



**Information
to the Condensed
Consolidated Report
of the
ENERGA Group**

for Q1 2017

Gdańsk
10 May 2017

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1. SUMMARY OF Q1 2017



Q1 RESULTS

KEY RESOURCES

RENEWABLE ENERGY SOURCES

ENERGA SA AT THE WSE

ENERGA GROUP AFTER Q1 2017

THIRD LARGEST INTEGRATED DISTRIBUTION SYSTEM OPERATOR IN TERMS OF THE VOLUME OF ENERGY SUPPLY, WITH THE HIGHEST NUMBER OF INSTALLED SMART METERS AND ONE OF THE MARKET LEADERS IN TERMS OF RELIABILITY OF ELECTRICITY SUPPLY

FIRST PLACE IN THE POLISH MARKET IN TERMS OF CONNECTION OF RENEWABLE ENERGY SOURCES AND LEADING POSITION IN OWN RES PRODUCTION

THIRD BIGGEST SELLER OF ELECTRICITY TO END USERS



PLN 601 m
EBITDA

PLN 313 m
Net profit



Distribution network with the length of over
184 thous. km



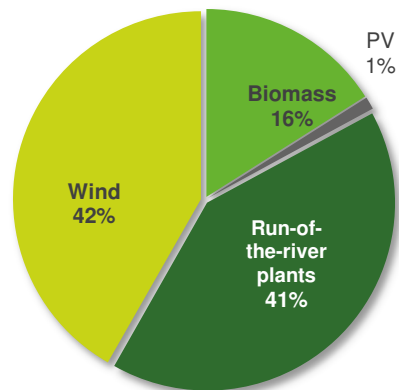
Installed capacity
1.34 GWe
of which **38%** are RES



8.8 thous.
employees



Structure of RES installed capacity in the Group



RES installed capacity:
505 MWe



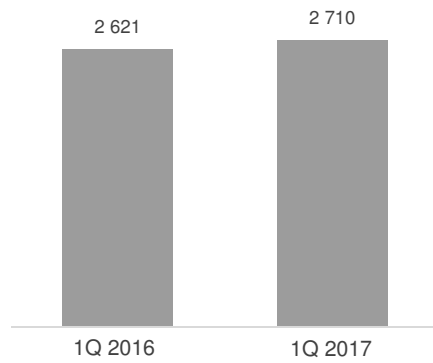
Market capitalization: **PLN 4.4 bn***

* According to the closing stock price on 31 March 2017.

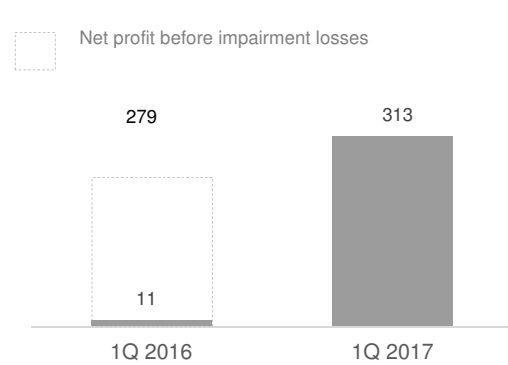
OPERATIONAL DATA

	Q1 2017	Q1 2016
Volume of electricity supplied (GWh)	5,623	5,644
Gross electricity produced (GWh)	1,023	1,005
- incl. RES (GWh)	397	362
Electricity sold (GWh)	5,943	5,962
- incl. retail sales (GWh)	5,094	4,905

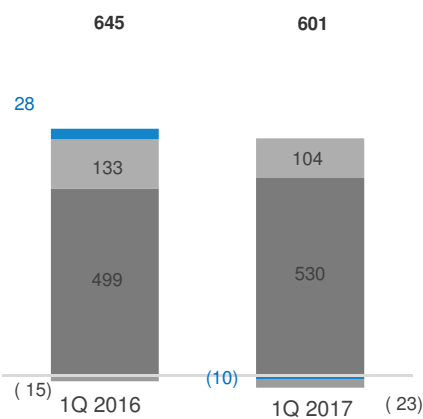
Revenues (PLN m)



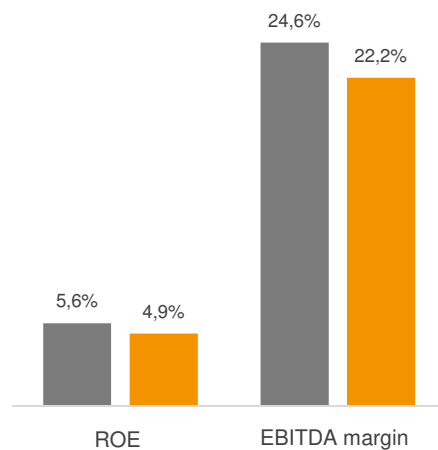
Net profit (PLN m)



EBITDA (PLN m)

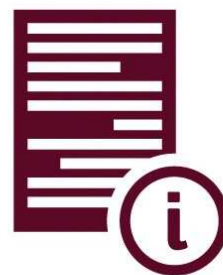


Profitability ratios



- Distribution
- Generation
- Sales
- Other and adjustment

Key information about the Group



2. KEY INFORMATION ABOUT THE GROUP

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

Execution of an investment agreement to recapitalize Polska Grupa Górnicza

On 29 March 2017, the Management Board of ENERGA SA made a directional decision on recapitalizing Polska Grupa Górnicza Sp. z o.o. ("PGG") with the amount of PLN 100 m by its subsidiary ENERGA Kogeneracja Sp z o.o. (Current Report No. 18/2017).

On 31 March 2017, the subsidiary ENERGA Kogeneracja Sp. z o.o. signed an Investment Agreement amending and supplementing the terms and conditions of the financial investment in Polska Grupa Górnicza Sp. z o.o. laid down in the first investment agreement executed on 28 April 2016 (Current Report No. 17/2016).

The parties to the Investment Agreement are ENERGA Kogeneracja, Enea S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A., Węglokoks S.A., Towarzystwo Finansowe Silesia sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych [Polish Corporates Mutual Fund – Private Assets Closed-End Mutual Fund] and PGG.

The transaction assumes a recapitalization of PGG by the Investors (excluding Węglokoks S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw) for the total amount of PLN 1 bn. As part of the investment in PGG, ENERGA Kogeneracja undertook to subscribe for new shares with the total par value of PLN 100 m in exchange for a cash contribution of PLN 100 m to be made in three tranches:

- 1) as part of the first tranche, in April 2017 the company subscribed for shares in PGG in exchange for a cash contribution of PLN 50 m,
- 2) as part of the second tranche, in June 2017 the company will subscribe for shares in PGG in exchange for a cash contribution of PLN 20 m,
- 3) as part of the third tranche, in Q1 2018 the company will subscribe for shares in PGG in exchange for a cash contribution of PLN 30 m.

After the most recent recapitalization, the company will hold a 15.32% stake in PGG's share capital.

The purpose of the investment was for PGG to obtain funds for financing the acquisition of the enterprise of Katowicki Holding Węglowy S.A. and to cover expenses associated with PGG's planned capital expenditures.

The Agreement also specifies the rules of operation for PGG and the governs the appointment of Supervisory Board members according to which each Investor and the State Treasury will be entitled to appoint one member of the Supervisory Board consisting of a maximum of eight persons (Current Report No. 19/2017).

Changes in the process of negotiating the acquisition of assets from EDF

On 27 January 2017, the Company and its Business Partners signed a Memorandum of Understanding with EDF concerning negotiation of the acquisition of EDF's assets in Poland and due diligence in this respect.

The transaction involves:

- (i) acquisition of all EDF's shares in EDF Polska S.A., which is the owner of, in particular, 4 CHP plants, i.e. Kraków, Gdańsk, Gdynia and Toruń and the heat distribution network in Toruń, Rybnik Power Plant and
- (ii) acquisition of acquisition of all the shares held by EDF in ZEC "Kogeneracja" S.A., which owns 4 combined heat and power plants, i.e. in Wrocław, Zielona Góra, Czechnica and Zawidawie and heat distribution networks in Zielona Góra, Siechnice and Zawidawie.

The Business Partners have agreed that a binding proposal, if any, will be submitted following a due diligence exercise, which will form grounds for making further decisions about the transaction (Current Report No. 8/2017).

The Company's Management Board reported that on 15 March 2017 the Company, together with ENEA S.A., PGE Polska Grupa Energetyczna S.A. and PGNiG Termika S.A. ("Business Partners"), made changes to the structure of the Transaction under which:

- PGNiG Termika S.A. opted out of the Transaction;
- PGNiG Termika S.A.'s previously declared share in the Transaction was taken over by PGE Polska Grupa Energetyczna S.A., as a result of which PGE's share in the Transaction increased to 60%;
- the interest of ENEA S.A. and ENERGA SA in the Transaction remains at the same level of 20% per company.

Closing of a public subscription for eurobonds issued by ENERGA Finance AB (publ)

On 1 March 2017, the Management Board of ENERGA SA announced the closing of the book-building process for eurobonds issued within the framework of the company's updated Eurobond Issue Program ("EMTN Program"). Information on the announcement of the intention to hold a public subscription for eurobonds issued by ENERGA Finance AB (publ) was published on 20 February 2017 (Current Report No. 14/2017).

The issue was executed by ENERGA Finance AB (publ) with its registered office in Stockholm, a wholly owned subsidiary of ENERGA SA, which will guarantee the issue. The following parameters were defined in the book-building process:

1. Issue amount: 300,000,000 (three hundred million),
2. Issue currency: EUR,
3. Maturity: 10 years,
4. Interest periods: annual,
5. Yield: 2.250%
6. Coupon: 2.125%,
7. Issue price: 98.892%.

Among the conditions for the completion of the transaction was the execution of a subscription agreement. The final settlement of the transaction was effected on 7 March 2017. The Eurobonds are listed on the Luxembourg stock exchange.

The funds raised through the bond issue will be applied to general corporate purposes. In this context, they will support the implementation of the Energa Group's Strategy for 2016-2025 in which more than 60% of expenditures are spent on the development and modernization of distribution networks and will serve the purpose of improving the Group's financial security (Current Report No. 16/2017).

Capital investment in Polimex Mostostal S.A

On 18 January 2017, with reference to a signed letter of intent regarding a potential investment in Polimex-Mostostal S.A., the Company's Management Board reported that the following agreements were signed:

1. The Investment Agreement with the Investors and Polimex-Mostostal S.A. under which, subject to the conditions precedent specified in the agreement (described in detail in Current Report No. 5/2017), the Investors undertook to make an investment in Polimex, i.e. subscribe to a total up to 150,000,000 series T common bearer shares with a par value of PLN 2 each, for the issue price of PLN 2 each issued by Polimex as part of the Polimex's share capital increase up to PLN 300,000,000. Pursuant to the Investment Agreement, the Company undertook to subscribe to 37,500,000 New Issue Shares for the total issue price of PLN 75,000,000.

2. Agreement between the Investors setting out the rules of cooperation and the mutual rights and duties of the Investors during the execution of the investment project contemplated in the Investment Agreement.

3. Agreement between the Investors and SPV Operator obligating the parties to the agreement, on the condition that the conditions precedent are satisfied, to conduct the transaction of selling a total of 6,000,001 Polimex shares by SPV Operator to the Investors, in which the Company undertook to purchase 1,500,000 Polimex shares.

4. Agreement between the Investors and TFS, under which TFS granted the Investors, against remuneration, an option to purchase Polimex shares from TFS if the TFS exercises its right to convert the convertible bonds issued by Polimex and undertook before the Investors not to convert its series A convertible bonds issued by Polimex without a prior written demand from the Investors.

On 18 January 2017, having examined the application, the President of UOKiK issued his approval for the concentration involving the acquisition of joint control over Polimex by the Investors (Current Report No. 5/2017).

On 20 January 2017, after the fulfillment of the conditions precedent set forth in the investment agreement signed on 18 January 2017, the Company accepted an offer made by the Polimex Mostostal S.A. management board to subscribe to 37,500,000 series T common bearer shares with a par value of PLN 2 each issued by Polimex at the issue price of PLN 2 each and for the total issue price of PLN 75,000,000 in private subscription. On the same day the Company purchased 1,500,000 shares of Polimex from SPV Operator (Current Report No. 6/2017).

Changes in the ENERGA SA Management Board

On 17 January 2017, the Supervisory Board dismissed Mr. Dariusz Kaśków from the position of President of the ENERGA SA Management Board, Mr. Przemysław Piesiewicz from the position of Vice-President for Development Strategy and Mr. Mariusz Rędaszka from the position of Vice-President for Financial Matters (Current Report No. 2/2017).

On 17 January 2017, Mr. Jacek Kościelniak was delegated by the Company's Supervisory Board to act temporarily in the capacity of Management Board Member responsible for managing the Company for a period of up to three months from the date of delegation (Current Report No. 2/2017).

On 16 February 2017, the Company's Supervisory Board adopted a resolution to dismiss from the Company's Management Board Ms. Mariola Zmudzińska who served as the Vice-President of the ENERGA SA Management Board for Investor Relations (Current Report No. 13/2017).

On 10 February 2017, the Company's Supervisory Board adopted resolutions to appoint the following persons to the Management Board of the 5th term of office:

1. Mr. Daniel Obajtek to serve as the President of the ENERGA SA Management Board from 2 March 2017,
2. Mr. Jacek Kościelniak to serve as the Vice-President of the ENERGA SA Management Board for Financial Matters from 11 February 2017,

3. Ms. Alicja Barbara Klimiuk to serve as the Vice-President of the ENERGA SA Management Board for Operations from 1 March 2017 (Current Report No. 12/2017).

Change in the composition of the ENERGA SA Supervisory Board

On 17 January 2017, Mr. Jacek Kościelniak was delegated by the Company's Supervisory Board to act temporarily in the capacity of Management Board Member responsible for managing the Company for a period of up to three months from the date of delegation (Current Report No. 2/2017). Then, in connection with his appointment to the Company's Management Board, Mr. Jacek Kościelniak tendered his resignation from membership in the Supervisory Board as of 10 February 2017 (Current Report No. 12/2017).

Since 10 February 2017, the ENERGA SA Supervisory Board has been operating in the following composition:

- | | |
|----------------------------------|--------------------------------------|
| a) Paula Ziemiecka-Księżak | – Supervisory Board Chairwoman, |
| b) Zbigniew Wtulich | – Supervisory Board Deputy Chairman, |
| c) Agnieszka Terlikowska-Kulesza | – Supervisory Board Secretary, |
| d) Andrzej Powałowski | – Supervisory Board Member, |
| e) Marek Szczepaniec | – Supervisory Board Member, |
| f) Maciej Żótkiewicz | – Supervisory Board Member, |

2.2. Activities of the ENERGA Group

The core business of the ENERGA Group entails distribution, generation and sales of electricity and heat and concentrates on the following key operating segments:

Distribution Segment – operating segment of key importance for the Group's operating profitability, involved in the distribution of electricity which in Poland is a regulated activity conducted on the basis of tariffs approved by the President of the Energy Regulatory Office (ERO). The ENERGA Group has a natural monopoly position in the northern and central part of Poland, where its distribution assets are located, through which it supplies electricity to over 3.0 million customers, 2.8 million of which are customers with comprehensive agreements and roughly 0.2 million are TPA customers. The distribution grid consists of power lines with a total length of approx. 184 thousand km (as at 31 December 2016) and covers almost 75 thousand km², i.e. about 24% of the country's landmass. ENERGA-OPERATOR SA acts as the Segment Leader.

Generation Segment – operates on the basis of four business lines: Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP – and photovoltaics). As at the end of Q1, the total installed capacity in the Group's power plants was approximately 1.3 GW.

In Q1 2017, the Group's gross production was 1 TWh of electricity. The installed capacity of our power plants relies on diverse energy sources, such as hard coal, hydropower, wind, biomass and solar energy. In Q1 2017, 61% of the Group's gross electricity production originated from hard coal, 27% from hydro, 11% from wind and 1% from biomass. The leader in this segment is 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 in hydro power plants. Green energy is produced in 45 hydro power plants, 5 wind farms, in a biomass-fired installation (ENERGA Kogeneracja Sp. z o.o) and in two photovoltaic farms. At the end of Q1 of this year, the Group had 0.5 GW installed capacity in renewable energy sources, in which the Group's gross electricity production reached 397 GWh.

Sales Segment – with ENERGA-OBRÓT SA as its leader – conducts sales of electricity, gas and additional services both as separate products and in packages to all customer segments – from industry,

through big, medium-sized and small business, to households. At the end of 2017, the ENERGA Group supplied 2.9 million customers, out of which over 2.6 million were G tariff customers and the remainder were customers from tariff groups: C, B and A, in a decreasing order.

In 2017, ENERGA-OBRÓT has been consistently continuing its efforts aimed at streamlining customer service channels and enriches its product offering by providing its customers with the solutions and conveniences they expect.

Special emphasis has been placed on decreasing the number of complaints, reducing the time of their examination and optimizing processes related to customers and to the quality of customer service.

The Sales Segment sees an opportunity associated with the increasing level of digitalization of the Polish society, therefore the eCommerce transactional environment is being consistently developed in order to enable the acquisition of customers through the online sales channel. This environment enables sales of the product offering in the eShop with a price offering for electricity.

The Segment's current offerings and products are available on the company's website.

2.3. Key changes in the Group's structure and organization

On 8 December 2016, ENERGA SA, ENEA S.A. and Elektrownia Ostrołęka SA signed an investment agreement to execute a project aimed at the construction of a new power unit in Ostrołęka. On 11 January 2017, the President of UOKiK issued an unconditional approval for the concentration and consequently, on 1 February 2017, ENERGA SA and ENEA S.A. signed an agreement for the purchase of shares by ENEA S.A. Under the above agreements, ENERGA SA and ENEA S.A. acquired joint control over Elektrownia Ostrołęka SA with its registered office in Ostrołęka; the company's purpose is building and operating a new coal-fired unit. Both parties will hold a 50% stake in Elektrownia Ostrołęka SA and the same number of votes at the General Meeting. The Management Board and the Supervisory Board will consist of the same number of representatives of both investors. Decisions on significant actions will require unanimous consent of both shareholders, who have the rights to Elektrownia Ostrołęka SA's net assets. Given the above, the investment was classified as a joint venture and is captured using the equity method.

Headcount in the ENERGA Group

As at 31 March 2017, total headcount in the ENERGA Group was 8,799, compared to 8,741 at the end of the previous year. The main reason for the increase in headcount in Q1 (by 58 persons or 0.7%) was the hiring of staff for a definite period of time in connection with the conduct of renovation and modernization works at ENERGA Elektrownie Ostrołęka SA and in the settlement and customer service area due to the continued works aimed at stabilization of the sales service system.

Group layoffs

The Group companies did not effect any group layoffs in Q1 2017.

Collective disputes

The general analysis of the social situation in the Group indicates that there are no conflicts in this area.

In Q1 2017, there were no collective disputes in the ENERGA Group.

2.4. Implementation of the investment program

Until the end of Q1 2017, the ENERGA Group executed investment projects worth PLN 217 m, of which almost PLN 168 m in the Distribution Segment. Investment projects in the Distribution Segment included expansion of the grid to connect new clients and producers as well as modernization, which is aimed at improving the reliability of electricity supply. Expenditures were also made for innovative grid technologies and solutions.

Work related to compliance with environmental requirements and modernization projects in the Ostrołęka B Power Plant constitute an important part of the Generation Segment's capital expenditures.

Table 1: Key capital expenditure areas during the first 3 months of 2017

Description of the project	Location	Capital expenditures (PLN m)	Execution stage
Grid development related to connection of new customers	Distribution areas	76.9	In progress continuously
Distribution grid modernization to improve reliability of supply	Distribution areas	63.1	In progress continuously
Other capital expenditures	Distribution areas and Distribution Segment companies	21.7	In progress continuously
Overhauls at the Ostrołęka B Power Plant	Ostrołęka	7.2	Finalization of works
Other projects and adjustments	-	48.3	-
Total		217.2	

2.5. Information on material contracts

Material contracts

In Q1 2017, no material contracts were signed.

Agreements for loans and borrowings and a domestic bond issue program

Details on the agreements for loans and borrowings and a domestic bond issue program are provided, among others, in note 16 *Financial instruments* to the consolidated financial statements.

Guarantees and sureties given

As at 31 March 2017, sureties extended by ENERGA SA to cover liabilities of the Group companies totaled PLN 5,407 m and included:

- surety for liabilities of ENERGA Finance AB (publ) on account of a PLN 5,275 m Eurobond issue,
- sureties for liabilities of the ENERGA Group companies arising from bank guarantees granted by Bank PKO BP SA under guarantee facilities dedicated to ENERGA Group companies in the total amount of PLN 117 m,
- surety for liabilities of ENERGA Wytwarzanie SA on account of a loan granted by WFOSiGW in Toruń in the amount of PLN 15 m.

Information on transactions of material importance with related parties on terms other than an arm's length basis

All the transactions within the ENERGA Group are made on the basis of the market prices of goods, products or services based on their manufacturing costs.

Information on transactions with related parties is presented in Note 18 to the condensed interim consolidated financial statements as at and for the period of the 3 months ended 31 March 2017.

2.6. Risk management

In the ENERGA Group, risk classification is composed of the following four areas:

- strategic, encompassing the risks associated with attaining strategic objectives, including planning and execution of investments and corporate governance,
- regulatory and legal, including compliance risks with the prevailing laws and regulations,
- operating, encompassing the risks associated with attaining operating objectives, including those relating to infrastructure, processes and resources,
- financial, encompassing the risks associated with financial management.

A detailed description of risks associated with the Company's activity is presented in the Management Board's report on the activity of the ENERGA Group for 2016. The Management Board believes that the risks presented in the aforementioned documents remain valid.

2.7. Proceedings pending before the court, arbitration bodies or public administration bodies

As at 31 March 2017, the ENERGA Group was a party to 9,497 court procedures. The Group acted as a plaintiff in 7,664 cases where the aggregated value of the disputed matters was approx. PLN 341 m. The Group acted as a defendant in 1,797 cases where the aggregated amount of the disputed matters was approx. PLN 796 m.

As at 31 March 2017, the total amount of claims for locating power installations on properties of other parties without the necessary legal title, awarded by final judgments, was approx. PLN 16.2 m in approx. 2,809 cases. Based on the available data about the value of pending procedures, we assume that the actual amount to be paid after the disputes are resolved may reach PLN 78.8 m, with a reservation that this amount may change if new court cases related to placement of power installations on third party's real properties without the necessary legal title are launched against ENERGA-OPERATOR SA.

Moreover, these data do not include the cases in which court and enforcement-based collection is conducted on behalf and for ENERGA-OBRÓT SA as the company pursues amounts due from its customers and bankruptcy cases, with the exception of the case filed by ENERGA-OBRÓT SA against ERGO ENERGY Sp. z o.o. in the amount of PLN 13 m. The aggregated amount of all such cases was approx. PLN 173 m as at 31 March 2017, including:

Type of receivable	As at 31 March 2017
court and enforcement-based	PLN 94 m
bankruptcies	PLN 66 m
non-billing	PLN 8 m
non-billing – bankruptcies	PLN 5 m
Total	PLN 173 m

None of the aforementioned proceedings pertaining to the liabilities or receivables of the Issuer or its subsidiary exceeded the minimum of 10% of the Issuer's equity. Also, no pecuniary penalty, fine or other financial liability measures were imposed that would be equivalent to at least 5% of the consolidated EBITDA for the last financial year.

The table below presents the continuation of proceedings with the highest value of the dispute which remained pending in Q1 2017. The Company's previous periodic reports and Prospectus contain information on legal steps taken in earlier periods.

Table 2: Proceedings pending before the court, arbitration bodies or public administration authority

Parties	Subject matter	Description of the case
Boryszewo Wind Invest Sp. z o.o. (plaintiff) ENERGA-OBRÓT SA (defendant)	Partial termination by ENERGA-OBRÓT of the agreement to purchase electricity and property rights to certificates of origin for electricity generated in RES.	On 26 October 2015, ENERGA-OBRÓT S.A. filed a response to the cassation complaint, in which it petitioned for refusal to accept the complaint for examination or, alternatively, for dismissing the complaint in its entirety and awarding the costs of proceedings against the plaintiff in favor of the defendant. The Supreme Court accepted the plaintiff's cassation complaint for examination. The Supreme Court's session to rule invalidity of a partial termination of long-term contracts was held on 16 September 2016. The Supreme Court repealed the judgment of the Court of Appeal in Gdańsk and returned the case to that court for re-examination. On 28 March 2017, a judgment was issued by the court in which: 1) the appeal was dismissed, 2) the defendant was ordered to pay the plaintiff the costs of the cassation and appeal proceedings in the amount of PLN 100,000.00 and the costs of legal representation in the amount of PLN 10,800.00.
T-Matic Systems S.A., Arcus S.A., (requesting parties) with the participation of ENERGA-OPERATOR SA	Call for a settlement attempt in connection with ENERGA-OPERATOR SA's claims	On 14 March 2016, ENERGA-OPERATOR SA received a request from T-Matic Systems SA and ARCUS SA with a call for a settlement conference regarding ENERGA-OPERATOR SA's claims for payment by contractors of the amount of PLN 157,063,142 under the execution agreement of 1 February 2013 to supply and launch meter infrastructure. At a session held on 5 August 2016, the court agreed to the joint request of the parties to defer the session in connection with the conduct of talks between the parties. A conciliatory meeting was held on 20 December 2016. The parties did not reach a settlement.
T- Matic S.A., Arcus S.A.(defendants) ENERGA-OPERATOR SA (plaintiff)	Lawsuit for payment of contractual penalties arising from the agreements to supply and launch the metering infrastructure (re: stage I of AMI).	On 18 December 2015 the defendant filed a second rejoinder comprising similar argumentation to the one presented in the statement of defense, but extended to include a charge of invalidity of the agreements due to their lack of precision and contractual inequality of the parties. On 13 January 2016 the hearing was held at which the court obligated ENERGA-OPERATOR S.A. to file a reply to the defendant's second rejoinder within 45 days. The plaintiff's pleading was sent on 25 February 2016. In H1 2016, a number of witness hearings were held. At the session held on 23 November 2016, the court, in accordance with the petition of the parties, issued a Decision to delay the hearing due to the pending

		negotiations. On 8 February 2017, a court session was held during which the parties did not reach an agreement. At the session held on 7 April 2017, the hearing of a witness took place. The date of the next session will be set ex officio.
T- Matic S.A., Arcus S.A. (plaintiff) ENERGA-OPERATOR SA (defendant)	Lawsuit to rule invalidity of an agreement (re: stage II of AMI)	On 8 February 2016, the statement of claim filed by T-Matic Systems SA and ARCUS SA was delivered to ENERGA-OPERATOR SA. The case is pending before the Regional Court in Gdańsk, under file ref. no. IX GC 893/15. The defendant's representative filed a pleading to extend the court deadline for responding to the replication. Because the time limit for the response elapsed on 1 July 2016 and the court failed to issue a decision to extend the time limit, the defendant sent a pleading of 1 August 2016 responding to the legal issues and another pleading of 1 September 2016 responding to the technical issues. On 7 November 2016, a counterclaim was filed against Arcus and T-Matic to pay PLN 157,063,142 on account of the payment of contractual penalties of PLN 156,060,200 and PLN 1,002,942 of a reduction in remuneration, in accordance with the demand for payment of 9 November 2015. The court suspended the proceedings in accordance with a joint petition to that effect filed by the parties. On 12 January 2017, the plaintiff filed a petition to secure the claim in the form of a prohibition on the use of the insurance guarantee, but on 23 January 2017 the court dismissed the petition. On 23 January 2017, ENERGA-OPERATOR SA paid a fee of PLN 100,000 to cover the court entry of a counterclaim. On 30 January 2017, the court issued a decision to resume the suspended proceedings. On 9 February 2017, the Regional Court in Gdańsk received a complaint against the decision to dismiss the petition for security. On 10 March 2017, a reply to the complaint was sent.
T- Matic S.A., Arcus S.A. (plaintiff) ENERGA-OPERATOR SA (defendant)	Unconditional demand for payment and cessation of further breaches of the contract	On 17 October 2016, ENERGA-OPERATOR SA received a demand for payment of compensation for damages incurred by Arcus S.A. as a result of the unlawful and culpable commission by the Awarding Entity of a tort/act of unfair competition to the detriment of Arcus S.A. On 19 January 2017, ENERGA-OPERATOR SA received a request for a settlement attempt concerning payment of PLN 4,710,466.04 to T-Matic S.A. and PLN 174,111,458.96 to Arcus S.A. The request concerned payment of the claims described in the demand of 17 October 2016. ENERGA-OPERATOR SA did not admit the justifiability of this claim, hence no settlement was reached at the meeting held on 11 April 2017. On 23 January 2017, ENERGA-OPERATOR SA submitted the insurance guarantee issued in its favor for execution. On the said date, a request was submitted to STU Hestia to pay PLN 9,597,702.30 due to the improper

		<p>performance of the Contract by the Consortium. By letter of 31 January 2017, STU Hestia requested ENERGA-OPERATOR SA to reconsider the execution of the guarantee due to the petition to secure the claim filed by T-Matic and Arcus. In its reply, ENERGA-OPERATOR SA upheld its stance regarding the obligation of STU Hestia to execute the guarantee and pointed out that the claim to secure the claim had been dismissed by the District Court in Gdańsk. On 3 March 2017, Hestia paid the guarantee amount of PLN 9,597,792.30 to ENERGA-OPERATOR SA.</p>
<p>ENERGA-OPERATOR SA (plaintiff); PKN ORLEN SA (defendant)</p>	<p>Guarantee</p> <p>Suit for payment</p>	<p>On 19 April 2016, the Court of Appeals in Warsaw announced its judgment in the case brought by ENERGA-OPERATOR SA, Branch Office in Płock, against PKN Orlen S.A. The court partially dismissed the defendant's appeal and consequently the judgment of the Regional Court in Warsaw of 27 October 2014, file ref. no. XVI GC 782/11, became final and non-appealable, awarding the plaintiff PLN 16.1 m with interest from 30 June 2004. The judgment is final and the parties may file a cassation complaint against the Appellate Court's judgment to the Supreme Court. ENERGA-OPERATOR SA applied for delivery of the judgment with a justification, which was delivered to the Plaintiff's representative on 1 August 2016. On 29 September 2016, ENERGA-OPERATOR SA filed a cassation complaint with the Supreme Court 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 complaint filed against this judgment of the Appellate Court in Warsaw. ENERGA-OPERATOR SA responded to the complaint in a pleading sent on the same date to the Appellate Court in Warsaw.</p>
<p>ENERGA OPERATOR SA (party); PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)</p>	<p>Pecuniary penalty imposed by the authority</p>	<p>ENERGA-OPERATOR SA received a decision dated 21 December 2016 in which the President of the Energy Regulatory Office imposed a pecuniary penalty of PLN 11 m on ENERGA-OPERATOR SA for misleading the ERO President. The company appealed against the decision within the prescribed time limit.</p>
<p>Office for Competition and Consumer Protection (UOKiK) (authority) vs. ENERGA-OBRÓT SA (party)</p>	<p>proceedings against ENERGA-OBRÓT SA in the matter of practices violating collective consumer interests involving the sale of the "Fixed price guarantee" (GSC) package</p>	<p>On 9 March 2016, proceedings were initiated by the Office for Competition and Consumer Protection (UOKiK) in the matter of practices violating collective consumer interests. UOKiK put forward 7 allegations concerning failure to comply with reporting duties, misrepresentation of the identity and circumstances of a contract, failure to deliver a counterpart of a contract or annexes to or confirmation of a contract, misrepresentation of the time limit for withdrawal from a contract, activation of a contract despite formal defects, demand for payment for electricity sold in breach of the law, provision of information on a grossly excessive</p>

contractual penalty for terminating a contract before the end date of the offer.

On 24 March 2016, ENERGA-OBRÓT SA requested an extension of the time limit until 11 April 2016 due to the need to examine the matter thoroughly and the need to get familiar with the extensive material gathered in the case.

On 11 April 2016, ENERGA-OBRÓT SA submitted an application for a binding decision, pursuant to Article 28 Section 1 of the Act on Competition and Consumer Protection, to take or discontinue certain actions aimed at ending the violation of collective consumer interests or removing the effects of such violations, together with a request to set a date for a meeting.

Between April and October, the company held several meetings with UOKiK to present its arguments and determine the directions for commitments that the company would make to satisfy UOKiK's requirements to reduce the amount of the penalty to a minimum.

In 2016, the term of the proceedings was extended 3 times. On 30 March 2017, UOKiK issued a notice of extension of the proceedings until 30 June 2017.

RAFAKO S.A. with its registered office in Racibórz and OMIS S.A. with its registered office in Ostrołęka (plaintiffs); ENERGA Elektrownie Ostrołęka SA (defendant)

Statement of claim concerning ascertainment of the absence of liabilities on the part of the plaintiffs towards the defendant ENERGA Elektrownie Ostrołęka SA arising from the non-performance or improper performance of the works provided for in the Contract of 10 October 2014 entitled "Reduction of NOx in OP-650 boiler nos. 1, 2 and 3 in Power Plant B.

In connection with the calculation and charging of contractual penalties by ENERGA Elektrownie Ostrołęka SA (hereinafter: "EEO") for failure to comply with the timetable of works requiring the stoppage of a power unit, i.e. a delay in the completion of installation works for Unit 2 in the amount of PLN 13,491,000 (subsequently adjusted to PLN 12,591,600), on 20 September 2016 the consortium of companies filed a statement of claim for ascertainment of the absence of liabilities on the part of the plaintiffs towards EEO. Following the filing of a rejoinder to the statement of claim by EEO, the parties subjected themselves to court mediation. As at 31 March 2017, the mediation proceedings were still pending.

Analysis of the financial situation and assets



3. ANALYSIS OF THE FINANCIAL STANDING AND ASSETS

3.1. Rules for preparing the condensed interim consolidated financial statements

The Condensed Interim Consolidated Financial Statements of the ENERGA Group as at and for the 3-month period ended 31 March 2017 were prepared:

- in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union;
- on the historical cost basis except for 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 is no evidence indicating significant uncertainty as to the ability of the ENERGA Group to continue its business activities as a going concern.

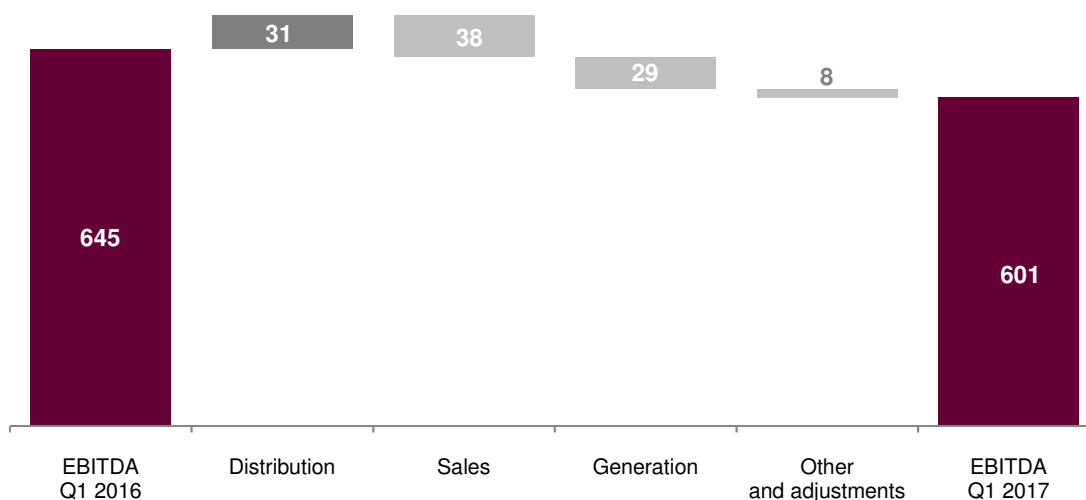
The accounting principles (policy) used to prepare the annual consolidated financial statements are presented in Note 7 to the condensed interim consolidated financial statements of the ENERGA Group as at and for the 3-month period ended 31 March 2017.

3.2. Discussion of the economic and financial data disclosed in the condensed consolidated financial statements

Table 3: Consolidated statement of profit or loss

PLN m	Q1 2016	Q1 2017	Change	Change (%)
Sales revenues	2,621	2,710	89	3%
Cost of sales	(2,233)	(2,177)	56	3%
Gross profit on sales	388	533	145	37%
Other operating revenue	15	37	22	> 100%
Selling and distribution expenses	(84)	(90)	(6)	-7%
General and administrative expenses	(80)	(85)	(5)	-6%
Other operating expenses	(133)	(40)	93	70%
Operating profit	106	355	249	> 100%
Result on financial activity	(62)	16	78	> 100%
Share in profit/(loss) of the entities measured by the equity method	-	10	10	-
Profit or loss before tax	44	381	337	> 100%
Income tax	(33)	(68)	(35)	< -100%
Net profit or loss for the period	11	313	302	> 100%
EBITDA	645	601	(44)	-7%

Figure 1: EBITDA bridge, by segment (in PLN m)



In Q1 2017, the Group's sales revenues amounted to PLN 2,710 m and were 3%, or PLN 89 m, higher than in Q1 2016. Higher revenues in the Distribution Segment (up by PLN 65 m or 6%) were driven predominantly by a 5% yoy increase in the average selling rate of distribution services and a more favorable sales structure.

In Q1 of the current year, the Group's EBITDA was PLN 601 m, down 7% compared to the same period of the previous year. The negative changes in EBITDA of the Sales Segment by PLN 38 m yoy and of the Generation Segment by PLN 29 m yoy were key contributors to this decline. The increase in EBITDA of the Distribution Segment by PLN 31 m yoy offset part of the said declines.

The Distribution Segment contributed the most to the Group's EBITDA in Q1 2017 (88%), while the Generation Segment accounted for 17%. Due to the negative EBITDA generated by the Sales Segment, it did not bring a positive contribution to the ENERGA Group's EBITDA (in adding up the contributions, take into consideration the 'Other and adjustments' line item). EBITDA generated by the Distribution Segment went up by PLN 31 m yoy and reached PLN 530 m. This increase resulted from an improvement in the margin on sales of distribution services, partly offset by a higher amount of operating expenses. The Generation Segment recorded a PLN 29 m decrease in EBITDA (down to PLN 104 m), mainly as a result of lower market prices for green certificates and an increase in property tax on wind farms. In the Sales Segment, EBITDA also recorded a decrease: down to PLN -10 m. This decline was caused by a slump in the profitability of electricity and gas sales.

In Q1 of this year, operating profit increased by PLN 249 m compared to Q1 of the previous year. In addition to operating factors, the yoy change in EBIT was affected mainly by the impairment losses recognized on non-financial non-current assets in Q1 2016 in the total amount of PLN 305 m.

The Group's results in Q1 2017 were favorably affected by the recognition of a valuation of stock options in Polimex-Mostostal S.A. of PLN 53 m. The options offer the possibility of swapping the convertible bonds currently held by TF Silesia for a stake in Polimex-Mostostal S.A.

The Group's net result in Q1 2017 was positive and amounted to PLN 313 m, up PLN 302 m compared to Q1 2016.

In Q1 2017 and in Q1 2016, no significant extraordinary events occurred that were charged to EBITDA. Table 7 presents the impact of the adjustment of actuarial provisions due to their material contribution to EBITDA in Q4 2016 and the need to maintain comparability of data.

Table 4: EBITDA adjusted for material non-recurring events

EBITDA (PLN m)	
Q1 2017	
EBITDA	601
Adjusted EBITDA	600
Q1 2016	
EBITDA	645
Adjusted EBITDA	637

Table 5: Consolidated statement of financial position

PLN m	Balance as at 31 December 2016	Balance as at 31 March 2017	Change 2017/2016	Change 2017/2016 (%)
ASSETS				
Non-current assets				
Property, plant and equipment	13,053	12,843	(210)	-2%
Intangible assets	383	385	2	1%
Goodwill	26	26	-	-
Investments in associates and joint ventures measured by the equity method	390	634	244	63%
Deferred tax assets	396	390	(6)	-2%
Other non-current financial assets	166	136	(30)	-18%
Other non-current assets	101	100	(1)	-1%
	14,515	14,514	(1)	-0%
Current assets				
Inventories	472	566	94	20%
Current tax receivables	111	108	(3)	-3%
Trade receivables	1,947	1,917	(30)	-2%
Portfolio of financial assets	2	2	-	-
Other current financial assets	15	89	74	> 100%
Cash and cash equivalents	1,471	2,353	882	60%
Other current assets	198	452	254	> 100%
	4,216	5,487	1,271	30%
TOTAL ASSETS	18,731	20,001	1,270	7%

EQUITY AND LIABILITIES

Equity

Share capital	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	4	(1)	(5)	< -100%
Reserve capital	1,018	1,018	-	-
Supplementary capital	728	728	-	-
Cash flow hedge reserve	41	33	(8)	-20%
Retained earnings	2,464	2,777	313	13%
Equity attributable to equity holders of the Parent Company	8,777	9,077	300	3%
Non-controlling interest	40	43	3	8%
	8,817	9,120	303	3%
Non-current liabilities				
Loans and borrowings	3,086	2,988	(98)	-3%
Bonds issued	2,639	3,786	1,147	43%
Non-current provisions	578	576	(2)	-0%
Deferred tax liabilities	593	620	27	5%
Deferred income and non-current grants	515	515	-	-
Other non-current financial liabilities	6	5	(1)	-17%
	7,417	8,490	1,073	14%
Current liabilities				
Trade payables	811	628	(183)	-23%
Current loans and borrowings	334	343	9	3%
Bonds issued	78	26	(52)	-67%
Current income tax liability	3	4	1	33%
Deferred income and grants	170	126	(44)	-26%
Short-term provisions	711	719	8	1%
Other financial liabilities	157	78	(79)	-50%
Other current liabilities	233	467	234	> 100%
	2,497	2,391	(106)	-4%
Total liabilities	9,914	10,881	967	10%
TOTAL EQUITY AND LIABILITIES	18,731	20,001	1,270	7%

As at 31 March 2017, total assets of the ENERGA Group reached PLN 20,001 m and were PLN 1,270 m higher than as at 31 December 2016.

In non-current assets, the most significant change pertained to investments in related entities and joint ventures measured by the equity method, which is associated with the ENERGA Group's exposure to

Polska Grupa Górnicza Sp. z o.o., Polimex Mostostal S.A. and a change in the classification of the investment in Elektrowia Ostrołęka S.A. resulting from the sale of a 50% stake in this company, which as at the end of 2016 was recognised as a subsidiary. In connection with the latter transaction, a decrease was also recorded in the value of property, plant and equipment. In current assets the most significant changes concerned in particular the following items: cash (the reasons for the movement in cash are described further on, in the part devoted to cash flows) and other current assets (a decrease by PLN 254 m, associated mainly with deferred property tax).

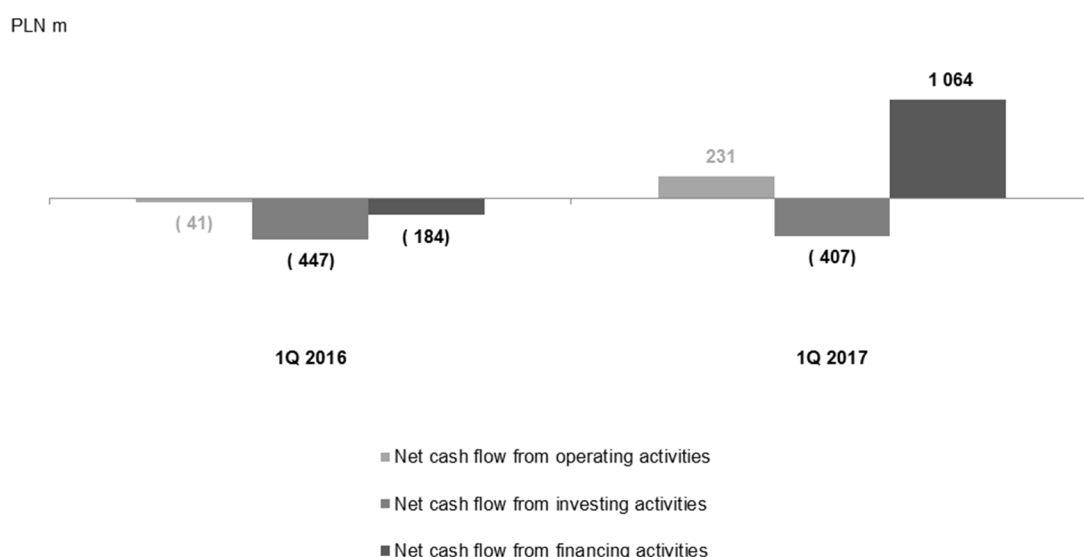
On the liabilities side, material changes concerned the balance of bonds issued (the increase in bonds issued was associated predominantly with the EUR 300 m issue of Eurobonds in Q1 2017 by ENERGA Finance AB (publ)) and other current liabilities (up by PLN 234 m; this increase was driven mainly by the increase in property tax liabilities).

The ENERGA Group's equity as at 31 March 2017 was PLN 9,120 m and financed 45.6% of the Group's assets.

Table 6: Consolidated statement of cash flows

in PLN m	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
Net cash flow from operating activities	(41)	231	272	> 100%
Net cash flow from investing activities	(447)	(407)	40	9%
Net cash flow from financing activities	(184)	1,064	1,248	> 100%
Net increase / (decrease) in cash	(672)	888	1,560	> 100%
Cash and cash equivalents at the end of the period	986	2,352	1,366	> 100%

Figure 2: Group's cash flows in the first 3 months of 2017 and 2016



As at 31 March 2017, the balance of the Group's cash was PLN 2,352 m and was PLN 1,366 m higher than the cash balance one year earlier.

The total net cash flows from the Group's operating, investing and financing activities in Q1 2017 were positive at PLN 888 m, compared to the negative cash flows of PLN 672 m in the corresponding period of the previous year.

Cash flow from operating activities increased by PLN 272 m compared to the previous year. The increase in cash flows from operating activities compared to Q1 2016 was driven mainly by changes in working capital.

In Q1 2017, an increase was recorded in energy certificate inventories along with an increase in deferred property tax expenses, which entailed a higher level of property tax liabilities, which in turn was partly offset by a decrease in trade payables. Furthermore, lower income tax-related payments were recorded.

Net cash flows from investing activities in Q1 2017 increased by PLN 40 m, driven mainly by lower expenditures incurred to purchase property, plant and equipment and intangible assets. This effect was partly offset by the acquisition of a stake in Polska Grupa Górnicza Sp. z o.o. and a stake in Polimex-Mostostal S.A. for the total amount of PLN 137 m.

In the reporting period, cash flows from financing activities were positive and amounted to PLN 1,064 m, or PLN 1,248 m more than in the corresponding period of 2016. This increase resulted from the EUR 300 m issue of Eurobonds.

3.3. Structure of the annual consolidated statement of financial position

Figure 3: Structure of assets and liabilities

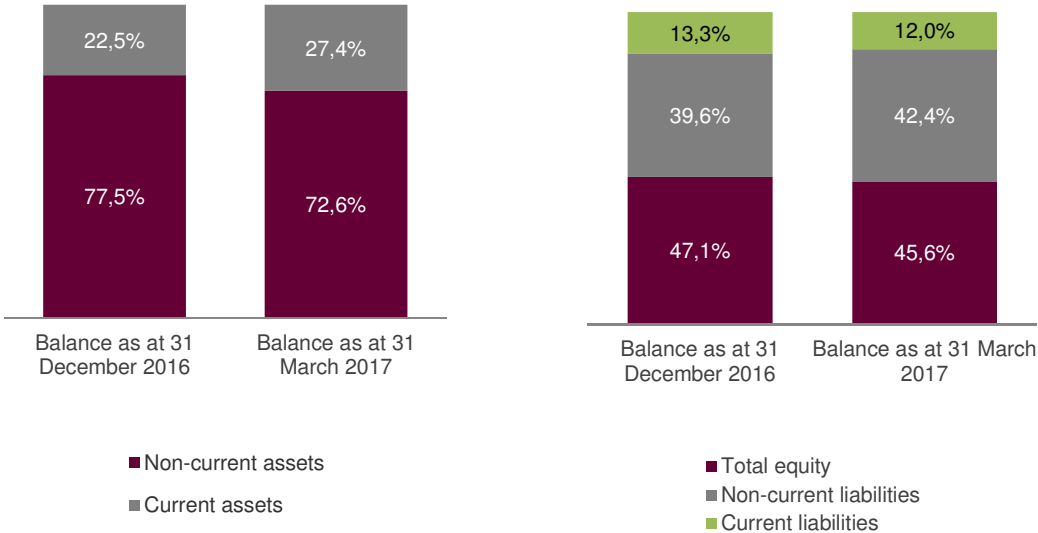


Table 7: Financial ratios of the ENERGA Group

Ratio	Definition	Q1 2016	Q1 2017
Profitability			
EBITDA margin	operating result + amortization and depreciation + impairment losses on non-financial non-current assets / revenue	24.6%	22.2%
return on equity (ROE)	net profit for the period* / equity at the end of the period	5.6%	4.9%
return on sales (ROS)	net profit for the period / sales revenues	0.4%	11.5%
return on assets (ROA)	net profit for the period* / total assets at the end of the period	2.7%	2.2%

* net profit for the last 12 months

Ratio	Definition	Balance as at 31 December 2016	Balance as at 31 March 2017
Liquidity			
current liquidity ratio	current assets/current liabilities	1.7	2.3
Indebtedness			
financial liabilities (PLN m)	sum of liabilities under loans and borrowings and under long- and short-term debt securities	6,137	7,143
net financial liabilities (PLN m)	financial liabilities - cash and cash equivalents	4,666	4,790
net debt / EBITDA ratio	net financial liabilities / EBITDA*	2.3	2.4

* EBITDA for the last 12 months

The significant increase in net profit in Q1 2017 compared to the corresponding period of the previous year resulted in a sharp hike in the sales profitability ratio. In turn, the Group's lower annualized net profit coupled with an increase in equity as at 31 March 2017, as compared to the level of equity as at 31 March 2016 (driven predominantly by the solid net result generated in Q1 2017), was translated into a lower value of the return-on-equity ratio. The EBITDA margin remains at a similar level. Its slight downward trend results from a decrease in EBITDA (-7% yoy) compared to the yoy rate of growth in revenues (+3%).

The increase in the balance of cash associated with the launch of financing in Q1 2017 had a favorable impact on the level of the current liquidity ratio relative to yearend 2016. Moreover, given the lower annualized net profit, the increase in total assets, driven predominantly by the said event, resulted in a decrease in ROA by 0.5 percentage points.

Compared to the end of 2016, financial liabilities increased (by 16%). The higher level of the net debt-to-EBITDA ratio in relation to the end of last year was attributable to the change in net financial liabilities (up by 3%) and a decline in the Group's EBITDA for the past 12 months compared to 2016 (by 2%).

3.4. Description of significant off-balance sheet items

Information on this subject is provided in this Report's *Guarantees and sureties given* section and in Note 19: *Contingent assets and liabilities* of the consolidated financial statements.

3.5. Key operational data of the ENERGA Group

Table 8: Distribution of electricity, by tariff group

Distribution of electricity, by tariff groups (invoiced sales) in GWh	Q1 2016*	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
Tariff Group A (HV)	1,036	832	(205)	-20%
Tariff Group B (MV)	1,996	2,108	112	6%
Tariff Group C (LV)	1,113	1,222	109	10%
Tariff Group G (LV)	1,499	1,462	(37)	-2%
Total distribution of energy	5,644	5,623	(20)	-0%

* in the case of the 2016 data (for tariffs C and G), the data on invoiced sales were decreased by the volume invoiced this year in the part which related to 2015 (and which was not invoiced in 2015 due to postponement of invoicing caused by data migration to new billing systems).

In Q1 2017, the volume remained the same as in the corresponding period of 2016, with the average selling rate of distribution services higher by 5% yoy. A significant drop in volume occurred in tariff group A where an important customer was lost as a result of switching to its own power source, while the volume of the distribution service increased in group B, driven by an increasing number of customers.

Table 9: SAIDI and SAIFI

	SAIDI			SAIFI		
	Unplanned incl. catastrophic	Planned	Total	Unplanned incl. catastrophic	Planned	Total
	Number of minutes per customer in the relevant period			Disruptions per customer in the relevant period		
Q1 2016	17.0	8.4	25.4	0.3	0.1	0.4
Q1 2017	26.1	9.8	35.9	0.5	0.1	0.6
Change	9.1	1.4	10.5	0.1	0.0	0.2
Change (%)	54%	17%	41%	45%	10%	39%

In Q1 2017, ENERGA-OPERATOR SA achieved SAIDI and SAIFI at 35.9 minutes per customer and 0.6 interruptions, respectively. The increase in SAIDI and SAIFI in Q1 2017 relative to the corresponding period of the previous year resulted from a greater number of power grid failures caused by unfavorable weather conditions (snowstorms, rime, ice and hurricane winds causing trees and branches to fall). Furthermore, the greater extent of planned works, causing the need to shut customers off temporarily, also contributed to the increase in both these indicators in Q1 2017.

Table 10: Gross production of electricity in the ENERGA Group

Gross electricity produced (GWh)	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
Power plants - coal-fired	589	575	(14)	-2%
Power plants - biomass co-fired	-	-	-	-
CHP plants - coal-fired	42	45	3	7%
CHP plants - biomass-fired	10	9	(1)	-15%
Power plants - hydro	249	273	24	10%
Pumped-storage plant	12	7	(5)	-45%
Power plants - wind	103	115	12	12%
Power plants - photovoltaics	1	1	0	1%
Total electricity production	1,005	1,023	18	2%
<i>incl. RES</i>	362	397	35	10%

In Q1 2017, ENERGA Group's generation assets produced a similar volume of electricity as in the corresponding period of the previous year. Decrease of generation from coal (11 GWh), in pumped-storage plants (5 GWh) and from biomass (1 GWh) was offset by higher energy production in run-of-the-river hydro plants (24 GWh) as a result of better hydrological conditions and from wind (12 GWh), mainly thanks to production in the new wind farm in Parsówek (13 GWh). Additionally, absence of the biomass-fired production in the Ostrołęka power plant was caused by the coming into force of the RES Act (on 1 January 2016), which reduced support for large biomass co-fired sources and the fact that co-firing is not economical with the current market prices of property rights.

Moreover, since the beginning of 2016, the quantity of property rights arising on renewable energy production is not the same as the RES production volume because the new RES Act reduced support for depreciated hydro sources with capacity exceeding 5 MW. As a result, the run-of-river power plant in Włocławek was eliminated from the support system.

Table 11: Production of heat

Gross heat production in TJ	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
ENERGA Kogeneracja Sp. z o.o.	934	935	2	0%
ENERGA Elektrownie Ostrołęka S.A.	542	552	10	2%
Ciepło Kaliskie Sp. z o.o.	156	145	(12)	-7%
Total gross heat production	1,632	1,632	0	0%

In Q1 2017 heat generation was on similar level, resulting from the demand on local markets.

Table 12: Volume and cost* of consumption of key fuels

Fuel consumption*	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
Coal				
Quantity (thous. tons)	314	313	(1)	-0%
Cost (PLN m)	74	72	(2)	-3%
Biomass				
Quantity (thous. tons)	8	9	1	13%
Cost (PLN m)	3	3	(0)	-1%
Total fuel consumption (PLN m)	78	75	(2)	-3%

* including the cost of transportation

In Q1 2017, the producers in the ENERGA Group consumed slightly less (by approx. 1 thousand tons) black coal and more (by approx. 1 thousand tons) biomass than the year before (13%).

The total decrease of the cost of fuel consumption by the Group was caused by lower unit cost of coal consumption by the Segment, which resulted from the use of cheaper fuel coming from the Segment's inventories.

Table 13: Sales of electricity by the Sales Segment

Sales of electricity by the Sales Segment in GWh	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
Retail electricity sales	4,905	5,094	189	4%
Electricity sales on the wholesale market, of which:	1,057	848	(209)	-20%
<i>Electricity sales to the balancing market</i>	122	235	113	93%
<i>Electricity sales to ENERGA-OPERATOR to cover network losses</i>	394	-	(394)	-100%
<i>Other wholesale</i>	541	614	73	13%
Total electricity sales	5,962	5,943	(20)	-0.3%

In Q1 2017, the total volume of electricity sold by the Segment decreased slightly by 0.3% (or 20 GWh) compared to Q1 2016, which is attributable to the decrease of the sales volume on the wholesale market by 20% (or 209 GWh), whereas retail sales volume increased by 4% (or 189 GWh) in relation to the previous year.

In retail sales in Q1 2017, increases were recorded in volumes sold on the Polish market (higher sales to business customers with a minor decrease in sales to households), whereas on the Slovak market the sales volume declined. The increase in the retail sales volume is a result of a higher average number of customers (acquisition of new recipients in the household group) and an increase in the average electricity consumption by customers, which is in line with the market trend (in Q1 2017, electricity consumption in Poland increased 2.7% yoy). In terms of volume, sales to households (tariff G) in Q1 2017 accounted for 28% of the sales to the Segment's end users (in Q1 2016 this share was 30%).

In the analyzed period, electricity sales fell in the wholesale market (by 20%). This is attributable to non-performance of the electricity sales contract to cover network losses to ENERGA-OPERATOR SA – as a result of the completed procedure a different provider of electricity was selected for 2017.

3.6. Financial results by operating segments

Table 14: EBITDA of the ENERGA Group, by Segment

EBITDA (PLN m)	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
DISTRIBUTION	499	530	31	6%
GENERATION	133	104	(29)	-22%
SALES	28	(10)	(38)	< -100%
OTHER and consolidation eliminations and adjustments	(15)	(23)	(8)	-53%
Total EBITDA	645	601	(44)	-7%

Distribution Segment

Figure 4: Results of the ENERGA Group's Distribution Segment (PLN m)

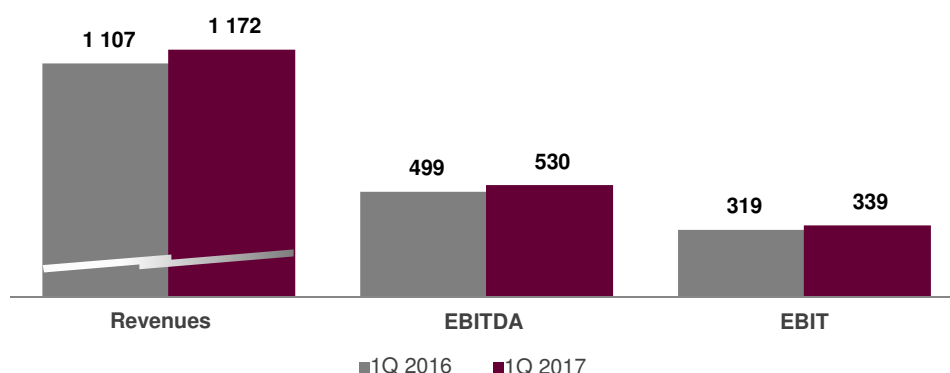
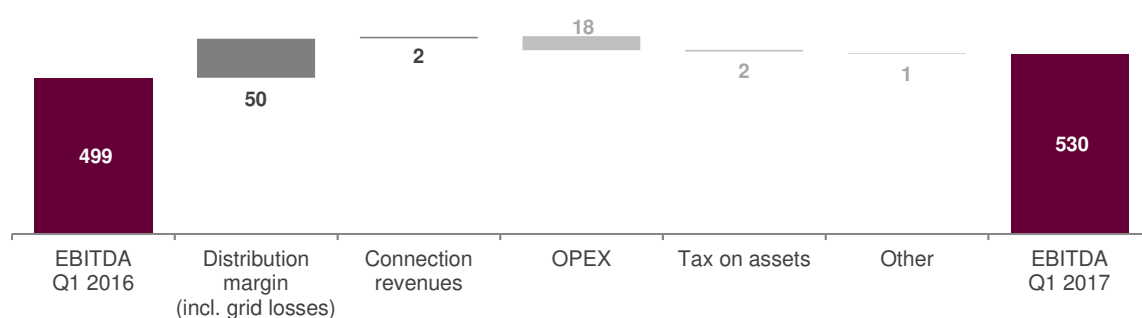


Table 15: Results of the Distribution Segment

PLN m	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
Revenue	1,107	1,172	65	6%
EBITDA	499	530	31	6%
amortization and depreciation	180	191	11	6%
impairment losses on non-financial non-current assets	-	-	-	-
EBIT	319	339	20	6%
Net result	226	247	21	9%
CAPEX	269	168	(101)	-38%

Figure 5: EBITDA Bridge of the Distribution Segment (PLN m)



In Q1 2017, the Distribution Segment contributed about 88% to ENERGA Group's EBITDA (77% in the comparative period).

The Q1 revenue of the Distribution Segment was 6% higher than in the corresponding period of the previous year. The increase in revenues was driven mainly by: higher average rate charged for distribution services (by 5% yoy) and more profitable sales structure. In Q1 2017, revenues from connection fees were nearly PLN 17 m, which is PLN 2 m more than in the same quarter of 2016.

EBITDA was higher than in the year before and amounted to PLN 530 m (up by approx. 6%), and EBIT amounted to PLN 339 m (up by 6% or PLN 20 million yoy). The operating result was significantly impacted by the PLN 50 m higher margin on distribution (with network losses). This positive result on distribution activity is made up of several elements. First of all, the improvement of the margin was attributable to an adjustment of the PSE transition fee (approx. PLN 12 m) for 2015-2016. In addition, Q1 saw a favorable sales structure (increase in the volume in the higher-margin tariff group C and decrease in the margin group A). Additionally, in Q1 the costs of network losses were lower than in the corresponding period of last year. The positive impact of the higher margin was partly compensated by higher OPEX (increase in consumption of materials and energy and employee benefit expenses) which resulted from higher involvement of the engineering and installation staff in operational works, whereas in the year before more investment projects were executed.

Net profit in Q1 2017 was higher than in the same quarter the year before by PLN 21 m.

Generation Segment

Figure 6: Results of the ENERGA Group's Generation Segment (PLN m)

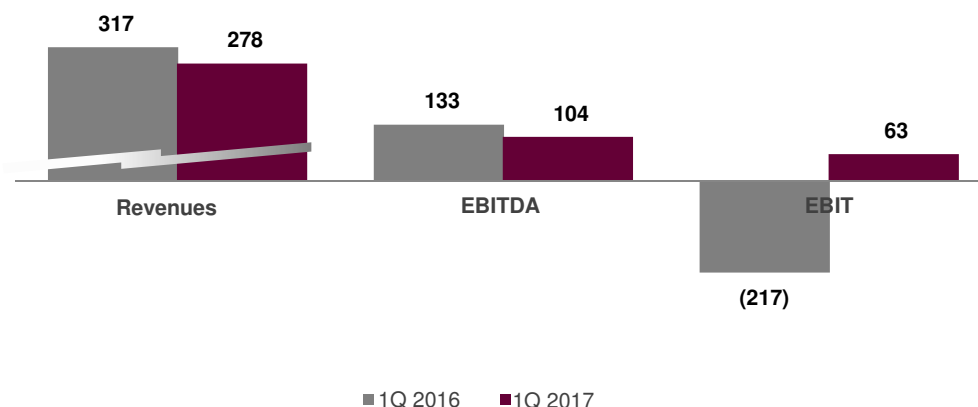


Table 16: Results of the ENERGA Group's Generation Segment

PLN m	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
Revenue	317	278	(39)	-12%
EBITDA	133	104	(29)	-22%
amortization and depreciation	45	41	(4)	-9%
impairment losses on non-financial non-current assets	305	-	(305)	-100%
EBIT	(217)	63	280	> 100%
Net result	(213)	34	247	> 100%
CAPEX	63	18	(45)	-71%

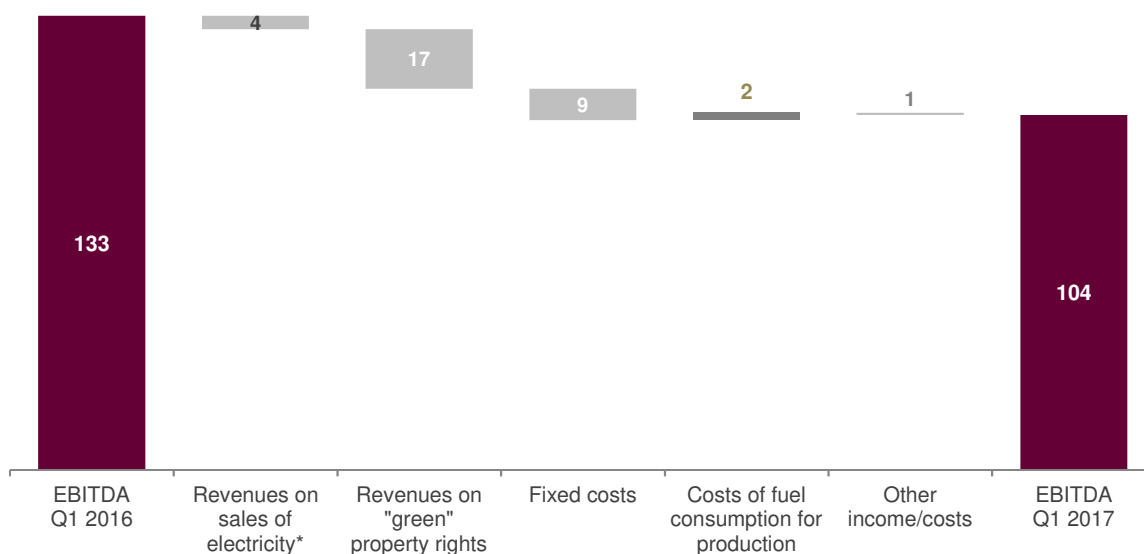
The table below presents a breakdown of EBITDA of the Generation Segment by business line. This table includes standalone data plus the management cost charge for managing the Generation Segment, elimination of transaction concluded between individual business lines and consolidation adjustments.

The data presented for Q1 2016 may be different than the presented historical data, because the methodology for allocating Segment results to individual business lines changed slightly.

Table 17: EBITDA of the Generation Segment, by business line

EBITDA (PLN m)	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
Hydro	39	30	(9)	-22%
Wind	18	7	(11)	-60%
Ostrołęka Power Plant	39	44	5	14%
Other and adjustments	38	23	(15)	-40%
Total Generation	133	104	(29)	-22%

Figure 7: EBITDA Bridge of the Generation Segment (PLN m)



* includes net electricity trading (revenue minus cost)

The Generation Segment's contribution to the Group's total EBITDA was 17% in Q1 of the current year (21% in the corresponding period of the previous year). The drop in EBITDA was PLN 29 m and was caused primarily by the lower revenues on sales of electricity and property rights, and higher fixed costs.

The decrease in revenues on sales of electricity was caused by two factors. First of all, electricity sale prices in the Ostrołęka Power Plant and Hydro business lines fell. Second, there was a yoy decrease in energy production in the Ostrołęka Power Plant (by 2%). These decreases in revenues were partially offset by the higher production from hydro power sources (by 10%) and wind sources (12%).

The decrease in revenues on sales of the rights was also caused by two factors. First, the market price of property rights fell (the weighted average OZEX_A index in Q1 of this year was 34.62 PLN/MWh, compared with 114.49 PLN/MWh in the corresponding period of 2016). Second, there was a delay in

the sale of inventories of green property rights by the Segment, which due to the falling prices pushed EBITDA further down.

Additionally, the Segment recorded an increase of fixed costs (by PLN 9 m) due to, among other things, legislative changes to the act on wind farm investment projects (increase of the cost of property tax for wind farms).

In addition to the aforementioned drivers of the yoy results of the Generation Segment, it should be noted that in Q1 of last year a decision was made to recognize impairment losses on non-financial non-current assets in the total amount of PLN 305 m, whereas there were no indications for such a decision in the current period.

Capital expenditures in the Segment in Q1 2017 were PLN 45 m lower. Expenditures were made for the Ostrołęka Power Plant and were related to compliance with environmental requirements and modernization projects in the Ostrołęka B Power Plant (general overhaul of the unit).

Hydro

Figure 8: Results of the Hydro business line

PLN m	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
Revenue	60	53	(6)	-11%
EBITDA	39	30	(9)	-22%
EBIT	31	22	(9)	-29%
CAPEX	3	2	(1)	-22%

Wind

Table 18: Results of the Wind business line

PLN m	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
Revenue	28	20	(8)	-29%
EBITDA	18	7	(11)	-60%
EBIT	(112)	(1)	111	99%
CAPEX	-	0	0	-

Ostrołęka Power Plant

Table 19: Results of the Ostrołęka Power Plant business line

PLN m	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
Revenue	167	147	(21)	-12%
EBITDA	39	44	5	14%
EBIT	22	28	6	25%
CAPEX	51	13	(38)	-75%

Other and adjustments

Table 20: Results of the business line Other and adjustments

PLN m	Q1 2016	Q1 2017	Change	Change (%)
Revenue	61	58	(3)	-5%
EBITDA	38	23	(15)	-40%
EBIT	(157)	14	171	> 100%
CAPEX	9	3	(6)	-71%

Sales Segment

Figure 9: Results of the ENERGA Group's Sales Segment (PLN m)

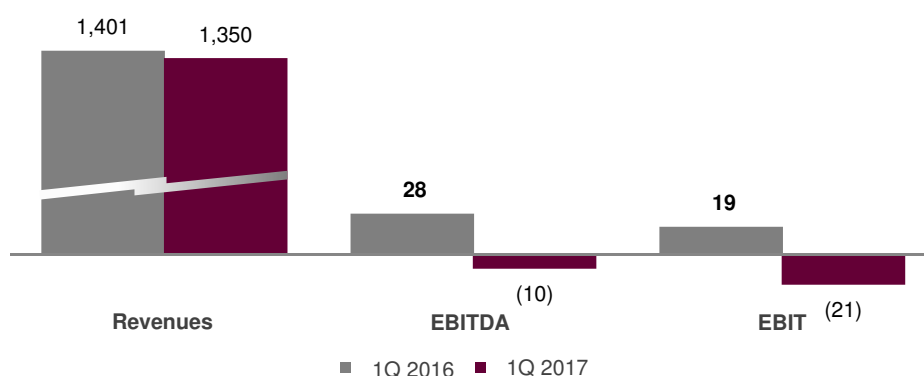
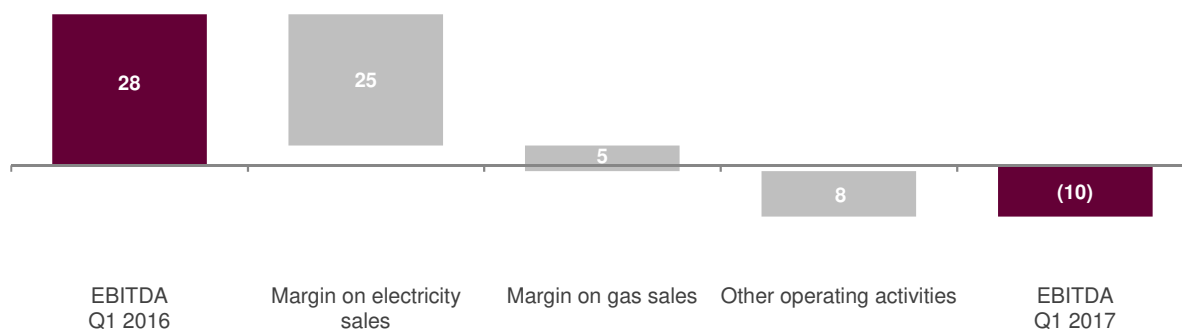


Table 21: Results of the ENERGA Group's Sales Segment

PLN m	Q1 2016	Q1 2017	Change 2017/2016	Change 2017/2016 (%)
Revenue	1,401	1,350	(51)	-4%
EBITDA	28	(10)	(38)	< -100%
amortization and depreciation	9	11	2	22%
impairment losses on non-financial non-current assets	-	-	-	-
EBIT	19	(21)	(40)	< -100%
Net result	16	(17)	(33)	< -100%
CAPEX	6	8	2	33%

Figure 10: EBITDA Bridge of the Sales Segment (PLN m)



In Q1 2017, the Sales Segment recorded a negative EBITDA (PLN -10 m), which means that it did not make a positive contribution to the ENERGA Group's EBITDA. In Q1 2016, the Segment's EBITDA was at PLN 28 m and the Segment's contribution to the Group's EBITDA was 4%.

The Sales Segment's revenue in Q1 2017 stood at PLN 1,350 m, declining by PLN 51 m (or 4%) when compared with Q1 2016. This is mainly the result of lower revenues on sales of electricity and gas. Revenues on sales of electricity decreased by PLN 30 m (2%) compared to the corresponding period of the year before, which resulted from the 27% decrease of turnover in the wholesale market (volume lower by 20% and average sales price lower by 9%). Revenues on sales of electricity in the retail market in Q1 2017, in turn, were slightly higher (by 1%) compared to Q1 2016. Revenues on sales of gas in Q1 2017 dropped by PLN 24 m (34%) yoy, which resulted from the 26% decrease in the sales volume and 11% decrease of the average sales price.

The margin on electricity sales, which is the key component generating the Segment's results, fell by PLN 25 m yoy. This was the effect of a lower unit margin: average electricity sales prices to end users fell faster (-3% yoy) than the average unit variable cost, composed of the purchase cost of electricity, property rights and excise tax (-1% yoy) and the less advantageous structure of sales according to tariff groups.

Presented below are the determinants of the margin on the sale of electricity:

- Volume of retail sales – a 4% increase in volume contributed to the margin growth yoy.
- Structure of the sales volume by tariff groups (mix) – the change of the product mix adversely affected the margin as it increased the percentage of customers from tariff groups with a lower unit margin.
- Price for end users – the prices follow the changes in variable cost and are determined by market competition. The decrease of the average yoy sales price is a consequence of the declining prices of energy and green certificates in the market and reduction of tariff G for 2017 by ERO by over 4%.
- Cost of electricity purchase – the increase in the average cost yoy (the trend is opposite to the changes in the sales prices) which is a result primarily of the higher costs connected with the "Obligated Offtaker" (previously: "Offtaker of Last Resort") function performed by ENERGA-OBRÓT SA, including the balancing costs. This among others is an effect of the higher volume of electricity purchased as the Obligated Offtaker from wind generation and less favorable relation of the ERO President and market prices.
- Cost of redemption of property rights – the average unit cost in Q1 2017 was only a few percent lower than in Q1 2016 despite a significant drop (by 70%) in the prices of green certificates. This was caused predominantly by long-term contracts for the purchase of green certificates entered into many years earlier, under which the purchases are effected at prices based on a fixed substitution fee rather than on market prices. Their functioning has significantly reduced the rate of decline of the costs of redemption of green certificates which should be expected based on market trends. The

decrease in the decline rate of the cost of property rights was also driven by the introduction, on 1 July 2016, of a new obligation associated with support for the producers of electricity from biogas (blue certificates).

A negative impact on the Segment's EBITDA was also exerted by the activity associated with gas trading. The margin on the sale of this fuel dropped in yoy terms by PLN 5 m. This resulted from a decrease of the sales volume and lower unit margins. Compared to previous years, the profitability in this market decreased as a result of higher activity of the main gas seller in Poland, i.e. PGNiG, and introduction of less favorable trade rules in the gas wholesale market (necessity to incur fees for fuel storage in the case of imports).

3.7. Projected financial results

The Management Board of ENERGA SA has not published projections of company or consolidated financial results for the financial year 2017.

3.8. Ratings

On 28 November 2016, Fitch Ratings affirmed the Company's long-term ratings at the previous level of BBB: the Company's long-term rating in local and foreign currencies and the rating for the Company's junior unsecured debt in the local and foreign currencies. The rating outlook remained stable (Current Report No. 43/2016).

On 9 February 2017, the Moody's Investors Service rating agency affirmed the Company's ratings at Baa1: the Company's long-term rating in domestic currency and rating for junior unsecured debt in domestic currency extended to the EMTN Program of the subsidiary ENERGA Finance AB (publ) with a total value of EUR 1 bn guaranteed by ENERGA. The rating outlook remained stable (Current Report No. 11/2017).

Table 22: Current ratings of ENERGA

	Moody's	Fitch
Company's long-term rating	Baa1	BBB
Rating outlook	Stable	Stable
Rating date	23 December 2011	19 January 2012
Last change of rating	-	12 October 2012
Last confirmation of rating	9 February 2017	28 November 2016

3.9. Dividend

By the date of approval of this information for publication, the proposed distribution of the 2016 profit has not been adopted.

3.10. ENERGA Group performance drivers in the next quarter

In the opinion of the ENERGA Management Board, the following factors will drive the results and operations of the Company and the ENERGA Group in the perspective of at least the next quarter:

Figure 11: ENERGA Group performance drivers in the next quarter

Change in the structure of distributed energy in relation to the structure set in the tariff	Incurring expenditures on the grid in connection with the quality regulation requirements in the Distribution Segment	Long-term contracts for purchase of "green" certificates based on the substitution fee in the environment of low market prices for such rights
Increasing competition in the electricity suppliers market	Impact of the function of the Obligated Offtaker and RES source balancing	Electricity prices on the spot and balancing markets
Must-run production level at ENERGA Elektrownie Ostrołęka	Expected increase in coal prices	Prices of CO ₂ emission allowances in the face of decreasing number of free allowances
Actual rate received and the operating reserve volume	Share in the net result of PGG and Polimex-Mostostal and valuation of the options for Polimex-Mostostal shares	Weather and hydrometeorological conditions

Environment



4. MARKET ENVIRONMENT

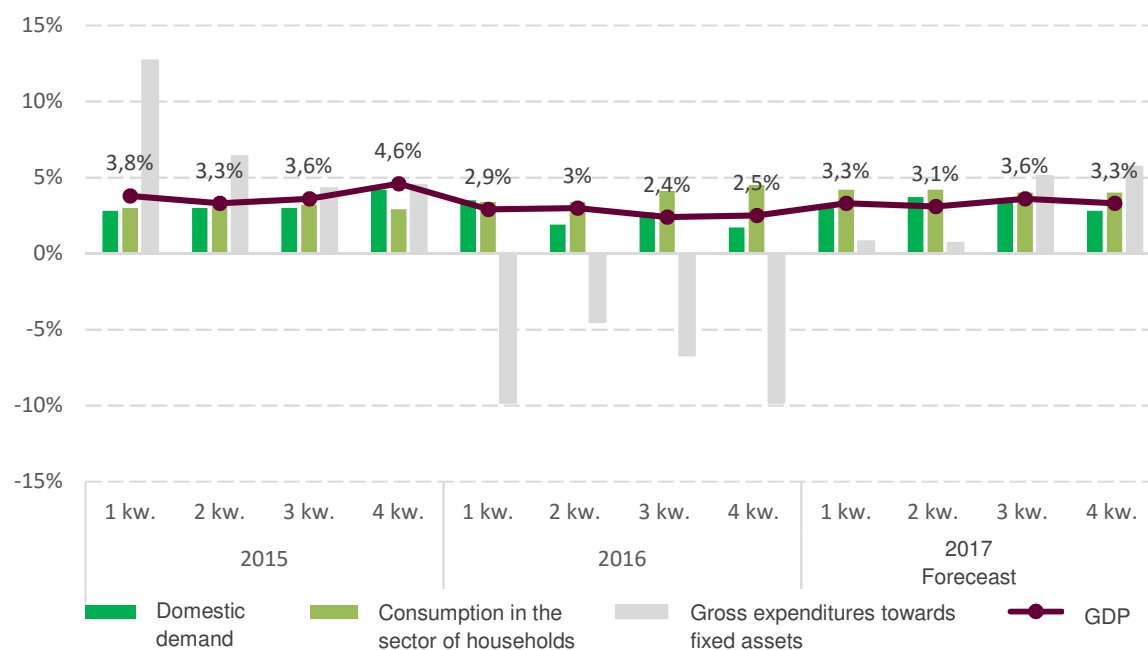
4.1. Macroeconomic situation

The domestic market is the main operating market of ENERGA Group companies and therefore variations in business conditions measured by GDP change rates, inflation or unemployment rates translate into electricity, heat and gas prices and shape demand for products supplied to customers.

The macroeconomic data for Q1 point to general revival of the economic conditions in Poland. Sold industrial output in January-March 2017 was 7.3% higher than the year before. An increase in production was recorded in most sections, including in generation and supply of electricity, gas, steam and hot water (+3.6% yoy), and a decrease occurred in mining and extraction (-3.3%). Good outlook in the industry is confirmed by the PMI index which in Q1 stood on average at 54.2 points, making it the best growth quarter in two years.

According to analysts, the economic growth path will be slightly higher this year than in earlier forecasts, hence they were revised upwards. The GDP in Q1 2017 is expected to have grown 3.3% compared to the corresponding period of the previous year. Domestic demand, in particular private consumption, will continue to be the main driver of the economy – by the end of the year it may slow down slightly as a result of the diminishing effects of additional social benefits (Family 500+), lower growth rate of revenues from business activity, and higher than expected inflation. The domestic demand in 2017 will be positively impacted by the low interest rates, decreasing the costs of borrowing. In connection with the inflow of structural funds from the EU, investments in the public sector are expected to recover. Public enterprises plan to increase the number of new investments in 2017 and significantly speed up the growth rate of expenditures. In the case of the private sector, as shown by the results of the NBP Quick Monitoring, improvement of the investment activity among enterprises is held back by the continuing uncertainty as regards the prospects of the legal, institutional and tax environment.

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



Source: GUS data and forecasts by Bank Zachodni WBK

The growth of consumer goods and service prices in the first three months was positive. A 2% increase was recorded in relation to Q1 2016. The main impacts were the prices of fuel and food (especially imported vegetables, whose prices increased significantly at the beginning of the year due to difficult weather conditions in the Mediterranean region). The prices of goods and services associated with energy carriers were 0.7% higher than the year before. As NBP indicates, further growth of national inflation will be limited by the continuing low inflation in the Euro zone and expected appreciation of the effective PLN rate, which will contribute to moderate imports price growth rate. Another source of uncertainty are the changes of prices of oil and other fuels in the global markets which largely depend on the difficult to predict supply determinants.

During its April meeting the Monetary Policy Council did not change interest rates, which have remained at the same level since March 2015. The MPC believed that the available macroeconomic data and forecasts do not provide grounds for changing the monetary policy and the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and allows it to maintain macroeconomic balance.

The average headcount in the enterprise sector in the January- March period increased by 4.4% compared to last year, and the average monthly (gross) remuneration increased 4.5% yoy to PLN 4,577.86 in March. The wage pressure in the enterprise sector remains moderate, which does not change the fact that the labor market constitutes a significant support for individual consumption.

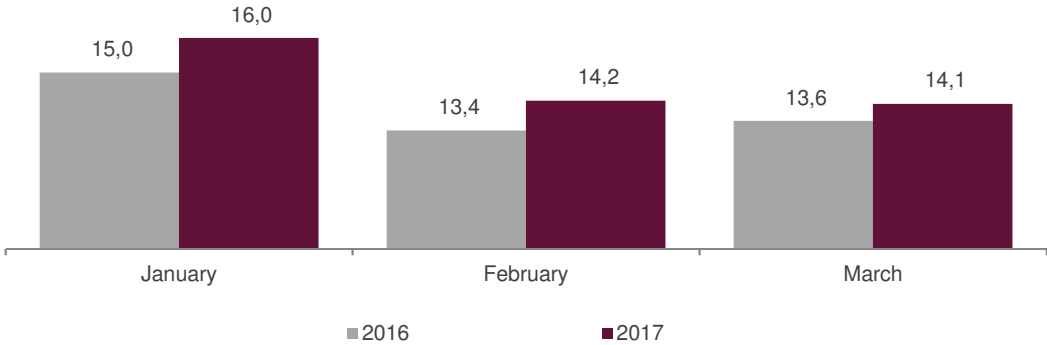
4.2. Electricity market in Poland

The situation in the market environment is really important for the Group’s financial performance. In this context, one should mention in particular the production and consumption of electricity, Poland’s intersystem exchange, electricity prices in Poland and in its neighboring countries, prices of property rights, fees for the operating reserve and the costs of emission allowances.

Domestic generation and consumption of electricity

Production of electricity in Poland, according to the data published by Polskie Sieci Energetyczne (“PSE”) in Q1 2017, reached 44.3 TWh and was 2.3 TWh (i.e. 5.5%) higher than in the corresponding period of the previous year (42.0 TWh). In individual months of the first quarter, the production level was higher than in the same period of the year before.

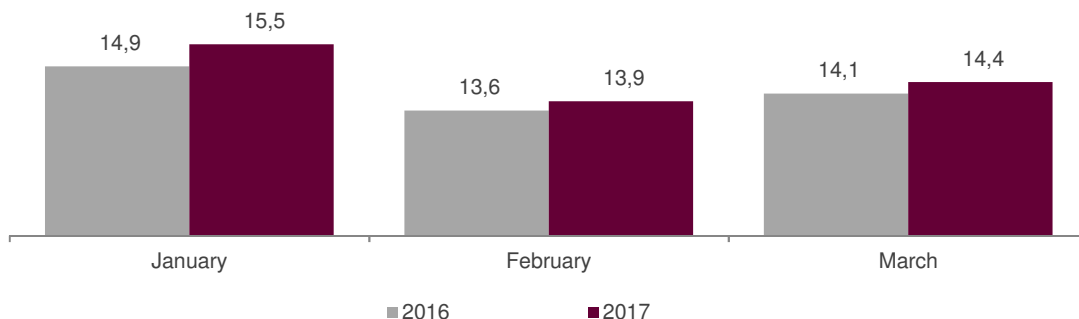
Figure 13: Production of electricity in Poland after Q1 2017 (TWh)



Source: PSE

Domestic consumption of electricity in Poland in Q1 2017 was 43.9 TWh, which was 1.3 TWh more than the same period of the previous year (42.6 TWh).

Figure 14: Consumption of electricity in Poland after Q1 2017 (TWh)

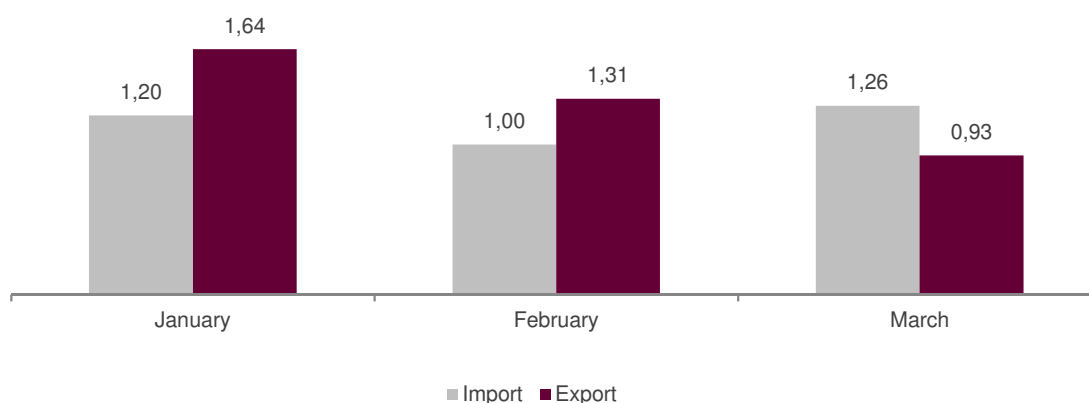


Source: PSE

Poland's inter-system exchange

Change of the direction of electricity flows between Poland and Lithuania through the LitPol Link interconnector and increase of the flows towards Germany are the main contributors to surplus of net electricity exports in Q1 2017 in the amount of 0.42 TWh, compared to net imports of 0.61 TWh in the corresponding period of the year before.

Figure 15: Monthly volumes of intersystem exchange in Poland after Q1 2017 (TWh)

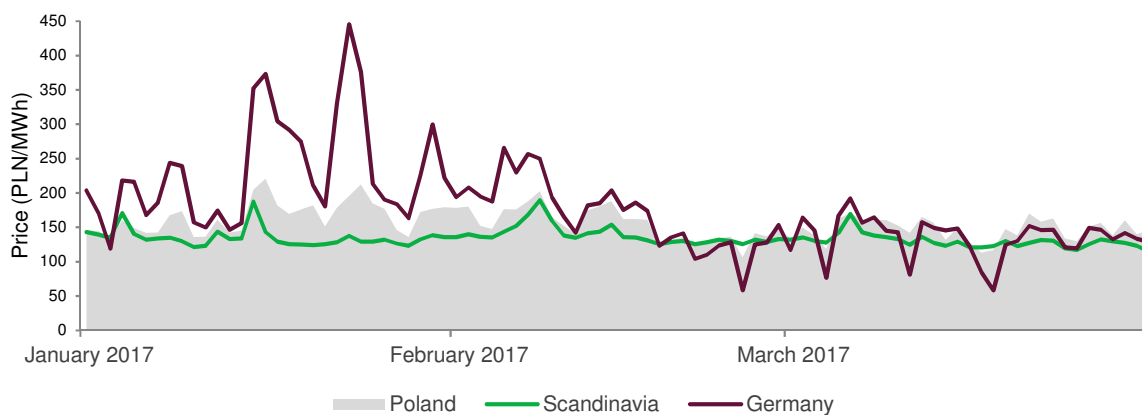


Source: PSE

Energy prices in neighboring countries

In order to compare energy prices in Poland to those in selected neighboring countries, spot market prices were used as reference products. In Q1 2017, average prices in Poland were lower than they were in Germany (-15%, i.e. -20.91 PLN/MWh). Higher prices in the German market in the first half of Q1 were caused primarily by shut-downs in French nuclear power plants. In the quarter in question, the prices in the Polish market were higher than in the Scandinavian market (+16%, i.e. 23.48 PLN/MWh).

Figure 16: Electricity prices on the spot market in Poland and in selected neighboring countries after Q1 2017

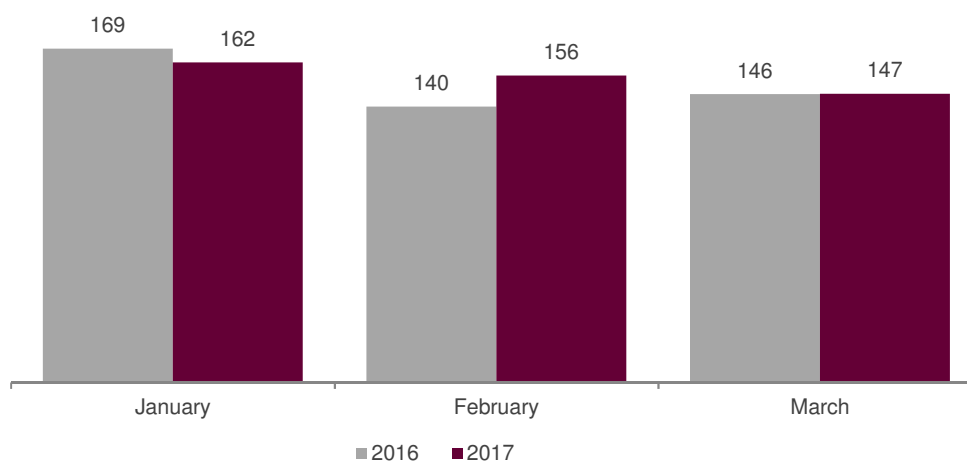


Source: Bloomberg

Electricity Day-Ahead Market (DAM) in Poland

In Q1 2017, the average level of the IRDN 24 index was 154.86 PLN/MWh and was 2.63 PLN/MWh higher than in the corresponding period of the previous year. The impact on the decrease of electricity prices of the historically high wind generation in Q1 2017 was offset by the sharp increase of the average level of system losses which, as a consequence, brought a slight increase in prices in relation to the corresponding period of last year.

Figure 17: IRDN 24 index in Q1 2017 (PLN/MWh)

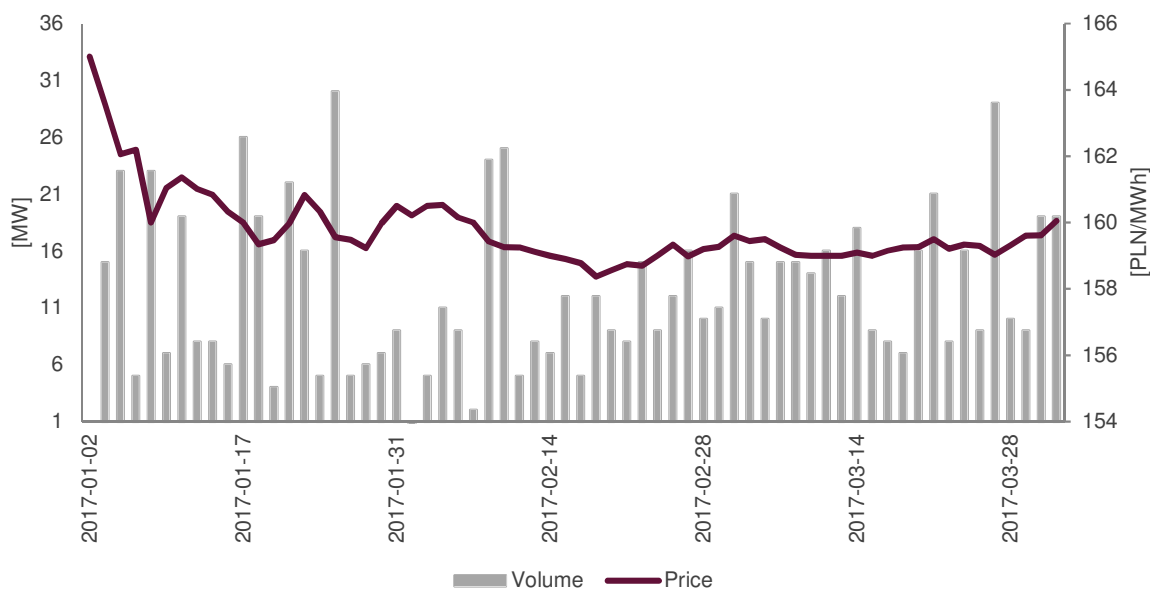


Source: TGE

Electricity forward market in Poland

In the first half of Q1 2017, the electricity forward market was in a downward trend, reaching the minimum of 158.37 PLN/MWh on 17 February. From that moment, there was a visible rebound attempt on the BASE 2018 market, boosting the prices to 160.05 PLN/MWh on 31 March.

Figure 18: Price of forward contracts – base with delivery in 2018, quoted in Q1 2017



Source: TGE

Emission allowance market

The vote on the next stage of EU ETS after 2020, held by the end of February, pushed the EUA prices at the beginning of March to nearly 6 EUR/t. Later on in the month, in a period free of political events (trilateral negotiations started on 4 April), EUA Dec 17 levels followed the correction of the prices of correlated energy products - oil and coal, dropping to 5 EUR/t. Further price decrease was the response to further steps pertaining to United Kingdom's exit from the European Union (it is still unclear whether the United Kingdom will remain in the EU ETS system) and increase in the auction volume this year by 86 million EUAs (Poland once again signed an agreement on the sale of emission entitlements with the auction platform of the EEX exchange). Ultimately, the prices in Q1 were at 4.67 EUR/t.

Figure 19: EUA emission allowance prices after Q1 2017



Source: Bloomberg

Market for property rights

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

Table 23: Average levels of property rights indices listed on the Polish Power Exchange

Index (type of certificate)	Index value	%	Substitution fee
	Q1 2017 (PLN/MWh) with 2018 index	Obligation (%)	(PLN)
OZEX_A (green)	35.11	15.40*	300.00*
KGMX (yellow)	123.62	7.0*	120.00*
KECX (red)	10.77	23.2*	10.00*

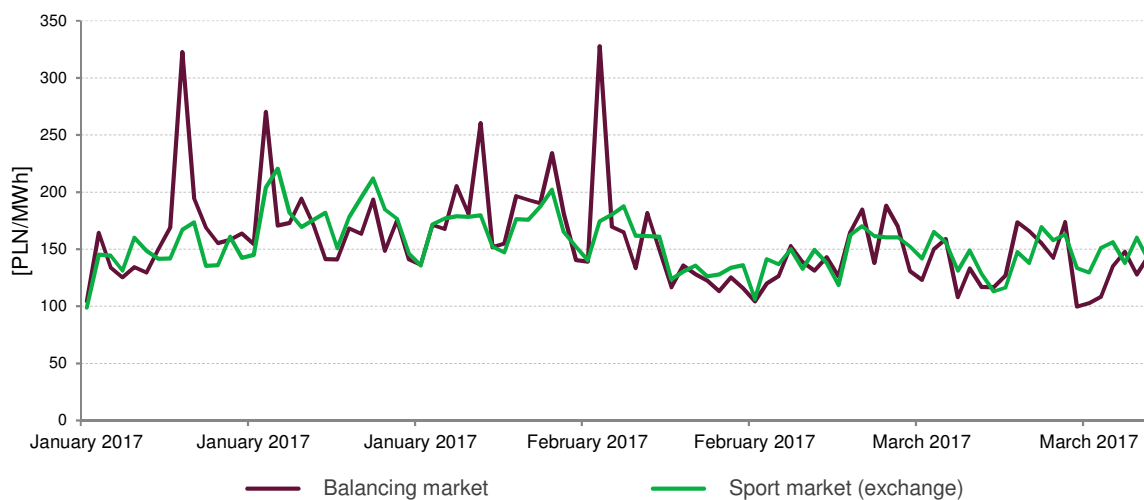
* value of the substitution fee and redemption obligation in 2017

From the standpoint of the Group's generation structure (high percentage of RES production) the quotations of green property rights are the most important. In Q1 2017, the prices of RES property rights in session transactions kept falling, closing the first quarter at 26.97 PLN/MWh, which is the historic minimum for this instrument.

Balancing Market

During the majority of Q1 2017, electricity prices on the balancing market were similar to day-ahead market prices. There were two exceptional dates: on 9 January of this year, the daily average price on the balancing market reached 322.75 PLN/MWh and on 13 February 2017, the price was 327.94 PLN/MWh. The average price level in the period in question on the balancing market was 156.63 PLN/MWh, compared to 149.90 PLN/MWh in the corresponding period of the previous year.

Figure 20: Statement of prices on the balancing market and spot market (exchange) in Q1 2017

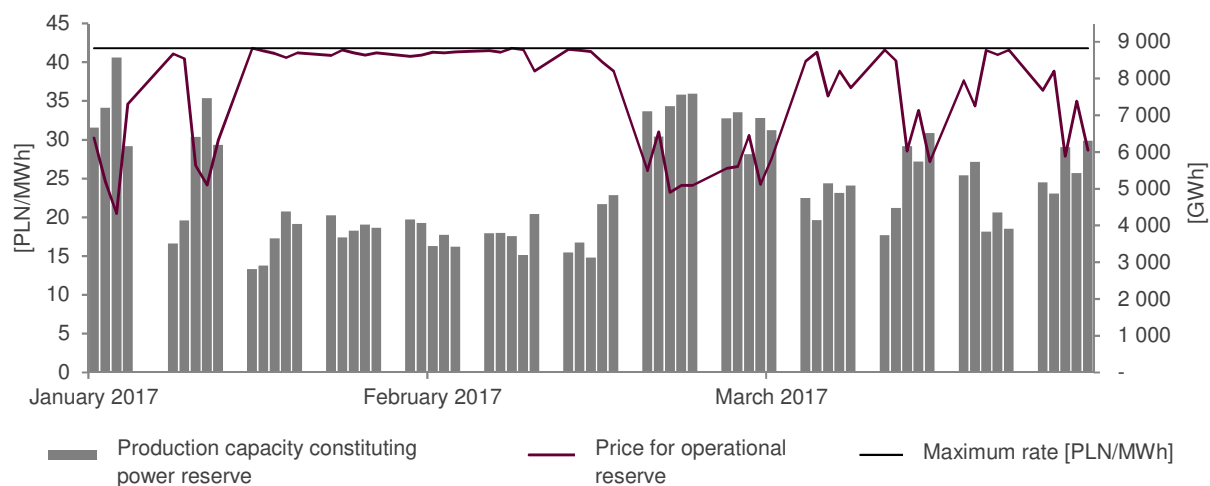


Source: TGE, PSE

Operating reserve

In 2017, the operating reserve service is continued. The reference price was raised to 41.79 PLN/MWh. In Q1 2017, the average fee for the operating reserve service was PLN 35.76 and was PLN 6.03 more than in the corresponding period of the previous year.

Figure 21: Prices and generating capacity constituting operating reserve after Q1 2017



Source: PSE

4.3. Regulatory environment

Regulatory issues in progress in 2016 and continuing in 2017

Table 24: List of legal acts affecting the Group

Legal act	Purpose of changes	Opportunities	Threats / Issues
Government Water Law bill RCL No. UC1	Implementation of the requirements of the Water Framework Directive in respect to the principles of water management	(1) Strive to (i) keep the current exemptions from new energy installation charges, or (ii) their significant reduction based on fair pricing arrangements during consultations and meetings; (iii) lack of fees or the rates should be statutory rather than based on a governmental regulation. (2) Rationalization and stimulation of investments in the area of water management in Poland	(1) Elimination of exemptions from fees for business use of water for energy production purposes. (2) Unknown level of new fees for business use of water for energy production purposes; Uncertainty as to the date of the act coming into force
Government bill on the capacity market RCL No. UD178	Ensuring support for implementation of investment projects that increase the stability and security of the National Power System. Ensuing the possibility of executing, on market terms, the new Ostrołęka C power plant	(1) Effect of incentives to build new and modernize existing generation installations. (2) Modernization and construction of new electricity sources to stabilize the National Power System and utilize Polish resources of energy fuels.	(1) No execution of the postulates of the ENERGA Group in the context of construction of the new conventional 1000 MW power plant in Ostrołęka. (2) No notification of the bill by the EC
Clean Energy for All Europeans legislative proposals, so-called winter package. COM/2016/0860 final	Maintenance of EU's competitiveness in the period of transformation of energy markets towards clean energy, the so-called Winter Package Plans to reduce coal subsidies and to increase the energy efficiency target to 30% and reduce CO ₂ emissions by 40% before 2030. The new regulations require approval by the European Union Council and the European Parliament. The Winter Package also contains solutions that support the development of decentralized electricity production and its storage to develop "civic energy". The key change for the energy markets in the EU is the abolishment of	Resistance of several EU countries to the low emission standard, i.e. 550g CO ₂ /kWh.	As of 1 January 2025, reduction of support of capacity market mechanisms for any installations that emit more than 550 g CO ₂ /kWh.

the “priority dispatch”, i.e. priority of access to the grid for RES before conventional sources. The amendment will come into effect after 2020.

Act dedicated to electromobility	Announcement by the Ministry of Energy Undersecretary of State Mr. Michał Kurtyka on 19 January 2017	Opportunity for dynamic growth of the electromobility business (cars, municipal transport, access infrastructure) in which the ENERGA Group has considerable experience – Enspirion Sp. z o.o.	Competition with entities that have well-developed technological and capital resources.
Planned amendment of the Act on wind farm investment projects.	Change of the rules for locating wind power plants	<ul style="list-style-type: none"> (1) Mitigation of legal requirements will, to some extent, enable the development of wind power. (2) Adding precision to the issues related to taxation of wind power plants by local government units. 	<ul style="list-style-type: none"> (1) Deepening concerns about interpretation concerning the possibility of executing wind farm investments. (2) No resolution regarding taxation of wind farms with property tax.

Shares and shareholding structure



5. SHARES AND SHAREHOLDING STRUCTURE

5.1. ENERGA's shareholding structure

Table 25: Issuer's shares by series and types

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

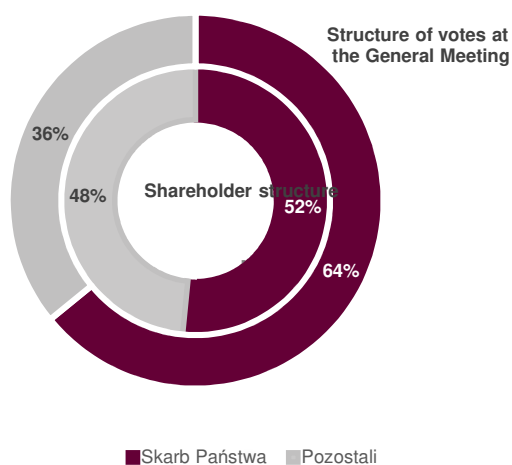
* One preferred share entitles its holder to 2 votes at the General Meeting. These shares are owned by the State Treasury.

Table 26: Shareholding structure of ENERGA as at 31 March 2017

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

* The State Treasury holds 144,928,000 series BB registered shares preferred in terms of voting at the General Meeting in such a way that one share entitles the holder to 2 votes at the General Meeting.

Figure 22: Shareholding and voting structure at the General Meeting of ENERGA as at 31 March 2017 and the date of preparing this Information



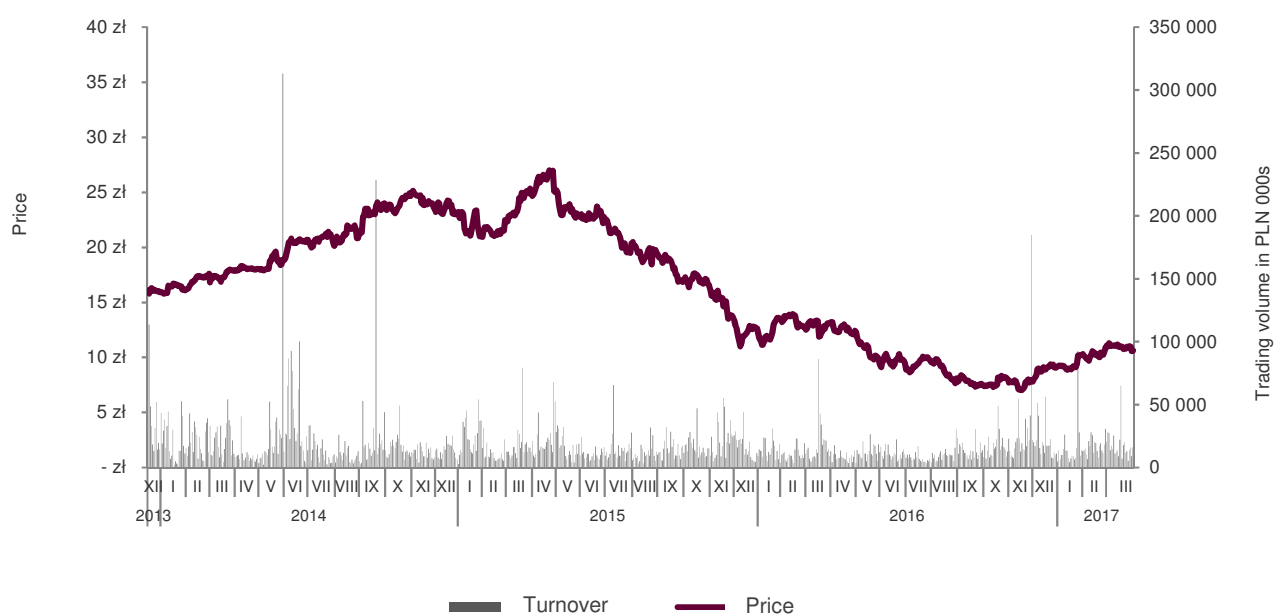
5.2. Company stock prices on the Warsaw Stock Exchange

Table 27: Information on ENERGA stock as at 31 March 2017

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114 shares
Stock price at the end of the period	PLN 10.63
Capitalization at the end of the period	PLN 4.4 bn
3M minimum at closing	PLN 8.89
3M maximum at closing	PLN 11.30
3M minimum	PLN 8.75
3M maximum	PLN 11.40
Average trading value	PLN 16,553 thous.
Average trading volume	1,612,174 shares
Average number of trades	2,441 trades

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

Figure 23: ENERGA SA stock price, in the period from IPO (i.e. 11 December 2013) to 31 March 2017



Source: Proprietary material based on data from gpwinfostrefa.pl

Figure 24: Changes in ENERGA SA stock prices in comparison with changes in WIG, WIG20 and WIG-ENERGIA indices



Source: Proprietary material based on data from infostrefa.pl

5.3. Recommendations for the Company’s stock

<p>5 Analyst recommendations in 3 months of 2017</p>	<p>1 Buy recommendation 3 Hold recommendations 1 Sell recommendation</p>
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A list of the recommendations can be found on the Company’s Investor Relations website.

5.4. Shares held by executive and supervisory personnel

As at 31 March 2017 and as at the date of preparing this Information, no member of ENERGA SA’s Supervisory Board and no member of ENERGA SA’s Management Board held Company’s shares, rights to Company’s shares or shares in the Company’s related companies.

Signatures of ENERGA SA Management Board Members

Daniel Obajtek

President of the ENERGA SA Management Board

Jacek Kościelniak

Vice-President of the ENERGA SA Management Board for Financial Matters

Grzegorz Ksepko

Vice-President of the ENERGA SA Management Board for Corporate Matters

Alicja Barbara Klimiuk

Vice-President of the Management Board for Operations

Andrzej Kublik

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 remnants of agricultural and forestry production, the industry processing their products, and also a portion of other biodegradable waste, and especially agricultural raw materials
CAPEX	Capital expenditures
CIRS, CCIRS	Currency Interest Rate Swap and Cross-Currency Interest Rate Swap transactions, in which payments will be made over a specified period with a specified frequency, based on variable interest rates, in two different currencies (CIRS) or in more currencies (CCIRS).
CO ₂	Carbon dioxide
EIB	European Investment Bank
EBIDTA (Earnings Before Interest, Taxes, Depreciation and Amortization)	ENERGA SA defines EBITDA as operating profit/loss plus depreciation and amortization and impairment losses for non-financial non-current assets. Since the EBITDA definition changed as of 2016, EBITDA for comparative periods (2013-2015) was calculated using the new definition.
EBIT	Earnings before interest and taxes; Operating profit
ENERGA SA, ENERGA	Parent company in the ENERGA Group
EMTN	Program to issue Euro Medium Term Notes
EUA	European Union Allowance; Emission allowances
EUR	Euro, currency used in countries belonging to the European Union's Eurozone
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
ENERGA Group, Group, ENERGA	Group dealing with distribution, sales 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	Główny Urząd Statystyczny (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 on the contractual nominal amount calculated according to a different interest rate.
Cogeneration, CHP	Technological process of simultaneous production of heat and electrical or mechanical energy in the course of the very same technological process
KRS	National Court Register
kWh	Kilowatt hour, unit of electrical energy generated or used by equipment with 1 kW of power 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 the wind, solar radiation, geothermal energy, waves, currents and marine tides, run of rivers and energy obtained from biomass, garbage dump biogas as well as biogas ensuing from waste removal or treatment processes or the degeneration of stored plant and animal remains to generate electricity.
ORM	Operating reserve
DSO, Distribution System Operator	Utility dealing with the distribution of gaseous fuels or electricity, responsible for grid operation in the gaseous distribution system or in the electricity distribution system, the current and long-term operational safety of this system, the operation, maintenance, refurbishment and required expansion of the distribution grid, including connections with other gaseous systems or other electrical power systems
TSO, Transmission System Operator	Utility dealing with the transmission of gaseous fuels or electricity, responsible for grid operation in the gaseous transmission system or in the electrical energy transmission system, the current and long-term operational safety of this system, the 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 using 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 computed by Markit in cooperation with HSBC
PMOZE_A	Property rights to certificates of origin for electricity generated in RES whose period of generation, as specified in the certificate of origin, commenced after 1 March 2009
Property rights	Negotiable rights constituting a commodity arising from certificates of origin for energy generated from renewable energy sources and cogeneration
PSE	Polskie Sieci Elektroenergetyczne Spółka Akcyjna with its registered office in Warsaw, entered in the register of entrepreneurs of the National Court Register under file number KRS 0000197596; company designated by ERO President decision No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 to be the electrical power Transmission System Operator in the Republic of Poland for the period from 1 January 2008 until 1 July 2014
yoy	Year on year
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SFIO	Specialized Open-end Mutual Funds
Spot	Day-Ahead Market (DAM) – energy market operating in the “day ahead” time interval (DA) providing for energy supply on day D
Certificate of origin from co-generation	Document issued by the ERO President pursuant to art. 9l of the Energy Law confirming the generation of electricity in highly-efficient cogeneration generated in: (i) a cogeneration unit fired with gaseous fuels or with the total installed electrical capacity at source being under 1 MW (known as a yellow certificate), (ii) a cogeneration unit fired with methane released and drained in the course of underground mining activity in hard coal mines that are active, that are being shut down or that have been shut down or with gas obtained by processing biomass (known as a purple certificate), or (iii) some other cogeneration unit (known as a red certificate)
Certificate of origin from renewable energy sources, green certificate	Document issued by the ERO President pursuant to art. 9e of the Energy Law confirming the generation of electricity in a renewable energy source (known as a green certificate)
Tariff G	Tariff group for individual customers – households
Polish Power Exchange, TGE	Polish Power Exchange S.A., a mercantile exchange on which commodities admitted to be traded on the exchange are traded, i.e. electricity, liquid and gaseous fuels, mine gas, pollution emission limits and property rights ensuing from certificates of origin whose price is directly or indirectly dependent on the price of electricity, liquid or gaseous fuels and the quantity of pollution emissions
TWh	Terawatt hour, a multiple unit of electricity in the International System of Units. 1 TWh is 10 ⁹ kWh
ERO	Energy Regulatory Office
WACC	Weighted average cost of capital
WIBOR	Warsaw Interbank Offered Rate
RAB	Regulatory Asset Base
Cofiring	Generation of electricity or heat using a process of simultaneous and joint combustion of biomass or biogas with other fuels in a single device; a portion of the energy generated in this manner may be deemed to be energy generated in a renewable energy source