



**Information to
the condensed
consolidated report
of the Energa Group**

**for Q1
2018**

Gdańsk
Publication date: 10 May 2018

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1. SUMMARY OF Q1 2018



ENERGA GROUP AFTER Q1 2018

One of the leading energy groups and a reliable supplier of electricity and services for 1/4 of Poland, with a 41-percent of production from RES in own production.

OPERATING DATA



5.9 TWh

volume of electricity supplied



1.0 TWh

gross production of electricity

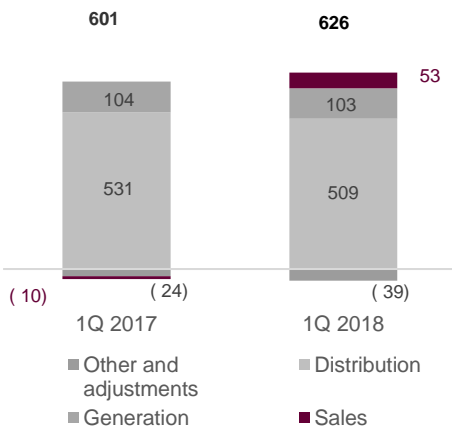


5.2 TWh

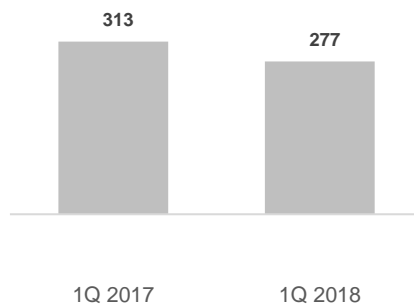
retail sales

FINANCIAL RESULTS

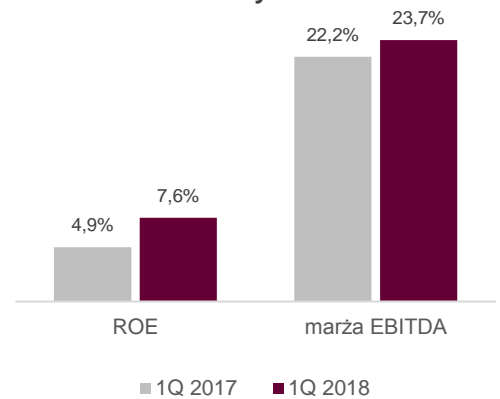
EBITDA (PLN m)



Net profit (PLN m)



Profitability ratios

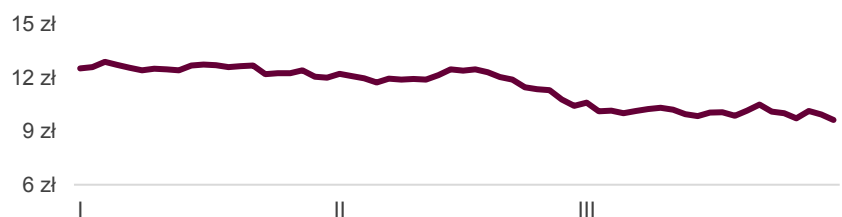


ENERGA SA ON THE WSE

Market capitalisation: **PLN 3.99 bn***

* According to share price as at closing on 29 March 2018.

Prices of Energa SA shares



KEY RESOURCES



Distribution network
with the length of
185 thous.



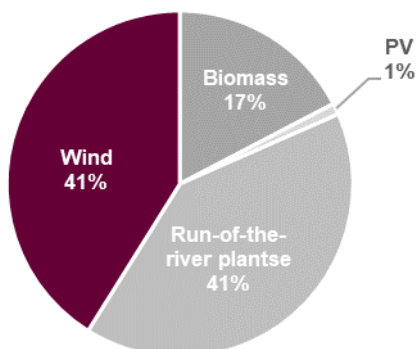
Installed capacity
1.34 GWe
of which **38%** falls to RES



9.2
thous.
employees



RENEWABLE ENERGY SOURCES



Installed capacity
512 MWe



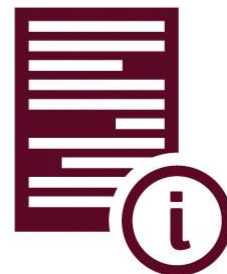
RES production
424 GWh

INVESTMENT PROJECTS IN THE

In Q1 2018, the Energa Group executed investment projects worth **PLN 256 m**, of which almost PLN 222 m in the Distribution Business Line.

As a result of completed investments, in Q1 2018 **11.7 thousand new customers** were connected, **931 km** of high, medium and low voltage lines were built and modernized and **9 MW** of new renewable energy sources 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

Resolution of a public procurement award procedure titled “Construction of Elektrownia Ostrołęka C with a capacity of approximately 1,000 MW”

On 4 April 2018, the Management Board of Energa SA was informed that Elektrownia Ostrołęka Sp. z o.o. (the “Contracting Authority”) had resolved a public procurement award procedure titled “Construction of Elektrownia Ostrołęka C with a capacity of approximately 1,000 MW” (the “Procedure”, “Contract”) by selecting a Consortium composed of GE Power Sp. z o.o. and Alstom Power System S.A.S. as the General Contractor which offered to perform the Contract with the parameters specified in the tender for a net amount of PLN 5,049,729,000.00, gross amount: PLN 6,023,034,950.00.

The resolution of the Procedure is not tantamount to:

- consenting to the conclusion of a contract agreement with the General Contractor – such consent requires, among other things, a prior consent of the Supervisory Board of the Issuer;
- consenting to the issue of a notice to proceed (NTP) – the NTP requires, among other things, a prior consent of the Supervisory Board of the Issuer and a prior consent in principle to commence the Construction Stage granted by the General Meeting of the Issuer (current report no. 14/2018).

Earlier, i.e. on 24 March 2018, the Contracting Authority approached the Management Board of Energa SA (as the Contracting Authority’s shareholder) with a request to consent to the resolution of the Procedure (current report no. 11/2018). The Management Board of Energa SA granted the said consent on 27 March 2018 (current report no. 13/2018)

Signing of an Annex to the Investment Agreement concerning the Ostrołęka C project and sale of shares in Elektrownia Ostrołęka sp. z o.o.

On 26 March 2018, Energa SA (the “Issuer”) and ENEA S.A. and Elektrownia Ostrołęka Sp. z o.o. (the “Company”, “Contracting Authority”) signed Annex No. 1 (the “Annex”) to the Investment Agreement concerning implementation of the Ostrołęka C project.

Under the Annex, the parties have increased the estimated total capital expenditure resulting from their obligations to be undertaken at the Development Stage of the Ostrołęka C project, that is until a notice to proceed (NTP) is issued to the General Contractor. The capital expenditure attributable to the Issuer shall amount to PLN 226.5 m.

The capital expenditure has been increased in order to provide the resources, amongst others, for organisational works which will result from the contract agreement with the General Contractor, related investments and the operations of the Company.

It is estimated that the capital expenditure connected with the conclusion of the contract agreement between the Contracting Authority and the General Contractor prior to the issue of the NTP will not exceed the equivalent of 4% of the contracted price.

Moreover, the Issuer informed that in the course of performance of the Investment Agreement the Issuer had sold on 23 March 2018 to the benefit of ENEA S.A. a stake of 1,201,036 shares in the Company for approx. PLN 58 m. As a result of this operation, Issuer’s shares constitute in total 50% Company’s share capital (current report no. 12/2018).

Composition and changes to the composition of the corporate bodies of Energa SA

In Q1 2018 and until the date of this Information document, the Management Board of Energa SA operated in the following composition:

- 1) from 1 January 2018 till 5 February 2018:
 - a) Daniel Obajtek - President of the Management Board,
 - b) Alicja Barbara Klimiuk - Vice-President of the Management Board for Operations,
 - c) Pan Jacek Kościelniak - Vice-President of the Management Board for Financial Matters,
 - d) Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters,
- 2) from 6 February 2018 till the date of this Information document:
 - a) Alicja Barbara Klimiuk - Vice-President of the Management Board for Operations, serving as President of the Management Board
 - b) Pan Jacek Kościelniak - Vice-President of the Management Board for Financial Matters,
 - c) Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters,

In connection with Mr. Daniel Obajtek tendering his resignation from the function of President of the Management Board of Energa SA on 5 February 2018, on 6 February 2018 the Management Board adopted a resolution to entrust Ms. Alicja Barbara Klimiuk with discharging the duties of the Company's President of the Management Board. On 6 February 2018, the Supervisory Board accepted the decision to entrust Ms. Alicja Barbara Klimiuk, Vice-President of the Management Board for Operations to discharge the duties of the President of the Management Board of Energa SA.

From 1 January 2018 till the date of this Information document, the Supervisory Board of Energa SA operated in the following composition:

- 1) Paula Ziemiecka-Księżak - Chairperson of the Supervisory Board,
- 2) Zbigniew Wtulich - Vice-Chairperson of the Supervisory Board,
- 3) Agnieszka Terlikowska-Kulesza - Secretary of the Supervisory Board,
- 4) Andrzej Powalowski - Member of the Supervisory Board,
- 5) Marek Szczepaniec - Member of the Supervisory Board,
- 6) Maciej Żółtkiewicz - Member of the Supervisory Board

2.2. Activities of Energa Group

The core business of the Energa Group entails distribution, generation and sales of electricity and heat and concentrates on the following business lines:

Distribution Business Line - the Business Line of key importance to the Group's operating profitability, involved in the distribution of electricity (which is a regulated activity in Poland) 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 which hosts the Group's distribution assets through which it supplies electricity to more than 3m customers, approx. 2.8m of which are customers with comprehensive agreements and 207 thousand are TPA customers. More detailed information on customers of Energa Operator SA (by energy group) is presented in chapter 3.5. Key operational data. The total length of the power lines was over 185 thousand km and covered almost 75 thousand km², i.e. about 24% of the country's landmass. Energa Operator SA acts as the Leading Entity in this Line.

Generation Business Line operates on the basis of four Power Divisions: the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). At the end of Q1 2018, the total installed generation capacity in the Group's power plants was approximately 1.3 GW.

In Q1 2018, the Group's gross electricity production was approx. 1 TWh. The installed capacity of power plants relied on diverse energy sources, such as: hard coal, hydropower, wind, biomass and solar energy (photovoltaics). In Q1 2018, 58% of the Group's gross electricity production originated from hard coal, 31% from hydro and 10% from wind. The Leading Entity in this Business Line is Energa Wytwarzanie SA.

The Energa Group owes its leading position, in terms of the percentage of electricity from renewable energy sources in the total energy generated, primarily to the generation of energy in hydro power plants. Green energy is produced by 46 hydropower plants, 5 wind farms and biomass-fired installations (in Energa Kogeneracja) and in photovoltaic installations.

As at 31 March 2018, the Group had the installed capacity of 0.5 GW in renewable energy sources, with a gross production of 424 GWh of electricity.

Sales Business Line, with Energa Obrót SA as its Leading Entity, sells electricity, gas and additional services both as separate products and in packages to all customer segments – from industry to small, medium and large enterprises and to households. At the end of Q1 2018, the Energa SA Group serviced more than 3m customers, out of which over 2.7m were G tariff customers and the remainder were customers from tariff groups: C, B and A, in a decreasing order.

Customer service

In connection with the dynamic growth of the Energa Group and a new approach to corporate management over Group companies, Energa Obrót – as the leading entity in the Sales Business Line – took up the challenge and implemented a restructuring project. The optimisation of core business areas aims to improve the company's operational efficiency and flexibility, so that it will be able to fully meet the requirements of customers and provide them with top-level service.

With the ever-changing business environment, customer expectations and market competition, the Company needs to enhance the existing energy-related products as well as introduce new ones in response to customer needs. In Q1 2018, the following products were brought to the market:

- storage heaters and heat pumps, as well as insurance policies offered as add-on products for mass-market customers,
- photovoltaic panels for business customers.

Being aware of the dynamic development of technology, Energa Obrót relentlessly works on new solutions and launches new channels for customer service.

By April 2018, nearly 1000 agreements with customers were concluded via the Internet.

The project by Energa Obrót SA: „Online forms - System for making electricity purchase contracts over the Internet” was awarded the second prize in the Lider 2017 (*Leader 2017*) contest organised by Gazeta Bankowa (16th edition, category: Industry 4.0).

This online service is not only a modern and comfortable solution for customers – it also optimises and digitises the company's back-office procedures as regards agreement processing.

Moreover, as part of initiatives aimed to upgrade contact channels dedicated to customers, in Q1 2018 the company began to revamp its website by making it more responsive and transparent, i.e. more intuitive for visitors.

A comprehensive channel for communication with customers will be provided as part of the project: *System for online sale and customer service of Energa Obrót SA*, which is being developed in the omnichannel environment. Once implemented, the project will provide a number of benefits and convenient solutions to customers:

- access to a full portfolio of products tailored to the specific needs of the Platform user,
- the customer can complete the entire sales process via the Platform, for the product/service chosen,

- the customer can place an order for a product or service of Energa Obrót via the System – and if the procurement process is interrupted, it may be finalised via other contact channels,
- a wide array of self-service operations, e.g. offer forms, connection requests and automated agreements.

The major initiatives taken in Q1 2018 to enhance customer service also included the definition and top-down presentation of the Company's objectives for the year. The delivery of specific goals will largely improve the customers' satisfaction with post-sales service. The main objectives are: to reduce the volume of past-due complaints and problems raised by customers, to prevent situations where no invoices are issued to customers when due, and to minimise the number of invoice adjustments.

Corrective and preventive initiatives focus on the optimisation of front-end operations (Customer Journey) and back-office processes.

Works are carried out as part of analytical streams based on service work-flow, marketing surveys and workshops for business units.

The ensuing conclusions and recommendations are implemented on a regular basis. They:

- prevent new complaints from customers,
- enable the company to speed up the processing of customer inquiries (both complaints and other inquiries – neutral and positive contact).

Key changes in the Group's structure and organization

In Q1 2018, pursuant to the Investment Agreement, Energa Kogeneracja Sp. z o.o. subscribed for new shares in the increased share capital of PGG in exchange for cash contribution of PLN 30 m.

Energa Kogeneracja Sp. z o.o. currently holds a 15.32% stake in PGG's share capital.

On 27 February 2018, the transformation of Elektrownia Ostrołęka SA into a limited liability company was registered.

On 23 March 2018, Energa SA and ENEA SA signed an agreement whereby ENEA SA purchased the third tranche of shares in Elektrownia Ostrołęka Sp. z o.o. As a result of this transaction, Energa SA and ENEA SA hold a 50% stake in Elektrownia Ostrołęka Sp. z o.o., respectively.

On 29 March 2018, the General Meeting adopted a resolution whereby the share capital of Elektrownia Ostrołęka Sp. z o.o. was increased by PLN 35 m and Energa SA and ENEA SA each subscribed for 50% of new shares (i.e. PLN 17.5 m, respectively) in exchange for cash contribution. The registration of share capital increase is in progress.

On 23 April 2018, the increase of share capital of ElectroMobility Poland SA to PLN 30 m was registered. This top-up was made by increasing the nominal value of shares, pursuant to the resolution adopted by the company's General Meeting on 3 January 2018. Consequently, Energa SA – which holds a 25% stake in the company – made a cash contribution of PLN 5 m.

On 3 April 2018, the General Meeting of the following Distribution Business Line companies: Przedsiębiorstwo Budownictwa Elektroenergetycznego ENBUD Słupsk Sp. z o.o. (the acquiring company), Energetyka Kaliska–Usługi Techniczne Sp. z o.o., ZEP-Centrum Wykonawstwa Specjalistycznego Sp. z o.o. and Zakład Budownictwa Energetycznego Sp. z o.o. (acquired companies) adopted resolutions regarding the merger of these entities. The procedure of merger registration with KRS is in progress.

On 16 April 2018, the General Meeting of Energa Centrum Usług Wspólnych Sp. z o.o. (the acquiring company) and RGK Sp. z o.o. (the acquired company) adopted resolutions regarding the merger of these entities. The procedure of merger registration with KRS is in progress.

Headcount in the Energa Group

As at 31 March 2018, the Energa SA Group employed 9,217 persons (vs. 8,970 persons as at 31 December 2017). This headcount growth in Q1 2018 (up by 247 persons, i.e. 2.8%) was driven by the implementation of the policy which provided for gradual replacement of outsourced services with services performed by human resources of the Energa SA Group, i.e. recruitment of persons working round-the-clock in Group companies under contracts signed with temporary work agencies, development of Group staff's competencies in the field of designing medium- and high-voltage electricity lines and transformer stations for the Distribution Business Line, as well as actions aiming to eliminate competence- and generation gaps affecting electricians, engineers and technical staff in Distribution and Generation Business Lines.

Collective Dismissals

In Q1 2018, Group companies did not carry out any collective dismissals as defined in the Act of 13 March 2003 on special rules on termination of employment for reasons not attributable to employee.

Collective disputes

As at 31 March 2018, there were thirty trade union organizations in Energa SA Group companies. More than 5,100 Group employees were members of the trade unions as at 31 March 2018.

In Q1 2018, there was one collective dispute between Energa Elektrownie Ostrołęka SA and trade unions representing power engineers (Związek Zawodowy Energetyków) and staff members employed in the round-the-clock work system (Związek Pracowników Ruchu Ciągłego). The dispute involved requests raised on 8 September 2017, concerning:

- (1) signing of a collective agreement,
- (2) payment of awards or bonuses.

This collective dispute is at the mediation stage now.

2.3. Implementation of the investment program

In Q1 2018, capital expenditures in the Energa SA Group amounted to PLN 256 m, mainly with respect to the Distribution Business Line – PLN 222 m

Investment projects in the Distribution Business Line involved modernisation of the grid in order to improve the reliability of electricity supply as well as expansion of the grid so as to connect new clients and producers. Expenditures were also made on innovative technologies and grid solutions.

Work related to compliance with environmental requirements and modernization projects in the Ostrołęka B Power Plant constitute an important part of the Generation Business Line's capital expenditures. There is also an investment project implemented in Elbląg, which focuses on the optimisation of the steam boiler in the BB20p biomass unit. Total capital expenditures on energy production in Q1 2018 came in at PLN 29.7 m.

Table 1: Key investment areas for Q1 2018

Description of the project	Location	Capital expenditures (PLN m)	Execution stage
Distribution Business Line			
Modernisation of the distribution network to improve the reliability of supply	Distribution areas	114.3	Implemented on an ongoing basis
Grid development related to connection of new customers	Distribution areas	81.6	Implemented on an ongoing basis
Smart metering and other elements implementing the smart grid concept, including AMI	Distribution areas	4.4	Implemented on an ongoing basis
Grid development and modernisation related to connection of RES	Distribution areas	0.6	Implemented on an ongoing basis
Other capital expenditures, collisions and adjustments	Distribution areas and Distribution Business Line companies	20.7	Implemented on an ongoing basis
Generation Business Line			
Overhauls of the Ostrołęka B Power Plant	Ostrołęka	9.7	In progress
Optimisation of the steam boiler in the BB20p biomass unit	Elbląg	8.2	In progress
Modernisation of electrostatic precipitators in the Ostrołęka B Power Plant	Ostrołęka	2.7	In progress
Other capital expenditures	The power division and Generation Business Line companies	9.1	-
Sales Business Line			
Capital expenditures for lighting assets	Business area of Energa Oświetlenie	3.9	In progress
Sales Support system	Business area of the Sales Business Line	0.3	In progress
Other capital expenditures	Sales area and Sales Business Line companies	0.4	-
Other companies, projects and adjustments	-	0.5	-
Total		256	

2.4. Information on material agreements

Material agreements

On 10 January 2018, Energa Elektrownie Ostrołęka SA (a subsidiary of Energa SA) and Polska Grupa Górnicza S.A. („PGG”) signed an annex to the agreement for coal supply to the Ostrołęka B power plant, which was announced in current report no. 53/2016 on 27 December 2016.

This Annex increases the volume of supply to 750 thousand tons of coal per annum with the possible deviation of volume falling within a range of $\pm 20\%$. The parties have agreed on a coal supply of 750 thousand tons for 2018.

The Agreement to which this Annex has been signed was concluded for a fixed term from 1 January 2017 to 31 December 2030, with an option to extend it. In conjunction with the significant change in the volume to be delivered, the estimated value of this Agreement has been updated and presently its lifetime value is PLN 3.28 bn. With such an increase in the volume of supplies, PGG has become the main provider of coal to the Ostrołęka B power plant (current report no. 1/2018).

Agreements for loans and borrowings and the domestic bond issue program

Detailed information on agreements for loans and borrowings and the domestic bond issue program is presented, among others, in Note 16 *Financial Instruments* of the consolidated financial statement.

Guarantees and sureties granted

As at 31 March 2018, sureties extended by Energa SA to cover liabilities of the Group companies totaled PLN 5,360 m and included:

- surety for liabilities of Energa Finance AB (publ) on account of a PLN 5,261 m Eurobond issue,
- sureties for liabilities of the Energa Group companies arising from bank guarantees granted by Bank PKO BP SA under guarantee facilities allocated to Energa Group companies in the total amount of PLN 15 m,
- other sureties for liabilities of the Energa Group companies towards other creditors, including: State Treasury, the National Fund for Environmental Protection and Water Management (NFOŚiGW) and the Provincial Fund for Environmental Protection and Water Management (WFOŚiGW), in the total amount of PLN 84 m.

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

All transactions within the Energa Group are made based on market prices of goods, products or services delivered resulting from their manufacturing costs.

Detailed information on transactions with related entities is presented in Note 18 to the condensed interim consolidated financial statement for the day and quarter ended on 31 March 2018.

2.5. Risk management

Energa Group classifies risks into four categories:

- strategic risks – risks connected with the delivery of strategic objectives, including the planning and completion of investment projects or execution of corporate governance;
- legal and regulatory risks – risks concerning non-compliance with binding laws and regulations;
- operational risks – risks connected with the delivery of operational goals, including infrastructure, processes or resources;
- financial risks - risks connected with finance management.

A detailed description of risks attaching to the business operations of the Company is presented in the Management Board Report on the activity of the Energa Capital Group for the year ended 31 December 2017. In the opinion of the Management Board, risks defined in the above-mentioned document are still present.

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

As at 31 March 2018, the Energa Group was a party to 12,013 court proceedings. The Group acted as a plaintiff in 10,447 cases, where the aggregated amount in dispute was approx. PLN 614.5 m. The Group acted as a defendant in 1,559 cases, where the aggregated amount in dispute was approx. PLN 543.8 m.

As at 31 March 2018, the total amount of claims to locate power installations on properties owned by third parties without the necessary legal title, awarded by final and non-appealable judgments, was approx. PLN 19.8 m in approx. 3,664 cases. There were 2,084 pending court cases and the amount in dispute in such pending cases was PLN 200.5 m. Based on the available data pertaining to the value of pending proceedings, we assume that the actual amount to be paid after the above-mentioned disputes are resolved may reach PLN 73.3 m, provided that this amount may change if new court cases related to power devices located on third party's real properties without the necessary legal title are brought against Energa Operator SA.

Moreover, the above data do not include cases in which court and enforcement-based collection is conducted for and on behalf of Energa Obrót SA in order for the company to recover the amounts due from its Customers and bankruptcy cases, with the exception of the case brought by Energa Obrót SA against ERGO ENERGY Sp. z o.o. for the amount of approx. PLN 13 m. As at 31 March 2018, the aggregated amount of all such cases was approx. PLN 189.3 m, of which:

Type of receivable	Balance as at 31 March 2018 (PLN m)
court and enforcement-based	123.1
bankruptcies	58.6
non-billing	6.9
Non-billing – bankruptcies	0.7
Total	189.3

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. Nor was any pecuniary penalty, fine or any other financial liability imposed that would be equivalent to at least 5% of the consolidated EBITDA for the last financial year.

The table below presents the continuation of proceedings with the highest amount in dispute, which remained pending in Q1 2018. The Company's previous periodic reports and Prospectus contain information on legal steps taken in earlier periods.

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

Parties	Subject matter	Description of the case
T- Matic Systems S.A., Arcus S.A. (defendant)	Claim for payment of contractual penalties	On 7 April 2015, a statement of claim was filed (the amount claimed being PLN 23,152,481). On 10 June 2015, the defendants filed a statement of defense,

Energia Operator SA (plaintiff)	under the agreements to supply and launch the metering infrastructure (re: stage I of AMI).	<p>requesting the claim to be dismissed in its entirety, arguing that the defendants are not at fault for the delays, some of the delays being caused by reasons attributable to Energia Operator SA, and relied on the operation of force majeure, the fact that Energia Operator SA suffered no losses and grossly excessive amount of the contractual penalties. By letter of 30 September 2015, Energia Operator SA filed a reply to the statement of defense, responding in detail to all the defenses and tendering new evidence.</p> <p>On 18 December 2015, the defendants filed a rejoinder putting forward similar argumentation to the one presented in the statement of defense but extended to include a defense of invalidity of the agreements due to their imprecise language and contractual inequality of the parties. On 13 January 2016, a hearing was held at which the Court requested Energia Operator S.A. to file a reply to the defendants' 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 hearing held on 23 November 2016, the Court granted the parties' motion and adjourned the hearing due to the pending negotiations. On 8 February 2017, a hearing was held during which the parties failed to reach an agreement. At further hearings, more witnesses were examined. There are five more witnesses to be examined and the dates of hearings for this purpose are scheduled for 21 and 27 June 2018.</p>
T- Matic Systems S.A., Arcus S.A. (plaintiff) Energia Operator SA (defendant)	<p>Claim to declare an agreement regarding stage II of AMI invalid</p> <ul style="list-style-type: none"> • Counterclaim for payment of contractual penalties for stage II of AMI 	<p>On 8 February 2016, the statement of claim filed by T-Matic Systems SA and ARCUS SA was served on Energia Operator SA. The case is pending before the Regional Court in Warsaw, file No. IX GC 893/15. The defendant's representative filed a pleading to extend the court time limit for responding to the reply. As 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 for payment of PLN 157,063,142 on account of the payment of contractual penalties of PLN 156,060,200 and PLN 1,002,942 on account of a reduction in remuneration, as per the call for payment of 9 November 2015. On 30 January 2017, the Court issued a decision to resume the proceedings which had been stayed upon parties' motion. On 13 June 2017, the Court decided to discontinue the interlocutory appeal proceedings to dismiss the Plaintiff's motion for injunctive relief prohibiting the use of the insurance guarantee, in connection with a motion to withdraw the interlocutory appeal. The case files will be forwarded to the Regional Court in Gdańsk. In this case, evidence proceedings have been initiated and further witnesses are being examined. The Court has scheduled the hearings until the end of 2018, with the nearest one to be held on 28 May 2018.</p> <p>As regards the counterclaim, it was served on the plaintiffs (counterclaim defendants) who filed a statement of defense.</p>
T- Matic Systems S.A., Arcus S.A. (plaintiff) Energia Operator SA (defendant)	Claim for payment of compensation for	<p>On 29 January 2018, Energia Operator SA received a statement of claim from Arcus SA and T-Matic Systems SA for payment of the amount of PLN 174,111,458.96 as compensation for unlawful acts allegedly committed by Energia Operator SA. The compensation, as</p>

	unlawful acts/unfair competition practices	<p>described in the statement of claim, concerns losses resulting from an unlawful act/unfair competition practice committed deliberately by Energa Operator S.A and involving illegal actions or omissions in relation to the process of performing execution agreements for stage I and II of the AMI system. It appears from the reasons for the pleading that the loss incurred by Arcus SA and T-Matic SA is related to the unlawful calculation of contractual penalties by Energa Operator S.A., as a result of which a dispute arose and escalated, leading to numerous court proceedings, thereby causing a loss “which was related to the occurrence of the circumstances [described in the statement of claim] concerning the business activity carried out.” The Company challenges the validity of the cause of action and will move for the action to be dismissed.</p> <p>The Company is in the process of preparing a statement of defense. No hearing has been scheduled yet.</p>
Energa Operator SA (plaintiff); PKN ORLEN SA (defendant)	Claim for payment	<p>On 19 April 2016, the Appellate Court in Warsaw pronounced its judgment in the case brought by Energa Operator SA Branch in Plock against PKN Orlen S.A. The court partially dismissed the defendant’s appeal. Consequently, the judgment of the Regional Court in Warsaw of 27 October 2014, case file No. XVI GC 782/11, awarding the plaintiff the amount of PLN 16.1 m plus interest accrued from 30 June 2004, became final and non-appealable. The judgment is final and non-appealable. Energa Operator SA moved for delivery of the reasoned judgment, which was delivered to the Plaintiff’s representative on 1 August 2016. On 29 September 2016, Energa Operator SA filed with the Supreme Court a cassation appeal 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 appeal filed against the judgment of the Appellate Court in Warsaw. Energa Operator SA responded to the appeal in a pleading which was forwarded on the same date to the Appellate Court in Warsaw. The new date of the hearing was set at 20 July 2017. The Supreme Court dismissed the appeal filed by the defendant PLN Orlen, but granted the appeal filed by Energa Operator SA, reversing the appealed judgment of the Appellate Court and remanding the case to the same for re-examination. On 1 August 2017, the reasoned judgment was received. The hearing was scheduled for 15 November 2017. Having re-examined the case, the Appellate Court rendered a judgment of 15 November 2017 reversing those provisions of the appealed judgment of the Regional Court of 27 October 2014 which ordered PKN Orlen to pay PLN 30,093,882.82 and remanding the case for re-examination in this respect to the Regional Court. The date of the hearing before the Regional Court has not yet been set.</p>
Energa Operator SA (party); PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)	Fine imposed by the authority	<p>Energa Operator SA received a decision dated 21 December 2016 under 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 requested that it be reversed in its entirety or, in the alternative, varied by the fine being waived or reduced to PLN 50,000.00. The ERO President responded to the appeal, requesting inter alia that it be dismissed. By the date of this Report, the court</p>

		conducting the proceedings has not taken any further steps in the case.
Energa Operator SA (party); PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)	Fine imposed by the authority	Energa Operator SA received the decision of 6 November 2017 imposing fines totalling PLN 13,600,000 for breaching the Distribution Code by: (1) communication with trading companies using other codes than provided for in the Distribution Code; (2) failure to meet the deadlines to provide measurement data to trading companies; (3) failure to meet the deadlines to consider complaints from trading companies; (4) failure to meet the deadlines to verify reports on replacement of the seller; (5) failure to meet the deadlines for the final settlement of electricity sales agreements; (6) failure to restart power supplies to one of the customers. The Company appealed against this decision and requested that it be reversed or, in the alternative, varied by the fine being waived or reduced. The case is pending under file No. XVII AmE 68/18 and to date no actions related to it have been taken.
Energa Kogeneracja Sp. z o.o. (plaintiff) - Mostostal Warszawa S.A. (defendant)	Claim for payment on account of the reduction of the contractual price	Case file No. IX GC 494/17; on 22 June 2017, Energa Kogeneracja Sp. z o.o. filed with the Regional Court in Gdańsk a statement of claim against Mostostal Warszawa S.A. Requesting that the defendant be ordered to pay the plaintiff the amount of PLN 106,417,065.12 plus statutory late interest accrued for the period from the date of filing the statement of claim to the payment date. The plaintiff seeks the reduction of the contractual price owing to Energa Kogeneracja Sp. z o.o. for the performance of CONTRACT no. EKO/86/2011 by PLN 90,286,722.15 (legal basis: Article 637.2 in conjunction with Article 656.1 of the Civil Code). On 15 September 2017, the Regional Court in Gdańsk issued a decision to secure evidence in the form of an expert (institute) witness opinion. Inquiries about the possibility of preparing a relevant opinion addressed by the Court were met by refusals from the institutes. The defendant was granted extension of the period for preparing a statement of defense by 15 December 2017. On 22 December 2017, Energa Kogeneracja Sp. z o.o. received a statement of defense accompanied by a counterclaim for the amount of PLN 7,753,230. Energa Kogeneracja Sp. z o.o. filed a reply to the counterclaim on 9 April 2018. The State Treasury, represented by the Minister for Energy, joined the proceedings as a secondary intervenor alongside Energa Kogeneracja Sp. z o.o.

<p>Boryszewo Wind Invest Sp. z o.o. (plaintiff) Energa Obrót SA (defendant)</p>	<p>Claim for payment of damages for the failure by Energa Obrót SA to perform part of the agreement to purchase property rights to certificates of origin for electricity generated in RES.</p>	<p>On 25 August 2017, Boryszewo Wind Invest filed a statement of claim against Energa Obrót SA with the Regional Court in Gdańsk for payment of PLN 31,931,614.78 plus interest as damages for failure to perform part of the Framework Agreement for the Sale of Property Rights under Certificates of Origin no. W/HH/210/2010/1, which consisted in making a representation about partial termination of the agreement and refusal to acquire property rights under the certificates of origin. The amount claimed comprises "losses" incurred by the plaintiff in relation to the necessity to sell the property rights at TGE plus statutory interest (PLN 25,694,540.08) and the incidental costs relating to debt service under a facility agreement (PLN 6,282,074.70).</p>
		<p>The case was assigned the file number: IX GC 701/17.</p>
		<p>On 11 September 2017, Boryszewo Wind Invest filed a pleading supplementing evidence.</p>
		<p>On 30 October 2017, Energa Obrót SA filed a statement of defense.</p>
		<p>On 27 December 2017, a hearing was held at which Boryszewo Wind Invest withdrew the statement of claim with regard to the amount of PLN 150,000.00.</p>
		<p>On 17 January 2018, Boryszewo Wind Invest filed a reply to the statement of defense.</p>
		<p>On 26 February 2018, Energa Obrót SA filed a reply.</p>
		<p>A hearing was held on 7 March 2018.</p>
		<p>On 28 March 2018, Boryszewo Wind Invest filed a surrejoinder.</p>
<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 Office in Poland (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót S.A. filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The case was assigned the file number: XVI GC 801/17.</p> <p>Relax Wind Park I sp. z o.o. and the Bank of China filed statements of defense.</p> <p>A counterclaim of Relax Wind Park I sp. z o.o. was received on 8 February 2018.</p>

<p>Energa Obrót SA (plaintiff) - "MEGAWATT BALTICA" S.A. (defendant 1), Powszechna Kasa Oszczędności Bank Polski S.A. (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Court of Arbitration at the Polish Chamber of Commerce in Warsaw.</p> <p>The case was assigned the file number: SA 128/17.</p> <p>On 5 December 2017, Megawatt Baltica filed a statement of defense accompanied by a counterclaim and a motion to secure the claim. On the same date, PKO BP S.A. filed a statement of defense.</p> <p>The first hearing was held on 7 February 2018.</p> <p>On 29 January 2018, a court session (attended by Megawatt Baltica S.A.) was held with respect to a summons for a settlement attempt. No settlement has ever been signed.</p> <p>The first hearing was held on 7 February 2018.</p> <p>To date Energa Obrót SA has filed a reply to the statement of defense.</p>
<p>Energa Obrót SA (plaintiff) - ZAJĄCZKOWO WINDFARM sp. z o.o. (defendant)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division.</p> <p>The case was assigned the file number: IX GC 737/17.</p> <p>On 14 November 2017, the defendant filed a statement of defense.</p> <p>To date Energa Obrót SA has filed a reply to the statement of defense.</p>
<p>Energa Obrót SA (plaintiff) - EOLICA KISIELICE sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA S.A. (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division.</p> <p>The case was assigned the file number: IX GC 739/17.</p> <p>On 7 November 2017, Energa Obrót SA filed a pleading specifying the relief sought in more detail.</p> <p>On 16 February 2018, Raiffeisen Bank Polska and Eolica Kieselice filed a statement of defense.</p> <p>On 12 March 2018, Raiffeisen Bank Polska filed a counterclaim for payment (the amount claimed: PLN 3,104,430)</p>

Energia Obrót SA (plaintiff) - PGE ENERGIA ODNAWIALNA S.A., (defendant)	Claim to establish non-existence of the legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	<p>On 11 September 2017, Energia Obrót SA filed a statement of claim with the Regional Court in Warsaw, 20th Commercial Division.</p> <p>The case was assigned the file number: XX GC 839/17.</p> <p>On 8 November 2017, PGE filed a statement of defense.</p> <p>On March 8, 2018, PGE filed an application for an order referring the parties to mediation.</p>
Energia Obrót SA (plaintiff) - C&C WIND sp. z o.o. (defendant 1), Bank Ochrony Środowiska S.A. (defendant 2)	Claim to establish non-existence of the legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	<p>On 11 September 2017, Energia Obrót SA filed a statement of claim with the Court of Arbitration at the Polish Chamber of Commerce in Warsaw.</p> <p>The case was assigned the file number: SA 127/17.</p> <p>On 5 December 2017, C&C Wind filed a statement of defense accompanied by a counterclaim.</p> <p>On 5 December 2017, BOŚ SA filed a statement of defense.</p> <p>On 29 December 2017, Energia Obrót SA withdrew the statement of claim against BOŚ.</p> <p>In its decision of 16 January 2018, the Court of Arbitration at the Polish Chamber of Commerce in Warsaw discontinued the proceedings against the defendant BOŚ SA as the statement of claim filed against that entity had been withdrawn.</p> <p>The first hearing was held on 7 February 2018.</p> <p>To date Energia Obrót SA has filed a reply to the statement of defense.</p>
Energia Obrót SA (plaintiff) - BORYSZEWO WIND INVEST Sp. Z O.O. (defendant 1), MBANK S.A. (defendant 2)	Claim to establish non-existence of the legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	<p>On 11 September 2017, Energia Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The case was assigned the file number: XVI GC 799/17.</p> <p>On 31 October 2017, MBANK filed a statement of defense.</p> <p>On 10 November 2017, Boryszewo Wind Invest filed a statement of defense.</p> <p>On 21 December 2017, Energia Obrót SA filed a reply to the statement of defense.</p> <p>On 23 March 2018, MBANK filed a reply.</p>

<p>Energa Obrót SA (plaintiff) - JEŻYCZKI WIND INVEST sp. z o.o. (defendant 1), MBANK S.A. (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The case was assigned the file number: XVI GC 805/17</p> <p>On 16 November 2017, MBANK and Jeżyczki Wind Invest filed a statement of defense.</p> <p>On 3 January 2018, Energa Obrót SA filed a reply to the statement of defense.</p> <p>On 16 February 2018, Jeżyczki Wind Invest and MBANK filed a rejoinder.</p> <p>A hearing was held on 27 February 2018.</p> <p>On 27 March 2018, Energa Obrót SA filed a surrejoinder.</p>
<p>Energa Obrót SA (plaintiff) - WIND INVEST sp. z o.o., (defendant 1), MBANK S.A. (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The case was assigned the file number: XVI GC 798/17</p> <p>On 28 November 2017, Wind Invest and MBANK filed statements of defense.</p> <p>On 26 March 2018, Energa Obrót SA filed a reply to the statement of defense.</p>
<p>Energa Obrót SA (plaintiff) - STARY JAROSŁAW WIND INVEST sp. z o.o. (defendant 1), MBANK S.A. (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The case was assigned the file number: XVI GC 802/17.</p> <p>On 17 November 2017, Stary Jarosław Wind Invest and MBANK filed a statement of defense.</p> <p>On 15 March 2018, Energa Obrót SA filed a reply to the statement of defense.</p>
<p>Energa Obrót SA (plaintiff) - LIVINGSTONE sp. z o.o. (defendant 1), DNB BANK POLSKA SPÓŁKA AKCYJNA (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 26th Commercial Division.</p> <p>The case was assigned the file number: XXVI GC 713/17.</p> <p>On 22 December 2017, Livingstone and DNB Bank filed a statement of defense.</p> <p>On 26 February 2018, Energa Obrót SA filed a reply to the statement of defense.</p>

Energia Obrót SA (plaintiff) - PGE ENERGIA ODNAWIALNA S.A., (defendant)	Claim to establish non-existence of the legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	<p>On 11 September 2017, Energia Obrót SA filed a statement of claim with the Regional Court in Warsaw, 20th Commercial Division.</p> <p>The case was assigned the file number: XX GC 842/17.</p> <p>On 24 November 2017, PGE filed a statement of defense.</p> <p>27 March 2018 – an order referring the parties to mediation and appointing a mediator.</p> <p>On 19 March 2018, Energia Obrót SA filed a reply to the statement of defense.</p>
Energia Obrót SA (plaintiff) - KRUPY WIND INVEST sp. z o.o. (defendant 1), MBANK S.A. (defendant 2)	Claim to establish non-existence of the legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	<p>On 11 September 2017, Energia Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The case was assigned the file number: XVI GC 803/17.</p> <p>On 24 November 2017, Krupy Wind Invest and MBANK filed statements of defense.</p>
Energia Obrót SA (plaintiff) - PGE ENERGIA NATURY sp. z o.o. (defendant)	Claim to establish non-existence of the legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	<p>On 11 September 2017, Energia Obrót SA filed a statement of claim with the Regional Court in Warsaw, 20th Commercial Division.</p> <p>The case was assigned the file number: XX GC 841/17.</p> <p>On 16 November 2017, PGE filed a statement of defense.</p> <p>26 February 2018 – an order referring the parties to mediation and appointing a mediator.</p>
Energia Obrót SA (plaintiff) - "WINDVEST - POLAND" sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA S.A. (defendant 2)	Claim to establish non-existence of the legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	<p>On 11 September 2017, Energia Obrót SA filed a statement of claim with the Regional Court in Warsaw, 26th Commercial Division.</p> <p>The case was assigned the file number: XXVI GC 711/17.</p> <p>On 22 December 2017, Windvest and Raiffeisen filed a statement of defense.</p> <p>On 19 March 2018, Energia Obrót SA filed a reply to the statement of defense.</p>

<p>Energa Obrót SA (plaintiff) - NIDZICA sp. z o.o. (defendant 1), BANK OCHRONY ŚRODOWISKA S.A. (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The case was assigned the file number: XVI GC 800/17.</p> <p>On 6 November 2017, Nidzica filed a statement of defense.</p> <p>On 23 November 2017 – a notice of reassignment from BOŚ to Nidzica.</p> <p>On 24 November 2017, Nidzica filed a pleading supplementing its statement of defense.</p> <p>On 24 November 2017, BOŚ filed a statement of defense.</p> <p>On 11 December 2017, Energa Obrót SA withdrew its statement of claim against BOŚ.</p> <p>3 January 2018 – a decision to discontinue the proceedings against BOŚ.</p> <p>On 2 February 2018, Energa Obrót SA filed a reply to the statement of defense.</p>
<p>Energa Obrót SA (plaintiff) - “SAGITTARIUS SOLUTIONS” sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA S.A. (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p> <p>The case was assigned the file number: XVI GC 804/17.</p> <p>On 22 December 2017, Sagittarius and Raiffeisen filed a statement of defense.</p> <p>On 5 March 2018, Energa Obrót SA filed a reply to the statement of defense.</p>
<p>Energa Obrót SA (plaintiff) - “EW CZYŻEWO” sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS S.A. (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division.</p> <p>The case was assigned the file number: IX GC 736/17.</p> <p>On 5 December 2017, Energa Obrót SA filed a pleading specifying the relief sought in more detail.</p> <p>On 22 December 2017, EW Czyżewo filed a statement of defense accompanied by a counterclaim.</p> <p>On 22 December 2017, BGŻ BNP filed a statement of defense.</p> <p>On 28 February 2018, Energa Obrót SA filed a reply to the statement of defense.</p>

<p>Energa Obrót SA (plaintiff) - ELEKTROWNIA WIATROWA EOL sp. z o.o. (defendant 1), BANK ZACHODNI WBK S.A. (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Warsaw, 26th Commercial Division.</p> <p>The case was assigned the file number: XXVI GC 712/17.</p> <p>On 21 November 2017, EW EOL filed a statement of defense.</p> <p>On 14 November 2017, BZWBK filed a statement of defense.</p> <p>On 21 November 2017, EW EOL filed a statement of defense.</p> <p>On 15 January 2018, Energa Obrót SA filed a reply to the statements of defense.</p> <p>6 February 2018 – an order referring the parties to mediation and appointing a mediator.</p>
<p>Energa Obrót SA (plaintiff) - WIELKOPOLSKIE ELEKTROWNIE WIATROWE sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS S.A. (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division.</p> <p>The case was assigned the file number: IX GC 735/17.</p> <p>On 7 November 2017, Energa Obrót SA filed a pleading specifying the relief sought in more detail.</p> <p>On 15 December 2017, Wielkopolskie Elektrownie Wiatrowe filed a statement of defense.</p> <p>On 19 December 2017, BGŻ BNP filed a statement of defense.</p> <p>On 29 January 2018, Energa Obrót SA filed a reply to the statement of defense.</p>
<p>Energa Obrót SA (plaintiff) - “EW KOŹMIN” sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS S.A. (defendant 2)</p>	<p>Claim to establish non-existence of the legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division.</p> <p>The case was assigned the file number: IX GC 738/17.</p> <p>On 18 December 2017, EW Koźmin filed a statement of defense accompanied by a counterclaim.</p> <p>On 18 December 2017, BGŻ BNP filed a statement of defense.</p> <p>On 28 February 2018, Energa Obrót SA filed a reply to the statement of defense.</p> <p>A hearing was held on 26 March 2018. The next hearing is scheduled for June 13, at which witnesses will be examined.</p>

Energa Obrót SA
(plaintiff) - "WIATROWA
BALTICA" sp. z o.o.
(defendant 1),
Raiffeisen Bank Polska
S.A. (defendant 2)

Claim to establish non-
existence of the legal
relationship purportedly
established as a result of
Energa Obrót SA entering
into an agreement for the
sale of property rights
under certificates of origin
("CPA")

On 11 September 2017, Energa Obrót SA filed a
statement of claim with the Court of Arbitration at the
Polish Chamber of Commerce in Warsaw.

The case was assigned the file number: SA 129/17.

On 4 December, Wiatrowa Baltica and Raiffeisen Bank
filed a statement of defense accompanied by a
counterclaim.

The first hearing was held on 7 February 2018.

On 12 March 2018, Energa Obrót SA filed a reply to the
statement of defense.

Analysis of the financial situation and assets



3. ANALYSIS OF THE FINANCIAL SITUATION 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 period of Q1 ended on 31 March 2018 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 millions ("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 that the continuation of the Energa Group's business activities as a going concern may be at risk.

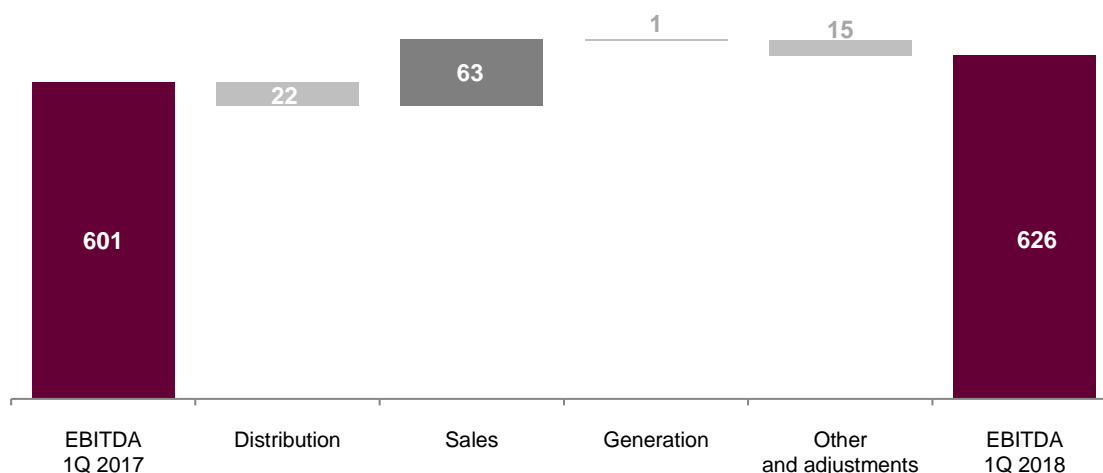
Accounting principles (policy) applied to preparation of the Condensed Interim Consolidated Financial Statements were presented in note 7 to the Condensed Interim Consolidated Financial Statements of the Energa SA Group as at and for the period of Q1 ended on 31 March 2018.

3.2. Explanation of the economic and financial data disclosed in the Condensed Consolidated Financial Statements

Table 3: Consolidated statement of profit or loss

PLN m	Q1 2017	Q1 2018	Change	Change (%)
Sales revenues	2,710	2,642	(68)	-3%
Cost of sales	(2,177)	(2,068)	109	5%
Gross profit on sales	533	574	41	8%
Other operating income	37	29	(8)	-22%
Selling and distribution expenses	(90)	(88)	2	2%
General and administrative expenses	(85)	(92)	(7)	-8%
Other operating expenses	(40)	(35)	5	13%
Profit or loss on operating activity	355	388	33	9%
Result on financial activity	16	(76)	(92)	< -100%
Share in profit/(loss) of entities measured by the equity method	10	30	20	> 100%
Profit or loss before tax	381	342	(39)	-10%
Income tax	(68)	(65)	3	4%
Net profit or loss for the period	313	277	(36)	-12%
EBITDA	601	626	25	4%

Figure 1: EBITDA bridge broken down to Business Lines (PLN m)



In Q1 2018 sales revenues of the Group were PLN 2,642 m and were lower compared to Q1 2017 by 3%, i.e. PLN 68 m. Revenues of the Distribution Business Line fell compared to Q1 of the previous year by PLN 84 m. The drop mainly resulted from the change of presentation of the costs of the transitional fee – revenues were adjusted downwards by the value of the transitional fee previously presented in costs. The change in presentation resulted in a considerable drop in cost of sales. An increase in revenues was recorded in the Sales Business Line, where the main growth factor in the wholesale market was sales of electricity to cover grid losses to Energa Operator, partially levelled with lower revenues in the wholesale market and the balancing market. Since sales to Energa Operator are internal sales, this resulted in an increase in exclusions between Business Lines and consequently did not affect the level of revenues of the Group. There was also an increase in revenues from the sales of electricity in the retail market, as a result of greater volume and average sales price. The increase in sales revenues was also recorded by Generation Business Line (an increase in revenues from the sales of green property rights, related to the increase in prices and an increase in revenues from the sales of electricity - higher volume and average sales price).

Group EBITDA in Q1 this year was PLN 626 m and grew by 4% compared to the same period of the previous year. An increase in EBITDA in the Sales Business Line offset EBITDA drops in other Lines.

Distribution Business Line (81%) had the greatest share in the Group EBITDA in Q1 2018, while the Generation Business Line and Sales Business Line shares were 16% and 8% respectively. The highest EBITDA increase was recorded by the Sales Business Line (by PLN 63 m to PLN 53 m), mainly as a result of a reduction in additional legal and contractual burdens in connection with the decision made in September 2017 to declare long-term agreements for the purchase of green certificates invalid and much lower burdens arising out of performing the function of the offtaker of last resort. For the Distribution Business Line, the EBITDA drop by PLN 22m yoy was caused mainly by absence of beneficial event which took place in Q1 2017, namely adjustment of PSE transitional fee. The drop in connection revenues and an increase in real property tax costs has a negative impact, along with the OPEX higher than in the previous year.

The operating profit in Q1 2018 compared to Q1 2017 grew by PLN 33m with the factors described above having the greatest impact on the EBIT yoy result.

The result on the activity was affected by recognizing valuation of options for the purchase of Polimex-Mostostal SA shares from TF Silesia in Q1 2017 (yoy negative impact on result totalled PLN 55 m) and

the higher interest costs related to the changed debt structure (financing launched in the form of hybrid bonds) and the increased level of Group debt yoy.

In Q1 2018 a share in results of associated entities and joint ventures was recognized at PLN 30 m. In the comparable period of the previous year the share of PLN 10 m was recognized.

The net result of the Group in Q1 2018 was positive and totalled PLN 277 m, a drop by PLN 36 m compared to Q1 2017.

In Q1 2018 and in Q1 2017, no major atypical events that would affect the EBITDA were recorded.

Table 4: Consolidated statement of financial position

PLN m	As at 31 December 2017	As at 31 March 2018	Change	Change (%)
ASSETS				
Non-current assets				
Property, plant and equipment	13,371	13,405	34	0%
Intangible assets	338	320	(18)	-5%
Goodwill	15	15	-	-
Investments in associated entities and joint ventures measured by the equity method	728	814	86	12%
Deferred tax assets	325	350	25	8%
Other non-current financial assets	46	58	12	26%
Other non-current assets	107	107	-	-
	14,930	15,069	139	1%
Current assets				
Inventories	352	450	98	28%
Current tax receivables	31	24	(7)	-23%
Trade receivables	1,843	1,692	(151)	-8%
Other current financial assets	83	28	(55)	-66%
Cash and cash equivalents	3,641	3,319	(322)	-9%
Other current assets	176	423	247	> 100%
	6,126	5,936	(190)	-3%
TOTAL ASSETS	21,056	21,005	(51)	-0%
EQUITY AND LIABILITIES				
Equity				
Share capital	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	(2)	(2)	-	-

Reserve capital	1,018	1,018	-	-
Supplementary capital	1,433	1,433	-	-
Cash flow hedge reserve	2	(13)	(15)	< -100%
Retained earnings	2,436	2,900	464	19%
Equity attributable to equity holders of the Parent Company	9,409	9,858	449	5%
Non-controlling interest	56	58	2	4%
	9,465	9,916	451	5%
Non-current liabilities				
Loans and borrowings	2,720	2,632	(88)	-3%
Liabilities on account of the issue of debt securities	4,520	4,392	(128)	-3%
Non-current provisions	550	559	9	2%
Deferred tax liability	596	645	49	8%
Deferred income and non-current grants	501	270	(231)	-46%
Other non-current financial liabilities	81	78	(3)	-4%
	8,968	8,576	(392)	-4%
Current liabilities				
Trade payables	792	542	(250)	-32%
Current loans and borrowings	356	359	3	1%
Liabilities on account of the issue of debt securities	109	43	(66)	-61%
Current income tax liability	11	42	31	> 100%
Deferred income and grants	182	129	(53)	-29%
Short-term provisions	571	722	151	26%
Other financial liabilities	280	107	(173)	-62%
Other current liabilities	322	569	247	77%
	2,623	2,513	(110)	-4%
Total liabilities	11,591	11,089	(502)	-4%
TOTAL EQUITY AND LIABILITIES	21,056	21,005	(51)	-0%

As at 31 March 2018, the balance sheet sum of the Energa Group was PLN 21,005 m and was lower by PLN 51 m compared to 31 December 2017.

As regards non-current assets, the greatest change affected investments in associated entities and joint ventures measured by the equity method, which is related to involvement of the Energa Group in Polska Grupa Górnicza Sp. z o.o., Polimex Mostostal S.A. and Elektrownia Ostrołęka Sp. z o.o. On the side of current assets, drops in trade receivables and cash (reasons for changes in cash are described in the

section on cash flows below) were partially offset by an increase in other current assets (an increase by PLN 247 m, mainly related to real property tax accruals).

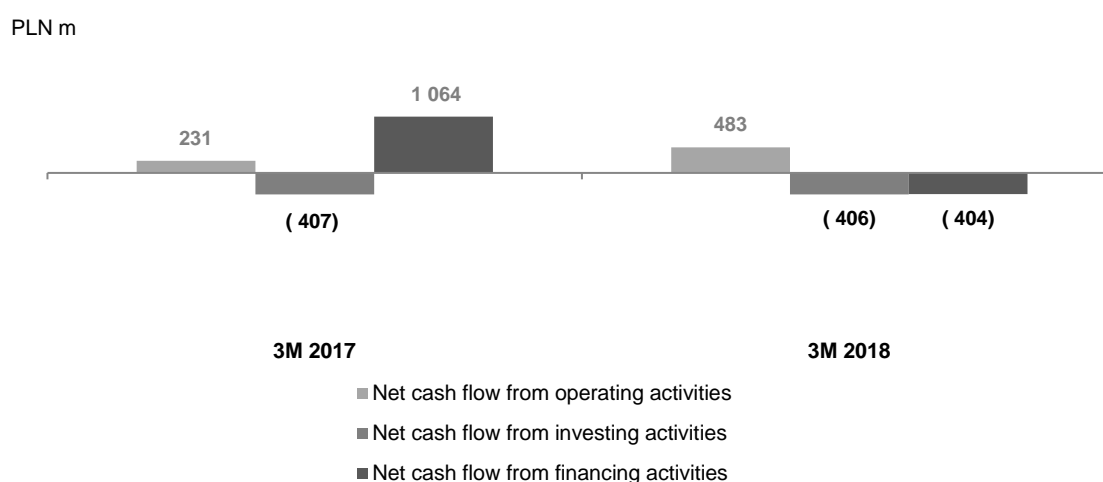
Energa Group equity as at 31 March 2018 was PLN 9,916 m and financed the Group in 47.2%.

As regards liabilities, major changes affected the balance of trade payables (applies mainly to Energa Obrót S.A.) and deferred income and non-current grants (the drop is mainly related to connection fees and follows the application of IFRS 15 “Revenue from Contracts with Customers”). The highest growth on the side of liabilities applies to other current liabilities (an increase by PLN 247 m mainly resulted from an increase in real property tax liabilities).

Table 5: Consolidated statement of cash flows

PLN m	3 months of 2017	3 months of 2018	Change	Change (%)
Net cash flow from operating activities	231	483	252	> 100%
Net cash flow from investment activities	(407)	(406)	1	0%
Net cash flow from financial activities	1,064	(404)	(1,468)	< -100%
Net increase/ (decrease) in cash	888	(327)	(1,215)	< -100%
Cash and cash equivalents at the end of the reporting period	2,352	3,316	964	41%

Figure 2: Cash flows of the Group during 3 months 2018 and 2017



As at 31 March 2018, cash of the Group was PLN 3,316 m and was PLN 964 m higher compared to cash a year before.

Total net cash flow from operating, investment and financial activities of the Group in Q1 2018 were negative at PLN 327 m, compared to positive flows of PLN 888 m in the same period of 2017.

The value of operating activity compared to the same period of the previous year grew by PLN 252 m. The increase in operating activity flows compared to Q1 2017 mainly resulted from changes in the working capital. In Q1 2018 an increase in inventories of certificates of origin for energy, a drop in trade receivables, and an increase in real property tax accruals was recorded, which resulted in an increase in related liabilities, partly offset with a drop in trade liabilities.

Investment activity net outflows fell by PLN 1 m in Q1 2018. In Q1 2018 higher expenses to purchase fixed and intangible assets were recorded, offset with the lower amount of investments in associated entities and joint ventures valued with the equity method.

In the discussed period, financial activity flows were negative at PLN 404 m, namely PLN 1,468 m less than in Q1 2017. The drop mainly resulted from redemption of debt securities and the lack of receipts from incurred debt compared to receipts of PLN 1,252 m in the same period of 2017.

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

Figure 3: Structure of assets and liabilities

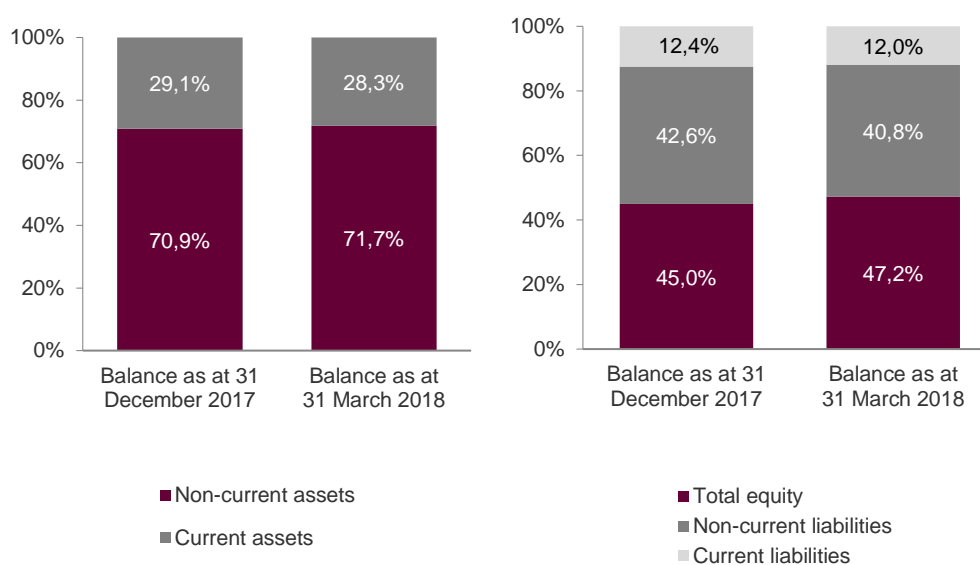


Table 6: Financial ratios of the Energa Group

Ratio	Definition	Q1 2017	Q1 2018
Profitability			
EBITDA	operating result + depreciation and amortization + impairment losses on non-financial non-current assets / sales revenues	22.2%	23.7%
return on equity (ROE)	net profit for the period*/ equity at the end of the period	4.9%	7.6%
return on sales (ROS)	net profit for the period / sales revenues	11.5%	10.5%
return on assets (ROA)	net profit for the period*/ total assets at the end of the period	2.2%	3.6%

* net profit for the last 12 months

Ratio	Definition	As at 31 December 2017	As at 31 March 2018
Liquidity			
current liquidity ratio	current assets/current liabilities	2.3	2.4

Debt

financial liabilities (PLN m)	total liabilities due to loans and borrowings and long- and short-term debt securities	7,705	7,426
net financial liabilities (PLN m)	financial liabilities - cash and cash equivalents	4,064	4,107
net debt/EBITDA ratio	net financial liabilities/EBITDA *	1.9	1.9

* EBITDA for the last 12 months

The increase in the EBITDA result (4% yoy) with a drop in revenues (3% yoy) improved the EBITDA margin ratio. A considerably higher net result of the Group for 2017 compared to 2016 resulted in the same trend relating to profitability ratios based on annualised net result i.e. asset and equity profitability.

The drop in debt was mainly related to redemption of bonds. The drop in cash parallel to the drop in debt affected the yoy net financial liabilities (change by 1%), which given the similar EBITDA result for the past 12 months allowed to maintain the net debt/EBITDA ratio at the similar level.

3.4. Description of significant off-balance items

Information on these positions can be found in *Guarantees and sureties given* section of this Information and in the Consolidated Financial Statements - note 19: *Contingent assets and liabilities*.

3.5. Key operational data of the Energa Group

Table 7: Distribution of electricity by tariff groups

Distribution of electricity by tariff groups (invoiced sales) in GWh	Q1 2017	Q1 2018	Change	Change (%)
Tariff group A (HV)	832	861	29	4%
Tariff group B (MV)	2,108	2,240	133	6%
Tariff group C (LV)	1,222	1,212	(10)	-1%
Tariff group G (LV)	1,462	1,543	81	6%
Total distribution of electricity	5,623	5,856	233	4%

In Q1 2018 the volume grew by 233 GWh compared to the same period of 2017, with the average rate of distribution service sale lower by 1% yoy. The highest growth in volume was recorded in group B and G, given the increase in customers mainly in tariff B; the volume was also affected by the weather (lower temperatures), which resulted in higher average consumption in tariff G. A small drop in volume was recorded in group C.

Table 8: SAIDI and SAIFI indicators

	SAIDI			SAIFI		
	Unplanned incl. catastrophic	Planned	Total	Unplanned incl. catastrophic	Planned	Total
	Minutes per customer in the period			Disruptions per customer in the period		
Q1 2017	26.1	9.8	35.9	0.5	0.1	0.6
Q1 2018	20.4	12.7	33.2	0.3	0.1	0.4
Change	(5.7)	2.9	(2.8)	(0.2)	0.0	(0.1)
Change (%)	-22%	29%	-8%	-32%	12%	-27%

In Q1 2018 Energa Operator achieved SAIDI and SAIFI indicator of 33.2 min./cust. and 0.4 disr./cust. respectively.

The improvement in SAIDI and SAIFI indicator compared to same period of the previous year follows an increased number of power network faults in Q1 2017 as a result of adverse weather conditions (snowstorm, hoarfrost and icing, hurricane wind and trees and branches falling as a result of hurricane).

Table 9: Gross electricity production in the Energa Group

Gross electricity production (GWh)	Q1 2017	Q1 2018	Change	Change (%)
Power stations - coal-fired	575	556	(19)	-3%
CHP plants - coal-fired	45	49	5	11%
CHP plants - biomass-fired	9	1	(8)	-89%
Power stations - hydro	273	316	44	16%
Pumped storage power station	7	10	3	52%
Power stations - wind	115	106	(9)	-8%
Power stations - photovoltaics	1	1	0	5%
Total production of electricity	1,023	1,039	16	2%
<i>including from RES</i>	<i>397</i>	<i>424</i>	<i>27</i>	<i>7%</i>

In Q1 2018 generating assets in the Energa Group produced 2% more electricity compared to same period of the previous year. The growth in production was mainly recorded for hydro power stations. These increases were partially offset by drops in production in other sources, among others in the Ostrołęka power station, CHP plant of the Group and wind sources.

The higher manufacture of energy in water sources (an increase by 47 GWh) is mainly the result of better hydrological conditions. The lower production in the Ostrołęka power station (by 19 GWh) was caused, among others, by the lower forced production of energy for the Transmission System Operator in Poland. At the same time, lack of production from biomass at the Ostrołęka power station was caused by the lack of profitability for cofiring at the current prices of property rights in the market. The lower production from wind (by 9 GWh) was caused by worse weather conditions (lower wind speed distribution). Production of energy in CHP plants of the Group is the derivative of the heat production.

Table 10: Heat production

Gross heat production in TJ	Q1 2017	Q1 2018	Change	Change (%)
Energa Kogeneracja Sp. z o.o.	935	968	32	3%
Energa Elektrownie Ostrołęka S.A.	552	508	(44)	-8%
Ciepło Kaliskie Sp. z o.o.	145	161	16	11%
Total gross heat production	1,632	1,636	4	0%

In Q1 2018 heat production was at the level similar to that of the previous year. The production responded to the heat demand in the local markets of the Group (cities of Ostrołęka, Elbląg, Kalisz).

Table 11: Volume and cost of consumption of key fuels

Consumption of fuels*	Q1 2017	Q1 2018	Change	Change (%)
Hard coal				
Quantity (thous. of tons)	313	317	3	1%
Cost (PLN m)	72	82	10	14%
Biomass				
Quantity (thous. of tons)	9	1	(9)	-91%
Cost (PLN m)	3	0	(3)	-91%
Total fuel consumption (PLN m)	75	83	7	10%

* including the cost of transport

In Q1 2018 producers of the Group consumed 3,000 tons of hard coal more and 9,000 tons of biomass less compared to same period of the previous year. This increase was the product of production of energy and efficiency of generating installations of the Group and the drop in biomass production (among others as a result of optimisation of the biomass unit in Elbląg). The additional cost factor was the higher unit cost of coal consumption by the Line.

Table 12: Sales of electricity by the Sales Business Line

Sales of electricity by the Sales Business Line in GWh	Q1 2017	Q1 2018	Change	Change (%)
Retail sales of electricity	5,094	5,244	150	3%
Sales of electricity in the wholesale market, including:	848	974	125	15%
<i>Sales of energy to the balancing market</i>	235	136	(99)	-42%
<i>Sales of energy to cover grid losses to Energa Operator</i>	-	398	398	-
<i>Other wholesale</i>	614	440	(174)	-28%
Total sales of electricity	5,943	6,218	276	5%

In Q1 2018 the total volume of electricity sold by the Sales Business Line grew by 5% (i.e. by 0.3 TWh) compared to Q1 2017, which is the result of an increase in the volume of sales in the retail market by 3% (i.e. by 0.15 TWh), and in the wholesale market by 15% (i.e. by 0.1 TWh) compared to the previous year.

As regards retail sales in Q1 2018, there was a growth in the volume of sales to the customers in the Polish market (increase in sales to business customers and households), while there was a drop in volume in the Slovakian market (activities in the retail market in Slovakia are being discontinued). The growth in the volume of retail sales is the result of a higher average number of customers (a number of new customers in the household group was acquired) and an increase in the average consumption of the electricity by the customers, which matches the market trend (in Q1 2018 consumption of electricity in Poland grew by 2.8% yoy). In volume terms, sales to households (tariff G) in Q1 2018 was 29% of the sales invoiced to end customers of Energa Obrót SA (in Q1 2017 the share was 28%).

The sales of energy in the wholesale market grew in the analysed period (by 15%). This is the result of performance of the contract for the sales of electricity to cover grid losses to Energa Operator SA, as this contract was not performed in the previous year due to selection of another electricity seller for 2017. A considerable reduction of the obligation to purchase energy in the “offtaker of last resort”

mechanism since 1 January 2018 resulted in the lower volume of sale of excess energy (other wholesale) in Q1 this year compared to Q1 2017.

3.6. Financial results by operating segments

Table 13: EBITDA of the Energa Group broken down to Business Lines

EBITDA in PLN m	Q1 2017	Q1 2018	Change	Change (%)
DISTRIBUTION	531	509	(22)	-4%
GENERATION	104	103	(1)	-1%
SALES	(10)	53	63	> 100%
OTHER and consolidation eliminations and adjustments	(24)	(39)	(15)	-63%
Total EBITDA	601	626	25	4%

Distribution Business Line

Figure 4: Results of the Distribution Business Line of the Energa Group (PLN m)

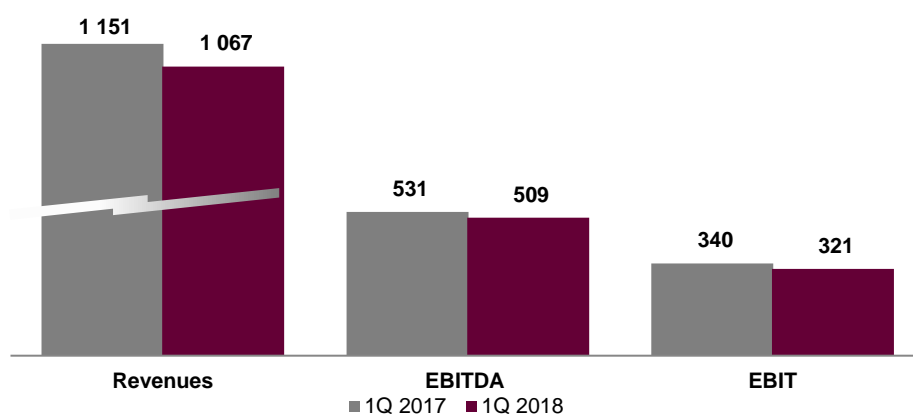
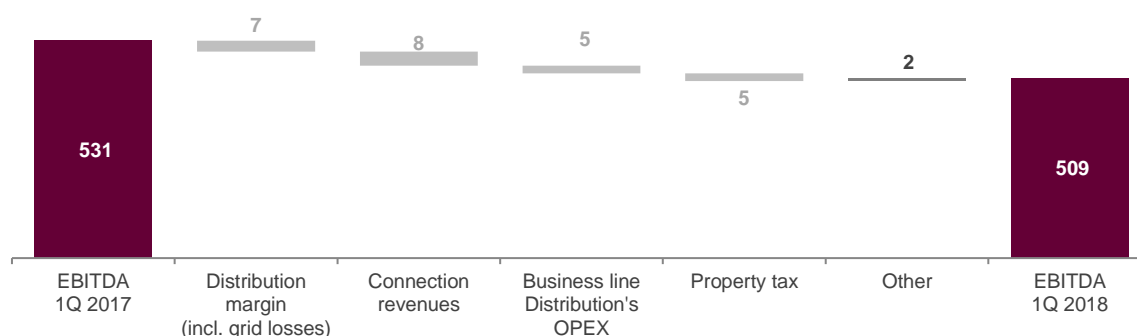


Table 14: Results of the Distribution Business Line

PLN m	Q1 2017	Q1 2018	Change	Change (%)
Revenue	1,151	1,067	(84)	-7%
EBITDA	531	509	(22)	-4%
amortization and depreciation	191	188	(3)	-2%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	340	321	(19)	-6%
Net result	251	229	(22)	-9%
CAPEX	169	222	53	31%

*Figures for 2017 were converted in connection with change of allocation of Energa Logistyka Sp. z o.o. to the Business Line, which in 2017 was presented in the Distribution Business Line, and starting from 2018 is presented in the Other and Adjustments Business Line.

Figure 5: EBITDA bridge of the Distribution Business Line (in PLN m)



In Q1 2018 the Distribution Business Line earned 81% of the EBITDA for the Energa Group (88% in the comparable period).

In Q1 this year sales revenues of the Distribution Business Line were lower than in the same period of the previous year by 7%. The drop in revenues mainly resulted from the change of presentation of the costs of the transitional fee effective from Q1 2018 – revenues are adjusted downwards by the value of the transitional fee previously presented in costs (this does not affect the distribution margin). There was also an adverse effect of the average rate of sales of distribution services, which fell by 1% yoy (mostly the result of the less favourable structure of sales – higher sales in cheaper A and B tariffs). In Q1 2018 connection fee revenues fell compared to the same period of the previous year by PLN 8 m, which is partly the result of application of IFRS 15 and the fact that such revenues were not settled in time, as in the previous reporting periods (the entire balance sheet sum of deferred revenue on connection fees was settled to equity, into retained earnings).

EBITDA was lower than in the previous year and totalled PLN 509 m (a drop by approx. 4%), and EBIT was PLN 321 m (a drop by 6% yoy, i.e. PLN 19 m). The distribution margin lower by PLN 7 m (with grid losses) had a considerable impact on the operating profit. The drop in the distribution activity despite a higher volume of distribution service sold was mainly the result of the absence of beneficial event which took place in Q1 2017, namely adjustment of PSE transitional fee (approx. PLN 12 m) for 2015-2016.

The aforementioned drop in connection revenues and an increase in real property tax costs had a negative impact on EBIT, along with the OPEX higher than in the previous year (mainly the costs of employee benefits given the increase in employment in connection with the takeover of employees who provide continuous work for companies from the Temporary Employment Agency under a contract of employment and actions aimed at preventing the so-called competence gap).

Profit after tax in Q1 2018 was lower than in the same quarter of the previous year by PLN 22 m.

Generation Business Line

Figure 6: Results of the Generation Business Line of the Energa Group (PLN m)

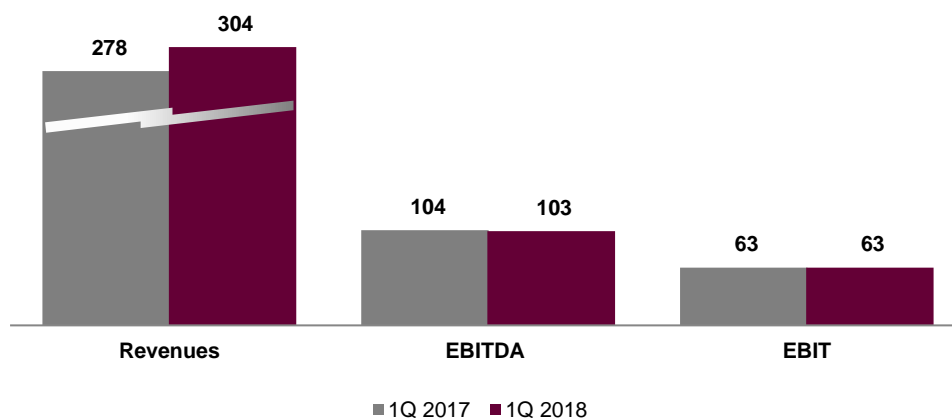


Table 15: Results of the Generation Business Line of the Energa Group

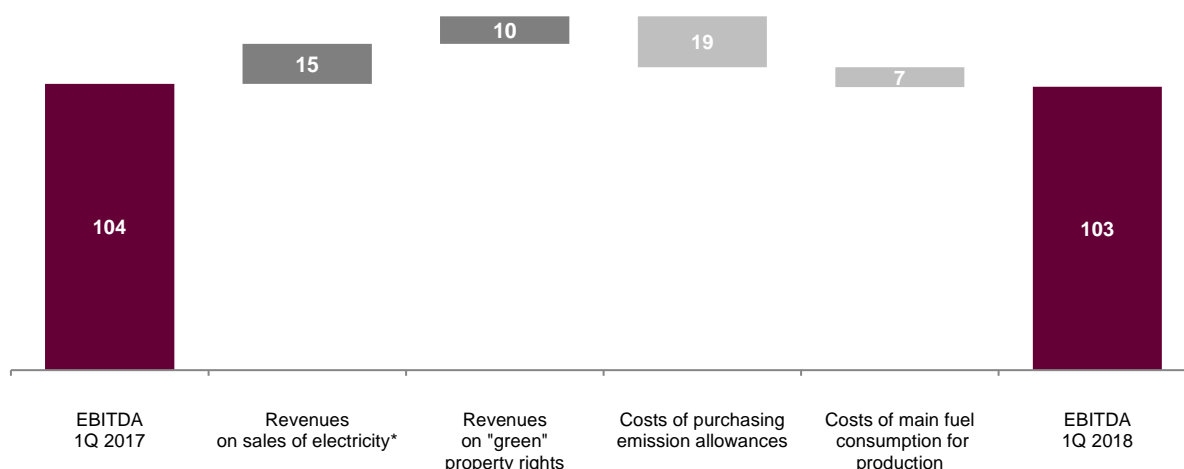
PLN m	Q1 2017	Q1 2018	Change	Change (%)
Revenue	278	304	26	9%
EBITDA	104	103	(1)	-1%
amortization and depreciation	41	40	(1)	-2%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	63	63	-	0%
Net result	34	41	7	21%
CAPEX	18	30	12	67%

The following table presents EBITDA breakdown of the Generation Business Line into individual Generation Segments. The statement presents unit data with the surcharge of Line management costs, elimination of mutual transactions among business segments and consolidation adjustments.

Table 16: EBITDA for Generation Business Line broken down to Generation Segments

EBITDA in PLN m	Q1 2017	Q1 2018	Change	Change (%)
Hydro	30	43	12	41%
Wind	7	13	5	72%
Ostrołęka Power Station	44	31	(13)	-29%
Other and adjustments	23	17	(6)	-26%
Generation total	104	103	(1)	-1%

Figure 7: EBITDA bridge of the Generation Business Line (PLN m)



* includes net electricity trading (revenue less cost)

The share of the Generation Business Line in the total Group EBITDA was 16% in Q1 this year (17% in the same period of the previous year). EBITDA fell by PLN 1 m. The positive effect mainly caused by the increase in revenues from the sales of electricity and property rights was offset by the lower cost of purchase of CO₂ emission allowances and the cost of consumption of key fuels for production.

The growth in revenues from electricity sales is a product of two factors. First, there was an increase in electricity production from wind sources (by 17%). Second, this growth was affected by the increase in the average price of electricity sales in Ostrołęka Power Plant. The increase in revenues from sales of green property rights was caused by the increase in market prices of green property rights.

These increases in revenues were offset by the growth in the cost of purchasing CO₂ emission allowances and the higher cost of consumption of key fuels for production. As regards CO₂ emission allowances, this growth was caused by an increase in market prices of emission allowances and a smaller pool of free production allowances granted to the Line for 2018. As regards the cost of consumption of key fuels for production, the cost increase was mainly the result of the increase in unit prices of coal purchase by the Group.

Capital expenditures of the Line in Q1 2018 were lower by PLN 12 m and were mainly related to repair work in the Ostrołęka Power Plant and optimisation work on the biomass unit in Elbląg.

Hydro

Table 17: Results of the Hydro Power Division

PLN m	Q1 2017	Q1 2018	Change	Change (%)
Revenues	53	67	14	26%
EBITDA	30	43	12	41%
EBIT	22	34	12	56%
CAPEX	2	1	(1)	-54%

Wind

Table 18: Results of the Wind Power Division

PLN m	Q1 2017	Q1 2018	Change	Change (%)
Revenues	20	24	4	19%
EBITDA	7	13	5	72%
EBIT	(1)	4	5	> 100%
CAPEX	0	-	(0)	-100%

Ostrołęka Power Plant

Table 19: Results of the Ostrołęka Power Plant Division

PLN m	Q1 2017	Q1 2018	Change	Change (%)
Revenues	147	149	3	2%
EBITDA	44	31	(13)	-29%
EBIT	28	15	(13)	-45%
CAPEX	13	17	4	29%

Other and adjustments

Table 20: Results of the Other and Adjustments Division

PLN m	Q1 2017	Q1 2018	Change	Change (%)
Revenues	58	63	5	8%
EBITDA	23	17	(6)	-26%
EBIT	14	9	(5)	-33%
CAPEX	3	12	10	> 100%

Sales Business Line

Figure 8: Results of the Sales Business Line of the Energa Group (PLN m)

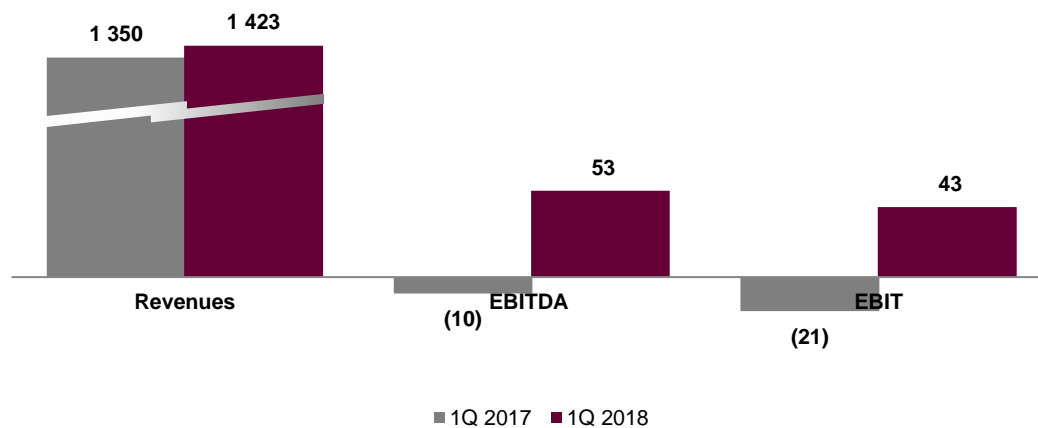
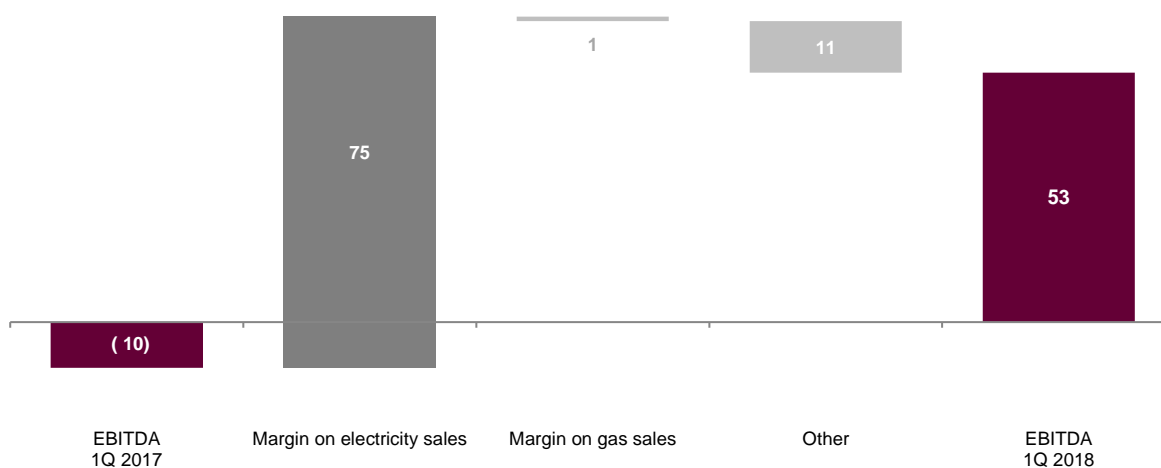


Table 21: Results of the Sales Business Line of the Energa Group

PLN m	Q1 2017	Q1 2018	Change	Change (%)
Revenue	1,350	1,423	73	5%
EBITDA	(10)	53	63	> 100%
amortization and depreciation	11	10	(1)	-9%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	(21)	43	64	> 100%
Net result	(17)	38	55	> 100%
CAPEX	8	5	(3)	-38%

Figure 9: EBITDA bridge of the Sales Business Line (PLN m)



In Q1 2018 the Sales Business Line earned PLN 53 m of EBITDA, i.e. 8% EBITDA of the Group Energa compared to negative EBITDA (- PLN 10 m) in Q1 2017, when the Business Line did not make a positive contribution to the Group's EBITDA.

Revenues of the Sales Business Line in Q1 2018 were PLN 1,423 m, an increase by PLN 73 m (by 5%) compared to Q1 2017. The most important revenue item of the Business Line are revenues from the sales of electricity, which in Q1 2018 were 7% higher yoy (i.e. by PLN 90 m). Revenues from the sales of energy to both markets (retail and wholesale) were on the increase. Revenues from the sales of electricity in the retail market in Q1 2018 grew by PLN 48 m (by 4%) compared to Q1 2017 – it was the result of the volume higher by 3% and the average sales price higher by 1%. The sales of energy in the wholesale market were higher by PLN 43 m (by 36%) yoy, as a result of the volume higher by 15% and the average sales price higher by 18%. Revenues from the sales of gas were lower by PLN 3 m yoy in the analysed period, mainly as a result of the volume drop.

The margin on sales of electricity - key element contributing to the Business Line result - grew by PLN 75 m yoy. Such a substantial growth is the result of a considerable limitation of additional legal and contractual burdens since early 2018, which, for the past years, has negatively affected the margins and results of the Business Line, i.e. long-term agreements for the purchase of green certificates and the obligations arising out of the offtaker of last resort mechanism (described in detail further down below). Consequently this translated into much higher separate margins. The more favourable sales structure by tariff groups also had a positive impact on the margin. Below are determinants which shape the margin on the sales of electricity:

- a) Volume of retail sales – volume growth by 3% positively affected the change in margin yoy.
- b) The structure of the sales volume by tariff groups (mix) – the change of the tariff mix positively affected the change in the margin due to an increase in the share of tariff group customers with the higher unit margin.
- c) Price of sales to end customers – prices follow the change of the flexible cost and are determined by the market competition. The increase in the average sales price yoy is the derivative of the increase in energy prices and green certificates in the market, as well as a small increase in the G tariff for 2018 by the Energy Regulatory Office (by 0.3%).
- d) The cost of electricity purchase (in PLN/MWh) – the average unit cost of purchase remained at the level similar to the last year's level, despite a growth in prices in the market and higher contracting prices. This follows much lower burdens arising out of the function of the offtaker of last resort by Energa Obrót SA. On 1 January 2018, provisions which limited this obligation only to installations with the installed capacity below 500 kW came into force. It should be stressed that a rapid growth in energy prices in the market this March increased the energy cost this quarter, and the fact that the prices remained at relatively high levels may adversely affect results of the Business Line in the quarters to come.
- e) The cost of property right redemption – the average unit cost in Q1 2018 was much lower than in the same period of the previous year. Such a situation occurred despite the increase in the obligation (from 15.4 to 17.5%) and the increase in market prices of green certificates – which had a key impact on the change of the entire cost of redemption of property rights. This is the result of the decision made in September 2017 on declaring long-term agreements for the purchase of green certificates invalid due to the procedure applied to conclusion of such agreements, which generated enormous losses for the Sales Business Line (settlements based on the substitution fee, not market prices). In Q1 this year the Business Line purchased green certificates only at market prices, which compared to purchases of certificates at high prices in Q1 2017 resulted in the drop of average cost.

It is worth noting that the decisions on declaring long-term agreements of certificates invalid were litigated by the counterparties and court rulings will ultimately decide on the sustainability and scale of beneficial impact of such decisions on the financial results of the Sales Business Line in the future.

As in 2017, gas trading activities provide low profitability. The margin on the sales of this fuel dropped slightly (by PLN 1m) yoy. This is related to implementation of less favourable rules of trading in the wholesale market of gas, as introduced 2 years ago (the need to pay fees for the storage of fuel in case of import).

3.7. Projected financial results

The Management Board of Energa SA has not yet published projections for separate and consolidated financial results for the financial year of 2018.

3.8. Ratings

On 21 March 2018 Fitch Ratings affirmed the Company's existing BBB long-term ratings: long-term rating in foreign and domestic currency, rating for the bonds issued by the Company's subsidiary Energa Finance AB (publ) in domestic and foreign currency, and a 'BB+' rating for hybrid bonds issued by Energa SA. The rating outlook remained stable (current report no 10/2018).

At the end of October 2017 the agreement with Moody's expired, so from the current reporting period Energa will no longer publish information on the ratings by that agency.

Table 22: Energa current ratings

	Fitch
Long-term rating of the company	BBB
Rating outlook	Stable
Rating date	19 January 2012
Rating last changed on	12 October 2012
Rating last confirmed on	21 March 2018

3.9. Dividend

Until this information was prepared, no proposal to divide profit earned in 2017 had been adopted.

3.10. Factors affecting Energa Group result in at least one quarter outlook

In the opinion of the Management Board of Energa SA, the factors described below will affect the results and activities of the Company and the Energa Group for at least the next quarter.

Figure 10: Factors affecting Energa Group result in the next quarter

<p>Expenditures incurred on the grid so as to meet quality regulation requirements in the Distribution Business Line</p>	<p>Electricity prices on the forward market, SPOT market and balancing market</p>	<p>Amendment to the Renewable Energy Sources Act which changes the basis of the property tax</p>
<p>Consequences of the decision to recognise long-term contracts for the purchase of green certificates as invalid</p>	<p>Conducting settlement processes with four entities on the termination of court disputes and conclusion of new contracts for the purchase of property rights</p>	<p>Introduction of amendments to the Renewable Energy Sources Act that significantly reduce the costs of discharging the function of the offtaker of last resort as of 1 January 2018</p>
<p>Growing competition on the electricity sale market</p>	<p>Must-run production level at Energa Elektrownie Ostrołęka</p>	<p>Weather and hydrometeorological conditions</p>
<p>Actual rate received and the operating reserve volume</p>	<p>Prices of CO2 emission allowances</p>	<p>Share in the net result of PGG and Polimex-Mostostal and valuation of the options for Polimex-Mostostal shares</p>

Environment



4. ENVIRONMENT

4.1. Macroeconomic situation

The key operating market of the entities within the Energa Group is the domestic market, therefore fluctuations of market conditions, expressed with the rate of GDP changes, inflation or unemployment rate translate to prices of electricity, heat and gas and development of demand for products supplied to customers.

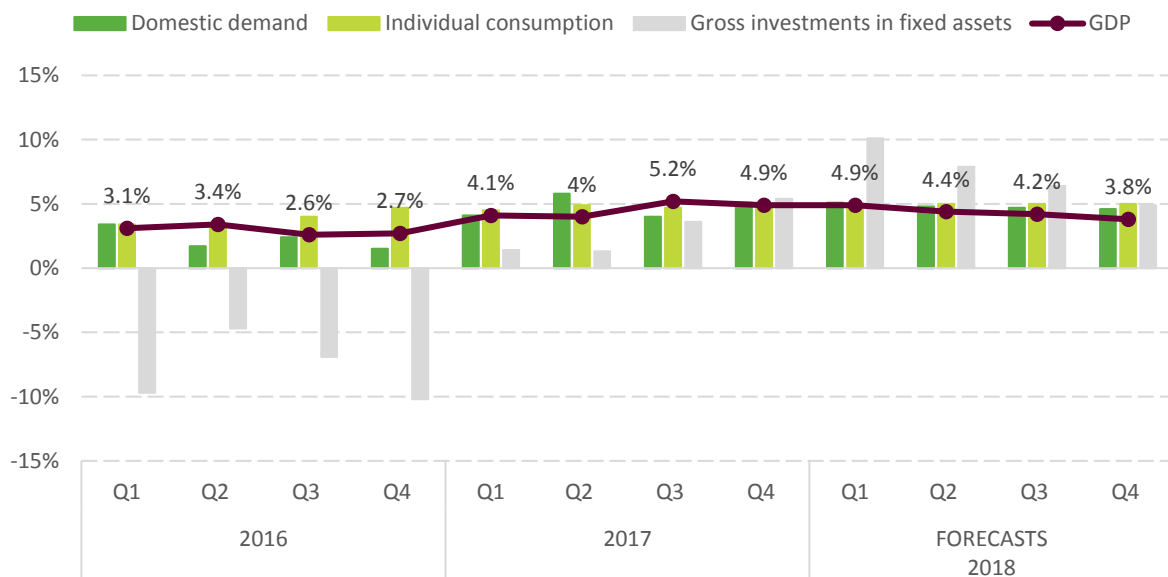
Published statistical data suggest that the domestic economic growth in Q1 was around 4.9% yoy (compared to an increase by 4.1% in the same period of the previous year).

The growth rate total industrial output in the period January-March 2018 was higher than a year before by 5.6%. As regards the industry related to generation and supply of electricity, gas, steam and hot water, the increase was 9.2% compared to the same period of the previous year.

There was a drop in the total industrial output in the mining and extraction sector (1.7% yoy).

Good sentiment in the industry is confirmed by the PMI index, which in Q1 averaged 54 points, just slightly below the result from the same period of the previous year and Q4 2017, when it was 54.2 points. Results of PMI studies of March demonstrate a solid improvement of economic results in the Polish industrial sector, despite a slower growth rate of new orders. As analysts suggest, this may be a signal that the peak of economic activity was reached at the turn of 2017/2018.

Figure 11: Annual changes in the GDP, domestic demand, individual consumption and capital expenditures



Source: Data from the Central Statistical Office and forecast of Bank Zachodni WBK (April 2018)

The Polish economy is still driven by domestic demand, in particular individual consumption, which is positively affected by growing incomes of households, record low rate of domestic unemployment, good consumer sentiment, low interest rates and a drop in inflation greater than expected. As analysts suggest, based on macroeconomic data it can be estimated that the dynamics of private consumption in Q1 were close to the result from the end of 2017, when it was 5%. The factor that may

slightly reduce consumption dynamics in the next year is the planned launch of the Employee Equity Plans, which, by increasing the savings, will reduce the stream of income available for consumption.

The economy was also supported by the investment demand. As estimated by BZ WBK, gross investments in fixed assets in Q1 grew by 10.1% yoy, however, given their structure, it is difficult to expect growth retained at the similar level in the forthcoming quarters. Based on investment figures in Q4 2017, the acceleration of the investment growth mainly involved public investments, in particular investments by local government units.

The average employment in the enterprise sector in Q1 was 3.7% higher compared to the previous year's figures and the average monthly salary (gross) grew by 7.1% yoy, to PLN 4,886.56. Given the deepening imbalance between work demand and supply and the growing problems with finding skilled staff, analysts expect further pressure to increase salaries in 2018. In accordance with preliminary data published by the Ministry of Family, Labour and Social Policy, the unemployment rate registered in March was 6.6%, which means that it was 1.4 per cent point lower than a year ago.

The ratio of prices of total industrial output in the first three months of 2018 grew by 0.1% compared to the same period of the previous year. A drop in prices was recorded only in the mining and extraction sector (by 0.7%) and in the segment of production and supply of electricity, gas, steam and hot water (by 0.8%).

From January to March the prices of consumer goods and services grew by 1.5% compared to the same period of 2017. In February and March, the CPI was at 1.4% and 1.3% yoy respectively, which means that it was below deviations from the inflation target as specified by the Monetary Policy Council (2.5% with the deviation range of ± 1 per cent point). The drop in the price pressure was promoted by reversal of adverse trends in the raw materials market, which previously sped up the inflation.

In the opinion of the Monetary Policy Council, in the forthcoming quarters the favourable economic situation in the Polish economy will continue, and inflation will be close to the inflation target. Therefore, at the last meeting, the Council left per cent rates unchanged and retained the reference rate at 1.5%.

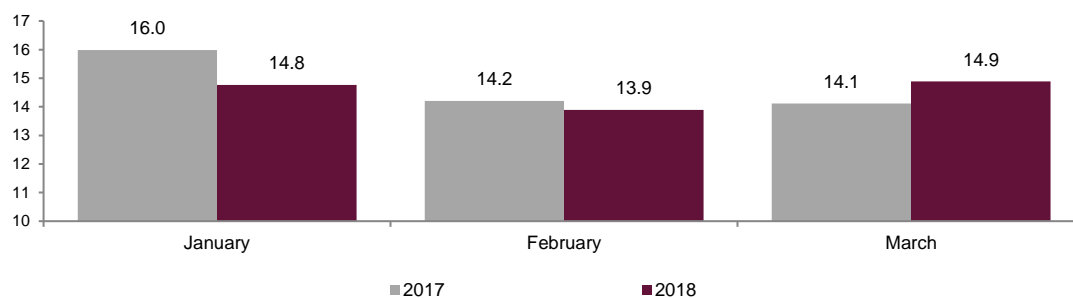
4.2. Electricity market in Poland

Development of market environment is of key importance for the financial result of the Group. In this light, attention is particularly drawn to production and consumption of electricity, the intersystem exchange in Poland, prices of electricity in Poland and selected neighbouring countries, prices of property rights, fee for the operating power reserve and the costs of emission allowances.

Domestic production and consumption of electricity

According to data published by Polskie Sieci Elektroenergetyczne ("PSE"), in Q1 2018 production of electricity totalled 43.5 TWh and was 0.8 TWh lower, i.e. 1.7%, compared to same period of the previous year (44.3 TWh). Lower production compared to the previous year was caused by shutting down the brown coal power station in Adamów and lower production from wind generation, which was the result of windless February.

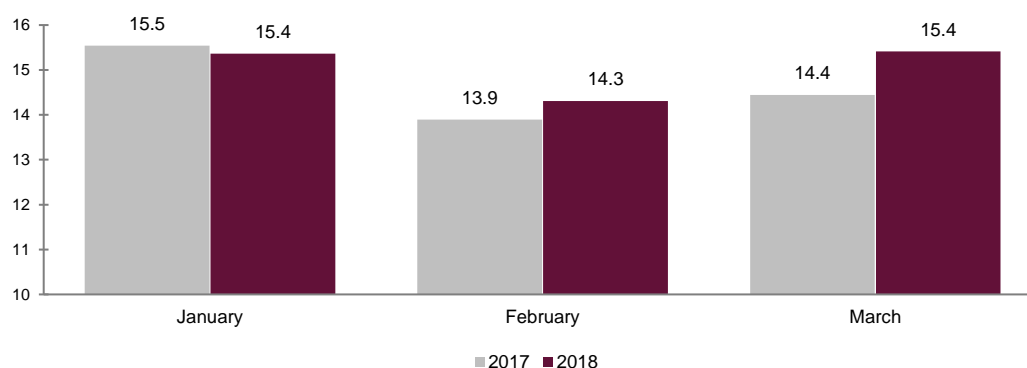
Figure 12: Production of electricity in Poland in Q1 2018 (TWh)



Source: PSE

In Q1 2018 domestic production of electricity totalled 45.1 TWh and was 1.2 TWh lower, i.e. 2.8%, compared to same period of the previous year (43.9 TWh).

Figure 13: Consumption of electricity in Poland in Q1 2018 (TWh)

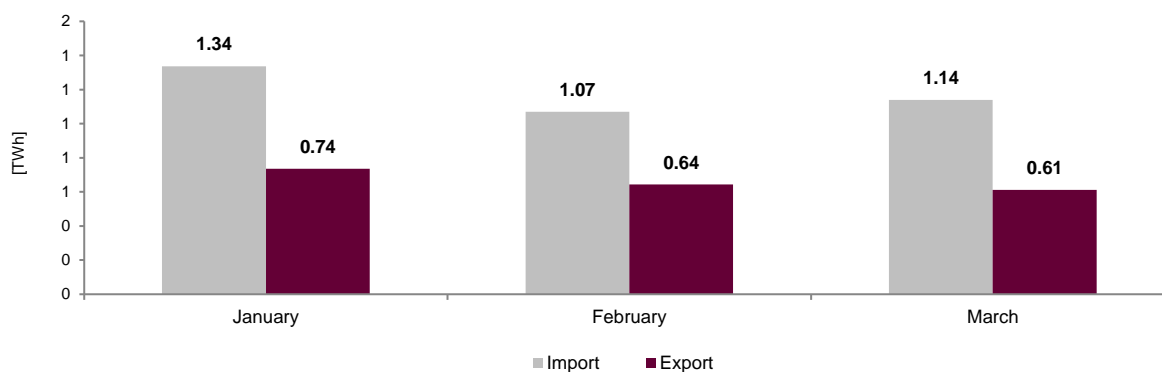


Source: PSE

Poland's intersystem exchange

Much lower export of electricity in Q1, by 1.89 TWh, compared to the same period of the previous year, is the main reason for the surplus of net import of electricity in Q1 2018 at 1.56 TWh compared to net export of 0.42 TWh in Q1 of the previous year.

Figure 14: Monthly volumes of intersystem exchange in Poland in Q1 2018 (TWh)

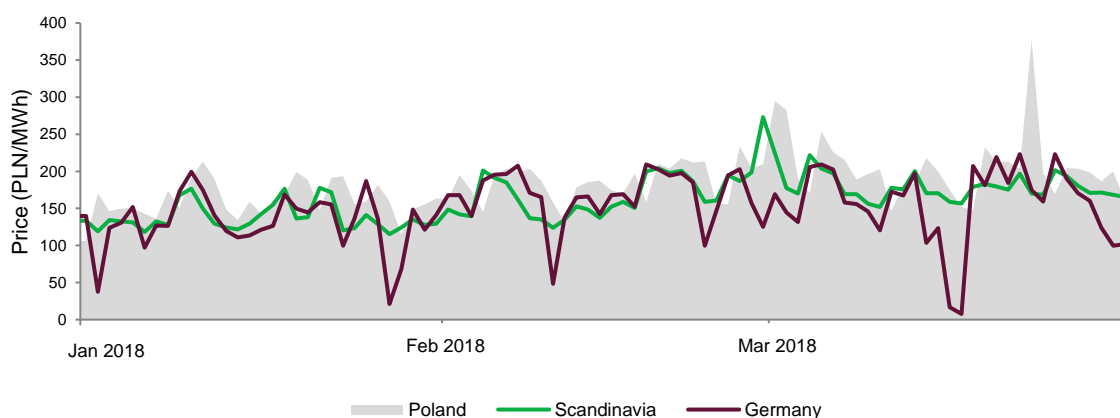


Source: PSE

Energy prices in selected countries neighbouring with Poland

In order to compare prices of energy in Poland compared to prices in selected neighbouring countries, prices in the SPOT market were used as the reference product. The average prices in Poland in Q1 2018 were much higher than in the neighbouring countries. Very high system losses, high demand for power during low temperatures and low generation from wind sources resulted in the price increase in the Polish market. The highest price deviations are found in comparison with the German market (+22.4%, i.e. PLN 33.76/MWh), and lower in comparison with prices in the Scandinavian market (+13.8%, i.e. PLN 22.37/MWh).

Figure 15: Prices of energy in the SPOT market in Poland and in selected neighbouring countries in Q1 2018



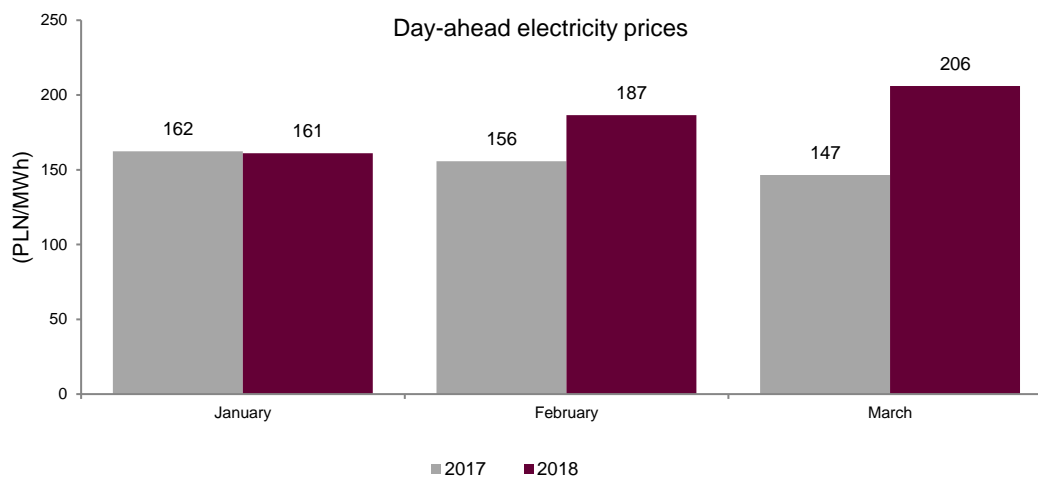
Source: Bloomberg

Day-Ahead Market of electricity in Poland

The average level of the IRDN24 index was PLN 184.45/MWh in Q1 2018 and was PLN 29.59/MWh higher than in the same period of the previous year (PLN 154.86/MWh). Record levels of system losses

and domestic demand for power were coupled with very low wind generation, which consequently resulted in a considerable increase in prices compared to the same period of the previous year.

Figure 16: IRDN 24 index in Q1 2018 (PLN/MWh)



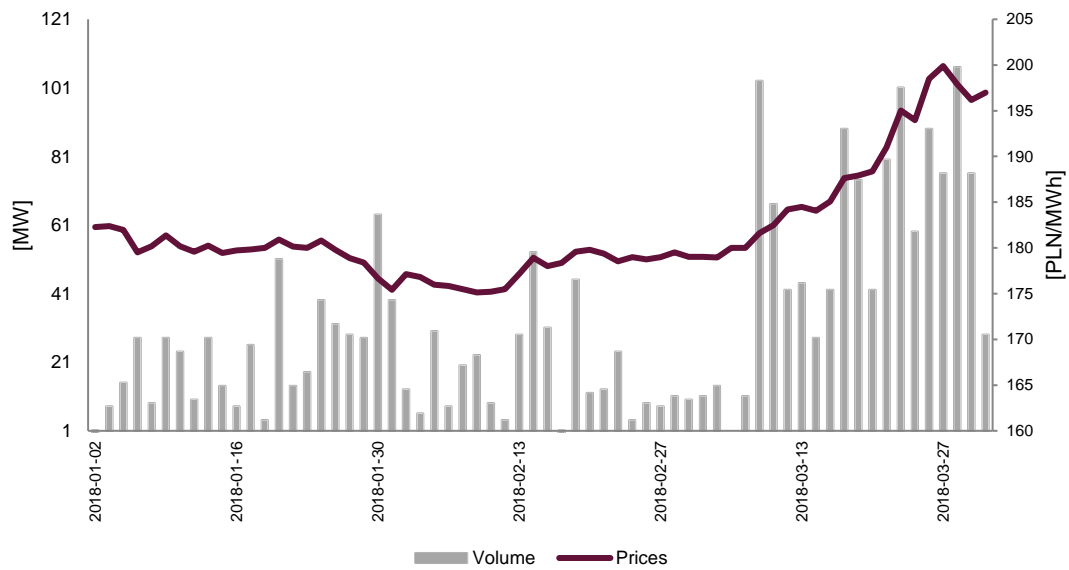
Source: PPE

Electricity forward market in Poland

Until mid Q1 2018, the electricity forward market was in a side trend. Since then, there have been major increases in BASE 2019 market, with the rate shooting to PLN 199.89/MWh on 27 March. The main determinants of the energy price increase in the future market were:

- a dynamic growth in CO₂ emission allowance prices,
- abnormal weather in Poland and nearly entire Europe (average temperatures for this period of the year lower by more than 10 degrees Celsius than the long-term average),
- much lower production in the local market from wind and water generation,
- record demand for electricity in the National Power System.

Figure 17: Forward contract price, base with for 2019 in Q1 2018

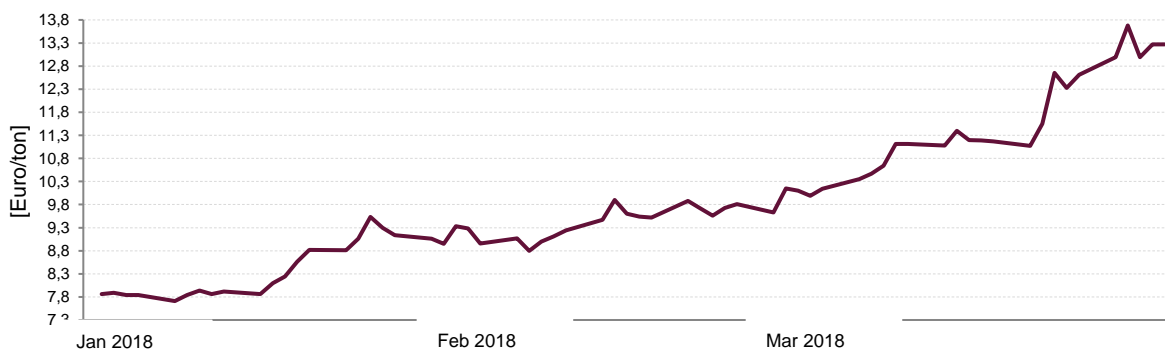


Source: PPE

Emission allowance market

Increases in EUA quotations to levels unseen since 2011 had been mainly dictated by works in the European Commission, which drove towards the ultimate goal of limiting the supply side. On 27 February 2018, the European Council approved the post-2020 reform of the EU ETS system to limit the emissions of greenhouse gases by at least 40% until 2030. In addition, the limit of total emissions will be reduced each year by 2.2%. The reform also assumes that the reserve for the new installations will be created out of unused allowances from the current period of 2013 to 2020 and 200m allowances from the MSR (Market Stability Reserve). It is suggested in the market that the maximum level for emission allowance trading may be around €25 to €30 per ton. On 27 March 2018, these factors shot the EUA rate to €13.68/t, and by the end of the previous year the rate increased by nearly 80%.

Figure 18: Prices of emission allowances EUA in Q1 2018



Source: Bloomberg

Market for property rights

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

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

Index (type of certificate)	Index value	%	Substitution fee (PLN)
	Q1 2018 (PLN/MWh) with 2018 index	Obligation (%)	
OZEX_A (green)	59.98	19.35*	300.03*
KGMX (yellow)	117.55	8.0*	115.00*
KECX (red)	9.82	23.2*	9.00*

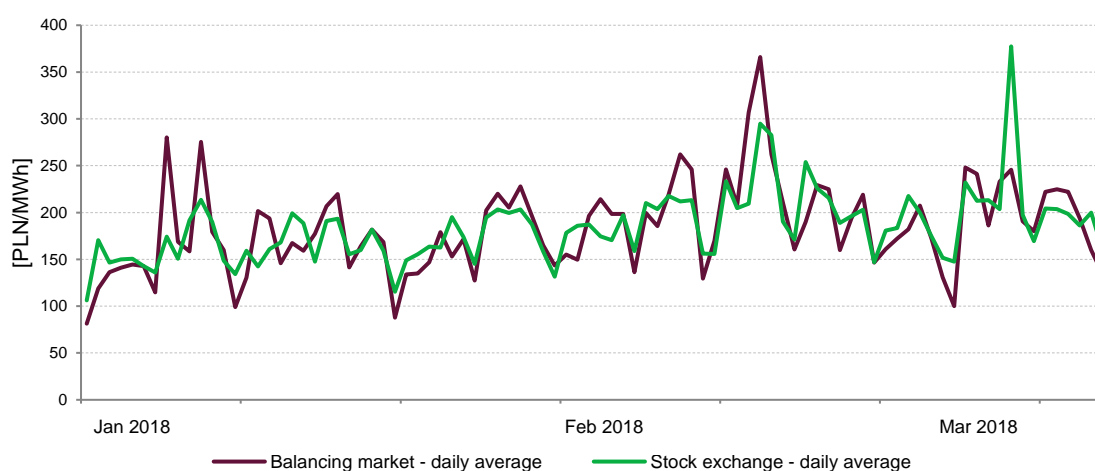
* value of the substitution fee and redemption obligation in 2018

From the standpoint of the Group's generation structure (high RES production) the quotations of so-called green property rights were the most important. In Q1 2018 the PM RES prices in session transactions continued growths started in the second half of the previous year, ending the first quarter at PLN 59.98/MWh.

Balancing market

For the most of Q1 2018, the prices in the balancing market were similar to the day-ahead market prices. A clear derogation from this argument was 1 March this year, when the average daily price in the balancing market was PLN 366.00/MWh and the price at the most expensive hours reached PLN 1045.00/MWh. The average level of prices in the examined period in the balancing market was PLN 183.80/MWh, compared to PLN 156.63/MWh in the same period of the previous year.

Figure 19: Comparison of prices on the balancing market and SPOT markets (exchange) in Q1 2018

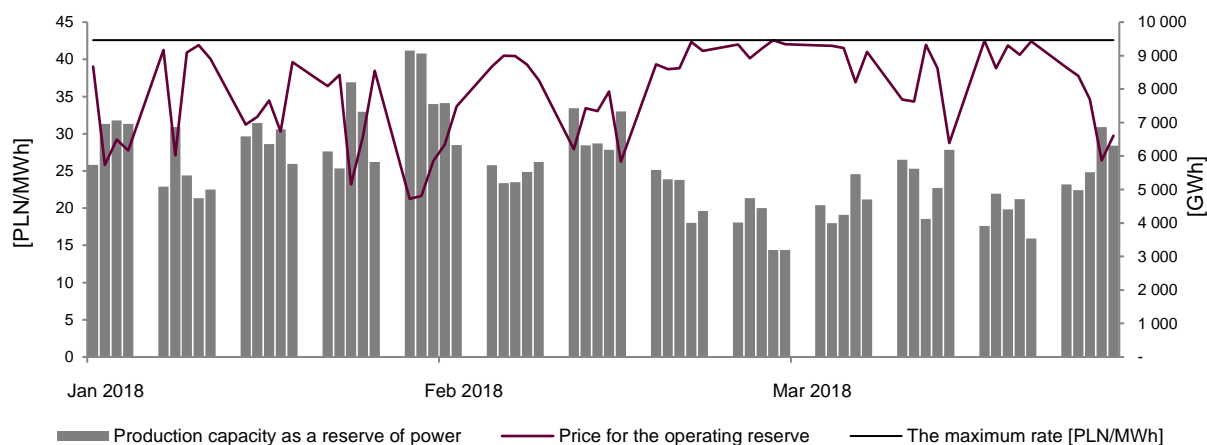


Source: PPE, PSE

Operating reserve

The service of operating reserve is continued in 2018. The reference price was increased to PLN 42.58/MWh. In Q1 2018, the average operating reserve fee was PLN 35.85/MWh and was higher by merely PLN 0.09 compared to same period of the previous year (PLN 35.76/MWh).

Figure 20: Prices and generating capacity constituting operating reserve in Q1 2018



Source: PSE

4.3. Regulatory environment

Legislative processes completed in Q1 2018

The Act of 6 December 2017 on the Power Market (Journal of Laws 2018, item 9)

The purpose of the regulation is to ensure support for implementation of investment projects that stabilize and secure the National Power System. In addition, the new act supports implementation, under conditions of market competition, for the planned Ostrołęka C conventional power station. An organisation and conducting a power auction with delivery prospect of 2021-2023 is planned for 2018. On 7 February 2018, the European Commission accepted this act with its decision, which confirms that the act complies with the EU internal market.

The Act of 11 January 2018 on Electromobility and Alternative Fuels (Journal of Laws 2018, item 317)

The purpose of the regulation is to implement rules of selling the service of electric car charging, operation of entities in the market of alternative markets, regulations on informing the consumers and technical regulations for the infrastructure. The act also introduces instruments to support development of electric transport and natural gas (CNG and LNG) used for transport.

The Act of 1 March 2018 amending the Act on Trading in Financial Instruments and certain other acts (Journal of Laws 2018, item 685)

The new regulation implements provisions of EU regulations, MIFID2 and MIFIR, to the Polish legal system.

The act imposes new obligations on the institutions participating in trading in financial instrument, such

as investment firms, in particular obligations concerning relations of such firms with their customers. Customers of such institution may purchase or sell financial instruments and investment products from or through a company (such as a bank) and use investment services, such as trust services.

Provisions of the act distinguish between two stages of investment service provision – a stage before the investment service is provided and a stage during and after the investment service is provided. In both cases, the investment firm is obliged to take certain actions described in provisions of the act. The act imposes additional obligations on entities of the financial market, implements new rules of communication with the customer, extends information requirements, ensures greater cost transparency and introduces a number of new rights for the regulators.

Legislative processes pending in Q1 2018

Table 24: List of legal acts affecting the Group

Legal act	Purpose of legal changes	Opportunities	Threats/issues
Governmental bill of the Act on promotion of electricity from high-efficiency cogeneration RCL No UD371	Introduction of new legal mechanisms to support development of new CHP units and maintenance of the existing heat generating units and systems	<ul style="list-style-type: none"> (1) The incentive effect to build new and modernize the existing CHP generating installations. (2) New support mechanism which stimulates growth of small CHP installations (up to 1 MW) based on feed-in-premium tariffs (3) Introduction of a long-term support model (by 2046). 	<ul style="list-style-type: none"> (1) Scheduled implementation date from 1 January 2019 is ambitious given the early stage of legislative work on the act (2) The lack of pre-notification process means that the act might not be accepted by the EC by the end of 2018. (3) Delays in the legislative process.
Clean Energy for All Europeans legislative proposals, the so-called Winter Package.	<p>Maintenance of EU's competitiveness in the period of transformation of energy markets towards clean energy, the so-called Winter Package.</p> <p>Plans to reduce coal subsidies, to increase the energy efficiency target to 30% and to reduce CO₂ emissions by 40% before 2030. The new regulations require approval by the EU Council and the European Parliament. The Winter Package also contains solutions that support the development of decentralized electricity production and its storage to develop "civic energy". The important 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>	<ul style="list-style-type: none"> (1) Resistance of some Member States against the low emission standard, i.e. 550g CO₂/kWh. (2) Different positions of Member States on the shape of the climate and energy policy of the EU; (3) Provisions applicable to the Polish power engineering sector might be negotiated. 	<ul style="list-style-type: none"> (1) From 1 January 2025 potential limitation of support with power market mechanisms for all installations emitting more than 550 g CO₂/kWh; (2) Introduction of restrictive mechanisms which will impact the shape of RES and CHP support systems; (3) Possible changes to assumptions of the regulation package during further legislative work. (4) The risk of losing rights acquired for contracts concluded on the power market before the time limit for which the contracts are concluded.
Governmental bill of the Act on renewable energy sources	Modification of the auction system for RES support in accordance with expectations of	<ul style="list-style-type: none"> (1) Clarification of the rules prohibiting cumulation of public aid will limit the RES investor risk; 	<ul style="list-style-type: none"> (1) Further interpretation doubts with regard to investing in wind power

and certain other acts. RCL No UC 27	the European Commission.	(2) New rules of RES auctions will improve their competitiveness;	stations;
Parliamentary print No 2412	Implementation of technical improvements and enhancements to the auction system.	(3) Relaxation of legal requirements in the field of investment location will facilitate development of wind energy to a certain extent;	(2) Possible lack of legal changes to wind farm taxation with real property tax may result in the consolidation of unfavourable rules
	Change in the rules of location and taxation of wind power stations farms.	(4) Clarification of issues related to taxation of wind power stations by local government units.	(3) Delays in the legislative process.

Shares and shareholding structure



5. SHARES AND SHAREHOLDING STRUCTURE

5.1. Energa's shareholding structure

Table 25: Issuer's shares by series and types

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

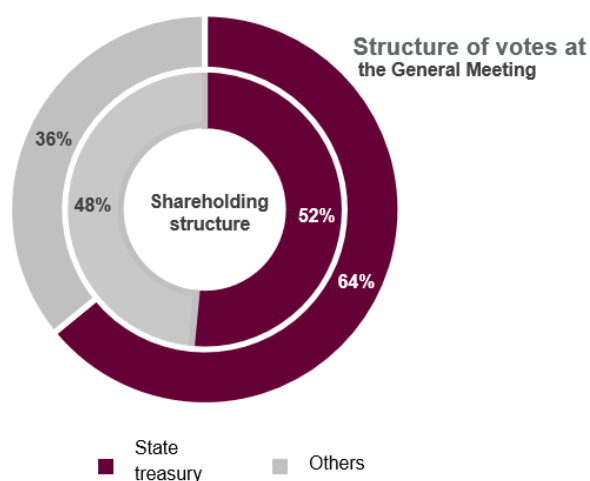
* One preferred share entitles its holder to 2 votes at the General Meeting. These shares are owned by the State Treasury.

Table 26: Shareholding structure of Energa SA as at 31 March 2018

Shareholder's name	The 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, and one share entitles the holder to 2 votes at the General Meeting.

Figure 21: Shareholding and voting structure at the General Meeting of Energa as at 31 March 2018 and the date of preparing this Information



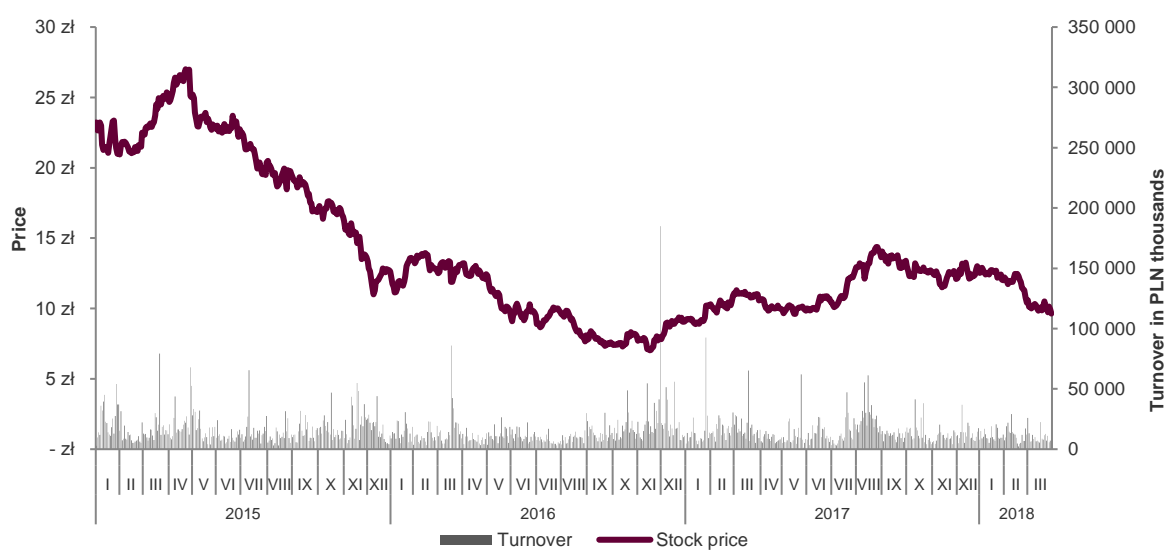
5.2 The Company's stock prices on the Warsaw Stock Exchange

Table 27: Information on Energa SA stock as at 31 March 2017

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114 shares
Stock price at the end of the period	PLN 9.63
Capitalization at the end of the period	PLN 3.99 bn
3M minimum at closing	PLN 9.63
3M maximum at closing	PLN 12.89
3M minimum	PLN 9.63
3M maximum	PLN 13.09
Average trading value	PLN 11 m
Average trading volume	957 thous. shares
Average number of trades	1.85 thous. trades

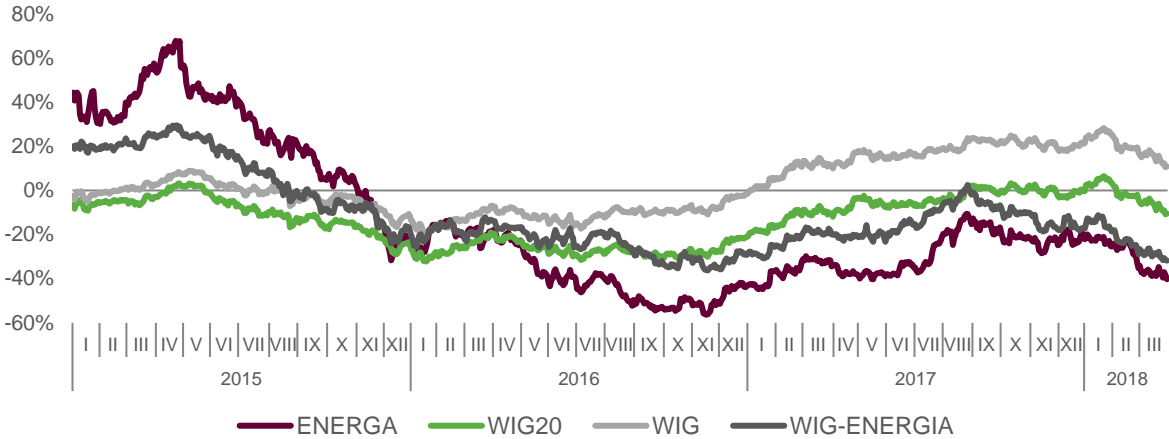
Source: Proprietary material based on data from www.infostrefa.com

Figure 22: Energa SA stock price in the period from 1 January 2015 to 31 March 2018



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

Figure 23: Changes in Energa SA stock prices in comparison with changes in WIG, WIG20 and WIG ENERGA indices



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

5.3 Recommendations for the Company’s stock

<p>6 Analyst recommendations in Q1 of 2018</p>	<p>3 Buy recommendations 2 Hold recommendations 1 Sell recommendation</p>
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A list of recommendations can be found on the Company’s Investor Relations website.

5.4 Shares held by executive and supervisory personnel

As at 31 March 2018 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 holds the Company’s shares, rights to Company’s shares or shares in the Company’s related companies.

Signatures of Energa SA Management Board Members

Alicja Barbara Klimiuk

Acting 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

Małgorzata Guzińska-Błońska

Acting Director of the Finance Department
Manager of the Financial Reporting Unit
Chief Accountant

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GLOSSARY OF TERMS AND ABBREVIATIONS

Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and remnants of agricultural and forestry production, the industry processing their products, and a portion of other biodegradable waste, in particular agricultural raw materials
CAPEX	Capital expenditure
CIRS, CCIRS	Currency Interest Rate Swap and Cross-Currency Interest Rate Swap transactions in which payments are made over a specified period with a specified frequency, based on variable interest rates, in two different currencies (CIRS) or in more currencies (CCIRS)
CO ₂	Carbon dioxide
EIB	European Investment Bank
EBITDA	Energa SA defines EBITDA as operating profit/loss plus depreciation/amortization and impairment of non-financial fixed assets. Since the EBITDA definition changed as of 2016, EBITDA for comparative periods (2013-2015) was recalculated using the new definition
EBIT	Earnings before interest and taxes; operating profit
Energa SA, Energa	Parent company in the Energa Group of Companies
EMTN	Euro Medium Term Notes issuance programme
EUA	European Union Allowance; issuance allowances
EUR	Euro, currency used in European Union's eurozone countries
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
Energa Group of Companies, Energa Group	A Group of Companies engaged in distribution, trade 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	Statistics Poland (Główny Urząd Statystyczny)
GW	Gigawatt, unit of power in the International System of Units, 1 GW = 10 ⁹ W
GWe	Gigawatt of electrical power
GWh	Gigawatt hour
IRM	Stimulated Demand Reduction
IRS	An interest rate swap agreement between two parties, under which the parties pay interest to each other on the contractual nominal amount calculated according to a different interest rate
Cogeneration, CHP	An engineering process of simultaneous production of heat and electrical or mechanical energy in the course of the same engineering process
KRS	National Court Register (Krajowy Rejestr Sądowy)
kWh	Kilowatt hour, unit of electrical energy generated or used by equipment with 1 kW of power in an hour; 1 kWh = 3,600,000 J = 3.6 MJ
MW	Unit of power in the International System of Units, 1 MW = 10 ⁶ W
MWe	Megawatt of electrical power
MWh	Megawatt hour
NIB	Nordic Investment Bank
Renewable energy sources, RES	Sources converting the energy of the wind, solar radiation, geothermal energy, waves, currents and marine tides, run of rivers and energy obtained from biomass, garbage dump biogas as well as biogas generated 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	A utility company distributing gaseous fuels or electricity, responsible for grid operation in the gaseous distribution system or in the electricity distribution system, current and long-term operational safety of this system, 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	A utility company transmitting gaseous fuels or electricity, responsible for grid operation in the gaseous transmission system or in the electrical energy transmission system, current and long-term operational safety of this system, 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 calculated by Markit in cooperation with HSBC
PMOZE_A	Property rights to certificates of origin for electricity generated at RES, whose period of generation, as specified in the certificate of origin, commenced after 1 March 2009
Property rights	Transferable 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; a company designated by the ERO President's decision No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 to become the electrical power Transmission System Operator in the Republic of Poland for the period from 1 January 2008 to 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): an energy market operating in the "day ahead" time interval (DA) providing energy supply on day D
Certificate of origin from cogeneration	A document issued by the ERO President pursuant to Article 9l of the Energy Law confirming the generation of electricity in highly-efficient cogeneration generated in: (i) a cogeneration unit fired using gaseous fuels or with total installed electrical capacity at source under 1 MW (known as a yellow certificate), (ii) a cogeneration unit fired using 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	A document issued by the ERO President pursuant to Article 9e of the Energy Law confirming the generation of electricity in a renewable energy source (known as a green certificate)
Tariff G	A tariff group for individual customers – households
Polish Power Exchange, TGE	Towarowa Gielda Energii S.A., a mercantile exchange where 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 arising from certificates of origin the price of which depends directly or indirectly on the price of electricity, liquid or gaseous fuels and the volume of pollution emissions
TWh	Terawatt hour, a multiple of the unit of electricity in the International System of Units. 1 TWh is 10 ⁹ kWh.
ERO	Energy Regulatory Office
WACC	Weighted average cost of capital
WIBOR	Warsaw Interbank Offered Rate
RAB	Regulatory Asset Base
Cofiring	Generation of electricity or heat using a process of simultaneous and joint combustion of biomass or biogas with other fuels in a single device; a portion of the energy generated in this manner can be deemed to be energy generated in a renewable energy source