

Transcript of Q&A session – Q3 2018 Investors and Analysts Conference of Energa S.A. (8 November 2018)

Krzysztof Kubiszewski, Trigon analyst: Good morning, Krzysztof Kubiszewski, Trigon. My question is as follows: am I right in thinking that the European Commission has set some kind of maximum price that possibly can be achieved in the capacity auctions? I believe this price to be around PLN 200, or it appears to me that the Polish side reported to the European Commission some upper limit and that the maximum price was about PLN 200.

Jacek Kościelniak, Vice-President of Management Board for Financial Affairs: Ladies and gentlemen, if you excuse me, we need a moment for consultation... Do I understand your question correctly – are you asking about a possible upper limit of the maximum amount per generating unit? That this cannot exceed PLN 200?

Krzysztof Kubiszewski, Trigon analyst: That's right, how much per MW per year, per MW can maximally be obtained in the auction.

Jacek Kościelniak, Vice-President of Management Board for Financial Affairs: May I ask our expert, Michał Szych, to answer that question? Do we know anything about it? But please, ladies and gentlemen, this would mean an interference in the Polish market, of course, but....

Michał Szych, acting Head of the Strategy and Regulatory Policy Department: Good morning, Michał Szych, Energa S.A. As far as maximum prices are concerned, they arise from the regulation of the Ministry of Energy. Indeed, there is a maximum price level from which the capacity auction rounds will start, i.e. about PLN 300, up to PLN 300,000 per MW multiplied by an adjustment factor depending on which capacity market auction we are talking about.

Krzysztof Kubiszewski, Trigon analyst: Do I understand correctly that the results of these auctions for coal units would be a secured price for Ostrołęka and newly-built coal units for the next 15 years?

Michał Szych, acting Head of the Strategy and Regulatory Policy Department: The price at which the auction will close is uncertain, it will be determined in the competitive play between the various entities that will be taking part in the auction. But coming back to your first question, as far as the maximum prices are concerned, in the 15 auction rounds planned now in 2018 the closing price of the auction will be determined at the intersection of the capacity demand and supply curves, so here there is some degree of uncertainty.

Krzysztof Kubiszewski, Trigon analyst: But the resulting closing price will be between PLN 0 and PLN 300....

Michał Szych, acting Head of the Strategy and Regulatory Policy Department: Yes, PLN 300,000 per MW, per year...

Krzysztof Kubiszewski, Trigon analyst: ... and it will be the price that these new coal-fired units will be receiving for a longer period of time. This will set a price for them....

Michał Szych, acting Head of the Strategy and Regulatory Policy Department: For maximum 15 years.

Krzysztof Kubiszewski, Trigon analyst: Yes?

Michał Szych, acting Head of the Strategy and Regulatory Policy Department: Yes.

Krzysztof Kubiszewski, Trigon analyst: And as today Tauron announced that it intends to submit all its units, the demand will reach about 14 GW, so I am deducing that there will be an oversupply of units, if this happens.

Michał Szych, acting Head of the Strategy and Regulatory Policy Department: We do expect a lot of competition, as it is in the best interest of all players to submit their maximum capacity possibly starting from the auctions set for the years 2021, 2022, and 2023. Potentially, in the next auctions which are to be announced in the following years, there is a risk that this availability, this supply of capacity will be insufficient.

Krzysztof Kubiszewski, Trigon analyst: Yes, but in this first auction, which will set prices for a longer period of time for new coal-fired units, i.e. these 4 units, we have an oversupply of capacity.

Michał Szych, acting Head of the Strategy and Regulatory Policy Department: We do not know that at the moment.

Krzysztof Kubiszewski, Trigon analyst: Yes?

Michał Szych, acting Head of the Strategy and Regulatory Policy Department: There is a potential risk of that happening.

Jacek Kościelniak, Vice-President of Management Board for Financial Affairs: As my colleague has just explained, there is a potential risk that maybe, but not necessarily – let me stress that again – maybe, but not necessarily, there will be an oversupply of capacity, so please, ladies and gentlemen, on 15 November, we will know a lot more about the auction, because it will be the first auction, yes? On 21 November, our new and existing units will join that auction. We will see then what it will look like, we believe that from the point of view of Ostrołęka C it will look good. And here I would like to suggest coming to a conclusion...

Krzysztof Kubiszewski, Trigon analyst: As I understand, there is no minimum price, is there? Is there anything...?

Michał Szych, acting Head of the Strategy and Regulatory Policy Department: The minimum price, well, the minimum price is set by each player who will join the auction. And this is sensitive information, nobody gives away such information.

Krzysztof Kubiszewski, Trigon analyst: Well I agree, but one can bid PLN 1 and just live with it.

Jacek Kościelniak, Vice-President of Management Board for Financial Affairs: Please, Mr. Kubiszewski, as my colleague said, as we are here at the Warsaw Stock Exchange, and probably many people outside the Warsaw Stock Exchange are listening to us, so let us not give any pricing information, because it will have to be reported. Ladies and gentlemen, we will disclose everything, and that is our guiding principle. We operate transparently and, with an open visor, we inform the market about all events that affect the company's operations. Another question, please.

Aleksander Korsak, Head of IR: Maybe I will read a question that was asked online. Mr. Vittorio Villa – Kairos Partners, so probably Milan. Mr. Vittorio Villa asks about our results forecast at the end of the year.

Jacek Kościelniak, Vice-President of Management Board for Financial Affairs: I would like to stress that the Group does not publish any results forecasts officially. However, as I said earlier, we are carrying out a number of optimisation activities and we are expecting that at the end of this year, this reporting period, these activities will have an appropriate effect. At the same time, I would like to remind you that the Group is still in the phase of internal synergy. We have merged a number of companies. We have designated a company that specialises in protecting our assets. We have designated a logistics company, therefore we have centralised our entire public procurement and purchasing processes, and we are also expecting that this synergy will translate into the financial result. How much? I cannot say that at this moment, ladies and gentlemen, because it would be pricing information. We have some analyses, of course, we have our plan, of course, we have our budget, of course, we are guided by the consensus of your analysts presented to us, and we believe that it will be better than the consensus you have presented to us. Thank you.