



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

**for 9 months  
of 2017**

Gdańsk  
Publication date: 8 November 2017

## TABLE OF CONTENTS

<b>1. SUMMARY OF THE THIRD QUARTER OF 2017 .....</b>	<b>3</b>
<b>2. KEY INFORMATION ABOUT THE GROUP .....</b>	<b>6</b>
2.1. Material events in the reporting period and after the balance sheet date .....	6
2.2. Activities of the ENERGA SA Group .....	11
2.3. Key changes in the Group's structure and organization .....	12
2.4. Implementation of the investment program.....	14
2.5. Information on material contracts.....	15
2.6. Risk management.....	15
2.7. Proceedings pending before courts, arbitration bodies or public administration authorities.....	16
<b>3. ANALYSIS OF THE FINANCIAL STANDING AND ASSETS .....</b>	<b>27</b>
3.1. Rules for preparing the condensed interim consolidated financial statements .....	27
3.2. Discussion of the economic and financial data disclosed in the condensed consolidated financial statements .....	27
3.3. Structure of assets and liabilities in the consolidated statement of financial position.....	33
3.4. Description of significant off-balance sheet items .....	34
3.5. Key operational data of the ENERGA SA Group .....	34
3.6. Financial results by operating segments.....	37
3.7. Projected financial results .....	45
3.8. Ratings .....	45
3.9. Dividend.....	46
3.10. ENERGA SA Group performance drivers in the perspective of at least the next quarter .....	46
<b>4. ENVIRONMENT.....</b>	<b>48</b>
4.1. Macroeconomic situation .....	48
4.2. Electricity market in Poland .....	49
4.3. Regulatory environment.....	55
<b>5. SHARES AND SHAREHOLDING STRUCTURE .....</b>	<b>58</b>
5.1. ENERGA SA's shareholding structure .....	58
5.2. Company stock prices on the Warsaw Stock Exchange .....	59
5.3. Recommendations for the Company's stock .....	60
5.4. Shares held by executive and supervisory personnel.....	60
LIST OF FIGURES .....	62
LIST OF TABLES .....	62
GLOSSARY OF TERMS AND ABBREVIATIONS .....	63

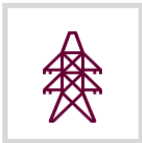
# 1. SUMMARY OF THE THIRD QUARTER OF 2017



## ENERGA SA GROUP AFTER Q3 2017

One of the leading energy groups and a reliable supplier of electricity and services for 1/4 of Poland, with a 25-percent of production from RES in own production.

### OPERATING DATA



**5.4 TWh**

volume of electricity supplied



**1.1 TWh**

gross production of electricity

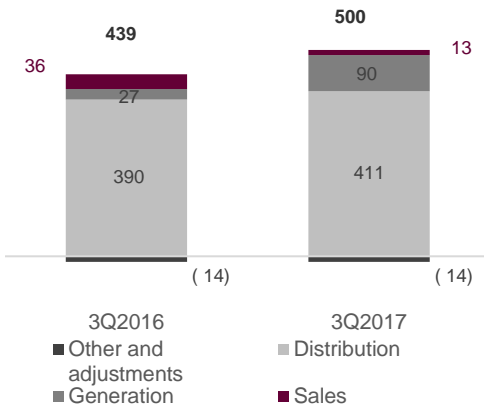


**5.1 TWh**

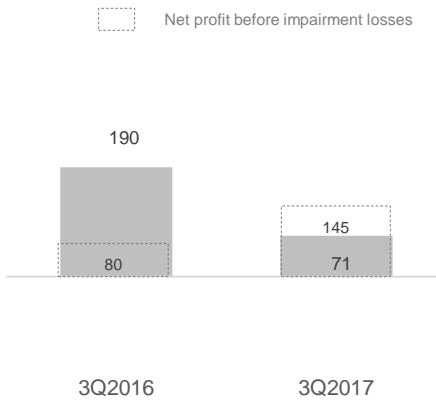
retail sales

### FINANCIAL RESULTS

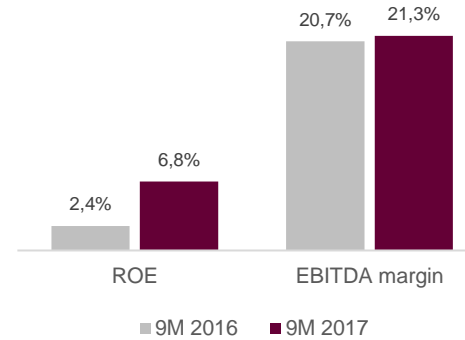
#### EBITDA (PLN m)



#### Net profit (PLN m)



#### Profitability



### ENERGA SA ON THE WSE

Market capitalization: **PLN 5.5 bn\***

**9 October 2017** – payment date of a dividend of **PLN 0.19 per share**.

\* According to the closing share price on 29 September 2017.

#### Prices of ENERGA SA's shares



## KEY RESOURCES



Distribution network  
with the length of  
**185 thous. km**



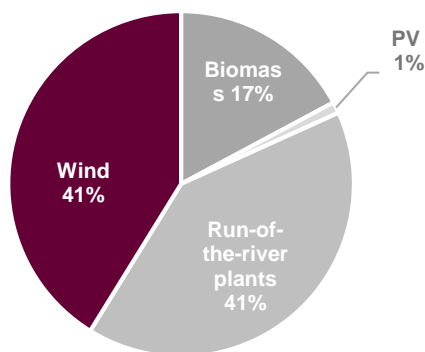
Installed capacity  
**1.34 GWe**  
of which **38%** falls to RES



**8.8**  
**thous.**  
employees



## RENEWABLE ENERGY SOURCES



Installed capacity  
**512 MWe**



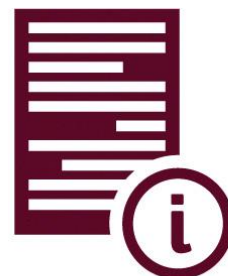
RES production  
**264 GWh**

## INVESTMENT PROJECTS IN THE ENERGA SA GROUP

In Q3 2017, the ENERGA SA Group executed investment projects worth **PLN 266 m**, including almost PLN 240 m in the Distribution Segment.

As a result of those capital expenditures, in Q2 of this year almost **13 thousand new customers** were connected, **831 km** of high, medium and low voltage lines were built and modernized and **6 MW** of new RES were connected to the grid.

# Key information about the Group



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

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

#### **Initiation by the ENERGA SA Group of judicial and arbitral proceedings related to framework agreements for the sale of property rights arising from certificates of origin**

On 11 September 2017, the management board of ENERGA-OBRÓT SA (“Subsidiary”) adopted resolutions to initiate judicial and arbitral proceedings aimed at ascertaining the non-existence of the legal relationships that were allegedly established as a result of the Subsidiary’s execution of twenty framework agreements with the generators of electricity from renewable energy sources for the sale of property rights arising from certificates of origin (“Agreements”).

The management board of the Subsidiary, a company wholly owned by the Issuer, has decided to cease the performance of the Agreements and initiate judicial and arbitral proceedings (bring action) against the counterparties, i.e. entities that generate electricity and sell property rights to the Subsidiary and against assignee banks. These proceedings will be aimed at ascertaining the non-existence of the legal relationships that were allegedly established as a result of the execution of the Agreements. The Subsidiary’s management board is of the opinion that the Agreements are null and void, because they provided for the obligation to execute property right purchase agreements without the tender procedure imposed by the provisions of the Act of 29 January 2004 entitled the Public Procurement Law (consolidated text: Journal of Laws of 2017 Item 1579, as amended), meaning that it is highly probable that the Agreements are null and void. In the opinion of the Subsidiary’s management board, the cessation of the performance of the Agreements is a consequence of their invalidity due to their imposition of an obligation to perform transactions in breach of the law (without a tender procedure).

According to its current state of knowledge, the Issuer estimates that the favorable impact of the cessation of the performance of the Agreements will be approx. PLN 110 m in 2018. In turn, as a result of the entry into force of the Act of 20 July 2017 amending the Renewable Energy Sources Act (Journal of Laws of 2017 Item 1593) and in connection with undertaking the actions described above, the favorable impact of these actions on the Issuer during the remaining term of the Agreements has been estimated at approx. PLN 2.1 bn. The said calculations are based on the assumption that the volume of retail sales remains at the 2016 level (19 TWh) and the unit substitution fee throughout the term of the Agreements is PLN 43 per MWh; the calculations do not constitute a forecast of the Group’s future performance (Current Report no. 37/2017).

#### **Signing of hybrid financing agreements with European Investment Bank**

On 4 September 2017, the Company and European Investment Bank (“EIB”) signed the following agreements:

- a) project agreement, defining detailed requirements regarding the investment project to be financed,
- b) subscription agreement (“Subscription Agreement”) constituting the basis for issuing hybrid bonds for EUR 250 million (“Bonds”).

The said financing will be slated for execution of an investment program in the Distribution segment, consisting in modernization and expansion of the ENERGA SA Group’s distribution assets in 2017-2019. The planned investments are aimed at increasing the security of electricity supplies while

simultaneously reducing grid losses and improving service quality. The estimated qualified expenditures in this period will amount to approx. EUR 814 million.

The issued Bonds are subordinated, unsecured, coupon bearer securities which have been subscribed for by EIB under the European Fund for Strategic Investments launched by EIB jointly with the European Commission to execute the so-called Juncker Plan. The Bonds were issued on 12 September 2017.

In accordance with the Subscription Agreement, the Bonds were issued in two tranches with the total nominal value of:

- a) EUR 125 million, maturing in 16 years, with the first financing period set for 6 years from the issue date,
- b) EUR 125 million, maturing in 20 years, with the first financing period set for 10 years from the issue date.

The Bonds earn interest at a fixed interest rate estimated according to the formula defined in the terms and conditions of issue.

In accordance with the characteristics of hybrid financing, in the first financing period the Company will not be able to redeem the Bonds early and EIB will not be able to sell the Bonds early to third parties (in both cases, subject to certain exceptions specified in the Agreement). In the same period the Company may, at its sole discretion, opt to defer all or part of the Interest payments (Current Report no. 36/2017). On 1 September 2017, Fitch Ratings assigned a preliminary rating to the bond issue

at the B+ level, which was confirmed on 13 September 2017.

### **Assessment of the impact of amendments to the RES Act on the results of the Sales Segment**

In connection with the amendments to the RES Act, on 16 August 2017, the Company published estimates of the potential positive impact of the reduction in costs and revenues arising from deregulation of the amount of the substitution fee and serving as an offtaker of last resort at a level of PLN 150 m in 2018. The scope of this impact takes into account cuts in both costs and revenues arising from the role of an offtaker of last resort and the setting of the amount of the substitution fee at a market level in a portion of long-term contracts for the purchase of green certificates. The said calculations do not constitute a forecast of the ENERGA SA Group's future performance and are based on the assumption that the volume of retail sales remains at the 2016 level (19 TWh) and the unit substitution fee in 2018 is PLN 43 per MWh (Current Report no. 34/2017).

### **Payment of a dividend from the profit generated in 2016**

On 26 June 2016, the Annual General Meeting of ENERGA SA adopted a resolution on the distribution of net profit for the financial year covering the period from 1 January 2016 to 31 December 2016 in the amount of PLN 783,542,643.96, with the following allocation:

- 1) payment of a dividend to shareholders in the amount of PLN 78,672,751.66, i.e. PLN 0.19 per share (10% of profit),
- 2) allocation to supplementary capital in the amount of PLN 704,869,892.30 (90% of profit).

The record date was set by a resolution at 25 September 2017 and the dividend payment date at 9 October 2017 (Current Report nos. 22/2017, 23/2017 and 28/2017).

## **Opting out from the acquisition process of EDF's Polish assets**

On 11 May 2017, the Company's Management Board adopted a resolution on ENERGA SA's resignation from the participation in the transaction to acquire Polish assets of EDF International SAS of EDF Investment II B.V. The decision followed in-depth analyses conducted in the Group, which supported a decision to focus ENERGA SA Group's investments and acquisitions on projects that would offer more synergies with its current asset base and area of competence; ones that would allow the Group to strengthen its balance sheet and improve its asset management efficiency. Such investments will be considered a priority.

Earlier, 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 was to include:

- 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
- 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).

Subsequently, the Company's Management Board reported that on 15 March 2017 the Company together with its Business Partners made changes to the previous Transaction structure 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.

## **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. (Current Report No. 19/2017) laid down in the first investment agreement executed on 28 April 2016 (Current Report No. 17/2016).

The parties to the Investment Agreement included: ENERGA Kogeneracja, Enea S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A., Węglkokoks 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 assumed a recapitalization of PGG by the Investors (excluding Węglkokoks 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 subscribed 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).

As at the preparation date of this Report, ENERGA Kogeneracja held a 15.76% stake in the share capital of PGG.

### **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 bonds 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 SA 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 for 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 for 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, provided 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, in connection with 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 for 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 to and members of the ENERGA SA governing bodies

Changes to the Company's governing bodies have been described in detail in the Management Board Report on the activity of the ENERGA SA Group for H1 2017.

In the period from 2 March 2017 to the date of preparing this information, the ENERGA SA Management Board was composed of the following members:

1. Mr. Daniel Obajtek - President of the Management Board,
2. Ms. Alicja Barbara Klimiuk - Vice-President of the Management Board for Operations,
3. Mr. Jacek Kościelniak - Vice-President of the Management Board for Financial Matters,
4. Mr. Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters.

Since 22 August 2017, when the Supervisory Board, at a meeting, elected Mr. Zbigniew Wtulich as Vice-President, and Ms. Agnieszka Terlikowska-Kulesza as Secretary of the Supervisory Board,

until the date of preparing this information, the ENERGA SA Supervisory Board has been composed of the following members:

- |                                      |   |                                    |
|--------------------------------------|---|------------------------------------|
| 1. Ms. Paula Ziemięcka-Księżak       | - | Supervisory Board Chairwoman,      |
| 2. Mr. Zbigniew Wtulich              | - | Supervisory Board Deputy Chairman, |
| 3. Ms. Agnieszka Terlikowska-Kulesza | - | Supervisory Board Secretary,       |
| 4. Mr. Andrzej Powalowski            | - | Supervisory Board Member,          |
| 5. Mr. Marek Szczepaniec             | - | Supervisory Board Member,          |
| 6. Mr. Maciej Żółtkiewicz            | - | Supervisory Board Member.          |

## 2.2. Activities of the ENERGA SA Group

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

**The Distribution Segment** – operating segment of key importance for the Group’s operating profitability, involving 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 SA 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 205 thousand are TPA customers. The distribution grid consists of power lines with a total length of approx. 185 thousand km and covers almost 75 thousand km<sup>2</sup>, 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: the Ostrołęka Power Plant, Hydro, Wind and Other (including co-generation – CHP – and photovoltaics). At the end of Q3, the total installed capacity in the Group’s power plants was approximately 1.3 GW. In Q3 2017, the Group’s gross production was 1.1 TWh of electricity. The installed capacity of our power plants relies on diverse energy sources, such as hard coal, hydro power, wind, biomass and solar energy. In Q3 2017, 75% of the Group’s gross electricity production originated from hard coal, 16% from hydro power, 8% from wind and 1% from biomass. The leader in this segment is ENERGA Wytwarzanie SA.

The ENERGA SA 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 Q3 of this year, the Group had 0.5 GW installed capacity in renewable energy sources, in which the Group’s gross electricity production reached 264 GWh.

**Sales Segment**, with ENERGA-OBRÓT SA as its leader, conducts sale 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. As at the end of Q3 2017, the ENERGA SA Group supplied 3.0 million customers, out of which 2.7 million were G tariff customers and the remainder were customers from tariff groups: C, B and A, in a decreasing order.

### Customer service

ENERGA-OBRÓT SA consistently aims to set market trends in the area of solutions for customers, responds to the activity of competitors, but first of all observes variable needs and preferences of customers and adjusts its offering, contact channels and service forms to increase, on an ongoing basis, the level of customer satisfaction and trust in the ENERGA SA Group. Considering the above factors, the Company has prepared the “Plan of implementing a Business Integrator Model” in response to the Strategic Program adopted in the ENERGA SA Group called “Rolling out a new customer-oriented business model and developing new business areas”. The developed model in which ENERGA-OBRÓT SA performs the function of Integrator of products and services constructed around the energy DNA of the Group brings the customer into the focus of attention and

concentrates on long-term management of relations based on a coherent offering and a full range of substantive advice. The model also assumes the use of tools to manage customer relationships.

The Company continues to develop electronic customer service and sales channels. According to the status as at the end of August 2017, 3,500 agreements with customers were executed using the electronic channel.

After implementing the eCommerce transactional environment and modernizing the website [www.energa.pl](http://www.energa.pl), the project named "System of Internet sales and customer service of ENERGA-OBRÓT SA" was launched; the system had been developed in the omni-channel environment. The implemented project will bring customers many benefits and conveniences.

In Q3 2017, optimization of service processes was continued to reduce the number of complaints, shorten the time of their handling and identify actions to be completed while a customer contacts the company for the first time. The communication channels were also improved and the available technical solutions were optimized.

Due to analyzing customers' needs and expectations and suggesting improvements, the ENERGA SA Group continuously optimizes channels and methods of customer service. One result of such actions is the appointment of Customer Ombudsman in August 2017.

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

Following the signing of the investment agreement on the execution of the new power unit in Ostrołęka construction project (Current Report No. 49/2016), 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 a share purchase agreement 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.

On 11 May 2017, an increase in the share capital of ENERGA Kogeneracja Sp. z o.o. by PLN 38,326,000 up to PLN 400,989,000 was registered in KRS. ENERGA SA holds a 64.59% stake in the company's share capital.

On 13 April 2017, the General Meeting of Elektrownia Ostrołęka SA adopted a resolution to increase the share capital by PLN 19,000,000; the new shares were subscribed for, half each, i.e. PLN 9,500,000 each, by ENERGA SA and ENEA SA and covered by a cash contribution. On 30 May 2017, the increase was registered in KRS.

On 3 July 2017, a resolution was adopted by the Extraordinary General Meeting of EOB PGK2 Sp. z o.o. to increase the share capital by PLN 290,000, i.e. up to PLN 300,000. The new shares were subscribed for by ENERGA SA (the sole shareholder), which covered them with a cash contribution. On the same date, a resolution was also adopted to change the company's name to Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o. The changes were registered in KRS on 27 October 2017.

On 28 August 2017, a resolution was adopted by the Extraordinary General Meeting of ENSA PGK3 Sp. z o.o. to increase the share capital by PLN 1,490,000.00 i.e. up to PLN 1,500,000.00. The newly issued shares in the number of 2,980 were subscribed for by the sole shareholder, i.e. ENERGA SA, in exchange for a cash contribution. At the same time, at the Meeting, a resolution was also adopted

to change the company's name to ENERGA Ochrona Sp. z o.o. The registration of the changes in KRS was on 27 October 2017.

Also on 28 August 2017, a Meeting was held at which a resolution was adopted to increase the share capital of ENERGA Finance AB (publ), from EUR 20,000,000 up to EUR 24,200,000 by issuing 4,200,000 new shares of the nominal value of EUR 1 each, which were subscribed for by ENERGA SA and covered by it with its own contribution. The share capital of the company was increased on 19 September 2017.

On 31 August 2017, ENERGA SA entered into two agreements with its subsidiaries:

- 1) the first with ENERGA-OBRÓT SA regarding a transfer of ownership title to shares in ENERGA Oświetlenie Sp. z o.o. in exchange for redemption of bonds issued by ENERGA-OBRÓT SA,
- 2) the second with ENERGA-OPERATOR SA regarding a transfer of ownership title to shares in ENERGA-OPERATOR Logistyka Sp. z o.o. in exchange for redemption of bonds issued by ENERGA-OPERATOR SA.

The redemption and the transfers of ownership titles to shares in ENERGA Oświetlenie Sp. z o.o. and ENERGA-OPERATOR Logistyka Sp. z o.o. in favor of ENERGA SA took place on 6 and 14 September 2017 respectively.

On 13 September 2017, the Extraordinary Partner Meeting of ENSA PGK1 Sp. z o.o. adopted a resolution to merge ENSA PGK1 Sp. z o.o. (the receiving company) with ENERGA Invest SA (the acquired company) - under the procedure of Article 492 §1 Item 1 of the Commercial Company Code - by transferring all the assets of the acquired company worth PLN 67,700,000 onto the receiving company in exchange for 94,692 shares of the total nominal value of PLN 47,346,000. The merger was entered to KRS on 12 October 2017. As of the date of the merger, the business name of ENSA PGK1 Sp. z o.o. was changed to ENERGA Invest Sp. z o.o. The share capital of ENERGA Invest Sp. z o.o., after the merger, amounts to PLN 47,356,000.

### **Headcount in the ENERGA SA Group**

As at 30 September 2017, the total headcount in the ENERGA SA Group was 8,836 employees, compared to 8,741 employees as at 31 December 2016.

The main reason for the headcount increase in the first three quarters of this year was the action taken to prevent the competence gap affecting mainly the engineering and technical staff, hiring of staff in connection with the renovation and modernization works at ENERGA Elektrownie Ostrołęka SA and in the billing and customer service area because of the continuing work to stabilize the sales handling system as well as to implement the policy of increasing the number of services which have been outsourced to date to be performed by companies from the ENERGA SA Group.

### **Group layoffs**

In Q3 2017, in the Group companies, no group layoffs were conducted as defined in the Act of 13 March 2003 on special rules for dissolving employment relationships for reasons not related to employees.

### **Industrial disputes**

As at the end of Q3 2017, there were 30 trade union organizations operating in ENERGA SA Group companies. More than 5 thousand Group employees were members of the trade unions as at 30 September 2017.

In connection with the demands presented within industrial disputes to six employers of the ENERGA SA Group, including ENERGA SA, on 12 July 2017, concerning:

1. Raising the basic remuneration as of 1 July 2017 for all the employees by the gross amount of PLN 600.00, with compensation for previous months as of 1 January 2017.

- Confirmation of the continued validity of the employee and trade union rights prevailing to date and granted, pursuant to Article 9 of the Labor Code, by the social contract, which expires on 1 August 2017 and forms an attachment to the demand. The demand should be satisfied by extending the validity of the above social contract for another 10-year term, starting from 1 August 2017 or signing a collective bargaining agreement to ensure that the employees and the trade unions representing them enjoy rights not worse than those following from the social contract for the above term.

presented by the following trade union organizations:

- MZZP (Inter-Company Trade Union of Employees) of KE ENERGA SA, Energetyka Kaliska Branch in Kalisz,
- MZZP of the ENERGA SA Group in Elbląg,
- MZZP of the ENERGA SA Group in Toruń,
- MZZP of the ENERGA SA Group in Koszalin,
- MZZP of the ENERGA SA Group in Olsztyn,
- ZZIT MOZ of the ENERGA SA Group Branch in Gdańsk,
- MOZ ZZIT at the ENERGA SA Group in Elbląg,
- MZZP of Energetyka Płocka.

with the above employers, an industrial dispute has started.

In view of the fact that the trade union party to the dispute started a Joint Trade Union Representation, the dispute has become a multi-company dispute. As one of the organizations, ZZIT MOZ of the ENERGA SA Group Branch in Gdańsk, withdrew from the Joint Trade Union Representation and renounced the disputed demands, the industrial dispute ended with three employers, including ENERGA SA. At present, the dispute is at the negotiation stage.

On 8 September 2017, the following demands were filed to the Management Board of ENERGA Elektrownie Ostrołęka SA, based on Articles 1 and 7 of the Industrial Dispute Resolution Act of 23 May 1991:

- To make a single payment of the net amount of PLN 1000 to each employee of EEO SA.
- To sign a collective bargaining agreement in accordance with the request of 22 August 2017.

Because the demands presented by the trade union party were not responded to, there is an industrial dispute at the employer's. The dispute is currently in the negotiation phase.

## 2.4. Implementation of the investment program

In the first three quarters of 2017, the ENERGA SA Group made investments worth nearly PLN 794 m, of which PLN 674 m in the Distribution Segment, where the work 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. In the Generation Segment, capital expenditures were mostly connected with modernizations carried out at Ostrołęka B Power Plant (including an overhaul of a unit).

**Table 1: Key investment areas for 9 months of 2017**

Description of the project	Location	Capital expenditures (PLN m)	Execution stage
Grid development related to connection of new customers.	Distribution areas	277.7	In progress continuously
Distribution grid modernization to improve reliability of supply.	Distribution areas	278.4	In progress continuously

Other capital expenditures	Distribution areas and Distribution Segment companies	118.1	In progress continuously
Overhauls of the Ostrołęka B Power Plant	Ostrołęka	26.0	In progress
Other investments in the Ostrołęka B Power Plant	Ostrołęka	10.0	In progress
Capital expenditures for lighting assets	Business area of ENERGA Oświetlenie	15.1	In progress continuously
Other companies, projects and adjustments	-	68.3	-
<b>TOTAL</b>	<b>ENERGA SA Group</b>	<b>793.6</b>	

## 2.5. Information on material contracts

### Material contracts

In Q3 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 30 September 2017, sureties extended by ENERGA SA to cover liabilities of the Group companies totaled PLN 5,423 m and included:

- surety for liabilities of ENERGA Finance AB (publ) on account of a PLN 5,386 m Eurobond issue,
- sureties for liabilities of the ENERGA SA Group companies arising from bank guarantees granted by Bank PKO BP SA under guarantee facilities dedicated to ENERGA SA Group companies in the total amount of PLN 18 m,
- sureties for liabilities of the ENERGA SA Group companies to the National and Regional Fund for Environmental Protection and Water Management in the total amount of PLN 19 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 SA Group are made on the basis of the market prices of goods, products or services based on their manufacturing costs.

Information on the transactions with affiliated entities is presented in Note 18 to the condensed interim consolidated financial statements on and for the period of 9 months ended 30 September 2017.

## 2.6. Risk management

In the ENERGA SA 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 SA Group for H1 2017. The Management Board believes that the risks presented in the aforementioned documents remain valid.

## 2.7. Proceedings pending before courts, arbitration bodies or public administration authorities

As at 30 September 2017, the ENERGA SA Group was a party to 10,520 court procedures. The Group acted as a plaintiff in 8,583 cases, where the aggregated value of the disputed matters was approx. PLN 314 m. The Group acted as a defendant in 1,629 cases, where the aggregated amount of the disputed matters was approx. PLN 409.5 m.

As at 30 September 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 17.4 m in approx. 3,506 cases. There were 2,125 pending court cases and the value of the disputed matters in such pending cases was PLN 203.5 m.

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 74.7 m, with a reservation that this amount may change if new court cases related to the 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. for the amount of approx. PLN 13 m. The aggregated amount of all such cases was approx. PLN 184 m as at 30 September 2017, including:

Type of receivable	Balance as at 30 September 2017
court and enforcement-based	PLN 103 m
bankruptcies	PLN 69 m
non-billing	PLN 6.6 m
Non-billing – bankruptcies	PLN 5.4 m
<b>Total</b>	<b>PLN 184 m</b>

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. No pecuniary penalty, fine or other financial liability measures were imposed either 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 Q3 2017. The Company's previous periodic reports and Prospectus contain information on legal steps taken in earlier periods.



**Table 2: Proceedings pending before courts, arbitration bodies or public administration authorities**

Parties	Subject matter	Description of the case
<p>Boryszewo Wind Invest Sp. z o.o. (plaintiff) ENERGA-OBRÓT SA (defendant)</p>	<p>Partial termination by ENERGA-OBRÓT SA of the agreement to purchase electricity and property rights to certificates of origin for electricity generated in RES.</p>	<p>On 26 October 2015, ENERGA-OBRÓT SA 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 on the validity 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.</p> <p>A copy of the judgment was delivered together with the justification. On 28 July 2017, ENERGA-OBRÓT SA filed a cassation appeal against the judgment handed down by the Court of Appeal in Gdańsk.</p> <p>On 18 October 2017, the cassation appeal was sent by the court from/to the plaintiff's representative.</p>
<p>T- Matic Systems S.A., Arcus S.A. (defendant) ENERGA-OPERATOR SA (plaintiff)</p>	<p>Lawsuit for payment of contractual penalties arising from the agreements to supply and launch the metering infrastructure (re: stage I of AMI).</p>	<p>On 7 April 2015, a statement of claim was filed (the value of the disputed matter being PLN 23.2 m). On 10 June 2015, the defendants filed a reply to the statement of claim, requesting it to be dismissed in its entirety, arguing that the defendants are not to blame for the delays, while some of the delays were attributable to ENERGA-OPERATOR SA, and invoking the operation of force majeure, that fact that ENERGA-OPERATOR SA suffered no losses and grossly excessive amount of contractual penalties. In a letter of 30 September 2015, ENERGA-OPERATOR SA filed a replication to the reply to the statement of claim, responding in detail to all the charges and reporting new evidence.</p> <p>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, a hearing was held at which the Court obligated ENERGA-OPERATOR SA 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 hearing was held in which the parties failed to reach an agreement. At subsequent sessions, witnesses were heard – new dates of witness hearing were set for 20 October and 8 November 2017. The court contacted the representatives to agree</p>

---

on 20 October 2017 a schedule of further hearings.

T- Matic Systems S.A., Arcus S.A. (plaintiff) ENERGA-OPERATOR SA (defendant)	Counterclaim: <ul style="list-style-type: none"><li>• for payment of contractual penalties</li><li>• to rule invalidity of an agreement (re: stage II of AMI)</li></ul>	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 157.1 m on account of the payment of contractual penalties of PLN 156.1 m and PLN 1 m of a reduction in remuneration, in accordance with the demand for payment of 9 November 2015. On 30 January 2017, the Court issued a decision to resume the proceedings, which were earlier suspended upon request of the parties. On 13 June 2017, the court decided to discontinue the grievance proceedings to dismiss the Plaintiff's petition for injunctive relief in the form of a prohibition on the use of the insurance guarantee, in connection with a petition to withdraw the grievance. The files will be forwarded to the Regional Court in Gdańsk. The date of the trial was set for 5 December 2017.
T- Matic Systems S.A., Arcus S.A. (plaintiff) ENERGA-OPERATOR SA (defendant)	For payment of injunctive relief in the form of an insurance guarantee from STU Hestia	In connection with the inadequate performance of the agreement by the Consortium, ENERGA-OPERATOR SA submitted the insurance guarantee issued in its favor for execution. On 3 March 2017, Hestia paid the guarantee amount of PLN 9.6 m to ENERGA-OPERATOR SA. In connection with the Court's decision to award injunctive relief, EOP returned the STU Hestia guarantee amount, subject to its refund. On 5 May 2017, EOP filed a grievance against this decision. Arcus SA and T-Matic SA applied to STU Hestia requesting it to issue a new payment guarantee and such a guarantee was delivered to EOP on 12 May 2017. On 22 June 2017, ENERGA-OPERATOR SA received a statement of claim in writ of payment proceedings for payment of the injunctive relief in the form of an insurance guarantee from STU Hestia. On 26 June 2017, the Consortium's response to the grievance was received. With a decision of 16 August 2017, the case was combined for joint examination with the case from files IX GC 893/15, while the petition to suspend the procedure was dismissed. With a decision of 26 September 2017, the Appellate Court examining the grievance filed by ENERGA-OPERATOR SA against the decision to award injunctive relief, dismissed the grievance in a legally final manner (case file I Acz 733/17).
ENERGA-OPERATOR SA (plaintiff); PKN ORLEN SA (defendant)	Suit for payment	On 19 April 2016, the Appellate Court in Warsaw announced its judgment in the case brought by ENERGA-OPERATOR SA Branch Office in Plock 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, case file XVI GC 782/11 became final, awarding the plaintiff PLN 16.1 m with interest from 30 June 2004.

		<p>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. The new date of the court session was set at 20 July 2017. The Supreme Court dismissed the complaint filed by the defendant PLN Orlen, while accepting the complaint by EOP SA, repealing the appealed decision of the Appellate Court and referring the case to it for re-examination. On 1 August 2017, the judgment with a justification was received. The date of the new court session was set at 15 November 2017.</p>
ENERGA OPERATOR SA (party); PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)	Pecuniary penalty imposed by the authority	ENERGA-OPERATOR SA received a decision dated 21 December 2016 in which the ERO President imposed a fine of PLN 11 m on ENERGA-OPERATOR SA for misleading the ERO President. The Company appealed against this decision and petitioned for it to be repealed in its entirety or, if it is not repealed in its entirety, to be changed by waiver of the fine or its reduction to PLN 50 thousand. The ERO President also responded to the appeal, requesting among others for it to be dismissed. By 30 September 2017 and as at the date of preparing this information, the court handling the proceedings has not taken any further steps in the case.
Office for Competition and Consumer Protection (UOKiK) (authority) vs. ENERGA-OBRÓT SA (party)	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>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 contractual penalty or terminating a contract before the end date of the offer.</p> <p>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</p>

		<p>directions for commitments that the company would make to satisfy UOKiK's requirements to reduce the amount of the penalty to a minimum.</p> <p>In 2016, the date of the proceedings was postponed 3 times. In 2017, the company held further meetings with UOKiK to discuss the directions for commitments and present arguments. At present, the term of the proceedings is extended until 1 December 2017.</p>
ENERGA Kogeneracja Sp. z o.o. (plaintiff) - Mostostal Warszawa S.A. (defendant)	Suit for payment on account of reduction of contractual price	<p>On 22 June 2017, ENERGA Kogeneracja Sp. z o.o. (EKO) filed a suit with the Regional Court in Gdańsk against Mostostal Warszawa S.A. to award the amount of PLN 106.4 m from the defendant to the plaintiff with statutory interest for the period from the date of filing the suit to the payment date. The subject matter of the claim is reduction of the contractual price payable to EKO on account of performance of contract no. EKO/86/2011 by the amount of PLN 90,286,722.15 (legal basis: Article 637 §2 of the Civil Code in conj. with Article 656 §1 of the Civil Code). On 15 September 2017, the Regional Court in Gdańsk handed down a decision to secure evidence in the form of an opinion of an expert witness (institute). The enquiries submitted by the Court about the possibility of preparing a relevant opinion were rejected by the institutes. The defendant received an extension of the deadline to prepare its statement of defense until 15 December 2017.</p>
Boryszewo Wind Invest Sp. z o.o. (plaintiff) ENERGA-OBRÓT SA (defendant)	Statement of claims for payment of damages for the failure on the part of ENERGA-OBRÓT SA to perform part of the agreement to purchase property rights to certificates of origin for electricity generated in RES.	<p>On 25 August 2017, Boryszewo Wind Invest filed a statement of claim against ENERGA-OBRÓT SA to the Regional Court in Gdańsk for payment of PLN 31.9 m with interest on account of compensation for the failure to perform part of the Framework Agreement for the Sale of Property Rights following from Certificates of Origin no. W/HH/210/2010/1, which involved making a representation about partial termination of the agreement and refusal to acquire property rights from the certificates of origin. The claim amount includes the "losses" incurred by the plaintiff in connection with the necessity to sell the property rights at TGE with statutory interest (PLN 25.7) as well as the amount of additional costs in connection with debt service under a loan agreement (PLN 6.2 m). The case was assigned the file number: IX GC 701/17.</p> <p>On 30 October this year ENERGA-OBRÓT SA filed a reply to the statement of claim.</p>

ENERGA-OBRÓT SA (plaintiff) - "RELAX WIND PARK I" sp. z o.o. (defendant 1), Bank of China Luxembourg SA Spółka Akcyjna acting through its Branch in Poland (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 16th Business Division.  Case file no. XVI GC 801/17
ENERGA-OBRÓT SA (plaintiff) - "MEGAWATT BALTICA" S.A. (defendant 1), Powszechna Kasa Oszczędności Bank Polski S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Arbitration Court at the KIG in Warsaw.  Case file no. SA 128/17.
ENERGA-OBRÓT SA (plaintiff) - ZAŁĄCZKOWO WINDFARM sp. z o.o. (defendant)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Gdańsk, 9th Business Division.  Case file no. IX GC 737/17.
ENERGA-OBRÓT SA (plaintiff) - EOLICA KISIELICE sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Gdańsk, 9th Business Division.  Case file no. IX GC 739/17.
ENERGA-OBRÓT SA (plaintiff) - PGE ENERGIA ODNAWIALNA SA, (defendant)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 20th Business Division.  Case file no. XX GC 839/17.

ENERGA-OBRÓT SA (plaintiff) - C&C WIND sp. z o.o. (defendant 1), Bank Ochrony Środowiska S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Arbitration Court at the KIG in Warsaw.  Case file no. SA 127/17.
ENERGA-OBRÓT SA (plaintiff) - BORYSZEWO WIND INVEST Sp. Z O.O. (defendant 1), MBANK S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 16th Business Division.  Case file no. XVI GC 799/17.
ENERGA-OBRÓT SA (plaintiff) - JEŻYCZKI WIND INVEST sp. z o.o. (defendant 1), MBANK S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 16th Business Division.  Case file no. XVI GC 805/17
ENERGA-OBRÓT SA (plaintiff) - WIND INVEST sp. z o.o., (defendant 1), MBANK S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 16th Business Division.  Case file no. XVI GC 798/17
ENERGA-OBRÓT SA (plaintiff) - STARY JAROSŁAW WIND INVEST sp. z o.o. (defendant 1), MBANK S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 16th Business Division.  Case file no. XVI GC 802/17.

ENERGA-OBRÓT SA (plaintiff) - LIVINGSTONE sp. z o.o. (defendant 1), DNB BANK POLSKA SPÓŁKA AKCYJNA (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 26th Business Division.  Case file no. XXVI GC 713/17.
ENERGA-OBRÓT SA (plaintiff) - PGE ENERGIA ODNAWIALNA S.A. (defendant)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 20th Business Division.  Case file no. XX GC 842/17.
ENERGA-OBRÓT SA (plaintiff) - KRUPY WIND INVEST sp. z o.o. (defendant 1), MBANK S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 16th Business Division.  Case file no. XVI GC 803/17.
ENERGA-OBRÓT SA (plaintiff) - PGE ENERGIA NATURY sp. z o.o. (defendant)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 20th Business Division.  Case file no. XX GC 841/17.
ENERGA-OBRÓT SA (plaintiff) - "WINDVEST - POLAND" sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 26th Business Division.  Case file no. XXVI GC 711/17.

ENERGA-OBRÓT SA (plaintiff) - NIDZICA sp. z o.o. (defendant 1), BANK OCHRONY ŚRODOWISKA S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 16th Business Division.  Case file no. XVI GC 800/17.
ENERGA-OBRÓT SA (plaintiff) - "SAGITTARIUS SOLUTIONS" sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 16th Business Division.  Case file no. XVI GC 804/17.
ENERGA-OBRÓT SA (plaintiff) - "EW CZYŻEWO" sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Gdańsk, 9th Business Division.  Case file no. IX GC 736/17.
ENERGA-OBRÓT SA (plaintiff) - ELEKTROWNIA WIATROWA EOL sp. z o.o. (defendant 1), BANK ZACHODNI WBK S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Warsaw, 26th Business Division.  Case file no. XXVI GC 712/17.
ENERGA-OBRÓT SA (plaintiff) - WIELKOPOLSKIE ELEKTROWNIE WIATROWE sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Gdańsk, 9th Business Division.  Case file no. IX GC 735/17.



ENERGA-OBRÓT SA (plaintiff) - " EW KOŹMIN" sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Regional Court in Gdańsk, 9th Business Division.  Case file no. IX GC 738/17.
ENERGA-OBRÓT SA (plaintiff) - "WIATROWA BALTICA" sp. z o.o. (defendant 1), Raiffeisen Bank Polska S.A. (defendant 2)	Claim to rule non-existence of a legal relationship that was to be created as a result of the execution by ENERGA-OBRÓT SA of an agreement to sell property rights arising out of certificates of origin (CPA)	On 11 September 2017, ENERGA-OBRÓT SA brought a suit to the Arbitration Court at the KIG in Warsaw.  Case file no. SA 129/17.

# 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 SA Group as at and for the 9-month period ended 30 September 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 SA Group to continue its business activities as a going concern.

The accounting (policy) principles used to prepare the annual consolidated financial statements were presented in Note 7 to the condensed interim consolidated financial statements of the ENERGA SA Group as at and for the nine-month period ended 30 September 2017.

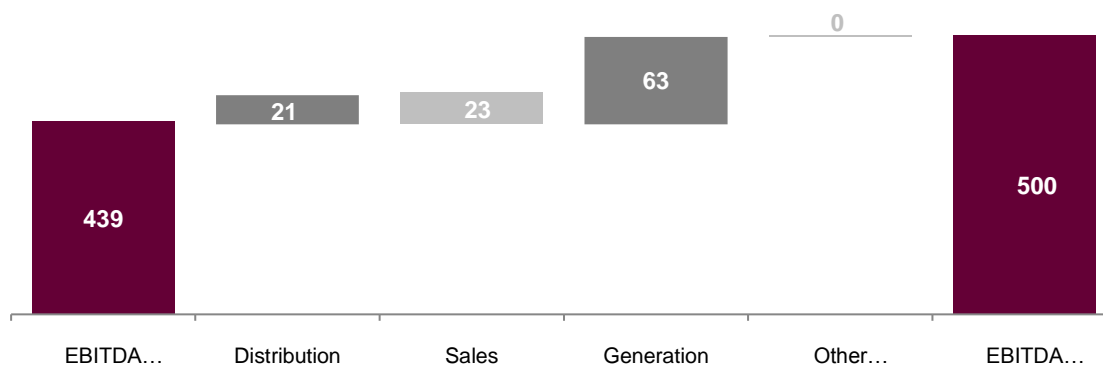
#### 3.2. Discussion of the economic and financial data disclosed in the condensed consolidated financial statements

Table 3: Consolidated statement of profit or loss

PLN m	9M 2016	9M 2017	Change	Change (%)
<b>Sales revenues</b>	<b>7,373</b>	<b>7,717</b>	<b>344</b>	<b>5%</b>
Cost of sales	(6,387)	(6,434)	(47)	-1%
<b>Gross profit on sales</b>	<b>986</b>	<b>1,283</b>	<b>297</b>	<b>30%</b>
Other operating income	81	144	63	78%
Selling and distribution expenses	(243)	(256)	(13)	-5%
General and administrative expenses	(240)	(238)	2	1%
Other operating expenses	(200)	(107)	93	47%
<b>Operating profit</b>	<b>384</b>	<b>826</b>	<b>442</b>	<b>&gt; 100%</b>
Result on financial activity	(175)	(149)	26	15%
Share in profit/(loss) of the entities measured by the equity method	(60)	17	77	> 100%
<b>Profit or loss before tax</b>	<b>149</b>	<b>694</b>	<b>545</b>	<b>&gt; 100%</b>
Income tax	(75)	(135)	(60)	-80%
<b>Net profit or loss for the period</b>	<b>74</b>	<b>559</b>	<b>485</b>	<b>&gt; 100%</b>
<b>EBITDA</b>	<b>1,529</b>	<b>1,643</b>	<b>114</b>	<b>7%</b>

PLN m	Q3 2016	Q3 2017	Change	Change (%)
<b>Sales revenues</b>	<b>2,436</b>	<b>2,520</b>	<b>84</b>	<b>3%</b>
Cost of sales	(1,957)	(2,183)	(226)	-12%
<b>Gross profit on sales</b>	<b>479</b>	<b>337</b>	<b>(142)</b>	<b>-30%</b>
Other operating income	28	48	20	71%
Selling and distribution expenses	(81)	(84)	(3)	-4%
General and administrative expenses	(76)	(76)	-	-
Other operating expenses	(37)	(54)	(17)	-46%
<b>Operating profit or loss</b>	<b>313</b>	<b>171</b>	<b>(142)</b>	<b>-45%</b>
Result on financial activity	(51)	(85)	(34)	-67%
Share in profit/(loss) of the entities measured by the equity method	(19)	9	28	> 100%
<b>Profit or loss before tax</b>	<b>243</b>	<b>95</b>	<b>(148)</b>	<b>-61%</b>
Income tax	(53)	(24)	(29)	55%
<b>Net profit or loss for the period</b>	<b>190</b>	<b>71</b>	<b>(119)</b>	<b>-63%</b>
<b>EBITDA</b>	<b>439</b>	<b>500</b>	<b>61</b>	<b>14%</b>

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



In Q3 2017, the Group's sales revenue amounted to PLN 2,520 m and was 3%, or PLN 84 m, higher than in Q3 2016. The 7% increase in Distribution Segment's revenues was driven mainly by a 4% yoy increase in the average selling rate of distribution services resulting among others from a more favorable sales structure. On the other hand, the increase in the Generation Segment was mainly caused in particular by the increase in revenues on sales of electricity, property rights and regulatory system services. A reverse trend was observed in the Sales Segment, where the major factor for the decrease in the revenue was the lower revenue on sales of electricity in wholesale market.

In Q3 of the current year, the Group's EBITDA was PLN 500 m, up by 14% compared to the same period of the previous year. The decline in the Sales Segment's EBITDA was offset by EBITDA growth in the Generation and Distribution Segments.

The Distribution Segment contributed the most to the Group's EBITDA in Q3 2017 (82%), while the Generation Segment and the Sales Segment accounted for 18% and 3%, respectively. The highest EBITDA growth was posted by the Generation Segment (an increase by PLN 63 m to PLN 90 m),

which was driven mainly by the aforementioned increase in sales revenue, partially offset by higher purchase cost of fuel. In the case of the Distribution Segment, the EBITDA growth by PLN 21 m yoy was caused by the lower level of operating expenses and a more favorable yoy margin on the sales of distribution services. On the other hand, the EBITDA decline in the Sales Segment was driven by the deterioration of profitability on the sales of electricity.

The operating profit in Q3 of this year fell by PLN 142 m compared to Q3 of the previous year. The greatest impact on the change in the yoy EBIT level, apart from the operating factors described above, was exerted by the decision to recognize impairment losses in the Generation Segment for the existing and future wind farms in the total amount of PLN 74.7 m and goodwill in the amount of PLN 10.9 m. The total impact exerted by these impairment losses on the ENERGA SA Group's consolidated financial statements for Q3 2017 is PLN 85.5 m (the estimates were published in Current Report no. 40/2017). In the same quarter of previous year, on the other hand, the impairment loss on the fixed assets under construction in the amount of PLN 110 m in Elektrownia Ostrołęka SA was reversed.

The Group's net result in Q3 2017 was positive and amounted to PLN 71 m, down by PLN 119 m from Q3 2016.

Below, the impact of extraordinary events on the EBITDA result is presented.

**Table 4: EBITDA adjusted for material non-recurring events\***

<b>EBITDA (PLN m)</b>	
<b>9 months of 2017</b>	
<b>EBITDA</b>	<b>1,643</b>
<b>Adjusted EBITDA</b>	<b>1,604</b>
incl.:	
Bargain purchase gains arising from the acquisition	<b>(50)</b>
<b>9 months of 2016</b>	
<b>EBITDA</b>	<b>1,529</b>
<b>Adjusted EBITDA</b>	<b>1,508</b>
<b>EBITDA (PLN m)</b>	
<b>Q3 2017</b>	
<b>EBITDA</b>	<b>500</b>
<b>Adjusted EBITDA</b>	<b>503</b>
<b>Q3 2016</b>	
<b>EBITDA</b>	<b>439</b>
<b>Adjusted EBITDA</b>	<b>426</b>

\*The table presents the non-recurring events determined on the basis of the materiality criterion, which was assumed to be PLN 25 m.

**Table 5: Consolidated statement of financial position**

PLN m	Balance as at 31 Dec 2016	Balance as at 30 Sep 2017	Change	Change (%)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13,053	12,875	(178)	-1%
Intangible assets	383	364	(19)	-5%
Goodwill	26	15	(11)	-42%
Investments in associates and joint ventures measured by the equity method	390	771	381	98%
Deferred tax assets	396	345	(51)	-13%
Other non-current financial assets	166	134	(32)	-19%
Other non-current assets	101	104	3	3%
	<b>14,515</b>	<b>14,608</b>	<b>93</b>	<b>1%</b>
<b>Current assets</b>				
Inventories	472	252	(220)	-47%
Current tax receivables	111	40	(71)	-64%
Trade receivables	1,947	1,691	(256)	-13%
Portfolio of financial assets	2	-	(2)	-100%
Other current financial assets	15	205	190	> 100%
Cash and cash equivalents	1,471	3,437	1,966	> 100%
Other current assets	198	268	70	35%
	<b>4,216</b>	<b>5,893</b>	<b>1,677</b>	<b>40%</b>
<b>TOTAL ASSETS</b>	<b>18,731</b>	<b>20,501</b>	<b>1,770</b>	<b>9%</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	4	1	(3)	-75%
Reserve capital	1,018	1,018	-	-
Supplementary capital	728	1,433	705	97%
Cash flow hedge reserve	41	(2)	(43)	< -100%
Retained earnings	2,464	2,222	(242)	-10%
<b>Equity attributable to equity holders of the Parent Company</b>	<b>8,777</b>	<b>9,194</b>	<b>417</b>	<b>5%</b>
<b>Non-controlling interest</b>	<b>40</b>	<b>47</b>	<b>7</b>	<b>18%</b>

	<b>8,817</b>	<b>9,241</b>	<b>424</b>	<b>5%</b>
<b>Non-current liabilities</b>				
Loans and borrowings	3,086	2,813	(273)	-9%
Liabilities on account of the issue of debt securities	2,639	4,706	2,067	78%
Non-current provisions	578	573	(5)	-1%
Deferred tax liability	593	588	(5)	-1%
Deferred income and non-current grants	515	504	(11)	-2%
Other non-current financial liabilities	6	24	18	> 100%
	<b>7,417</b>	<b>9,208</b>	<b>1,791</b>	<b>24%</b>
<b>Current liabilities</b>				
Trade payables	811	663	(148)	-18%
Current loans and borrowings	334	347	13	4%
Liabilities on account of the issue of debt securities	78	74	(4)	-5%
Current income tax liability	3	3	-	-
Deferred income and grants	170	143	(27)	-16%
Short-term provisions	711	376	(335)	-47%
Other financial liabilities	157	166	9	6%
Other current liabilities	233	280	47	20%
	<b>2,497</b>	<b>2,052</b>	<b>(445)</b>	<b>-18%</b>
<b>Total liabilities</b>	<b>9,914</b>	<b>11,260</b>	<b>1,346</b>	<b>14%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,731</b>	<b>20,501</b>	<b>1,770</b>	<b>9%</b>

As at 30 September 2017, total assets of the ENERGA SA Group reached PLN 20,501 m and were PLN 1,770 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 SA 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 Elektrownia Ostrołęka S.A. resulting from the sale of a 50% stake in this company, which as at the end of 2016 was recognized as a subsidiary. The last event affected, among others, the value of property, plant and equipment. In current assets, the most significant changes concerned: cash (the reasons for changes in cash are described further on in the part devoted to cash flows) and trade receivables (a PLN 256 m decrease associated mainly with the decline in the receivables of the Sales Segment, which was connected, among others, with improved effectiveness in the management of receivables in ENERGA-OBRÓT SA).

On the liabilities side, the material change concerned the balance of liabilities on account of the issue of securities (the increase in the liabilities on account of the issue of securities was associated predominantly with the EUR 300 m issue of Eurobonds in Q1 2017 by ENERGA Finance AB (publ)

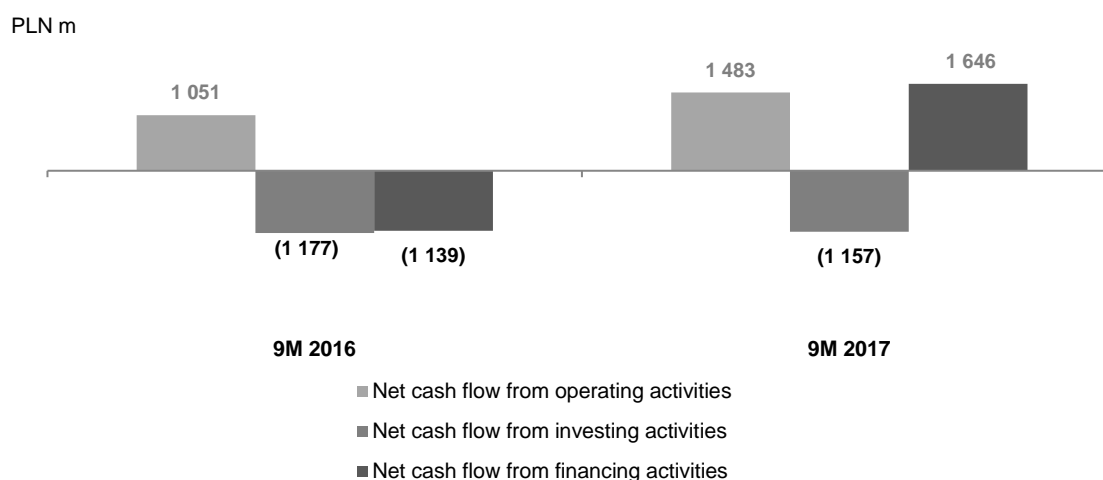
and the issue of hybrid bonds by ENERGA SA in the total amount of EUR 250 m in Q3 2017) and the item of inventories (a decrease in the level of current provisions by PLN 335 was caused primarily by the redemption of certificates of origin, which in turn resulted in a decline in the inventory of property rights).

The ENERGA SA Group's equity as at 30 September 2017 was PLN 9,241 m and financed 45.1% of the Group's assets. In connection with the distribution of ENERGA SA's result for 2016, supplementary capital rose by PLN 705 m.

**Table 6: Consolidated statement of cash flows**

PLN m	9M 2016	9M 2017	Change	Change (%)
Net cash flow from operating activities	1,051	1,483	432	41%
Net cash flow from investing activities	(1,177)	(1,157)	20	2%
Net cash flow from financing activities	(1,139)	1,646	2,785	> 100%
Net increase / (decrease) in cash	(1,265)	1,972	3,237	> 100%
Cash and cash equivalents at the end of the reporting period	393	3,436	3,043	> 100%

**Figure 2: Group's cash flows in the first 9 months of 2017 and 2016**



As at 30 September 2017, the balance of the Group's cash was PLN 3,436 m and was PLN 3,043 m higher than the cash balance one year earlier.

The total net cash flows from the Group's operating, investing and financing activities in 9M 2017 were positive at PLN 1,972 m, compared to the negative cash flows of PLN 1,265 m in the corresponding period of the previous year.

Cash flow from operating activities increased by PLN 432 m compared to the previous year. The increase in cash flows from operating activities compared to the first three quarters of 2016 was driven mainly by changes in working capital.

In the reporting period, a decrease was recorded in trade receivables along with an increase in deferred property tax expenses, which entailed a higher level of property tax liabilities, which in turn was offset by a decrease in trade payables. A decrease was also recorded in inventories



of certificates of origin of energy as well as a lower provision for the redemption of certificates. Additional proceeds were also posted on account of the 2016 income tax refund.

Net expenditures on investing activities in the first three quarters of 2017 fell by PLN 20 m (i.e. by 2%). In the reporting period of 2017, lower expenditures were posted on the purchase of property, plant and equipment and intangible assets and also less was expended for investments in associates and joint ventures measured by the equity method; there were also lower proceeds from the sales of participation units in the ENERGA Trading fund. This effect was partly offset by expenditures for investments in deposits, which amounted to PLN 127 m.

In the reporting period, cash flows from financing activities were positive and amounted to PLN 1,646 m, or PLN 2,785 m more than in the corresponding period of 2016. This increase resulted mainly from the EUR 300 m issue of Eurobonds and the issue of hybrid bonds in the amount of EUR 250 m.

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

Figure 3: Structure of assets and liabilities

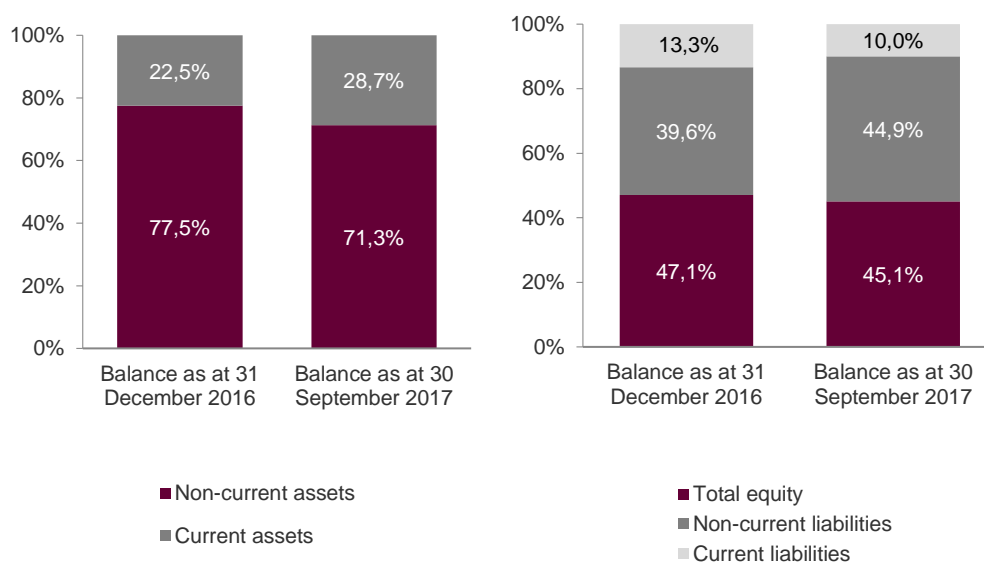


Table 7: Financial ratios of the ENERGA SA Group

Ratio	Definition	9M 2016	9M 2017
<b>Profitability</b>			
EBITDA margin	operating result + amortization and depreciation + impairment losses on non-financial non-current assets / sales revenue	20.7%	21.3%
return on equity (ROE)	net profit for the period* / equity at the end of the period	2.4%	6.8%
return on sales (ROS)	net profit for the period / sales revenues	1.0%	7.2%
return on assets (ROA)	net profit for the period* / total assets at the end of the period	1.2%	3.1%

\* net profit for the last 12 months

Ratio	Definition	Balance as at 31 Dec 2016	Balance as at 30 Sep 2017
<b>Liquidity</b>			
current liquidity ratio	current assets/current liabilities	1.7	2.9
<b>Indebtedness</b>			
financial liabilities (PLN m)	total liabilities under loans and borrowings and under long- and short-term debt securities	6,137	7,940
net financial liabilities (PLN m)	financial liabilities - cash and cash equivalents	4,666	4,503
net debt / EBITDA ratio	net financial liabilities / EBITDA*	2.3	2.1

\* EBITDA for the last 12 months

The significant increase in net profit in the first nine months of 2017 compared to the corresponding period of the previous year resulted in a sharp hike in the sales profitability ratio. A similar trend was also observed in profitability ratios based on the annualized net result, i.e. return on capital and assets. The lower growth of the return on assets ratio was associated with the increase in the level of cash and an increased exposure of the Group to its associates and joint ventures. On the other hand, the EBITDA margin remains at a similar level.

The increase in cash associated with the funds raised in Q1 and Q3 2017, coupled with an almost parallel increase in debt and the flat EBITDA level over the last 12 months, also resulted in maintaining the net debt/EBITDA ratio at a similar level. Furthermore, the significant increase in cash affected the level of the current liquidity ratio.

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

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

### 3.5. Key operational data of the ENERGA SA Group

Table 8: Distribution of electricity, by tariff group

Distribution of electricity, by tariff groups (invoiced sales) in GWh	Q3 2016*	Q3 2017	Change	Change (%)	9M 2016*	9M 2017	Change	Change (%)
Tariff Group A (HV)	992	918	(74)	-7%	3,168	2,620	(548)	-17%
Tariff Group B (MV)	2,012	2,120	108	5%	5,896	6,248	351	6%
Tariff Group C (LV)	1,022	1,136	114	11%	3,150	3,484	334	11%
Tariff Group G (LV)	1,238	1,272	34	3%	4,071	4,114	43	1%
<b>Total distribution of energy</b>	<b>5,265</b>	<b>5,446</b>	<b>182</b>	<b>3%</b>	<b>16,285</b>	<b>16,465</b>	<b>180</b>	<b>1%</b>

\* 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 Q3 2017, the volume increased by 182 GWh as compared to the corresponding period of 2016, with the average selling rate of distribution services higher by 4% 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 and to the PSE grid, while the volume of the distribution service increased mainly in groups B and C,

driven both by an increasing number of customers and a growth in the average electricity consumption per customer.

**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		
Q3 2016	43.5	13.9	57.4	0.7	0.1	0.8
<b>Q3 2017</b>	<b>159.8</b>	<b>11.9</b>	<b>171.7</b>	<b>1.0</b>	<b>0.1</b>	<b>1.1</b>
Change	116.2	(2.0)	114.3	0.3	(0.0)	0.3
Change (%)	> 100%	-14%	> 100%	42%	-17%	36%
9M 2016	117.9	35.1	153.1	1.8	0.2	2.0
<b>9M 2017</b>	<b>214.1</b>	<b>31.3</b>	<b>245.4</b>	<b>2.0</b>	<b>0.2</b>	<b>2.2</b>
Change	96.2	(3.8)	92.3	0.2	(0.0)	0.2
Change (%)	82%	-11%	60%	12%	-13%	9%

In Q3 2017, ENERGA-OPERATOR SA achieved SAIDI and SAIFI at 171.7 min./cust. and 1.1 interruptions per customer, respectively. The growth in SAIDI and SAIFI levels in Q3 2017 compared to the corresponding period of the previous year was caused by the extremely detrimental weather conditions in August 2017 (strong winds, lightning strikes), which in some regions led to an increase in mass failures.

**Table 10: Gross production of electricity in the ENERGA SA Group**

Gross electricity produced (GWh)	Q3 2016	Q3 2017	Change	Change (%)	9M 2016	9M 2017	Change	Change (%)
Power plants - coal-fired	686	779	94	14%	1,785	1,992	207	12%
Power plants - biomass co-fired	10	-	(10)	-100%	10	-	(10)	-100%
CHP plants - coal-fired	13	12	(0)	-2%	71	77	5	8%
CHP plants - biomass-fired	7	14	7	92%	28	37	10	35%
Power plants - hydro	125	164	39	31%	556	689	133	24%
Pumped-storage plant	4	3	(1)	-23%	21	13	(8)	-38%
Power plants - wind	67	84	17	26%	238	308	70	29%
Power plants - photovoltaics	2	2	(0)	-8%	5	4	(0)	-10%
<b>Total electricity production</b>	<b>913</b>	<b>1,059</b>	<b>146</b>	<b>16%</b>	<b>2,714</b>	<b>3,120</b>	<b>407</b>	<b>15%</b>
<i>incl. RES</i>	211	264	53	25%	836	1,039	202	24%

In Q3 2017, ENERGA SA Group's generation assets produced much more electricity, by 16%, than in the corresponding period of the previous year. The increase occurred among others in the Ostrołęka power plant, the Group's CHP plants and its hydro and wind sources (lower production was recorded by the pumped-storage power plant in Żydowo and photovoltaic farms only).

The increased production in the Ostrołęka power plant (by 84 GWh) was caused among others by a greater must-run production for the Transmission System Operator in Poland and the greater availability of power units. Additionally, absence of the biomass-fired production in the Ostrołęka power

plant was caused by the fact that co-firing is not economical with the current market prices of property rights.

The higher production of energy in run-of-the-river hydro sources (by 38 GWh) resulted from better hydrological conditions, while the higher wind production (by 17 GWh) was caused by better weather conditions (higher windiness).

Energy production in the Group's combined heat and power plants resulted from higher production of heat due to lower temperatures (higher demand for heat reported by the Group's local customers).

At the same time, since the beginning of 2016, the quantity of property rights arising from 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	Q3 2016	Q3 2017	Change	Change (%)	9M 2016	9M 2017	Change	Change (%)
ENERGA Kogeneracja Sp. z o.o.	229	261	33	14%	1,544	1,633	89	6%
ENERGA Elektrownie Ostrołęka S.A.	189	187	(2)	-1%	977	1,029	52	5%
Ciepło Kaliskie Sp. z o.o.	10	10	0	4%	208	197	(11)	-5%
<b>Total gross heat production</b>	<b>428</b>	<b>459</b>	<b>31</b>	<b>7%</b>	<b>2,729</b>	<b>2,859</b>	<b>130</b>	<b>5%</b>

In Q3 2017, production of heat was higher than in the corresponding period of the previous year. The production levels resulted from the demand for heat on the Group's local markets (the cities of Ostrołęka, Elbląg, Kalisz).

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

Fuel consumption*	Q3 2016	Q3 2017	Change	Change (%)	9M 2016	9M 2017	Change	Change (%)
Coal								
Quantity (thous. tons)	321	362	41	13%	887	969	81	9%
Cost (PLN m)	70	(87)	17	25%	199	233	34	17%
Biomass								
Quantity (thous. tons)	12	14	2	16%	29	38	9	33%
Cost (PLN m)	4	5	1	16%	11	13	3	26%
<b>Total fuel consumption (PLN m)</b>	<b>74</b>	<b>92</b>	<b>18</b>	<b>24%</b>	<b>209</b>	<b>247</b>	<b>37</b>	<b>18%</b>

\* including the cost of transportation

In Q3 2017, the Group's production units consumed more coal (by 41 thousand tons) and more biomass (by 2 thousand tons) as compared to the corresponding period of the previous year. The increase resulted from the higher energy production from coal and biomass. The higher unit cost of coal consumption by the Segment was an additional cost factor.

Table 13: Sales of electricity by the Sales Segment

Sales of electricity by the Sales Segment in GWh	Q3 2016	Q3 2017	Change	Change (%)	9M 2016	9M 2017	Change	Change (%)
Retail electricity sales	4,878	5,092	214	4%	14,366	15,233	867	6%
Electricity sales on the wholesale market, of which:	1,123	422	(701)	-62%	3,079	1,985	(1,095)	-36%
<i>Electricity sales to the balancing market</i>	94	72	(22)	-24%	282	443	160	57%
<i>Electricity sales to ENERGA-OPERATOR SA to cover network losses</i>	369	-	(369)	-100%	1,122	-	(1,122)	-100%
<i>Other wholesale</i>	660	350	(309)	-47%	1,675	1,542	(133)	-8%
<b>Total electricity sales</b>	<b>6,001</b>	<b>5,515</b>	<b>(487)</b>	<b>-8%</b>	<b>17,446</b>	<b>17,218</b>	<b>(228)</b>	<b>-1%</b>

In Q3 2017, the total volume of electricity sold by the Segment decreased by 8% (or 487 GWh) compared to Q3 2016, which is attributable to the decrease in the sales volume on the wholesale market by 62% (or 701 GWh), whereas retail sales volume increased by 4% (or 214 GWh) compared to the previous year.

In retail sales in Q3 2017, increases were recorded in volumes sold on the Polish market (higher sales to business customers and to households), whereas on the Slovak market the sales volume declined (this is connected with the decision to extinguish the activity on the retail market in that country). The increase in the retail sales volume is a result of a higher average number of customers (acquisition of new customers in the business segment and in the household segment) and an increase in the average electricity consumption by customers, which is in line with the market trend (in Q3 2017, electricity consumption in Poland increased 2.6% yoy). In terms of volume, sales to households (tariff G) in Q3 2017 accounted for 25% of the sales to the Segment's end users (a similar level as in Q3 2016).

In the analyzed period, electricity sales fell in the wholesale market (by as much as 62%). 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. Furthermore, a better adjustment of forward contracting to the sales volume of electricity to end users resulted in a lower volume of surplus energy sold (other wholesale).

### 3.6. Financial results by operating segments

Table 14: EBITDA of the ENERGA SA Group, by Segment

EBITDA (PLN m)	Q3 2016	Q3 2017	Change	Change (%)
DISTRIBUTION	390	411	21	5%
GENERATION	27	90	63	> 100%
SALES	36	13	(23)	-64%
OTHER and consolidation eliminations and adjustments	(14)	(14)	-	0%
<b>Total EBITDA</b>	<b>439</b>	<b>500</b>	<b>61</b>	<b>14%</b>

EBITDA (PLN m)	9M 2016	9M 2017	Change	Change (%)
DISTRIBUTION	1,310	1,341	31	2%
GENERATION	195	267	72	37%
SALES	63	24	(39)	-62%
OTHER and consolidation eliminations and adjustments	(39)	11	50	> 100%
<b>Total EBITDA</b>	<b>1,529</b>	<b>1,643</b>	<b>114</b>	<b>7%</b>

## Distribution Segment

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

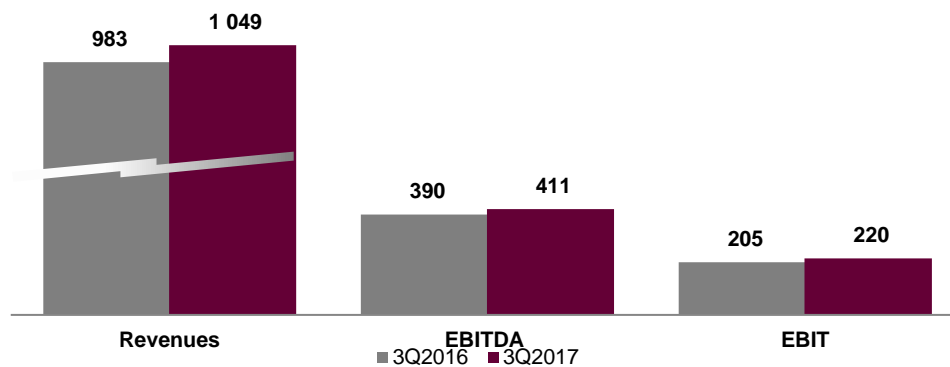


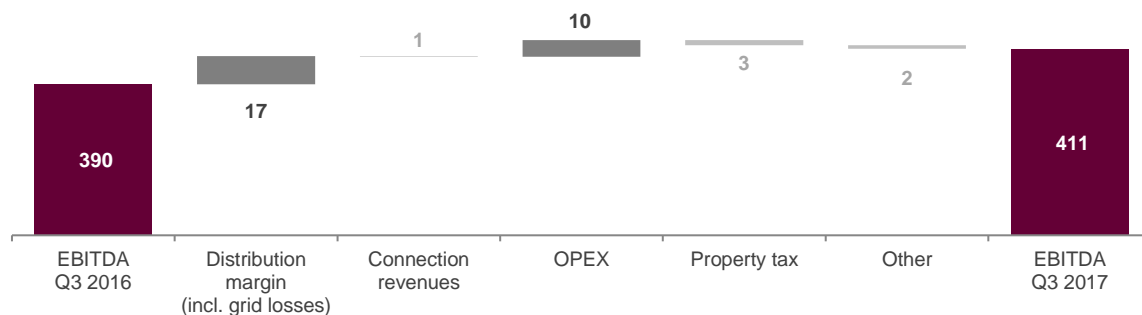
Table 15: Results of the Distribution Segment

PLN m	Q3 2016	Q3 2017	Change	Change (%)
Revenue	983	1,049	66	7%
<b>EBITDA</b>	<b>390</b>	<b>411</b>	<b>21</b>	<b>5%</b>
amortization and depreciation	185	191	6	3%
impairment losses on non-financial non-current assets	-	-	-	-
EBIT	205	220	15	7%
Net result	137	151	14	10%
CAPEX	294	240	(54)	-18%

PLN m	9M 2016	9M 2017	Change	Change (%)
Revenue	3,077	3,268	191	6%
<b>EBITDA</b>	<b>1,310</b>	<b>1,341</b>	<b>31</b>	<b>2%</b>
amortization and depreciation	546	573	27	5%
impairment losses on non-financial non-current assets	-	-	-	-
EBIT	764	768	4	1%
Net result	552	542	(10)	-2%

CAPEX	875	674	(201)	-23%
-------	-----	-----	-------	------

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



In Q3 2017, the Distribution Segment contributed about 82% to ENERGA SA Group's EBITDA (89% in the comparative period).

The Q3 2017 sales revenue of the Distribution Segment was 7% higher than in the corresponding period of the previous year. The increase in revenues was driven mainly by: the 4% yoy increase in the average rate charged for distribution services (which was caused mainly by the more favorable sales structure). In Q3 2017, revenues from connection fees remained at a similar level as in the corresponding quarter of 2016.

EBITDA was higher than in the year before and amounted to PLN 411 m (up by approx. 5%), and EBIT amounted to PLN 220 m (up by 7% or PLN 15 million yoy). The operating result was significantly impacted by the PLN 17 m increase in the distribution margin (with network losses). Such a positive performance of the distribution business was affected mainly by the favorable sales structure (volumes rose in the higher-margin tariff groups B and C and fell in the lower-margin group A). A positive impact was also exerted by the lower level of OPEX (mainly impairment losses for receivables; because of the heavy storms in August, the work in Q3 focused more on remedying mass failures than on regular grid operation).

Net profit in Q3 2017 was higher than in the same quarter the year before by PLN 14 m.

## Generation Segment

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

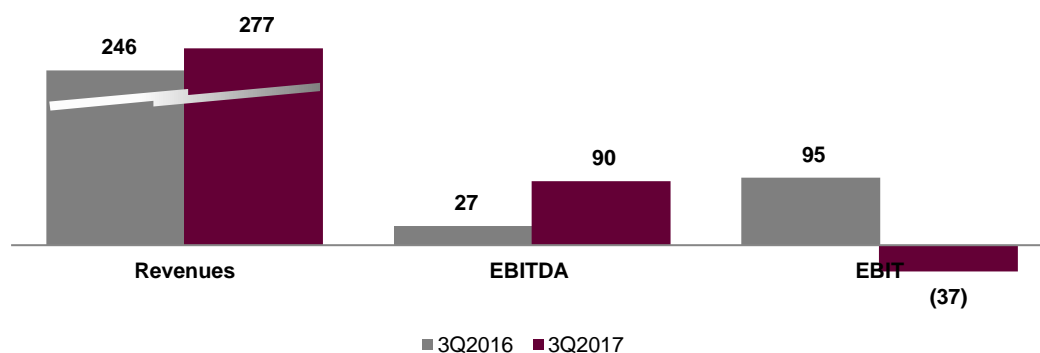


Table 16: Results of the ENERGA SA Group's Generation Segment

PLN m	Q3 2016	Q3 2017	Change	Change (%)
Revenue	246	277	31	13%
<b>EBITDA</b>	<b>27</b>	<b>90</b>	<b>63</b>	<b>&gt; 100%</b>
amortization and depreciation	43	41	(2)	-5%
impairment losses on non-financial non-current assets	(110)	86	196	> 100%
EBIT	95	(37)	(132)	< -100%
Net result	174	(42)	(216)	< -100%
CAPEX	43	15	(28)	-65%

PLN m	9M 2016	9M 2017	Change	Change (%)
Revenue	788	808	20	3%
<b>EBITDA</b>	<b>195</b>	<b>267</b>	<b>72</b>	<b>37%</b>
amortization and depreciation	133	123	(10)	-8%
impairment losses on non-financial non-current assets	441	86	(355)	-80%
EBIT	(379)	58	437	> 100%
Net result	(275)	4	279	> 100%
CAPEX	184	61	(123)	-67%

The table below presents a breakdown of EBITDA of the Generation Segment by business line. This table includes standalone data that includes elimination of mutual transaction between individual business lines and consolidation adjustments.

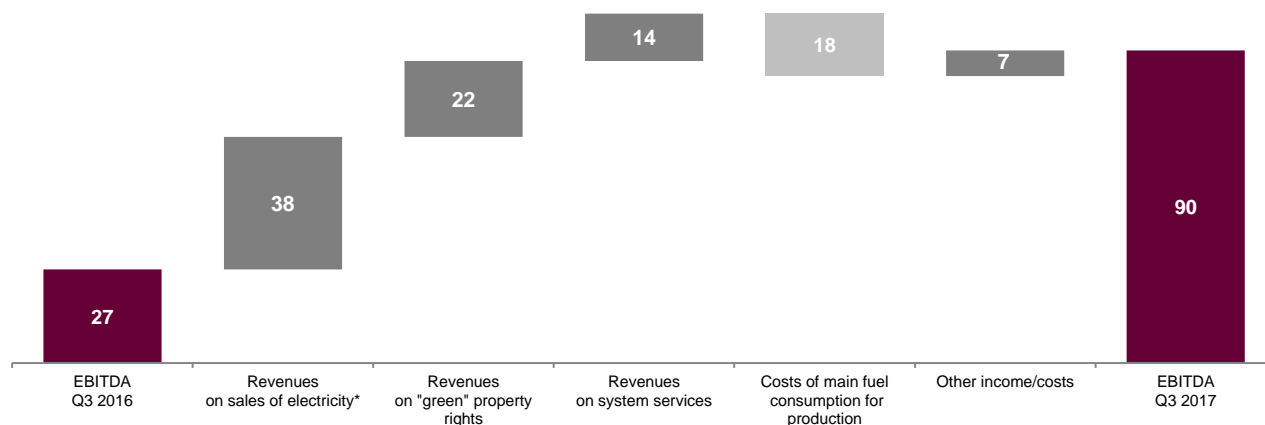
The data presented for Q3 2016 may be different from the presented historical data, because the methodology for allocating Segment results to individual business lines changed slightly.

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

EBITDA (PLN m)	Q3 2016	Q3 2017	Change	Change (%)	9M 2016	9M 2017	Change	Change (%)
Hydro	11	22	11	> 100%	67	84	17	25%
Wind	(5)	6	11	> 100%	11	21	10	85%
Ostrołęka Power Plant	23	55	(32)	> 100%	82	128	47	57%
Other and adjustments	(2)	7	9	> 100%	35	34	(1)	-3%
<b>Total Generation</b>	<b>27</b>	<b>90</b>	<b>63</b>	<b>&gt; 100%</b>	<b>195</b>	<b>267</b>	<b>72</b>	<b>37%</b>



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



\* including net electricity trading (revenue less cost)

The Generation Segment's contribution to the Group's total EBITDA was 18% in Q3 of the current year (6% in the corresponding period of the previous year). The EBITDA growth reached PLN 63 m and was driven mainly by the lower revenues on sales of electricity, property rights and regulatory system services. The above increase in revenue was partially offset by the higher purchasing cost of fuel.

The increase in revenues on sales of electricity was caused by two factors. First of all, electricity production rose yoy in all the main business lines, i.e. in the Ostrołęka power plant (by 12%), in the Group's CHP plants (by 33%) and in the Group's hydro (by 30%) and wind sources (by 26%). Secondly, the increases were affected by the growing electricity sale prices in the Ostrołęka Power Plant business line.

The increase in revenue on the sale of green property rights was caused by the delay in the sale of inventories of green property rights by the Segment in 2016, which due to the falling prices pushed EBITDA further down in 2016 (the low base effect).

Additionally, the Segment increased its revenues on sales of Regulatory System Services, mainly the Operating Reserve of the Ostrołęka Power Plant, which resulted from the higher capacity reported to the Operator (higher availability of units and lower sales in physical delivery energy contracts) and higher market prices for the service.

Those increases in revenues were partly offset by the increased consumption costs of key fuels used for production, which was due to the higher production of energy from coal and biomass. The higher unit cost of coal consumption by the Segment was an additional cost factor.

In addition to the above factors contributing to the yoy pre-tax results of the Generation Segment, several events must be noticed.

In Q3 in the previous year, the Ostrołęka C construction design was sold by the Generation Segment to ENERGA SA (PLN 114 m). This operation was neutral in the context of the Group (adjustment in the Other and consolidation eliminations and adjustments Segment). The other event was the reversal of impairment losses on fixed assets under construction (PLN 110 m), which was related to the freezing of the Ostrołęka C power plant construction project in 2012 (the reason for reversing the impairment was the progress of work to build a new coal-fired unit in Ostrołęka, including execution of General Terms and Conditions of Cooperation with Polska Grupa Górnicza sp. z o.o. setting out the rules of coal supply to the Ostrołęka power plant).

In this year's October, as a result of impairment tests carried out, the decision was taken to recognize impairment losses in the Generation Segment for the existing wind farms in the total amount of PLN

70.6 m and planned wind farms in the amount of PLN 4.1 m and goodwill in the amount of PLN 10.9 m.

Capital expenditures in the Segment in Q3 2017 were PLN 28 m lower and were mainly connected with modernization works.

## Hydro

Table 18: Results of the Hydro business line

PLN m	Q3 2016	Q3 2017	Change	Change (%)	9M 2016	9M 2017	Change	Change (%)
Revenue	29	38	9	30%	127	144	17	14%
<b>EBITDA</b>	<b>11</b>	<b>22</b>	<b>11</b>	<b>&gt; 100%</b>	<b>67</b>	<b>84</b>	<b>17</b>	<b>25%</b>
EBIT	2	14	11	> 100%	43	59	17	39%
CAPEX	1	2	1	65%	4	6	1	31%

## Wind

Table 19: Results of the Wind business line

PLN m	Q3 2016	Q3 2017	Change	Change (%)	9M 2016	9M 2017	Change	Change (%)
Revenue	5	19	14	> 100%	41	59	18	45%
<b>EBITDA</b>	<b>(5)</b>	<b>6</b>	<b>11</b>	<b>&gt; 100%</b>	<b>11</b>	<b>21</b>	<b>10</b>	<b>85%</b>
EBIT	(13)	(73)	(60)	< -100%	(282)	(75)	207	73%
CAPEX	-	-	-	0%	0	0	0	> 100%

## Ostrołęka Power Plant

Table 20: Results of the Ostrołęka Power Plant business line

PLN m	Q3 2016	Q3 2017	Change	Change (%)	9M 2016	9M 2017	Change	Change (%)
Revenue	184	190	6	3%	500	481	(19)	-4%
<b>EBITDA</b>	<b>23</b>	<b>55</b>	<b>32</b>	<b>&gt; 100%</b>	<b>82</b>	<b>128</b>	<b>47</b>	<b>57%</b>
EBIT	5	39	33	> 100%	30	81	51	> 100%
CAPEX	34	1	(32)	-96%	144	36	(108)	-75%

## Other and adjustments

Table 21: Results of the Other and adjustments business line

PLN m	Q3 2016	Q3 2017	Change	Change (%)	9M 2016	9M 2017	Change	Change (%)
Revenue	27	29	3	10%	120	124	4	3%
<b>EBITDA</b>	<b>(2)</b>	<b>7</b>	<b>9</b>	<b>&gt; 100%</b>	<b>35</b>	<b>34</b>	<b>(1)</b>	<b>-3%</b>

EBIT	100	(16)	(116)	< -100%	(170)	(7)	163	96%
CAPEX	9	13	4	47%	36	19	(17)	-47%

### Sales Segment

Figure 8: Results of the ENERGA SA Group's Sales Segment (PLN m)

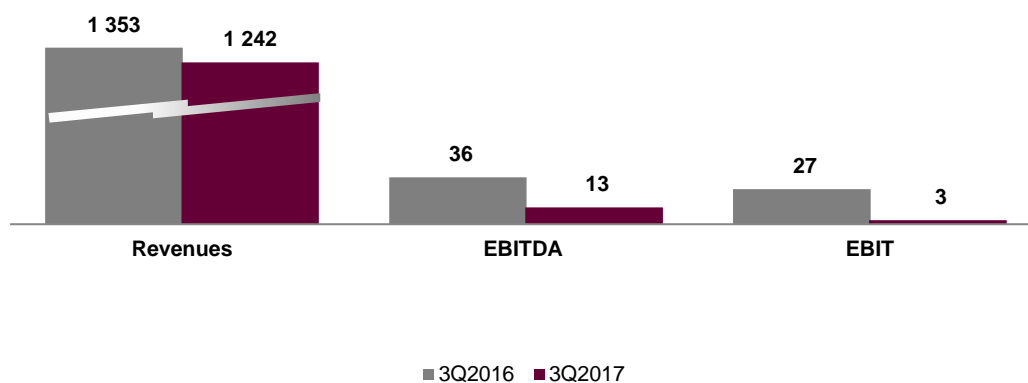
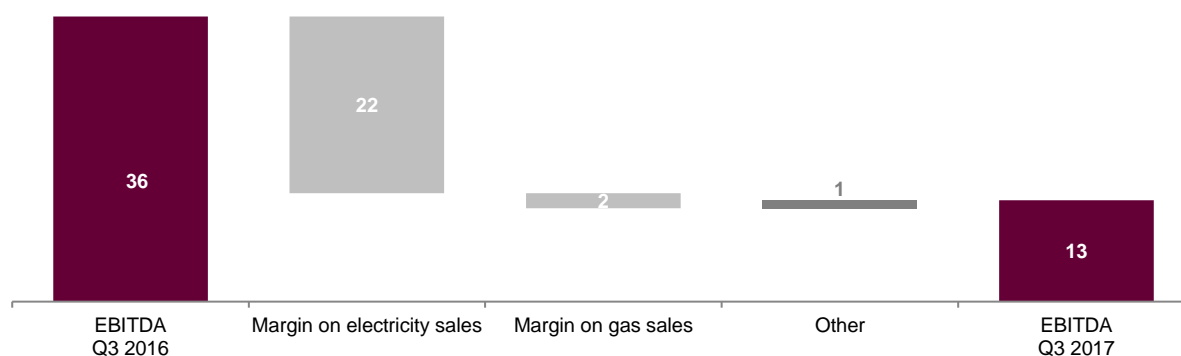


Table 22: Results of the ENERGA SA Group's Sales Segment

PLN m	Q3 2016	Q3 2017	Change	Change (%)
Revenue	1,353	1,242	(111)	-8%
<b>EBITDA</b>	<b>36</b>	<b>13</b>	<b>(23)</b>	<b>-64%</b>
amortization and depreciation	9	10	1	11%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	27	3	(24)	-89%
Net result	20	3	(17)	-85%
CAPEX	63	10	(53)	-84%

PLN m	9M 2016	9M 2017	Change	Change (%)
Revenue	4,018	3,859	(159)	-4%
<b>EBITDA</b>	<b>63</b>	<b>24</b>	<b>(39)</b>	<b>-62%</b>
amortization and depreciation	27	(32)	5	19%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	36	(8)	(44)	< -100%
Net result	28	(7)	(35)	< -100%
CAPEX	76	31	(45)	-59%

Figure 9: EBITDA Bridge of the Sales Segment (PLN m)



In Q3 2017, the Sales Segment's EBITDA was at PLN 13 m, which is 3% of the ENERGA SA Group's EBITDA. In Q3 2016, the Sales Segment's EBITDA was at PLN 36 m (8% of the ENERGA SA Group's EBITDA).

The Sales Segment's revenue in Q3 2017 stood at PLN 1,242 m, which means that it was 8% lower (by 111 m) when compared with Q3 2016. The largest contributing item to the Segment's revenues continues to be revenues on sales of electricity, which were 7% (i.e. by PLN 93 m) lower yoy in Q3 2017. This situation resulted from the decrease in the revenue on wholesale electricity sales by PLN 111 m (63%) yoy, which was due to: a 62% decline in volume and a 1% drop in the average selling price. Revenues on sales of electricity on the retail market in Q3 2017 were slightly higher by PLN 18 m (or 2%) than in Q3 2016; this resulted from a 4% increase in volume and a 3% lower average selling price. Lower revenue on sales of gas in the analyzed period (by PLN 17 m yoy) likewise contributed to the drop in the Segment's revenue.

The margin on electricity sales, which is the key component generating the Segment's results, fell by PLN 22 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) with the less advantageous structure of sales according to tariff groups. Presented below are the factors affecting the margin on the sale of electricity:

- a. Volume of retail sales – a 4% increase in volume contributed to the margin growth yoy.
- b. Structure of the sales volume by tariff groups (mix) – the change of the product mix adversely affected the margin (though to a slight extent) as it increased the percentage of customers from tariff groups with a lower unit margin.
- c. Price for end users – the prices follow the changes in variable cost and are determined by market competition. The decrease in 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%.
- d. Cost of electricity purchase (PLN/MWh) – the decrease in the average cost yoy is a result of the lower costs connected with the "Offtaker of Last Resort" (or "Obligated Offtaker") function discharged by ENERGA-OBRÓT SA and the portfolio optimization activity. Contract prices were at a comparable level as in Q3 of the previous year.
- e. Cost of redemption of property rights (in PLN/MWh) – the average unit cost in Q3 2017 was higher than in Q3 2016. The key impact on the change in this factor is exerted by the redemption cost of green certificates, which went up in spite of the decline in the market prices of green certificates (by 13% yoy). The above situation was influenced for the most part by the advantageous sales structure of green certificates in the analyzed period as compared to last year's Q3 (in the present quarter, more certificates were purchased under long-term contracts at much higher prices than in the market and a lower purchase volume of certificates from the market).

A negative impact on the Segment's EBITDA was exerted by the activity associated with gas trading. The margin on the sale of this fuel dropped by PLN 2 m yoy. This resulted from lower sales volumes 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).

In September this year, ENERGA-OBRÓT SA decided to recognize long-term contracts for purchasing green certificates as invalid because of the procedure followed for their execution (without a tender), including agreements generating enormous losses for the Segment (settlements based on substitution fee rather than market prices). The decision has no material impact on the Segment's results in 2017 because of the fact that a substantial majority of the certificates for this year have been redeemed. A favorable impact on the results should be expected in the following years but its occurrence and extent will depend on resolutions of court cases. In 2017, the only positive impact to be expected in that on cash flows of the Segment because of discontinued purchases of certificates under long-term contracts.

### 3.7. Projected financial results

The Management Board of ENERGA SA has not published projections for the Company's and 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 SA. The rating outlook remained stable (Current Report No. 11/2017).

On 13 September 2017, Fitch Ratings assigned rating of BB+ level to the issue of hybrid bonds described in Chapter 2.1. *Material events in the reporting period and after the balance sheet date* of this Information. In accordance with Fitch's methodology (Non-Financial Corporates Hybrids Treatment and Notching Criteria), the bonds are classified, for the purposes of calculating financial leverage ratios, as equity in the amount of 50 percent of the financing.

**Table 23: Current ratings of ENERGA SA**

	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

On 26 June 2017, the Annual General Meeting of ENERGA SA adopted a resolution to distribute the 2016 profit, out of which PLN 79 m, i.e. PLN 0.19 per share, was allocated to a dividend for the Company's shareholders. By the date of this report, the entire declared dividend has been paid out.

### 3.10. ENERGA SA Group performance drivers in the perspective of at least the next quarter

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

Figure 10: ENERGA SA Group performance drivers in the perspective of at least the next quarter

<b>Change in the structure of distributed energy in relation to the structure set in the tariff</b>	<b>Incurring expenditures on the grid in connection with the quality regulation requirements in the Distribution Segment</b>	<b>Amendment to the Renewable Energy Sources Act changing the basis of the property tax</b>
<b>Consequences of the decision to recognize long-term contracts for the purchase of green certificates as invalid</b>	<b>Increasing competition in the market of electricity sellers</b>	<b>Impact of the function of the Offtaker of Last Resort and RES source balancing</b>
<b>Electricity prices on the spot and balancing markets</b>	<b>Must-run production level at ENERGA Elektrownie Ostrołęka</b>	<b>Final settlement of the purchase of Polimex-Mostostal S.A. shares</b>
<b>Actual rate received and the operating reserve volume</b>	<b>Share in the net result of PGG and Polimex-Mostostal and valuation of the options for Polimex-Mostostal shares</b>	<b>Weather and hydrometeorological conditions</b>

# Environment



## 4. ENVIRONMENT

### 4.1. Macroeconomic situation

The domestic market is the main operating market of ENERGA SA 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.

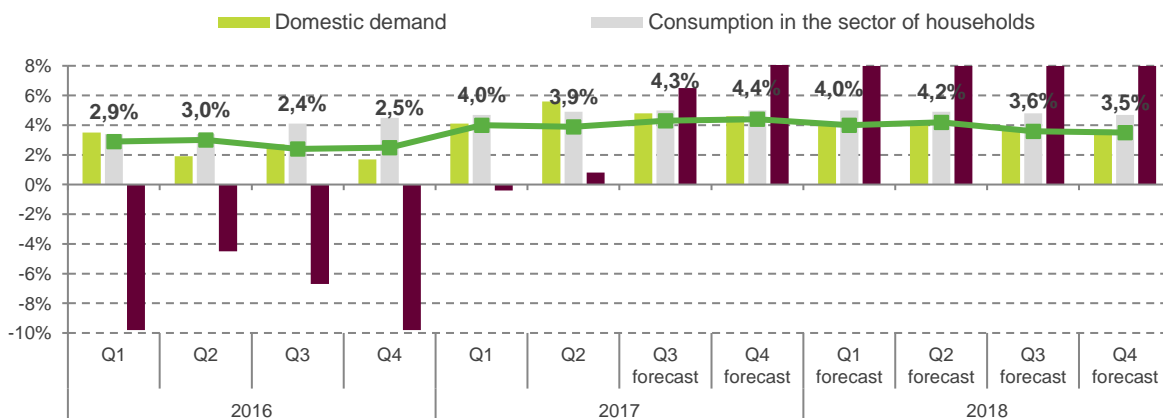
Considering Poland's GDP in Q2 this year being higher than expected and the good fiscal results, many financial institutions were inclined to announce more optimistic forecasts for the growth of the Polish economy for the years to come. For example, Fitch Ratings forecasts acceleration of Poland's economic growth up to 4% in 2017 and 3.2% in 2018-2019. The agency observes that the major risk for the forecasts is the possibility of external demand being weaker than assumed and uncertainty of the economic policy, which may also influence Poland's investment prospects.

The macroeconomic data for Q3 this year, which are being received, are nevertheless optimistic and confirm that the economic situation in Poland is favorable. The growth rate of the industrial production sold in Q3 was 6.3%, while just in September, the growth rate was at the level of 4.3% as compared to the similar period of the previous year. An increase in production in Q3 this year was recorded in most sections, including in generation and supply of electricity, gas, steam and hot water (+8.8% yoy), and a decrease occurred in mining and extraction (-12.1% yoy). A good outlook in the industry is also confirmed by the PMI indicator, which in September rose to the highest level in 5 months, i.e. up to 53.7 points. The major factor of the significant improvement of economic conditions in industry was the increase in the number of new orders, which was the fastest from February 2015 and caused an acceleration of the production growth.

Domestic demand remains the driving force of the Polish economy, especially individual consumption, which, as noted by analysts from Bank Zachodni WBK, should maintain a growth rate of nearly 5% in Q3 this year and subsequent periods. Retail sales grow at a steady rate (an increase of 7.9% yoy in Q3), translating into consumer demand. This trend is constantly supported, too, by increasing disposable incomes of households as well as optimistic moods.

This year's third quarter brought a recovery of infrastructural investments as a result of a greater absorption of EU funds. Between January and September this year, construction and assembly production was higher by 13% than the year before. In the enterprise sector as a whole, there was a barrier to starting investments because of problems with acquiring qualified workforce.

**Figure 111: Annual growth rate of GDP, domestic demand, individual consumption and capital expenditure**





Source: GUS data and forecasts by Bank Zachodni WBK (October 2017)

The average headcount in the enterprise sector in the January-September period this year increased by 4.4% compared to last year, and the average monthly (gross) remuneration increased 5.3% yoy to PLN 4,473.06 in September. As at the end of September, the rate of registered unemployment was 6.8, which means that it was lower than last month and last year (by 0.2 pp and 1.5 pp respectively).

According to analysts, a strong consumer demand and the expected recovery of investments will support increased imports, which will increase, with a stable growth of exports, the deficit of commodities. In addition, the job market imbalance caused by a drop in unemployment rate and increased pressure on salaries and wages may translate into an increase in prices.

In September 2017, the price index of industrial output sold increased by 3.1 % compared to the same period of the previous year. Prices in all the sections were higher than the year before, including the highest growth observed in mining and extraction (by 19.5%). In the case of the sector of generation and supply of electricity, gas, steam and hot water, prices grew at a level of 0.5%.

According to a quick estimate of the Central Statistical Office, the inflation ratio (CPI) rose in September up to 2.2% yoy. The intensification of price pressure is the result of growing prices of foodstuffs and crude oil. In the opinion of the Monetary Policy Council, inflation in next quarters will remain moderate, to which a moderate growth rate of prices in the surrounding areas of the Polish economy will contribute, with a gradual increase in the internal inflation pressure connected with an improvement of the domestic economic situation; therefore, at its October meeting, the Council left interest rates unchanged.

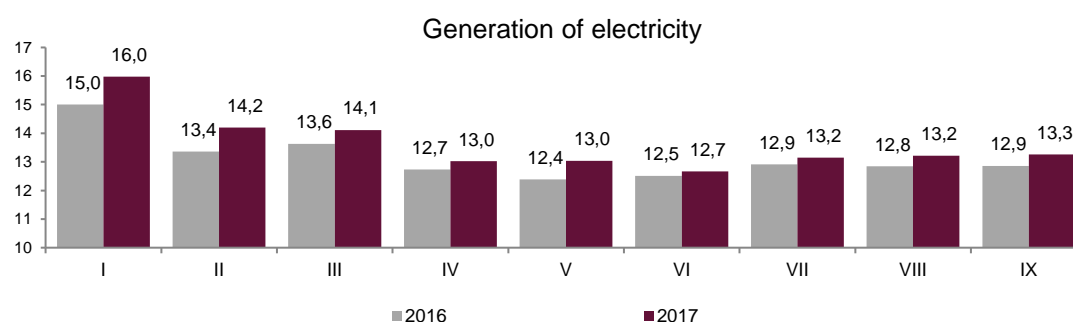
## 4.2. Electricity market in Poland

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 inter-system exchange, electricity prices in Poland and some of 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") after the first three quarters of 2017, reached 122.6 TWh and was 4.3 TWh (or 3.7%) higher than in the corresponding period of the previous year (118.3 TWh). In the individual months of the reporting period, the production level was higher than in the same period of the year before.

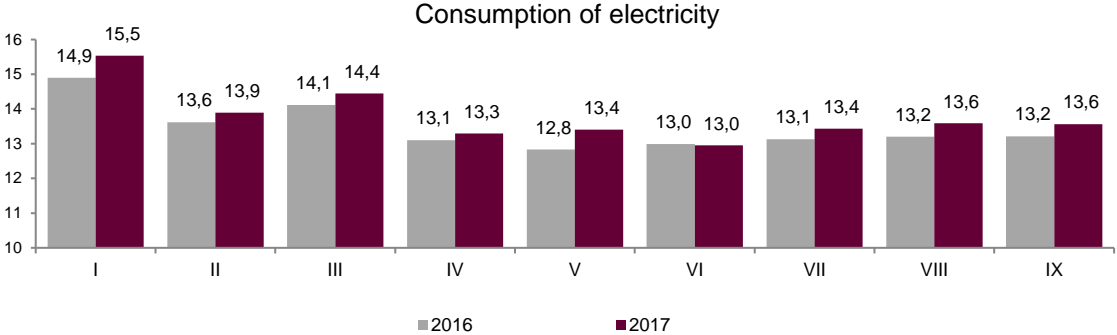
Figure 12: Production of electricity in Poland after the first three quarters of 2017 (TWh)



Source: PSE

Domestic consumption of electricity in Poland after the first three quarters of 2017 was 124.1 TWh, which was 2.9 TWh, or 2.4%, more than in the same period of the previous year (121.2 TWh).

**Figure 13: Consumption of electricity in Poland after the first three quarters of 2017 (TWh)**

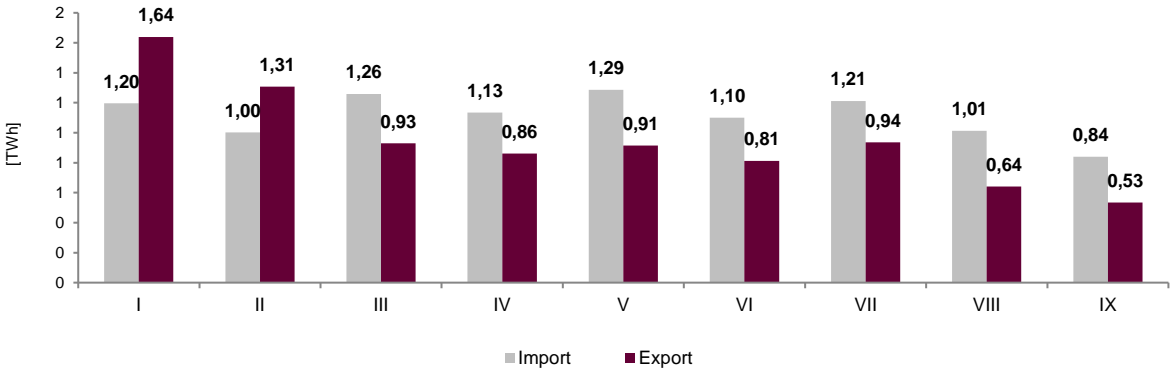


Source: PSE

**Poland’s inter-system exchange**

Change of the direction of electricity flows between Poland and Lithuania through the LitPol Link interconnector and increase in the flows from Ukraine are the main contributors to the surplus of net electricity imports in 9M 2017 in the amount of 1.47 TWh, compared to net imports of 2.52 TWh in the corresponding period of the previous year.

**Figure 14: Monthly volumes of inter-system exchange in Poland after the first three quarters of 2017 (TWh)**



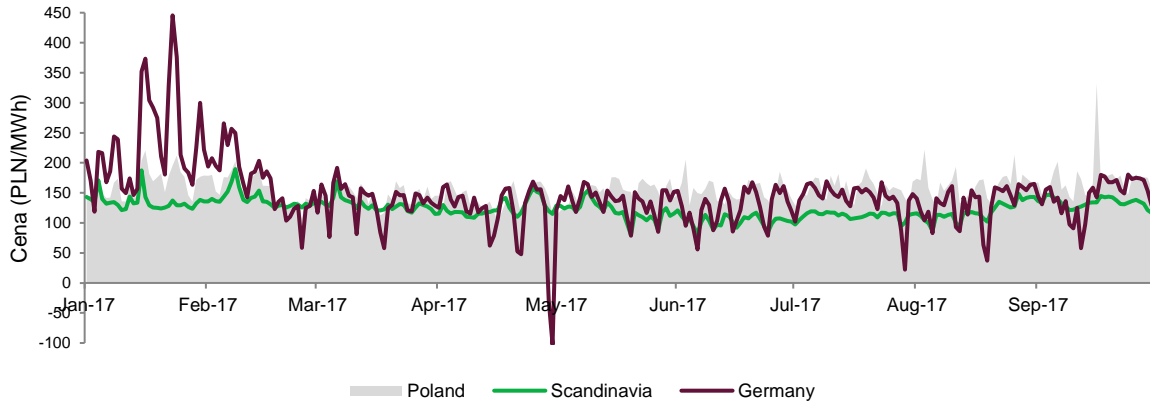
Source: PSE

**Energy prices in selected neighboring countries**

In order to compare energy prices in Poland to those in selected neighboring countries, spot market prices were used as reference products. After the first three quarters of 2017, the average prices in Poland were much higher than they were in the neighboring countries. Very high system losses and a high demand for capacity led to an increase in prices in the Polish market, which was mainly noticeable in Q3 2017. The highest price deviations were in relation to the Scandinavian market

(+25.7%, or 31.81 PLN/MWh) and smaller differences in relation to the prices in the German market (+5,3%, i.e. 7.83 PLN/MWh).

**Figure 15: Electricity prices on the spot market in Poland and in selected neighboring countries after the first three quarters of 2017**

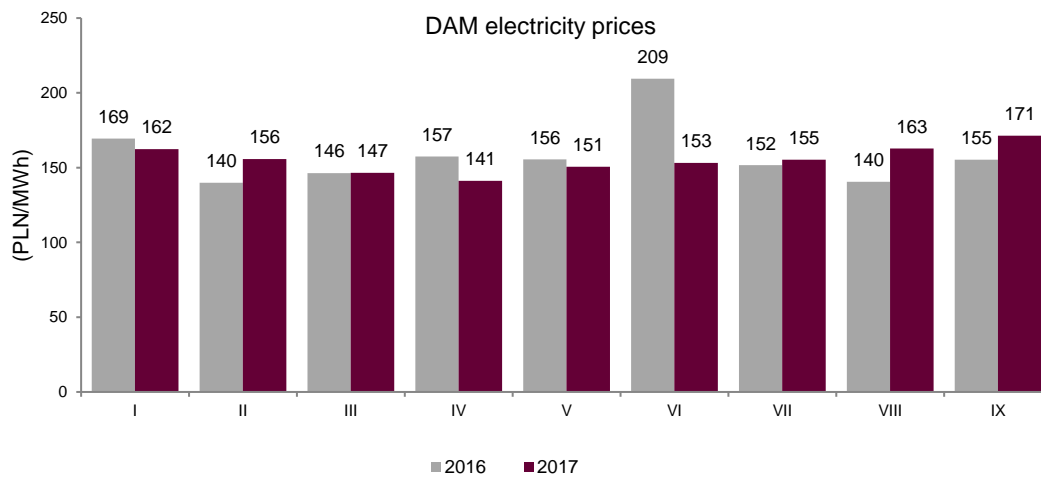


Source: Bloomberg

### Electricity Day-Ahead Market (DAM) in Poland

After the first three quarters of 2017, the average level of the IRDN24 index was 155.42 PLN/MWh and was merely 2.95 PLN/MWh lower than in the corresponding period of the previous year (158.37 PLN/MWh). The record levels of capacity loss in the system and the domestic demand were fully offset by the historically high wind generation, which consequently brought a slight decline in prices in relation to the corresponding period of last year.

**Figure 16: IRDN 24 index after the first three quarters of 2017 (PLN/MWh)**

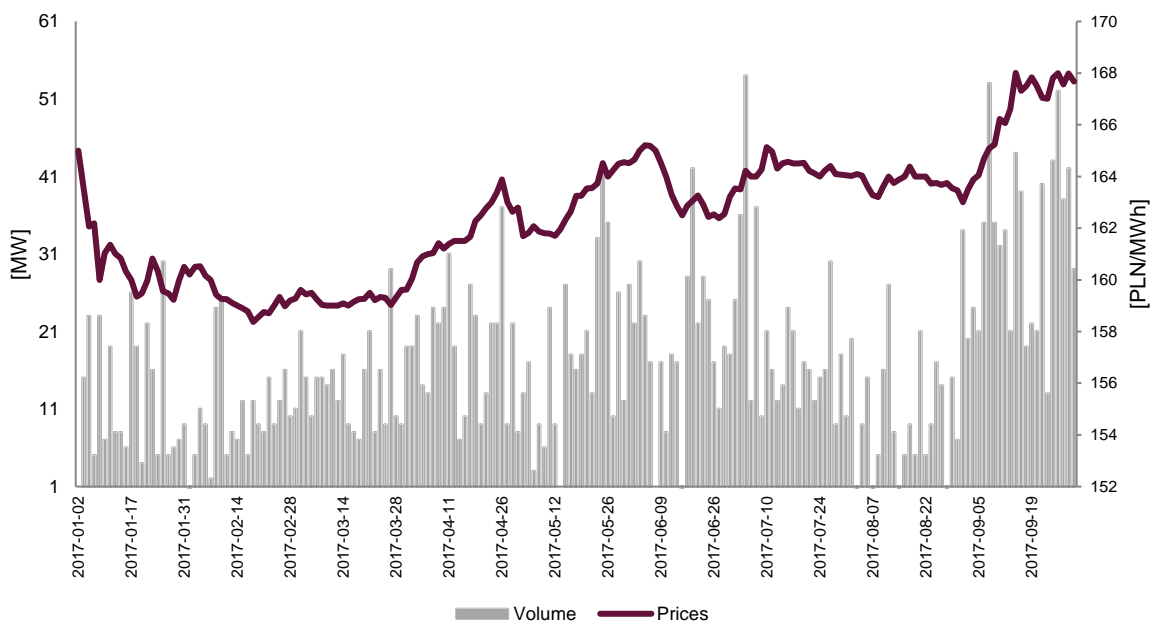


Source: TGE

## 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 an effective attempt to change the trend on the BASE 2018 market, boosting the price to 168.01 PLN/MWh on 14 September.

Figure 17: Price of forward contracts – base with delivery in 2018, quoted after the first three quarters of 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. Nevertheless, absence of clear progress in the talks, lower prices of correlated energy products, that is oil and coal, and an 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, which conducted auctions on Poland's behalf), brought the price down to the level of 4.41 EUR/t on 11 May this year. An acceleration of efforts to reform the EU ETS and growths of oil and coal prices led to clear increases in the price to exceed 7.0 EUR/t, closing the third quarter at the level of 7.11 EUR/t.

Figure 18: EUA emission allowance prices after the first three quarters of 2017



Source: Bloomberg

## Market for property rights

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

Table 24: Average levels of property rights indices listed on the Polish Power Exchange

Index (type of certificate)	Index value		% Obligation (%)	Substitution fee (PLN)
	3 quarters of 2016 (PLN/MWh) with 2016 index	3 quarters of 2017 (PLN/MWh) with 2017 index		
OZEX_A (green)	84.87	34.17	15.4*	300.00*
KGMX (yellow)	119.64	120.65	7.0*	120.00*
KECX (red)	10.72	10.32	23.2*	10.00*

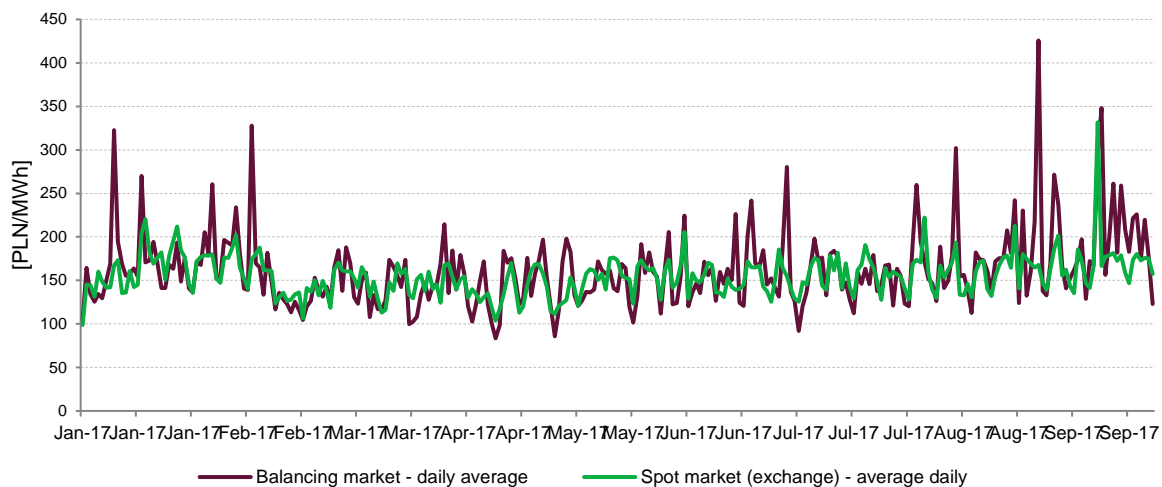
\* value of the substitution fee and redemption obligation in 2017

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 Q3 2017, the prices of RES property rights in session transactions restrained systematic falls, closing the third quarter at 41.27 PLN/MWh.

## Balancing Market

Most of the time during the first three quarters of 2017, electricity prices on the balancing market were similar to day-ahead market prices. A clear exception to this trend was on 1 September of this year, when the daily average price on the balancing market was 425.72 PLN/MWh. The average price level in the period in question on the balancing market was 161.92 PLN/MWh, compared to 162.29 PLN/MWh in the corresponding period of the previous year.

**Figure 19: Statement of prices on the balancing market and spot market (exchange) after the first three quarters of 2017**

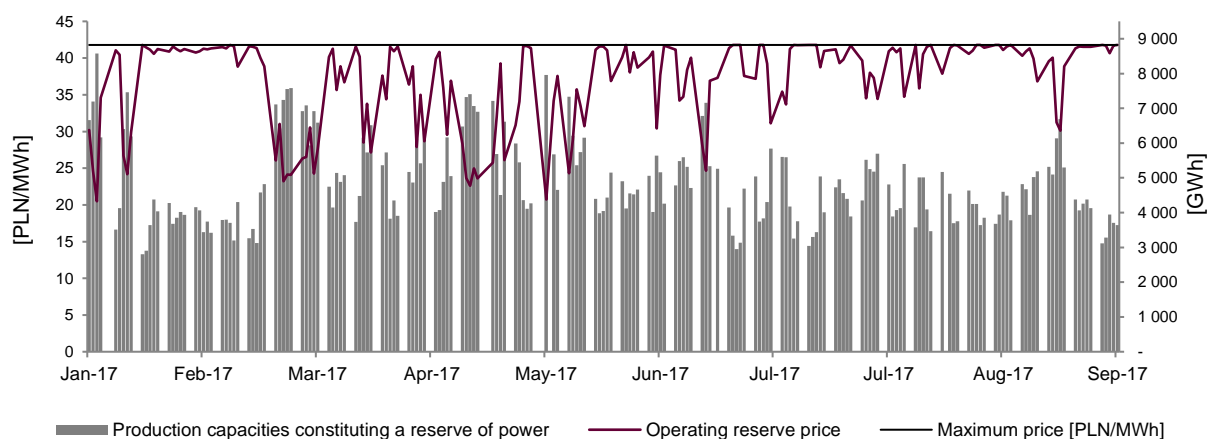


Source: TGE, PSE

### Operating reserve

In 2017, the operating reserve service is continued. The reference price was raised to 41.79 PLN/MWh. After the first three quarters of 2017, the average fee for the operating reserve service was PLN 37.12 and was PLN 5.40 more than in the corresponding period of the previous year (31.72 PLN/MWh).

**Figure 20: Prices and generating capacity constituting operating reserve after the first three quarters of 2017**



Source: PSE

### 4.3. Regulatory environment

#### Legislative processes completed in Q3 2017

##### Act of 20 July 2017 to amend the Renewable Energy Sources Act (Journal of Laws of 2017, Item 1593). MPs' initiative

The amendment to the act introduced changes to the method of calculating the unit rate of renewable energy source (Ozj), affecting the measurement of RES property rights. The new regulations will influence the market of the above instruments and, in a long term perspective, may contribute to a disappearance of the so called 'oversupply' of green certificates on the Polish market.

##### The Water Law Act of 20 July 2017 (Journal of Laws of 2017, Item 1566). Government's initiative.

The new regulation replaces the prevailing Water Law Act of 18 July 2011, which regulates water management, including shaping and protecting water resources, using waters and managing water resources, the issues of ownership titles to water and land covered by water as well as principles of managing these assets with reference to the State Treasury's assets. Within the implemented changes, provisions and requirements following from the so called EU Water Framework Directive were incorporated to the system of Polish regulations.

The act also brings into being a new entity, a state legal person called Wody Polskie ('Polish Waters'), whose task will be to ensure transparent financing of investments in water management as well as efficient acquisition of funds for those investments, including funds from sources other than the state budget, and to regulate the issue of water administration, including governance of water areas assigned to administrative units exercised on behalf of the State Treasury.

#### Legislative processes conducted in Q3 2017

Table 25: List of legal acts having a material impact on the Group

Legal act	Purpose of changes	Opportunities	Threats / Issues
Government bill on the capacity market RCL No. UD178 Parliamentary Paper no. 1722	Ensuring support for implementation of investment projects that increase the stability and security of the National Power System. Ensuring 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 SA Group in the context of construction of the new conventional 1000 MW power plant in Ostrołęka. (2) Long process of bill pre-notification resulting in the bill not being notified to the European Commission (3) Slow pace of the legislative process.
Clean Energy for All Europeans legislative proposals, so-called winter package.	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,	(1) Resistance of several EU countries to the low emission standard, i.e. 550g CO <sub>2</sub> /kWh. (2) Divergent positions of Member States about the	(1) Potential limitation, as of 1 January 2025, of support of capacity market mechanisms for any installations that emit more than 550 g

COM/2016/0860 final	<p>to increase the energy efficiency target to 30% and to reduce CO<sub>2</sub> emissions by 40% before 2030. The new regulations require approval by the European Union Council and the European Parliament.</p> <p>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 the “priority dispatch”, i.e. priority of access to the grid for RES before conventional sources. The amendment will come into effect after 2020.</p>	<p>shape of the EU’s climate and energy policy.</p> <p>(3) Opportunity to negotiate the laws dedicated to the Polish power sector.</p>	<p>CO<sub>2</sub>/kWh.</p> <p>(2) Introduction of restrictive mechanisms which will affect the shape of systems supporting RES and CHP plants.</p> <p>(3) Opportunity to change the assumptions of the package of regulations at further stages of legislative works.</p>
Government Electromobility and Alternative Fuels Bill RCL No. UC 89	<p>The drafted act will transpose to the Polish legal order Directive 2014/94/EU of the European Parliament and of the Council of 22 October 2014 on the deployment of alternative fuels infrastructure (further on referred to as Directive 2014/94/EU). The Directive imposes on the member states the obligation to develop alternative fuels infrastructure. The states should ensure development of recharging stations for electric vehicles, natural gas refueling points in the form of CNG or LNG, stations at seaports to accommodate LNG-powered ships. The Directive also imposes on the member states the obligation to introduce the technical specifications, standardized principles for recharging electric vehicles and principles of informing consumers as defined in Directive 2014/94/EU.</p>	<p>(1) Opportunity for dynamic growth of the electromobility business (cars, municipal transport, access infrastructure) in which the ENERGA SA Group has considerable experience – Enspirion Sp. z o.o.</p> <p>(2) Building up the basic infrastructure for recharging electric vehicles.</p> <p>(3) An increase in the number of electric cars will cause an increased demand for electricity.</p> <p>(4) Opportunity to develop new products by demand aggregators and recharging infrastructure operators.</p>	<p>(1) Competition with entities that have well-developed technological and capital resources.</p> <p>(2) Necessity to specify in detail the support system for development of the basic infrastructure for recharging electric vehicles.</p> <p>(3) Taking into consideration the special character of power companies (DSOs and Offtakers of Last Resort) in the model of operation of the infrastructure for recharging electric cars.</p> <p>(4) The risk of a failure to execute the scheduled tasks and assumptions of the Program for electromobility development in Poland.</p> <p>(5) Slow pace of the legislative process.</p>
Government’s bill to amend the RES Act and Certain Other Acts RCL No. UC 27	<p>Modification of the auction-based RES support system in accordance with the expectations of the European Commission.</p> <p>Implementation of technical corrections and improvements to the auction system.</p> <p>Change of the rules for locating and taxing wind power farms.</p>	<p>(1) More precise specification of the rules for accumulating public aid will reduce the risk of investors in RES.</p> <p>(2) New rules of conducting RES auctions will improve their competitiveness.</p> <p>(3) Mitigation of legal requirements will, to some extent, enable the development of wind power.</p> <p>(4) Adding precision to the issues related to taxation of wind power plants by local government units.</p>	<p>(1) Deepening concerns about interpretation concerning the possibility of executing wind farm investments.</p> <p>(2) No resolution regarding taxation of wind farms with property tax.</p> <p>(3) Slow pace of the legislative process.</p>



# Shares and shareholding structure



## 5. SHARES AND SHAREHOLDING STRUCTURE

### 5.1. ENERGA SA's shareholding structure

Table 26: 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

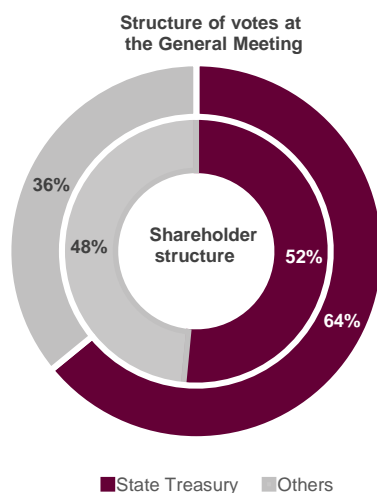
\* One preferred share entitles its holder to 2 votes at the General Meeting. These shares are owned by the State Treasury.

Table 27: Shareholding structure of ENERGA SA as at 30 September 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 21: Shareholding and voting structure at the General Meeting of ENERGA SA as at 30 September 2017 and the date of preparing this Information



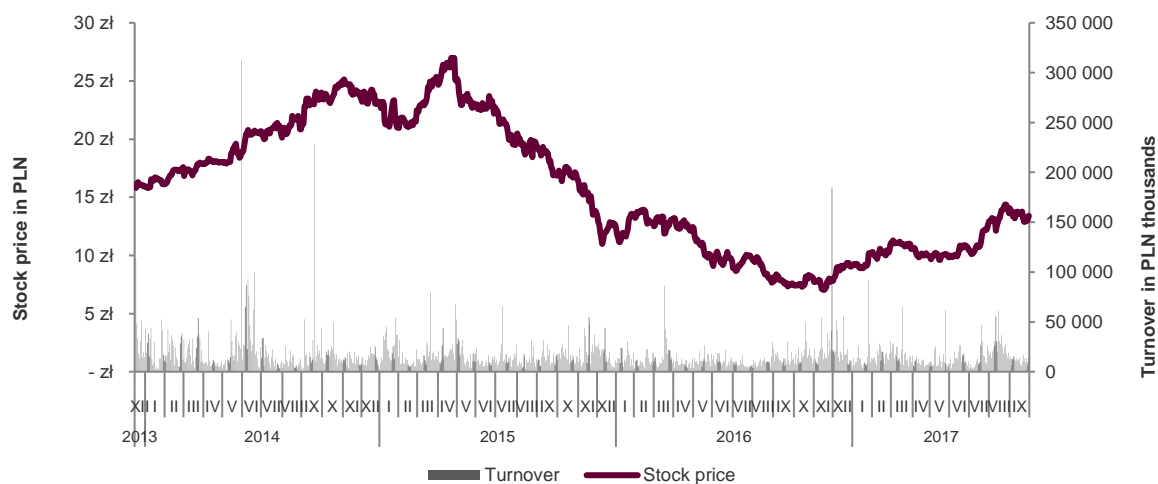
## 5.2 Company stock prices on the Warsaw Stock Exchange

Table 28: Data on ENERGA SA shares as at 30 September 2017

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114 shares
Stock price at the end of the period	PLN 13.40
Capitalization at the end of the period	PLN 5.5 bn
Minimum at closing in 9M	PLN 8.89
Maximum at closing in 9M	PLN 14.38
Minimum in 9M	PLN 8.75
Maximum in 9M	PLN 14.50
Average trading value	PLN 15.2 m
Average trading volume	1.37 m shares
Average number of trades	2.25 thous. shares

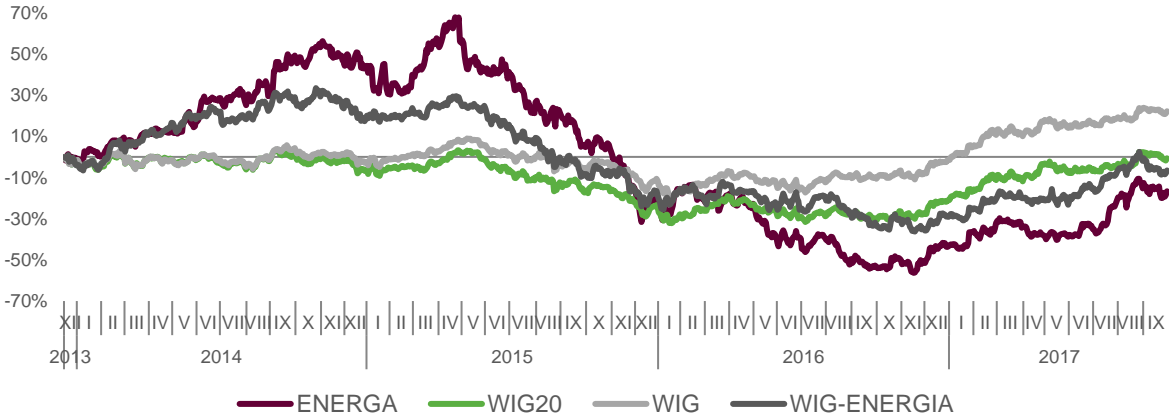
Source: Proprietary material based on data from [www.infostrefa.com](http://www.infostrefa.com)

Figure 22: ENERGA SA stock price, in the period from IPO (i.e. 11 December 2013) until 30 September 2017



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

**Figure 23: 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.com

**5.3 Recommendations for the Company’s stock**

<p><b>12</b> Analyst recommendations in 9 months of 2017</p>	<p><b>3 Buy</b> recommendations  <b>4 Hold</b> recommendations  <b>2 Accumulate</b> recommendations  <b>2 Neutral</b> recommendations  <b>1 Sell</b> recommendation</p>
--	---

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 30 September 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 ENERGA SA Management Board for Operations

Sylwia Kobyłkiewicz

Director of the Finance Department

## LIST OF FIGURES

Figure 1: EBITDA bridge, by segment (in PLN m) .....	28
Figure 2: Group's cash flows in the first 9 months of 2017 and 2016 .....	32
Figure 3: Structure of assets and liabilities .....	33
Figure 4: Results of the ENERGA SA Group's Distribution Segment (PLN m) .....	38
Figure 5: EBITDA Bridge of the Distribution Segment (PLN m) .....	39
Figure 6: Results of the ENERGA SA Group's Generation Segment (PLN m) .....	39
Figure 7: EBITDA Bridge of the Generation Segment (PLN m) .....	41
Figure 8: Results of the ENERGA SA Group's Sales Segment (PLN m) .....	43
Figure 9: EBITDA Bridge of the Sales Segment (PLN m) .....	44
Figure 10: ENERGA SA Group performance drivers in the perspective of at least the next quarter .....	46
Figure 11: Annual growth rate of GDP, domestic demand, individual consumption and capital expenditure .....	48
Figure 12: Production of electricity in Poland after the first three quarters of 2017 (TWh) .....	49
Figure 13: Consumption of electricity in Poland after the first three quarters of 2017 (TWh) .....	50
Figure 14: Monthly volumes of inter-system exchange in Poland after the first three quarters of 2017 (TWh) .....	50
Figure 15: Electricity prices on the spot market in Poland and in selected neighboring countries after the first three quarters of 2017 .....	51
Figure 16: IRDN 24 index after the first three quarters of 2017 (PLN/MWh) .....	51
Figure 17: Price of forward contracts – base with delivery in 2018, quoted after the first three quarters of 2017 .....	52
Figure 18: EUA emission allowance prices after the first three quarters of 2017 .....	53
Figure 19: Statement of prices on the balancing market and spot market (exchange) after the first three quarters of 2017 .....	54
Figure 20: Prices and generating capacity constituting operating reserve after the first three quarters of 2017 .....	54
Figure 21: Shareholding and voting structure at the General Meeting of ENERGA SA as at 30 September 2017 and the date of preparing this Information .....	58
Figure 22: ENERGA SA stock price, in the period from IPO (i.e. 11 December 2013) until 30 September 2017 .....	59
Figure 23: Changes in ENERGA SA stock prices in comparison with changes in WIG, WIG20 and WIG-ENERGIA indices .....	60

## LIST OF TABLES

Table 1: Key investment areas for 9 months of 2017 .....	14
Table 2: Proceedings pending before courts, arbitration bodies or public administration authorities .....	17
Table 3: Consolidated statement of profit or loss .....	27
Table 4: EBITDA adjusted for material non-recurring events* .....	29
Table 5: Consolidated statement of financial position .....	29
Table 6: Consolidated statement of cash flows .....	32
Table 7: Financial ratios of the ENERGA SA Group .....	33
Table 8: Distribution of electricity, by tariff group .....	34
Table 9: SAIDI and SAIFI .....	35
Table 10: Gross production of electricity in the ENERGA SA Group .....	35
Table 11: Production of heat .....	36
Table 12: Volume and cost* of consumption of key fuels .....	36
Table 13: Sales of electricity by the Sales Segment .....	37
Table 14: EBITDA of the ENERGA SA Group, by Segment .....	37
Table 15: Results of the Distribution Segment .....	38
Table 16: Results of the ENERGA SA Group's Generation Segment .....	40
Table 17: EBITDA of the Generation Segment, by business line .....	40
Table 18: Results of the Hydro business line .....	42
Table 19: Results of the Wind business line .....	42
Table 20: Results of the Ostrołęka Power Plant business line .....	42
Table 21: Results of the Other and adjustments business line .....	42
Table 22: Results of the ENERGA SA Group's Sales Segment .....	43
Table 23: Current ratings of ENERGA SA .....	45
Table 24: Average levels of property rights indices listed on the Polish Power Exchange .....	53
Table 25: List of legal acts having a material impact on the Group .....	55
Table 26: Issuer's shares by series and types .....	58
Table 27: Shareholding structure of ENERGA SA as at 30 September 2017 .....	58
Table 28: Data on ENERGA SA shares as at 30 September 2017 .....	59

## 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 <sub>2</sub>	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 SA 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 <sup>9</sup> 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 <sup>6</sup> W
MWe	Megawatt of electrical power
MWh	Megawatt hour
NIB	Nordic Investment Bank
Renewable Energy Sources, RES	Sources converting the energy of 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 bank
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 the ERO President's 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 Article 9i of the Energy Law Act 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 Act 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 <sup>9</sup> 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