

Krzysztof Kubiszewski, equity analyst at TRIGON

Did you notice total dissonance between the first and second part of the presentation? In the first part you say that the market is transformed into more of a hybrid version of itself, and in the second you say you build a coal-fired power unit.

Considering the connection with Lithuania, which capacity is to be increased to 1,000 MW does this unit in Ostrołęka actually have place in the system. Shouldn't you build it in 2030, and not now?

If not totally non-market agreement for coal delivery, which is actually achieved at the expense of other energy companies, other stakeholders of PGG, would this unit make sense?

Dariusz Kaśków, Energa CEO:

This is precisely how our strategy is designed, it involves renewal of conventional sources of electricity generation. It does not negate renewable energy sources nor distributed energy. Also in this respect we are making investments or carry out maintenance projects. As far as the issue of an energy bridge (with Lithuania), President Kłossowski (CEO of PSE, Polish power grid operator) said we should first of all rely on our own domestic energy to ensure the safety of our own electricity system and we take such actions. Only subsequently we can rely on cross-border connections. Hence safety and almost full level of coverage of energy needs through our domestic power plants that produce electricity.

Przemysław Piesiewicz, deputy CEO, responsible for development strategy:

In the near future PSE will withdraw old generation units. We will have a gap in power production from conventional sources. We know one thing - we do not have an adequate system now, this Holy Grail, which can store energy when it is produced by renewable sources, and not when it is consumed. Until there is no such storage systems, we have to rely on conventional sources in Poland that are safe and guarantee the production of electricity. We rely on coal in the coming years, energy mix based on lignite and hard coal will be the basis for the operation of the national power system.

Krzysztof Kubiszewski, equity analyst at TRIGON:

Your strategy assumes adjustment of the demand side. So maybe you do not need to store energy? Polish industry, as I understand it, is already armed with smart meters, which allow for a very large volume of DSR.

Przemysław Piesiewicz, deputy CEO, responsible for development strategy:

DSR will be the part of capacity market, and as I said before we are the only aggregator in Poland, and use it. Surely it is easier to offer the market negawatts and reduce electricity consumption than to build pumped storage power plants. In this case we are talking about the gap in power generation, which is at several gigawatts of power, so we cannot reduce such a large amount of power in the system. We remember what was the reduction of 20 August last year, right?

Krzysztof Kubiszewski, equity analyst at TRIGON:

I would like to understand how are you going to earn this PLN 300 million in 2030, are you going to enter some kind of retail market? I find it hard to determine who will you take this money from?

Adam Kucza, head of investor relations:

So new products, PLN 300 million in 2025 (of additional EBITDA)?

Krzysztof Kubiszewski, equity analyst at TRIGON:

Yes, what you sell, and who is losing the market if you gain the market share?

Przemysław Piesiewicz, deputy CEO, responsible for development strategy:

Energa will operate as an integrator of certain services and products already now offered to our customers base. For example 'loan capacity' of our customers amounts to several billion Polish zlotys. Here in this market we will look for partners to work together and also to compete with the financial and insurance partners. This is just one of the examples.

Krzysztof Kubiszewski, equity analyst at TRIGON:

OK. Thank you.

Magdalena Graniszewska, journalist at PULS BIZNESU daily:

I have two questions in regards to Ostrołęka:

Have you already finished the analysis on the profitability of this project? Or are these analyses still underway? Is the decision that the investment will proceed already made? Can you say something about the parameters of profitability?

A second question concerns the likelihood of capacity market introduction. As I understand it, you assume that it will be introduced for sure. While a few weeks ago your competitor ZE PAK, which worked on its own investment in the gas-fired unit suspended the project, saying the introduction of capacity market is not sufficiently likely. Can you respond to such conclusions? Thank you.

Przemysław Piesiewicz, deputy CEO, responsible for development strategy:

I suspect ZE PAK has quite different information than we do. We also have a portfolio of gas projects and were wondering whether to quit them. However, the capacity market creates a chance for gas-fired power plants, because as you can see the system lacks flexibility. I am convinced that the system operator perfectly sees the lack of flexibility in the system and it will strive for it, and for such entities, adding flexibility to appear. When it comes to our idea of Ostrołęka above all we want to make profitable business, we want to achieve an appropriate return on capital. We want to create value for the whole group and we believe strongly, are 101 percent sure that capacity market in the form we desire, will be introduced and will allow us to accomplish this investment. We are convinced that this year we will be able to announce a tender for Ostrołęka.

Magdalena Graniszewska, journalist at PULS BIZNESU daily:

Are there still some corporate decisions to be made?

Przemysław Piesiewicz, deputy CEO, responsible for development strategy:

Yes, we are still on the corporate decisions path. We still have decisions of other bodies of the company to be made.

Dariusz Kaśków, Energa CEO:

Here, Ladies and Gentlemen, in terms of capacity market, in Europe there are similar regulations, and they have been welcomed by the European Commission. We, as a country, will follow the same path, in order to achieve approval for the capacity market. We hope that the capacity market will take the proposed now form, i.e. the version, which is partly modified to the initial version. It means more support for new generation, it will involve our Ostrołęka C, and we will participate in this auction. We hope to achieve a satisfactory rate of return at this auction.

Aneta Wieczerzak-Krusińska, journalist at PARKIET i RZECZPOSPOLITA:

I have several questions, one concerns a very large budget of project "Vistula". There is assumed PLN1 billion for 80 MW, which translates into over PLN12 million per 1 MW. Please tell me why the budget for such a small project in terms of installed power is so big? Secondly, I would like to know how EBITDA of PLN 2,4 - 3 billion will be allocated among the various segments in the years 2020-2025. Another question also applies to renewable energy sources. You talk about maintaining a strong position in the segment of renewable energy assuming the construction of only 50 MW. There is still this hydroelectric power station, but looking at the strategies of other companies, for instance PGE and its offshore windmills it seems this strategic goal cannot be maintained. Last question applies to Ostrołęka. Here I would like to clarify whether this Ostrołęka C will be redesigned in a way to be more flexible unit. Do you assume the construction of 1000 MW a large, inflexible unit, or is there an idea to redesign it, to build two smaller units, or something like that, which would be more suited to the requirements of today's system? Thank you.

Dariusz Kaśków, Energa CEO:

Do you talk about strategic objective in terms of the country achieving certain level of renewable energy?

Aneta Wieczerzak-Krusińska, journalist at PARKIET i RZECZPOSPOLITA:

You said you would like to maintain strong position in renewable energy generation. The question is whether with 50 MW only it is possible? For me we can see certain discrepancy here. Especially in comparison with investment plans of other companies that have a lot more ambitious plans.

Dariusz Kaśków, Energa CEO:

The representatives of our generation segment will give you detailed response. I want to say that we have the majority of the production of energy in our group coming from renewable sources.

Aneta Wieczerzak-Krusińska, journalist at PARKIET i RZECZPOSPOLITA:

I assume clean renewable energy, not necessarily pumped storage power plants, that you count sometimes.

Dariusz Kaśków, Energa CEO:

Now in the strategy for the years 2016-2025, we would like to focus, in contrast to previous years, on conventional production, as you can see. Hydroelectric power plant Siarzewo, this is the main investment in generation. Mr Szaj, please explain in detail renewable energy.

Robert Szaj, Chief Operating Officer of Energa Wytwarzanie SA

Referring to the questions that you asked about the expenditure on Siarzewo, it is our preliminary estimate. However, as you well know, investment in small hydro power plants are more than PLN20 million per 1 MW installed. These are our preliminary estimates, in terms of investment in Wloclawek. Regarding the question about keeping the leadership position, because you referred to this issue. You say there is a dissonance between the strategic objectives, we referred to the fact that we want renewable energy to remain a key and very important in the structure of power generated in the group in percentage terms. We do not focus only on these two areas that have been identified here, including Wloclawek, but we also are looking for and would like to go into areas such as biogas and other areas related to renewable energy sources. This is not a closed list of those areas that have been indicated here. Due to the limited time and the brevity of presentation only those are indicated in the presentation.

Aneta Wieczerek-Krusińska, journalist at PARKIET i RZECZPOSPOLITA:

There will be more than 50 MW?

Robert Szaj, Chief Operating Officer of Energa Wytwarzanie SA:

50 MW is too only our estimate. We are not sitting at the moment with a calculator and do not exactly count individual kilowatts. These are preliminary estimates.

Aneta Wieczerek-Krusińska, journalist at PARKIET i RZECZPOSPOLITA:

So this estimate on Siarzewo can be changed?

Robert Szaj, Chief Operating Officer of Energa Wytwarzanie SA:

I think it is too early to answer this question.

Mariola Anna Zmudzińska, deputy CEO, responsible for investor relations:

I think that looking at the electricity generation and renewable energy today we dominate, so compete with us today is no longer so easy, and we would like to maintain this balance and simultaneously monitor the market.

Dariusz Kaśków, Energa CEO:

For Ostroleka, the prepared documentation assumes 1000 MW. As far as the EBITDA breakdown is concerned Mr President Rędaszka will answer.

Mariusz Rędaszka, CFO of Energa:

At this stage, we do not want to disclose how each segment will contribute to EBITDA in 2025. We have a certain structure today. I think it is possible to estimate. We know where we will get additional EBITDA generating revenue. However we do not want today to provide you with this data, because we do not know how certain thing will finally look like.

Dariusz Kaśków, Energa CEO:

However distribution will be the dominant segment.

Maciej Martewicz, Bloomberg News correspondent:

I wanted to ask you to clarify your dividend policy. According to the chart in the presentation CAPEX increases significantly in year on year comparison as early as next year, and this year you already cut dividend strongly compared to the original plans. I wanted to ask if during 10 years of the strategy is there a chance for the payment of the dividend?

Dariusz Kaśków, Energa CEO:

I, to some extent, have already told about dividend during the presentation. We released official statements. The dividend is entirely subordinate to the investment activities of Energa. Depending on the situation related to the implementation of our strategy and annual plans of individual investments, main investments end in 2023, if strategy presented today is implemented.

Bartłomiej Sawicki, journalist at Biznes Alert portal:

I wanted to ask about Ostrołęka. Did you talk to some funds that could support investment in a new unit? In reference to Lithuania, do you talk to potential Lithuanian investors? because the energy from Ostrołęka could theoretically be delivered to Lithuania. Is there any similarity to Koźienice. What contribution can Enea bring? Thank you.

Dariusz Kaśków, Energa CEO:

I would like to come back to the previous question. The final decision on dividend is made by the general meeting of shareholders, with the dominant owner among them. When it comes to this question - yes, we are looking for partners. In addition, we intend to start this investment together with Enea, which has know-how in the implementation of Koźienice and we have hopes they will support us in the subject of knowledge and experience from the moment of tender announcement, and selecting the contractor, and the process of investment itself. One of the motives of this partnership was their experience in implementing similar investment. When it comes to Lithuania and what is happening in energy policy, there is no obstacles in sending energy from Ostrołęka in that direction.

Robert Maj, equity analyst at Haitong Bank

I would like to ask about dividend. Are you going to recommend dividend for the year 2016, just to define the nearest perspective. And I have questions about Ostrołęka. You will want to finance 50 percent. Are you aware of funding model already? Is it going to be financed from the balance sheet or from outside the balance sheet? Is it going to be included in the net debt/EBITDA ratio of 3.5, which

you plan to maintain? Is this the capex that you plan, these billions of zlotys by 2025 going to be financed via balance sheet, or you will rather seek to outsource it, whether to Enea, or to PIR or to other funds? On page 29 of your presentation you present PLN 3.7 billion, as the usage of regulations to stabilize revenues. Is it the part you expect that you will get from the capacity market for Ostrołęka, or it is a part of the capacity power market share you expect by 2025 in general?

Adam Kucza, head of investor relations:

I will take the last question. PLN3.7 billion are investments that use regulations stabilizing revenues, mainly our investments in generation, mainly Ostroleka C, not only the capacity market. It is generally CAPEX on our investments, especially in the generation segment, including cogeneration.

Robert Maj, equity analyst at Haitong Bank

Calculating NPV of Ostrołęka you assume a capacity market in the scenario optimal for you. What is the actual optimal scenario? How much do you expect de facto, that you get from the capacity market and how much CAPEX it will cover?

Dariusz Kaśków, Energa CEO:

It will depend among other things on the auctions. It is difficult to specify the level today. The second issue, dividend, at this moment we are not able to say how the dividend situation for 2016 will look like.

Robert Maj, equity analyst at Haitong Bank:

Are you aware of funding model already? Is it going to be financed from the balance sheet or from outside the balance sheet? Is this the capex that you plan going to be financed via balance sheet? Is it be included in the net debt/EBITDA ratio of 3.5, which you plan to maintain? Or you will rather seek to outsource it?

Mariusz Rędaszka, CFO of Energa:

Today, that is the question I'm not able to answer. All the time we work, much depends on how the agreements with our partners are finally shaped, because it will determine the control over the assets and the final decision of how it is interpreted in our financial statements. We consider full consolidation, but also we consider reporting on the same basis as our investment in PGG, which is below the EBITDA. These are issues about which we do not have clarity yet.

Adam Kucza, head of investor relations:

The presentation slide, which was presented by the management board, and is now behind us, that shows the structure of cooperation with Enea, may be helpful. Our base scenario is fifty-fifty. On the other hand, what is at the bottom of the slide, is the potential participation of financial partners, which also will take away part of the costs from us. Once all the financial parameters, structure, auction result are already known, then participation of financial investors is likely.

Mariusz Rędaszka, CFO of Energa:

I can only add that, of course, our aim is the burden, on our balance sheet of this investment, to be as small as possible. So that we also have the flexibility in future years to respond to all kinds of events that today we cannot predict. As you know the market is dynamic, changing, as we today presented it in our strategy. What will happen in ten years it is difficult to definitely say. That is why we want to maintain a certain level of flexibility, such security to all kinds of risks, including financial risks.

Dariusz Kaśków, Energa CEO:

Therefore we are looking for partners, not only from the industry, but also financial partners and not only Enea in order to make our balance sheet burdened as little as possible. We are open to various proposals that appear on the market. 3.5 ratio is not vulnerable during the strategy entire time horizon, with rating at investment grade level. The matter of the dividend for 2016 is open, there is no decision.

Robert Maj, equity analyst at Haitong Bank:

One more question on acquisitions. You said you would like to increase EBITDA through acquisitions. Do you have EdF assets in mind or other projects?

Dariusz Kaśków, Energa CEO:

Yes, we are in this process. We await response. You know how it is now from regulatory and decision side about the procedure of sale of EdF assets.

Ireneusz Chojnacki – Wirtualny Nowy Przemysł:

I have one question on distribution. Namely I would like to ask the extent to which the plans presented in the distribution segment are agreed with the regulator? Thank you.

Prezes Zarządu Dariusz Kaśków :

Mr. President Dorawa, who leads negotiations will answer this question. However, in terms of tariffs the percentage return on equity is reduced. Therefore, we need to look for other opportunities to obtain investment capital.

Piotr Dorawa, Chief Executive Officer of Energa Operator:

Detailed information is very short, because it is entirely reflected.

Adam Kucza, head of investor relations:

Do we still have any questions. While there is free microphone I look at the questions from the Internet. There was a question about the dividend, which Mr. President Kaśków already answered.

Dariusz Kaśków, Energa CEO:

Ladies and Gentlemen, our goal is to achieve 100-percent-intelligent distribution network with our customers fully equipped with smart meters able to remote reading. Our invoices are issued in the amount of the actual energy usage, not what is estimated.

Adam Kucza, head of investor relations:

If there are no further questions, thank you for your attention, thank you, our viewers online. Feel free to ask questions on the sidelines and to keep in contact with us. Thank you.

Prezes Zarządu Dariusz Kaśków :

I thank you also for your presence. I think we explained a little closer and in sufficient way plans of Energa Group for the years 2016-2015. Thank you.