



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

for Q3 2019

Gdańsk,
publication date: 15 November 2019

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SUMMARY



THE GROUP AFTER 9M 2019

One of the leading energy groups and a reliable supplier of electricity and services for nearly 1/4 of Poland, with a 36% share of RES in own production.

OPERATING DATA



16.6 TWh

volume of electricity supplied



2.8 TWh

gross electricity production

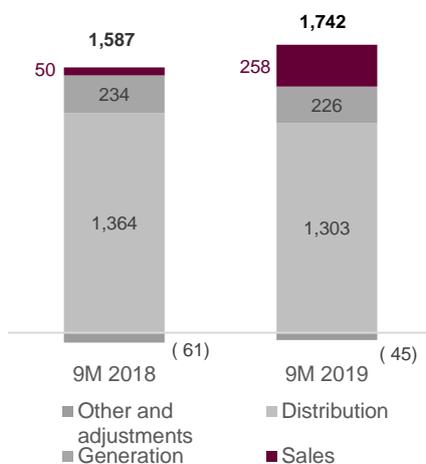


14.7 TWh

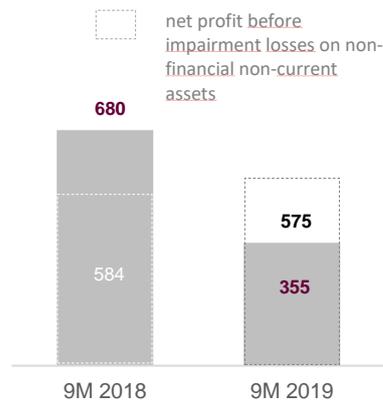
retail sales

FINANCIAL RESULTS

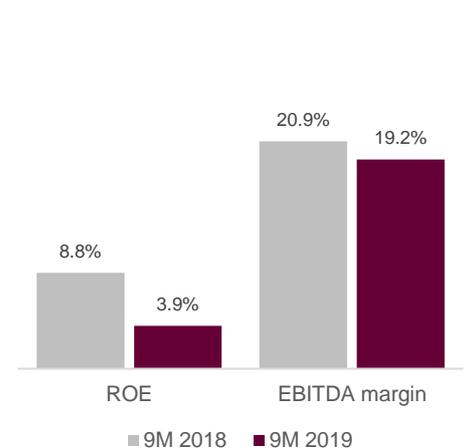
EBITDA (PLN m)



Net profit (PLN m)



Profitability ratios



ENERGA SA ON THE WSE

Market capitalisation: PLN **2.65 bn***

* According to share price as at closing on 30 September 2019.





Distribution network length
188k km



Installed capacity
1.35 GWe
of which **38%** falls to RES

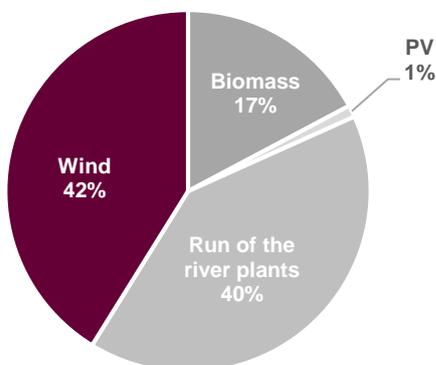


9.9k
employees



- Heating plant
- Pumped-storage power plant
- Small hydropower plant
- CHP
- Photovoltaic power plant
- Coal
- Must run power plant
- Large hydropower plant
- Wind farm
- Biomass
- Seat of Energa SA
- Distribution of electricity
- Sales of electricity

RENEWABLE ENERGY SOURCES



Installed capacity
508 MWe



RES production
1,010 GWh

INVESTMENT PROJECTS IN THE ENERGA GROUP

In 9M 2019, the Energa Group completed **PLN 1,108 m** worth of investments, of which almost PLN 945 m accounted for the Distribution Business Line.

As a result of the investments **44.8 thousand** new customers were connected, **3,107 km** of high-, medium-, and low-voltage lines were constructed and upgraded, and **133 MW** of new renewable energy sources were connected to the grid in 9M 2019.

**CORE
INFORMATION
ABOUT THE GROUP**

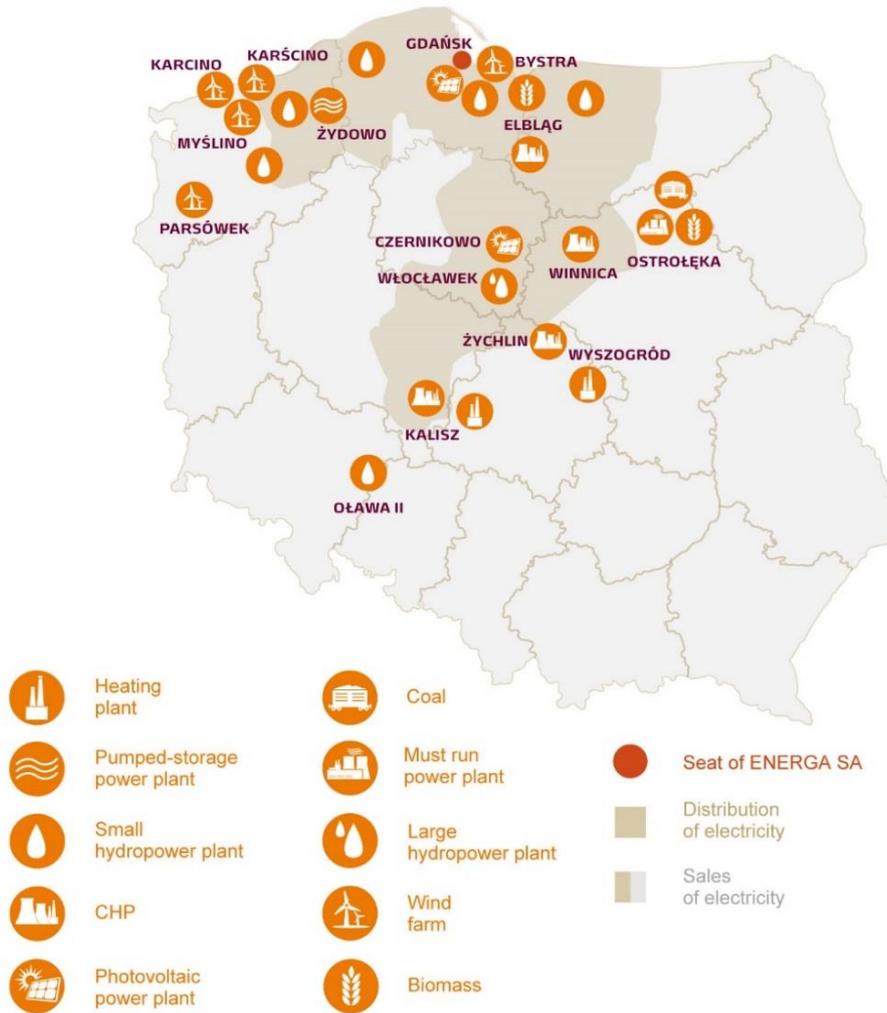


1. CORE INFORMATION ABOUT THE GROUP

1.1. Activities and structure of the Group

The core business of the Energa Group involves the distribution, generation and the sale of electricity and heat. As at 30 September 2019, the Energa Group consisted of 22 companies, including its parent company, Energa SA.

Figure 1: Business locations and main assets of the Group



Activities of the Group concentrate 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 (ERO). Energa Operator SA acts as the Leading Entity in this Line. 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 3.1 million customers, approximately 2.9 million of whom are customers with universal agreements and 187 thousand are TPA (Third Party Access) customers. At the end of September 2019,

the total length of the power lines operated by the Group was over 188 thousand km and covered almost 75 thousand sq. km, i.e. approximately 24% of the area of Poland.

Generation Business Line. The operation of this Business Line is based on four Generation Areas: the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). At the end of September 2019, the total installed generation capacity in the Group's power plants was approximately 1.35 GW. The Leading Entity in this Business Line is Energa OZE SA (until 3 September 2019 under the name Energa Wytwarzanie SA).

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 power plants. Green energy is produced by 46 hydropower plants, 5 wind farms, two photovoltaic installations as well as biomass-fired installations (as part of Energa Kogeneracja entity).

Sales Business Line. The Business Line with Energa Obrót SA as the Leading Entity sells electricity, gas and additional services offered to clients both as separate products and in packages. Products and services are sold to all customer segments, from industry through large, medium and small enterprises, to households. As at the end of September 2019, the Energa Group had 3.1 m customers, including 2.8 m classified as G tariff customers, with the remainder being customers from tariff groups: C, B and A, in a decreasing order.

Major changes in the Group's structure and organisation in Q3 2019

Energa OZE SA (formerly Energa Wytwarzanie SA)

On 26 March 2019, the Energa Wytwarzanie (split company) division plan was agreed and signed pursuant to Article 529 § 1 point 4 of the Commercial Companies Code, i.e. through the transfer of the split company Energa Wytwarzanie's assets which represent organized 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), into two acquiring companies:

- a) ENSA PGK8 Spółka z o.o. and
- b) EOB PGK1 Spółka z o.o.

in exchange for stakes that ENSA PGK8 Spółka z o.o. and EOB PGK1 Spółka z o.o issued to the sole shareholder of the split company, i.e. Energa SA. The share capital of Energa Wytwarzanie was reduced by PLN 62,141,000, (to PLN 1,109,241,000) through cancellation of 6,214,100 AA series shares with a nominal value of PLN 10 each, with a total nominal value of PLN 62,141,000 held by Energa SA.

In parallel, the division involved an increase in the stake capitals of the acquiring companies as follows:

- 1) the stake capital of ENSA PGK8 Spółka z o.o. was increased by PLN 21,522,000, i.e. to PLN 21,582,000 by creating 43,044 new stakes with a nominal value of PLN 500 each, with a total nominal value of 21,522,000, which were taken up by Energa SA.
- 2) the share capital of EOB PGK1 Spółka z o.o. was increased by PLN 40,619,000, i.e. from PLN 10,000 to PLN 40,629,000, by creating 81,238 new stakes with a nominal value of PLN 500 each, with a total nominal value of 40,619,000, which were taken up by Energa SA.

On 1 August 2019, the capital increase of both companies was registered and the names changed. The ENSA PGK8 company operates under the company CCGT Gdańsk Limited Liability Company, and EOB PGK1 - CCGT Grudziądz Limited Liability Company.

On 3 September 2019, the company's name was changed from Energa Wytwarzanie to Energa OZE. This change resulted from a decision taken by the General Meeting of Energa Wytwarzanie in July 2019. Energa OZE properly reflects the nature of its activities (as OZE means RES – renewable energy sources), i.e. the management of generating facilities producing energy from renewable sources (excluding ESP



Żydowo). The new name is intended to emphasize the direction of development chosen by the Energa Group in the area of generation.

Energa Obrót SA

On 24 July 2019, a resolution was passed by the Extraordinary General Meeting on the increase of the company's share capital through in-kind contribution of the e-Mobility Project by Energa SA. On 8 August 2019, an agreement on acquisition of shares and transfer of ownership of the in-kind contribution was signed and an increase of the company's share capital by PLN 1,181,800 in connection with the in-kind contribution of the e-Mobility Project assets was registered on 16 September 2019.

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

1.2.1. Material events in the reporting period

Agreement for an ESG-linked revolving credit facility

On 17 September 2019, the Company has entered into an ESG-linked revolving credit facility agreement with a consortium of the banks: Santander Bank Polska SA (Credit Coordinator, Agent, Agent ESG), Bank Gospodarstwa Krajowego, Powszechna Kasa Oszczędności Bank Polski SA, CaixaBank SA (Spółka Akcyjna) Oddział w Polsce, MUFG Bank (Europe) N.V. with registered office in Amsterdam.

The purpose of this agreement was to grant the Company a PLN 2 billion ESG-linked revolving credit facility. The facility is intended, among others, for the development of renewable generation capacity and further modernisation of power lines, and will also be partially used to repay previous debts related to these purposes. The facility has been granted on the condition that the funds must be used for purposes not related to coal-fired power generation. The facility was made available for 5 years starting from the signing date, with two possible extensions of 1 year each. The interest rate for the facility has been set on market terms based on the WIBOR rate plus margin. The Company has committed to achieve an ESG (Environmental, Social, Governance) rating, whose level may determine the margin. The facility is unsecured.

The agreement contains conditions precedent that are typical for such financing and have to be satisfied in order to disburse the facility. The remaining provisions of the agreement do not depart from those commonly used in agreements of this type.

Information on the write-down of assets held in Ostrołęka B Power Plant

On 26 July 2019, the Management Board of Energa SA announced that due to changes in the legislative environment, i.e. entry into force of EU Regulation 2019/943 of 5 June 2019 on the internal electricity market, introducing, among others, restrictions on support under the capacity market mechanism for existing fossil fuel generating units emitting above 550 g CO₂ per kWh of electricity and above 350 kg CO₂ on average per year per kWe of installed capacity, conditions have been identified for recognizing a write-down of assets held in Ostrołęka B Power Plant.

As a result of the impairment test carried out in the first half of 2019, a decrease in the recoverable amount of assets in Ostrołęka B Power Plant was found. On 26 July 2019, a decision was made to recognize a write-down of assets by the total of PLN 270 m. The impact of the write-down on the consolidated net result of the Energa Group for the first 9 months of 2019 was PLN 219 m. The above event has no cashflow impact. It affected the operating results of the Energa Group without affecting its EBITDA.

Decision to amicably settle all disputes regarding invalidity of the agreement for the sale of property rights under certificates of origin between Energa Obrót SA and one of the sued wind farms

On 22 July 2019, a subsidiary Energa Obrót SA and one of the 22 wind farms sued by Energa Obrót SA had settled amicably all their disputes regarding the agreement for the sale of property rights under certificates of origin. The terms of the settlement do not significantly affect financial result of the company.

This was the fifth settlement between Energa Obrót SA and the sued wind farms. The total capacity of the facilities affected by the settlement accounts for approximately 43% of the total installed capacity of all the sued wind farms.

Creation of a provision by a subsidiary

In the connection with the final judgment of the Court of Appeal in Gdańsk, dismissing the action of Energa Obrót SA in one of the cases mentioned in the current report no 37/2017, the company decided to create a provision in the amount of PLN 31 m.

The provision was created in order to secure financial resources for possible future payment of contractual penalties resulting from framework contracts for the sale of property rights resulting from certificates of origin.

So far, Energa Obrót SA has concluded five settlements with the defendant wind farms, and is conducting court disputes and negotiations with other entities, which may result in further settlements, i.e. ultimately an amicable conclusion of the disputes.

Other

Additional information is presented in Note 21 *Other information significantly affecting the assessment of assets, financial position and the financial result of the Group* of Consolidated financial statement as at and for the period of 9 months ended on 30 September 2019.

1.2.2. Material events after the balance sheet date

On 28 October 2019, a final judgment of the Court of Appeal in Gdańsk was unfavourable for Energa Obrót SA. The Court of Appeal dismissed the appeal of Energa Obrót SA regarding the payment of compensation for one of the wind farms for the partial non-performance by Energa Obrót SA of the agreement for the purchase of property rights arising from certificates of origin for electricity produced in RES. The Group recognized in the costs of September 2019 the amount of the main receivable, together with interest and costs of proceedings in the total amount of PLN 21 m, and on 31 October 2019 made the payment of the awarded amount.

This case is not related to parallel disputes arising from the company's decision of September 2017 (referred to in the current report No. 37/2017) to declare invalid long-term agreements for the purchase of RES property rights.

1.3. Capital expenditures and execution of key projects

Within three quarters of 2019, capital expenditures of the Energa Group totalled PLN 1,108 m, and were higher by PLN 66 m or 6% yoy. Investments made in the Distribution Business Line accounted for 85% of the total expenditures of the Group and amounted to PLN 945 m.

The investments of the Distribution Business Line included grid expansion aimed at connecting new customers and producers as well as upgrades to improve the reliability of electricity supply. Additionally, expenditure was incurred on innovative technologies and grid solutions, such as the Smart Grid conversion project.

In the Generation Business Line, investments totalled PLN 120 m, a significant portion of which were outlays made to ensure compliance with applicable environmental requirements and to retrofit Ostrołęka B Power Plant.

The Sales Business Line, in turn, allocated PLN 26 m to investments, most of which was spent on work related to lighting assets.

Table 1: Key investment areas for 9 months of 2019

Project description	Capital expenditures in 9 months of 2019 (PLN m)
Distribution Business Line	945
Modernization of the distribution grid to improve reliability of supplies	397
Grid expansion due to new customer connections	413
Smart metering and other elements of intelligent network implementation, including AMI	8
Grid expansion in connection with HV flows and ee source connections	40
Other investment expenditures, collisions and corrections	87
Generation Business Line	120
Ostrołęka B Power Plant (Construction of IOS II and NOx reduction installation)	71
Modernization of hydropower plants	12
Przykona Wind Farm	8
NEDO - energy storage facility in Bystra	7
Modernization of sources and networks for cogeneration sources	5
Other capital expenditures	17
Sales Business Line	26
Capital expenditures for lighting assets	21
Sales Support System	2
Other capital expenditures	3
Other companies, projects and corrections	17
Total	1,108

FINANCIAL SITUATION AND ASSETS



2. FINANCIAL SITUATION AND ASSETS

2.1. Principles used in the preparation of the quarterly consolidated financial statements

These condensed interim consolidated financial statements of the Energa Group for the nine months ended 30 September 2019 have been prepared:

- in accordance with International Accounting Standard 34 “Interim Financial Reporting”, as endorsed by the European Union,
- on the historical cost basis, except financial instruments measured at fair value through profit or loss and hedging derivatives,
- in PLN million (“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 was 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 prepare the condensed interim consolidated financial statements are presented in note 7 to the condensed interim consolidated financial statements of the Energa Group for the nine months ended 30 September 2019.

2.2. Explanation of the economic and financial data disclosed in the condensed consolidated financial statements

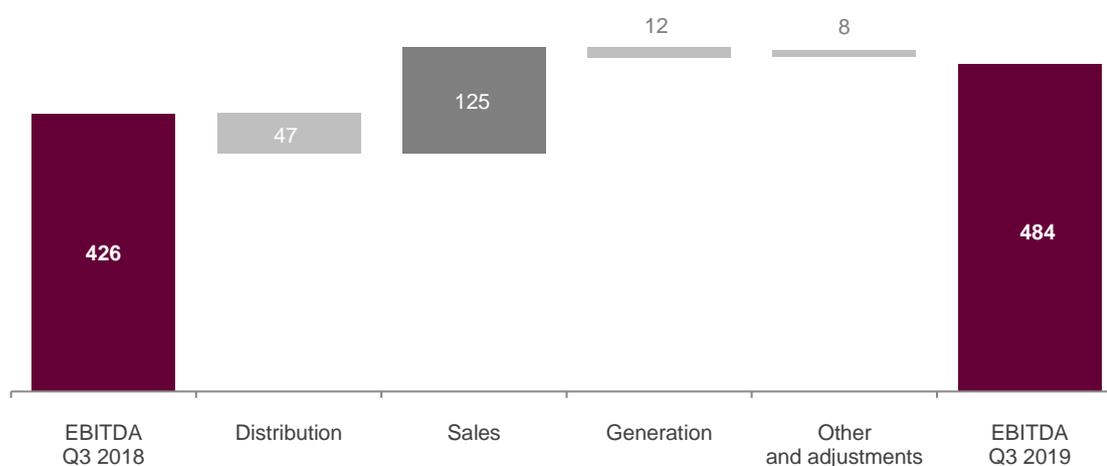
Table 2: Consolidated statement of profit or loss

PLN m	Q3 2018	Q3 2019	Change	Change (%)
Sales revenue	2,567	2,952	385	15%
Revenue from Price Difference Refund Fund	-	83	83	-
Cost of sales	(2,211)	(2,624)	(413)	19%
Gross profit on sales	356	411	55	15%
Other operating revenue	26	47	21	81%
Selling and distribution expenses	(87)	(95)	(8)	9%
General and administrative expenses	(88)	(90)	(2)	2%
Other operating expenses	(22)	(52)	(30)	>100%
Operating profit or loss	185	221	36	19%
Financial profit or loss	(65)	(92)	(27)	42%
Share of profit/(loss) of entities measured using the equity method	27	11	(16)	-59%
Gross profit or loss	147	140	(7)	-5%
Income tax	(24)	(37)	(13)	54%
Net profit or loss for the period	123	103	20)	-16%
EBITDA	426	484	58	14%

PLN m	9M 2018	9M 2019	Change	Change (%)
Sales revenue	7,601	8,472	871	11%
Revenue from Price Difference Refund Fund	-	593	593	-
Cost of sales	(6,095)	(7,906)	(1,811)	30%
Gross profit on sales	1,506	1,159	(347)	-23%
Other operating revenue	83	195	112	> 100%
Selling and distribution expenses	(250)	(283)	(33)	13%
General and administrative expenses	(271)	(270)	1	-0%
Other operating expenses	(80)	(126)	(46)	58%
Operating profit	988	675	(313)	-32%
Financial profit or loss	(227)	(249)	(22)	10%
Share of profit/(loss) of entities measured using the equity method	78	27	(51)	-65%
Gross profit or loss	839	453	(386)	-46%
Income tax	(159)	(98)	61	-38%
Net profit or loss for the period	680	355	(325)	-48%
EBITDA	1,587	1,742	155	10%

In the first three quarters of 2019, the Group's EBITDA was PLN 1,742 m, up by 10% in comparison with the corresponding period of the preceding year. A positive impact on the Group's EBITDA was exerted, first of all, by the Sales Business Line (EBITDA increase by PLN 208 m yoy), mainly as a result of a higher margin on electricity sales as well as the result on other operating activity (in particular, reversal of the provision for onerous contracts in 2019). Meanwhile, EBITDA of the Distribution Business Line amounted to PLN 1,303 m after the three quarters of 2019 compared to PLN 1,364 m in the corresponding period of 2018, and that was primarily the effect of a lower distribution margin. On the other hand, the Generation Business Line remained stable yoy with EBITDA, respectively, of PLN 226 m in 2019 and PLN 234 m in 2018

Figure 2: EBITDA bridge by Business Line (PLN m)



In Q3 2019, the Group's EBITDA was PLN 484 m and it went up by 14% yoy. A rise in EBITDA by PLN 125 m to PLN 118 m was seen by the Sales Business Line. That was primarily the effect of the low base

of the Q3 2018 (an increase in the market prices of electricity leading to a drop in the margin on energy sales to end customers). On the other hand, the performance of the Sales Business Line in Q3 2019 was positively impacted by a higher margin on energy sales yoy, recognition of the financial compensation on account of losses on performance of contracts with customers at reduced prices derived from the Act on “energy prices in 2019” and reversal of a portion of the 2018 provision for onerous contracts in the G tariff. As compared to the corresponding period of the preceding year, a drop in EBITDA in Q3 2019 was experienced by the Distribution Business Line (as an effect of a lower distribution margin).

The Distribution Business Line had the greatest share in the Group’s EBITDA in Q3 2019 (68%), while the shares of the Sales Business Line and the Generation Business Line were 24% and 11%, respectively (the Other and Adjustments Business Line contributes negatively to EBITDA).

The operating profit in Q3 2019 increased by PLN 36 m in relation to Q3 2018. The factors described above contributed the most to that change.

In Q3 2019, the Group’s net profit amounted to PLN 103 m and it was lower by PLN 20 m as compared to Q3 2018. In addition to the operating factors, the net result was impacted by the lower result on the financial activity (mainly on account of foreign exchange differences associated with financing as well as lower interest on the cash kept in bank accounts) and the share in lower results of the entities recognised using the equity method.

In Q3 2019, the Group’s sales revenue (including revenue from Price Difference Refund Fund) was PLN 3,035 m and it increased by 18% yoy, i.e. by PLN 468 m. A significant rise in revenue was recorded in the Sales Business Line. This was the effect of an increase in electricity sales prices to end customers, which are a reflection of the market trend in this respect. Small revenue increases were recorded also in the Generation Business Line and Distribution Business Line.

The table below presents the impact of unusual events burdening EBITDA.

Table 3: EBITDA adjusted by material non-recurring items*

EBITDA (PLN m)	
Q3 2019	
EBITDA	484
Adjusted EBITDA	475
<i>including:</i>	
<i>Provision for onerous contracts (reversal)</i>	<i>(23)</i>
<i>Effect of the Act “on energy prices in 2019” (for Q3 2019)</i>	<i>(20)</i>
Q3 2018	
EBITDA	426
Adjusted EBITDA	428
EBITDA (PLN m)	
9 months of 2019	
EBITDA	1,742
Adjusted EBITDA	1,708
<i>including:</i>	
<i>Actuarial reserves</i>	<i>27</i>

Provision for onerous contracts (reversal)	(110)
Effect of the Act on Energy Prices in 2019 (for 9 months of 2019)**	-
CPA – provision for disputes	31

9 months of 2018

EBITDA	1,587
Adjusted EBITDA	1,593

* The table presents non-recurring items identified on the basis of the criterion of materiality, which was set at PLN 25 m. In the case of impact of the Act "on energy prices in 2019", the criterion of materiality was not applied given the importance of the matter.

** The Group is currently of the view that the Act "on energy prices in 2019" had not a negative impact on the Group's financial results in 9 months of 2019. That assessment may be subject to change depending on the decision of Zarządca Rozliczeń SA which makes the final decision on the amount of compensations derived from the Act.

Table 4: Consolidated statement of financial position

PLN m	As at 31 December 2018*	As at 30 September 2019	Change	Change (%)
ASSETS				
Non-current assets				
Property, plant and equipment	14,396	14,439	43	0%
Intangible assets	246	207	(39)	-16%
Right-of-use assets	-	363	363	-
Goodwill	15	15	-	-
Investments in associates and joint ventures measured using the equity method	1,029	1,235	206	20%
Deferred tax assets	313	229	(84)	-27%
Other non-current financial assets	65	17	(48)	-74%
Other non-current assets	118	126	8	7%
	16,182	16,631	449	3%
Current assets				
Inventories	687	544	(143)	-21%
Income tax receivables	4	116	112	> 100%
Trade receivables	1,429	1,439	10	1%
Contract assets	363	321	(42)	-12%
Other current financial assets	22	228	206	> 100%
Cash and cash equivalents	2,724	1,497	(1,227)	-45%
Other current assets	188	1,022	834	> 100%
	5,417	5,167	(250)	-5%
TOTAL ASSETS	21,599	21,798	199	1%

EQUITY AND LIABILITIES

Equity

Share capital	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	-	2	2	-
Reserve capital	1,018	1,018	-	-
Supplementary capital	1,540	2,035	495	32%
Revaluation reserve – hedging instruments	(34)	(39)	(5)	-15%
Retained earnings	3,249	3,089	(160)	-5%
Equity attributable to equity holders of the Parent	10,295	10,627	332	3%
Non-controlling interest	61	37	(24)	-39%
	10,356	10,664	308	3%
				-

Non-current liabilities

Loans and borrowings	2,384	2,128	(256)	-11%
Issues of debt securities	4,484	2,389	(2,095)	-47%
Long-term provisions	642	776	134	21%
Deferred tax liability	593	634	41	7%
Deferred income and long-term grants	274	290	16	6%
Lease liabilities	16	285	269	> 100%
Other non-current financial liabilities	45	20	(25)	-56%
	8,438	6,522	(1,916)	-23%

Current liabilities

Trade liabilities	617	842	235	36%
Contract liabilities	129	130	1	1%
Current loans and borrowings	189	346	157	83%
Issues of debt securities	108	2,243	2,135	> 100%
Income tax liabilities	65	-	(65)	-100%
Deferred income and grants	187	172	(15)	-8%
Short-term provisions	942	397	(545)	-58%
Other financial liabilities	300	190	(110)	-37%
Other current liabilities	268	292	24	9%
	2,805	4,612	1,807	64%

Total liabilities	11,243	11,134	(109)	-1%
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TOTAL EQUITY AND LIABILITIES	21,599	21,798	199	1%
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**restated*

As at the 30 September 2019 the total assets of the Energa Group amounted to PLN 21,798 m and were by PLN 199 m (1%) higher than at 31 December 2018.

As far as non-current assets are concerned, the major positive change (+ PLN 363 m) took place within the right-of-use assets, which have been presented in the statement of financial position in connection with the application of IFRS 16 “Leases”. The change has been described in more detail in Note 7 *Significant accounting policies* to the Condensed interim consolidated financial statements of the Energa Group as at and for the period of 9 months ended 30 September 2019.

As regards non-current assets, a substantial change affected investments in associates and joint ventures measured using the equity method, which was due to the additional involvement of Energa Group in Elektrownia Ostrołęka Sp. z o.o. in the amount of PLN 181 m.

On the side of current assets, a drop (by PLN 1,227 m) in the cash line item (reasons for changes in cash are described in the section on cash flows below) was partially offset by an increase by PLN 834 m in other current assets, mainly related to recognition of the amount of the price difference (‘compensation’ from the Act on ‘energy prices in 2019’) and settlements of real property tax accruals.

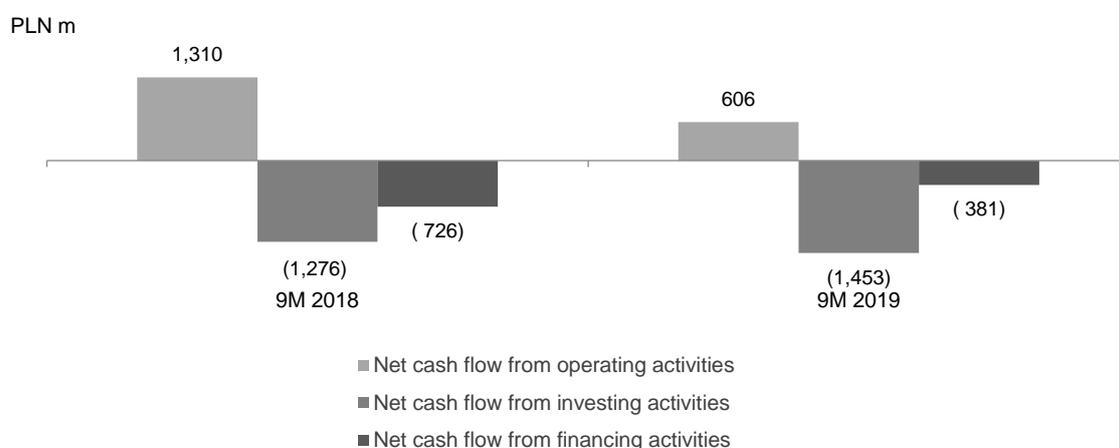
As at 30 September 2019, the Energa Group’s equity was PLN 10,664 m, which means that it was higher by PLN 308 m that is 3% as compared to the end of 2018. The said increase was achieved mainly as a result of allocation of the entire net profit generated on a stand-alone basis in 2018 to the supplementary capital. The share of equity in the Group’s financing structure was 49%.

The greatest change in liabilities involved reclassification of the issued Eurobonds maturing in March 2020 from non-current to current liabilities resulting from issues of debt securities. Further important changes affected the lease liabilities line item (the effect of the application of IFRS 16 “Leases”) and short-term provisions (down by PLN 545 m, mainly due to the use of the provision for property rights as well as partial reversal of the provision for onerous contracts).

Table 5: Consolidated statement of cash flows

PLN m	9M 2018	9M 2019	Change	Change (%)
Net cash flows from operating activities	1,310	606	(704)	-54%
Net cash flows from investing activities	(1,276)	(1,453)	(177)	-14%
Net cash flows from financing activities	(726)	(381)	345	48%
Net increase/ (decrease) in cash	(692)	(1,228)	(536)	-77%
Cash and cash equivalents at the end of the reporting period	2,951	1,498	(1,453)	-49%

Figure 3: The Group’s cash flows in 9M 2018 and 2019 (PLN m)



As at 30 September 2019, the Group held PLN 1,498 m in cash, PLN 1,453 m less than the year before.

Total net cash flows from operating, investment and financing activities of the Group in the nine months of 2019 were negative at PLN 1,228 m, compared to also negative flows of PLN 692 m in the corresponding period of 2018.

As compared to the period of nine months of 2018, cash flows from operating activities were lower by PLN 704 m, which was driven primarily by changes in working capital.

In the nine months of 2019, an increase was seen in other receivables, mainly as a result of recognition of the price difference ('compensation' from the Act on 'energy prices in 2019') in the amount of PLN 593 m. The Group expects to receive those receivables following the final approval by Zarządca Rozliczeń SA of the applications submitted by the Group. The increase in receivables is also associated, among other things, with growth of deposits in the Polish Power Exchange (TGE) attributable to changes in market electricity prices.

Trade liabilities in 2019 were impacted by the rising electricity market prices and the countermeasure in the form of introduction of the exchange obligation and, consequently, a change in the settlement dates (through accelerated payments) as well as the effect of the entry in force of the Act on "energy prices in 2019" and the Regulation of the Minister of Energy of 19 July 2019.

In the nine months of 2019, a drop was recorded in the level of provisions attributable mainly to the use of the property rights provision (in connection with redemption of property rights for the year 2019). Consequently, the inventory related to property rights of energy origin also shrank. The provisions for onerous contracts were also partially reversed.

In the nine months of 2019, net payments on investing activities were higher by PLN 177 m than in the corresponding period of 2018, which was mainly due to an increase in expenditure on purchases of property, plant and equipment as well as intangible assets.

In the nine months of 2019, cash flows from financing activities were negative and amounted to PLN 381 m as compared to negative cash flows of PLN 726 m in the analogical period of 2018. The decrease in payments observed yoy was mainly due to a lower value of redemption of debt securities: PLN 1 m in H1 2019 versus PLN 168 m in the corresponding period of 2018.

Figure 4: Structure of assets and liabilities

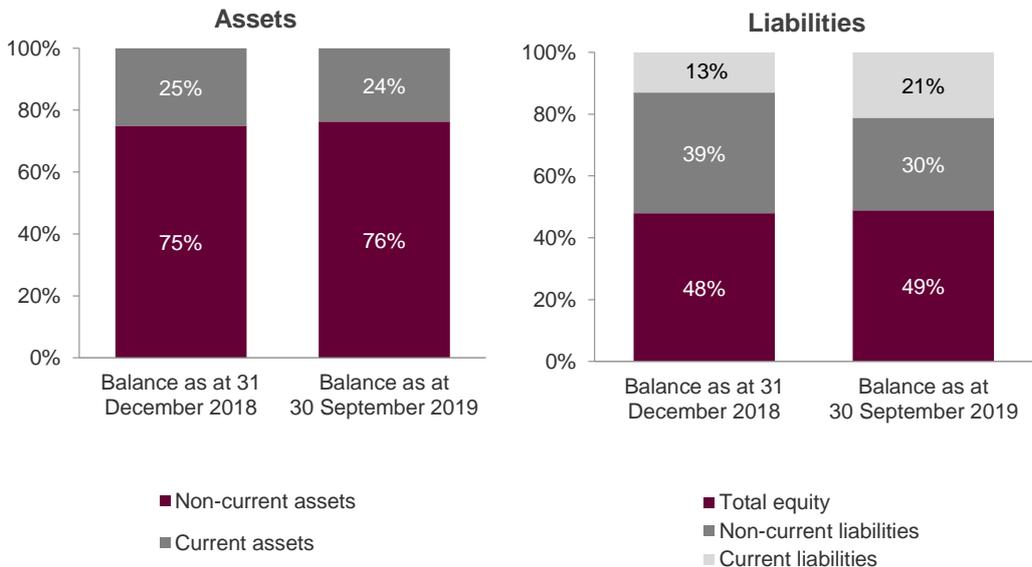


Table 6: Financial ratios of the Energa Group

Ratio	Definition	9M 2018	9M 2019
Profitability			
EBITDA margin	operating profit/loss + depreciation and amortization + impairment losses on non-financial non-current assets / sales revenue (including revenue from the Price Difference Refund Fund)	20.9%	19.2%
return on equity (ROE)	net profit for the period*/ equity at the end of the period	8.8%	3.9%
return on sales (ROS)	net profit for the period / sales revenue (including revenue from the Price Difference Refund Fund)	8.9%	3.9%
return on assets (ROA)	net profit for the period*/ total assets at the end of the period	4.3%	1.9%

* net profit for the last 12 months

Ratio	Definition	As at 31 December 2018	As at 30 September 2019
Liquidity			
current ratio	current assets / current liabilities	1.9	1.1
Debt			
financial liabilities (PLNm)**	the total of loans and borrowings, debt securities and lease liabilities, both non-current and current	7,183	7,424
net financial liabilities (PLNm)	financial liabilities – cash and cash equivalents	4,459	5,927
net debt*** / EBITDA* ratio	net financial liabilities/EBITDA	1.9	2.7

* EBITDA for the last 12 months.

** due to the first-time adoption of IFRS 16, lease liabilities increased significantly; therefore, starting from 1 January 2019, this line item has been included in the calculation of financial liabilities; the figures for 2018 have been restated.

*** net financial liabilities which are taken into account in the calculation of the net debt / EBITDA ratio include key elements defined in financing agreements; the figures for 2018 have been restated.

Both sales revenue and EBITDA saw an increase in the initial 9 months of 2019 as compared to the corresponding period of the preceding year. The factors affecting the change have been discussed in the part dedicated to the analysis of financial data. As the increase in EBITDA was lower than the increase in sales revenue, the EBITDA margin decreased. On the other hand, the lower than expected level of the net profit, thus profitability ratios, was affected in particular by recognition of impairment losses in the initial 9 months of 2019 and reversal of impairment losses in the corresponding period of 2018.

Reclassification of liabilities associated with issued Eurobonds and the related rise in current liabilities resulted in a decrease in the current ratio.

In connection with renegotiation of its financial contracts, the Energa Group has obtained the approval of financial institutions for exclusion of the issued hybrid bonds from the definition of financial debt for purposes of calculation of financial covenants. The net debt to EBITDA ratio for the current period has been presented using the revised definition and the comparative data have been restated as appropriate.

In particular, the increase in the net debt / EBITDA ratio was driven by a lower level of cash accompanied by a rise in financial liabilities as at 30 September 2019 compared to 31 December 2018.

2.3. Description of significant off-balance sheet items

Relevant information has been presented in Section *Guarantees and Surety Bonds* of these Financial Statements and in Note 20 *Contingent assets and liabilities* to the Condensed Interim Consolidated Financial Statements.

2.4. Projected financial results

The Management Board of Energa SA has not published any projections for stand-alone or consolidated financial results for the 2019 financial year.

2.5. Ratings

On 3 June 2019, the Fitch Ratings agency affirmed the Company's long-term foreign- and local-currency issuer ratings 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 hybrid bonds issued by Energa SA.

Table 7: Energa's current ratings

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

2.6. Dividend

On 25 June 2019, the Annual General Meeting adopted a resolution on the distribution of profit for 2018, which was allocated to the supplementary capital in whole. Therefore, no dividends will be paid out in the current year.

2.7. Factors affecting the Energa Group's performance within at least the next quarter

In the opinion of the Management Board of Energa SA, the factors described below will affect the performance and operations of the Company and the Energa Group within at least the next quarter.

Figure 5: Factors affecting the Energa Group's performance within the next quarter

Expenditures incurred on the grid so as to meet quality regulation requirements in the Distribution Business Line	Energy prices on the futures, SPOT and balancing markets	Developments in CO ₂ emission allowance prices
Effects of resolution of disputes resulting from the decision to declare the long-term contracts for the purchase of "green" certificates invalid	Right-of-way charges	Effectiveness of the implementation of ambitious sales plans in the competitive conditions on the market of electricity suppliers
Must-run production level in the Ostrołęka B Power Plant	Meteorological and hydrological conditions	Support in the form of Operating Reserve
Operational implementation of the Act on "energy prices in 2019" in H2 2019 with regard to the customer groups specified in the Act		

**ACTIVITIES OF
ENERGA GROUP**



3. ACTIVITIES OF ENERGA GROUP

Energa Group's financial performance by Business Line was as follows:

Table 8: EBITDA of the Energa Group, by Business Line

EBITDA in PLN m	Q3 2018	Q3 2019	Change	Change (%)
DISTRIBUTION	374	327	(47)	-13%
GENERATION	66	54	(12)	-18%
SALES	(7)	118	125	> 100%
OTHER and consolidation eliminations and adjustments	(7)	(15)	(8)	< -100%
Total EBITDA	426	484	58	14%

EBITDA in PLN m	9M 2018	9 M 2019	Change	Change (%)
DISTRIBUTION	1,364	1,303	(61)	-4%
GENERATION	234	226	(8)	-3%
SALES	50	258	208	> 100%
OTHER and consolidation eliminations and adjustments	(61)	(45)	16	26%
Total EBITDA	1,587	1,742	155	10%

3.1. Distribution Business Line

3.1.1. Business and operating activities

Table 9: Electricity distribution by tariff group

Electricity distribution by tariff group (billed sales) in GWh	Q3 2018	Q3 2019	Change	Change (%)	9M 2018	9M 2019	Change	Change (%)
Tariff group A (HV)	819	774	(45)	-6%	2,619	2,447	(172)	-7%
Tariff group B (MV)	2,302	2,212	(90)	-4%	6,678	6,575	(103)	-2%
Tariff group C (LV)	1,088	1,076	(12)	-1%	3,399	3,285	(114)	-3%
Tariff group G (LV)	1,277	1,334	56	4%	4,230	4,250	20	0%
Total electricity distribution	5,487	5,396	(91)	-2%	16,927	16,558	(369)	-2%

In Q3 2019, the volume of distributed electricity was 5,396 GWh, with the average distribution service sales price lower by 2% yoy (the price from the customer perspective). The increased volume was recorded in tariff group G, whereas the largest volume drop occurred in tariff groups A and B due to a reduction in consumption of electricity by a autoproducer and lower unit consumption in the tariff group B.

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		
Q3 2018	27.9	10.5	38.3	0.6	0.1	0.6
Q3 2019	25.1	7.6	32.7	0.5	0.1	0.5
Change	(2.7)	(2.9)	(5.6)	(0.1)	(0.0)	(0.1)
Change (%)	-10%	-28%	-15%	-17%	-21%	-18%
9 months of 2018	89.3	32.9	122.2	1.5	0.2	1.7
9 months of 2019	86.9	21.2	108.1	1.6	0.1	1.8
Change	(2.3)	(11.7)	(14.0)	0.1	(0.1)	0.1
Change (%)	-3%	-36%	-11%	9%	-29%	4%

The SAIDI and SAIFI of Energa Operator in Q3 2019 stood at 32.7 min/cust. and 0.5 distr./cust., respectively. Improvement of the SAIDI and SAIFI indicators compared to the corresponding period of the preceding year was due to operational initiatives aimed to improve power recovery after power grid failures as well as grid modernization investments.

3.1.2. Financial performance

Figure 6: Performance of the Distribution Business Line of the Energa Group (PLN m)

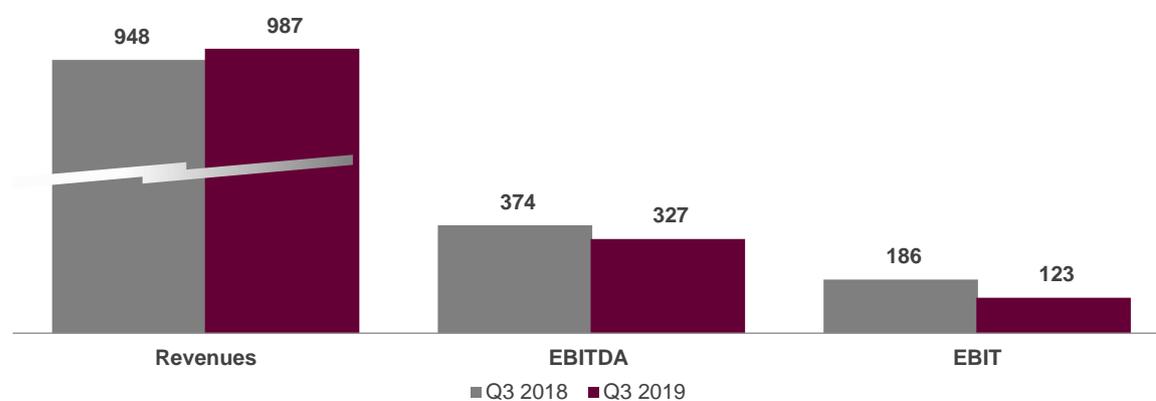


Table 11: Performance of the Distribution Business Line (PLN m)

PLN m	Q3 2018	Q3 2019	Change	Change (%)
Revenue	948	987	39	4%
EBITDA	374	327	(47)	-13%
depreciation and amortization	188	204	16	9%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	186	123	(63)	-34%
Net profit (loss)	120	65	(55)	-46%
CAPEX	326	297	(29)	-9%

PLN m	9M 2018	9M 2019	Change	Change (%)
Revenue	3,020	3,057	37	1%
EBITDA	1,364	1,303	(61)	-4%
depreciation and amortization	565	613	48	8%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	799	690	(109)	-14%
Net profit (loss)	559	465	(94)	-17%
CAPEX	860	945	85	10%

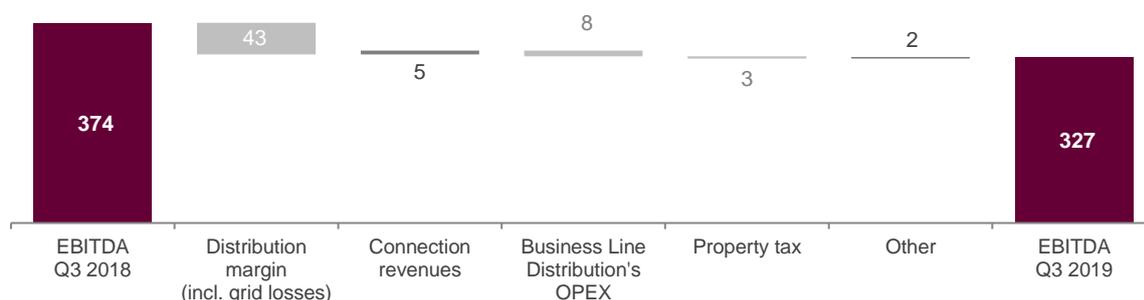
EBITDA for the 9 months of 2019 was PLN 1,303 m compared to PLN 1,364 m for the corresponding period of the preceding year. The distribution margin lower by approx. PLN 61 m (taking into account grid losses) had a considerable impact on EBITDA.

A lower distribution margin was the effect of higher prices of energy purchased to offset grid losses yoy, postponement of the introduction of the new tariff for 2019 which reclassified the company's own costs calculated for the current year only as from April 2019 (including higher costs of grid losses, depreciation and amortization as well as real estate tax), in addition to a change in the method of estimating sales which were unbilled in the preceding year, which increased the margin on a one-off basis in 2018.

Over the analysed period, OPEX costs increased yoy by PLN 24 m, mainly in the area of employee benefits, first and foremost as the effect of the rise in actuarial provisions as a result of a drop in the discount rate (impact on EBITDA of ca. PLN 18 m). Also, small increases in impairment losses on receivables, charges for the construction of infrastructure in roads and third party services in the area of cost of felling trees were reported.

An increase in revenue from grid connections had a positive impact on the results.

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



In Q3 2019, the Distribution Business Line generated 68% of EBITDA for the Energa Group (vs. 88% in the corresponding period).

The Business Line's EBITDA amounted to PLN 327 m versus PLN 374 m in the corresponding period of the preceding year, while EBIT totalled PLN 123 m (i.e. PLN 63 m less yoy). The distribution margin lower by PLN 43 m (taking into account grid losses) had a considerable impact on the operating profit. That change was driven, first and foremost, by an increase in the cost of grid losses, due to a considerable increase in the market prices of electricity yoy. The Line's OPEX was higher yoy by PLN 8 m owed primarily to the increased valuation of actuarial provisions by ca. PLN 14 m.

In Q3 2019, the net profit in the Distribution Business Line totalled PLN 65 m versus PLN 120 m in Q3 2018, and the reasons for its decrease were the same as in the case of the operating profit.

Meanwhile, sales revenue in Q3 2019 remained at a level higher by 4% than in the corresponding period of the previous year in spite of a drop in volume (revenue including the netting of the transition charge and the co-generation fee in connection with implementation of IFRS 15). Furthermore, the revenue from customer connections and sale of transit services increased.

3.2. Generation Business Line

3.2.1. Business and operating activities

Table 12: Gross electricity production in the Energa Group

Gross electricity production (GWh)	Q3 2018	Q3 2019	Change	Change (%)	9M 2018	9M 2019	Change	Change (%)
Power plants – coal-fired	733	588	(145)	-20%	1,815	1,656	(159)	-9%
Power plants – biomass co-fired	-	0	0	-	-	-	0	-
CHP plants – coal-fired	17	10	(7)	-41%	88	74	(14)	-16%
CHP plants – biomass-fired	0	27	27	> 100%	1	103	102	> 100%
Power plants – hydro	132	103	(30)	-22%	655	577	(78)	-12%
Pumped storage power plant	5	10	5	> 100%	25	37	12	47%
Power plants – wind	73	86	13	18%	262	325	63	24%
Power plants – photovoltaics	2	2	(0)	-6%	5	5	(0)	-2%
Total production of electricity	963	827	(137)	-14%	2,851	2,776	(75)	-3%
<i>of which renewable</i>	<i>208</i>	<i>218</i>	<i>10</i>	<i>5%</i>	<i>923</i>	<i>1,010</i>	<i>87</i>	<i>9%</i>

In Q3 2019, generation assets in the Energa Group produced 14% less electricity compared to the corresponding period of the previous year.

The lower output of the Ostrołęka power plant (by 145 GWh) relative to Q3 2018 was caused, among other drivers, by lower demand for electricity from the Transmission System Operator (TSO). The higher production of energy in the Group's CHP plants (by 20 GWh) is a consequence, among other things, of the launch of generation in the BB20 biomass-fired unit in Elbląg as well as heat production on local markets in Ostrołęka, Elbląg and Kalisz. The 30 GWh decline in energy output from run-of-river power plants was driven mainly by deteriorated hydrological conditions. Meanwhile, the 13 GWh increase in output from wind power plants was attributable to higher windiness.

Table 13: Heat production

Gross heat production in TJ	Q3 2018	Q3 2019	Change	Change (%)	9M 2018	9M 2019	Change	Change (%)
ENERGA Kogeneracja Sp. z o.o.	246	263	17	7%	1,545	1,551	6	0%
ENERGA Elektrownie Ostrołęka S.A.	182	193	11	6%	890	890	0	0%
Ciepło Kaliskie Sp. z o.o.	6	0	(5)	-92%	185	165	(19)	-10%
Total gross heat production	434	457	22	5%	2,619	2,606	(13)	0%

In Q3 2019, heat production was 5% higher than in the corresponding period of the preceding year, which was attributable to an increased demand for heat on local markets in Ostrołęka, Elbląg and Kalisz.

Table 14: Volume and cost* of consumption of key fuels

Consumption of fuels*	Q3 2018	Q3 2019	Change	Change (%)	9M 2018	9M 2019	Change	Change (%)
Coal								
Quantity (thousand tons)	352	282	(70)	-20%	925	835	(90)	-10%
Cost (PLN m)	99	86	(13)	-13%	253	249	(4)	-1%
Biomass								
Quantity (thousand tons)	0	22	22	> 100%	1	82	81	> 100%
Cost (PLN m)	0	12	12	> 100%	0	47	47	> 100%
Total fuel consumption (PLN m)	99	99	(0)	-0%	253	296	43	17%

* including cost of transport

In Q3 2019, the Group's generators consumed 70 thousand tones less coal and 22 thousand tons more biomass relative to the corresponding period of 2018. Increased production with the use of biomass is the effect of completion of optimization projects in the biomass-fired unit located in Elbląg. A decreased consumption of coal was driven by lower production of electricity mainly by the Ostrołęka Power Plant.

Maintenance of the cost of fuel consumption at an unchanged level yoy was attributable to the fact that higher unit costs of consumption of biomass and coal and the higher volume of biomass consumption were fully offset by the lower volume of consumption of coal.

First floating photovoltaic installation

Energa OZE submitted an application to the National Fund for Environmental Protection and Water Management (NFOŚiGW) seeking funding to support its investment in a floating 0.5 MW photovoltaic panel installation under the "Support for Innovations Promoting a Resource-Efficient and Low-Carbon

Economy' programme". The panels shall be deployed on the water reservoir in Łapina where a pilot project was completed earlier.

Implementation of the developed technology on other water reservoirs is planned in the immediate future. Leveraging the potential offered by water reservoirs located on former mining land has been identified as a particularly attractive option. This would contribute significantly towards rehabilitation of such land.

In August 2018, Energa OZE launched a pilot project on a small installation with a capacity of just a few kilowatts. The pilot project aimed at examining the impact of changing weather conditions on the panel's productivity lasted 12 months and was highly successful. A test version of floating panels confirmed that application of that technology in the Polish conditions allows for increasing the volume of produced electricity in spite of the fact that atmospheric conditions in Poland differ substantially from those encountered in the countries where floating photovoltaic parks are common, e.g. China, South Korea or Japan.

3.2.2. Financial performance

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

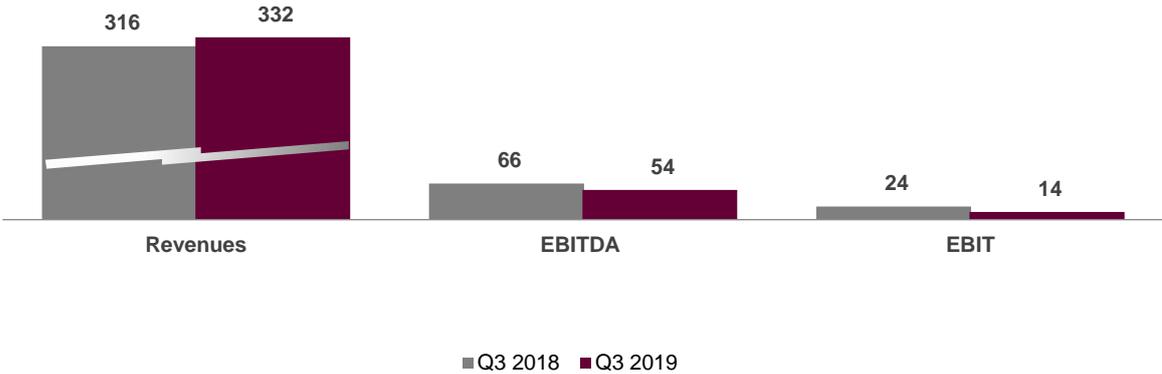


Table 15: Results of the Generation Business Line of the Energa Group

PLN m	Q3 2018	Q3 2019	Change	Change (%)
Revenue	316	332	16	5%
EBITDA	66	54	(12)	-18%
depreciation and amortization	42	40	(2)	-5%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	24	14	(10)	-42%
Net profit (loss)	10	(1)	(11)	< -100%
CAPEX	80	19	(61)	-76%

PLN m	9M 2018	9M 2019	Change	Change (%)
Revenue	862	1,047	185	21%
EBITDA	234	226	(8)	-3%
depreciation and amortization	122	132	10	8%
impairment losses on non-financial non-current assets	(117)	270	387	> 100%
EBIT	229	(176)	(405)	< -100%
Net profit (loss)	154	(178)	(332)	< -100%
CAPEX	156	120	(36)	-23%

The following table presents a breakdown of EBITDA for the Generation Business Line by Division. It shows non-consolidated data, including the Line management cost mark-up, elimination of inter-divisional transactions and consolidation adjustments.

Table 16: EBITDA of the Generation Business Line by Division

EBITDA in PLN m	Q3 2018	Q3 2019	Change	Change (%)
Hydro	18	20	2	11%
Wind	19	25	6	31%
Ostrołęka Power Plant	33	17	(15)	-47%
Other and Adjustments	(4)	(8)	(4)	< -100%
Total Generation	66	54	(12)	-18%

EBITDA in PLN m	9M 2018	9M 2019	Change	Change (%)
Hydro	90	111	20	23%
Wind	57	84	28	49%
Ostrołęka Power Plant	77	44	(34)	-44%
Other and Adjustments	10	(12)	(22)	< -100%
Total Generation	234	226	(8)	-3%

The Line's EBITDA for the 9 months of 2019 decreased by PLN 8 m yoy. This period saw an increase in electricity sales revenues by PLN 79 m (primarily as a result of higher selling prices at the Ostrołęka Power Plant and at the hydro power plants, and a higher production volume at CHPs and wind power plants). This was accompanied by a rise in revenue from sales of green property rights by PLN 26 m (mainly due to higher market prices, the launch of production in the biomass-fired unit located in Elbląg and higher production at wind power plants).

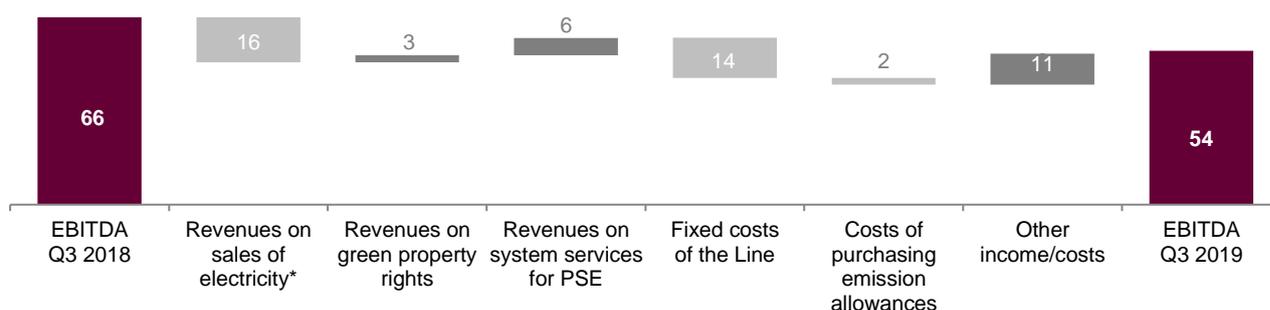
At the same time, the Line's increased revenue and its positive impact on the Line's performance were offset by an increase in:

- the cost of fuels consumed for production purposes (due to higher fuel purchase prices as well as a change in the CHP fuel mix): by PLN 43 m;
- the cost of purchase of emission allowances (due to the purchase prices and a smaller quantity of free emission allowances): by PLN 30 m;

and

- fixed costs (mainly due to average-scale repairs in unit #2 in the Ostrołęka Power Plant, increased employee costs as well as real estate tax adjustment for the wind farm in the commune of Karścino in 2018 which resulted from changes in the Act on Renewable Energy Sources): by PLN 39 m.

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



* includes net electricity trading (revenue less cost)

The share of the Generation Business Line in the Group's total EBITDA was 11% in Q3 2019 (15% in the corresponding period of the preceding year).

A lower level of the Line's EBITDA (down by PLN 12 m yoy) was mainly the result of lower revenue from sales of electricity, higher fixed costs of the Line as well as a rise in the cost of purchase of emission allowances. A negative effect of those factors was only partly offset by higher revenue from sales of green property rights and system regulatory services.

A decrease in revenue from sales of electricity in Q3 2019 as compared to the corresponding period of the preceding year was driven mainly by the lower production volumes at the Ostrołęka Power Plant and hydro power plants. The above factors were partially offset by the rising selling prices of energy from those sources.

The increase in the fixed costs incurred by the Line was attributable primarily to higher employee costs during the period.

Higher costs of purchasing CO₂ emission allowances were driven by an increase in the market prices of emission allowances and a smaller quantity of free allowances available for the year 2019.

The increase in revenues from sales of green property rights could be traced mainly to higher selling prices of green certificates. Meanwhile, the increased revenue from system services provided to PSE was attributable to the greater demand for them at the Ostrołęka Power Plant and the pumped storage power plant in Żydowo during the analysed period.

In addition to the aforesaid factors affecting EBITDA, the impact of a number of the following events on the Line's ongoing performance should be stressed, namely reversal of impairment losses on receivables at the Ostrołęka Power Plant, delays in delivery of step-up transformers at the Żydowo pumped storage power plant, reclassification of replacement of transmission at the Karścino wind farm and reversal of the provision for court litigation at CHP.

Capital expenditures of the Line in Q3 2019 were lower year-on-year by PLN 61 m and related primarily to modernization of held production assets. The large difference was attributable primarily to capital expenditure incurred in 2018 to carry out a major renovation of power unit No. 1 in Ostrołęka and to modernize electrostatic precipitators at that power plant.

Hydro

Table 17: Performance of the Hydro Power Division

PLN m	Q3 2018	Q3 2019	Change	Change (%)	9M 2018	9M 2019	Change	Change (%)
Revenue	38	41	3	8%	155	182	27	18%
EBITDA	18	20	2	11%	90	111	20	23%
EBIT	10	12	2	15%	66	86	20	30%
CAPEX	4	8	4	> 100%	8	12	4	47%

Wind

Table 18: Performance of the Wind Power Division

PLN m	Q3 2018	Q3 2019	Change	Change (%)	9M 2018	9M 2019	Change	Change (%)
Revenue	29	32	3	11%	76	111	35	46%
EBITDA	19	25	6	31%	57	84	28	49%
EBIT	8	11	3	41%	145	44	(101)	-70%
CAPEX	0	1	1	> 100%	0	10	10	> 100%

Ostrołęka Power Plant

Table 19: Performance of the Ostrołęka Power Plant Division

PLN m	Q3 2018	Q3 2019	Change	Change (%)	9M 2018	9M 2019	Change	Change (%)
Revenue	210	225	15	7%	501	607	106	21%
EBITDA	33	7	(15)	-47%	77	44	(34)	-44%
EBIT	17	7	(10)	-58%	29	(269)	(298)	< -100%
CAPEX	63	1	(62)	-98%	107	77	(30)	-28%

Other and Adjustments

Table 20: Performance of the Other and Adjustments Division

PLN m	Q3 2018	Q3 2019	Change	Change (%)	9M 2018	9M 2019	Change	Change (%)
Revenue	39	34	(5)	-14%	130	147	17	13%
EBITDA	(4)	(8)	(4)	< -100%	10	(12)	(22)	< -100%
EBIT	(11)	(17)	(6)	-50%	(12)	(37)	(25)	< -100%
CAPEX	13	9	(4)	-28%	41	21	(19)	-48%

3.3. Sales Business Line

3.3.1. Business and operating activities

Table 21: Sales of electricity by the Sales Business Line

Sales of electricity by the Sales Business Line in GWh	Q3 2018	Q3 2019	Change	Change (%)	9M 2018	9M 2019	Change	Change (%)
Retail sales of electricity	4,752	4,863	111	2%	14,751	14,667	(83)	-1%
Sales of electricity in the wholesale market, including:	996	969	(27)	-3%	2,814	3,396	582	21%
<i>Sales of energy to the balancing market</i>	145	273	128	88%	350	706	356	> 100%
<i>Sales of energy to Energa Operator to offset grid losses</i>	357	201	(156)	-44%	1,097	760	(338)	-31%
<i>Other wholesale</i>	493	494	1	0%	1,366	1,930	564	41%
Total sales of energy	5,748	5,832	84	1%	17,564	18,064	499	3%

In Q3 2019, the total volume of electricity sold by the Sales Business Line increased slightly compared to Q3 2018 (by 1%, i.e. 0.1 TWh). The sales volume on the retail market went up by 2% (i.e. by 0.1 TWh) yoy. As far as retail sales are concerned, an increase was seen in the sales volume to customers on the Polish market (higher sales to businesses and households), which was accompanied by a sharp decline in sales on the Slovak market (the effect of gradual discontinuation of operations on the retail market in that country). The increase in the sales volume on the Polish market was driven by a rise in the average number of customers by approx. 56,000 yoy (up to the level of approx. 3.1 m), primarily in tariff group G (households).

The energy sales on the wholesale market dropped by 3% (i.e. by 0.03 TWh) versus the preceding year. That negligible drop was due to a lower volume of energy sold to offset grid losses as a result of changes in the contracting model used for that purpose by Energa Operator SA.

Customer service

For many years, Energa Obrót SA has been offering trend-setting customer service solutions. The dynamically changing market environment, the growing expectations of increasingly informed customers and the actions of competitors leave no doubt as to the need to implement and develop a customer-oriented business model.

In Q3 2019, Energa Obrót SA offered 21 electricity products and services to individual customers. The most important were:

- Bonus na start (Start bonus);
- Energia z bonem 100 zł (Energy with a PLN 100 voucher);

- Fachowcy pod ręką (Experts at hand) – PREMIUM, STANDARD, Standard+ and PRE PAID packages;
- Godziny tańszego prądu (Cheaper electricity hours);
- Lekarz bez kolejki (Doctor without a queue).

As a part of the technology offers, individual customers were offered 2 products and services:

- Heat pumps and
- Photovoltaic panels.

The following electricity products and services were offered to SOHO customers:

- Energia na + (Plus Energy)
- Łowcy rabatów (Discount hunters);
- Utility consumption monitoring;
- Strefa Korzyści (Benefits Zone);
- Umów się i/lub EnerGRA (Set up an appointment and/or EnerGRA);
- Wspólnie oszczędniej (Cheaper together);
- Wspólnie się opłaca (Together pays off).

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

As part of the Energy Efficiency Package, 17 technical services were offered in Q3 2019. They included among others:

- "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);
- Modernizacja infrastruktury" (Infrastructure Upgrades);
- "Kompensacja Mocy Biernej" (Reactive Power Compensation);
- "EnerSOL! - Zestawy fotowoltaiczne" (Photovoltaic sets).

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.

In the first 9 months over 6,800 agreements with clients were concluded using the electronic channel (including 2,500 entirely via the Internet), which is an over 30% increase on 2018.

In Energa Obrót, a second project is underway for Company Digitization, associated with the platform project, i.e. Mobile Application Construction.

3.3.2. Financial performance

Figure 10: Performance of the Sales Business Line of the Energa Group (PLN m)

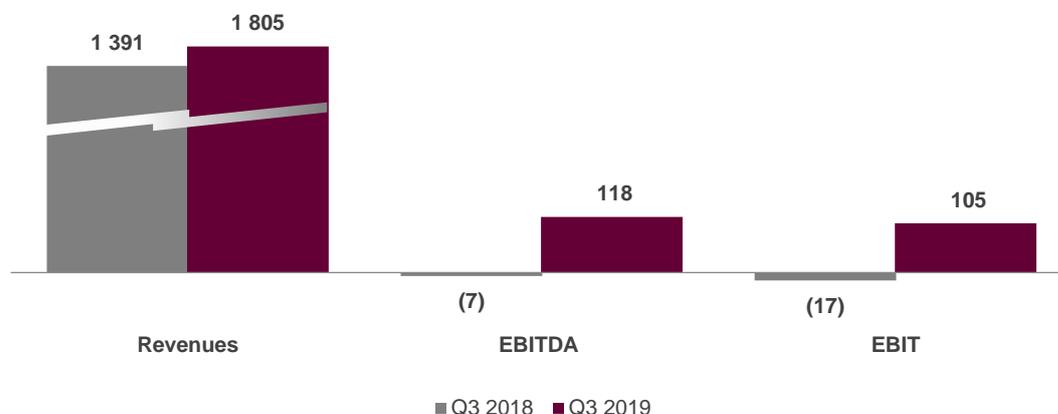


Table 22: Performance of the Sales Business Line of the Energa Group

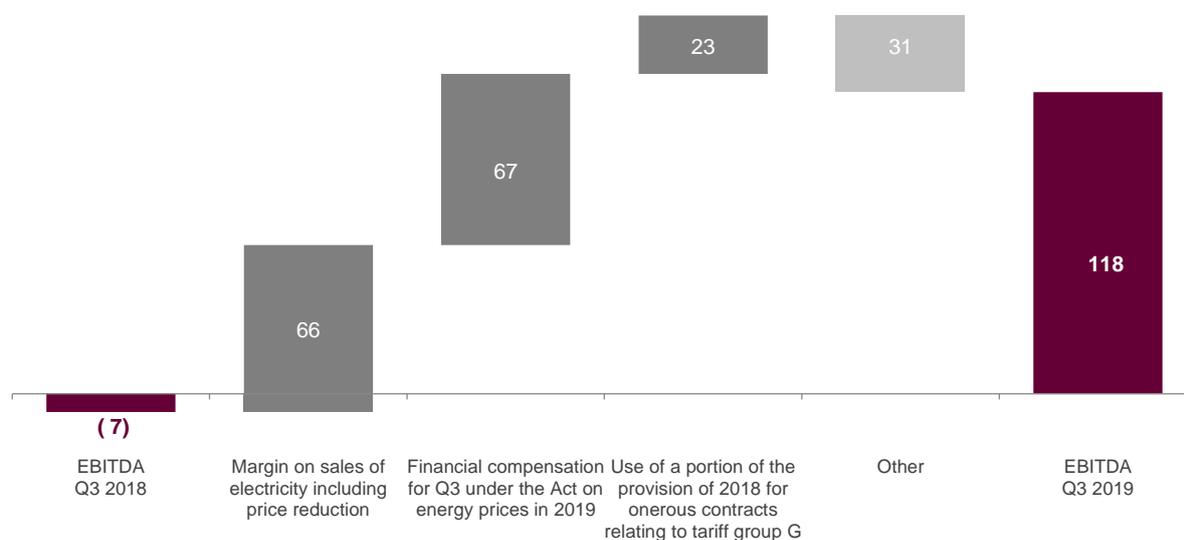
PLN m	Q3 2018	Q3 2019	Change	Change (%)
Revenue	1,391	1,805	414	30%
EBITDA	(7)	118	125	> 100%
depreciation and amortization	10	13	3	30%
impairment losses on non-financial non-current assets	-	-	-	-
EBIT	(17)	105	122	> 100%
Net profit (loss)	(11)	78	89	> 100%
CAPEX	10	9	(1)	-10%

PLN m	9M 2018	9M 2019	Change	Change (%)
Revenue	4,074	5,382	1,308	32%
EBITDA	50	258	208	> 100%
depreciation and amortization	30	39	9	30%
impairment losses on non-financial non-current assets	-	(1)	(1)	-
EBIT	20	220	200	> 100%
Net profit (loss)	24	161	137	> 100%
CAPEX	22	26	4	18%

EBITDA of the Sales Business Line for the 9 months of 2019 totalled PLN 258 m, up by PLN 208 m versus the corresponding period of 2018. The said increase in EBITDA was influenced by a low prior year base (when the results were lower due to an unexpected and rapid increase in energy prices on the market at that time), lowering of the costs of redemption of property rights and excise duty as well as reversal of a portion of the 2018 provision for onerous contracts relating to group tariff G for an amount of PLN 110 m (a one-off and non-cash event). Implementation of the Act on “energy prices in

2019” had not a negative impact on the financial results of the Business Line over the discussed period. The details of that event have been described in this section below.

Figure 11: EBITDA bridge of the Sales Business Line (PLN m)



In Q3 2019, EBITDA of the Sales Business Line was PLN 118 m, which represents a 24% share in the Group’s EBITDA. During the corresponding period of the previous year, EBITDA amounted to PLN -7 m and, consequently, did not contribute positively to the Group’s EBITDA.

Revenues of the Sales Business Line in Q3 2019 amounted to PLN 1,805 m, up by PLN 414 m in comparison to Q3 2018. This was the effect of an increase in the prices at which electricity is sold to end customers that reflect the market trend.

A considerable increase in the margin on sales of electricity and, consequently, the Business Line’s EBITDA yoy was also the effect of a low base. The results reported for Q3 2018 (a PLN 7 m loss at EBITDA level) were low due to an unexpected and rapid increase in the market prices of electricity during the period, leading to erosion of the margin on energy sales to end customers. In Q3 2019, the Sales Business Line generated a margin on energy sales (including the price reduction derived from the Act) higher by PLN 66 m than that reported in the corresponding period of the previous year. The lower year-on-year costs of redemption of property rights (phasing out of the support system for CHP in the form of property rights in early 2019) and excise duty costs (the excise duty rate statutorily reduced from the start of 2019) contributed also to the improved margin.

Implementation of the Act “on energy prices in 2019” with regard to the regulations applicable to H2 2019 commenced in Q3 2019. As a result of amendment of the Act in June 2019, the group of the entities authorised to make settlements at the prices valid on 30 June 2018 was restricted. The preferential rates were kept exclusively for certain customer groups such as, for instance, households, micro businesses, local government entities, hospitals. The settlements with the remaining customers are made at the prices derived from concluded contracts. In effect, in Q3 2019 the Sales Business Line used the reduced prices specified in the Act on “energy prices in 2019” as the basis for its settlements with customers on a much smaller scale than in H1 2019. Consequently, the amount of the financial compensation on account of loss of sales revenue recognised in the Business Line’s revenue for Q3 refers to a smaller group of customers and was estimated at PLN 67 m. In addition, the amount of the price difference for the first half of 2019 was recalculated and revenues also for that period were adjusted in Q3 2019, what had an impact on Q3 2019 results. To sum up, the Act “on energy prices in 2019” did not have a negative impact on the financial results of the Sales Business Line both during the 9 month and in Q3 of 2019.

At the same time, a portion (PLN 23 m) of a provision created in 2018 for onerous contracts relating to the G tariff was reversed in Q3 2019, which had a beneficial impact on the results. This is a one-off and non-cash event.

On the other hand, the negative impact on Q3 2019 results had other one-off event (presented in item "Other" of the EBITDA bridge): unfavourable judgment of the Court of Appeal in Gdańsk in the dispute with one of the wind farms. As a result, Energa Obrót SA was obliged to pay the compensation in the amount of PLN 18 m plus interest. This case is not related to a court dispute arising from the company's decision of September 2017 (referred to in the current report No. 37/2017) to declare invalid long-term agreements for the purchase of RES property rights.

ENVIRONMENT



4. ENVIRONMENT

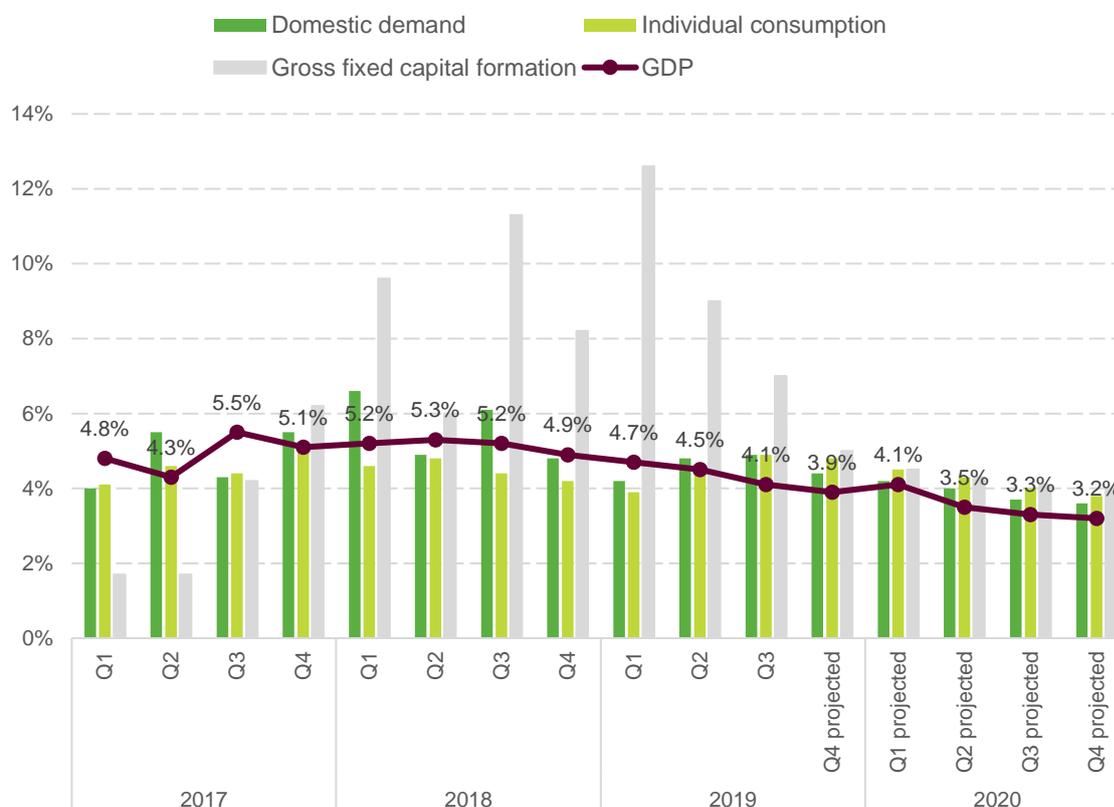
4.1. Macroeconomic situation

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.

According to the World Bank's October forecasts, the growth rate of the Polish economy in 2019 may reach 4.3%, which represents a 0.3 pp improvement in comparison to the June forecasts. Economic growth in Poland is strengthened by private consumption supported by real-term salary growth and government programmes as well as higher than expected investment growth. The stable banking sector, low interest rates and accessibility of EU funds should support private investment and offset the anticipated decline in government investment. Despite the fact that, as noted by the World Bank, economic growth in Poland is one of the fastest across Europe and Central Asia, a slowdown is expected in the following years due, among other things, to the weaker business climate in the European Union. Poland's GDP in the years 2020 and 2021 is forecast at 3.6% and 3.3%, respectively. The key risks facing the national economy in the coming years are workforce shortage due, among other things, to demographic trends and exodus of foreign workers as well as rising tax burdens prompted by increased social benefits and increased pension liabilities. Risk factors adversely impacting the prospects for the global economy such as the trade war between the United States and China, uncertainty accompanying Brexit or Turkey and Russia's involvement in the armed conflict in Syria also affect Poland's economy.

The incoming macroeconomic data as well as analysts' forecasts suggest that GDP dynamic in Poland in Q3 2019 is unlikely to accelerate in relation to 4.5% yoy reported in Q2.

Figure 12: Annual changes in the GDP, domestic demand, individual consumption and capital expenditures



Source: Data from the GUS and forecasts of Santander Bank Polska SA (October 2019)

The Polish economy continues to be driven by domestic demand, and in particular by individual consumption, although there is little room for its acceleration. The forward-looking consumer confidence index, a synthetic measure of the tendencies in individual consumption expected in the coming months, was 3.9 pp higher in September 2019 yoy at 7%. The positive value of the index signifies a numerical superiority of optimistically-inclined consumers. The greatest increases were reported for assessments of the prospects for future saving and of the future financial condition of households. As indicated by the analysts from Santander Bank, consumers' positive mood is driven by rising salaries, record low unemployment and social transfers. Meanwhile, the key risk is the rising inflation rate which reduces the purchasing power of households.

In Q3 2019, investment growth continues to support domestic demand. However, according to the October results of the NBP Quick Monitoring, the level of investment activity in H2 2019 is likely to remain low compared to the H1 2019 results, which is attributable primarily to the distinct downward adjustment of investment plans within the exporters' group. The Q3 and Q4 2019 plans indicate that exporters more often tend to plan for a reduction rather than expansion of the scale of investments. In the meantime, global risks may contribute to a decline in investment by private sector enterprises where the rise in the minimum wage announced by the government may prove to be an additional major barrier to growth.

The slowdown in the Polish manufacturing sector is reflected in the PMI index (leading indicator of the Polish industry), which in Q3 2019 remained below the 50 point limit indicating the level of economic recovery. Poland's PMI in September 2019 dropped from August's 48.8 points down to 47.8 points, recording only a slightly higher value than in July when the weakest result in 6 years (47.7 points) was reported. The current situation is triggered by a dramatic drop in new orders in the industry, which is justified by the falling demand in the domestic market and in the markets of Western Europe translating into lower production. The manufacturers' forecasts of output in the coming 12 months are not optimistic either and include deteriorating outlooks for the European demand and concerns about the anticipated competition from Asia. According to IHS Markit, only one out of three respondent companies expects an increase in production in the course of the coming year. Due to competitive pressure, entrepreneurs from the manufacturing sector did not raise product prices in September 2019, which halted the inflation present for nearly three years.

The growth of industrial output sold in the period between January and September 2019 was 4.5% higher than in the corresponding period of the previous year when growth of 5.9% was recorded. As regards generation and supply of electricity, gas, steam and hot water, a decline of 0.7% was recorded after the three quarters of the current year.

The situation in the domestic labour market is positive although gradual slowdown of employment growth is noticeable, which may be attributed to rising labour costs. The announced rise of the minimum wage in 2020 by 15.6%, abolishment of the cap of 30 times social security contributions as well as the Employee Capital Plans (PPK) scheme being already implemented represent a major cost burden for businesses. As a result, more caution is exercised when making employment decisions. On the other hand, workforce shortage risk continues to be present in the labour market. According to the World Bank, growth of the private sector should be supported, investment in university education systems should be continued and women should be offered more opportunities in the labour market in order to prevent an exodus of qualified workforce.

The unemployment rate at the end of September 2019 stood at 5.1%. The average employment in the business enterprise sector between January and September 2019 was 2.8% higher compared to the previous year's figure whereas the average monthly (gross) salary grew by 6.8% yoy to PLN 5,084.56. According to preliminary GUS data, from January to September, the price index of sold industrial production increased by 1.6% yoy. The prices were higher than in the preceding year across all sections. As regards the production and supply of electricity, gas, steam and hot water, the prices increased by 4.7%.

In turn, the consumer price index in Q3 2019 increased by 2.8% compared to the same period of the previous year and, consequently, surpassed the inflation target of 2.5% for the first time since 2012. Acceleration of consumer price growth was caused, first of all, by the increased food price dynamic and higher core inflation rate as a result of economic growth, rising cost pressure and price changes in the

services sector. Prices of energy, including fuels, lower than a year ago restrict price dynamics. The results of the NBP Quick Monitoring, over a time horizon of 12 months, following a temporary increase in Q1 2020, point to maintenance of inflationary expectations at a level similar to H1 2019, although that forecast is burdened with the risk associated with electricity prices for households in the following year and continued cost pressure in the domestic economy. Against the background of historical data from the preceding five years, enterprises' inflationary expectations are currently relatively high.

As regards the monetary policy, the Monetary Policy Council (MPC) did not make any changes to base interest rates in Q3 2019. The Monetary Policy Council has noticed the slowdown in the global economy and the activities undertaken by the European Central Bank which substantially eased its monetary policy in September by lowering the deposit rate by 10 bps down to -0.5% and resumed bond purchases. Also, the US Federal Reserve decided to lower the key interest rate by 25 basis points in July and September 2019. According to the MPC, the prospects for the domestic economy remain positive and the current interest rate levels help keep the Polish economy on a sustainable growth trajectory and preserve macroeconomic balance.

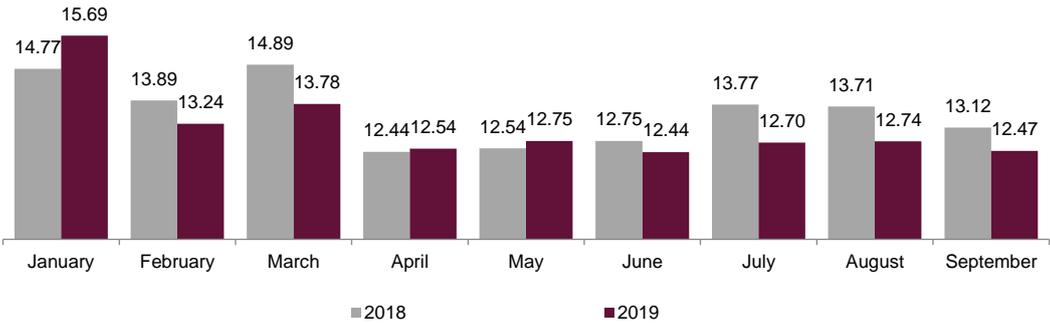
4.2. Electricity market in Poland

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"), the production of electricity in Poland totalled 118.35 TWh after three quarters of 2019 and was 3.53 TWh or 2.9% lower compared to the corresponding period of the previous year (121.88 TWh). Decreased generation compared to the preceding year was visible in lignite-fired power plants which were being driven out of the National Power System predominantly by wind farms, which benefited from good weather conditions, as well as by generation from gas sources.

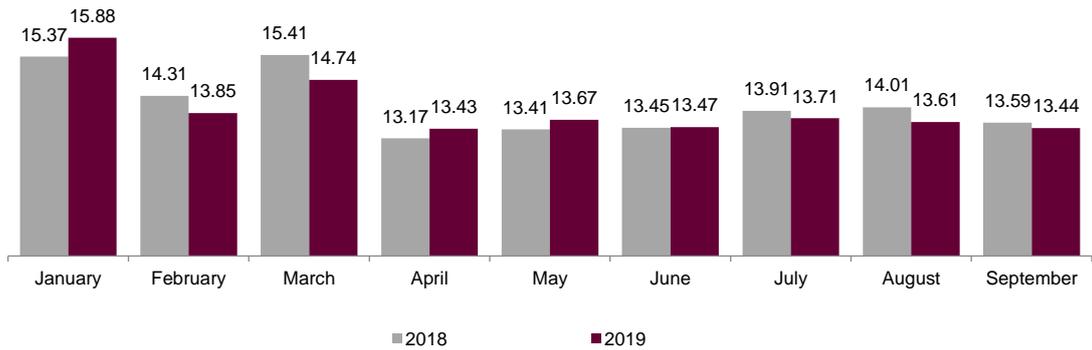
Figure 13: Production of electricity in Poland after three quarters of 2019 (TWh)



Source: PSE

After three quarters of 2019, domestic consumption of electricity in Poland totalled 125.78 TWh and was 0.83 TWh (0.7%) lower than in the corresponding period of the previous year (126.61 TWh).

Figure 14: Consumption of electricity in Poland after three quarters of 2019 (TWh)

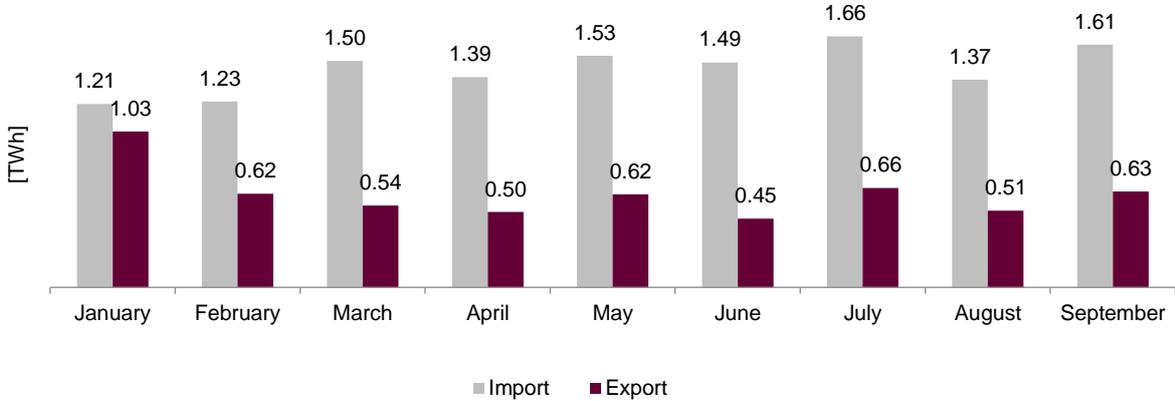


Source: PSE

Poland’s cross-border power exchange

In the initial three quarters of 2019, electricity exports were 0.17 TWh lower than in the same period last year. When comparing the two corresponding periods, a growth in electricity imports by 2.52 TWh can be observed, being the main reason for the 7.43 TWh surplus of net electricity imports in the period under review vs. net imports of 4.74 TWh in the corresponding period of the previous year. This is attributable to the increased import of electricity in parallel exchange. It is worthwhile to recall the overhaul of the Poland-Sweden interconnector in August and on 19-29 September, which evidently contributed to a decreased cross-border power exchange capacity.

Figure 15: Monthly volumes of cross-border power exchange in Poland after three quarters of 2019 (TWh)



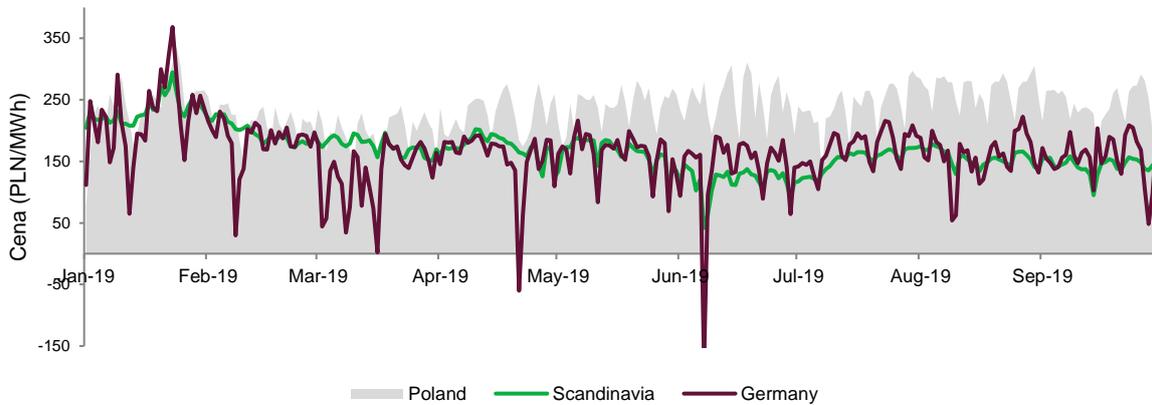
Source: PSE

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 after three quarters of 2019 were higher than in the neighbouring countries, which was particularly evident from mid-Q2 2019. Very high system losses, sustained high demand for power together with high temperatures and higher EUA prices led to persistently high prices on the Polish market. Even very favourable wind conditions in Q3 did not bring a significant decrease in prices in the Polish market, possibly owing to the overhaul of the Poland-Sweden interconnector. The highest price differences were found relative to the German market (+43.5%, i.e. PLN 71.55/MWh) and lower in relation to the Scandinavian market (+40.5%, i.e. PLN 67.98/MWh). A particular price disparity was visible in Q3 2019, where prices on the

Polish market were higher compared to the German market (+54.2%, i.e. PLN 87.88/MWh) and to the Scandinavian market (+66.2%, i.e. PLN 99.65/MWh).

Figure 16: Prices of energy in the SPOT market in Poland and in selected neighbouring countries after three quarters of 2019

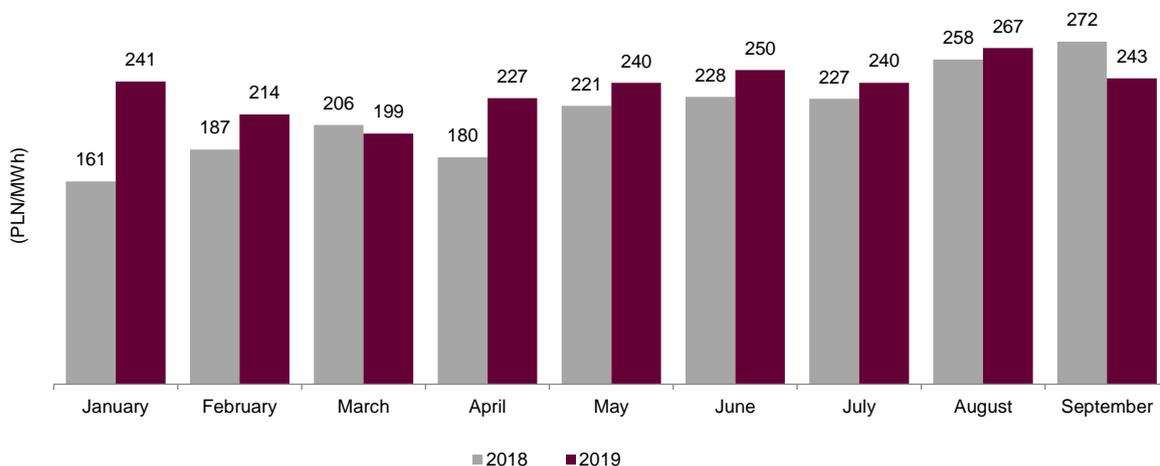


Source: Bloomberg

Day-Ahead Market of electricity in Poland

The average level of the IRDN24 index was PLN 235.84/MWh after three quarters of 2019, PLN 20.02/MWh higher than in the corresponding period of the previous year (PLN 215.82/MWh). Meanwhile, comparing Q3 2019 with the corresponding period of the previous year, the price was lower by PLN 2.08/MWh, which was attributable primarily to very high wind power generation in September this year. A slight decrease in system losses and domestic demand for power was coupled with high wind power generation in Q3 2019, which consequently resulted in a year-on-year decrease in prices.

Figure 17: IRDN 24 index after three quarters of 2019 (PLN/MWh)



Source: TGE

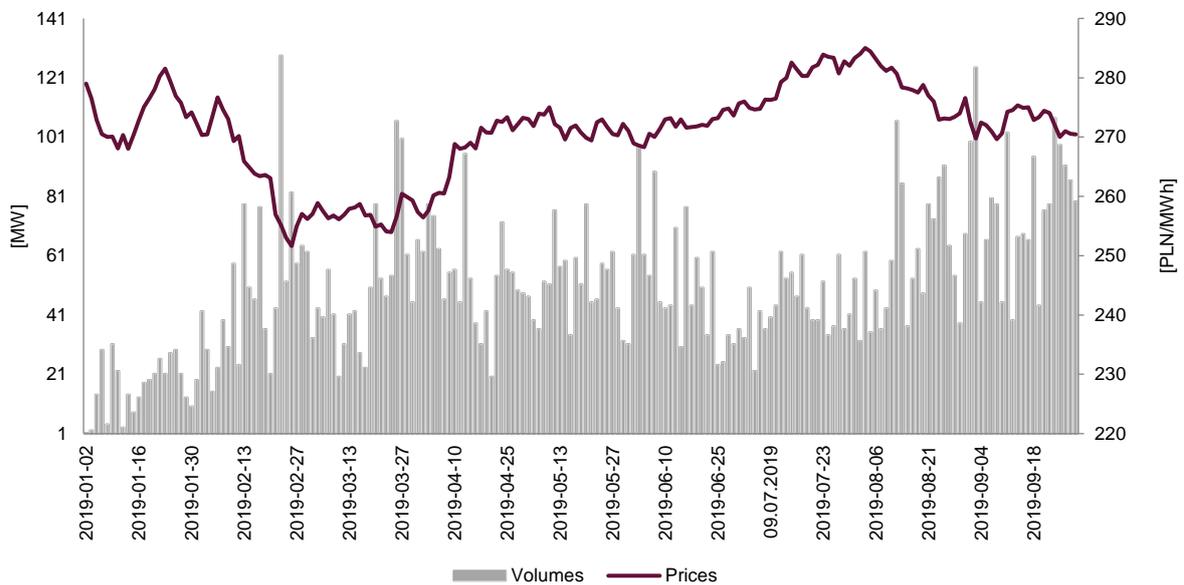
Electricity futures market in Poland

After the first quarter of 2019, the electricity futures market was in an upward trend until nearly mid-Q3. Since then, the BASE 2020 market saw decreases pushing the price down to approx. PLN 270/MWh. The lowest price of PLN 251.62/MWh was quoted on 26 February this year. The main drivers of declining prices in Q3 in the electricity futures market were as follows:

- a fall in CO₂ emission allowance prices,
- a distinct increase in windiness,

- a decrease in SPOT market prices,
- lower demand for electricity in the National Power System.

Figure 18: Forward contract price, base with delivery for 2020 after three quarters of 2019

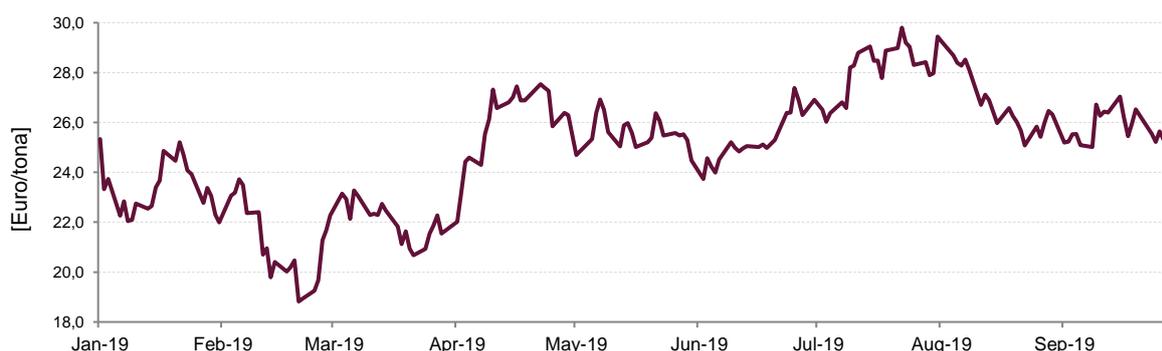


Source: TGE

Emission allowance market

On 15 May 2019, the European Commission published data on the number of allowances in circulation as at the end of 2018 (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 became operational in January 2019. Therefore, the volume of auctions between September 2019 and August 2020 will be reduced by slightly over 397 million allowances, which account for 24% of all allowances in circulation, which will be transferred to MSR. For the initial 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 will be announced by the European Commission on 15 May 2020. If the number of allowances in circulation does not change, then 397 million of allowances offered in auctions in 2020 will be transferred to MSR. Introducing such an effective system for limiting the supply of allowances on the market, i.e. MSR, suggested that, following the reform of the EU ETS, prices of emission allowances would follow a strong upward trend 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 power generation in Europe contributed to a decrease in the consumption of fossil fuels, which translated into a lower demand for emission allowances. In the second quarter of 2019, with definitely lower windiness, the increased demand for EUAs led to significant price hikes. In Q3 2019, following the announcement about a possible increase of the EU target for carbon dioxide emission reduction from 40% up to 50% in 2030 and the uncertainty accompanying Brexit and the possible continued presence of the United Kingdom in the EU ETS system, the price at the end of Q3 fell to EUR 24.73/t, which still represented a 2% increase since the end of 2018, whereas, compared with the end of Q3 2018, the price increased by 17%.

Figure 19: EUA prices after three quarters of 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 23: Average levels of property right indices listed on the Polish Power Exchange

Index (type of certificate)	Index value		Obligation (%)	Substitution fee (PLN)
	3 quarters of 2018 (PLN/MWh) with 2018 index	3 quarters of 2019 (PLN/MWh) with 2019 index		
OZEX_A (green)	82.36	127.18	19.35*	300.03*
KGMX (yellow)	114.4	111.06	-	115.00*
KECX (red)	9.45	8.47	-	8.19*

* value of the substitution fee and redemption obligation for 2019

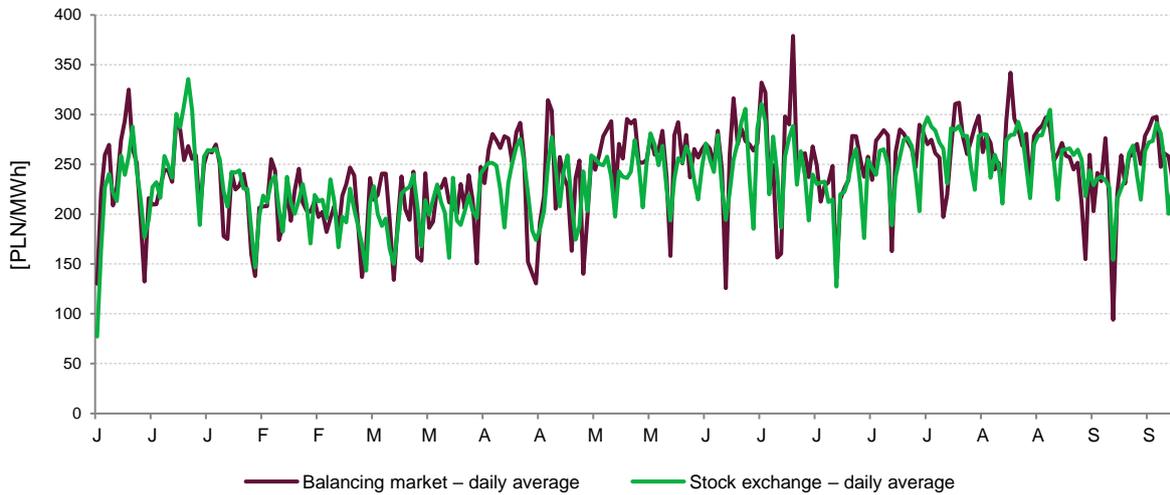
At the end of 2018, the support system for co-generation sources in the form of yellow and red certificates expired. Since 2019, the system has been replaced by auctions, and the related costs have been transferred to end customers in the form of a new co-generation fee added to their bills. Yellow and red certificates were listed until the end of June 2019 because until then the 2018 obligations had to be settled. The end of quotations for red and yellow certificates was the main determinant of a clear drop in prices and volumes of these instruments in June this year. In the table above, prices of yellow and red certificates in 2019 cover the period until the end of June 2019. 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 session transactions followed the declining trend started towards the end of 2018. The trend reversed after 20 March this year, when a dynamic increase in quotations on that 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. In Q2 and Q3 2019, there were no major price changes on that market, remaining largely just above PLN 130.00/MWh. As a consequence, PM RES prices were quoted at PLN 134.02/MWh at the end of Q3 2019.

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 part of the 3 quarters of 2019, prices in the balancing market were close to day-ahead market prices. 26 June this year marked a clear departure from that rule, when the average daily price in the balancing market was

PLN 379.00/MWh, and the peak hour price reached PLN 980.00/MWh. The lowest prices could be observed on 15 September 2019, when the average daily price in the balancing market was PLN 94.13/MWh, and the price in the least expensive off-peak hours reached PLN 72.00/MWh. The average price on the balancing market in the period under review was PLN 241.84/MWh, compared to PLN 216.22/MWh in the corresponding period of the previous year.

Figure 20: Comparison of prices in the balancing market and SPOT market (exchange) after three quarters of 2019

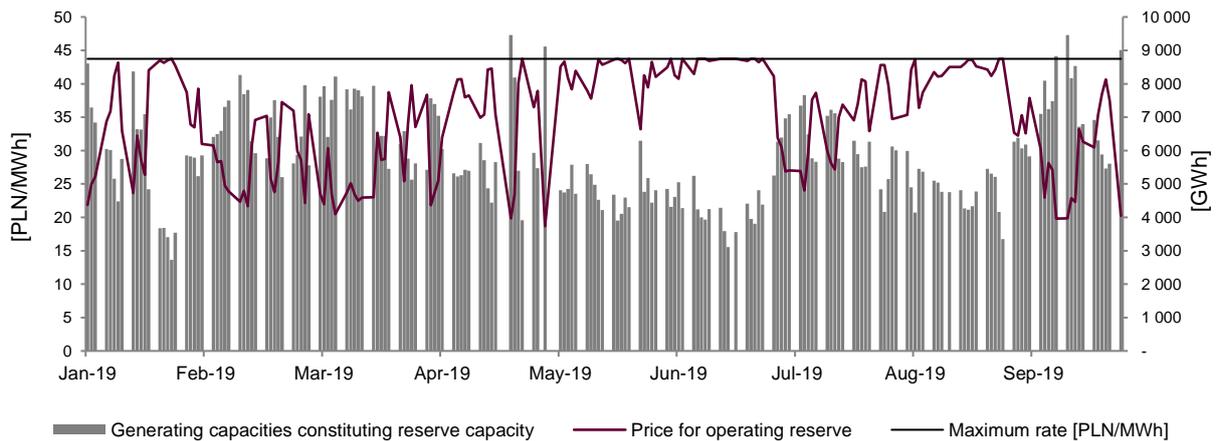


Source: TGE, PSE

Operating reserve

The operating reserve service continues to be provided in 2019. The reference price was raised to PLN 43.73/MWh. The average operating reserve fee after three quarters of 2019 was PLN 34.94/MWh, a decrease by PLN 3.14 compared to the corresponding period of the previous year (PLN 38.08/MWh).

Figure 21: Prices and generating capacity constituting operating reserve after three quarters of 2019



4.3. Regulatory environment

Legislative processes completed in Q3 2019

Act amending Certain Acts to Limit Regulatory Burdens of 31 July 2019 (Journal of Laws of 2019, item 1495)

A key change from the point of view of the Energa Group was the extension of the deadline from 27 July 2019 to 13 August 2019 for submission of declarations by entrepreneurs concerning fulfilment of the preliminary conditions defined in the Act amending the Act on Excise Duty and Certain Other Acts.

Act amending the Renewable Energy Sources Act and Certain Other Acts of 19 July 2019 (Journal of Laws of 2019, item 1524)

The act introduces a number of amendments to the Renewable Energy Sources Act with respect to prosumers and the so-called distance act in terms of extension of the deadline for application of its regulations to 5 years from the effective date of the regulations of the amended act.

The introduced changes include, among other things:

- ✓ Extending the definition of a “prosumer” through its expansion to include also entrepreneurs, which means that the designated customers producing, at the same time, energy for their own needs are not covered by C tariff and are treated as prosumers.
- ✓ Increasing up to 2.5 installed capacity for small hydro power plants and biogas plants of the threshold for the installations eligible to take advantage of a support system in the form of *feed-in premium*.
- ✓ Enabling establishment in the areas of rural and rural-and-urban communes of energy co-operatives authorised to make settlements on prosumer terms, via a system of discounts.
- ✓ Defining the size of a micro-installation as 50 kW. A system of discounts applicable to prosumer businesses is 0.8 for installations of a capacity of up to 10 kW and 0.7 for installations of capacities ranging from 10 to 50 kW.
- ✓ Guaranteeing, by way of an auction, that a fixed energy price is offered to an investor over a period of 15 years from the launch of power generation and adjusted for inflation on an annual basis.
- ✓ The amended law defines the highest volume of a RES auction to date (3.4 GW per auction in 2019).

Regulation of the Minister of Energy concerning the method of calculation of the amount of price difference, financial compensation and method of setting benchmark prices (Journal of Laws of 2019, item 1369)

The regulation defines:

- ✓ the method of calculation of the amount of price difference and financial compensation, including the average weighted price of electricity in the wholesale market, other unit costs of power generating enterprises and method of setting prices and rates of electricity charges for end customers (benchmark prices) in force on 30 June 2018.
- ✓ the mechanism of settlements between the Price Difference Disbursement Fund and the individual trading enterprises and end customers who buy electricity directly on the electricity exchange or via brokerage houses.
- ✓ the procedure to be followed in specific cases where the price applied for end customers on 30 June 2018 is hard to determine explicitly (e.g. change of the seller of electricity by the customer or use of reserve sales on 30 June 2018).

Regulation of the Minister of Energy concerning the parameters of the main auction for 2024 supply year and parameters of additional auctions for 2021 supply year (Journal of Laws of 2019, item 1457)

The Regulation sets the parameters of the main auction for 2024 supply year held in 2019 and parameters of additional auctions for 2021 supply year held in 2020.

The key changes introduced in relation to the technical parameters of the previous power market auctions include, but are not limited to:

- ✓ establishing the need for power at a level of 9,088 MW;
- ✓ defining the maximum price for the price-taker at a level of PLN 183/kW;
- ✓ lowering the level of expenditures down to PLN 2,400 per kW for 15-year contracts and have been accepted by the Ministry of Energy.

Legislative processes pending in Q3 2019

Table 24: List of legal acts materially affecting the Group

Legal act	Purpose of legal changes	Opportunities	Threats/issues
Act amending the Water Law Act and Certain Other Acts. Form no. 3695 No. from RCL, UD371	Introducing changes in terms of issuance of permits required under the Water Law and integrated permits, change of entities administrating waterways, eliminating existing interpretative doubts relating to establishment of a fixed fee in the case of permits required under the Water Law or integrated permits issued on the basis of the existing regulations, and introducing amendments relating to a more detailed definition concerning use of land covered by water or above water.	(1) Transferring the State Treasury's ownership rights in inland waterways of special transport importance to Wody Polskie (Polish Waters, the state water management authority). (2) Defining the maximum quantity of water intake and waste water discharge in cubic metres per second.	Increasing the fees derived from permits required under the Water Law and integrated permits
Holding consultations on the draft Commission Regulation (EU) amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.	The General Block Exemption Regulation (GBER) simplifies procedures for the bodies granting aid at the national, regional or local level. It enables granting of a number of forms of aid for horizontal objectives deemed to be in common interest.	Liberalisation of provisions governing block exemptions relating to state aid granted by the Member States.	Tightening of the provisions of the new regulation compared with its previous version and rendering it difficult for the Member States to take advantage of block exemptions within the scope of state aid.
Draft regulation of the Minister of Energy concerning the detailed conditions of granting and accounting for the support offered to natural persons not engaged in business activity. Number on the list: 122.2.19.	The draft aims to set forth the rules for granting and accounting for the support envisaged in the Act on Bio-Components and Liquid Biofuels of 25 August 2006.	Enabling the securing of support for wallbox type electric car charging stations, to be purchased together with an electric vehicle.	Restricting possibilities for consumers to take advantage of the support programme on account of incorporation in the draft regulation of a fixed maximum value of an electric vehicle.
ACER began consultations concerning the draft opinion on calculation of EPS 550/350 limits	Technical conditions for the units willing to participate in capacity markets shall be established in the opinion.	Establishment of appropriate technical conditions shall facilitate participation of DSR units in the capacity market.	Establishment of excessively rigorous terms of participation for conventional units in the capacity market.

SHARES AND SHAREHOLDING STRUCTURE



5. SHARES AND SHAREHOLDING STRUCTURE

5.1. Energa's shareholding structure

Shares of Energa SA have been listed on the Warsaw Stock Exchange (WSE) since 2013. Since the beginning of the Company, i.e. since 2006, the strategic shareholder is the State Treasury, whose share in the share capital as at 30 September 2019 amounted to 51.5%, which gives 64.1% of votes at the General Meeting.

Table 25: Energa 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	preferred registered*	144,928,000	35.00	289,856,000	51.85
Total		414,067,114	100.00	558,995,114	100.00

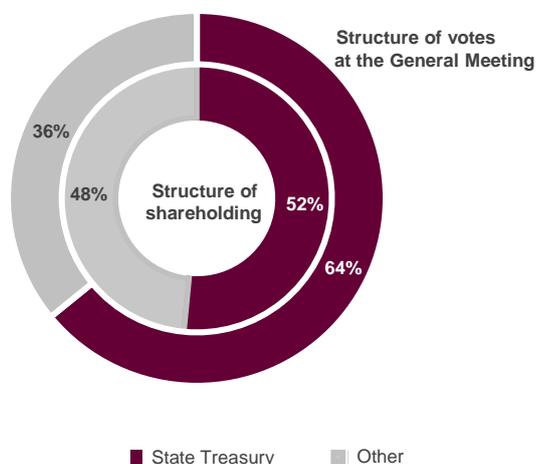
* One preferred share entitles to two votes at the General Meeting. The owner of the shares is the State Treasury.

Table 26: Shareholding structure of Energa as at 30 June 2019 and as at the date of this Management Board Report

Shareholder name	Company shareholding structure			
	Shares	(%)	Votes	(%)
State Treasury*	213,326,317	51.52	358,254,317	64.09
Other	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 registered series BB shares, with preference as to voting rights at the General Meeting, where one preferred share entitles to 2 votes at the General Meeting.

Figure 22: Shareholding structure of Energa as at 30 June 2019 and as at the date of this document



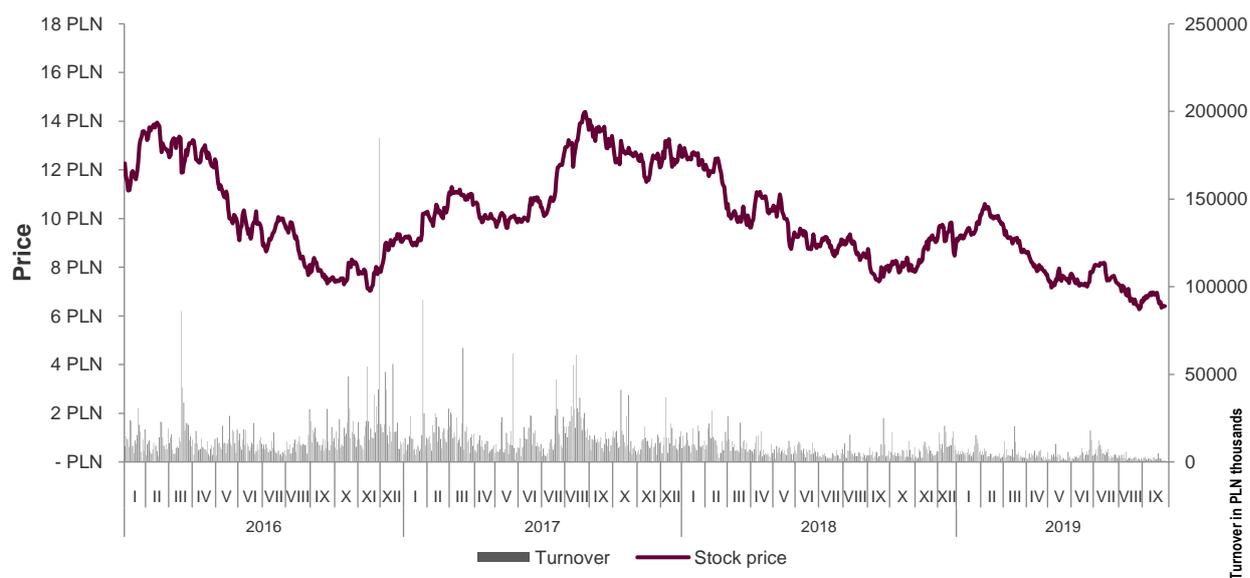
5.2. Prices of the Company's shares and recommendations awarded

Table 27: Data on Energa stock as at 30 September 2019

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114
Stock price at the end of the period	PLN 6.40
Capitalisation at the end of the period	PLN 2.65 billion
9 months of the year minimum at closing	PLN 6.27
9 months of the year maximum at closing	PLN 10.60
9 months of the year minimum	PLN 6.23
9 months of the year maximum	PLN 10.65
Average trading value	PLN 4.12 m
Average trading volume	498 ths
Average number of trades	0.92 ths

Source: Proprietary material based on data from www.infostrefa.pl

Figure 23: Changes in Energa SA stock prices in comparison with changes in WIG, WIG30 and WIG-Energia indices



Source: Proprietary material based on data from www.infostrefa.pl

Figure 24: Changes in Energa SA stock prices in comparison with changes in WIG, WIG30 and WIG-Energia indices



Source: Proprietary material based on data from www.infostrefa.com

The year 2019 started with an increase of Energa's share price and the whole energy sector. Until 4 February 2019, WIG-Energia Index was growing much faster than the other indexes and reached the highest level in the first half of 2019. From that moment, share prices of the energy sector companies began to record declines. In mid-March the price of the Company's shares and the WIG-Energia Index returned to the level from the beginning of the year. This coincided with the removal of Energa from WIG20 Index and the beginning of the period of annual result publication. Energy sector companies, as recommended by auditors, created reserves due to uncertainty regarding compensation. Since then, slight increases have been recorded in the energy sector companies, but the trend has continued to decline.

The closing price of Energa's shares on the last trading day (i.e. 30 September 2019) stood at PLN 6.40, which represents a decline by 28% compared with the last trading day in 2018 (i.e. 28 December, 2018). In Q3 2019 WIG-Energia index dropped by 13% and by 18% compared to the end of 2018.

From 16 March 2019, the Company's shares are included in mWIG40 index and remained in WIG30. Additionally, starting from the beginning of September Energa's shares are included in WIG-CEE plus and WIG-ESG indexes. Detailed information on the indexes is presented below.

Energa SA is part of WIG-CEE plus and WIG-ESG indices

On 4 September 2019, during the Economic Forum in Krynica-Zdrój, the representatives of stock exchanges of the Visegrad Group (Poland, the Czech Republic, Slovakia and Hungary), Croatia, Romania and Slovenia signed a letter of intent concerning commencement of publication of a new index of the stock exchanges from the Three Seas Initiative Region, **CEE plus**.

Energa SA found itself in the WIG-CEE plus index portfolio among over 100 most liquid companies listed on the stock exchanges from the Central and Eastern Europe region: Bratislava, Bucharest, Budapest, Ljubljana, Prague, Warsaw and Zagreb.

Introduction of a new regional index, on the initiative of stock exchanges from the Three Seas Initiative Region, comes in response to the expectations of the investors who pointed to the need for the companies from CEE region to be aggregated in a single index. Following Poland's promotion to the group of developed markets, we contribute to the region's increased importance and promote the local market and companies among the new groups of investors.

The information on the index shall be provided on a daily basis based on the closing stock prices from all markets and subsequently converted at the exchange rate published by the National Bank of Poland (NBP) in local currencies, euro and the American dollar. In the immediate future, that index shall serve

as the underlying instrument for TFI PZU passive fund called inPZU CEEplus, which may contribute to the investors' increased interest in the issuers covered by the index.

On 3 September 2019, the Warsaw Stock Exchange commenced publishing the new **WIG-ESG** index which covers the companies appearing on WIG20 and mWIG40 indices and deemed socially responsible, i.e. observing the socially responsible business rules, in particular with respect to environmental, social, economic and corporate governance issues. The companies' weights in the index shall depend, as in the case of other indices, on the number of free float shares, adjusted for ESG ranking and assessment of application of the "Best Practice for WSE Listed Companies 2016".

The ESG rating of companies, representing one of the criteria of establishment of weights in the index, is prepared based on the reports from Sustainalytic, an international firm specialising in provision of ESG services which is in charge of defining corporate scoring based on the generally available information published by the companies. Global firms calculating indices and institutions making investments in international equity markets rely on Sustainalytic services.

WIG-ESG is an income-based index, which means that both prices of transactions concluded therein and the dividend income is considered when calculating its value. The NN Investment Partners TFI fund shall be the first product based on WIG-ESG index.

Energa SA shares are currently part of RESPECT Index published for the last 10 years. That index shall be published until the end of 2019 and, starting from 1 January 2020, WIG-ESG index only shall be published.

“Energa w Akcji!” [Energa in Action!] loyalty scheme for individual investors

“Energa w Akcji!” is the first such a comprehensive and extensive loyalty scheme among the energy companies listed on the Warsaw Stock Exchange (WSE) addressed to individual investors. Thus, Energa joined other major companies both from the Polish market and international markets that pursue similar initiatives. The scheme provides for multiple benefits for individual shareholders. It also aims to educate. Its purpose is to raise Poles' awareness of the functioning of the equity market.

Anyone who has owned or co-owned a minimum of 500 shares of Energa SA continuously over a period of six months is eligible to take advantage of the scheme's attractive offer.

Under the scheme, investors may use a wide range of products and services both offered by the organiser, Energa, and MyBenefit, PKO Bank Polski Brokerage House and Stowarzyszenie inwestorów Indywidualnych (Association of Individual Investors).

More information on the scheme is available online on a dedicated website at: <https://energawakcji.energa.pl/>.

Figure 25: Analyst recommendations awarded in the first 9 months of 2019



A list of recommendations can be found on the Company's Investor Relations website at <https://ir.energa.pl/en/ir/investor-relations-web-site/Financial-results/Recommendations>.

5.3. Changes to corporate bodies and shares held by executive and supervisory personnel

In Q3 2019 there were no changes in the composition of the Management Board and as at 30 September 2019 the composition of the Board was as follows:

- 1) Mr. Grzegorz Ksepko – Vice-President of the Management Board for Corporate Matters, acting President of the Management Board,
- 2) Mr Jacek Kościelniak – Vice-President of the Management Board for Financial Matters,
- 3) Mr. Dominik Wadecki – Vice-President of the Management Board for Operations.

The composition of the Supervisory Board also remained unchanged and as at 30 September 2019 it was as follows:

- | | | |
|--------------------------------------|---|--|
| 1) Ms. Paula Ziemiecka-Księżak | - | Chairperson of the Supervisory Board, |
| 2) Mr. Zbigniew Wtulich | - | Vice-Chairperson of the Supervisory Board, |
| 3) Ms. Agnieszka Terlikowska-Kulesza | - | Secretary of the Supervisory Board, |
| 4) Mr. Andrzej Powalowski | - | Member of the Supervisory Board, |
| 5) Mr. Marek Szczepaniec | - | Member of the Supervisory Board, |
| 6) Mr. Maciej Żółtkiewicz | - | Member of the Supervisory Board. |

Detailed résumés of all members of the Supervisory Board and Management Board are available on our website <https://grupa.energa.pl/en/energa-group/company-management>.

As at the date of publication of the interim report for the first 9 months of 2019, as at 30 September 2019 and as at the date of this Report, no member of Energa SA's Supervisory Board and no member of Energa SA's Management Board held any Company shares, Company share options or any shares in the Company's related parties.

**OTHER INFORMATION
RELEVANT FOR
ASSESSMENT OF THE
ISSUER'S SITUATION**



6. OTHER INFORMATION RELEVANT FOR ASSESSMENT OF THE ISSUER'S SITUATION

6.1. Information on material contracts and agreements

Agreements for loans and borrowings and the domestic bond issue programme

Details on agreements for loans and borrowings and the domestic bond issue programme are presented, inter alia, in Note 17, *Financial Instruments*, to the condensed interim consolidated financial statements for the nine months ended 30 September 2019.

Guarantees and sureties granted

As at 30 September 2019, sureties extended by Energa SA to cover the liabilities of the Group companies totalled PLN 5,701 m and included:

- surety for liabilities of Energa Finance AB (publ) under Eurobond issue for PLN 5,467 m,
- sureties for liabilities of the Energa Group companies arising from bank guarantees granted by PKO Bank Polski SA under guarantee facilities dedicated to Energa Group companies in the total amount of PLN 164 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 market prices of goods, products or services delivered resulting from their manufacturing costs.

Detailed information on transactions with related entities is presented in Note 19 to the condensed interim consolidated financial statements for the nine months ended 30 September 2019.

6.2. 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 the risks involved in the business operations of the Company is presented in the Management Report on the operations of the Energa Group for the first half of 2019. In the opinion of the Management Board, the risks identified therein are still present.

6.3. Proceedings pending before courts, arbitration or public administration bodies

As at 30 September 2019, the Energa Group was a party to 13,521 court proceedings. The Group appeared as plaintiff in 11,837 cases, where the aggregate amount in dispute was approximately PLN 429 m. The Group appeared as defendant in 1,704 cases with the aggregate amount in dispute of approximately PLN 482 m.

As at 30 September 2019, the total amount of claims involving the location of power installations on third party properties without a legal title, awarded by final judgments, was approx. PLN 23 m in approximately 4,009 cases. 2,084 court cases with amounts in dispute totalling PLN 216 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 67 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 approximately 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 obliged to pay PLN 113,191.89 to Ergo Energy Sp. z o.o. (compensation and costs of proceedings);
- 2) Ergo Energy Sp. z o.o. was obliged to pay PLN 5,126,113.5 to Energa Obrót SA (including costs of proceedings).

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 part of the judgment. On 23 November 2018, Ergo Energy filed a response to the appeal, contesting part of the judgment.

On 8 May 2019 the Court of Appeal in Gdańsk, First Civil Division file No: I Aga 453/18 (Court of Second Instance) issued the final and non-appealable judgment.

On 4 June 2019, according to the decision of the Court, Ergo Energy Sp. z o.o. paid to the bank account of Energa Obrót SA the principal receivable of PLN 5,092,683.25 and court fees of PLN 73,447.88.

Currently Energa Obrót SA is in talks with Ergo Energy Sp. z o.o. on payments of interest adjudicated in the judgment. Part of these receivables has already been paid, i.e. PLN 306,000.

As at 30 September 2019, the aggregate value of all such cases was approx. PLN 335 m, which included:

Type of receivables	Balance as at 30 Sep 2019 (PLN m)
court, execution	126.3
bankruptcies	58.8
non-billed	7.4
non-billed - bankruptcies	2.3
Total	194.8

The table below presents the continuation of proceedings with the highest amounts in dispute, which remained pending in Q3 2019. Company's previous periodic reports and its Prospectus contain information on the legal steps taken in earlier periods.

Table 28: Proceedings pending before courts, arbitration or public administration bodies

Parties	Object of dispute	Case description
<p>T-Matic Systems SA, Arcus SA (defendant) Energia Operator SA (plaintiff)</p>	<p>Claim for payment of contractual penalties under the agreements to supply and launch the metering infrastructure (re: stage I of AMI).</p>	<p>The statement of claim was filed on 7 April 2015 (the amount in dispute is PLN 23,152,481).</p> <p>On 10 June 2015, the defendants filed a statement of defence, requesting that the claim be dismissed in its entirety, arguing that the defendants were not at fault for the delays, some of the delays being caused by reasons attributable to Energia Operator SA or to force majeure, the fact that Energia Operator SA suffered no damage and the contractual penalties were grossly excessive. In a pleading dated 30 September 2015, Energia Operator SA filed a reply to the statement of defence, addressing all defences in detail and tendering new evidence.</p> <p>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.</p> <p>On 13 January 2016, a hearing was held at which the Court obligated Energia Operator SA to file a reply to the defendants' rejoinder within 45 days.</p> <p>The plaintiff's pleading was sent on 25 February 2016. In H1 2016, a number of witness hearings were held. At the hearing held on 23 November 2016, the Court granted the parties' motion and adjourned the hearing due to the pending negotiations.</p> <p>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. The case files were provided to experts so that they could present their opinions.</p>
<p>T-Matic Systems SA, Arcus SA (plaintiff) Energia Operator SA (defendant)</p>	<p>Claim to declare an agreement regarding 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 Energia Operator SA.</p> <p>The case is pending before the Regional Court in Warsaw, file No. IX GC 893/15.</p> <p>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, as per the call for payment of 9 November 2015.</p> <p>On 30 January 2017, the Court issued a decision to resume the proceedings which had been stayed upon parties' motion.</p> <p>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 files will be</p>

		<p>forwarded to the Regional Court in Gdańsk. In this case, taking of evidence has been initiated and further witnesses are being examined.</p> <p>As regards the counterclaim, it was served on the plaintiffs (counterclaim defendants) who filed a statement of defence. The court heard the witnesses and representatives of Arcus SA, T-Matic Systems SA and Energa Operator SA. The parties submitted motions to take of evidence from experts, the court will decide on whether to admit and hear that evidence. Currently, the court is looking for experts capable of preparing an opinion.</p>
T-Matic Systems SA, Arcus SA (plaintiff) Energa Operator SA (defendant)	Claim for payment of compensation for unlawful acts/unfair competition practices	<p>On 29 January 2018, Energa Operator SA received a statement of claim from Arcus SA and T-Matic Systems SA for payment of the amount of PLN 174,111,458.96 as compensation for unlawful acts allegedly committed by Energa Operator SA. The compensation, concerns losses resulting from an unlawful act/unfair competition practice committed deliberately by Energa Operator SA and involving illegal actions or omissions in relation to the process of performing construction 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."</p> <p>The Company challenges the validity of the cause of action and will move for the action to be dismissed. 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 appealed against this decision in a complaint, which was dismissed.</p>
T-Matic Systems SA, Arcus SA (plaintiff) Energa-Operator SA (defendant)	For payment for additional works at AMI Stage 1	<p>On 30 September 2019, the Company received a statement of claim filed by Arcus SA and T-Matic Systems SA, in which the companies demand that Energa Operator SA pays PLN 4,710,466 of remuneration or returns groundless enrichment, or damages for alleged additional works performed during AMI Stage 1. The Company challenges the validity of the cause of action and will oppose it.</p>
Energa Operator SA (plaintiff); PKN ORLEN SA (defendant)	Claim for payment	<p>On 19 April 2016, the Court of Appeal in Warsaw pronounced its judgment in the case brought by Energa Operator SA, Branch in Płock, 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 and non-appealable. Energa Operator SA moved for delivery of the reasoned judgment, which was delivered to the Plaintiff's representative on 1 August 2016.</p>

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 hearing was set to take place on 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 a judgment with the explanatory memorandum 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 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 agreed, as had been requested for by EOP, to hear evidence regarding the business relations between Energa Operator SA and PKN Orlen from 1 January 2002 till 30 June 2002.

The next hearing was held on 26 June 2019. A witness was deposed. The court granted the parties' representatives a one month deadline to take a final position in the case, taking into account the evidence proceedings before the Regional Court.

The hearing was set by the Court to take place on 8 November 2019.

Energa Operator SA
(party);
PRESIDENT OF THE
ENERGY REGULATORY
OFFICE (authority)

Fine imposed by the
authority

Energa Operator SA received the decision of 21 December 2016 in which the President of the URE imposed a fine of PLN 11 m on the company 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.

		<p>The President of the URE responded to the appeal, requesting inter alia that it be dismissed. Two hearings were held, at which the court heard witnesses.</p> <p>On 24 May 2019, the court issued a judgment reducing the fine to PLN 5.5 m. Both parties filed appeals in this case.</p>
Energa Operator SA (party); PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)	Fine imposed by the authority	<p>Energa Operator SA received the decision of 6 November 2017 imposing fines totalling PLN 13.6 m 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 measurement data to trading companies; (3) failure to meet the deadlines to consider complaints from trading companies; (4) failure to meet the deadlines to verify reports on replacement of the seller; (5) failure to meet the deadlines for the final settlement of electricity sales agreements; (6) failure to restart power supplies to one of the customers.</p> <p>The Company appealed against this decision and requested that it be reversed or, in the alternative, varied by the fine being waived or reduced.</p> <p>The case is pending under file No. XVII AmE 68/18 and to date no actions related to it have been taken.</p>
Energa Kogeneracja Sp. z o.o. (plaintiff) – Mostostal Warszawa SA (defendant)	Claim for payment on account of a contract price reduction	<p>Case file No. IX GC 494/17; 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 contractual price owing 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).</p> <p>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 preparation of a statement of defence was extended to 15 December 2017.</p> <p>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</p>

and scientific institute in the normal course of 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 that letter, in the letter of 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. With a letter of 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, where the Court will rule on the opposition of Mostostal Warszawa SA to the intervention of the State Treasury – the Minister for Energy.

Boryszewo Wind Invest Sp. z o.o. (plaintiff)
Energa Obrót SA (defendant)

Claim for payment of damages for the failure by Energa Obrót SA to perform part of the agreement to purchase property rights in certificates of origin for renewable electricity.

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 to perform part of the Framework Agreement for the Sale of Property Rights under 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). Case file number assigned: IX GC 701/17.

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. The parties submitted responses to the statement of claim, a witness was heard, the Plaintiff did not agree to mediation.

The first-instance hearing was held on 31 October 2018 after which judgment was passed. 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.

The parties submitted a response to the counterclaim, an appeal hearing was held. On 28 October 2019, the judgment of the Court of Second Instance dismissed the appeal of Energa Obrót SA and the company was

		ordered to pay the plaintiff the reimbursement of the costs of PLN 18,750.
Energa Obrót SA (plaintiff) - "MEGAWATT BALTICA" SA (defendant 1), Powszechna Kasa Oszczędności Bank Polski 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 an agreement for the sale of property rights under certificates of origin ("CPA")	<p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Arbitration Court at the Polish Chamber of Commerce in Warsaw. Case file number assigned: SA 128/17. The Parties filed a response to the counterclaim.</p> <p>On 29 January 2018, a court session with Megawatt Baltica SA's participation was held with respect to a summons for a settlement attempt. No settlement has ever been signed. Several hearings were held, summaries were submitted.</p> <p>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. The parties submitted replies to the counterclaim, several hearings were held at which no substantive changes were made to the statement of claim.</p> <p>On 27 December 2018, the final judgment was issued whereby contractual penalties were awarded. The amount of the contractual penalties awarded was reduced by 10% (i.e. PLN 15,272,462). In the meantime, hearings without significant procedural events took place.</p> <p>On 26 September 2019 hearings were held regarding complaints for repealing the partial and final judgment.</p> <p>On 10 October 2019, the court issued a judgment dismissing Energa Obrót S.A.'s complaint to the final judgment and awarded the opponent a refund of the costs of the trial in the amount of PLN 2,417.</p>
Energa Obrót SA (plaintiff) – EOLICA KISIELICE 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 an agreement for the sale of property rights under certificates of origin ("CPA")	<p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Regional Court in Gdańsk, IX Commercial Division. Case file number assigned: IX GC 739/17. On 7 November 2017, Energa Obrót SA filed a pleading specifying the relief sought in more detail.</p> <p>On 12 March 2018, Raiffeisen Bank Polska filed a counterclaim for payment (the amount claimed: PLN 3,104,430). The Parties filed a response to the counterclaim. Several hearings took place, resulting in the settlement reached on 22 July 2019. Energa-Obrót S.A. withdrew the statement of claim and Raiffeisen withdrew the counterclaim. On 1 August 2019, the court decided to discontinue the proceedings regarding the main claim and the counterclaim.</p>
Energa Obrót SA (plaintiff) - PGE ENERGIA ODNAWIALNA SA, (defendant)	Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	<p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Regional Court in Warsaw, XX Commercial Division. Case file number assigned: XX GC 839/17. A hearing and mediation took place which did not lead to a settlement. The Court will continue to hear evidence.</p> <p>A hearing is scheduled for 28 April 2020.</p>

<p>Energa Obrót SA (plaintiff) – C&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 an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Arbitration Court at the Polish Chamber of Commerce in Warsaw.</p> <p>Case file number assigned: SA 127/17.</p> <p>The Parties filed a response to the counterclaim. 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 entity had been withdrawn. In the meantime, hearings took place, the Parties filed a response to the counterclaim with summaries.</p> <p>An updated counterclaim was filed by C&C Wind on 1 September 2018. The amount of the claim is PLN 7,767,619.14 including statutory interest for delay, which was later withdrawn in full without waiving the claim; Energa Obrót SA filed a response with an objection to withdrawal of the counterclaim regarding part of the amount. The parties submitted motions for mutual withdrawal of the claim and preparation of the list of costs of the proceedings.</p> <p>On 27 December 2018, the Court issued a judgment whereby it decided that C&C Wind was not required to refund the contractual penalties of PLN 6,578,480 paid to Energa Obrót SA, to which a complaint was filed to repeal the final judgment with the Party’s response.</p> <p>The date of the appellate hearing has not been scheduled.</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 an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Regional Court in Warsaw, XVI Commercial Division. Case file number assigned: XVI GC 799/17. The Parties filed a response to the counterclaim. On September 2018 the Court closed the court proceedings and issued a judgment dismissing the claim, to which Energa Obrót SA appealed against on 2 November 2018 and the Defendant filed a response.</p> <p>The date of the appellate hearing has not been scheduled.</p>
<p>Energa Obrót SA (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 an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Regional Court in Warsaw, XVI Commercial Division. Case file number assigned: XVI GC 805/17. The parties submitted a response to the counterclaim, followed by a hearing, during which, on 6 June 2018 the court issued a judgment dismissing the claim, which the parties appealed against and presented their response.</p> <p>The date of the appellate hearing has not been scheduled.</p>

Energia Obrót SA (plaintiff) – WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)	Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)	<p>On 11 September 2017, Energia Obrót SA filed a lawsuit with the Regional Court in Warsaw, XVI Commercial Division. Case file number assigned: XVI GC 798/17. The parties submitted a response to the counterclaim, hearings were held during which no significant procedural events took place, only witnesses were heard.</p> <p>On 6 September 2019 a hearing was held during which the Court dismissed the parties’ motions for evidence, including a motion to take evidence from the testimony of another witness, and then the Court closed the trial. The parties made their final speeches and the Court adjourned the announcement.</p> <p>On 19 September 2019, the Court dismissed the action with its judgment.</p>
Energia Obrót SA (plaintiff) – STARY JAROSŁAW WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)	Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)	<p>On 11 September 2017, Energia Obrót SA filed a lawsuit with the Regional Court in Warsaw, XVI Commercial Division. Case file number assigned: XVI GC 802/17. The parties submitted a response to the counterclaim, hearings were held during which the witness was heard and no major procedural events took place.</p> <p>With its judgment of 24 September 2019 the court dismissed the action for declaration, to which Energia Obrót SA filed a motion for statement of reasons.</p>
Energia Obrót SA (plaintiff) - PGE ENERGIA ODNAWIALNA SA, (defendant)	Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)	<p>On 11 September 2017, Energia Obrót SA filed a lawsuit with the Regional Court in Warsaw, XX Commercial Division. Case file number assigned: XX GC 842/17. The Parties filed a response to the counterclaim. On 27 March 2018 the Court referred the parties to mediation and appointed mediators.</p> <p>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.</p> <p>Hearings were held during which the Court only heard the witnesses. The trial date set to take place on 4 September 2019 was postponed at the mutual request of the parties motivated by settlement negotiations.</p> <p>The Court did not set a new date of the hearing.</p>
Energia Obrót SA (plaintiff) – KRUPY WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)	Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)	<p>On 11 September 2017, Energia Obrót SA filed a lawsuit with the Regional Court in Warsaw, XVI Commercial Division. Case file number assigned: XVI GC 803/17. The parties submitted a response to the counterclaim, hearings were held without major changes affecting the proceedings, a witness was heard.</p> <p>On 10 April 2019, the Court held a hearing at which it heard the Defendant and closed the trial.</p> <p>On 8 May 2019, the court issued a judgment dismissing the claim, to which the parties lodged an appeal and the Defendant presented a response to the appeal.</p> <p>The date of the appellate hearing has not been scheduled.</p>

Energia 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 Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	On 11 September 2017, Energia Obrót SA filed a lawsuit with the Regional Court in Warsaw, XX Commercial Division. Case file number assigned: XX GC 841/17. The Defendant filed a response to the statement of claim. On 26 March 2018 the Court referred the parties to mediation but the Parties failed to reach an agreement. Therefore, the Court will continue to hear evidence. The hearing is postponed to 12 November 2019 due to the judge's absence.
Energia 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 Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	On 11 September 2017, Energia Obrót SA filed a lawsuit with the Regional Court in Warsaw, XXVI Commercial Division. Case file number assigned: XXVI GC 711/17. The Parties filed a response to the counterclaim. A hearing was held without major changes affecting the proceedings. In May 2019 the parties commenced settlement negotiations. The hearing was postponed without setting a date.
Energia 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 Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	On 11 September 2017, Energia Obrót SA filed a lawsuit with the Regional Court in Warsaw, XVI Commercial Division. Case file number assigned: XVI GC 804/17. The Parties filed a response to the counterclaim. A hearing was held during which evidence was taken from witnesses. The hearing was set by the Court to take place on 17 December 2019.
Energia Obrót SA (plaintiff) – "EW CZYŻEWO" sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)	Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	On 11 September 2017, Energia Obrót SA filed a lawsuit with the Regional Court in Gdańsk, IX Commercial Division. Case file number assigned: IX GC 736/17. The parties submitted a response along with the extension of the counterclaim. Hearings were held during which witnesses were heard, without major changes affecting the proceedings. On 4 December 2018, the Court dismissed the action for declaration and imposition of penalties with its judgment. The plaintiff filed an appeal, and the Defendant responded to the appeal. At the hearing on 28 October 2019, the Court closed the trial. The judgment will take place on 28 November 2019.
Energia Obrót SA (plaintiff) – ELEKTROWNIA WIATROWA EOL sp. z o.o. (defendant 1), BANK ZACHODNI WBK SA (defendant 2)	Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	On 11 September 2017, Energia Obrót SA filed a lawsuit with the Regional Court in Warsaw, XXVI Commercial Division. Case file number assigned: XXVI GC 712/17. The Parties filed a response to the counterclaim. On 6 February 2018, the Court referred the Parties to mediation; the defendants refused to mediate. A closed hearing was held on 30 October 2018. The next one is to take place in November 2018. The parties submitted their pleadings. The court set the date of the hearing as 1 October 2019 and then postponed the hearing date to 21 January 2020.

<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 an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Regional Court in Gdańsk, IX Commercial Division. Case file number assigned: IX GC 735/17. The Parties filed a response to the counterclaim. Hearings were held which did not result in any significant changes to the proceedings.</p> <p>On 24 September 2018, a hearing was held, during which the Parties were heard and the Court closed the case in the first instance.</p> <p>Several hearings took place, on 13 August 2019 the Court issued a judgment dismissing the appeal by Energa Obrót SA and adjudicating costs of court representation to the defendants. The judgment is final and non-appealable.</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 an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Regional Court in Gdańsk, IX Commercial Division. Case file number assigned: IX GC 738/17. The Parties filed a response to the counterclaim. Hearings were held without major changes affecting the proceedings.</p> <p>The date of the appellate hearing has not yet been scheduled.</p>
<p>Energa Obrót SA (plaintiff) – (reason) - “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 an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Arbitration Court at the Polish Chamber of Commerce in Warsaw. Case file number assigned: SA 129/17. The Parties filed a response to the counterclaim with summaries.</p> <p>On 4 June 2018, the Court issued a partial judgment which dismissed the action for declaration brought by Energa Obrót SA.</p> <p>An updated counterclaim was filed by Raiffeisen Bank on 1 September 2018. The amount of the claim was PLN 1,352,533.66 including statutory interest.</p> <p>A hearing was held without major changes affecting the proceedings, then with its judgment of 27 December 2018, the Court awarded the amount of contractual penalties, reduced by 10% (i.e. PLN 1,019,280.31). Energa Obrót SA filed an appeal against the final judgment.</p> <p>The defendants have not filed a response and the date of the hearing has not been set.</p>

6.4. Headcount in the Group

As at 30 September 2019, the Energa Group employed the total of 9,926 persons (vs. 9,686 as at the end of last year). In Q3 2019, there were no significant changes in the level of employment (decrease by 11 people).

6.5. Collective disputes and collective dismissals

Collective dismissals

In Q3 2019, Group companies did not carry out any collective dismissals as defined in the Act of 13 March 2003 on special rules for termination of employment contracts for reasons not attributable to employees.

Collective disputes

As at 30 September 2019, about 5.6 thousand Energa Group employees were members of trade unions.

In Q3 2019, there were two collective disputes pending at the Group. All collective disputes are currently at mediation stage.

1. A collective dispute between Energa Elektrownie Ostrołęka SA (EEO SA) and organisations of trade unions: Związek Zawodowy Energetyków and Związek Pracowników Ruchu Ciągłego, involving:
 - the following demands made on 22 August 2017:
 - 1) to enter into a Collective Agreement covering the employees of EEO SA,
 - 2) to sign an agreement to pay of holiday bonuses to employees on Easter, the Power Engineers' Day and Christmas, in the amount of PLN 1,000 per person,
 - 3) to sign an agreement on Employee Pension Plans,
 - 4) to sign an agreement providing for annual pay increases by the increase in minimum wage,
 - 5) to sign a wage agreement by 31 October of the year preceding the calendar year covered by the wage agreement,
 - 6) to maintain the triple contribution to the Company Social Benefits Fund per employee,
 - 7) to pay PLN 1,000 net to each EEO SA employee by 10 September 2017.
 - the following demands made on 8 September 2017:
 - 1) to make a one-time payment of PLN 1,000 net to every EEO SA employee,
 - 2) to sign a collective agreement in accordance with the pronouncement of 22 August 2017.
2. A collective dispute between Energa Elektrownia Ostrołęka SA (EEO SA) and organisations of trade unions: Związek Zawodowy Energetyków, Związek Zawodowy Pracowników Ruchu Ciągłego, Związek Zawodowy Inżynierów i Techników, involving:
 - the following demands made on 7 February 2019:
 - 1) to introduce Employee Pension Plans in Energa Elektrownia Ostrołęka SA from 1 January 2019.

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 Operations

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 Expenditures)	Capital expenditures
CIRS, CCIRS (Currency Interest Rate Swap, Cross-Currency Interest Rate Swap)	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 ₂	Carbon dioxide
EIB (European Investment Bank)	European Investment Bank
EBITDA (Earnings before interest, taxes, depreciation and amortization)	Energa SA defines EBITDA as operating profit/loss plus depreciation/amortisation and impairment of non-financial non-current assets.
EBIT (earnings before interest and taxes)	Operating profit
Energa SA, Energa	Parent company in the Energa Group of Companies
Energa Operator, EOP	Energa Operator SA – a subsidiary of Energa SA and the Leading Entity of the Distribution Business Line in the Energa Group.
Energa Obrót, EOB	Energa Obrót SA – a subsidiary of Energa SA and the Leading Entity of the Sales Business Line in the Energa Group
EMTN (Euro Medium Term Notes)	The Euro Medium Term Notes programme
EUA (European Union Allowance)	emission allowances
EUR	Euro, currency used in European Union's eurozone countries
WSE	Giełda Papierów Wartościowych w Warszawie SA (the Warsaw Stock Exchange).
Energa Group of Companies, Energa Group	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, specialized 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	Central Statistical Office
GW	Gigawatt, unit of power in the International System of Units, 1 GW = 10 ⁹ W
GWe	Gigawatt of electrical power
GWh	Gigawatt hour
IRM	Stimulated Demand Reduction
IRS (Interest Rate Swap)	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
Co-generation, 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)	National Court Register (Krajowy Rejestr Sądowy)
kWh	Kilowatt hour, unit of electricity generated or used by a 1 kW device in an hour; 1 kWh = 3,600,000 J = 3.6 MJ
MW	Unit of power in the International System of Units, 1 MW = 10 ⁶ 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 the gaseous transmission system or in the electrical energy transmission system, current and long-term operational safety of this system, operation, maintenance, refurbishment and required expansion of the transmission grid, including connections with other gaseous systems or other electrical power 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 co-generation
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)	System Average Interruption Duration Index
SAIFI (System Average Interruption Frequency Index)	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 co-generation	A document issued by the President of the URE pursuant to Article 9I of the Energy Law confirming that electricity has been generated in high-efficiency co-generation in: (i) a gas-fired co-generation unit or a co-generation unit with a total installed electrical capacity at source under 1 MW (known as the yellow certificate), (ii) a co-generation 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 co-generation 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.
TPA (Third Party Access)	The rule which means the ability to use the power grid of a power company without an obligation to buy electricity from that company
TWh	Terawatt hour, a multiple of the SI unit of electricity. 1 TWh equals 10 ⁹ kWh.
URE	Energy Regulatory Office
WACC (weighted average cost of capital)	Weighted average cost of capital
WIBOR (Warsaw Interbank Offered Rate)	Warsaw Interbank Offered Rate
RAB	Regulatory Asset Base
Co-firing	Electricity or heat generation based on a joint, simultaneous process of biomass or biogas combustion with other fuels in one device; part of the energy generated in the above manner may be considered as energy produced from a renewable energy source