

Letter of the President regarding the 2017 Annual Report

Ladies and Gentlemen, Dear Shareholders,

It was a great pleasure for us to summarise the year 2017 in the Energa Group. Thanks to the correct planning and implementation of projects in individual Business Lines we closed last year with a very good result. We have every reason to consider the last 12 months a success, even more so, considering that the results were achieved under conditions of ever-increasing competition pressure and restrictions imposed by market regulators.

The 2017 revenues of the Energa Group reached PLN 10.5 billion, EBIDTA amounted to PLN 2.2 billion, and the net result was PLN 789 million. All these figures were significantly higher than a year ago. We implemented our ambitious investment plan effectively and in accordance with the schedule. In 2017, we spent on this plan PLN 1.4 billion, with the lion share (approximately PLN 1.2 billion) allocated to the Distribution Business Line. It continues to generate some 80 per cent of our EBIDTA. Investment projects included network extension to connect new customers and producers, as well as modernisations aimed at improving the reliability of electricity supply. We also made outlays on innovative technologies and network solutions. The extension and modernisation of the power network using innovative technologies contributes to improving the reliability of electricity supplies to over 3 million of our customers. Last year, we had to deal with unprecedented weather events on two occasions. However, owing to the professionalism and dedication of our employees we managed to repair the damage very quickly, restoring energy supplies and reducing the scale of the losses. In the Production Business Line a significant part of investment outlays was allocated to projects connected with adjusting to environmental requirements and modernisation projects carried out at Ostrołęka B Power Station. In 2017, we commenced preparations for the construction of Ostrołęka C, a new power unit which will strengthen our production assets and improve the security of the national power system. At the same time, we continued our Company-wide programme of optimisation of costs and the functioning of the entire management structure. We merged companies whose functions overlapped. We reduced their number from 44 to 34, e.g. by means of centralising purchases and IT services in the Group. This year, we will continue with companies synergy. We have also systematised certain areas of relations with our customers and partners, which enabled us to eliminate unjustified expenses.



We are satisfied that our actions in all areas of our business have been welcomed by the capital market. Analysts at key brokerage houses raised the recommendations for the Company in 2017. Their positive assessments signalled to investors that the market accepts and understands the decisions of the Management Board, and that Energa stands out among other companies in the power sector. The credibility resulting from the correct definition and consistent implementation of developmental needs allowed us to obtain external financing on favourable terms, including EUR 250 million from the European Investment Bank. This solid financial buffer offers us even greater possibilities of implementing innovative projects in the Distribution Business Line, which translate into a higher operating result of the entire Group.

We treat our Shareholders with utmost respect and responsibility. This is why I guarantee that the Board, managers and employees of the Energa Group will exploit as best as they can the competitive advantages achieved last year in order to consistently build the goodwill of the Company.

Yours respectfully,

Alicja Barbara Klimiuk
acting President of the Board
Energa SA