Energa Group for 2018 (Current Report No. 2/2019).

##### **Commencement of discussions regarding potential cooperation on the Ostrołęka C Power Plant construction project**

On 7 January 2019, the Management Board of Energa announced that Energa and ENEA had commenced discussions with PGE Polska Grupa Energetyczna SA likely to result in PGE's involvement in the Ostrołęka C Power Plant construction project, which is currently being implemented by Energa and Enea companies (through Elektrownia Ostrołęka Sp. z o.o.), (Current Report No. 1/2019).

##### **Other**

Additional information is provided in the Consolidated financial statements note 21 *Other information significantly affecting the assessment of assets, financial position and the financial result of the Group*.

#### **2.1.2. Material events after the balance sheet date**

##### **Legislation which defines the EU's energy policy framework**

On 22 May 2019, the Council of the European Union adopted, as the last body in the EU legislative process, previously missing legislation which defines the EU's energy policy framework, which comprises a total of 8 legislative acts known as the "Clean energy for all Europeans" package. The Directive and 3 Regulations will enter into force 20 days after their publication in the EU Official Journal.

The legislation comprises, inter alia, limitation of support granted to electricity generators in the power market. If the EPS 550 emission requirement is not met (emission of CO<sub>2</sub> below 550 g for each kWh of electricity or less than 350 kg CO<sub>2</sub> per kW of installed capacity), the generator will not be able to benefit from the support offered in the power market from July 2025. At the same time, rights acquired under contracts concluded until the end of 2019 through auctions on the Polish power market will remain in force until the contracts expire.

The Energa Group is currently analysing the impact of the new legislation on the valuation of its production assets by carrying out an impairment test procedure

## **Memorandum of Agreement for the financing of the construction of the Ostrołęka C Power Plant**

On 30 April 2019, Energa SA and Enea SA signed a Memorandum of Agreement for the financing of the construction of the 1000 MW Ostrołęka C Power Plant in Ostrołęka (the "Project", the "MoA"). The purpose of the MoA is to further specify the financing rules for the Project in order to enable its continued implementation without delays.

According to the MoA, without prejudice to any arrangements previously made between the parties, the Issuer has committed to Enea and Elektrownia Ostrołęka sp. z o.o. (the "Company") to provide financial resources of no less than PLN 819 million for the Company to implement the Project in accordance with the investment project time schedule, and Enea has committed to the Issuer and the Company to provide financial resources of PLN 819 million for the Company to implement the Project in accordance with the investment project time schedule.

Those amounts match the financial commitment declared in the memorandum of agreement of 28 December 2018, as referred to in Current Report No. 55/2018, i.e. no less than PLN 1 bn in the case of the Issuer, including the financial resources already provided to the Company by the Issuer to make an advance payment to the general contractor for the unit of approx. PLN 181 m. It is the intention of the Issuer and Enea to implement the project on a joint control basis.

Energa will carry out its obligations starting from the date of execution of the MoA, in 2019, 2020 and subsequent years, whereas Enea will carry out its obligations starting from January 2021.

At the same time, the Issuer and Enea have undertaken to negotiate the final principles of cooperation in good faith in the shareholders' agreement / investment agreement which is to define, on a comprehensive basis, the structure and form of financing for the Project. If these are not agreed upon by 31 December 2020, Enea will be obliged to repay to the Issuer half of the financial resources provided to the Company by the Issuer at that time, save that the total amount that Enea may be obliged to repay must not exceed PLN 819 m (Current Report No. 7/2019).

### **Distribution of profit for 2018**

On 15 April 2019, the Management Board of Energa SA decided not to recommend that the General Meeting of Energa SA pay a dividend for the financial year ended 31 December 2018. The entire net profit for 2018 amounting to PLN 495,002,271.26 will be transferred to supplementary capital.

The decision was dictated by the implementation of the "Strategy of the Energa Group for 2016-2025" (the "Strategy") adopted on 15 November 2016 (Current Report No. 40/2016), whereby the dividend payment policy is adjusted to reflect the financial needs of the investment process.

However, the Management Board does not rule out the possibility of restoring the dividend payments, whose level would be determined by the implementation of the Strategy (Current Report No. 6/2019).

On 28 May 2019, the Company's Supervisory Board issued a positive opinion on the Company Management Board's recommendation on distribution of the Company's net profit earned in 2018.

The Management Board's recommendation along with the opinion of the Supervisory Board will be submitted to the General Meeting, which will make the final decision on the distribution of the Company's 2018 net profit (Current Report No. 10/2019).

### **Changes in the Management Board of ENERGA SA**

The Management Board of ENERGA SA reports that on 30 May 2019 the Supervisory Board dismissed from the Management Board as of 30 May 2019 following members:

- Mr. Jacek Kościelniak performing the function of Vice-President of the Management Board for Finance,
- Ms. Alicja Barbara Klimiuk performing the function of Vice-President of the Management Board for Operations,
- Mr. Grzegorz Ksepko performing the function of Vice President of the Management Board for Corporate Affairs.

Simultaneously, on 30 May 2019, the Supervisory Board adopted a resolution to appoint as of 31 May 2019 the following persons to the Management Board of the 6th term of office of ENERGA SA:

- Mr. Jacek Kościelniak for the function of Vice-President of the Management Board for Finance,
- Mr. Dominik Wadecki for the function of Vice-President of the Management Board for Operations,
- Mr. Grzegorz Ksepko for the function of Vice President of the Management Board for Corporate Affairs.

The Supervisory Board decided to close the qualifying proceedings for the President of the ENERGA SA Management Board without selecting the best candidate.

The Management Board of ENERGA SA informs that in connection with the appointment of the Management Board of ENERGA SA of the 6th Term and the ending of the qualifying proceedings for the election of the President of the Management Board of ENERGA SA without selecting the best candidate, on 31 May 2019 the Management Board adopted the resolution to entrust the duties of the President of the Management Board ENERGA SA to Mr. Grzegorz Ksepko the Vice President of the Management Board for Corporate Affairs..

On 3 June 2019, the Supervisory Board approved the decision.

### **Resuming business customers and local government units (LGU) invoicing at contract prices**

Due to the lack of Executive Order to the Act on amendments to the Excise Duty Act and some other acts (hereinafter the "Act"), the Sales Business Line has adopted a decision to resume, starting from May 2019, settlement of business customers and local government units at contract prices instead of the rates stipulated in the Act that had been applied to date. This change will have an impact on the financial result and liquidity of the Sales Business Line in the 2nd quarter of 2019.

### **Affirmation of the Company's rating by Fitch Ratings**

The Management Board of Energa SA announces in the report (Current Report No. 15/2019) that on 3 June 2019, Fitch Ratings affirmed the Company's Long-Term foreign- and local-currency Issuer Default Ratings (IDRs) at 'BBB' with a Stable Outlook, a 'BBB' rating for the bonds issued by the Company's subsidiary Energa Finance AB (publ), and a 'BB+' rating for Energa's hybrid bonds.

## **2.2. Activities of Energa Group**

The core business of the Energa Group involves the distribution, generation and trading in electricity and heat and concentrates on the following business lines:

**Distribution Business Line.** This is the business line of key importance to the Group's profitability, involved in the distribution of electricity (which is a regulated activity in Poland) conducted on the basis of tariffs approved by the President of the Energy Regulatory Office (URE). The Energa Group has a natural monopoly position in the northern and central part of Poland which hosts the Group's distribution assets through which the Group supplies electricity to more than 3 million customers, approx. 2.9 million of whom are customers with universal agreements and 189 thousand are TPA (Third Party Access) customers. A breakdown of Energa Operator SA's customers by tariff groups is presented

in Section 3.5. Key operating data. The total length of the power lines was almost 188 thousand km and covered almost 75 thousand km<sup>2</sup>, i.e. about 24% of the country's territory. Energa Operator SA acts as the Leading Entity in this Line.

**Generation Business Line.** The operation of this business line is based on four Divisions: Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). At the end of Q1 2019, the total installed generation capacity in the Group's power plants was approximately 1.35 GW. Energa Wytwarzanie SA is the Leading Entity in this Business Line.

The Energa Group owes its leading position, in terms of the percentage of electricity from renewable energy sources in the total energy generated, primarily to the generation of energy by its hydro power plants and wind farms. Green energy is produced by 46 hydropower plants, 5 wind farms and biomass-fired installations (as part of Energa Kogeneracja) and by two photovoltaic installations.

In Q1 2019, the Group generated approx. 1 TWh of electricity (in gross terms) at its power plants relying on sources such as coal, water, biomass, wind, and solar energy. During that period, 54% of the Group's gross electricity production originated from coal, 26% from hydro, 15% from wind, and 4% from biomass. As at 31 March 2019, the Group had the installed capacity of 0.5 GW in renewable energy sources, with a gross production of 455 GWh of electricity.

**Sales Business Line.** A business line with Energa Obrót SA as the leading entity that sells electricity, gas and additional services both as separate products and in packages. Products and services are sold to all customer segments, from industry to small, medium-sized and large enterprises and to households. As at the end of Q1 2019, the Energa Group served approximately 3.1 million customers, including 2.8 million customers in the G tariff, and the remainder in the C, B, and A tariff groups, in descending order.

#### **Customer service**

For many years, Energa Obrót SA has been offering trend-setting customer service solutions. It responds to the activities of its competitors with dynamism, monitoring the market for changes in customer preferences, and uses this knowledge to adjust its offering, communication channels and customer service solutions for such developments. All this is expected to improve customer experience and trust in the Energa Group.

For electricity, in Q1 2019, Energa Obrót SA offered a total of 27 products and services for individual customers and 9 products and services for SOHO customers. For gas, the following products and services were offered to individual customers: Po prostu gaz dla domu, the promotional offer "Paczka darmowego gazu – 500 kWh", the promotional offer "Gaz pod kontrolą III". The full offer can be viewed on the Company's website.

The Company is committed to supporting large families, particularly those with Large Family Discount Cards (*Karta Dużej Rodziny*). The services offered by Energa Obrót help families reduce their electricity bills significantly. Private customers are also offered a large number of options such as direct debit, online payments, prepaid bills, text messages with an account balance, or electronic invoices.

Last year, Energa Obrót SA transformed its model of cooperation with business customers, turning from a supplier into a business partner. This change is reflected in the Energy Efficiency Package introduced in September 2018 with the purpose of supporting customers in reducing the cost of purchase of utilities, such as electricity, gas and heat.

The Energy Efficiency Package comprises 15 new technical services:

- "Audyty Energetyczny Przedsiębiorstwa" (Corporate Energy Audit),
- "Audyty Efektywności Energetycznej" (Energy Efficiency Audit),
- "Audyty Energetyczny" (Energy Audit),

- “Doradztwo w zakresie zewnętrznych źródeł finansowania” (Consulting Services on External Financing),
- “Studium wykonalności” (Feasibility Study),
- “Projekt techniczny” (Engineering Design),
- “Modernizacje układów pomiarowych” (Metering System Upgrades),
- “Przyłączenia klientów” (Customer Connections),
- “Modernizacja infrastruktury” (Infrastructure Upgrades),
- “Budowa stacji abonenckich” (Construction of Substations),
- “Optymalizacja parametrów” (Parameter Optimisation),
- “Strategia zarządzania energią” (Energy Management Strategy),
- “Wizualizacja profilu zużycia” (Usage Profile Visualisation),
- “Przeglądy stacji transformatorowych” (Transformer Station Inspections),
- “Przeglądy instalacji elektroenergetycznych” (Inspections of Electrical Systems).

The Energy Efficiency Package focuses on solutions supporting business customers in the reasonable, conscious and responsible use of their existing energy resources. Introducing its energy efficiency range for the Business Market, the Company caught up with the market leaders who are able to address almost all energy concerns of their customers within their product range.

Being aware of the fast advancements in technology, Energa Obrót SA relentlessly works on new solutions and launches new channels in order to make it easier for customers to access its services. Last year and in the early 2019, more than 10,000 agreements with customers were signed via the electronic channel. An Energa Obrót SA’s project called “Energa online forms – a system for making electricity purchase contracts via the Internet” won the second prize in the Lider 2017 (Leader 2017) contest organised by *Gazeta Bankowa* (16th edition, category: Industry 4.0).

This online service not only offers a modern and comfortable solution for customers, but also optimises and digitises the company’s back-office contract processing efforts. Importantly, responsive versions of these forms are also available for customers, enabling them to complete the entire process on their mobile phones.

Moreover, as part of initiatives aimed at innovating and improving the efficiency of contact channels dedicated to customers, the company revamped its website, making it more transparent, i.e. consistent in terms of graphics and text. The revamp was also expected to help promote energy-related products, i.e. heat pumps and storage heaters. The Live Chat service provided by the company has caught on. Not only does it offer an easy and convenient customer service tool, but customers can also use it to place orders for electricity or learn more about additional services offered by the company. As many as 95% of our customers recommend this customer service channel.

One of the main parts of the project called “A System for Online Sale and Customer Service of Energa Obrót SA” is the provision of an CMS (Content Management System) for easy online content management. Once implemented, the project will offer a number of benefits and convenient solutions to customers:

- access to a full range of products tailored to specific user needs,
- the option to select offers and manage the sale process fully,
- the customer can place an order for a product or service of Energa Obrót via the System – and if the process is interrupted, it can be finalised via other contact channels,
- a wide array of self-service operations will be available, e.g. offer forms, connection requests and automated agreements.

In Q1 2019, work was continued to optimise the company's customer service processes with a view to reducing the number of customer complaints and resolution times, and to identifying the points that should be resolved at first contact. The company's channels of communication with customers were consistently improved and the available technical solutions were optimised.

The company's corrective and development initiatives are focused on the optimisation of front-end operations (Customer Journey) and back-office processes.

### **Key changes in the Group's structure and organisation**

As at 31 March 2019, the Energa Group consisted of 22 companies, including its parent company, Energa SA.

#### Elektrownia Ostrołęka Sp. z o.o.

An increase in share capital of Elektrownia Ostrołęka Sp. z o.o. by PLN 361,382,100 by a resolution of the Shareholders Meeting of 4 January 2019, pursuant to which Energa SA and Enea SA each subscribed for 50% of new shares, i.e. PLN 180,691,050, in exchange for cash contributions, was registered with the National Court Register on 1 March 2019.

#### Energa Wytwarzanie SA

On 26 March 2019, the Division Plan for Energa Wytwarzanie SA (Divided Company) was agreed and signed. The division will be effected pursuant to Article 529 § 1 point 4 of the Commercial Companies Code, i.e. through the transfer of the Divided Company's organised assets which represent organised parts of the enterprise within the meaning of Article 4a point 4 of the CIT Act of 15 February 1992 (consolidated version, JoL 2018, item 1036) and Article 2 point 27e of the VAT Act of 11 March 2004 (consolidated version, JoL 2018, item 2174), to two Acquiring Companies: ENSA PGK8 Sp. z o.o. and EOB PGK1 Sp. z o.o. in exchange for shares which ENSA PGK8 Sp. z o.o. and EOB PGK1 Sp. z o.o. will issue to the sole shareholder of the Divided Company, i.e. Energa SA. The share capital of Energa Wytwarzanie SA will be reduced by PLN 62,141,000, i.e. from PLN 1,171,382,000 to PLN 1,109,241,000 through redemption of 6,214,100 AA series shares with a face value of PLN 10.00 each, with a total face value of PLN 62,141,000, held by Energa SA.

In parallel, the division will involve an increase in the share capital of the Acquiring Companies as follows:

- 1) the share capital of ENSA PGK8 Sp. z o.o. will be increased by PLN 21,522,000, i.e. from PLN 60,000 to PLN 21,582,000, through the creation of 43,044 new shares with a face value of PLN 500 each, having a total face value of PLN 21,522,000, which will be subscribed for by Energa SA.
- 2) the share capital of EOB PGK 1 Sp. z o.o. will be increased by PLN 40,619,000, i.e. from PLN 10,000 to PLN 40,629,000, through the creation of 81,238 new shares with a face value of PLN 500 each, having a total face value of PLN 40,619,000, which will be subscribed for by Energa SA.

### **Headcount in the Energa Group**

As at 31 March 2019, the Energa SA Group employed 9,839 persons (vs. 9,686 persons as at the end of last year). The growth in the headcount in the first quarter of this year (by 153 people; 1.6%) is primarily attributable to the continuation of efforts taken to bridge the competency and generation gap among wiremen and technical engineers employed in the Distribution and Generation Business Line. In addition, the increase was generated by the hiring of temporary staff in Energa Elektrownie Ostrołęka SA in connection with the construction of the second Flue Gas Desulphurisation Plant and renovation and upgrading works.

### **Collective dismissals**

In Q1 2019, Group companies did not carry out any collective dismissals as defined in the Act of 13 March 2003 on special rules on termination of employment for reasons not attributable to employees.

### Collective disputes

At the end of Q1 2019, there were 32 trade union organisations in the Energa Group companies. According to data reported by the unions every six months (which is required by law), more than 5,400 employees were members of the trade unions as at 31 December 2018.

In Q1 2019, there were 8 collective disputes in the Energa Group, including one suspended dispute.

1. The dispute was suspended due to the inactivity of the parties in respect of the collective dispute between Energa Elektrownie Ostrołęka SA and the Związek Zawodowy Energetyków and Związek Pracowników Ruchu Ciągłego trade union organisations concerning:
  - the following demands made on 22 August 2017:
    - 1) entering into a Collective Agreement covering the employees of EEO SA,
    - 2) signing an agreement for the payment of a holiday bonus for employees on the occasions of Easter, Power Engineers' Day and Christmas in the amount of PLN 1,000 per person,
    - 3) signing an agreement on Employee Pension Plans,
    - 4) signing an agreement providing for an annual pay rise by the amount of increase in minimum wages,
    - 5) signing a wage agreement by 31 October of the year preceding the calendar year covered by the wage agreement,
    - 6) maintaining the triple contribution to the Company Social Benefits Fund per employee,
    - 7) making payments of PLN 1,000 net of tax and social security contributions to every employee of EEO SA by 10 September 2017.
  - the following demands made on 8 September 2017:
    - 1) making payments of PLN 1,000 net of tax and social security contributions to every employee of EEO SA,
    - 2) signing a collective agreements in accordance with the demand made on 22 August 2017.
2. Collective dispute between Energa Elektrownie Ostrołęka SA and organisations of the trade unions Związek Zawodowy Energetyków, Związek Pracowników Ruchu Ciągłego, Związek Zawodowy Inżynierów i Techników concerning:
  - the following demands made on 7 February 2019:
    - 1) introducing Employee Pension Plans in Energa Elektrownia Ostrołęka SA starting from 1 January 2019.

Currently, the dispute is at the stage of mediation.

3. Collective dispute between Energa Operator Wykonawstwo Elektroenergetyczne Oddział w Płocku Sp. z o.o. and the Inter-Enterprise Trade Union NSZZ Solidarność at Energa Operator SA Oddział w Płocku as regards the following demands made on 14 January 2019:
  - 1) raising the base pay of the employer's employees by PLN 600 starting from 1 January 2019.

Since the demands made in the dispute had not been satisfied by the employer, a collective dispute was announced on 21 January 2019.

4. Collective dispute between Energa Operator Wykonawstwo Elektroenergetyczne Oddział w Płocku Sp. z o.o. and the Inter-Company Trade Union (MZZP) of the Energa Capital Group in Elbląg, Inter-Company Trade Union Organisation of Engineers and Technicians (MOZ ZZIT) at the Energa Group in Elbląg, MZZP in the Energa Group in Kalisz, MZZP of Energetyka in Koszalin, MZZP of the Energa Group in Olsztyn, MZZP of the Energa Group in Toruń, Intercompany Trade Union (MZZ) of Energetyka Płocka employees regarding the following demands made on 15 January 2019:
  - 1) contributing to the payroll budget an amount equal to 12 times PLN 600 multiplied by the number of employees employed by the individual employers on 1 January 2019, starting from January 2019, to be used to increase pays in 2019;
  - 2) contributing to the payroll budget an amount equal to 12 times PLN 400 multiplied by the number of employees employed by the individual employers on 1 January 2019,

starting from January 2019, to be used to minimise the pay gap between staff who perform the same work or work of equal value;

Since the demands made in the dispute had not been satisfied by the employer, a collective dispute was announced on 21 January 2019.

5. Collective dispute between Energa Operator SA Oddział w Płocku and the Inter-Enterprise Trade Union Organisation NSZZ Solidarność at Energa Operator SA Oddział w Płocku regarding the following demands made on 14 January 2019:

- 1) raising the base pay of the employer's employees by PLN 600 starting from 1 January 2019.

Since the demands had not been satisfied by the employer, a collective dispute was announced on 22 January 2019.

6. Collective dispute between Energa Operator SA Oddział w Płocku and the Inter-Company Trade Union (MZZP) of the Energa Capital Group in Elbląg, Inter-Company Trade Union Organisation of Engineers and Technicians (MOZ ZZIT) at the Energa Group in Elbląg, MZZP in the Energa Group in Kalisz, MZZP of Energetyka in Koszalin, MZZP of the Energa Group in Olsztyn, MZZP of the Energa Group in Toruń, Intercompany Trade Union (MZZ) of Energetyka Płocka employees regarding the following demands made on 15 January 2019:

- 1) contributing to the payroll budget an amount equal to 12 times PLN 600 multiplied by the number of employees employed by the individual employers on 1 January 2019, starting from January 2019, to be used to increase pays in 2019;
- 2) contributing to the payroll budget an amount equal to 12 times PLN 400 multiplied by the number of employees employed by the individual employers on 1 January 2019, starting from January 2019, to be used to minimise the pay gap between staff who perform the same work or work of equal value;

Since the demands had not been satisfied by the employer, a collective dispute was announced on 22 January 2019.

7. Collective dispute between Energa Logistyka Sp. z o.o. and the Inter-Enterprise Trade Union Organisation NSZZ Solidarność at Energa Operator SA Oddział w Płocku regarding the following demands made on 14 January 2019:

- 1) raising the base pay of the employer's employees by PLN 600 starting from 1 January 2019.

8. Collective dispute between Energa Logistyka Sp. z o.o. and the Inter-Company Trade Union (MZZP) of the Energa Capital Group in Elbląg, Inter-Company Trade Union Organisation of Engineers and Technicians (MOZ ZZIT) at the Energa Group in Elbląg, MZZP in the Energa Group in Kalisz, MZZP of Energetyka in Koszalin, MZZP of the Energa Group in Olsztyn, MZZP of the Energa Group in Toruń, Intercompany Trade Union (MZZ) of Energetyka Płocka employees regarding the following demands made on 15 January 2019:

- 1) contributing to the payroll budget an amount equal to 12 times PLN 600 multiplied by the number of employees employed by the individual employers on 1 January 2019, starting from January 2019, to be used to increase pays in 2019;
- 2) contributing to the payroll budget an amount equal to 12 times PLN 400 multiplied by the number of employees employed by the individual employers on 1 January 2019, starting from January 2019, to be used to minimise the pay gap between staff who perform the same work or work of equal value;

### **2.3. Implementation of the investment programme**

In Q1 2019, capital expenditures in the Energa Group amounted to PLN 369 m, most of which, i.e. PLN 334 m, were made in the Distribution Business Line.

Investment projects in the Distribution Business Line involved modernisation of the grid in order to improve the reliability of electricity supply as well as expansion of the grid so as to connect new clients and producers. In addition, a part of the expenditures was incurred on innovative technologies and network solutions.

In the Generation Business Line, efforts made to align with sustainability requirements and upgrading investments at Ostrołęka Power Plant B had a significant share in the spending.

Table 1: Key investment areas in Q1 2019

Description of the project	Location	Capital expenditures (m PLN)	Execution stage
<b>Distribution Business Line</b>			
<b>Modernisation of the distribution network to improve the reliability of supply</b>	Distribution areas	152.9	Implemented on an ongoing basis
<b>Grid development related to connection of new customers</b>	Distribution areas	128.8	Implemented on an ongoing basis
<b>Smart metering and other elements of the smart grid concept, including AMI</b>	Distribution areas	3.0	Implemented on an ongoing basis
<b>Grid development related to flows in the high-voltage grid and connection of EE sources</b>	Distribution areas	4.4	Implemented on an ongoing basis
<b>Other capital expenditures, collisions and adjustments</b>	Distribution areas and Distribution Business Line companies	44.7	Implemented on an ongoing basis
<b>Generation Business Line</b>			
<b>Installation of an NOx control system</b>	Ostrołęka	5.0	In progress
<b>Construction of IOS II at the Ostrołęka B Power Plant</b>	Ostrołęka	4.4	In progress
<b>Retrofit of the small hydro power plant and hydro power plant in Włocławek</b>	Business area of the Generation Business Line	1.6	In progress
<b>Other capital expenditures</b>	Business area of the Generation Business Line	11.2	-
<b>Sales Business Line</b>			
<b>Capital expenditures for lighting assets</b>	Business area of Energa Oświetlenie	7.6	In progress
<b>Sales Support System</b>	Business area of the Sales Business Line	0.9	In progress
<b>Other capital expenditures</b>	Sales area and Sales Business Line companies	0.7	-
	<b>Other companies, projects and adjustments</b>	3.9	-
<b>Total</b>		<b>369.2</b>	

## 2.4. Information on material contracts and agreements

### Agreements for loans and borrowings and the domestic bond issue program

Details on agreements for loans and borrowings and the domestic bond issue programme are presented, *inter alia*, in Note 16 *Financial Instruments* to the consolidated financial statements.

### **Guarantees and sureties granted**

As at 31 March 2019, sureties extended by Energa SA to cover liabilities of the Group companies totalled PLN 5,469 m and included:

- surety for liabilities of Energa Finance AB (publ) on account of a PLN 5,377 m eurobond issue
- sureties for liabilities of the Energa Group companies arising from bank guarantees granted by Bank PKO BP SA under guarantee facilities allocated to Energa Group companies in the total amount of PLN 22 m,
- other sureties for liabilities of the Energa Group companies towards other creditors, including: The State Treasury, the National Fund for Environmental Protection and Water Management (NFOŚiGW) and the Provincial Fund for Environmental Protection and Water Management (WFOŚiGW), in the total amount of PLN 70 m.

### **Information on material transactions with related parties made on non-arm's length terms**

All transactions within the Energa Group are made based on the market prices of the goods, products or services delivered and costs of the manufacture of products and provision of services.

Detailed information on transactions with related entities is presented in Note 19 to the condensed interim consolidated financial statements as at 31 March 2019 and for the 3-month period ended on that day.

## **2.5. Risk management**

The Energa Group classifies risks into four categories:

- strategic risks – risks involved in the delivery of strategic objectives, including the planning and completion of investment projects or execution of corporate governance;
- legal and regulatory risks – risks concerning non-compliance with binding laws and regulations;
- operational risks – risks involved in the delivery of operational objectives, including infrastructure, processes or resources;
- financial risks – risks involved in finance management.

A detailed description of risks attaching to the business operations of the Company is presented in the Management Board Report on the activity of the Energa Capital Group for 2018. In the opinion of the Management Board, the risks identified therein are still present.

## **2.6. Proceedings pending before courts, arbitration or public administration bodies**

As at 31 March 2019, the Energa Group was a party to 13,733 court proceedings. The Group was a plaintiff in 12,055 cases where the aggregate amount in dispute was approx. PLN 408 m. The Group was a defendant in 1,643 cases where the aggregate amount in dispute was approx. PLN 636 m.

As at 31 March 2019, the total amount of claims to locate power installations on properties owned by third parties without the necessary legal title, awarded by final and non-appealable judgements, was approx. PLN 22.6 m in approx. 3,889 cases. 2,096 court cases with amounts in dispute totalling PLN 206.1 m were pending.

Based on the available data pertaining to the value of pending proceedings, we assume that the actual amount to be paid after the above-mentioned disputes are resolved may reach PLN 74.6 m, which

is subject to change if new court cases involving power installations located on third party properties without a necessary legal title are brought against Energa Operator SA.

Moreover, the above data do not include cases in which court and enforcement-based collection is conducted for and on behalf of Energa Obrót SA in order for the Company to recover the amounts due from its Customers and bankruptcy cases, with the exception of the case brought by Energa Obrót SA against ERGO ENERGY Sp. z o.o. for the amount of approx. PLN 13 m. As regards the case referred to above, a first-instance judgment was pronounced on 12 July 2018, by which:

- 1) Energa Obrót SA was obligated to pay a compensation of PLN 100,000.00 to ERGO-ENERGY Sp. z o.o.;
- 2) ERGO-ENERGY Sp. z o.o. was obligated to pay PLN 5,092,000.00 to Energa Obrót SA;
- 3) ERGO-ENERGY Sp. z o.o. was obligated to pay costs of proceedings of PLN 34,113.50 to Energa Obrót SA;
- 4) Energa Obrót SA was obligated to pay costs of proceedings of PLN 13,191.89 to ERGO-ENERGY Sp. z o.o.

Energa Obrót SA filed a motion for a reasoning for the aforesaid judgment. A copy of the judgment with reasoning was collected. An appeal was lodged, contesting item I of the judgment. On 23 November 2018, ERGO-ENERGY filed a response to the appeal, contesting items II, III, V and VII of the judgment. The Company submitted a response to the appeal, moving that the appeal be dismissed, the motions for evidence included in the appeal (hearing of witnesses) be dismissed and costs be awarded. The Company received a response – ERGO-ENERGY filed a reply to the response to the appeal. The law firm sent a submission requesting permission to respond to the reply and its assertions in response to the opponent’s pleading. A submission from Ergo Energy’s representative was received.

As at 31 March 2019, the aggregated value in dispute in cases regarding the above was approx. PLN 373.6 m, including:

**Table 2: Type and value of receivables in dispute**

Type of receivables	Balance as at 31 March 2019 (m PLN)
court and enforcement-based	138.1
bankruptcies	58.9
non-billing	7.4
non-billing – bankruptcies	2.3
Total	206.7

The table below presents the proceedings with the highest amounts in dispute which continued into Q1 2019. The Company’s previous interim reports and its Prospectus provide information on legal steps taken in earlier periods.

**Table 3: Proceedings pending before courts, arbitration or public administration bodies**

Parties	Subject matter	Description of the case
T-Matic Systems SA, Arcus SA (defendant) Energa Operator SA (plaintiff)	Claim for payment of contractual penalties under the a contract for the delivery	The statement of claim was filed on 7 April 2015 (the amount in dispute is PLN 23,152,481). On 10 June 2015, the defendants filed a statement of defence, requesting that the claim be dismissed in its entirety,

	<p>and start-up of metering infrastructure (concerns the first stage of AMI).</p>	<p>arguing that the defendants are not at fault for the delays, some of the delays being caused by reasons attributable to Energa-Operator SA, and relied on the operation of force majeure, the fact that Energa Operator SA suffered no losses and grossly excessive amount of contractual penalties. In a pleading dated 30 September 2015, Energa Operator SA filed a reply to the statement of defence, addressing all defences in detail and tendering new evidence. On 18 December 2015, the defendants filed a rejoinder putting forward similar argumentation to that presented in the statement of defence but extended to include a defence of invalidity of the contracts due to their imprecise language and contractual inequality of the parties. On 13 January 2016, a hearing was held at which the Court obligated Energa Operator SA to file a reply to the defendants' rejoinder within 45 days. The plaintiff's pleading was sent on 25 February 2016. In H1 2016, a number of witness hearings were held. At a hearing held on 23 November 2016, the Court granted the parties' motion and adjourned the hearing due to pending negotiations. On 8 February 2017, a hearing was held during which the parties failed to reach an agreement. At subsequent hearings, more witnesses and representatives of the parties were examined. The parties submitted requests for expert evidence, and the case files will be provided to experts for them to give evidence.</p>
<p>T-Matic Systems SA, Arcus SA (plaintiff) Energa Operator SA (defendant)</p>	<p>Action for declaration of a contract for stage II of AMI invalid</p> <p>Counterclaim for payment of contractual penalties for stage II of AMI</p>	<p>On 8 February 2016, a statement of claim filed by T-Matic Systems SA and ARCUS SA was served on Energa Operator SA. The case is pending before the Regional Court in Gdańsk, file No. IX GC 893/15. The defendant's representative filed a pleading to extend the court time limit for responding to the reply. As the time limit for the response expired on 1 July 2016 and the Court did not yet issue a decision to extend the time limit, the defendant sent a pleading on 1 August 2016 responding to the legal issues and another pleading on 1 September 2016 addressing the technical issues. On 7 November 2016, a counterclaim was filed against Arcus and T-Matic for payment of PLN 157,063,142 on account of the payment of contractual penalties of PLN 156,060,200 and PLN 1,002,942 on account of a reduction in remuneration, in accordance with the demand for payment of 9 November 2015. On 30 January 2017, the Court issued a decision resuming the proceedings which had been previously suspended at the request of the parties. On 13 June 2017, the Court decided to discontinue the interlocutory appeal proceedings to dismiss the Plaintiff's motion for injunctive relief prohibiting the use of the insurance guarantee, in connection with a motion to withdraw the interlocutory appeal. The case file will be forwarded to the Regional Court in Gdańsk. As regards the counterclaim, it was served on the plaintiffs (counterclaim defendants) who filed a statement of defence. The court heard all the witnesses and representatives of Arcus SA and T-Matic Systems SA. A representative of Energa Operator SA remains to be heard as a party. Following this, the court will request court experts to issue their opinions.</p>

<p>T-Matic Systems SA, Arcus SA (plaintiff) Energa Operator SA (defendant)</p>	<p>Claim for payment of compensation for unlawful acts/unfair competition practices</p>	<p>On 29 January 2018, Energa Operator SA received a statement of claim from Arcus SA and T-Matic Systems SA for payment of PLN 174,111,458.96 as compensation for unlawful acts allegedly committed by Energa Operator SA. The compensation, as described in the statement of claim, concerns losses resulting from an unlawful act/unfair competition practice committed deliberately by Energa Operator S.A and involving illegal actions or omissions in relation to the process of performing execution contracts for stage I and II of the AMI system. It appears from the reasons for the pleading that the loss incurred by Arcus SA and T-Matic SA is related to the unlawful calculation of contractual penalties by Energa Operator SA, as a result of which a dispute arose and escalated, leading to numerous court proceedings, thereby causing a loss "which was related to the occurrence of the circumstances [described in the statement of claim] concerning the business activity carried out." The Company challenges the validity of the cause of action and will move for the action to be dismissed.</p> <p>A statement of defence was filed. An organisational session at which the Court heard the parties' statements was held. The Court stayed the proceedings. Energa Operator SA contested this decision by filing a complaint, which has not been heard yet.</p>
<p>Energa Operator SA (plaintiff) PKN ORLEN SA (defendant)</p>	<p>Claim for payment</p>	<p>On 19 April 2016, the Court of Appeal in Warsaw pronounced its judgment in the case brought by Energa Operator SA, Branch in Plock, against PKN Orlen SA. The court partially dismissed the defendant's appeal. Consequently, the judgment of the Regional Court in Warsaw of 27 October 2014, case file No. XVI GC 782/11, awarding PLN 16.1 m plus interest accrued from 30 June 2004 to the plaintiff, became final and non-appealable. The judgment is final. Energa Operator SA applied for delivery of the judgment with reasoning, which was delivered to the Plaintiff's representative on 1 August 2016. On 29 September 2016, Energa Operator SA filed with the Supreme Court a cassation appeal against the judgment of 19 April 2016 handed down by the Appellate Court in Warsaw. On 24 October 2016, the representative of Energa Operator SA received PKN ORLEN's cassation appeal filed against the judgment of the Appellate Court in Warsaw. Energa Operator SA responded to the appeal in a pleading which was forwarded on the same date to the Appellate Court in Warsaw. The new date of hearing was set at 20 July 2017. The Supreme Court dismissed the appeal filed by the defendant PLN Orlen, but granted the appeal filed by Energa Operator SA, reversing the appealed judgment of the Appellate Court and remanding the case to the same for re-examination. On 1 August 2017, the reasoned judgment was received. The hearing was scheduled for 15 November 2017. Having re-examined the case, the Appellate Court rendered a judgment of 15 November 2017 reversing those provisions of the appealed judgment of the Regional Court of 27 October 2014 which ordered PKN Orlen to pay PLN 30,093,882.82 and remanding the case for re-examination in this respect to the Regional Court. A hearing was held on 11 May 2018</p>

		<p>before the Regional Court in Warsaw. The Court called the parties to consider a settlement and gave one month to the attorneys to present new evidence requests concerning the nature of the agreement binding the parties after 1 January 2002. The next hearing was set to take place on 4 October 2018. However, the hearing was adjourned without setting a new date. This was done upon a concurrent request from both parties, in view of the ongoing negotiations concerning a court settlement. In a letter dated 15 November 2018, the Company informed the Regional Court in Warsaw about the negative outcome of the settlement negotiations and moved for a hearing of the court's own motion. At a hearing on 19 February 2019, The Court granted the evidence, as requested for by EOP, from the following witnesses: Roman Pionkowski, Jacek Białecki, and Ryszard Siemion as regards the business relations between Energa Operator SA and PKN Orlen between 1 January 2002 and 30 June 2002. The next hearing is scheduled for 24 April 2019. The hearing was not held on that date because the witness did not appear, and there was no evidence in the case file that the summons had been served on the witness. The court has scheduled the next hearing for 26 June 2019.</p>
<p>Energa Operator SA (party) PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)</p>	<p>Fine imposed by the authority</p>	<p>Energa Operator SA received a decision dated 21 December 2016 under which the President of the URE imposed a fine of PLN 11 m on Energa Operator SA for misleading the President of the URE. The Company appealed against this decision and requested that it be reversed in its entirety or, in the alternative, varied by the fine being waived or reduced to PLN 50,000.00. The President of the URE responded to the appeal, requesting <i>inter alia</i> that it be dismissed. The first hearing, during which evidence was taken from witnesses, has been held.</p>
<p>Energa Operator SA (party) PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)</p>	<p>Fine imposed by the authority</p>	<p>Energa Operator SA received the decision of 6 November 2017 imposing fines totalling PLN 13,600,000 for breaching the Traffic and Distribution Grid Operation Manual by: (1) communication with trading companies using other codes than provided for in the Traffic and Distribution Grid Operation Manual; (2) failure to meet the deadlines to provide metering data to trading companies; (3) failure to meet the deadlines to examine complaints from trading companies; (4) failure to meet the deadlines to verify supplier switching reports; (6) failure to meet the deadlines for the final settlement of electricity sales agreements; (6) failure to restore power supplies to a customer. The Company appealed against this decision and requested that it be reversed or, in the alternative, varied by the fine being waived or reduced. The case is pending under file No. XVII AmE 68/18 and to date no steps related to it have been taken.</p>
<p>Boryszewo Wind Invest Sp. z o.o. (plaintiff) and Energa Obrót SA (defendant)</p>	<p>Claim for payment of damages for the failure by Energa Obrót SA to perform part of the agreement to</p>	<p>On 25 August 2017, Boryszewo Wind Invest filed a statement of claim against Energa Obrót SA with the Regional Court in Gdańsk for payment of PLN 31,931,614.78 plus interest as damages for a failure</p>

	<p>purchase property rights in certificates of origin for renewable electricity.</p>	<p>to perform part of the Framework Agreement for the Sale of Property Rights in Certificates of Origin No. W/HH/210/2010/1, which consisted in making a representation about partial termination of the agreement and refusal to acquire property rights in certificates of origin. The amount claimed comprises "losses" incurred by the plaintiff due to the necessity to sell the property rights at the TGE exchange plus statutory interest (PLN 25,694,540.08) and incidental costs relating to debt service under a loan agreement (PLN 6,282,074.70).</p> <p>The file number assigned to the case was IX GC 701/17.</p> <p>On 11 September 2017, Boryszewo Wind Invest filed a pleading supplementing evidence. On 30 October 2017, Energa Obrót SA filed a statement of defence. On 27 December 2017, a hearing was held at which Boryszewo Wind Invest withdrew the statement of claim with regard to the amount of PLN 150,000.00. On 17 January 2018, Boryszewo Wind Invest filed a reply to the statement of defence. On 26 February 2018, Energa Obrót SA filed a second rejoinder. A hearing was held on 7 March 2018. On 28 March 2018, Boryszewo Wind Invest filed a third rejoinder. Hearings were held on 14 May 2018 and 9 July 2018, during which a witness was interviewed. The Court directed the parties to mediate, however the plaintiff refused. The first-instance hearing was held on 31 October 2018. The first-instance judgement was passed on 28 November 2018 – the Court awarded PLN 17,796,755 plus statutory interest from 26 July 2017 from Energa Obrót SA to the plaintiff and dismissed the remaining part of the action, i.e. PLN 13,984,860, awarding the costs of proceedings amounting to PLN 58,596 from Energa Obrót SA to the plaintiff.</p> <p>On 5 February 2019, Energa Obrót SA filed an appeal. On 26 March 2019, Boryszewo Wind Invest filed a response to the appeal. The date of the appellate hearing has not yet been scheduled.</p>
<p>Energa Obrót SA (plaintiff) – RELAX WIND PARK I Sp. z o.o. (defendant 1), Bank of China Luxembourg SA Spółka Akcyjna acting through its Branch Office in Poland (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The file number assigned to the case was XVI GC 801/17.</p> <p>Relax Wind Park I Sp. z o.o. and the Bank of China filed statements of defence. A counterclaim from Relax Wind Park I Sp. z o.o. was received on 8 February 2018. On 18 July 2018, the parties reached a settlement. On 19 July 2018, Energa Obrót SA withdrew its action for declaration, and Relax</p>

		<p>Wind Park I Sp. z o.o. withdrew its counterclaim for payment.</p> <p>The parties reached a settlement which put an end to any disputes concerning the validity of the CPA (18 July 2018). The parties have definitely terminated their cooperation in the area of acquiring property rights. The court proceedings will be discontinued.</p>
<p>Energa Obrót SA (plaintiff) – MEGAWATT BALTICA SA (defendant 1), Powszechna Kasa Oszczędności Bank Polski SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Court of Arbitration at the Polish Chamber of Commerce in Warsaw.</p> <p>The file number assigned to the case was SA 128/17.</p> <p>On 5 December 2017, Megawatt Baltica filed a statement of defence accompanied by a counterclaim and a motion for preliminary injunction. On the same date, PKO BP SA filed a statement of defence. The first hearing was held on 7 February 2018. On 29 January 2018, a court session (attended by Megawatt Baltica SA) was held with respect to a summons for a settlement attempt. No settlement has ever been signed. The first hearing was held on 7 February 2018. On 12 March 2018, Energa Obrót SA filed a reply to the statement of defence. On 16 April 2018, Megawatt Baltica filed a second rejoinder. A hearing was held on 10 May 2018. On 30 May 2018, the parties submitted their summaries. On 4 June 2018, the Court issued a partial judgment which dismissed the action for declaration brought by Energa Obrót SA. A hearing was held on 5 July 2018. An updated counterclaim was filed by Megawatt Baltica on 1 September 2018. The amount of the claim is PLN 16,969,401.36 including statutory interest. On 31 October 2018, Energa Obrót SA filed a statement of defence. On 14 November 2018, Megawatt Baltica filed a reply to the response to the counterclaim. On 28 November 2018, Energa Obrót SA filed a second rejoinder. A hearing was held on 11 December 2018. The parties filed a statement of costs of proceedings on 19 December 2018. On 27 December 2018, the final judgement was issued whereby contractual penalties were awarded. The amount of the contractual penalties awarded was reduced by 10% (i.e. PLN 15,272,462). On 8 March 2019, Energa Obrót SA filed an appeal against the final judgement.</p>
<p>Energa Obrót SA (plaintiff) – EOLICA KISIELICE sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division.</p> <p>The file number assigned to the case was IX GC 739/17.</p> <p>On 7 November 2017, Energa Obrót SA filed a pleading specifying the relief sought in more detail. On 16 February 2018, Raiffeisen Bank Polska and</p>

		<p>Eolica Kisielice filed a statement of defence. On 12 March 2018, Raiffeisen Bank Polska filed a counterclaim for payment (the amount claimed: PLN 3,104,430) On 25 March 2018, Energa Obrót SA filed a reply to the statement of defence with a response to the counterclaim. On 29 June 2018, Raiffeisen Bank Polska extended its counterclaim for payment. On 3 August 2018, Raiffeisen Bank Polska extended its counterclaim for payment. On 20 September 2018, Raiffeisen Bank Polska extended its counterclaim for payment. On 10 October 2018, Energa Obrót SA filed a reply to the extended counterclaim. The first hearing was held on 18 October 2018. On 30 October 2018, Raiffeisen Bank Polska extended its counterclaim for payment. On 29 January 2019, a hearing was held, during which the Court heard a witness. The court has scheduled the next hearing for 25 April 2019, when it intends to close the proceedings in the first instance.</p> <p>A hearing was to be held on 25 April 2019, when the court intended to close the proceedings in the first instance. The court cancelled the hearing at a request from both parties, which had started settlement negotiations.</p>
<p>Energa Obrót SA (plaintiff) – PGE ENERGIA ODNAWIALNA SA (defendant)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 20th Commercial Division.</p> <p>The file number assigned to the case was XX GC 839/17.</p> <p>On 8 November 2017, PGE filed a statement of defence. On March 8, 2018, PGE filed an application for an order referring the parties to mediation. A hearing was held on 25 April 2018. The Court directed the parties to mediate. The mediation has ended. Since the parties have not reached a settlement, the Court will continue to take evidence. A hearing during which evidence will be collected from witnesses is scheduled for 15 October 2019.</p>
<p>Energa Obrót SA (plaintiff) – C&amp;C WIND Sp. z o.o. (defendant 1), Bank Ochrony Środowiska SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Court of Arbitration at the Polish Chamber of Commerce in Warsaw.</p> <p>The file number assigned to the case was SA 127/17.</p> <p>On 5 December 2017, C&amp;C Wind filed a statement of defence accompanied by a counterclaim. On 5 December 2017, BOŚ SA filed a statement of defence. On 29 December 2017, Energa Obrót SA withdrew the statement of claim against BOŚ. In its decision of 16 January 2018, the Court of Arbitration at the Polish Chamber of Commerce in Warsaw discontinued the proceedings against the defendant BOŚ SA as the statement of claim filed against that</p>

		<p>entity had been withdrawn. The first hearing was held on 7 February 2018. On 12 March 2018, Energa Obrót SA filed a reply to the statement of defence. On 16 April 2018, C&amp;C Wind filed a second rejoinder. A hearing was held on 10 May 2018. On 30 May 2018, the parties submitted their summaries. On 4 June 2018, the Court issued a partial judgment which dismissed the action for declaration brought by Energa Obrót SA. A hearing was held on 5 July 2018. An updated counterclaim was filed by C&amp;C Wind on 1 September 2018. The amount of the claim is PLN 7,767,619.14 including statutory interest. On 22 October 2018, C&amp;C Wind withdrew the counterclaim in its entirety, without waiving the claim. On 31 October 2018, Energa Obrót SA filed a pleading – a response to the counterclaim along with an opposition against the withdrawal of the counterclaim in a partial amount. On 14 November 2018, C&amp;C Wind filed a reply to the response to the counterclaim, withdrawing the withdrawal of the counterclaim for the amount opposed by Energa Obrót SA, and changed the action for payment to an action for declaration that Energa Obrót SA was not entitled to the refund of contractual penalties. On 5 December 2018, Energa Obrót SA filed a second rejoinder. A hearing was held on 11 December 2018. The parties filed a statement of costs of proceedings on 19 December 2018. On 27 December 2018, the Court issued a judgement whereby it decided that C&amp;C Wind was not required to return the contractual penalties of PLN 6,578,480 paid to Energa Obrót SA. On 8 March 2019, an appeal was filed against the final award.</p>
<p>Energa Obrót SA (plaintiff) – BORYSZEWO WIND INVEST Sp. z o.o. (defendant 1), MBANK SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The file number assigned to the case was XVI GC 799/17.</p> <p>On 31 October 2017, MBANK filed a statement of defence. On 10 November 2017, Boryszewo Wind Invest filed a statement of defence. On 21 December 2017, Energa Obrót SA filed a reply to the statement of defence. On 23 March 2018, MBANK filed a second rejoinder. On 30 April 2018, Boryszewo filed a second rejoinder. On 3 September 2018, Energa Obrót SA filed a third rejoinder. A hearing was held on 7 September 2018. The Court closed the proceedings. On 21 September 2018 the Court dismissed the action with its judgment. On 2 November 2018, Energa Obrót SA filed an appeal. On 28 December 2018, MBANK filed a response to the appeal. The date of the appellate hearing has not yet been scheduled.</p>

<p>Energa Obrót S.A (plaintiff) – JEŻYCZKI WIND INVEST Sp. z o.o. (defendant 1), MBANK SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The file number assigned to the case was XVI GC 805/17.</p> <p>On 16 November 2017, MBANK and Jeżyczki Wind Invest filed a statement of defence. On 3 January 2018, Energa Obrót SA filed a reply to the statement of defence. On 16 February 2018, Jeżyczki Wind Invest and MBANK filed a second rejoinder. A hearing was held on 27 February 2018. On 27 March 2018, Energa Obrót SA filed a third rejoinder. A hearing was held on 17 April 2018. On 17 April 2018 the defendants filed a joint pleading – a response to the third rejoinder. A hearing was held on 8 May 2018. A hearing was held on 11 May 2018. On 6 June 2018 the Court dismissed the action with its judgment. On 13 July 2018, Energa Obrót SA appealed against the judgment. On 17 August 2018, MBANK filed a response to the appeal. On 31 August 2018, Jeżyczki Wind Invest filed a response to the appeal. The date of the appellate hearing has not yet been scheduled.</p>
<p>Energa Obrót S.A (plaintiff) – WIND INVEST Sp. z o.o., (defendant 1), MBANK SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The file number assigned to the case was XVI GC 798/17</p> <p>On 28 November 2017, Wind Invest and MBANK filed statements of defence. On 26 March 2018, Energa Obrót SA filed a reply to the statements of defence. On 12 September 2018, Wind Invest filed a second rejoinder. On 12 February 2019, a hearing was held during which no determinations relevant for the legal proceedings were made. The court adjourned the hearing.</p>
<p>Energa Obrót S.A (plaintiff) – STARY JAROSŁAW WIND INVEST Sp. z o.o. (defendant 1), MBANK SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The file number assigned to the case was XVI GC 802/17.</p> <p>On 17 November 2017, Stary Jarosław Wind Invest and MBANK filed statements of defence. On 15 March 2018, Energa Obrót SA filed a reply to the statements of defence. On 21 September 2018, MBANK filed a second rejoinder. A hearing was held on 6 December 2018. No witnesses were summoned to the hearing. On 11 April 2019, a hearing was held during which the Court took evidence from a witness. The Court adjourned the next hearing to 12 September 2019 (to interview another witness).</p>

<p>Energa Obrót SA (plaintiff) – LIVINGSTONE Sp. z o.o. (defendant 1), DNB BANK POLSKA SPÓŁKA AKCYJNA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 26th Commercial Division.</p> <p>The file number assigned to the case was XXVI GC 713/17.</p> <p>On 22 December 2017, Livingstone and DNB Bank filed a statement of defence. On 26 February 2018, Energa Obrót SA filed a reply to the statement of defence. A hearing was held on 16 April 2018. On 23 April 2018, the parties submitted their pleadings. A hearing was held on 7 May 2018. On 18 May 2018, the Court dismissed the action with its judgment. On 25 July 2018, Energa Obrót SA appealed against the judgment. The Defendants filed a response to the appeal on 3 September 2018. An appeal hearing was held on 29 November 2018. On 19 December 2018, the appellate hearing was held (the court reopened the trial at a mutual request from both parties). On 17 January 2019, the parties requested that no hearing be scheduled within 30 days. The court will schedule the next hearing once it is notified by the parties of the outcome of the negotiations.</p>
<p>Energa Obrót SA (plaintiff) – PGE ENERGIA ODNAWIALNA SA (defendant)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 20th Commercial Division.</p> <p>The file number assigned to the case was XX GC 842/17.</p> <p>On 24 November 2017, PGE filed a statement of defence. 27 March 2018 – an order referring the parties to mediation and appointing a mediator. On 19 March 2018, Energa Obrót SA filed a reply to the statement of defence. 27 March 2018 – an order referring the parties to mediation and appointing a mediator. The Court directed the parties to mediate. The mediation procedure ended on 15 December 2018. The parties did not reach an agreement. Because no settlement has been reached by the Parties, the Court will continue to hear evidence.</p>
<p>Energa Obrót S.A (plaintiff) – KRUPY WIND INVEST Sp. z o.o. (defendant 1), MBANK SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The file number assigned to the case was XVI GC 803/17.</p> <p>On 24 November 2017, Krupy Wind Invest and MBANK filed statements of defence. On 26 April 2018, Energa Obrót SA filed a reply to the statements of defence. On 2 July 2018, Krupy Wind Invest filed a second rejoinder. On 21 September 2018, MBANK filed a second rejoinder. A hearing was held on 21</p>

		September 2018. No witnesses were interviewed at the hearing. A hearing was held on 27 February 2019, during which evidence was taken from witnesses. A hearing was held on 20 March 2019, during which a witness was heard. On 10 April 2019, the Court held a hearing at which it heard the defendant and closed the trial. The witnesses will be heard during the hearing.
Energa Obrót SA (plaintiff) – PGE ENERGIA NATURY Sp. z o.o. (defendant)	Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)	On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 20th Commercial Division.  The file number assigned to the case was XX GC 841/17.  On 16 November 2017, PGE filed a statement of defence. 26 February 2018 – an order referring the parties to mediation and appointing a mediator. The Court directed the parties to mediate. The mediation procedure ended on 15 December 2018. The parties did not reach an agreement. Because no settlement has been reached by the Parties, the Court will continue to take evidence. A hearing during which witnesses are to be heard is scheduled for 24 October 2019.
Energa Obrót SA (plaintiff) – WINDVEST-POLAND Sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (defendant 2)	Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)	On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 26th Commercial Division.  The file number assigned to the case was XXVI GC 711/17.  On 22 December 2017, Windvest and Raiffeisen filed a statement of defence. On 19 March 2018, Energa Obrót SA filed a reply to the statement of defence. On 27 August 2018, the defendants filed a second rejoinder. The witnesses will be heard during the first hearing.
Energa Obrót SA (plaintiff) – SAGITTARIUS SOLUTIONS Sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (defendant 2)	Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin (“CPA”)	On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.  The file number assigned to the case was XVI GC 804/17.  On 22 December 2017, Sagittarius and Raiffeisen filed a statement of defence. On 5 March 2018, Energa Obrót SA filed a reply to the statement of defence. On 16 November 2018, Sagittarius and Raiffeisen filed a second rejoinder. A hearing was held on 15 January 2019. The court took evidence from witnesses. During the next hearing witnesses will be heard.
Energa Obrót SA (plaintiff) – EW CZYŻEWO Sp. z o.o. (defendant 1), BANK	Action for declaration of the non-existence of a legal relationship purportedly	On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division.

<p>BGŻ BNP PARIBAS SA (defendant 2)</p>	<p>established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin ("CPA")</p>	<p>The file number assigned to the case was IX GC 736/17.</p> <p>On 5 December 2017, Energa Obrót SA filed a pleading specifying the relief sought in more detail. On 22 December 2017, EW Czyżewo filed a statement of defence accompanied by a counterclaim. On 22 December 2017, BGŻ BNP filed a statement of defence. On 28 February 2018, Energa Obrót SA filed a reply to the statement of defence. On 18 May 2018, EW Czyżewo filed a second rejoinder with extension of the counterclaim. On 26 June 2018 and 5 October 2018, hearings were held during which evidence was taken from witnesses. A hearing was held on 20 November 2018. On 4 December 2018, the Court dismissed the action for declaration with its judgment and awarded penalties. On 6 February 2019, Energa Obrót SA filed an appeal.</p> <p>On 18 March 2019, EW Czyżewo filed a response to the appeal. On 18 March 2019, Bank BGŻ BNP Paribas filed a response to the appeal. The date of the appellate hearing has not yet been scheduled.</p>
<p>Energa Obrót SA (plaintiff) – ELEKTROWNIA WIATROWA EOL Sp. z o.o. (defendant 1), BANK ZACHODNI WBK SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 26th Commercial Division.</p> <p>The file number assigned to the case was XXVI GC 712/17.</p> <p>On 21 November 2017, EW EOL filed a statement of defence. On 14 November 2017, BZW BK filed a statement of defence. On 21 November 2017, EW EOL filed a statement of defence. On 15 January 2018, Energa Obrót SA filed a reply to the statement of defence. 6 February 2018 – an order referring the parties to mediation and appointing a mediator. The defendants did not agree to mediation. On 28 May 2018, EW EOL filed a statement of defence. A closed hearing was held on 30 October 2018. On 30 November 2018 the parties submitted their pleadings. The court has set the date of the first hearing, during which evidence will be taken from witnesses.</p>
<p>Energa Obrót SA (plaintiff) – WIELKOPOLSKIE ELEKTROWNIE WIATROWE Sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division.</p> <p>The file number assigned to the case was IX GC 735/17.</p> <p>On 7 November 2017, Energa Obrót SA filed a pleading specifying the relief sought in more detail. On 15 December 2017, Wielkopolskie Elektrownie Wiatrowe filed a statement of defence. On 19 December 2017, BGŻ BNP filed a statement of</p>

		<p>defence. On 29 January 2018, Energa Obrót SA filed a reply to the statement of defence. On 10 April 2018, Wielkopolskie Elekrownie Wiatrowe filed a second rejoinder. A hearing was held on 28 May 2018 (no witnesses were interviewed). A hearing was held on 2 July 2018, where witnesses were interviewed. On 24 September 2018, a hearing was held, during which the parties were heard and the court closed the case in the first instance. The judgement was to be pronounced on 2 October and 16 October 2018, which was, however, postponed until 5 November 2018 due to the judge's illness. On 6 December 2018, the Court issued its judgement whereby it dismissed the action for declaration. On 12 February 2019, Energa Obrót SA filed an appeal. On 18 March 2019, Wielkopolskie Elekrownie Wiatrowe filed a response to the appeal. On 19 March 2019, Bank BGŻ BNP Paribas SA filed a response to the appeal. The date of the appellate hearing has not yet been scheduled.</p>
<p>Energa Obrót SA (plaintiff) – EW KOŹMIN Sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division.</p> <p>The file number assigned to the case was IX GC 738/17.</p> <p>On 18 December 2017, EW Koźmin filed a statement of defence accompanied by a counterclaim. On 18 December 2017, BGŻ BNP filed a statement of defence. On 28 February 2018, Energa Obrót SA filed a reply to the statement of defence. A hearing was held on 26 March 2018. On 25 April 2018, BGŻ BNP filed a second rejoinder. On 27 April 2018, EW Koźmin filed a second rejoinder with extension of the counterclaim. On 12 June 2018, Energa Obrót SA filed a reply to the extended counterclaim. A hearing was held on 13 June 2018. The last hearing was held on 1 August 2018. On 30 August 2018, the Court dismissed the action for declaration with its judgment and awarded contractual penalties. On 30 November 2018, Energa Obrót SA filed an appeal. On 31 December 2018, Bank BGŻ BNP Paribas filed a response to the appeal. On 23 January 2019, EW Koźmin filed a response to the appeal. The date of the appellate hearing has not yet been scheduled.</p>
<p>Energa Obrót SA (plaintiff) – WIATROWA BALTICA Sp. z o.o. (defendant 1), Raiffeisen Bank Polska SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into a contract for the sale of property rights in certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Court of Arbitration at the Polish Chamber of Commerce in Warsaw.</p> <p>The file number assigned to the case was SA 129/17.</p> <p>On 4 December, Wiatrowa Baltica and Raiffeisen Bank filed a statement of defence accompanied by a counterclaim. The first hearing was held on 7 February 2018. On 12 March 2018, Energa Obrót SA filed a reply to the statement of defence. On 16 April 2018, Wiatrowa Baltica filed a second</p>

		<p>rejoinder. A hearing was held on 10 May 2018. On 30 May 2018, the parties submitted their summaries. On 4 June 2018, the Court issued a partial judgment which dismissed the action for declaration brought by Energa Obrót SA. A hearing was held on 5 July 2018. An updated counterclaim was filed by Raiffeisen Bank on 1 September 2018. The amount of the claim is PLN 1,352,533.66 including statutory interest. On 31 October 2018, Energa Obrót SA filed a response to the counterclaim. On 14 November 2018, Raiffeisen Bank and Wiatrowa Baltica filed a reply to the response to the counterclaim. On 28 November 2018, Energa Obrót SA filed a second rejoinder. A hearing was held on 11 December 2018. The parties filed a statement of costs of proceedings on 19 December 2018. By its judgement of 27 December 2018, the Court awarded the amount of contractual penalties, reduced by 10% (i.e. PLN 1,019,280.31). On 8 March 2019, Energa Obrót SA filed an appeal against the final judgement.</p>
<p>Energa Kogeneracja Sp. z o.o. (plaintiff) – Mostostal Warszawa SA (defendant)</p>	<p>Claim for payment on account of a contract price reduction</p>	<p>Case file No. IX GC 494/17.</p> <p>On 22 June 2017, Energa Kogeneracja Sp. z o.o. filed a statement of claim against Mostostal Warszawa SA with the Regional Court in Gdańsk, requesting that the defendant be ordered to pay to the plaintiff PLN 106,417,065.12 plus statutory interest accrued for the period from the date of filing the statement of claim to the payment date. The plaintiff seeks the reduction of the contract price due to Energa Kogeneracja Sp. z o.o. for the performance of CONTRACT No. EKO/86/2011 by PLN 90,286,722.15 (legal basis: Article 637.2 in conjunction with Article 656.1 of the Civil Code). On 15 September 2017, the Regional Court in Gdańsk issued a decision to preserve evidence in the form of an expert (institute) witness opinion. Inquiries about the possibility of preparing a relevant opinion sent out by the Court were all refused by the institutes. The defendant's time limit for the preparation of a statement of defence was extended to 15 December 2017. On 22 December 2017, Energa Kogeneracja Sp. z o.o. received a statement of defence accompanied by a counterclaim for the amount of PLN 7,753,230. Energa Kogeneracja Sp. z o.o. filed a reply to the counterclaim on 9 April 2018. The State Treasury, represented by the Minister for Energy, joined the proceedings as a secondary intervenor alongside Energa Kogeneracja Sp. z o.o. In a letter dated 27 April 2018, Mostostal Warszawa SA upheld its opposition and presented its further position. In a pleading dated 13 June 2018, Mostostal Warszawa SA moved for a reversal of the evidence preservation decision and admission of evidence in the form of an opinion issued by an research and scientific institute in the normal course of</p>

		<p>proceedings. Additionally, Mostostal Warszawa moved that the opinion be prepared by a foreign institute and indicated two institutes from the United Kingdom. In response to this pleading, in its pleading dated 3 July 2018, Energa Kogeneracja Sp. z o.o. moved for a dismissal of the motion of Mostostal Warszawa SA to reverse the decision of 23 August 2017, amendment of the decision of 23 August 2017 to reflect further circumstances described in pleadings, and should the motion of Mostostal Warszawa SA be granted and the decision of 23 August 2017 be reversed, Energa Kogeneracja moved that the inquiry for an opinion be sent first to the Wrocław University of Technology, and only if they refused, that an inquiry about the possibility of delivering an opinion be sent to foreign institutes, and to this end, Energa Kogeneracja listed five institutes, highlighting one from Denmark. In a pleading dated 7 September 2018, Energa Kogeneracja Sp. z o.o. extended its claim by PLN 7,969,194.27 arising from contractual penalties for the failure to achieve the guaranteed availability of the Unit in the third year of operation. A hearing will be held in November 2019, during which the Court will rule on the opposition of Mostostal Warszawa SA against the intervention of the State Treasury – the Minister of Energy.</p>
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# Analysis of the financial situation and assets



### 3. ANALYSIS OF THE FINANCIAL SITUATION AND ASSETS

#### 3.1. Rules for preparing the Condensed Interim Consolidated Financial Statements

The condensed interim consolidated financial statements of the Energa Group as at 31 March 2019 and for the three-month period ended on that day has been prepared:

- in accordance with the International Accounting Standard 34: Interim Financial Reporting as endorsed by the European Union,
- on a historical cost basis except for financial instruments measured at fair value through profit or loss and hedging derivatives,
- in PLN millions ("PLN m"),
- based on the assumption that the Group would continue as a going concern in the foreseeable future. As at the date of the financial statements there is no evidence indicating that the continuation of the Energa Group's business activities as a going concern may be at risk.

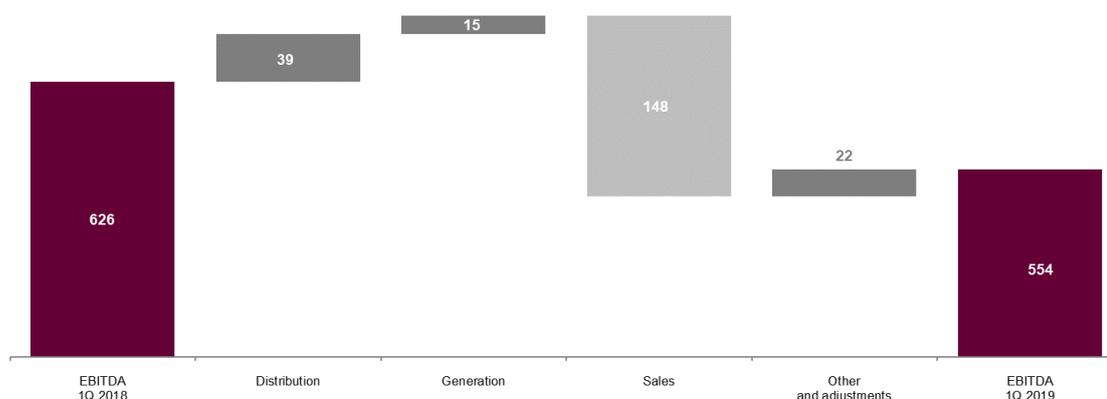
The accounting principles (policy) applied to the preparation of the Condensed Interim Consolidated Financial Statements were presented in note 7 to the Condensed Interim Consolidated Financial Statements of the Energa SA Group as at 31 March 2019 and for the three-month period ended on that day.

#### 3.2. Explanation of the economic and financial data disclosed in the Condensed Consolidated Financial Statements

Table 4: Consolidated statement of profit or loss

in PLN m	Q1 2018	Q1 2019	Change	Change (%)
<b>Sales revenues</b>	<b>2,642</b>	<b>2,971</b>	<b>329</b>	<b>12%</b>
Cost of sales	(2,068)	(2,528)	(460)	22%
<b>Gross profit on sales</b>	<b>574</b>	<b>443</b>	<b>(131)</b>	<b>-23%</b>
Other operating income	29	61	32	> 100%
Selling and distribution expenses	(88)	(101)	(13)	15%
General and administrative expenses	(92)	(93)	(1)	1%
Other operating expenses	(35)	(19)	16	-46%
<b>Profit or loss on operating activity</b>	<b>388</b>	<b>291</b>	<b>(97)</b>	<b>-25%</b>
Result on financing activity	(76)	(79)	(3)	4%
Share in profit/(loss) of entities measured by the equity method	30	9	(21)	-70%
<b>Profit or loss before tax</b>	<b>342</b>	<b>221</b>	<b>(121)</b>	<b>-35%</b>
Income tax	(65)	(35)	30	-46%
<b>Net profit or loss for the period</b>	<b>277</b>	<b>186</b>	<b>(91)</b>	<b>-33%</b>
<b>EBITDA</b>	<b>626</b>	<b>554</b>	<b>(72)</b>	<b>-12%</b>

**Figure 1: EBITDA bridge by Business Lines (PLN m)**



In the first quarter of 2019, the Group's EBITDA amounted to PLN 554 million, compared to PLN 626 million in Q1 2018. The highest increase was recorded by the Distribution Business Line, which is primarily attributable to the much higher margin on the sales of the distribution service with grid losses, with a simultaneous increase in the OPEX. A growth in EBITDA YoY was also seen by the Generation Business Line, which it mainly owes to the high market prices of electricity and the record levels of wind generation. The third main Business Line, i.e. Sales, recorded EBITDA of PLN -95 million, relative to PLN -53 million in the corresponding period of the previous year. This was mainly due to the fact that the Group needed to comply with the Act of 28 December 2018 amending the act on excise duty and certain other acts, and the subsequent amendment (Act on energy prices in 2019), which, in the absence of implementing regulations to the above Act, meant that customers were invoiced at reduced prices while, at the same time, electricity was purchased at higher costs.

In the first quarter of 2019, the Distribution Business Line had the largest share in the Group's EBITDA (99% – notably, this is attributable to the negative shares of two other Business Lines in the EBITDA), while the share of the Generation Business Line was 21%. The Sales Business Line did not contribute positively to the EBITDA.

In Q1 2019, operating profit amounted to PLN 291 million compared to PLN 388 million in the corresponding period of 2018 (a decrease of 25%). The EBIT YOY was impacted to the greatest extent by the abovementioned operating factors related to the enactment of the Act.

In 2019, a share in net income/loss of associated parties and joint ventures was recognised at PLN 9 m, which means a change of PLN -21 m year on year. To a large extent, this results from a change in the share in the result of Polska Grupa Górnicza S.A.

In the first quarter of 2019, the Group's net result amounted to PLN 186 million compared to PLN 277 million in Q1 2018.

In 2019, the Group generated PLN 2,971,000,000 m in sales, which means a growth of 12% or PLN 329,000,000 compared to Q1 2018. The strongest growth was seen by the Sales Business Line, which was mainly driven by higher revenues on electricity sales.

The following table shows the effect of extraordinary events on EBITDA.

Table 5: EBITDA after material one-off events\*

<b>EBITDA (PLN m)</b>	
<b>Q1 2019</b>	
<b>EBITDA</b>	<b>554</b>
<b>Adjusted EBITDA</b>	<b>737</b>
of which:	
Provision for onerous contracts (termination)	(37)
Loss of revenue – effect of the Act on energy prices in 2019	209
<b>Q1 2018</b>	
<b>EBITDA</b>	<b>626</b>
<b>Adjusted EBITDA</b>	<b>626</b>

\*The table shows one-off events identified on the basis of a materiality criterion which has been set at PLN 25 m.

Table 6: Consolidated statement of financial position

in PLN m	As at 31 December 2018*	As at 31 March 2019	Change	Change (%)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14,396	14,458	62	0%
Intangible assets	246	230	(16)	-7%
Right-of-use assets	-	342	342	-
Goodwill	15	15	-	-
Investments in associates and joint ventures measured by the equity method	1,029	1,219	190	18%
Deferred tax assets	313	327	14	4%
Other non-current financial assets	65	66	1	2%
Other non-current assets	118	121	3	3%
	<b>16,182</b>	<b>16,778</b>	<b>596</b>	<b>4%</b>
<b>Current assets</b>				
Inventories	687	901	214	31%
Current tax receivables	4	3	(1)	-25%
Trade receivables	1,429	1,603	174	12%
Contract assets	363	366	3	1%
Other current financial assets	22	85	63	> 100%
Cash and cash equivalents	2,724	1,646	(1,078)	-40%
Other current assets	188	488	300	> 100%
	<b>5,417</b>	<b>5,092</b>	<b>(325)</b>	<b>-6%</b>
<b>TOTAL ASSETS</b>	<b>21,599</b>	<b>21,870</b>	<b>271</b>	<b>1%</b>

## EQUITY AND LIABILITIES

<b>Equity</b>				
Share capital	4,522	4,522	-	-
Reserve capital	1,018	1,018	-	-
Supplementary capital	1,540	1,540	-	-
Cash flow hedge reserve	(34)	(52)	(18)	-53%
Retained earnings	3,249	3,410	161	5%
<b>Equity attributable to equity holders of the Parent Company</b>	<b>10,295</b>	<b>10,438</b>	<b>143</b>	<b>1%</b>
<b>Non-controlling interest</b>	<b>61</b>	<b>61</b>	<b>-</b>	<b>-</b>
	<b>10,356</b>	<b>10,499</b>	<b>143</b>	<b>1%</b>
<b>Non-current liabilities</b>				
Loans and borrowings	2,384	2,291	(93)	-4%
Bonds issued	4,484	2,334	(2,150)	-48%
Non-current provisions	642	698	56	9%
Deferred tax liabilities	593	611	18	3%
Deferred income and non-current grants	274	283	9	3%
Lease liabilities	16	265	249	> 100%
Other non-current financial liabilities	45	73	28	62%
	<b>8,438</b>	<b>6,555</b>	<b>(1,883)</b>	<b>-22%</b>
<b>Current liabilities</b>				
Trade liabilities	617	461	(156)	-25%
Contract liabilities	129	172	43	33%
Current loans and borrowings	189	240	51	27%
Bonds issued	108	2,195	2,087	>100%
Current income tax liability	65	12	(53)	-82%
Deferred income and grants	187	166	(21)	-11%
Short-term provisions	942	859	(83)	-9%
Other financial liabilities	300	188	(112)	-37%
Other current liabilities	268	523	255	95%
	<b>2,805</b>	<b>4,816</b>	<b>2,011</b>	<b>72%</b>
<b>Total liabilities</b>	<b>11,243</b>	<b>11,371</b>	<b>128</b>	<b>1%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>21,599</b>	<b>21,870</b>	<b>271</b>	<b>1%</b>

\* restated data

As at 31 March 2019, the balance sheet total of the Energa Group was PLN 21,870,000,000 and was PLN 271 m higher compared to that on 31 December 2018.

As regards non-current assets, the most noticeable change took place in the right-of-use assets items, which is included in the statement of financial position in connection with the application of IFRS 16 Leasing. The change is described in more detail in Note 7 "Significant accounting policies" of the

Condensed Interim Consolidated Financial Statements of the Energa SA Capital Group as at 31 March 2019 and for the 3-month period ended on that day. As regards non-current assets, a substantial change was seen under investments in associates and joint ventures measured by the equity method, which was due to the involvement of the Energa Group in Polska Grupa Górnicza S.A., Polimex Mostostal S.A., Elektrownia Ostrołęka Sp. z o.o. and ElectroMobility Poland SA.

On the side of current assets, the drop in cash (the reasons for the change in cash are described in the section on cash flows below) was partially offset by an increase in the value of other current assets (by PLN 300 million, linked mainly to the settlement of real property tax accruals) and of inventories, which was mainly driven by a rise in prices of green certificates and the growing volume of CO<sub>2</sub> emission allowances (upcoming settlement of emissions for 2018).

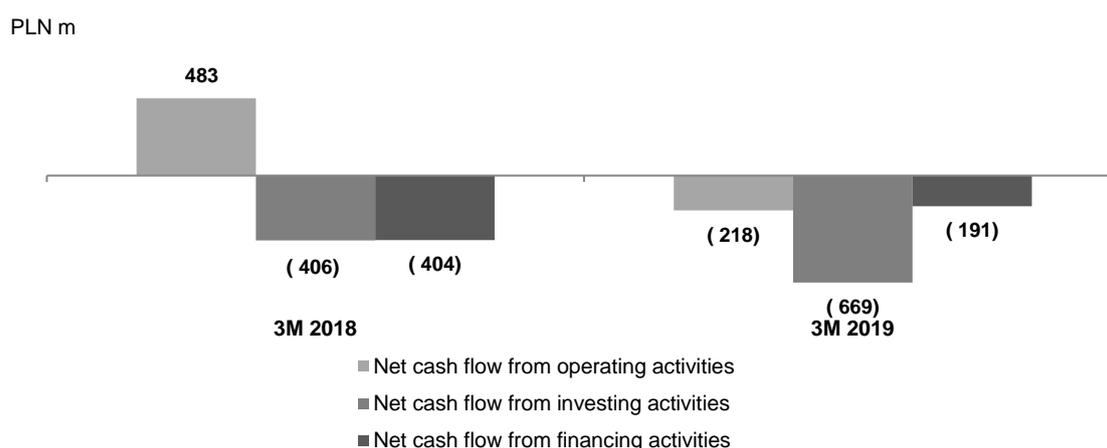
As at 31 March 2019, the Energa Group equity was PLN 10,499,000,000 and financed the Group in 48.0%.

The most significant change in the liabilities concerned allocation of issued eurobonds in the amount of PLN 2,151 million with the maturity date on March 2020, from the non-current liabilities to the current liabilities. Additionally there were major changes in the balance of lease liabilities (effect of IFRS 16 Leasing) and in other current liabilities (an increase of PLN 255 m, which resulted mainly from a growth in real property tax liabilities).

**Table 7: Consolidated statement of cash flows**

in PLN m	3 months of 2018	3 months of 2019	Change	Change (%)
Net cash flow from operating activities	483	(218)	(701)	< -100%
Net cash flows from investment activities	(406)	(669)	(263)	-65%
Net cash flows from financing activities	(404)	(191)	213	53%
Net increase/ (decrease) in cash	(327)	(1,078)	(751)	< -100%
Cash and cash equivalents at the end of the reporting period	3,316	1,648	(1,668)	-50%

**Figure 2: Cash flows of the Group in Q1 2019 and 2018**



As at 31 March 2019, the Group's cash was PLN 1,648,000,000, i.e. PLN 1,668,000,000 less than in the previous year.

The total net cash flows from operating, investment and financial activities of the Group in Q1 2019 were negative, and amounted to PLN 1,078,000,000, compared to the also negative flows of PLN 327,000,000 in the same period of 2018.

The Group's results and its cash flows from operating activities in the quarter concerned were affected by the Act on energy prices in 2019, which provides for the freezing of energy sales prices in 2019, and by the absence of implementing regulations thereto.

The value of cash flows from operating activity was lower by PLN 701 m compared to the corresponding period of 2018. The decline in cash flows from operating activities was mainly caused by changes in working capital, as well as by the lower result on operations as adjusted for non-cash items.

Q1 2019 saw an increase in trade receivables, which was attributable, *inter alia*, to an increase in the prices of electricity for some customers following a rise in prices quoted on the exchange, and to delays in invoicing caused by the alignment of price lists for some customers to changes introduced by the above Act. In parallel, trade liabilities related to the purchase of electricity did not increase correspondingly as a result of the introduction of the power exchange obligation (requirement to sell electricity through the exchange) and the resultant adjustment of settlement dates (acceleration of payments).

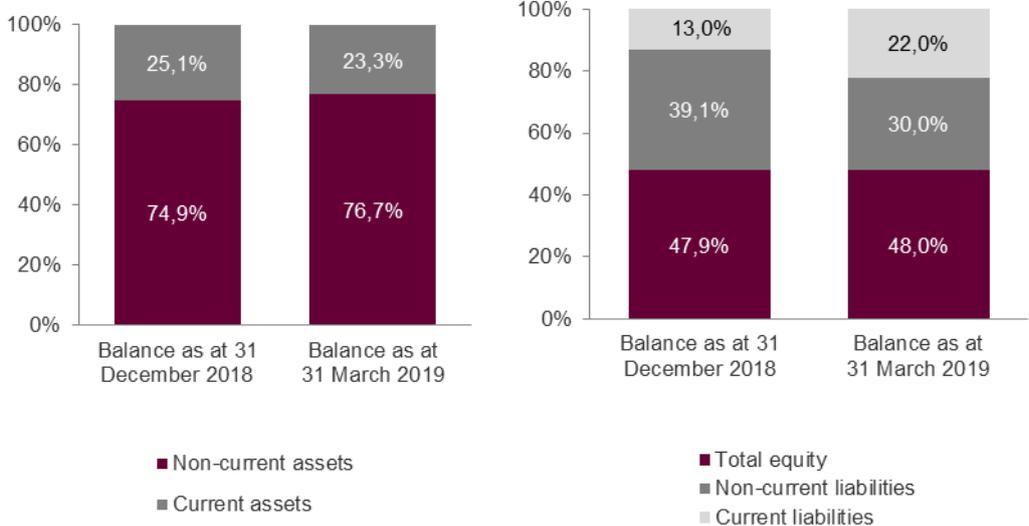
The period in question also saw an increase in the stock of certificates of origin and CO<sub>2</sub> emission allowances, as well as a growth in the level of real property tax accruals, leading to an increase in the related liabilities, which was partly offset by a drop in trade liabilities.

In the first quarter of 2019, net cash used in investing activities were higher by PLN 263 million than in the corresponding period of 2018, which mainly resulted from the higher amount of investments in associates and joint ventures measured by the equity method and higher expenditure on purchase of property, plant and equipment and intangible assets.

In the first quarter of 2019, cash flows from financing activity were negative and amounted to PLN 191 m, i.e. PLN 213 m less than in Q1 2018. The decreased outflows were mainly caused by the lower level of redemption of debt securities: PLN 1 m in Q1 2019 compared to PLN 168 m in the corresponding period of 2018. The Group paid its interest and debt liabilities associated with the repayment of loans on an ongoing basis.

### 3.3. Structure of assets and liabilities in the consolidated statement of financial position

Figure 3: Structure of assets and liabilities



**Table 8: Financial ratios of the Energa Group**

Ratio	Definition	Q1 2018	Q1 2019
<b>Profitability</b>			
EBITDA margin	operating result + depreciation and amortization + impairment of non-financial non-current assets / sales revenues	23.7%	18.6%
return on equity (ROE)	net profit for the period*/ equity at the end of the period	7,6%	6.2%
return on sales (ROS)	net profit for the period* / sales revenues	10.5%	6.3%
return on assets (ROA)	net profit for the period / total assets at the end of the period	3.6%	3.0%

\* net profit for the last 12 months

Ratio	Definition	As at 31 December 2018	As at 31 March 2019
<b>Liquidity</b>			
current liquidity ratio	current assets/current liabilities	1.9	1.1
<b>Debt</b>			
financial liabilities (PLN m)**	total liabilities due to loans and borrowings, long- and short-term debt securities, and lease liabilities	7,183	7,359
net financial liabilities (PLN m)	financial liabilities – cash and cash equivalents	4,459	5,713
net debt/EBITDA ratio	net financial liabilities/EBITDA*	2.4	3.2

\* EBITDA for the last 12 months

\*\*In connection with the application of IFRS 16 for the first time, the lease liabilities increased significantly, therefore, starting from 1 January 2019, this item has been included in the calculation of financial liabilities, and the data for 2018 have been restated.

The YOY profitability ratios were lower as a consequence of the factors which affected EBITDA and net profit described in the section on financial figures, in particular the lack of implementing regulations to the Act on energy prices in 2019.

The change in classification of the issued eurobonds and the related growth of the current liabilities lowered current liquidity ratio. The Group will refinance the eurobonds with the maturity on March 2020 with the non-current financial liability.

The decreased level of cash in Q1 2019 compared to the end of 2018 with the parallel increase in debt (the impact of the application of IFRS 16), which resulted in an increase in net financial liabilities and a decrease in EBITDA, had an effect on the net debt/EBITDA ratio.

### 3.4. Description of significant off-balance sheet items

Relevant information can be found in the *Guarantees and sureties granted* section of this document and in the Consolidated Financial Statements – note 20: *Contingent assets and liabilities*.

### 3.5. Key operational data of the Energa Group

Table 9: Distribution of electricity by tariff group

Distribution of electricity by tariff group (invoiced sales) in GWh	Q1 2018	Q1 2019	Change	Change (%)
Tariff group A (HV)	861	829	(32)	-4%
Tariff group B (MV)	2,240	2,252	11	0%
Tariff group C (LV)	1,212	1,157	(55)	-5%
Tariff group G (LV)	1,543	1,573	31	2%
<b>Total distribution of electricity</b>	<b>5,856</b>	<b>5,811</b>	<b>(45)</b>	<b>-1%</b>

In Q1 2019, the volume remained at a similar level as in the corresponding period of 2018, with the average distribution service sale price lower by 6% YOY. The greatest increase in the volume was recorded in tariff group G as a result of the growth in average consumption in winter months. The volume figures dropped in tariff groups C and A. In the latter, this was caused by lower consumption by one of the key customers.

Table 10: SAIDI and SAIFI indicators

	SAIDI			SAIFI		
	Unplanned incl. catastrophic	Planned	Total	Unplanned incl. catastrophic	Planned	Total
	Minutes per customer in the period			Disruptions per customer in the period		
Q1 2018	20.6	12.3	32.8	0.3	0.1	0.4
<b>Q1 2019</b>	<b>28.4</b>	<b>6.5</b>	<b>34.9</b>	<b>0.5</b>	<b>0.0</b>	<b>0.6</b>
Change	7.9	(5.7)	2.1	0.2	(0.0)	0.2
Change (%)	38%	-47%	6%	66%	-39%	47%

In Q1 2019, Energa Operator achieved SAIDI and SAIFI indicators of 34.9 min./cust. and 0.6 distr./cust. respectively, which was close to the level in the corresponding period of 2018, except that planned disruptions were limited considerably. On the other hand, Q1 2019 was characterised by high windiness, which had a crucial impact on the indicator as regards unplanned disruptions, including catastrophic ones.

Table 11: Gross electricity production in the Energa Group

Gross electricity production (GWh)	Q1 2018	Q1 2019	Change	Change (%)
Power stations – coal-fired	556	515	(41)	-7%
Power plants – biomass co-fired	-	-	-	-
CHP plants - coal-fired	49	42	(8)	-16%
CHP plants - biomass-fired	1	40	39	> 100%
Power stations - hydro	316	256	(60)	-19%
Pumped storage power station	10	14	4	41%
Power stations - wind	106	159	52	49%
Power stations - photovoltaics	1	1	0	5%

<b>Total production of electricity</b>	<b>1,039</b>	<b>1,025</b>	<b>(14)</b>	<b>-1%</b>
<i>including from RES</i>	<i>424</i>	<i>455</i>	<i>31</i>	<i>7%</i>

In Q1 2019, generating assets in the Energa Group produced 1% less electricity compared to the same period of the previous year.

One noteworthy fact is the increase in wind production by 52 GWh (a growth of 50% YOY), which was caused by the record high windiness in the first quarter of 2019 relative to the 5-year average. The lower output of the Ostrołęka power plant (by 41 GWh) relative to Q1 2018 was caused, among other drivers, by the lower demand for must-run production of electricity from the Transmission System Operator in Poland, as well as by the retrofit of Unit 2 in Q1 2019. The higher production of energy (by 31 GWh) in the Group's cogeneration plants is attributable to the generation by the biomass unit in Elbląg, which had been re-launched after optimisation work. The lower generation of energy by run-of-river power plants (down by 60 GWh) is mainly the result of less favourable hydrological conditions.

**Table 12: Heat production**

<b>Gross heat production in TJ</b>	<b>Q1 2018</b>	<b>Q1 2019</b>	<b>Change</b>	<b>Change (%)</b>
Energa Kogeneracja Sp. z o.o.	968	888	(80)	-8%
Energa Elektrownie Ostrołęka S.A.	508	465	(43)	-8%
Ciepło Kaliskie Sp. z o.o.	161	129	(31)	-19%
<b>Total gross heat production</b>	<b>1,636</b>	<b>1,483</b>	<b>(154)</b>	<b>-9%</b>

In Q1 2019, heat production was 9% lower than in the corresponding period of the previous year. The volume of heat generated by the Group (similarly to electricity generation from this kind of sources) corresponded to the heat demand on local markets in Ostrołęka, Elbląg and Kalisz, which was essentially the effect of the relatively high air temperatures in the reporting period.

**Table 13: Volume and cost\* of consumption of key fuels**

<b>Consumption of fuels*</b>	<b>Q1 2018</b>	<b>Q1 2019</b>	<b>Change</b>	<b>Change (%)</b>
<b>Coal</b>				
Amount (thousand tonnes)	317	280	(37)	-12%
Cost (m PLN)	82	81	(2)	-2%
<b>Biomass</b>				
Amount (thousand tonnes)	1	32	31	> 100%
Cost (m PLN)	0	18	18	> 100%
<b>Total fuel consumption (PLN m)</b>	<b>83</b>	<b>99</b>	<b>16</b>	<b>20%</b>

\* including cost of transport

In Q1 2019, the Group's producers consumed 37,000 tonnes of hard coal less and 31 thousand tonnes of biomass more than in the corresponding period of the previous year. The increased production from biomass resulted from the completion of the optimisation of the Elbląg biomass unit. The lower consumption of coal was also the effect of lower electricity generation by the Ostrołęka power plant.

The rise in the total cost of the consumption of fuels was directly related to the higher cost of specific biomass and coal consumption by the Line. Another factor was the change of the fuel mix in Elbląg.

**Table 14: Sales of electricity by the Sales Business Line**

Sales of electricity by the Sales Business Line in GWh	Q1 2018	Q1 2019	Change	Change (%)
<b>Retail sales of electricity</b>	<b>5,244</b>	<b>4,968</b>	<b>(277)</b>	<b>-5%</b>
<b>Sales of electricity in the wholesale market, including:</b>	<b>974</b>	<b>1,623</b>	<b>649</b>	<b>67%</b>
<i>Sales of energy to the balancing market</i>	136	317	181	> 100%
<i>Sales of energy to cover grid losses to Energa Operator*</i>	398	379	(20)	-5%
<i>Other wholesale</i>	440	927	488	> 100%
<b>Total sales of electricity</b>	<b>6,218</b>	<b>6,590</b>	<b>372</b>	<b>6%</b>

In Q1 2019, the total volume of electricity sold by the Sales Business Line increased by 6% (i.e. by 0.4 TWh) vs. Q1 2018. This is attributable to the several dozen percent increase in the sales volume on the wholesale market (by 0.6 TWh), with a decrease in retail sales by 5% (i.e. 0.3 TWh) relative to the previous year.

As regards retail sales in Q1 2019, there was a decline in the volume of sales to customers on the Polish market (resulting from a decline in sales to business customers and households) and on the Slovak market (due to the phasing out of the Group's operations in that country). Sales to business customers declined as a result of intensified competition on the Polish market. The decrease in the volume of sales to households is the effect of lower average electricity consumption, which reflects the downward trend in nationwide energy consumption. The Sales Business Line increased the number of customers, which was approximately 3.1 million at the end of the first quarter of 2019 (an increase by approx. 50 thousand customers compared to the first quarter of 2018). The growth involved group G (households).

In the period under review, sales of energy in the wholesale market increased by 0.6 TWh as a result of the growth of sales on the balancing market and of other sales. This is linked to the sale of excess volume of electricity derived from the local market (wind farms). This was driven by the very good wind conditions and high energy generation by wind farms in Q1 2019.

### 3.6. Financial results by operating segments

**Table 15: EBITDA of the Energa Group, by Business Line**

EBITDA in m PLN	Q1 2018	Q1 2019	Change	Change (%)
DISTRIBUTION	509	548	39	8%
GENERATION	103	118	15	15%
SALES	53	(95)	(148)	< -100%
OTHER and consolidation eliminations and adjustments	(39)	(17)	22	56%
<b>Total EBITDA</b>	<b>626</b>	<b>554</b>	<b>(72)</b>	<b>-12%</b>

## Distribution Business Line

Figure 4: Results of the Distribution Business Line of the Energa Group (PLN m)

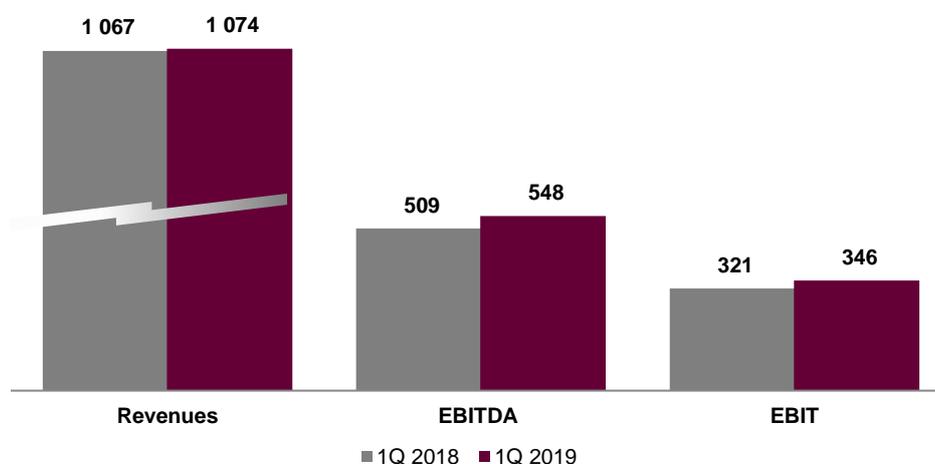
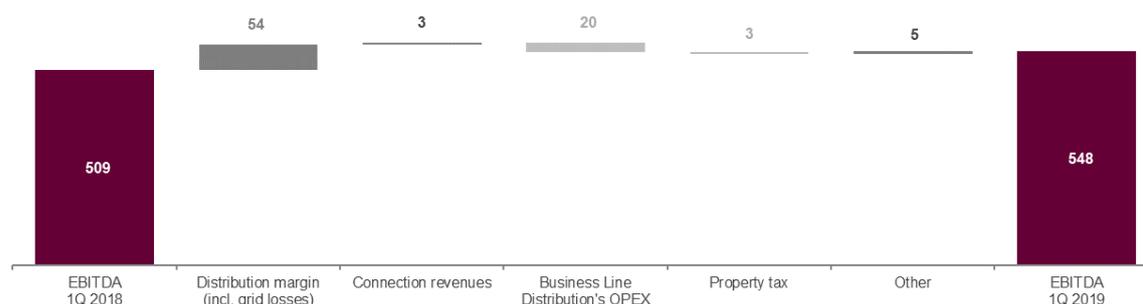


Table 16: Results of the Distribution Business Line

in PLN m	Q1 2018	Q1 2019	Change	Change (%)
Revenues	1,067	1,074	7	1%
<b>EBITDA</b>	<b>509</b>	<b>548</b>	<b>39</b>	<b>8%</b>
amortisation and depreciation	188	202	14	7%
impairment of non-financial non-current assets	-	-	-	0%
EBIT	321	346	25	8%
Net result	229	252	23	10%
CAPEX	222	334	112	50%

Figure 5: EBITDA bridge of the Distribution Business Line (in PLN m)



In Q1 2019, the Distribution Business Line generated 99% of the EBITDA for the Energa Group (vs. 81% in the corresponding period).

EBITDA was higher than in the previous year and totaled PLN 548 m (a growth by approx. 8%), while EBIT was PLN 346 m (a drop by 8% YOY, i.e. PLN 25 m). A PLN 54 m increase in the margin on distribution (with network losses) had a considerable impact on the operating profit. The main

improvement factor was the valuation of the estimated uninvoiced network losses at a higher purchase price, which diminished the overall cost of network losses attributed to this period. On the other hand, EBIT was affected by the OPEX (mostly employee benefits and costs of right of way, as well as impairment of receivables), which were higher than in the previous year.

The Q1 2019 net profit of PLN 252 million was higher than in the corresponding quarter of 2018 by PLN 23 million.

In Q1 this year, sales revenues of the Distribution Business Line were at a similar level as in Q1 2018.

## Generation Business Line

Figure 6: Results of the Generation Business Line of the Energa Group (PLN m)

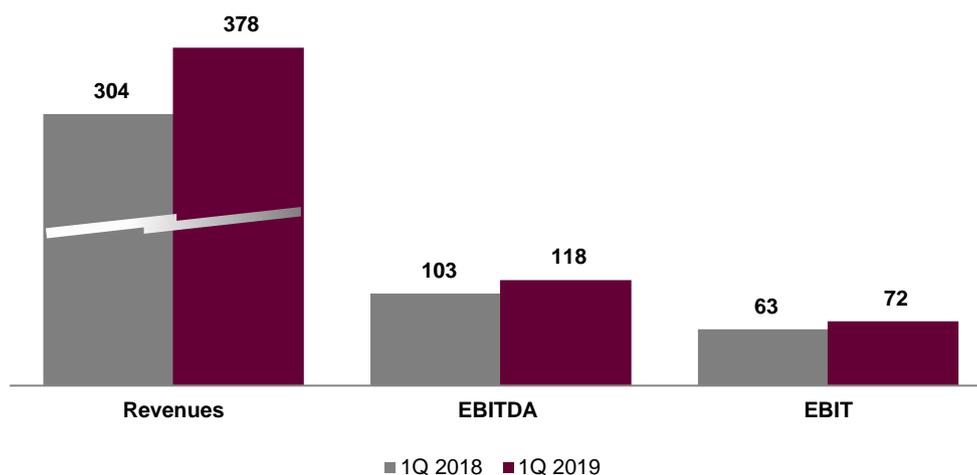


Table 17: Results of the Generation Business Line of the Energa Group

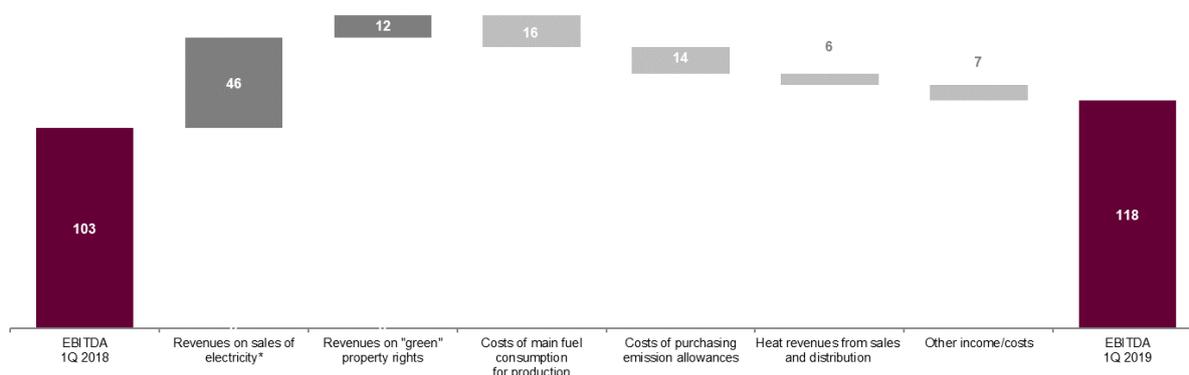
in PLN m	Q1 2018	Q1 2019	Change	Change (%)
Revenues	304	378	74	24%
<b>EBITDA</b>	<b>103</b>	<b>118</b>	<b>15</b>	<b>15%</b>
amortisation and depreciation	40	46	6	15%
impairment of non-financial non-current assets	-	-	-	-
EBIT	63	72	9	14%
Net result	41	47	6	15%
CAPEX	30	22	(8)	-27%

The table below presents the breakdown of EBITDA for the Generation Business Line into individual Generation Segments. The overview shows non-consolidated data, excluding reciprocal transactions between business areas and consolidation adjustments.

Table 18: EBITDA of the Generation Business Line by Division

EBITDA in PLN m	Q1 2018	Q1 2019	Change	Change (%)
Hydro	43	48	6	14%
Wind	13	41	28	> 100%
Ostrołęka power plant	31	24	(7)	-23%
Other and adjustments	17	4	(12)	-74%
<b>Total generation</b>	<b>103</b>	<b>118</b>	<b>15</b>	<b>15%</b>

Figure 7: EBITDA bridge of the Generation Business Line (PLN m)



\* includes net electricity trading (revenue less cost)

In Q1 2019, the share of the Generation Business Line in the total Group EBITDA was 21% (16% in the same period of the previous year). The YOY growth of EBITDA in the Generation Line amounted to PLN 15 million.

The Line mainly owes its higher EBITDA to increased revenues from energy sales and higher revenues from the sale of green certificates. The above factors were inhibited, *inter alia*, by a higher cost of consumption of key fuels used in the production, an increase in the cost of emission allowances, and decrease in revenues from the sales and distribution of heat.

The growth in the electricity sales revenues was mainly generated by the growth in the electricity prices charged by the Line. The positive effect of the growth in prices was strengthened by the record-breaking high (compared to the last few years) generation by wind farms and the biomass unit in Elbląg, which had been re-commissioned after optimisation works. The above effects were inhibited by lower production volumes in the Ostrołęka Power Plant and in hydroelectric power stations.

The increase in revenues from the sale of green certificates stems from the growth in their market prices and the generation of high volumes of renewable energy by wind farms and the Elbląg biomass unit, for which the Group receives green certificates.

As regards the key production fuel consumption costs, the increase was mainly generated by the rise in the unit prices of coal and biomass purchased by the Group, as well as by changes in the CHP fuel mix (the biomass unit replaced, to a large extent, coal-based generation in Elbląg).

The higher costs of purchasing CO<sub>2</sub> emission allowances were driven by an increase in market prices of emission allowances and a smaller pool of free production allowances granted to the Line for 2019.

The lower revenues from the sales and distribution of heat through ancillary services (services necessary for the system operation) were mainly the consequence of the demand for heat on the local

markets in the cities of Ostrołęka, Elbląg and Kalisz. The lower heat sales result from the relatively high air temperatures in the early months of 2019.

In Q1 2019, CAPEX in the Line were lower by PLN 8 million, and were mainly generated by work aiming to ensure compliance with the applicable environmental requirements and retrofits in the Ostrołęka B Power Plant.

## Hydro

Table 19: Results of the Hydro Power Division

in PLN m	Q1 2018	Q1 2019	Change	Change (%)
Revenues	67	73	6	8%
<b>EBITDA</b>	<b>43</b>	<b>48</b>	<b>6</b>	<b>14%</b>
EBIT	34	40	6	17%
CAPEX	1	2	1	83%

## Wind

Table 20: Results of the Wind Power Division

in PLN m	Q1 2018	Q1 2019	Change	Change (%)
Revenues	24	50	26	> 100%
<b>EBITDA</b>	<b>13</b>	<b>41</b>	<b>28</b>	<b>&gt; 100%</b>
EBIT	4	27	23	> 100%
CAPEX	-	0	0	0%

## Ostrołęka power plant

Table 21: Results of the Ostrołęka Power Plant Division

in PLN m	Q1 2018	Q1 2019	Change	Change (%)
Revenues	149	189	40	26%
<b>EBITDA</b>	<b>31</b>	<b>24</b>	<b>(7)</b>	<b>-23%</b>
EBIT	15	8	(7)	-47%
CAPEX	17	15	(1)	-9%

## Other and adjustments

Table 22: Results of the Other Division and adjustments

in PLN m	Q1 2018	Q1 2019	Change	Change (%)
Revenues	63	66	3	4%
<b>EBITDA</b>	<b>17</b>	<b>4</b>	<b>(12)</b>	<b>-74%</b>
EBIT	9	(4)	(13)	< -100%
CAPEX	12	5	(7)	-56%

## Sales Business Line

Figure 8: Results of the Sales Business Line of the Energa Group (PLN m)

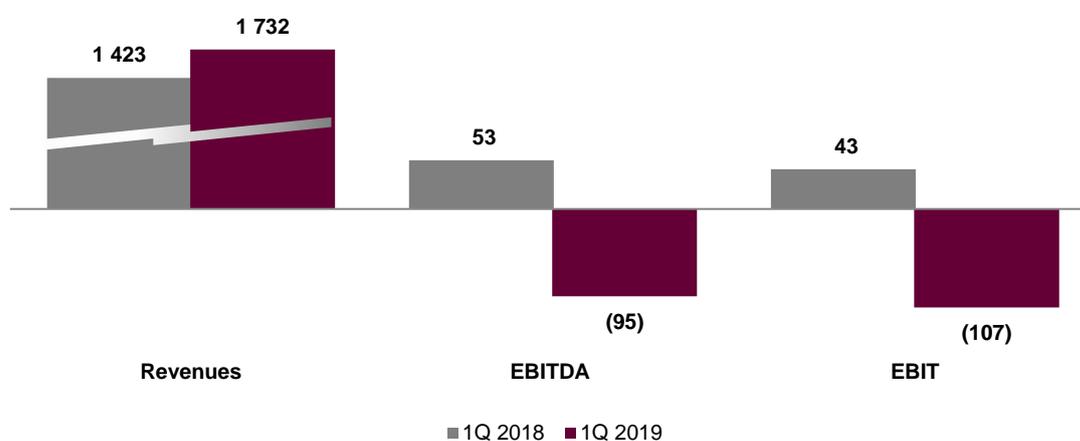
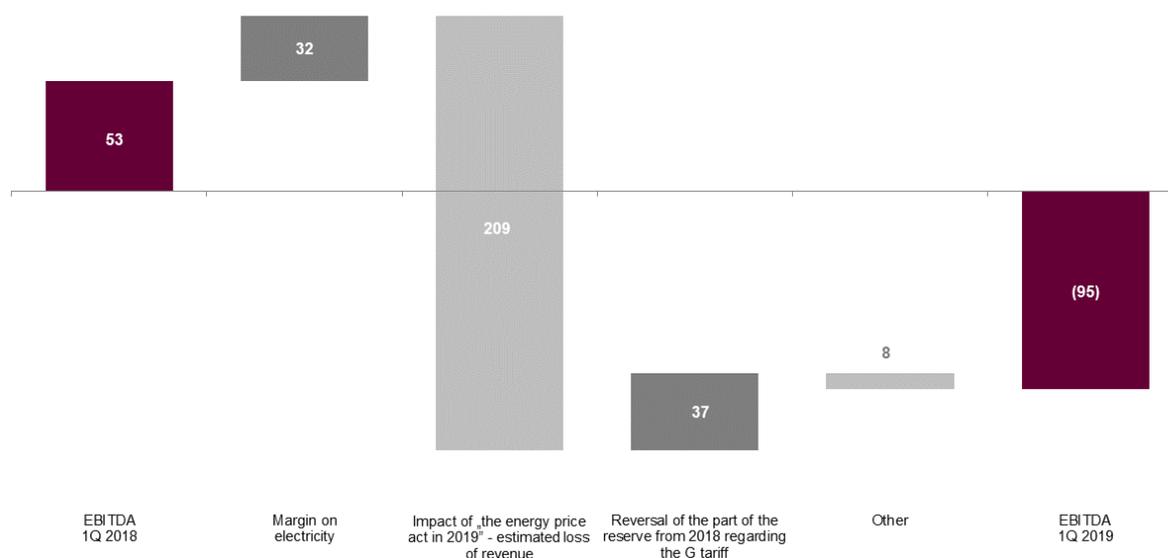


Table 23: Results of the Sales Business Line of the Energa Group

in PLN m	Q1 2018	Q1 2019	Change	Change (%)
Revenues	1,423	1,732	309	22%
<b>EBITDA</b>	<b>53</b>	<b>(95)</b>	<b>(148)</b>	<b>&lt; -100%</b>
amortisation and depreciation	10	13	3	30%
impairment of non-financial non-current assets	-	(1)	(1)	0%
EBIT	43	(107)	(150)	< -100%
Net result	38	(88)	(126)	< -100%
CAPEX	5	9	4	80%

**Figure 9: EBITDA bridge of the Sales Business Line (PLN m)**



In the first quarter of 2019, the sales of the Sales Business Line was PLN -95 million, which means that it did not contribute positively to the Group’s EBITDA. In the corresponding period of the previous year, the EBITDA amounted to PLN 53 million, and its share in the Group’s EBITDA was 8%.

In Q1 2019, the Sales Business Line generated revenues of PLN 1,732,000,000, which meant an increase by PLN 309 million (22%) relative to Q1 2018. Invariably, the key revenue item of the Business Line is revenues from the sales of electricity, which were 22% higher in Q1 2019 yoy (i.e. by PLN 302 m).

For the most part, the negative EBITDA of the Sales Business Line in Q1 2019 and its considerable decline compared to Q1 2018 were a consequence of the Act of 28 December 2018 amending the act on excise duty and certain other acts along with the subsequent revision. As at the date of preparation of these financial statements, no implementing regulations to the amended Act have been published, therefore, there is no detailed information on how to adjust sales prices for a major group of customers. In view of the above, the Sales Business Line continued to invoice a vast majority of its customers at the reduced prices envisaged by the version of the Act from the end of 2018, bearing higher, market-based energy purchase costs, while not receiving any compensation. The resultant estimated loss of revenue for the Business Line amounted to PLN 209 million in Q1 2019.

In addition, at the end of Q1 2019, a portion of the 2018 provision for onerous tariff G contracts for an amount of PLN 37 million was released, in proportion to the volume of electricity sold in that period. The above was a non-cash event that improved the EBITDA of the Sales Business Line.

### **3.7. Projected financial results**

The Management Board of Energa SA has not yet published any projections for separate and consolidated financial results for FY 2019.

### **3.8. Ratings**

On 3 June 2019, Fitch Ratings affirmed the Company’s existing BBB long-term ratings: long-term rating in foreign and domestic currency, rating for the bonds issued by the Company’s subsidiary Energa Finance AB (publ) in domestic and foreign currency, and a BB+ rating for hybrid bonds issued by Energa SA. The rating outlook remained stable (Current Report No. 15/2019).

**Table 24: Energa's current ratings**

	<b>Fitch</b>
<b>Long-term rating of the company</b>	BBB
<b>Rating outlook</b>	Stable
<b>Rating date</b>	19 January 2012
<b>Rating last changed on</b>	12 October 2012
<b>Rating last affirmed on</b>	3 June 2019

### **3.9. Dividend**

On 15 April 2019, the Management Board of Energa SA decided (Current Report No. 6/2019) that it would not recommend the General Meeting of Energa SA to pay a dividend from the net profit generated in 2018. The entire net profit will be transferred to supplementary capital. On 28 May 2019, the Company's Supervisory Board issued a positive opinion on the Company Management Board's recommendation (Current Report No. 10/2019). The Management Board's recommendation along with the opinion of the Supervisory Board will be submitted to the General Meeting, which will make the final decision on the distribution of the Company's 2018 net profit. By the time this information was approved, no resolution to divide the profit earned in 2018 had been adopted.

On 27 June 2018, the Annual General Meeting adopted a resolution on the distribution of profit for 2017, which was transferred to supplementary capital in whole.

### 3.10. Factors to affect Energa Group result in at least one quarter outlook

In the opinion of the Management Board of Energa SA, the factors described below will affect the results and activities of the Company and the Energa Group for at least the next quarter

Figure 10: Factors affecting the Energa Group result in the next quarter



# Environment



## **4. ENVIRONMENT**

### **4.1. Macroeconomic situation**

The key operating market for the Energa Group companies is the domestic market. Therefore, market cycles, expressed by means of the rate of GDP changes, inflation, or unemployment rate, have a bearing on the prices of electricity, heat and gas and the development of demand for products supplied to end customers.

As is shown by macroeconomic data and inflation and GDP projections prepared by the National Bank of Poland (NBP), the Polish economy has entered a phase of gradual slowdown in Q1 2019. According to the quick estimation of the Central Statistical Office, the GDP is not seasonally adjusted in the first quarter of this year and it was higher by 4.6% y/y compared to 5.2% in the corresponding period of 2018. According to the NBP's forecast, the dynamics of the Polish GDP is bound to decline gradually in 2019-2021, reaching 4% in the current year, and 3.7% and 3.5% in the following years. It is expected that the scale of the decline will be mitigated by the fiscal impulse announced by the government and the entry into force of a package of legislation highly increasing the level of social benefits and reducing the tax burden. At present, the global economic situation is the greatest risk for domestic economic activity. The slowdown in economic growth recorded by Poland's trading partners may reduce the dynamics of exports and industrial production.

The growth of marketed production in the period January-March 2019 was 6.1% faster than in the same period last year, when a growth of 5.5% was recorded. As regards the production and supply of electricity, gas, steam and hot water, a growth of 2.7% was recorded in the first three months of 2019.

In Q1 2019, the PMI (leading Polish industry index) was remaining below the 50 point threshold, which indicates a recovery in the respective sector. The PMI for Polish industry increased from 47.6 pts in February to 48.7 pts in March. From November 2018, the inflow of new orders was weakening, which translated into lower production levels. However, in March this year the pace of this decline slowed down

**Figure 11: Annual changes in the GDP, domestic demand, individual consumption and capital expenditures**



Source: GUS (the Central Statistical Office) and forecasts of Santander Bank Polska SA (April 2019)

The Polish economy continues to be driven by domestic demand, in particular by individual consumption, which, according to a forecast of Santander Bank Polska SA analysts, increased by 4.2% yoy in Q1 and is bound to grow in the subsequent quarters. The planned payment of additional social benefits under a fiscal programme announced by the government is expected to increase private consumption. Consumption will also be driven by the situation on the labour market, which is advantageous for employees, and means further fast increase of salaries. In March 2019, the current consumer confidence index, a synthetic measure of the current tendencies in individual consumption, increased by 2.8 pp yoy to 8.2%.

After a rapid increase in the absorption of EU funds for capex last year, in the years to come, which span the final phase of the EU 2014-2020 financial perspective, a decrease in the influx of EU funding is expected. According to analysts, the above conditions, as well as supply-related constraints resulting from the high utilisation of production capacities and limited accessibility of labour force, will have a negative effect on the growth rate of investments. According to Santander Bank Polska SA forecasts, gross fixed capital formation grew by 7.2% yoy in Q1 2019.

The good economic situation has an effect on the labour market. In Q1, the average employment in the enterprise sector increased by 3.1% compared to that recorded last year, and the average monthly gross salary in the enterprise sector increased by 6.7% yoy, reaching PLN 5,164.53 at the end of March. According to data of the Central Statistical Office, during the first three months of this year, the average monthly salary increased yoy across the sections of the Polish Classification of Activities (PKD) – from 1.2% in “Production and supply of electricity, gas, steam and hot water” to 16.6% in “Mining and quarrying”. The growth of employment reduces the unemployment rate, which, according to the Ministry of Family, Labour and Social Policy, amounted to 5.9% in March this year, which means that it was 0.7

pp lower than last year. With the low unemployment figures, a number of enterprises have difficulties in finding qualified employees. In addition, the occupational activity of Poles is declining, which is partly attributable to the enactment of legislation lowering the retirement age. As is demonstrated by NBP surveys, owing to the growing position of employees, the percentage of enterprises which declare the existence of wage pressure and plan to highly increase salaries in 2019 continues to be relatively high. In addition, the Budget Act for 2019 provides for an increase of salaries in the public sector, which comprises nearly a third of all employees in the national economy. The wage pressure and employment gap are partly filled by foreign workers (mainly from Ukraine), even though 2018 figures indicate that the growth in their number has been slowing down.

According to preliminary GUS data, from January to March, the price index of sold industrial production increased by 2.5% yoy. The prices were higher than last year across the sections. As regards the production and supply of electricity, gas, steam and hot water, the prices increased by 4.7%.

According to NBP projections, the growth in prices of consumer goods and services will remain low (1.7%) in 2019, close to last year's level. In Q1 2019, the consumer price index was 1.2% yoy. In the quarters to follow, the inflation is bound to increase, driven by rising labour costs and a relatively strong demand pressure in the Polish economy. The increase in inflation is mitigated by the low growth of prices in Poland's business environment (mainly in Poland's main trading partners), and the declining rate of growth in energy prices in the current year.

Regarding the monetary policy, the Monetary Policy Council did not make any changes to the base interest rates of the National Bank of Poland in Q1 2019. The Council acknowledges the slowdown in some of the world's largest economies and the increasing uncertainty as to the development of economic activity over the following quarters. It believes, however, that the prospects of the domestic economic cycle remain positive, despite the expected gradual deceleration of GDP growth. Within the impact horizon of its monetary policy, the Council believes that inflation will fluctuate around the inflation target (2.5% with a symmetric deviation range of  $\pm 1$  pp), while the current level of interest rates helps Poland to maintain sustainable growth and a macroeconomic balance. Therefore, at its April meeting, the Council did not change the interest rates and retained the reference rate at 1.5%.

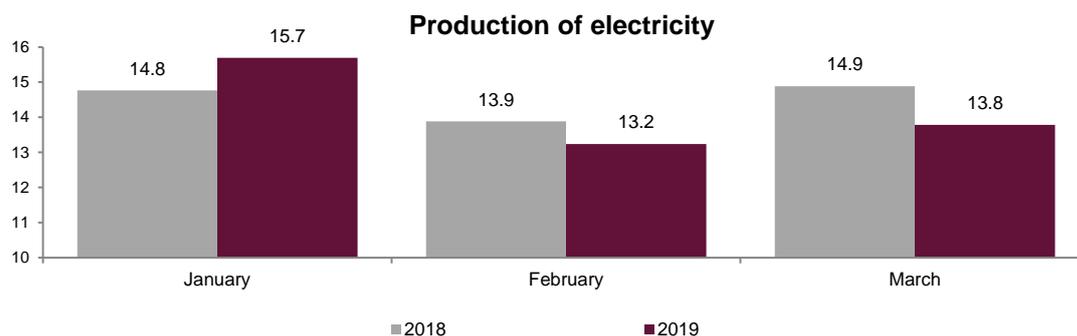
## **4.2. Electricity market in Poland**

Developments in the market environment are of key importance for the financial performance of the Group. In this light, attention is particularly drawn to the production and consumption of electricity, the cross-border power exchange in Poland, prices of electricity in Poland and selected neighbouring countries, prices of property rights, fee for the operating reserve and costs of emission allowances.

### **Domestic production and consumption of electricity**

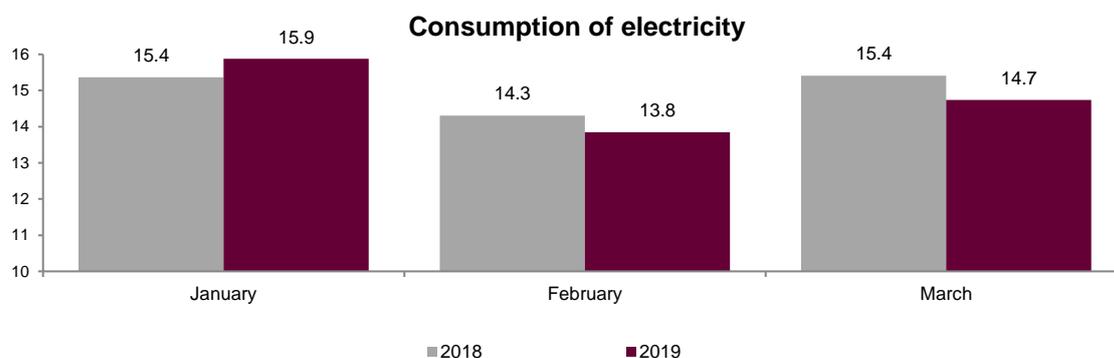
According to data published by Polskie Sieci Elektroenergetyczne ("PSE"), in the first quarter of 2019, production of electricity in Poland totalled 42.7 TWh and was 0.8 TWh or 1.9% lower than in the corresponding period of the previous year (43.5 TWh). Decreased generation compared to last year was observable in coal- and lignite-fired power plants. They were driven out of the National Power System mainly by wind farms, which benefited from good weather conditions.

**Figure 12: Production of electricity in Poland in Q1 2019 (TWh)**



In the first quarter of 2019, domestic consumption of electricity in Poland totalled 44.5 TWh and was 0.6 TWh (1.4%) lower than in the corresponding period of the previous year (45.1 TWh).

**Figure 13: Consumption of electricity in Poland in Q1 2019 (TWh)**

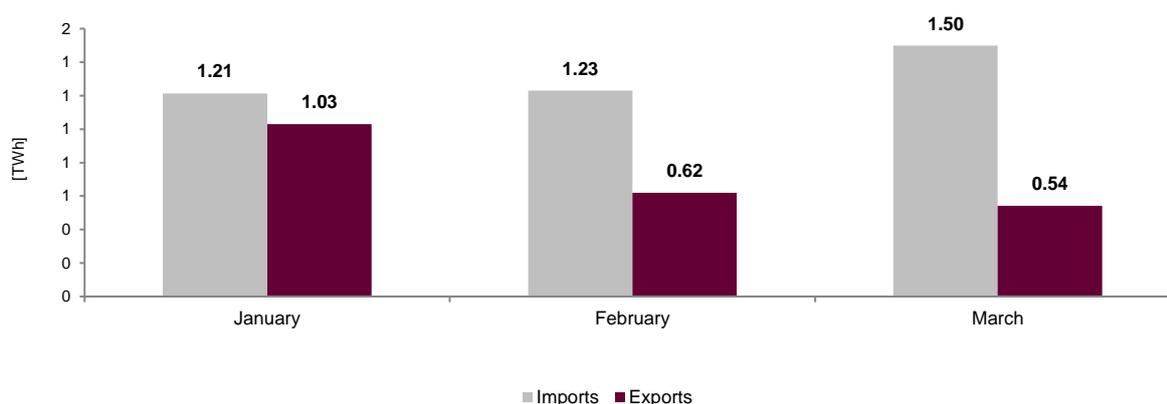


Source: PSE

### **Poland's cross-border power exchange**

In the first quarter of 2019, export of electricity was 0.2 TWh higher than in the same period last year. When comparing the two corresponding periods, a growth in the import of electricity of 0.4 TWh can be observed, which is the main reason behind the surplus of net import of electricity in the period under review amounting to 1.75 TWh vs. net imports of 1.55 TWh in the corresponding period of the previous year. This is attributable to the increased import of electricity in parallel exchange.

**Figure 14: Monthly volumes of cross-border exchange in Poland in Q1 2019 (TWh)**

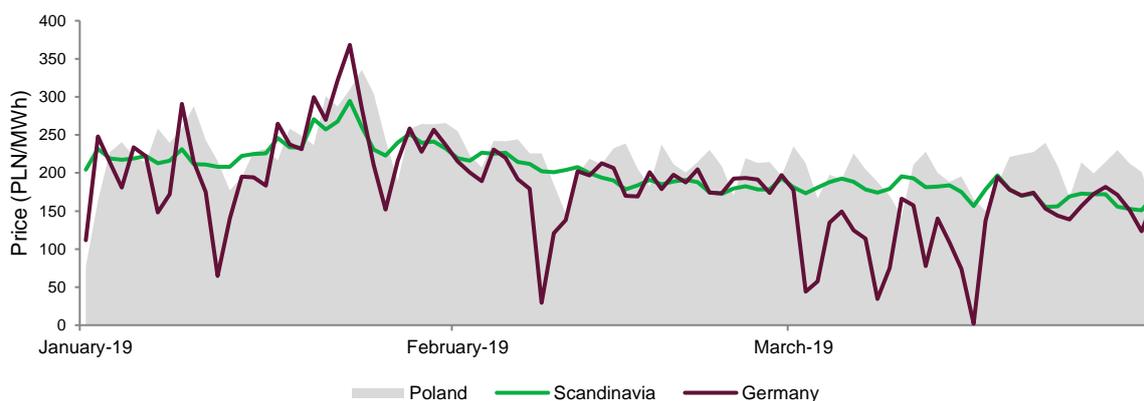


Source: PSE

### Energy prices in selected countries neighbouring with Poland

In order to compare prices of energy in Poland to prices in selected neighbouring countries, prices in the SPOT market were used as a reference product. The average prices in Poland in Q1 2019 were much higher than in the neighbouring countries. Relatively lower system losses, declining demand for power along with high temperatures and high wind power generation, as well as the decelerated growth of EUA prices and decrease in coal prices on global markets led to a fall in prices on the Polish and neighbouring markets. The highest price differences were found in comparison to the German market (+22.7%, i.e. PLN 40.33/MWh), and lower in relation to the Scandinavian market (+8.3% or 16.68 PLN/MWh). Even though electricity in Poland continues to be more expensive than on the above markets, it can be observed that the gap has been shrinking in relation to the Scandinavian market, where it amounted to +13.8% or 22.37 PLN/MWh in Q1 2018.

**Figure 15: Prices of energy in the SPOT market in Poland and in selected neighbouring countries in Q1 2019**



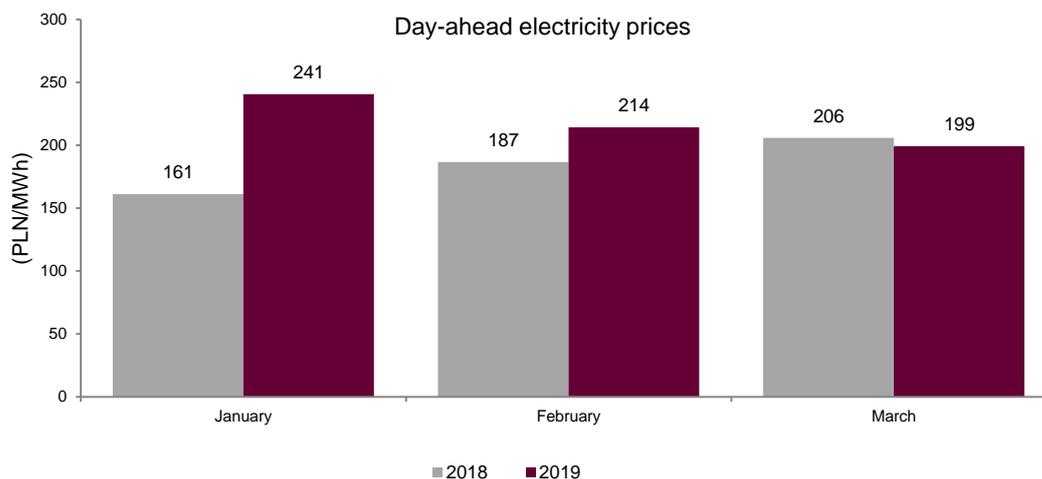
Source: Bloomberg

### Day-Ahead Market of electricity in Poland

In Q1 2019, the IRDN24 index averaged PLN 218.20/MWh, and was higher by PLN 33.75/MWh than in the corresponding period of the previous year (PLN 184.45/MWh). The opposite trends in the changes

of the average IRDN24 index in the individual months of the first quarters of 2018 and 2019 are worth noting. When comparing the average level of the IRDN24 index to Q4 2018, a drop in the price by 27.03 PLN/MWh can be seen. Lower levels of system losses and of domestic power demand were coupled by very high wind power generation, which, in turn, added to the fall in prices relative to Q4 2018.

**Figure 16: IRDN 24 index in Q1 2019 (PLN/MWh)**



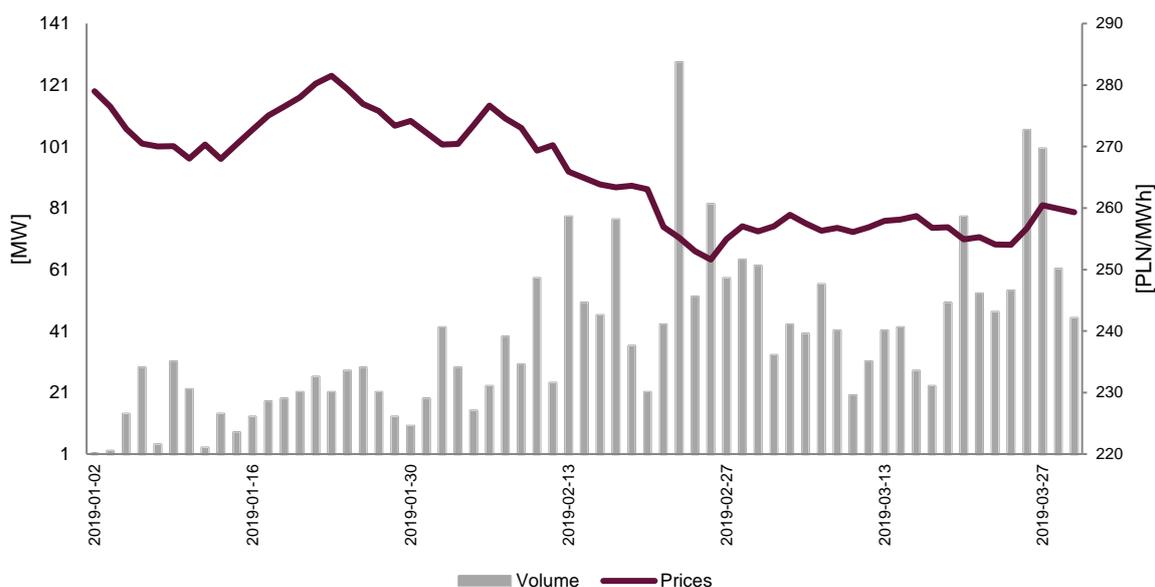
Source: PPE

### **Electricity futures market in Poland**

In the first quarter of 2019, the forward electricity market was in a downward trend. The lowest price of PLN 251.62/MWh was quoted on 26 February this year. The main drivers of the declining trend were as follows:

- a fall in CO<sub>2</sub> emission allowance prices,
- a decrease in coal prices on global markets,
- much higher wind and water power generation on the local market,
- lower demand for electricity in the National Power System.

Figure 17: Forward contract price, BASE with delivery for 2020 in Q1 2019

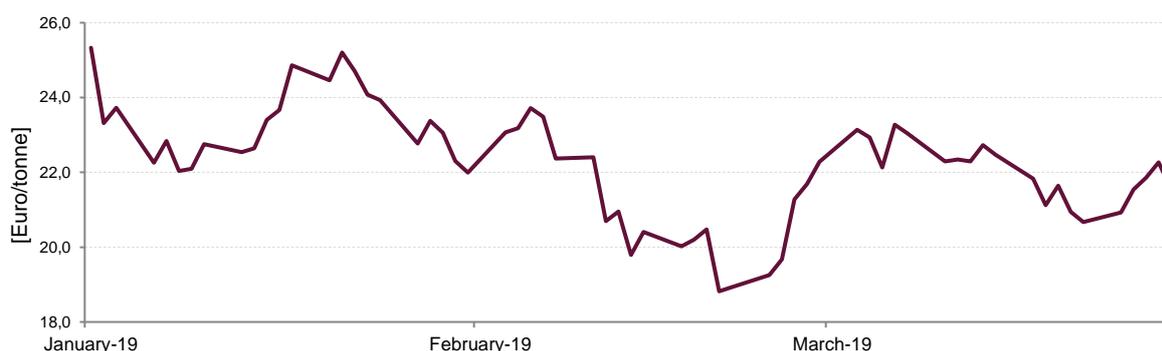


Source: PPE

## Emission allowance market

On 15 May 2018, the European Commission published data on the number of allowances in circulation as at the end of 2017 (just over 1.654 billion), which is the basis for defining the Market Stability Reserve (MSR) of the EU Emissions Trading System (EU ETS), a mechanism which started to operate in January 2019. Therefore, the volume of auctions in the first 8 months of 2019 will be reduced by 265 million allowances, which account for 16% of all allowances in circulation, which will be transferred to the MSR. For the first 5 years of the functioning of the MSR, the number of allowances is to be reduced by 24% of the total number of allowances in the auction pool annually. The next publication of the total number of allowances in circulation was announced by the European Commission on 15 May 2019 (about 1.655 billion). Therefore, in the period of 12 months - from 1 September 2019 to 31 August 2020 - the total number of approximately 397 million allowances will be included in the MSR. Introducing such an effective system for limiting the supply of allowances on the market, i.e. MSR, following the reform of the EU ETS, was expected to lead to a high increase in the prices of emission allowances, starting from the beginning of the year. However, as it seems, the price of EUAs in the first quarter of 2019 was mainly driven by lower demand. Increased temperatures and very high wind generation in Europe gave rise to a decrease in the consumption of fossil fuels, which drove the demand for emission allowances down. As a result, at the end of Q1 2019, the price of EUAs was 21.55 EUR/t, falling by the end of 2018 by 11%. The market is still uncertain as to whether Great Britain will remain in the EU ETS.

Figure 18: EUA prices in Q1 2019



Source: Bloomberg

## Market for property rights

The table below presents the average prices of property right indices listed on the Polish Power Exchange.

Table 25: Average levels of property right indices listed on the Polish Power Exchange

Index (type of certificate)	Index value		% Obligation (%)	Substitution fee (PLN)
	Q1 2018 (PLN/MWh) with 2017 index	Q1 2019 (PLN/MWh) with 2018 index		
OZEX_A (green)	59.98	117.67	19.35*	300.03*
KGMX (yellow)	117.55	109.94	-	115.00*
KECX (red)	9.82	8.72	-	8.19*

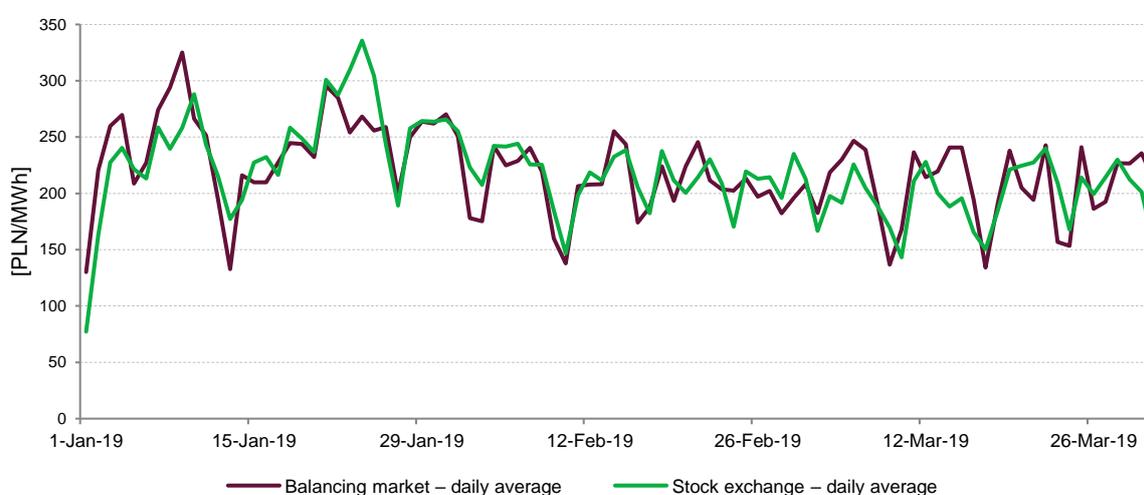
\* value of the substitution fee and redemption obligation in 2019

At the end of 2018, the cogeneration support scheme known as the yellow and red certificates expired. Since 2019, the system has been replaced by auctions. Yellow and red certificates will be quoted until the end of June 2019 since the obligation for 2018 must be settled by the time. From the perspective of the Energa Group's generation structure (high share of renewable production), the prices of green property rights are of key importance. PM RES prices in EOB trades followed the declining trend started in the second half of 2018. The trend reversed after 20 March this year, when a fast increase in quotations on this market was triggered by the decision by the Ministry of Energy to withdraw from the proposed changes in the compensation (substitution) fee in the draft revision of the RES Law. As a consequence, at the end of Q1 2019, PM RES were quoted at 126.03 PLN/MWh.

## Balancing market

On 1 January 2019, the limits for electricity clearing prices on the balancing market changed, ranging currently from PLN -50,000.00/MWh to PLN +50,000.00/MWh. For the most of Q1 2019, the prices in the balancing market were similar to the day-ahead market prices. A clear deviation was recorded on 9 January this year, when the average intraday price in the balancing market was PLN 325.15/MWh, and price at peak hours reached PLN 530.00/MWh. The average price on the balancing market in the period under review was PLN 219.34/MWh, compared to PLN 183.80/MWh in the corresponding period of the previous year.

Figure 19: Comparison of prices on the balancing market and SPOT markets (exchange) in Q1 2019

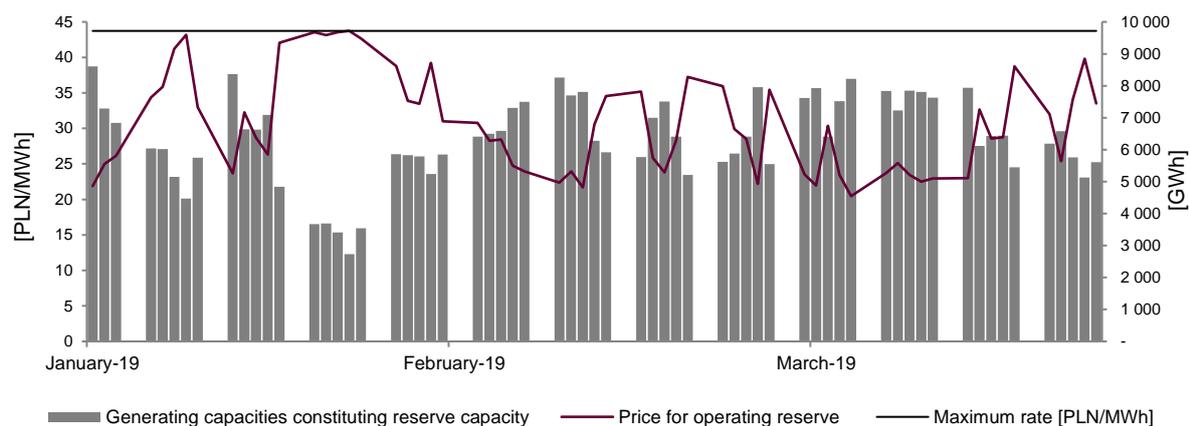


Source: PPE, PSE

## Operating reserve

The operating reserve service continues to be provided in 2019. The reference price was raised to PLN 43.73/MWh. In Q1 2019, the average operating reserve fee was PLN 30.67/MWh and was higher by PLN 5.18 compared to same period of the previous year (PLN 35.85/MWh).

Figure 20: Prices and generating capacity constituting operating reserve in Q1 2019



Source: PSE

### 4.3. Regulatory environment

#### Legislative processes completed in Q1 2019

The Act of 21 February 2019 amending the Act on revision of the Excise Duty Act and certain other acts, the Environmental Law, the Act on the system for the management of greenhouse gas and other substance emissions, the Act amending the Act on biocomponents and liquid fuels and certain other acts, and the Act on the promotion of electricity from high-efficiency cogeneration

The purpose of the amending Act is to lay down specific provisions aiming to prevent increases in electricity prices, and to launch what is referred to the Compensation Fund for Energy Undertakings.

Objective of the legislation:

- ✓ Exempting power undertakings which deal with the transmission or distribution of electricity from their obligation, i.e. putting them under an obligation to set such electricity prices and rates for 2019 as not to exceed the prices and rates of gross fees applied on 31 December 2018;
- ✓ Extending the obligation to apply the prices charged on 30 June 2018 to include all contracts made between traders in electricity and end consumers;
- ✓ Laying down the details of the method for determining the weighted average price for: (i) contracts concluded by power undertakings in 2019, (ii) contracts concluded by energy companies before 1 January 2019, (iii) groups of end consumers assigned to the voltage level of the power network to which the end consumers are connected;
- ✓ A new deadline regarding changes to contracts and price lists of trading companies – 30 days from the entry into force of the implementing regulation;
- ✓ Placing the President of ERO under an obligation to calculate and publish the weighted average price of electricity on the wholesale market in the Public Information Bulletin of the Energy Regulatory Office, using the method and within timeframes provided for in the implementing regulation, and to publish the data components used for calculating the price difference to be paid, as indicated in the same regulation;
- ✓ Allowing final consumers which buy electricity for their own purposes on the Towarowa Gielda Energii SA commodity market or through a commodity brokerage house, and not from trading companies, to apply for the compensation.

Expected impact on the Energa Group:

- ✓ Excluding distribution system operators (DSOs) and transmission system operators (TSOs) from the system eliminates interpretative doubts;
- ✓ The lack of information about the planned launch date of the system of compensations for energy undertakings has a serious effect on the process whereby trading companies contract electricity for the needs of final consumers.

## Legislative processes pending in Q1 2019

Table 26: List of legal acts affecting the Group

Legal act	Purpose of legal changes	Opportunities	Threats/issues
Implementing regulations and decision of the European Commission regarding the Polish CHP support scheme	Introduction of new legal mechanisms to support the development of new CHP facilities and maintenance of the existing heat generating facilities and systems.	<ul style="list-style-type: none"> <li>(1) Incentive to build new and retrofit existing CHP installations.</li> <li>(2) A support scheme based on several mechanisms dedicated for installations with various technical characteristics.</li> <li>(3) Introduction of a long-term support model (by 2048).</li> </ul>	<ul style="list-style-type: none"> <li>(1) The lack of draft implementing regulations prevents the support scheme from being launched.</li> </ul>
Proposal for “The Energy Policy of Poland until 2040.”	The strategy which defines the development lines for the Polish energy sector and determines the target energy mix and outlines the key development focus for power sector entities	<ul style="list-style-type: none"> <li>(1) The document describes several scenarios for the development of the sector until 2040.</li> <li>(2) The target energy mix for 2040 is presented.</li> <li>(3) The Strategy provides for a dynamic development of RES – PV and offshore wind farms (until around 2030), and the launch of nuclear power plants.</li> </ul>	<ul style="list-style-type: none"> <li>(1) The need to correlate the Strategy with the “National Action Plan for Energy and Climate for 2021-2030”. Otherwise, the two strategic documents may provide for different goals and assumptions.</li> <li>(2) Limited vision for the development of RES – onshore wind farms and hydroelectric power stations.</li> <li>(3) No comprehensive plans for the development of energy storage.</li> </ul>
Proposal for “The National Action Plan for Energy and Climate for 2021 – 2030”	A strategy which demonstrates how Poland will achieve the EU’s climate policy goals by 2030.	<ul style="list-style-type: none"> <li>(1) A comprehensive action plan for the development of a low-carbon economy.</li> <li>(2) Measures stimulating the development of new sectors related to energy: biofuels, energy storage, e-mobility, etc.</li> </ul>	<ul style="list-style-type: none"> <li>(1) The need to correlate the Action Plan with the “Energy Policy of Poland until 2040.” Otherwise, the two strategic documents may provide for different goals and assumptions.</li> <li>(2) The need to take into account arrangements with the European Commission.</li> </ul>
The EU legislative package Clean Energy for All Europeans – the so-called Winter Package.  EU Electricity Directive and Regulation	Maintaining EU’s competitiveness in the era of transition to clean energy on the energy markets. Plans to reduce coal subsidies, to increase the energy efficiency target to 32.5%, and to reduce CO <sub>2</sub> emissions by 45% by 2030. The new legislation requires approval by the Council and the European Parliament.	<ul style="list-style-type: none"> <li>(1) Guarantee of the rights acquired under power contracts made before the end of 2019.</li> <li>(2) Developing low-emission generating installations, e.g. CCGTs, as well as attaching more importance to DSR services and energy storage for the needs of power markets</li> </ul>	<ul style="list-style-type: none"> <li>(1) Limitation, as from 1 July 2025, of support in the form of power market mechanisms for installations which emit more than 550 g CO<sub>2</sub>/kWh.</li> <li>(2) Difficulty on the part of TSOs in maintaining the supply of power within the power market mechanism from 1 July 2025.</li> </ul>

Legal act	Purpose of legal changes	Opportunities	Threats/issues
	The Winter Package includes solutions promoting the development of decentralised electricity production and storage to develop 'civic energy'.		
Government bill to amend the Energy Law and certain other acts. Number on the list: UC34.	Clarifying the powers of the President of the Energy Regulatory Office and putting in place a smart metering development policy in Poland.	(1) A comprehensive plan for the development of Advanced Metering Infrastructure (AMI) will make development planning easier for DSOs.	(1) Potential rebranding of DSOs

# Shares and shareholding structure



## 5. SHARES AND SHAREHOLDING STRUCTURE

### 5.1. Energa's shareholding structure

Table 27: Issuer's shares by series and type

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

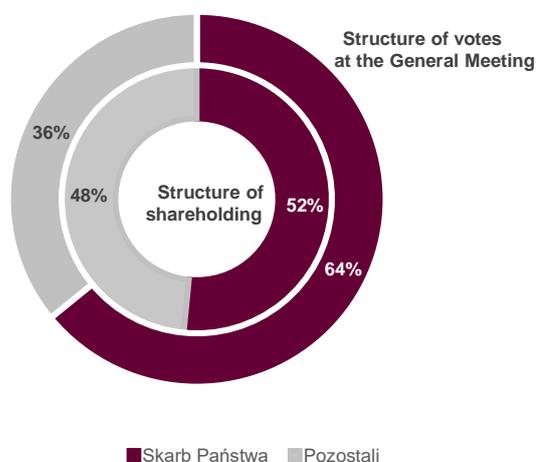
\* One preferred share carries two votes at the General Meeting. These shares are held by the State Treasury.

Table 28: Shareholding structure of Energa SA as at 31 March 2019

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

\* The State Treasury holds 144,928,000 series BB registered shares, preferred in terms of voting at the General Meeting, and one share carries two votes at the General Meeting.

Figure 21: Shareholding and voting structure at the General Meeting of Energa as at 31 March 2019 and the date of preparing this Information



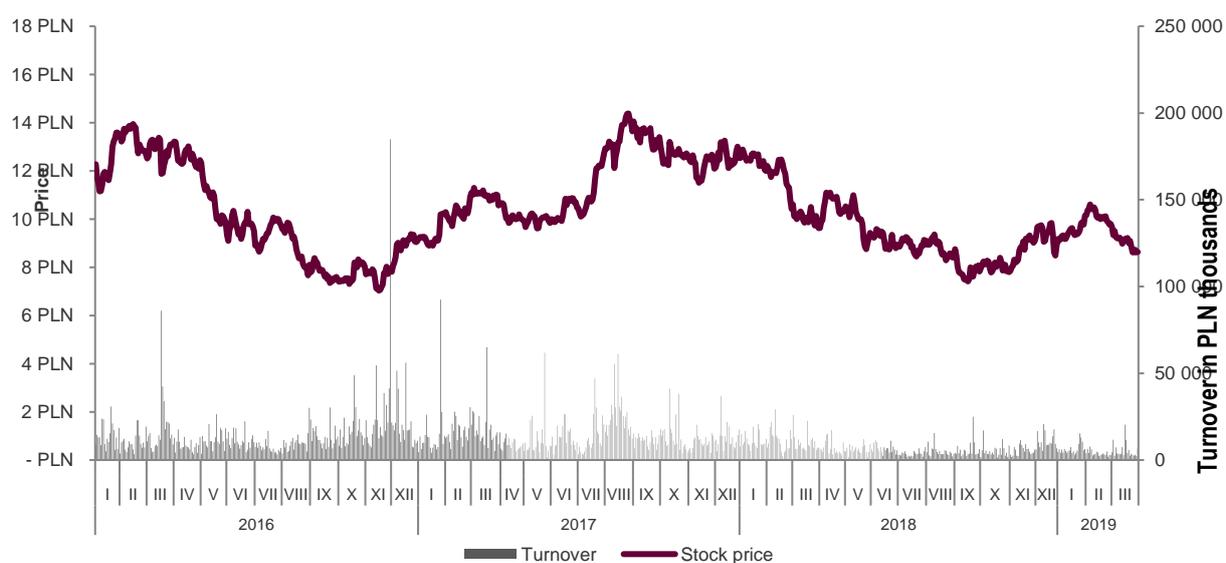
## 5.2. The Company's stock prices on the Warsaw Stock Exchange in Warsaw

Table 29: Information on Energa SA stock as at 31 March 2019

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114 shares
Stock price at the end of the period	PLN 8.63
Capitalisation at the end of the period	PLN 3.57 bn
3M minimum at closing	PLN 8.62
3M maximum at market close	PLN 10.60
3M minimum	PLN 8.51
3M maximum	PLN 10.65
Average trading value	PLN 5.30 m
Average trading volume	558 thousand shares
Average number of trades	1.1 thousand trades

Source: Proprietary material based on data from [www.infostrefa.com](http://www.infostrefa.com)

Figure 22: Energa SA stock price in the period from 1 January 2016 to 31 March 2019



Source: Proprietary material based on data from [www.infostrefa.com](http://www.infostrefa.com)

**Figure 23: Changes in Energa SA stock prices in comparison to changes in WIG, WIG30 and WIG ENERGIA indices**



Source: Proprietary material based on data from [www.infostrefa.com](http://www.infostrefa.com)

### 5.3 Recommendations for the Company's stock

Table 30: Summary of recommendations in 2019

<b>4</b> analyst recommendations in Q1 2019	<b>1 Buy</b> recommendation <b>1 Neutral</b> recommendation <b>1 Reduce</b> recommendation <b>1 Sell</b> recommendation
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A list of recommendations can be found on the Company's Investor Relations website.

### 5.4 Changes to corporate bodies and shares held by executive and supervisory personnel

In Q1 2019 and until the date of this Information document, the Company's Management Board had the following composition:

1) in the period to 30 May 2019:

- a) Alicja Barbara Klimiuk – Vice-President of the Management Board for Operations, acting President of the Management Board,
- b) Jacek Kościelniak – Vice-President of the Management Board for Finance,
- c) Grzegorz Ksepko – Vice-President of the Management Board for Corporate Matters.

2) in the period from 30 May 2019 until the date of this Report:

- a) Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters, acting President of the Management Board,
- b) Jacek Kościelniak - Vice-President of the Management Board for Finance,
- c) Dominik Wadecki - Vice-President of the Management Board for Operations.

In the first three months of 2019 and until the date of this Information document, the Company's Supervisory Board had the following composition:

- a) Paula Ziemiecka-Księżak – Chairperson of the Supervisory Board,
- b) Zbigniew Wtulich – Vice-Chairperson of the Supervisory Board,
- c) Agnieszka Terlikowska-Kulesza – Secretary of the Supervisory Board,
- d) Andrzej Powałowski – Member of the Supervisory Board,
- e) Marek Szczepaniec – Member of the Supervisory Board,
- f) Maciej Żółtkiewicz – Member of the Supervisory Board.

As at 31 March 2019 and as at the date of preparing this Information, no member of Energa SA's Supervisory Board and no member of Energa SA's Management Board held the Company's shares, rights to Company's shares or shares in the Company's related companies.

**Signatures of Energa SA Management Board Members**

Grzegorz Ksepko

Acting President of the Energa SA Management Board

Jacek Kościelniak

Vice-President of the Energa SA Management Board for Finance

Dominik Wadecki

Vice-President of the Energa SA Management Board for Corporate Affairs

Paweł Szawłowski

Director of the Finance Department

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## GLOSSARY OF TERMS AND ABBREVIATIONS

Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and residues from agriculture, forestry and related industries, as well as the biodegradable fraction of other waste, in particular agricultural raw materials
CAPEX	Capital expenditure
CIRS, CCIRS	Currency Interest Rate Swap and Cross-Currency Interest Rate Swap transactions in which payments are made over a specified period with a prescribed frequency, based on variable interest rates, in two different currencies (CIRS) or in more currencies (CCIRS)
CO <sub>2</sub>	Carbon dioxide
EIB	The European Investment Bank
EBITDA	Energa SA defines EBITDA as operating profit/loss plus depreciation/amortisation and impairment of non-financial non-current assets. Since the EBITDA definition changed in 2016, EBITDA for comparable periods (2013-2015) has been recalculated according to the new definition.
EBIT (earnings before interest and taxes)	Operating profit
Energa SA, the Energa Company	Parent company of the Energa Group
EMTN	The Euro Medium Term Notes issuance programme
EUA	European Union Allowance; emission allowances
EUR	Euro, currency used in European Union's eurozone countries
WSE	The Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie SA)
The Energa Group, the Group, Energa	A Group of companies engaged in distribution, trade and generation of electricity and heat. It also conducts activity related to street lighting, design, procurement of materials, grid-related services, specialised transport, hotel and IT services
Tariff group	Group of customers off-taking electricity or heat or using electricity or heat supply services with respect to which a single set of prices or fee rates along with their terms and conditions are applicable
GUS	Statistics Poland (Główny Urząd Statystyczny)
GW	Gigawatt, unit of power in the International System of Units, 1 GW = 10 <sup>9</sup> W
GWe	Gigawatt of electrical power
GWh	Gigawatt hour
IRM	Stimulated Demand Reduction
IRS	An interest rate swap agreement between two parties, under which the parties pay interest to each other on a contractual nominal amount calculated according to a different interest rate
Cogeneration, CHP	An engineering process of simultaneous production of heat and electrical or mechanical energy in the course of the same engineering process
KRS	National Court Register (Krajowy Rejestr Sądowy)
kWh	Kilowatt hour, unit of electricity generated or used by a 1 kW device in 1 hour; 1 kWh = 3,600,000 J = 3.6 MJ
MW	Unit of power in the International System of Units, 1 MW = 10 <sup>6</sup> W
MWe	Megawatt of electrical power
MWh	Megawatt hour
NIB	Nordic Investment Bank
Renewable energy sources, RES	Sources converting the energy of wind, solar radiation, geothermal energy, waves, currents and marine tides, run of rivers and energy obtained from biomass, landfill biogas as well as biogas from sewage discharge or treatment processes or the decomposition of plant and animal remains to generate electricity
OR	Operating reserve
DSO, Distribution System Operator	A utility company distributing gaseous fuels or electricity, responsible for grid operation in a gas or electricity distribution system, current and long-term operational safety of the system, operation, maintenance, repairs and the necessary expansion of the distribution network, including connections to other gas or electricity systems
TSO, Transmission System Operator	A utility company transmitting gaseous fuels or electricity, responsible for grid operation in a gas or electricity transmission system, current and long-term operational safety of the system, operation, maintenance, repairs and the necessary expansion of the transmission network, including connections to other gas or electricity systems
OZEX_A	Volume-weighted average price for all transactions pertaining to the PMOZE_A contract on an exchange session
GDP	Gross Domestic Product
PLN	Polish zloty; national currency

PMI	Industrial economic activity index calculated by Markit in cooperation with HSBC
PMOZE_A	Property rights to certificates of origin for renewable electricity generated starting from 1 March 2009, as specified in the certificate of origin
Property rights	Transferable rights constituting a commodity arising from certificates of origin for renewable energy and energy from cogeneration
PSE	Polskie Sieci Elektroenergetyczne Spółka Akcyjna with its registered office in Warsaw, entered in the Register of Entrepreneurs of the National Court Register under KRS No. 0000197596; a company designated by the President of the URE's decision No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 to operate as the Electricity Transmission System Operator in the Republic of Poland in the period from 1 January 2008 to 1 July 2014
yoy	Year on year
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SFIO	Specialist open-end investment funds
SPOT	Day-Ahead Market (DAM): an energy market operating in the "day ahead" time interval (DA) supplying energy on day D
Certificate of origin from cogeneration	A document issued by the President of the URE pursuant to Article 9l of the Energy Law confirming that electricity has been generated in high-efficiency cogeneration in: (i) a gas-fired cogeneration unit or a cogeneration unit with a total installed electrical capacity at source under 1 MW (known as the yellow certificate), (ii) a cogeneration unit fired by methane released and captured during deep mining operations in coal mines (open, in liquidation or closed), or gas obtained by processing biomass, (known as a purple certificate), or (iii) another cogeneration unit (known as a red certificate)
Certificate of origin from renewable energy sources, green certificate	A document issued by the President of the URE pursuant to Article 9e of the Energy Law confirming that electricity has been generated from a renewable energy source (known as a green certificate)
Tariff G	A tariff group for individual customers – households
Polish Power Exchange, TGE	Towarowa Gielda Energii SA, a commodity exchange where admitted commodities are traded, i.e. electricity, liquid and gaseous fuels, mine gas, pollution emission allowances and property rights arising from certificates of origin, whose price depends directly or indirectly on the price of electricity, liquid or gaseous fuels and the volume of pollution emissions
TWh	Terawatt hour, a multiple of the SI unit of electricity. 1 TWh equals 10 <sup>9</sup> kWh.
URE	Energy Regulatory Office
WACC	Weighted average cost of capital
WIBOR	Warsaw Interbank Offered Rate
RAB	Regulatory Asset Base
Cofiring	Generation of electricity or heat using a process of simultaneous and joint combustion of biomass or biogas with other fuels in a single device; a portion of the energy generated in this manner can be deemed to be energy generated in a renewable energy source