



**Management Board
Report
on the Activities of
the ENERGA Group**

**for the first half of
2018**

Gdańsk,
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1. SUMMARY



THE GROUP AFTER H1 2018

One of the leading energy groups and a reliable supplier of electricity and services for a quarter of Poland, with production from RES accounting for 38% of the Group's own production.

OPERATING DATA



11.4 TWh
volume of electricity supplied



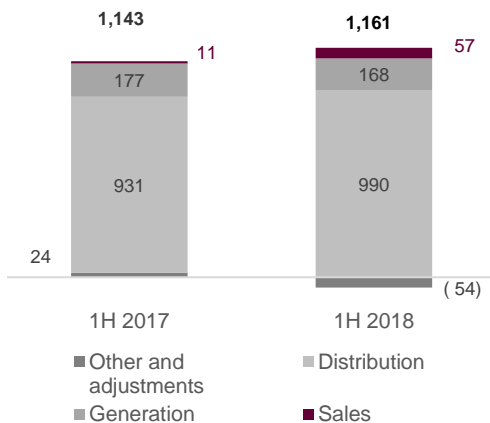
1.9 TWh
gross production of electricity



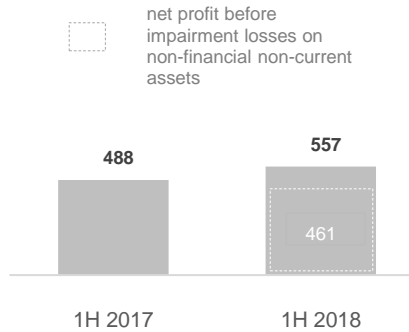
10.0 TWh
retail sales

FINANCIAL RESULTS

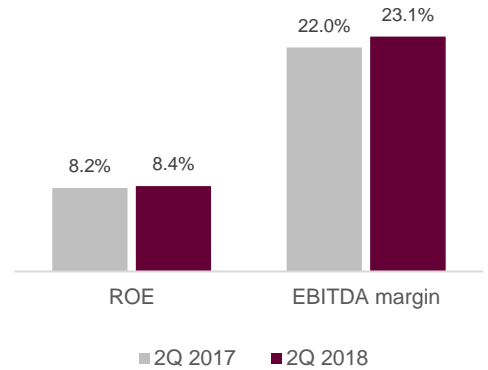
EBITDA (PLN m)



Net profit (PLN m)



Profitability ratios



ENERGA SA ON THE WSE

Market capitalisation: **PLN 3.7 bn***

Prices of ENERGA SA shares



* According to the closing share price on 30 June 2018

KEY RESOURCES



Distribution network with the length of **187 thous.**



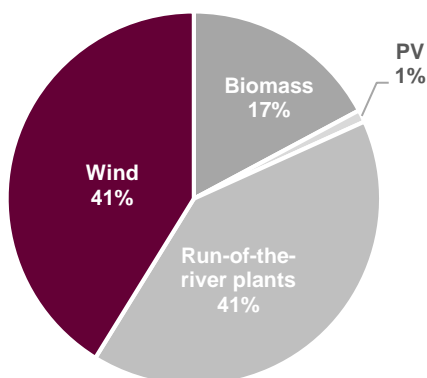
Installed capacity **1.34 GWe** of which **38%** fall to RES



9.5 thous. employees



RENEWABLE ENERGY SOURCES



Installed capacity **512 MWe**



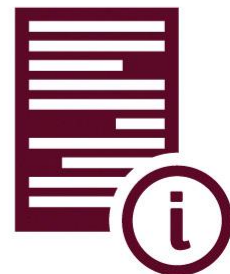
RES production **715 GWh**

INVESTMENT PROJECTS IN THE

In H1 2018, the ENERGA Group completed investments at the level of **PLN 624 m**, including almost PLN 534 m in the Distribution Business Line.

As a result of the completed investments, **20.6 thousand new customers** were connected in H1 2018. In the same quarter, **1,949 km** of high, medium and low voltage **lines** were built and upgraded and **15.4 MW** of new RES 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

2.1.1. Material events in the reporting period

Distribution of profit for 2017

On 27 June 2018, the Ordinary General Meeting of ENERGA SA passed a resolution on the distribution of the net profit of PLN 106,601,622.10 for the financial year covering the period from 1 January 2017 to 31 December 2017, allocating the full amount to the supplementary capital. (Current Reports Nos. 16/2018, 18/2018 and 25/2018).

Estimated effect of the awards in three arbitration cases on the Issuer's financial results

Referring to Current Report No. 22/2018 of 8 June 2018, the Management Board of ENERGA SA reported on 13 June 2018 that the potential effect of the arbitration awards mentioned in that report on the Issuer's financial results for 2018 was estimated at approx. PLN 16 m. (Current Report No. 24/2018).

Awards in three arbitration cases to establish the non-existence of legal relationships under contracts of sale of property rights arising from the certificates of origin

On 8 June 2018, the Management Board of ENERGA SA reported that it had been advised that in three arbitration cases to establish the non-existence of legal relationships purported to arise from the contracts of sale of property rights arising from the certificates of origin, the Arbitration Court of the Polish Chamber of Commerce in Warsaw had issued partial awards dismissing the claims of ENERGA Obrót SA

The Company is in the process of analysing the potential impact of these awards on its financial results. The results of the analysis will be promptly communicated by the Issuer in a separate current report as soon as the analysis is completed. (Current Report No. 22/2018).

The second decision to amicably settle all disputes regarding the invalidity of the agreement for the sale of property rights under certificates of origin between ENERGA – OBRÓT SA and one of the sued wind farms

The Management Board of ENERGA SA reports that it was advised on 30 May 2018 that its subsidiary ENERGA Obrót SA and one of the 22 wind farms sued by ENERGA Obrót SA had decided to amicably settle all disputes regarding the invalidity of the agreement for the sale of property rights under certificates of origin. The parties consider their relationship based on the agreement put into question by ENERGA Obrót SA to be definitively terminated. At the same time, the parties have decided to continue their cooperation in the scope of sales of property rights based on a new agreement. The settlement does not have a negative impact on the financial performance of ENERGA Obrót SA (Current Report No. 19/2018).

Opinion of the Supervisory Board of ENERGA SA on the distribution of the net profit for the 2017 financial year

The Management Board of ENERGA SA reports that on 25 May 2018, the Supervisory Board expressed a positive opinion on the Management Board's recommended distribution of the Company's net profit for 2017. Report No. 16/2018 dated 16 May 2018 reads that the Management Board of ENERGA SA made the decision not to recommend to the General Meeting of ENERGA SA the payment of dividend for the financial year ended 31 December 2017. The full net profit for 2017, amounting to PLN 106,601,622.10, will be transferred to the supplementary capital.

The Management Board's recommendation and the Supervisory Board's opinion will be submitted to the General Meeting, which will make the final decision on the distribution of the Company's net profit for 2017. (Current Report No. 18/2018).

The decision to amicably settle all disputes regarding the invalidity of the agreement for the sale of property rights under certificates of origin between ENERGA Obrót SA and one of the sued wind farms

The Management Board of ENERGA SA reports that it was advised on 21 May 2018 that its subsidiary ENERGA Obrót SA and one of the 22 wind farms sued by ENERGA Obrót SA had decided to amicably settle all disputes regarding the invalidity of the agreement for the sale of property rights under certificates of origin. The parties consider their relationship based on the agreement put into question by ENERGA Obrót SA to be definitively terminated. They parties do not rule out the possibility of cooperation in the future on the basis of a new agreement. The settlement does not have a negative impact on the financial performance of ENERGA Obrót SA (Report No. 17/2018).

ENERGA SA Management Board's recommendation on the payment of dividend

The Management Board of ENERGA SA reports that on 16 May 2018 it made the decision not to recommend to the General Meeting of ENERGA SA the payment of dividend for the financial year ended 31 December 2017. The full net profit for 2017, amounting to PLN 106,601,622.10, will be transferred to the supplementary capital.

The reason for the decision is the implementation of the "Strategy of the ENERGA Group for 2016-2025" ("Strategy") adopted on 15 November 2016 (Current Report No. 40/2016) whereby the dividend payment policy is adjusted to reflect the financial needs of the investment process.

However, the Management Board does not rule out the possibility of reverting to payment of dividend to the shareholders, the level of which will be determined in accordance with Strategy implementation. (Current Report No. 16/2018).

The decision in a public procurement award procedure called "Construction of Elektrownia Ostrołęka C with a capacity of approximately 1,000 MW"

The Management Board of ENERGA SA ("Issuer") reports that on 4 April 2018, the Management Board was informed that Elektrownia Ostrołęka sp. z o.o. (the "Contracting Entity") had made the decision in the public procurement award procedure called "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 SAS. as the General Contractor, which offered to perform the Contract, ensuring the parameters specified in the tender, for the net amount of PLN 5,049,729,000.00 (PLN 6,023,034,950.00 with VAT included).

The decision in the Procedure is not equivalent to:

- giving the consent to conclude the contract with the General Contractor, as such a consent requires prior approval by the Supervisory Board of the Issuer;
- giving the consent to issue a notice to proceed (NTP), as issuing an NTP requires, *inter alia*, the prior consent of the Supervisory Board of the Issuer and the prior consent in principle by the Issuer's General Meeting to proceed with the Construction Phase.

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

The Issuer will provide further information regarding the Contract in separate current reports. (Current Report No. 14/2018).

Consent of the Management Board of ENERGA SA and the General Meeting of Elektrownia Ostrołęka sp. z o.o. to the decision in the public procurement procedure called "Construction of Elektrownia Ostrołęka C with a capacity of approximately 1,000 MW"

The Management Board of ENERGA SA ("Issuer") reports that on 27 March 2018, it decided to vote at the General Meeting of Elektrownia Ostrołęka sp. z o.o. ("Contracting Entity", "Company") on the consent to make the decision in the public procurement award procedure called "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 SAS. as the General Contractor, which offered to perform the Contract, ensuring the parameters specified in the tender, for the net amount of PLN 5,049,729,000.00 (PLN 6,023,034,950.00 with VAT included). The consent is to be given subject to the effective (i.e. giving no grounds for excluding the economic operator or rejecting his tender) submission by the Consortium composed of GE Power Sp. z o.o. and Alstom Power System SAS. of all the necessary documents and statements, pursuant to Article 26(1) of the Public Procurement Law Act of 29 January 2004 (consolidated text, Dz.U. (Journal of Laws) of 2017, item 1579, as amended).

The Issuer further reports that it was informed of the adoption by the General Meeting of the Company of a resolution on 27 March 2018 to give its consent to the decision in the Procedure, in line with the Issuer's decision referred to above.

This resolution by the General Meeting of the Company does not automatically mean that:

- the Management Board of the Company has made the decision to choose the General Contractor, which means that the Contracting Entity has not made its decision in the Procedure;
- the consent has been given to the conclusion of a contract agreement with the General Contractor – such consent requires, among other things, the prior consent of the Supervisory Board of the Issuer and the General Meeting of the Contracting Entity;
- the consent has been given to issue a notice to proceed (NTP), as this requires the prior consent of the Supervisory Board of the Issuer and the prior consent in principle by the Issuer's General Meeting to proceed with the Construction Phase.

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

The Issuer will provide further information regarding the Procedure in separate current reports. (Current Report No. 13/2018).

The signing of an Amendment to the Investment Agreement concerning participation in the preparation of the construction, construction and operation of a new power unit at the Elektrownia Ostrołęka power plant and the sale of shares in Elektrownia Ostrołęka sp. z o.o.

The Management Board of ENERGA SA ("Issuer"), referring to Current Report No. 49/2016 of 8 December 2016 and Current Report No. 3/2017 of 17 January 2017, reports that on 26 March 2018 the Issuer executed Amendment 1 ("Amendment") to the Investment Agreement with ENEA SA and Elektrownia Ostrołęka Sp. z o.o. (the "Company", "Contracting Entity"), concerning the implementation of the Ostrołęka C project.

In the Amendment, the parties have increased the estimated total capital expenditures 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 expenditures attributable to the Issuer may amount to PLN 226.5 m.

The capital expenditures have been increased in order to provide the necessary resources for, *inter alia*, organisational work to be carried out under the contract agreement with the General Contractor, related investments and the operation of the Company.

Moreover, the Issuer reports that in the course of performance of the Investment Agreement, the Issuer sold, on 23 March 2018 to ENEA SA, a stake of 1,201,036 shares in the Company for approx. PLN 58 m. As a result of this transaction, the Issuer's total shareholding is 50% of the Company's share capital.

The execution of the Amendment does not automatically mean that:

- the Management Board of the Company has made the decision to choose the General Contractor, which means that the Contracting Entity has not made its decision in the public procurement award procedure called "Construction of Elektrownia Ostrołęka C with a capacity of approximately 1,000 MW";
- the consent has been given to the conclusion of a contract with the General Contractor, as such consent requires certain prior corporate approvals, including the consent of the Supervisory Board of the Issuer;
- the consent has been given to issue a notice to proceed (NTP), as this requires the prior consent of the Supervisory Board of the Issuer and prior consent in principle from the General Meeting of the Issuer to proceed with the Construction Phase.

It is estimated that the capital expenditures connected with the conclusion of the contract between the Contracting Entity and the General Contractor prior to the issue of the NTP will not exceed the equivalent of 4% of the contracted price. (Current Report No. 12/2018).

Information on the receipt from the Management Board of Elektrownia Ostrołęka sp. z o.o. of a request for consent to the decision in the public procurement award procedure called "Construction of Elektrownia Ostrołęka C with a capacity of approximately 1,000 MW"

The Management Board of ENERGA SA ("Issuer") reports that on 23 March 2018, as a stakeholder in Elektrownia Ostrołęka sp. z o.o. ("Contracting Entity", "Company"), it received an request from the Management Board of the Company for consent to the decision in the public procurement award procedure called "Construction of Elektrownia Ostrołęka C with a capacity of approximately 1,000 MW" ("Procedure", "Contract"). In the request, the Management Board of the Company stated that it was a request to the General Meeting of the Company for its consent to the selection of a Consortium composed of GE Power Sp. z o.o. and Alstom Power System SAS. as the General Contractor, which offered to perform the Contract, ensuring the parameters specified in the tender, for the net amount of

PLN 5,049,729,000.00 (PLN 6,023,034,950.00 with VAT included). In accordance with the request, the consent of the General Meeting of the Company is to be given subject to the effective (i.e. giving no grounds for excluding the economic operator or rejecting his tender) submission by the Consortium composed of GE Power Sp. z o.o. and Alstom Power System SAS. of all the necessary documents and statements, pursuant to Article 26(1) of the Public Procurement Law Act of 29 January 2004 (consolidated text, Dz.U. (Journal of Laws) of 2017, item 1579, as amended).

The Company's Articles of Association require that consent to the decision in a contract award procedure to select a General Contractor must be given by way of a resolution passed by the General Meeting of the Company.

Neither the request made by the Management Board of the Company to the General Meeting of the Company nor the passage (if any), by the General Meeting, of the resolution in question does not automatically mean that

- the Management Board of the Company has made the decision to choose the General Contractor, which means that the Contracting Entity has not made its decision in the public procurement award procedure;
- the consent has been given to the conclusion of a contract with the General Contractor, as such consent requires certain prior corporate approvals, including the consent the Supervisory Board of the Issuer;
- the consent has been given to issue a notice to proceed (NTP), as this requires the prior consent of the Supervisory Board of the Issuer and the prior consent in principle by the Issuer's General Meeting to proceed with the Construction Phase.

The Issuer will provide further information regarding the Procedure in separate current reports. (Current Report No. 11/2018).

Fitch Ratings affirms ENERGA's rating

The Management Board of ENERGA SA ("Company", "ENERGA") reports that on 21 March 2018, Fitch Ratings ("Agency", "Fitch") affirmed the Company's long-term foreign- and local-currency Issuer Default Ratings (IDRs) at 'BBB' with a Stable Outlook, a 'BBB' rating for the bonds issued by the Company's subsidiary ENERGA Finance AB (publ), and a 'BB+' rating for ENERGA SA's hybrid bonds.

The Agency justified its decision by the dominant share of the Distribution Business Line in total planned capital expenditures and in the Group's EBITDA, which mitigates business risks and ensures predictability of cash flows compared to conventional production. At the same time, the Agency factored in the business risk associated with the Elektrownia Ostrołęka C project. Fitch pointed out that this risk was mitigated by, *inter alia*, strategic partnership in the implementation of the project, participation of additional investors in the financing of the project and the emergence of the Power Market in Poland.

In its report, Fitch estimates that ENERGA SA's debt is at a moderate level, with a FFO-adjusted net leverage of 1.7 for 2017. The Agency expects this ratio to increase to 3 in 2018-2022, there still being some margin left in relation to the maximum level of 3.5 allowed under the BBB rating. (Current Report No. 10/2018).

Information on the reversal of impairment losses on assets

The Management Board of ENERGA SA reports that due to certain changes in its legislative environment, particularly the signing by the President of the Republic of Poland of the Act on Power Market, which guarantees support for generation units and the resulting adjustment of pricing path estimates, it has

identified evidence which may result in the reversal of impairment losses on certain assets of the ENERGA Group.

The impairment tests carried out for the fourth quarter of 2017 revealed an increase in the recoverable amount of wind assets and conventional assets. On 17 January 2018, the decision was made to reverse the impairment losses on assets in the Generation Segment, amounting to a total of PLN 138.0 m, including PLN 87.0 m on wind assets and PLN 51.0 m on Ostrołęka B's assets. The total estimated effect of the reversal of such impairment losses on the ENERGA Group's consolidated net profit of for 2017 is PLN 114.9 m. No cash flows are involved. This will improve the operating profit of the ENERGA Group without affecting its EBITDA.

Adjusted for the reversal of the impairment losses, the book value of wind farms in the consolidated balance sheet of the ENERGA Group is PLN 597.3 m, including PLN 8.1 m as the book value of the wind farms designed but not constructed yet; the book value of Ostrołęka B is PLN 653.8 m.

The presented figures are estimates; they will be audited by an auditor and may change after the auditor has verified the tests and issued an opinion. The final outcome of the tests and the amount of the reversed impairment losses will be presented in the consolidated financial statements of the ENERGA Group for 2017, which will be published on 15 March 2018. (Current Report No. 2/2018).

Adjustment of the estimated value of a contract for the supply of coal to Ostrołęka B

The Management Board of ENERGA SA ("Company") reports that on 10 January 2018, ENERGA Elektrownie Ostrołęka SA (a subsidiary of ENERGA SA) and Polska Grupa Górnicza SA ("PGG") signed an amendment to the contract for the supply of coal to the Ostrołęka B power plant, which was announced in Current Report no. 53/2016 on 27 December 2016.

The amendment increased the volume of supplies to 750 thousand tonnes of coal per year, with a volume tolerance of $\pm 20\%$. The parties have agreed on a coal supply of 750 thousand tons for 2018.

The Contract 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. As a result of the significant change in the volume to be supplied, the estimated value of the contract has been adjusted 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).

Composition and changes to the composition of the corporate bodies of ENERGA SA in the reporting period

In the reporting period, the composition of ENERGA SA's Management Board was as follows:

from 1 January 2018 to 5 February 2018:

- | | | |
|------------------------------|---|--|
| a) Mr Daniel Obajtek | - | President of the Management Board, |
| b) Ms Alicja Barbara Klimiuk | - | Vice-President of the Management Board
for Operations, |
| c) Mr Jacek Kościelniak | - | Vice-President of the Management Board
for Financial Matters, |
| d) Mr Grzegorz Ksepko | - | Vice-President of the Management Board
for Corporate Matters, |

From 6 February 2018 to 1 July 2018:

- | | | |
|------------------------------|---|---|
| a) Ms Alicja Barbara Klimiuk | - | Vice-President of the Management Board for Operations, serving as President of the Management Board |
| b) Mr Jacek Kościelniak | - | Vice-President of the Management Board for Financial Matters, |
| c) Mr Grzegorz Ksepko | - | Vice-President of the Management Board for Corporate Matters. |

Since Mr Daniel Obajtek resigned as President of the Management Board of ENERGA SA on 5 February 2018, on 6 February 2018 the Management Board of ENERGA SA passed a resolution to appoint Ms Alicja Barbara Klimiuk as the President of the Management Board of the Company. On 6 February 2018, the Supervisory Board of the Company approved the decision on entrusting the function of the President of the Management Board of ENERGA SA to Vice-President of the Management Board for Operations, Ms Alicja Barbara Klimiuk (Current Reports Nos. 6/2018 and 7/2018).

On 29 June 2018, the Company's Supervisory Board passed a resolution to appoint Mr Arkadiusz Siwko to sit on the Management Board during its fifth term. Mr Arkadiusz Siwko was appointed as the President of the Management Board of ENERGA SA from 2 July 2018 (Current Report No. 26/2018).

Composition of the Supervisory Board of ENERGA SA in the reporting period

In the reporting period, i.e. since 1 January 2018, the composition of the Supervisory Board of ENERGA SA has been as follows:

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

2.1.2. Material events after the balance sheet date

The decision to amicably settle all disputes regarding the invalidity of the agreement for the sale of property rights under certificates of origin between ENERGA – OBRÓT SA and yet another of the sued wind farms

The Management Board of ENERGA SA reports that it was advised on 18 July 2018 that its subsidiary ENERGA Obrót SA and one of the 22 wind farms sued by ENERGA Obrót SA had decided to amicably settle all disputes regarding the invalidity of the agreement for the sale of property rights under certificates of origin. The parties to the settlement agreement acknowledged the dispute as definitively settled.

The terms and conditions of the settlement are satisfactory to both parties and do not adversely affect the financial result of ENERGA Obrót SA's operations.

This is the third settlement between ENERGA Obrót SA and the sued wind farms. The total capacity of the facilities with which settlements have been concluded so far accounts for more than 31% of the total installed capacity of all the sued wind farms. (Current Report No. 35/2018).

Conclusion of a Public Contract with the General Contractor selected through a competitive dialogue procedure for the award of a public utilities contract under the name of “Construction of Elektrownia Ostrołęka C with a capacity of approximately 1,000 MW”

On 12 July 2018, the Management Board of ENERGA SA was informed that Elektrownia Ostrołęka sp. z o.o. had signed, on that day, a Public Contract with the General Contractor: A Consortium of GE Power Sp. z o.o. – Consortium Leader and ALSTOM Power Systems SAS., selected in a public contract award procedure conducted by the Company.

The subject matter of the Contract is the design, construction and commissioning of a power unit together with auxiliary installations, equipped with a pulverised coal-fired boiler having a live steam pressure of 271 MPa, with a closed cooling system, with a gross electricity production capacity of 1000 MWe (931 MWe net) and a net efficiency of 46%, working on supercritical steam parameters, with a live steam temperature of 600°C and a re-heated steam temperature of 620°C (“Investment Project”).

Pursuant to the concluded Contract, the remuneration of the General Contractor for the performance of the Contract will be PLN 5,049,729,000.00 net or PLN 6,023,034,950.00 gross. (Current Report No. 33/2018).

Consent of an Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka Sp. z o.o. to the execution of a Public Contract as a result of a competitive dialogue public procurement procedure called “Construction of Elektrownia Ostrołęka C with a capacity of approximately 1,000 MW”

The Management Board of ENERGA SA reports that it was informed on 6 July 2018 that an Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka Sp. z o.o. had given its consent to the execution of a Public Contract with the General Contractor, i.e. with a Consortium of GE Power Sp. z o.o. – Consortium Leader and ALSTOM Power Systems SAS., selected in a public utilities contract award procedure conducted by the Company in the form of a competitive dialogue for the project called “Construction of Elektrownia Ostrołęka C with a capacity of approximately 1,000 MW” The Company’s Articles of Association require that consent to the execution of a public contract with a General Contractor must be given by way of a resolution passed by the General Meeting of the Company.

The Issuer will provide further information regarding the Contract in a separate current report (Current Report No. 32/2018).

Determination by the Supervisory Board of ENERGA SA of the manner of exercising voting rights at the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka Sp. z o.o. regarding consent to the execution of a Contract with the General Contractor

The Management Board of ENERGA SA reports that it was informed on 5 July 2018 of the adoption of a resolution by the Issuer’s Supervisory Board, whereby the Supervisory Board determined the manner of exercising voting rights at the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka Sp. z o.o. (“Company”) to be as follows: ENERGA SA will vote in favour of adopting a resolution to give consent to the conclusion by the Company of a Public Contract with the General Contractor, i.e. a Consortium of GE Power Sp. z o.o. – Consortium Leader and ALSTOM Power Systems SAS., selected in a public utilities contract award procedure conducted by the Company in the form of a competitive dialogue for the project called “Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW”.

Determination by the Issuer’s Supervisory Board of the manner of exercising voting rights at the Company’s Extraordinary General Meeting of Shareholders as well as the adoption (if any) of that

resolution by the Company's Extraordinary General Meeting do not automatically mean that consent has been given to the issue of a notice to proceed (NTP), as the issue of an NTP requires, *inter alia*, the prior consent of the Supervisory Board of the Issuer and the prior consent in principle granted by the General Meeting of the Issuer to proceed with the Construction Phase.

The Issuer will use separate current reports to provide further information regarding the process of obtaining the consent to the conclusion of the Contract. (Current Report No. 31/2018).

Information on the receipt from the Management Board of Elektrownia Ostrołęka sp. z o.o. a request for consent to the conclusion of a Public Contract with the General Contractor selected through a competitive dialogue procedure for the award of a public utilities contract under the name of "Construction of Elektrownia Ostrołęka C with a capacity of approximately 1,000 MW"

The Management Board of ENERGA SA reports that ENERGA SA, as a shareholder in Elektrownia Ostrołęka sp. z o.o., received, on 2 July 2018, a request from the Management Board of the Company for consent to the execution of a Public Contract with the General Contractor, i.e. with a Consortium of GE Power Sp. z o.o. – Consortium Leader and ALSTOM Power Systems SAS., selected in a public utilities contract award procedure conducted by the Company in the form of a competitive dialogue for the project called "Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW". The Management Board of the Company requested for the consent of the Company's General Meeting to the execution of the Contract with the General Contractor, i.e. a Consortium composed of GE Power Sp. z o.o. – Consortium Leader and Alstom Power System SAS., which offered to perform the Contract, ensuring the parameters specified in the tender, for the net amount of PLN 5,049,729,000.00 (PLN 6,023,034,950.00 with VAT included).

The Company's Articles of Association require that consent to the execution of a public contract with a General Contractor must be given by way of a resolution passed by the General Meeting of the Company.

The General Meeting's consent to the execution of a Public Contract with a General Contractor is conditional upon the obtaining of all other corporate approvals as required, including the consent the Supervisory Board of the Issuer.

Neither the request made by the Management Board of the Company to the General Meeting of the Company nor the passage (if any), by the General Meeting, of the requested resolution automatically means that consent has been given to issue a notice to proceed (NTP), as the issue of an NTP requires, *inter alia*, the prior consent of the Supervisory Board of the Issuer and the prior consent in principle granted by the General Meeting of the Issuer to proceed with the Construction Phase.

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

The Issuer will use separate current reports to provide further information regarding the process of obtaining the consent to the conclusion of the Contract. (Current Report No. 28/2018).

Information on the reversal of impairment losses on assets

The Management Board of ENERGA SA reports that due to certain changes in its legislative environment,

i.e. the signing by the President of the Republic of Poland of the Act of 7 June 2018 on Amendments to the Act on Renewable Energy Sources and Certain Other Acts, it has identified evidence which may result in the reversal of impairment losses on certain assets of the ENERGA Group.

The impairment tests carried out during the first six months of 2018 revealed an increase in the recoverable amount of wind assets. On 2 July 2018, the decision was taken to reverse impairment losses on wind assets in the Generation Business Line, of PLN 116.6 m in total. The estimated effect of the reversal of the above impairment losses on the consolidated net results of operations of the ENERGA Group for 2018 is PLN 94.5 m. No cash flows are involved. This will improve the operating profit of the ENERGA Group without affecting its EBITDA.

Adjusted for the reversal of the impairment losses, the book value of wind farms in the consolidated balance sheet of the ENERGA Group amounts to PLN 664.36 m.

The presented figures are estimates; they will be audited by an auditor and may change after the auditor has verified the tests and issued an opinion. The final outcome of the tests and the amount of reversal of the impairment losses will be presented in the consolidated financial statements of the ENERGA Group for the six months of 2018. (Current Report No. 27/2018).

Composition and changes to the composition of the corporate bodies of ENERGA SA after the balance sheet date

After the balance sheet date, the composition of the Management Board of ENERGA SA was as follows:

From 2 July 2018 until 31 July 2018:

- | | | |
|------------------------------|---|---|
| a) Mr Arkadiusz Siwko | - | President of the Management Board |
| b) Ms Alicja Barbara Klimiuk | - | Vice-President of the Management Board for Operations, |
| c) Mr Jacek Kościelniak | - | Vice-President of the Management Board for Financial Matters, |
| d) Mr Grzegorz Ksepko | - | Vice-President of the Management Board for Corporate Matters, |

From 31 July 2018 until the date of this Information document:

- | | | |
|------------------------------|---|---|
| a) Ms Alicja Barbara Klimiuk | - | Vice-President of the Management Board for Operations, discharging the duties of the President of the Management Board, |
| b) Mr Jacek Kościelniak | - | Vice-President of the Management Board for Financial Matters, |
| c) Mr Grzegorz Ksepko | - | Vice-President of the Management Board for Corporate Matters |

In connection with the dismissal of Mr. Arkadiusz Siwko from the position of the President of the Management Board of ENERGA SA on July 31, 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 July 31, 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 (Current Reports No. 36/2018 and 37/2018).

2.2. Activities of the ENERGA Group

The core business of the ENERGA Group is the distribution, generation and sale of electricity and heat and concentrates on the following business lines:

Distribution Business Line. This is the business line of key importance to the Group's 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 monopolistic position in the northern and central parts of Poland where the Group's distribution assets are located which are used to supply electricity to more than 3 m customers, including approx. 2.9 m of customers with 'comprehensive agreements' and 205 thous. TPA (Third Party Access) 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 187 thousand km and covered almost 75 thousand sq. km, i.e. approx. 24% of the area of Poland. ENERGA Operator SA acts as the Leading Entity in this Line.

Generation Business Line. The operation of this business line is based on four Power Generation Areas:

the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). At the end of H1 2018, the total installed generation capacity in the Group's power plants was approximately 1.3 GW. 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 by its hydro power plants

and wind power plants. Green energy is produced by 46 hydropower plants, 5 wind farms and biomass-fired installations (as part of ENERGA Kogeneracja) and

by two photovoltaic installations.

During the first six months of 2018, the Group generated approx. 1.9 TWh of electricity (in gross terms) at its power plants relying on sources such as hard coal, water, wind, biomass and solar energy. During that period, 61% of the Group's gross electricity production originated from hard coal, 29% from hydro and 10% from wind.

As at the end of June 2018, the Group had the installed capacity of 0.5 GW in renewable energy sources, with a gross production of 715 GWh of electricity.

Sales Business Line. This business line, where ENERGA Obrót SA as the leading entity sells electricity, gas and additional services both as separate products and in packages. These products and services are sold to all customer segments, from industry to small, medium and large enterprises and to households. As at the end of H1 2018, the ENERGA SA Group had approximately 3 m customers, including 2.7 m classified as G tariff customers, with the remainder being customers from C, B and A tariff groups (in descending order).

Customer service

For many years, ENERGA Obrót SA has been offering trend-setting customer service solutions. It responds to the activities of its competitors with dynamism, monitoring the market for changes in customer preferences, and uses this knowledge to adjust its offer, channels of communication and customer service solutions to reflect such changes. All this is expected to increase customer's satisfaction with the services provided by the ENERGA Group and their trust in the Group.

During Q2 2018, ENERGA Obrót SA offered the following offers and services to individual customers:

- *Multi Zysk,*
- *W kontakcie z energią*

- *Na ratunek z energią,*
- *Na dobry początek,*
- *Multiochrona,*
- *Strefa oszczędzania,*
- *Na fali rabatów,*
- *Oferta antysmogowa z pakietem fachowców,*
- *Po prostu razem,*
- *Po prostu gaz dla domu,*
- Sale of storage heaters and heat pumps

The Company is committed to supporting large families, particularly those with Large Family Discount Cards. The services offered by ENERGA Obrót help families reduce their electricity bills significantly. Private customers are also offered a large number of options such as direct debit, online payments, prepaid bills, text messages with an account balance, or electronic invoices.

In Q2 2018, ENERGA Obrót SA was actively selling its products and services for businesses and local governments. These included:

- *Gaz dla firm,*
- EnerSOL! - photovoltaic panels,
- EnerGO! – electric vehicle charging stations,
- Indexed Offer Platform (POI), which is an online platform that allows customers to make contracts for the supply of electricity based on offers indexed on prices quoted on the Polish Power Exchange,
- 100% green energy,
- energy audits,
- DSR (Demand Side Response), which is a service launched in cooperation with Enspiron, whereby customers ready to reduce their energy consumption when requested by a transmission system operator can make profits.

Being aware of the dynamic advances of technology, ENERGA Obrót SA relentlessly works on new solutions and launches new channels in order to make it easier for customers to access its services.

By June 2018, more than 2,000 agreements with customers were made via the Internet. ENERGA Obrót SA's project called "ENERGA online forms - a system for making electricity purchase contracts via the Internet" won 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, but it also optimises and digitises the company's back-office procedures as regards agreement processing. Importantly, responsive versions of these forms are also available for customers to be able to go through the entire process using their mobile phones.

Moreover, as part of initiatives aimed to upgrade contact channels dedicated to customers, the company revamped its website by making it more transparent, i.e. consistent in terms of graphics and text. The revamp was also expected to help promote energy-related products, i.e. heat pumps and storage heaters. The Live Chat service provided by the company has caught on. It is not only an easy and convenient customer service tool, but customers can also use it to place orders for electricity or learn more about additional services offered by the company. As many as 95% of our customers recommend this customer service channel.

One of the main parts of the project called “A System for Online Sale and Customer Service of ENERGA Obrót SA” is the provision of an CMS (Content Management System) to make online content management easier. Once implemented, the project will provide a number of benefits and convenient solutions to customers:

- access to a full range of products tailored to the specific needs of the user,
- the option to select offers and manage the sale process fully,
- the customer can place an order for a product or service of ENERGA Obrót via the System – and if the 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.

In Q2 2018, work continued to optimise the company’s customer service processes to reduce the number of customer complaints and the time taken to process them, and to identify the points that should be completed when a customer contacts the company for the first time. The company’s channels of communication with customers were consistently improved and the available technical solutions optimised.

The company’s corrective and preventive initiatives are focused on the optimisation of front-end operations (Customer Journey) and back-office processes.

In Q2 2018, ENERGA Obrót SA was a very active participant in a programme for senior citizens (aged 55+) called “Dynamic Senior Citizens with ENERGA”. The programme is based on a series of workout sessions (15 weeks) where participants try to improve their health and fitness. Specific medical consultations and tests are also made available to them. A Customer Advocate is present at each session to answer the senior citizens’ questions. On a daily basis, the Customer Advocate

- educates clients on how to use communication channels dedicated to senior citizens to make it easier for them to contact ENERGA,
- analyses customer service processes and recommends changes that customers expect,
- mediates and develops solutions to deal with issues reported by customers, while taking into account the Company’s business and image-related interests.

Sales

In the past quarter, ENERGA Obrót expanded their D2D sales to cover the entire area of Poland. This new approach allows people in all parts of the country to learn about what the company offers. They can do so in the privacy of their homes, where they feel secure and comfortable.

In Q2 2018, ENERGA Obrót also ran an online marketing campaign to promote its Multiochrona offer. This is the Company’s response to the needs of the customers. More specifically, it helps customers whenever they experience technical issues in their homes when they have to spare their time looking for help and which can pose a considerable strain to their home budgets.

Anti-smog measures

As part of its anti-smog measures, the Company inaugurated, in the town of Grudziądz, a series of debates on how to combat air pollution (smog). ENERGA Obrót, as a partner in the debate, organised in cooperation with the Polish Electricity Association (PKEE), presented its range of products, including the option for customers to be reimbursed for part of the costs (up to PLN 5 thousand) of replacing their home heating systems with more eco-friendly ones (heat pumps and storage heaters). The scope of the activities as part of the Company’s anti-smog service called “Breathing with ENERGA” was introduced, as were the objectives of a programme with the same name.

As part of the Breathing with ENERGA programme, children at ten primary schools in the Pomeranian province of Poland learned how to protect the air on a daily basis and why it is important to do it. A total

of 30 thematic workshops on that topic were provided. Through play, the children learned how to combat smog. For example, they learned about the plants that absorb the largest amounts of polluted air. In the future, they will learn about what architectural solutions help reduce the effect of smog. Additionally, teaching packs were prepared for 100 schools in the Pomeranian province to allow teachers to conduct such workshops themselves.

During the final stage of the Breathing with ENERGA campaign, on 14 June, ENERGA distributed more than 500 seedlings of the smog-preventing peace lily plant among residents of Tricity.

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

As at 30 June 2018, the ENERGA Group consisted of 29 companies, including its parent company, ENERGA SA.

Elektrownia Ostrołęka Sp. z o.o.

On 11 January 2017, ENERGA SA and Enea SA signed an investment agreement regarding the execution of the new power unit construction project in Ostrołęka. The General Meeting of Elektrownia Ostrołęka SA passed a resolution (Resolution 1) on 23 November 2017 to convert this company into a limited liability company. The conversion was registered by the National Court Register on 27 February 2018.

On 23 March 2018, ENERGA SA signed an agreement to sell a third stake in Elektrownia Ostrołęka Sp. z o.o. to Enea SA. As a result of this transaction, each of ENERGA SA and Enea SA holds a 50% stake in Elektrownia Ostrołęka Sp. z o.o. and the same percentage of voting rights at the General Meeting. The Management Board and the Supervisory Board consist of the same number of representatives of both investors. Decisions on significant actions require unanimous consent of both partners.

In addition, the process is underway to register the increase in the share capital of Elektrownia Ostrołęka Sp. z o.o. by PLN 35 m which was made by way of a resolution passed by the General Meeting of 29 March 2018 whereby ENERGA SA and Enea SA each took 50% of new shares (i.e. PLN 17.5 m, respectively) in exchange for cash contribution.

On 12 July 2018, Elektrownia Ostrołęka Sp. z o.o. signed a Public Contract with the General Contractor: a Consortium of GE Power Sp. z o.o. – Consortium Leader and ALSTOM Power Systems SAS., selected in a public contract award procedure conducted by Elektrownia Ostrołęka Sp. z o.o. Before the contract was signed, the General Meeting passed a resolution on 6 July 2018 to give its consent to the contract.

The subject matter of the Contract is the design, construction and commissioning of a 1,000 MWe power unit with auxiliary facilities.

On 27 July 2018, a resolution was passed by an Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka to increase the company's share capital by PLN 287 m. The new shares were equally divided between ENERGA SA and Enea SA. The newly issued shares will be paid for through cash contributions by 2 August 2018.

Mergers

On 26 February 2018, a Merger Plan was signed by four investment companies operating within the Distribution Business Line, namely 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. (the acquired companies).

The general meetings of these companies that passed resolutions on the merger were held on 3 April 2018. The merger was registered by the National Court Register on 30 April 2018. At the same time,

the acquiring company's Articles of Association were amended by renaming the company as ENERGA Operator Wykonawstwo Elektroenergetyczne Sp. z o.o.

Following the Merger Plan, agreed and signed on 19 January 2018, to merge ENERGA Centrum Usług Wspólnych Sp. z o.o. (the acquiring company) and RGK Sp. z o.o. (the acquired company), the general meetings of these companies passed their resolutions on the merger on 16 April 2018. The merger was registered by the National Court Register on 7 June 2018.

Two of the Group's companies, namely ENERGA Operator SA i ENERGA Operator Techniczna Obsługa Odbiorców Sp. z o.o. signed a Merger Plan on 26 April 2018, with ENERGA Operator SA being the acquiring company. On 1 June 2018, the General Meeting of ENERGA Operator Techniczna Obsługa Odbiorców Sp. z o.o. passed a resolution on the merger. The merger did not involve an increase in the acquiring company's share capital (pursuant to Articles 514(1) and 515(1) of the Polish Companies & Partnerships Code), using the simplified procedure provided for in Articles 516(1), 516(5) and 516(6) of the same code. The merger was registered by the National Court Register on 2 July 2018.

Another process is underway to merge companies within the ENERGA Group. The planned merger of six grid work companies with the Leading Entity of the Distribution Business Line, i.e. ENERGA Operator SA.

On 16 July 2018, the Management Board of ENERGA Operator SA (the acquiring company) and the Management Boards of its subsidiaries, i.e. ENERGA Operator Eksploatacja Elbląg Sp. z o.o., ENERGA Operator Eksploatacja Gdańsk Sp. z o.o., ENERGA Operator Eksploatacja Kalisz Sp. z o.o., ENERGA Operator Eksploatacja Płock Sp. z o.o., ENERGA Operator Eksploatacja Słupsk Sp. z o.o., ENERGA Operator Eksploatacja Toruń Sp. z o.o. (the acquired companies) signed a Merger Plan whereby the companies will be merged using the simplified procedure.

2.4. Implementation of the investment programme

In H1 2018, capital expenditures within the ENERGA SA Group amounted to PLN 624 m, mainly with respect to the Distribution Business Line (PLN 534 m).

The Group's 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 customers and producers. Additionally, expenditure was incurred on innovative technologies and grid solutions.

Work related to compliance with environmental requirements and modernisation projects in the Ostrołęka B Power Plant constitute an important part of the Generation Business Line's capital expenditures. At Elbląg, a project is underway to optimise the steam boiler for the BB20p biomass unit. Total capital expenditures on energy production in H1 2018 amounted to PLN 75.8 m.

Table 1: Key areas of investment for 6 months 2018

Project description	Location	Capital expenditures (PLN m)	Execution stage
Distribution Business Line			
Modernisation of the distribution network to improve the reliability of supply	Distribution areas	258.2	Implemented on an ongoing basis
Grid development related to connection of new customers	Distribution areas	218.4	Implemented on an ongoing basis

Smart metering and other elements implementing the smart grid concept, including AMI	Distribution areas	14.3	Implemented on an ongoing basis
Other capital expenditures, collisions and adjustments	Distribution areas and Distribution Business Line companies	43.1	Implemented on an ongoing basis
Generation Business Line			
Overhauls of the Ostrołęka B Power Plant	Ostrołęka	25.0	In progress
Optimisation of the steam boiler in the BB20p biomass unit	Elbląg	13.9	In progress
Modernisation of electrostatic precipitators in the Ostrołęka B Power Plant	Ostrołęka	10.4	In progress
Other capital expenditures	Generation area and Generation Business Line companies	26.5	-
Sales Business Line			
Capital expenditures for lighting assets	Business area of ENERGA Oświetlenie	10.0	In progress
Sales Support system	Business area of the Sales Business Line	1.0	In progress
Other capital expenditures	Sales area and Sales Business Line companies	0.6	-
Other companies, projects and adjustments	-	2.0	-
Total		624	

2.5. Research and development

The key R&D projects carried out by the ENERGA Group during the first half of this year included:

LOB [LBA] Project

The research phase of the project to establish a Local Balancing Area (LBA), subsidised by the National Centre for Research and Development (NCRD) (the GEKON programme), has been completed. As part of the project, a comprehensive LBA control and supervision system called LOBSTER was built and subjected to functional tests. On 1 March 2018, the final report on the project was submitted to NCRD. The report is subject to a subject-matter assessment.

In accordance with the time schedule, work is continuing to produce an internal report that will contain a catalogue of and a business model for the services that can be handled by the LOBSTER system, which is a product of research work. The scheduled completion date is the end of July 2018.

The next step is the implementation of the LOBSTER by moving it from a test environment to a production environment (a tiny area network (TAN)), developing operating programmes (based on the report referred to above) and providing training to regional power dispatchers and signing contracts for maintenance of the system and an energy storage facility. The co-funding agreement signed with NCRD requires the work to be completed by 31 December 2019.

TETRA

The TETRA project is at the final stage of its implementation. To date, 134 of 139 planned base stations have been put in operation and the migration of the communication channel from the old Digicom trunking system to the TETRA network for nearly one thousand medium voltage disconnectors has been completed. Also, the basic implementation work of the TETRA system has been completed. The project will create a dedicated communication system for managing grid traffic (a redundant channel for controlling connectors with a remote control functionality) and for communicating with local electricity emergency service stations. The TETRA system, once implemented, will increase the reliability of communication between remote-controlled connectors installed within the grid and provide stable communication with electricity emergency service stations, particularly in the case of a power outage affecting a large area and disasters.

AMI

The activities of ENERGA-OPERATOR as part of the AMI project were related to the implementation of smart metering infrastructure and the development of applications. Deliveries and installation of concentrator and balancing sets, designed by ENERGA-OPERATOR SA and manufactured by DGT Sp. z o.o. have started. The equipment will be installed at upgraded stations to provide balancing meters for medium- and low-voltage stations. A total of 19 thousand such devices will be purchased and installed.

As part of the Group's process of developing new technologies, a contract has been signed for the manufacture and delivery of data repeaters. A data repeater is a device that acts as a 'middleman' in PLC communication. It extends the signal between remote-reading meters and the central system. These devices will be made in close cooperation between ENERGA-OPERATOR and the supplier. The delivery and installation are scheduled for the second half of 2018.

ENERGA Living Lab

In late 2017 and early 2018, the second phase of the Living Lab project was carried out. It covered 43 out of the 300 households that participated in the first phase of the project. During four months of tests, customers participated in gamification that was expected to increase their involvement in testing solutions that help optimise electricity consumption. The participants' engagement meant that ENERGA Operator was able to test its remote-controlled meters in real-life conditions. The tests of meters were accompanied by regular monitoring of the metering systems and the efficiency of real-time readings. The data for monthly electricity consumption by the participating households, gathered from October 2017 to January 2018, was analysed.

During the tests, quantitative surveys involving the participation were conducted. The idea behind the surveys was to identify the reasons for the households' participation in the project, the participants' electricity saving strategies, opinions on the tools provided to them, to evaluate the degree of their engagement in the gamification and to test new ideas for products and services. The participants' behaviour during the test phase were compared to the behaviour before the tests and with the control group's behaviour.

Alongside the interviews with the participants, the meter readings for the participants were analysed. The analysis was based on, in particular, electricity consumption data from AMI meters and data from metering systems installed in the participants' households.

The substantive part of the project was completed on 28 January 2018. The legal and administrative work was completed on 31 March 2018. At the end of June, the company provided the European Commission with an extensive report on the activities as part of the project.

Acta Energetica

Since 2009, ENERGA has published *Acta Energetica*, a science and technology quarterly. It is published under the patronage of Gdańsk University of Technology. ENERGA values its cooperation with the world of science. The quarterly promotes Polish science and technologies, including solutions implemented

and/or supported by ENERGA. It targets energy-sector and power-engineering professionals: engineers and technicians, senior management, university employees and students of faculties related to the power sector. *Acta Energetica* helps to promote knowledge that is useful in the development of scientific expertise and its practical applications in business projects.

Since 2015, *Acta Energetica* has been indexed in the Directory of Open Access Journals, the world's largest directory of scientific journals published on an open-access basis. All the articles contained in the quarterly are published in Polish and English. Printed copies of the quarterly are distributed to libraries and higher education institutions in and outside Poland.

Acta Energetica is present at energy-sector conferences and science and technology events. One example is this year's 15th International Conference on the European Energy Market, hosted in Łódź.

2.6. Information on material contracts and agreements

Significant contracts

On 10 January 2018, ENERGA Elektrownie Ostrołęka SA (a subsidiary of ENERGA) and Polska Grupa Górnicza SA ("PGG") signed an amendment to the contract for the supply of coal to the Ostrołęka B power plant, which was announced in Current Report no. 53/2016 on 27 December 2016.

The amendment increased the volume of supplies to 750 thousand tonnes of coal per year, with a volume tolerance of $\pm 20\%$. The parties have agreed on a coal supply of 750 thousand tons for 2018.

The Contract 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. As a result of the significant change in the volume to be supplied, the estimated value of the contract has been adjusted 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 advances and the domestic bond issue programme

Detailed information on agreements for loans and advances and the domestic bond issue programme is presented, among others, in Note 16 *Financial Instruments* to the consolidated financial statements.

The following table shows the par value of the bonds taken up by ENERGA SA and not redeemed, for different issuers within the ENERGA Group, as at 30 June 2018.

Table 2: The par value of the bonds taken up by ENERGA SA and not redeemed, for different issuers within the ENERGA Group, as at 30 June 2018

Item	Company	Par value of the bonds taken up (PLN 000,000)
1.	ENERGA-OPERATOR SA	4,102
2.	ENERGA Wytwarzanie SA	747
3.	ENERGA Kogeneracja Sp. z o.o.	25
4.	ENERGA Elektrownie Ostrołęka SA	82
Total		4,956

Guarantees and sureties granted

As at 30 June 2018, sureties extended by ENERGA SA to cover liabilities of the Group companies totalled PLN 5,554 m and included:

- surety for liabilities of ENERGA Finance AB (publ) on account of a PLN 5,452 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 18 m,
- other sureties for liabilities of the ENERGA Group companies towards other creditors, including: the 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 material transactions with related parties made on terms other than an arm's length basis

All transactions within the ENERGA Group are made based on the market prices of goods supplied and on the manufacturing costs of such goods or services.

Information on transactions with related parties is contained in Note 18 to the consolidated interim financial statements for the six-month period ended on 30 June 2018 and as at that date.

2.7. Risk management

Integrated Risk Management System of the ENERGA Group

The Integrated Risk Management System (ERM) has been operational in ENERGA Group's key companies since 2011 and is supervised centrally by ENERGA SA.

The ERM has been implemented on the basis of the risk management process unified across the whole Group and it is based on international standards (ISO, COSO, FERMA), covering all of the Group's organisational levels and business lines. The risk management process consists of various interrelated stages forming a continuous process. It starts at the level of organisational units and moves on to the top management and from the level of Group companies to ENERGA SA as the Holding Company.

Figure 1: Risk management process effective in the ENERGA Group



The main document which is used by the ENERGA Group to conduct the risk management process is the Risk Management Policy and the risk management methodology, which define, among others, the unified approach, risk management rules and roles in the risk management process.



Management Board: defines the direction for risk management, accepts results of risk identification and assessment



Risk Unit: coordinates the risk management process, conducts risk reviews, and develops reports summarising the risk identification and evaluation results and action plan reviews



Risk Owner: manages risk, develops and implements action plans, monitors risk, responsible for current and periodical supply of risk information and risk materialisation events



Employees: provide information on risk identification, events and inefficiency of implemented control mechanisms



Audit Committee: monitors the effectiveness of the risk management system



Internal Audit: performs an independent and objective assessment of the risk management system as part of its audit tasks

As part of the Integrated Risk Management System, the ENERGA Group conducts the following activities:



Risk review – involving identification and assessment of risk and defining the risk management strategy [in semi-annual cycles]



Review of the action plans – involving monitoring of the risk management strategy implementation status and update [in quarterly cycles]



Current risk management – involving identification and assessment of risk and defining the risk management strategy, in the context of the current events pertaining to the ENERGA Group [on an ongoing basis]

Based on the risk reviews, information is prepared concerning ENERGA SA Group's risk exposure. On its basis, the Management Boards of individual Group entities make decisions pertaining to the level of risk appetite, accept the key risk management policy and oblige the Risk Owners to implement Action Plans, in accordance with provisions of the Risk Sheets. The results of risk reviews are communicated to the Risk Owners and reported to the Audit Committee.

Description of major factors and risks

Currently more than 200 risks have been identified and managed in the ENERGA Group. The key risks, broken down into four ENERGA Group Risk Model areas, together with a description of the main risk mitigation actions, are presented below.

Strategic area

Risk	Description of the risk and its potential effects	Control mechanisms used
Image risk	Risk related to activities conducted by the Group affecting its image. Should this risk materialise, it could cause deterioration of business relations, of the competitive position of Group entities, decline of the Group's value (brand) and consequently lead to the loss of customers, investors or business partners.	<ul style="list-style-type: none"> • Internal regulations pertaining to communication and marketing and sponsorship activity • Vision and plan of communication and promotion actions • Current cooperation and maintaining good relations with the stakeholders • Press Spokesperson and Customer Advocate • Monitoring of the environment for the brand presence and ongoing response to changes regarding the image • Research into equivalent of sponsoring actions
Risk associated with service and relations with the ENERGA Group's customers	The risk pertains to the declining satisfaction of customers with the services provided by Group entities, failure to meet customer service quality standards and lower revenues on sales and distribution activity. If the risk materialises, this may result in complaints, fines or the need to pay compensation.	<ul style="list-style-type: none"> • Ongoing control of the customer service standards, recommendation of changes in the risk areas • Monitoring the timeliness of responding in the complaint process and trends as regards customer loss • Mystery shopping research • Customer service staff training • Unification and standardisation of service depending on the contact channel.
Investment risk	The risk concerns problems associated with the financing of investments, delays in investment project implementation and failure to achieve the assumed operational/technical parameters, mostly for Ostrołęka C unit and BB20 unit in Elbląg. Risk materialisation may lead to, among others, the loss of total project value, lack of investment returns or the loss of revenues due to failure to achieve the planned production size. In the case of investments subsidised from EU funds, risk materialisation may also entail the necessity to refund the subsidies received.	<ul style="list-style-type: none"> • Investment agreement between ENERGA SA, ENEA SA and Elektrownia Ostrołęka SA • Ongoing contacts with financial institutions • Reporting on the project performance status on a regular basis, including risk analysis • Ongoing monitoring of performance of investment projects • Cooperation with law firms
Risk of trading in electricity and fuels	The risk of incurring the loss in the wholesale market related to unexpected volatility of market prices, the lack of sufficient liquidity in the SPOT and futures markets, fulfilment of retail customers' demand in the wholesale market and fulfilment of the adopted strategy of contracting electricity and gas. If the risk materialises, this	<ul style="list-style-type: none"> • Internal regulations in ENERGA Obrót as regards wholesales management • Trade limits • Term contracting model

	may result in higher costs of sales, unexpected change of exposure to the risk or the loss of the ability to close positions.	
Development risk	The risk is associated with lack of or misguided approach to development of particular companies comprising the ENERGA Group. The effects of the risk may involve, among other things, financial losses and losses to image, reduction of production capacities or loss of part of the market.	<ul style="list-style-type: none"> • Strategy and strategy performance control • Feasibility analyses • Analysis of the external environment and internal conditions supporting flexible response and adaptation to changing environment (scenario-based analysis) • Management support systems
Risk associated with investor's oversight over Polska Grupa Górnicza SA	The risk pertains to ongoing monitoring and control of fulfilment of the investment conditions by Polska Grupa Górnicza. The effects of the risk may lead to deterioration of the financial performance of ENERGA Kogeneracja Sp. z o.o. (which is the direct investor) or prevent return from invested capital.	<ul style="list-style-type: none"> • Task force for the purposes of ongoing monitoring and enforcement of investment terms in the PGG project • Participation of an ENERGA SA representative in the Monitoring Committee at the PGG Supervisory Board

Legal and regulatory area

Risk	Description of the risk and its potential effects	Control mechanisms used
Regulatory risk	The risk concerns legislative changes affecting the functioning of the ENERGA Group's individual Business Lines as well as direct subsidiaries of ENERGA SA. Risk materialisation may result in the lack of required return on equity, suspension of performance of the investment plans or an increase in the operating expenses. The risk is also an opportunity to adopt the new legal solutions which could facilitate raising of additional funds or ensure a support system for the Group's assets.	<ul style="list-style-type: none"> • Monitoring of legal changes • Participation in the legislative process • Participation of the Group's representatives in the work of industry associations
Risk associated with environmental protection	Risk associated with conducting the operations in accordance with provisions of the environmental law, best environmental practices mitigating the risks and ensuring compliance with the sustainable development principles; providing information and assurances to stakeholders about compliance with the national environmental regulations and the requirements of the EMAS Regulation. If the risk materialises, the ISO 14001 certificate and the EMAS certificate may be withdrawn. Failure to comply with environmental regulations may lead to losses related to the need to suspend or limit production or shut-down of plant, or an increase in the environmental use fees or financial penalties.	<ul style="list-style-type: none"> • Internal regulations • Monitoring changes in the law on an ongoing basis • Analyses and measurements of emissions • Inspections and audits • EMAS System implemented in the Group's main companies

Risk of abuse	<p>The risk concerns situations and actions related to abuse, including conflict of interest, corruption and fraud, which can be committed by employees of the ENERGA Group companies. The risk involves potential threat of abuse and corrupt practices in the operational processes, as well as in connection with implementation of projects subsidised from the EU funds. If the risk materialises, this may lead to emergence of financial losses (including the risk of suspended financing or the need to refund the financing received) and may involve the law enforcement authorities conducting procedures against employees or bodies of the Group companies. The risk may have an adverse effect on the ENERGA Group's image and reputation, result in interruption of operational continuity of processes and even pose a threat to human life and property.</p>	<ul style="list-style-type: none"> • Internal regulations related to abuse • Training for employees (related to, among others, corruption prevention) • The organisation's three lines of defence (internal control system, risk management system, internal audit) • External controls • Explanatory actions • Control mechanisms built into IT systems used
Legal risk	<p>The risk is associated with court and administrative procedures conducted by or against the Group companies as well as criminal procedures conducted against employees in connection with performance of their professional duties. If the risk materialises, this may result in an obligation to pay damages and penalties, and also giving discounts to customers resulting from failure to comply with the electricity quality standards prescribed by law. This risk may also affect reputation of the Group and relations with counterparties.</p>	<ul style="list-style-type: none"> • Cooperation with law firms • The system for monitoring important matters • Internal regulations, including compliance regulations • Bank guaranties for some of the contracts (supplied by counterparties) • Control mechanisms built into IT tools used

Operating area

Risk	Description of the risk and its potential effects	Control mechanisms used
Risk to the security of persons and property	<p>Risk associated with unauthorised access to facilities, including power equipment. The risk also applies to security of employees and third parties present on the premises of the Group's companies, as well as incidents related to terrorism and sabotage. Potential consequences of the risk may involve threat to security of the grid's operation, loss/destruction of property or interruption of operational continuity. Effects of the risk may also involve threat/loss of human life or health by employees or third parties.</p>	<ul style="list-style-type: none"> • Security Plans, including Critical Infrastructure Security Plans • Internal regulations related to security • Property insurance, third party liability insurance and insurance for lost revenues • Physical and technical security systems in the Group's facilities • Security incidents monitoring in the Group • Employee training
Risk of disruption of business continuity	<p>The risk related to unexpected disruptions to normal activities of the ENERGA Group companies that may even lead to disruption of critical activities. Effects of the risk may involve</p>	<ul style="list-style-type: none"> • Business Continuity Plans in the Group's main companies • A back-up physical location and a back-up IT environment for key IT systems

	financial losses, threat to human life or property, or administrative fines.	<ul style="list-style-type: none"> • Regular testing of organisational and technical solutions in annual Test Plans of the business continuity system • SLA with prescribed contractual penalties
Risk associated with unreliability of IT systems	Risk associated with ensuring the availability, integrity and confidentiality of ICT systems, including their interconnection/integration. If the risk materialises, this may lead to increased maintenance costs of the IT systems and the need to incur additional capital expenditures in this respect. The risk may significantly hinder and even prevent the Group companies from performing their basic tasks and may result in criminal liability for failure to comply with legislation applicable to protection of data and information.	<ul style="list-style-type: none"> • Procedures for creating IT system backups • Internal regulations related to ICT security • Service Level Agreements (SLA) and Service Agreements signed with the IT service and hardware suppliers • Eliminating the possibility of entering incorrect data in the system (system validations and the authorisations system) • Training to improve specialist qualifications of the IT area employees • IT Audits - analysis of incidents and implementation of recommendations
Risk of untimely customer and seller service	Risk associated with incorrect request handling and, consequently, failure to comply with conditions of sales and distribution agreements by ENERGA Group companies. Materialisation of the risk may affect the level of customer satisfaction which translates to instability of revenues, make the process of acquiring new customers more difficult and result in the need to pay fines, damages and give discounts; it may also result in filing of civil law lawsuits and deterioration of image.	<ul style="list-style-type: none"> • Outsourcing of the handling of some of the notifications • Customer satisfaction surveys • Monitoring of KPIs designated in the notifications handling process • Processes and Rules for managing the points of contact of the processes among the ENERGA Group companies • IT systems and reporting modules • An emergency form available on the website for filing a report • A team of Business Administrators who monitor process handling on the ongoing basis
Risk associated with failure to comply with the Compliance Programme	This risk is associated with the violation of the Compliance Programme in place in ENERGA Operator SA. If the risk materialises, this may result in complaints being filed by system users to the Energy Regulatory Office and the Office of Competition and Consumer Protection. The effects of the risk involve increased workload related to the preparation and conducting of explanatory proceedings before the ERO President or the imposition of possible fines.	<ul style="list-style-type: none"> • The provisions of the Compliance Programme allowing for seeking of damages on general principles from the employee who breached his/her duties, which resulted in a fine being imposed by the ERO President • Provisions of the agreements related to subcontractors' and service providers' conformity with the Compliance Program • Training conducted on regular basis
Risk of fuel purchase	This risk is related to the need to fulfil requirements of the production process and legal requirements pertaining to having sufficient stocks of coal to ensure continuity of electricity and heat production. This risk is also related to limited capabilities of transporting fuel. If the risk materialises, this may result in limitation of production and related benefits lost, an increase in costs as a result of the need to make intervention procurement, or fines.	<ul style="list-style-type: none"> • Flexible contracts for fuel supplies (qualitative scale, options to purchase additional quantities) • Monitoring of the fuel market • Long-term contracts (coal, transport) • Close co-operation with coal suppliers • Supplier diversification • Inventory management (including record-keeping the stock level)

Finance area

Risk	Description of the risk and its potential effects	Control mechanisms used
Interest rate risk	The risk involves incurred debts and invested cash surplus of the Group. If the risk materialises, this may result in difficulties in financial planning. This may result in hindered development of the ENERGA Group, an increase in costs or a drop in revenues related to cash management.	<ul style="list-style-type: none"> • Hedge Accounting • Market Risk Management Policy • Natural hedging mechanism
FX risk	The risk pertains to changes in the EUR to PLN exchange rate, as well as SEK exchange rate for the eurobonds issued or cash in foreign currencies. Effects of the risk may lead to an increase in costs/ drop in revenues related to cash management (debt/surplus) and fluctuations in financial results from one to another period.	<ul style="list-style-type: none"> • Hedge Accounting • Market Risk Management Policy • Natural hedging mechanism
Risk of tax settlements	Risk associated with calculation of taxes, ineffective tax settlements, including within the Tax Group and settlements prepared for tax purposes in SEK (in connection with repayment of eurobonds issued by ENERGA Finance AB). If the risk materialises, this may result in fines and interest being imposed, the need to make additional payments to make up for the incorrectly accrued tax or gains or losses on exchange, or it may lead to the loss of benefits attributable to the Tax Group and absence of VAT deductions.	<ul style="list-style-type: none"> • Internal regulations related to transfer prices and tax management • Collaboration with tax consultants (permanent and incidental) • Filing petitions with the Ministry of Finance to hand down individual tax rulings • Employee training • Monitoring changes to tax laws • Verification of agreements from tax standpoint before signing • Procedures protecting from criminal tax liability • Tax inspections and audits
Liquidity risk	The risk related to the ability to repay debts in the short- and long-term. If the risk materialises, this may result in limited potential of implementing strategic goals, failure to meet conditions set out in the external financing agreements or an increase in the financing costs.	<ul style="list-style-type: none"> • Long-term financial model (projection, update and control) • Annual economic and financial plans with the necessary financial buffer • Cash pooling • Daily cash flow plans over a 3 months' horizon • Regular analysis of plan deviations • Diversification of financing sources
Risk associated with the pricing policy	The risk associated with incorrect calculation of sales prices, preparation of customer offers for future years based on cost data resulting from current market prices and current legal status, which are not or cannot be fully secured and the ERO President' s approval of the tariff rates at the level not guaranteeing profitability of sales. If the risk materialises, this may result in losing the market share (margin, volume, revenue), and if the tariff is not approved – inability to bill customers for the sales.	<ul style="list-style-type: none"> • Market research, conducted on an ongoing basis, from the standpoint of changes taking place on the market and changes to the legal and regulatory environment • Ongoing examination of the planned financial result and other selected ratios, and ongoing analysis of the impact of the adopted price calculation rules on that result/ratios • Ongoing examination of the offering mechanisms (including the Conjugate

		Model) and correctness of operation of IT trade systems and databases
		<ul style="list-style-type: none"> • Close collaboration to acquire the information necessary to shape the pricing policy • Audits and inspections • Offering monitoring system
Risk associated with reporting and management accounting	<p>The risk is related to business decisions made on the basis of the following:</p> <ul style="list-style-type: none"> • budgeting and monitoring the performance of the companies' budgets, reports and management information for the companies' governing bodies and for the Group; • profitability analyses of the investment projects; • impairment tests; • long-term modelling. <p>If the risk materialises, this may result in making incorrect decisions on the execution or abandoning of investment tasks, the need to make impairment losses and lost revenues or additional costs.</p>	<ul style="list-style-type: none"> • Macroeconomic guidelines and assumptions for the price paths for financial models • Best practices and experience • Analytical skills of the team • IT tools • Management control matrices

Financial risk management in the Group

Interest rate risk

The ENERGA Group finances its operating or investing activity with debt liabilities bearing interest at a floating or fixed interest rate. Interest rates are also associated with investment of surplus cash in floating or fixed interest rate assets.

The floating interest rate risk resulting from concluded debt liabilities applies to WIBOR-based rates only. In respect to liabilities denominated in EUR, the ENERGA Group has contracted financial debt under issued fixed-coupon Eurobonds.

According to the interest rate risk policy, risk of variation in interest rates is mitigated by maintaining a portion of debt with fixed interest rate. Under these assumptions, IRS floating interest rate hedging transactions are executed. In the first half of 2018, 2-year and 4-year IRS hedging transactions were concluded, with a total nominal of PLN 100 m and PLN 200 m respectively.

In connection with implementation of hedge accounting, the ENERGA Group also identifies interest rate risk related to the concluded CCIRS and IRS hedging transactions, which however has no effect on the Group's financial result.

Moreover, the level of interest rates has a direct effect on the WACC quoted by the ERO President to calculate the return on RAB, which is included in the tariffs of ENERGA-OPERATOR SA. Low interest rates result in a lower return on RAB and an increase in actuarial provisions.

Foreign exchange risk

In the financial area, the FX risk is associated mainly with incurring and servicing ENERGA Group's debt liabilities in foreign currencies under the EMTN Eurobond Issue Programme. Additionally, selected ENERGA Group companies have foreign currency surpluses resulting from their operating activity or investing activity. The ENERGA Group monitors the foreign exchange risk and manages it primarily through contracted CCIRS hedge transactions and implemented hedge accounting.

Credit risk

Credit risk is associated with the counterparty's potential permanent or temporary insolvency with regard to financial assets such as cash and cash equivalents and financial assets available for sale. The risk arises due to the contractual counterparty's inability to make the payment and the maximum exposure to this risk equals the carrying amount of acquired instruments.

In the scope being analysed, the goal of credit risk minimisation is the regular monitoring of ratings from financial institutions which the ENERGA Group cooperates with.

Liquidity risk

Risk of loss of financial liquidity is associated with the possibility of losing the ability to pay liabilities on time or losing possible benefits resulting from over-liquidity.

ENERGA Group companies monitor the liquidity risk using a regular liquidity planning tool. The tool takes into account the payment due/maturity dates for investment liabilities and financial assets and liabilities and projected cash flows from operating activity. The Group aims at maintaining the balance between continuity and flexibility of financing through the use of various sources of financing, such as working capital and investment loans, local bonds and Eurobonds. Since the Group's debt is centralised in ENERGA, this company monitors the fulfilment of covenants on an ongoing basis and their forecasts in the long term, which allows it to determine the ENERGA Group's debt capacity, its capability to conduct capital expenditures and affects its capacity to pay liabilities on a timely basis over the long term.

In order to mitigate the risk of losing liquidity, the Group companies may use the mechanism of issuing short-term bonds, and, as part of the established bonds issue programmes, the purchase offers are made by the issuer – a Group company – to other companies only. The procedure is coordinated by ENERGA SA, which makes it possible to optimise the entire process in terms of its organisation.

The effectiveness is maximised through the zero-balancing cash pooling, implemented in January 2016, which involves utilisation of Group's cash surpluses to finance the current operations of individual Group companies.

ENERGA SA also concluded loan agreements with several financial institutions, which represent an immediate liquidity reserve in case of any liquidity needs.

2.8. Proceedings pending before courts, arbitration or public administration bodies

As at 30 June 2018, the ENERGA Group was a party to 12,670 court proceedings. The Group acted as a plaintiff in 11,086 cases, where the aggregated amount in dispute was approx. PLN 600,520,000. The Group acted as a defendant in 1,576 cases, where the aggregated amount in dispute was approx. PLN 524,740,000.

As at 30 June 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 20.5 m in approx. 3,729 cases. There were 2,094 pending court cases and the amount in dispute in such pending cases was PLN 209.3 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 74.3 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 30 June 2018, the aggregated amount of all such cases was approx. PLN 200,161,000, of which:

Type of receivables	Balance as at 30 Jun 2018
court and enforcement-based	PLN 133,531,959.58
bankruptcies	PLN 59,132,077.96
non-billing	PLN 6,804,756.73
Non-billing – bankruptcies	PLN 692,169.48
Total	PLN 200,160,963.76

The table below presents the continuation of proceedings with the highest amount in dispute, which remained pending in Q2 2018. The Company's previous periodic reports and Prospectus contain information on legal steps taken in earlier periods.

Table 3: Proceedings pending before courts, arbitration or public administration bodies

Parties	Subject matter	Description of the case
T- Matic Systems SA, Arcus SA (defendant) ENERGA Operator SA (plaintiff)	Claim for payment of contractual penalties under the agreements to supply and launch the metering infrastructure (re: stage I of AMI).	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 defence, 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 ENERGA Operator SA, and relied on the operation of force majeure, the fact that ENERGA Operator SA suffered no losses and grossly excessive amount of the contractual penalties. By letter of 30 September 2015, ENERGA Operator SA filed a reply to the statement of defence, responding in detail to all the defences and tendering new evidence. On 18 December 2015, the defendants filed a rejoinder putting forward similar argumentation to the one presented in the statement of defence but extended to include a defence 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 ENERGA Operator SA 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 two more witnesses to be examined and the date of the hearing for this purpose is scheduled for 11 September 2018.
T-Matic Systems SA, Arcus SA (plaintiff) ENERGA- Operator SA (defendant)	Claim to declare an agreement regarding stage II of AMI invalid	On 8 February 2016, the statement of claim filed by T-Matic Systems SA and ARCUS SA was served on ENERGA Operator SA. The case is pending before the Regional Court in Warsaw, file No. IX GC 893/15. The

	Counterclaim for payment of contractual penalties for stage II of AMI	<p>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 on resuming the proceedings which had been previously suspended at the request of the parties. 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 21 September 2018.</p> <p>As regards the counterclaim, it was served on the plaintiffs (counterclaim defendants) who filed a statement of defence.</p>
T- Matic Systems SA, Arcus SA(plaintiff) ENERGA- Operator SA (defendant)	Claim for payment of compensation for unlawful acts/unfair competition practices	<p>On 29 January 2018, ENERGA 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 ENERGA Operator SA. The compensation, as described in the statement of claim, concerns losses resulting from an unlawful act/unfair competition practice committed deliberately by ENERGA Operator SA 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 SA, 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>A statement of defence was filed, the hearing was set to take place on 24 October 2018.</p>
ENERGA Operator SA (plaintiff); PKN ORLEN SA (defendant)	Claim for payment	<p>On 19 April 2016, the Court of Appeal in Warsaw issued judgment in the case brought by ENERGA Operator SA, Branch in Płock, against PKN Orlen SA. 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. ENERGA Operator SA applied for delivery of the judgment with a justification, which was delivered to the Plaintiff's representative on 1 August 2016. On 29 September 2016, ENERGA Operator SA filed with the Supreme</p>

		<p>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. A hearing was held on 11 May 2018 before the Regional Court in Warsaw. The Court called the parties to consider a settlement and gave one month to the attorneys-in-fact to present new evidence requests concerning the nature of the agreement binding the parties after 1 January 2002. The next hearing was set to take place on 4 October 2018.</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 conducting the proceedings has not taken any further steps in the case.</p>
ENERGA Operator SA (party); PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)	Fine imposed by the authority	<p>ENERGA Operator SA received the decision of 6 November 2017 imposing fines totalling PLN 13,600,000 for breaching the Traffic and Distribution Grid Operation Manual by: (1) communication with trading companies using other codes than provided for in the Traffic and Distribution Grid Operation Manual; (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; (6) 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.</p>

ENERGA Kogeneracja Sp. z o.o. (plaintiff) - Mostostal Warsaw SA (defendant)	Claim for payment on account of the reduction of the contractual price	<p>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 SA 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 defence by 15 December 2017. On 22 December 2017, ENERGA Kogeneracja Sp. z o.o. received a statement of defence 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. With the letter of 27 April 2018 Mostostal Warsaw SA sustained the opposition and presented its further position. With the letter of 13 June 2018 Mostostal Warsaw SA applied for repealing the decision on perpetuation of evidence and admitting the evidence in the form of an opinion issued by an research and scientific institute in the normal course of proceedings.</p>
Boryszewo Wind Invest Sp. z o.o. (plaintiff) ENERGA Obrót SA (defendant)	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>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 defence.</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 defence.</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 third rejoinder.</p> <p>A hearing was held on 14 May 2018.</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 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 801/17.</p> <p>Relax Wind Park I sp. z o.o. and the Bank of China filed statements of defence.</p> <p>A counterclaim of Relax Wind Park I sp. z o.o. was received on 8 February 2018.</p> <p>On 22 June 2018, ENERGA Obrót SA filed a reply with a response to the counterclaim.</p>
<p>ENERGA Obrót SA (plaintiff) - "MEGAWATT BALTICA" SA (defendant 1), Powszechna Kasa Oszczędności Bank Polski SA (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 defence accompanied by a counterclaim and a motion to secure the claim. On the same date, PKO BP SA filed a statement of defence.</p> <p>The first hearing was held on 7 February 2018.</p> <p>On 29 January 2018, a court session (attended by Megawatt Baltica SA) 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>On 12 March 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p> <p>On 16 April 2018, Megawatt Baltica filed a second rejoinder.</p> <p>A hearing was held on 10 May 2018.</p> <p>On 30 May 2018, the parties submitted their summaries.</p> <p>On 4 June 2018, the Court issued a partial judgment which dismissed the action brought by ENERGA Obrót SA for ascertainment.</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 defence.</p>

		<p>On 19 January 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p> <p>On 5 April 2018, Zajączkowo filed a second rejoinder.</p> <p>The first hearing was held on 13 April 2018.</p> <p>On 18 May 2018, the parties reached a settlement and ENERGA Obrót SA withdrew the action.</p> <p>On 22 May 2018, the Court discontinued the proceedings.</p>
ENERGA Obrót SA (plaintiff) - EOLICA KISIELICE sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (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")	<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 Kisielice filed a statement of defence.</p> <p>On 12 March 2018, Raiffeisen Bank Polska filed a counterclaim for payment (the amount claimed: PLN 3,104,430)</p> <p>On 25 March 2018, ENERGA Obrót SA filed a reply to the statement of defence with a response to the counterclaim.</p>
ENERGA Obrót SA (plaintiff) - PGE ENERGIA ODNAWIALNA SA, (defendant)	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>On 11 September 2017, ENERGA 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 defence.</p> <p>On March 8, 2018, PGE filed an application for an order referring the parties to mediation.</p> <p>A hearing was held on 25 April 2018. The Court directed the parties to mediate.</p>
ENERGA Obrót SA (plaintiff) - C&C WIND sp. z o.o. (defendant 1), Bank Ochrony Środowiska SA (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")	<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 127/17.</p> <p>On 5 December 2017, C&C Wind filed a statement of defence accompanied by a counterclaim.</p> <p>On 5 December 2017, BOŚ SA filed a statement of defence.</p> <p>On 29 December 2017, ENERGA 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</p>

		<p>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>On 12 March 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p> <p>On 16 April 2018, C&C Wind filed a second rejoinder.</p> <p>A hearing was held on 10 May 2018.</p> <p>On 30 May 2018, the parties submitted their summaries.</p> <p>On 4 June 2018, the Court issued a partial judgment which dismissed the action brought by ENERGA Obrót SA for ascertainment.</p>
ENERGA Obrót SA (plaintiff) - BORYSZEWO WIND INVEST Sp. z o.o. (defendant 1), MBANK SA (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")	<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 799/17.</p> <p>On 31 October 2017, MBANK filed a statement of defence.</p> <p>On 10 November 2017, Boryszewo Wind Invest filed a statement of defence.</p> <p>On 21 December 2017, ENERGA Obrót SA filed a reply to the statement of defence.</p> <p>On 23 March 2018, MBANK filed a second rejoinder.</p> <p>On 30 April 2018, Boryszewo filed a second rejoinder.</p>
ENERGA Obrót S.A (plaintiff) - JEŻYCZKI WIND INVEST sp. z o.o., (defendant 1), MBANK SA (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")	<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 defence.</p> <p>On 3 January 2018, ENERGA Obrót SA filed a reply to the statement of defence.</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 third rejoinder.</p> <p>A hearing was held on 17 April 2018.</p> <p>On 17 April 2018 the defendants filed a joint procedural document – a response to the third rejoinder.</p> <p>A hearing was held on 8 May 2018.</p> <p>A hearing was held on 11 May 2018.</p>

		On 6 June 2018 the Court dismissed the action with its judgment.
ENERGA Obrót S.A (plaintiff) - WIND INVEST sp. z o.o., (defendant 1), MBANK SA (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")	<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 defence.</p> <p>On 26 March 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p>
ENERGA Obrót S.A (plaintiff) - STARY JAROSŁAW WIND INVEST sp. z o.o., (defendant 1), MBANK SA (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")	<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 defence.</p> <p>On 15 March 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p>
ENERGA Obrót SA (plaintiff) - LIVINGSTONE sp. z o.o. (defendant 1), DNB BANK POLSKA SPÓŁKA AKCYJNA (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")	<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 defence.</p> <p>On 26 February 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p> <p>A hearing was held on 16 April 2018.</p> <p>On 23 April 2018 the parties submitted their procedural documents.</p> <p>A hearing was held on 7 May 2018.</p> <p>On 18 May 2018 the Court dismissed the action with its judgment.</p>
ENERGA Obrót SA (plaintiff) - PGE ENERGIA ODNAWIALNA SA, (defendant)	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>On 11 September 2017, ENERGA 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 defence.</p> <p>27 March 2018 – an order referring the parties to mediation and appointing a mediator.</p> <p>On 19 March 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p>

		27 March 2018 – an order referring the parties to mediation and appointing a mediator.
ENERGA Obrót S.A (plaintiff) - KRUPY WIND INVEST sp. z o.o. (defendant 1), MBANK SA (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”)	<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 803/17.</p> <p>On 24 November 2017, Krupy Wind Invest and MBANK filed statements of defence.</p> <p>On 26 April 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p>
ENERGA 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 ENERGA Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)	<p>On 11 September 2017, ENERGA 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 defence.</p> <p>26 February 2018 – an order referring the parties to mediation and appointing a mediator.</p> <p>The Court directed the parties to mediate.</p>
ENERGA Obrót SA (plaintiff) - "WINDVEST - POLAND" sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (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”)	<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 711/17.</p> <p>On 22 December 2017, Windvest and Raiffeisen filed a statement of defence.</p> <p>On 19 March 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p>
ENERGA Obrót SA (plaintiff) - NIDZICA sp. z o.o. (defendant 1), BANK OCHRONY ŚRODOWISKA SA (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”)	<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 defence.</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 defence.</p> <p>On 24 November 2017, BOŚ filed a statement of defence.</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 defence.</p> <p>On 30 May 2018, the parties reached a settlement.</p> <p>On 5 June 2018 ENERGA Obrót SA withdrew the action.</p> <p>On 7 June 2018, the Court decided to discontinue the proceedings.</p>
<p>ENERGA Obrót SA (plaintiff) - "SAGITTARIUS SOLUTIONS" sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (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 defence.</p> <p>On 5 March 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p>
<p>ENERGA Obrót SA (plaintiff) - "EW CZYŻEWO" sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (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 defence accompanied by a counterclaim.</p> <p>On 22 December 2017, BGŻ BNP filed a statement of defence.</p> <p>On 28 February 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p> <p>On 18 May 2018 EW Czyżewo filed a second rejoinder with extension of the counterclaim.</p> <p>A hearing was held on 26 June 2018.</p>
<p>ENERGA Obrót SA (plaintiff) - ELEKTROWNIA WIATROWA EOL sp. z o.o. (defendant 1), BANK ZACHODNI WBK SA (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 defence.</p> <p>On 14 November 2017, BZWBK filed a statement of defence.</p> <p>On 21 November 2017, EW EOL filed a statement of defence.</p>

		<p>On 15 January 2018, ENERGA Obrót SA filed a reply to the statements of defence.</p> <p>6 February 2018 – an order referring the parties to mediation and appointing a mediator.</p> <p>The defendant did not agree to mediation.</p>
<p>ENERGA Obrót SA (plaintiff) - WIELKOPOLSKIE ELEKTROWNIE WIATROWE sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (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 defence.</p> <p>On 19 December 2017, BGŻ BNP filed a statement of defence.</p> <p>On 29 January 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p> <p>On 10 April 2018, Wielkopolskie Elektrownie Wiatrowe filed a second rejoinder.</p> <p>A hearing was held on 28 May 2018.</p>
<p>ENERGA Obrót SA (plaintiff) - " EW KOŹMIN" sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (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 defence accompanied by a counterclaim.</p> <p>On 18 December 2017, BGŻ BNP filed a statement of defence.</p> <p>On 28 February 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p> <p>A hearing was held on 26 March 2018.</p> <p>On 25 April 2018, BGŻ BNP filed a second rejoinder.</p> <p>On 27 April 2018 EW Koźmin filed a second rejoinder with extension of the counterclaim.</p> <p>On 12 June 2018, ENERGA Obrót SA filed a reply to the extended counterclaim.</p> <p>A hearing was held on 13 June 2018.</p>

ENERGA Obrót SA (plaintiff) - "WIATROWA BALTICA" sp. z o.o. (defendant 1), Raiffeisen Bank Polska SA (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")	<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 129/17.</p> <p>On 4 December, Wiatrowa Baltica and Raiffeisen Bank filed a statement of defence accompanied by a counterclaim.</p> <p>The first hearing was held on 7 February 2018.</p> <p>On 12 March 2018, ENERGA Obrót SA filed a reply to the statement of defence.</p> <p>On 16 April 2018, Wiatrowa Baltica filed a second rejoinder.</p> <p>A hearing was held on 10 May 2018.</p> <p>On 30 May 2018, the parties submitted their summaries.</p> <p>On 4 June 2018, the Court issued a partial judgment which dismissed the action brought by ENERGA Obrót SA for ascertainment.</p>
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2.9. Headcount in the Group

As at 30 June 2018, the ENERGA SA Group employed 9,520 persons (vs. 8,970 persons as at 30 December 2017). The increase in employment in the first half of this year resulted mainly from employment of security guards by ENERGA Ochrona Sp. z o.o., a company established at the end of the previous year (Other Business Line), responsible for supervision over property and facilities of the Group, development of competencies in the Group as regards services of design of MV and HV power lines and the distribution substation for the Distribution Business Line by ENERGA Invest Sp. z o.o. (Other Business Line), implementation of the policy which provided for gradual replacement of outsourced services with services performed by human resources of the ENERGA Group, i.e. recruitment of persons working round-the-clock in Group companies under contracts signed with temporary work agencies, and actions aiming to eliminate competence- and generation gaps affecting electricians, engineers and technical staff in Distribution and Generation Business Lines.

In addition, as part of the process of centralisation of procurement and IT centralisation, employees were transferred from Group companies to two companies in the Other Business Line, which have specialised procurement centres in the area of IT and other procurement.

In Q2 2018, the Group recorded an increase in employment by 303 persons, i.e. 3.3%.

2.10. Collective disputes and collective dismissals

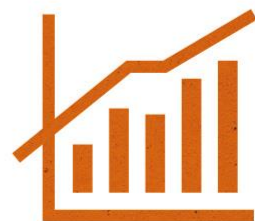
General assessment of social situation in the ENERGA Group shows the lack of major conflict situations. No collective redundancies were made in the ENERGA Group in the first half of 2018. A collective dispute at ENERGA Elektrownie Ostrołęka SA initiated by two union organisations, i.e. Power Engineer Trade Union, Continuous Process Industry Staff Trade Union, of 8 September 2017, is currently at the stage of mediation. To resolve the collective dispute, the Parties took steps to reach a relevant agreement.

2.11. Awards and recognitions

Table 4: Awards and recognitions received by the Group in the first half of 2018

H1 2018
Jan 2018 The Energy Team was nominated in Przegląd Sportowy poll for the sportsperson of the year 2017, an additional category of “Heart for Sports (Foundations)”.
Mar 2018 Parkiet’s Bull and Bear Gala 2017, an award for the best managers 2017.
Jun 2018 1. An award for the naming rights sponsor of ENERGA Basket League, for the support provided in the 2017/18 season. 2. A commemorative engraving with ENERGA Basket League medals for the 2017/18 season.

Analysis of the financial situation and assets



3. ANALYSIS OF THE FINANCIAL SITUATION AND ASSETS

3.1. Rules for preparing the Mid-Year Consolidated Financial Statements

These condensed interim consolidated financial statements of the ENERGA Group as at and for the six-month period ended 30 June 2018 has been 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 six-month period ended on 30 June 2018.

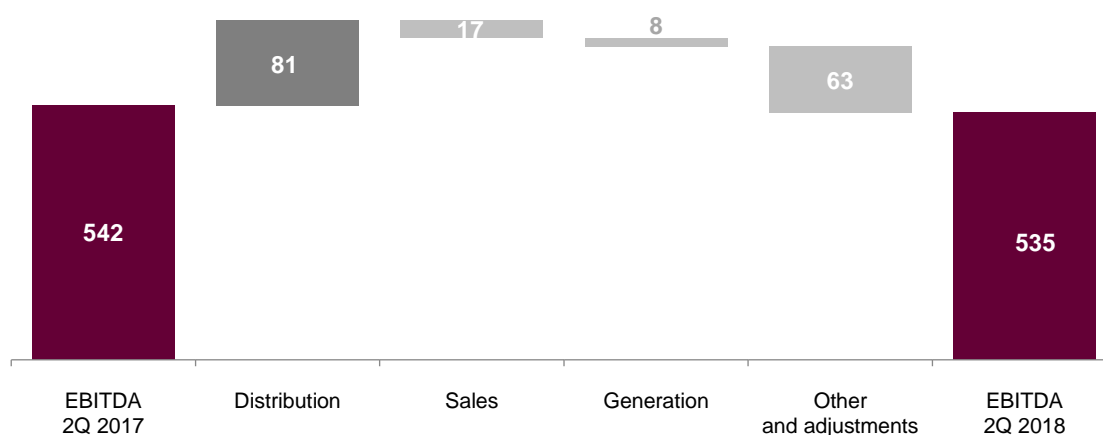
3.2. Explanation of the economic and financial data disclosed in the Condensed Consolidated Financial Statements

Table 5: Consolidated statement of profit or loss

PLN m	H1 2017	H1 2018	Change	Change (%)
Sales revenues	5,197	5,034	(163)	-3%
Cost of sales	(4,251)	(3,884)	367	9%
Gross profit on sales	946	1,150	204	22%
Other operating income	96	57	(39)	-41%
Selling and distribution expenses	(172)	(163)	9	5%
General and administrative expenses	(162)	(183)	(21)	-13%
Other operating expenses	(53)	(58)	(5)	-9%
Operating profit	655	803	148	23%
Result on financial activity	(64)	(162)	(98)	< -100%
Share in profit/(loss) of entities measured by the equity method	8	51	43	> 100%
Profit or loss before tax	599	692	93	16%
Income tax	(111)	(135)	(24)	-22%
Net profit or loss for the period	488	557	69	14%
EBITDA	1,143	1,161	18	2%

PLN m	Q2 2017	Q2 2018	Change	Change (%)
Sales revenues	2,487	2,392	(95)	-4%
Cost of sales	(2,074)	(1,816)	258	12%
Gross profit on sales	413	576	163	39%
Other operating income	59	28	(31)	-53%
Selling and distribution expenses	(82)	(75)	7	9%
General and administrative expenses	(77)	(91)	(14)	-18%
Other operating expenses	(13)	(23)	(10)	-77%
Profit or loss on operating activity	300	415	115	38%
Result on financial activity	(80)	(86)	(6)	-8%
Share in profit/(loss) of entities measured by the equity method	(2)	21	23	> 100%
Profit or loss before tax	218	350	132	61%
Income tax	(43)	(70)	(27)	-63%
Net profit or loss for the period	175	280	105	60%
EBITDA	542	535	(7)	-1%

Figure 2: EBITDA bridge by business lines



In Q2 2018, sales revenues of the Group were PLN 2,392 m, down by 4% or PLN 95 m compared to Q2 2017. Revenues of the Distribution Business Line fell by PLN 19 m compared to Q2 of the previous year. The drop mainly resulted from the change of presentation of the costs of the transitional charge; revenues were adjusted downwards by the value of the transitional charge previously presented under costs. The change in presentation resulted in a considerable drop in cost of sales. The lower sales revenue was partly offset by a higher volume of distribution services sold and a change in measurement of sales revenues which have not been invoiced yet (transition to reports generated from the new billing system). Generation Business Line and Sales Business Line have also recorded slight decreases in revenues. The lower revenues of Other and Adjustments Business Line are attributable to sales of electricity to ENERGA Operator for the purpose of covering network losses; that sales were an intra-Group transaction which increased the exclusions between Business Lines.

The Group's EBITDA in Q2 this year was PLN 535 m and dropped by 1% compared to the corresponding period of the previous year. An increase in EBITDA of the Distribution Business Line largely offset EBITDA drops in other Lines.

The Distribution Business Line had the greatest share in the Group's EBITDA in Q2 2018 (90%), while the Generation Business Line and Sales Business Line shares were 12% and 1%, respectively. The highest increase in EBITDA (by PLN 81 m, to the level of PLN 481 m) was recorded by the Distribution Business Line, primarily on the back of the distribution margin being higher by PLN 99 m (taking into account network losses). The higher margin was offset by a decrease in revenues from new connections and higher OPEX relative to the previous year (including impairment charges on receivables). The deteriorated EBITDA of the Sales Business Line resulted from a dynamic and unexpected increase in electricity market prices. In addition, EBITDA of the Generation Business Line decreased chiefly in connection with the increase in the cost of purchasing CO₂ emission allowances resulting from higher market prices of CO₂ emission allowances and a smaller pool of free generation allowances granted to the Line for 2018. On the other hand, a lower EBITDA of the Other and Adjustments Business Line is attributable to the high EBITDA in Q2 2017 which included profit in the amount of PLN 50 m from occasional acquisition arising in connection with the preliminary accounting of shares acquisition in Polimex - Mostostal SA

In Q2 2018, operating profit increased by PLN 115 m relative to Q2 2017 and, in addition to the factors mentioned above, the biggest impact on yoy change of EBIT was made by the reversal of impairment charges on wind farms in the Generation Business Line with a total value of PLN 117 m.

In Q2 2018, the Group recognised a share in profits of associated entities and joint ventures at PLN 21 m. In the corresponding period of the previous year, the Group recognised PLN 2 m as a share in losses.

The net result of the Group in Q2 2018 was positive and totalled PLN 280 m, an increase by 105 million PLN for mid-quarter 2017, however, it should be noted that substantial impact on this deviation was due to the reversal of the allowance on the winner's floors – impact on the net value of PLN 96 million.

In H1 2018, the Group's EBITDA was PLN 1,161 m, up by 2% in comparison with the corresponding period of the previous year. The Group's EBITDA was positively affected primarily by the Distribution Business Line (yoy EBITDA growth by PLN 59 m) which is mostly attributable to higher distribution margin (taking into account network losses), and the Sales Business Line (yoy EBITDA growth by PLN 46 m) where the chief contributing factor was the lower amount of contractual and legal obligations (the Offtaker of Last Resort and long-term contracts for the purchase of green certificates). Growth generated by those Business Lines offset the weaker results in other Business Lines: Other and Adjustments (yoy decline by PLN 78 m) resulting mostly from a one-off event in the corresponding period of the previous year as described above and Generation (yoy decline by PLN 9 m).

The following table shows the effect of extraordinary events on EBITDA.

Table 6: EBITDA after material one-off events*

EBITDA (PLN m)	
H1 2018	
EBITDA	1,161
Adjusted EBITDA	1,165
H1 2017	
EBITDA	1,143
Adjusted EBITDA	1,101
<i>including:</i>	
<i>Gains from occasional acquisition</i>	(50)
EBITDA (PLN m)	
Q2 2018	
EBITDA	535
Adjusted EBITDA	539
Q2 2017	
EBITDA	542
Adjusted EBITDA	501
<i>including:</i>	
<i>Gains from occasional acquisition</i>	(50)

*The Table shows one-off events identified on the basis of a materiality criterion which has been set at PLN 25 m.

Table 7: Consolidated statement of financial position

PLN m	As at 31 December 2017	As at 30 June 2018	Change	Change (%)
ASSETS				
Non-current assets				
Property, plant and equipment	13,371	13,653	282	2%
Intangible assets	338	309	(29)	-9%

Goodwill	15	15	-	-
Investments in associated entities and joint ventures measured by the equity method	728	836	108	15%
Deferred tax assets	325	307	(18)	-6%
Other non-current financial assets	46	130	84	> 100%
Other non-current assets	107	104	(3)	-3%
	14,930	15,354	424	3%

Current assets

Inventories	352	415	63	18%
Current tax receivables	31	26	(5)	-16%
Trade receivables	1,843	1,063	(780)	-42%
Contract assets	-	582	582	-
Other current financial assets	83	26	(57)	-69%
Cash and cash equivalents	3,641	3,189	(452)	-12%
Other current assets	176	345	169	96%
	6,126	5,646	(480)	-8%

TOTAL ASSETS	21,056	21,000	(56)	-0%
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EQUITY AND LIABILITIES

Equity

Share capital	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	(2)	2	4	> 100%
Reserve capital	1,018	1,018	-	-
Supplementary capital	1,433	1,540	107	7%
Cash flow hedge reserve	2	7	5	> 100%
Retained earnings	2,436	3,069	633	26%

Equity attributable to equity holders of the Parent Company	9,409	10,158	749	8%
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Non-controlling interest	56	57	1	2%
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	9,465	10,215	750	8%
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Non-current liabilities

Loans and borrowings	2,720	2,538	(182)	-7%
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Liabilities on account of the issue of debt securities	4,520	4,552	32	1%
Non-current provisions	550	573	23	4%
Deferred tax liability	596	644	48	8%
Deferred income and non-current grants	501	259	(242)	-48%
Other non-current financial liabilities	81	5	(76)	-94%
	8,968	8,571	(397)	-4%
Current liabilities				
Trade payables	792	459	(333)	-42%
Contract liabilities	-	105	105	-
Current loans and borrowings	356	364	8	2%
Liabilities on account of the issue of debt securities	109	78	(31)	-28%
Current income tax liability	11	6	(5)	-45%
Deferred income and grants	182	146	(36)	-20%
Short-term provisions	571	538	(33)	-6%
Other financial liabilities	280	129	(151)	-54%
Other current liabilities	322	389	67	21%
	2,623	2,214	(409)	-16%
Total liabilities	11,591	10,785	(806)	-7%
TOTAL EQUITY AND LIABILITIES	21,056	21,000	(56)	-0%

As at 30 June 2018, the balance sheet total of the ENERGA Group was PLN 21,000 m, down by PLN 56 m compared to 31 December 2017.

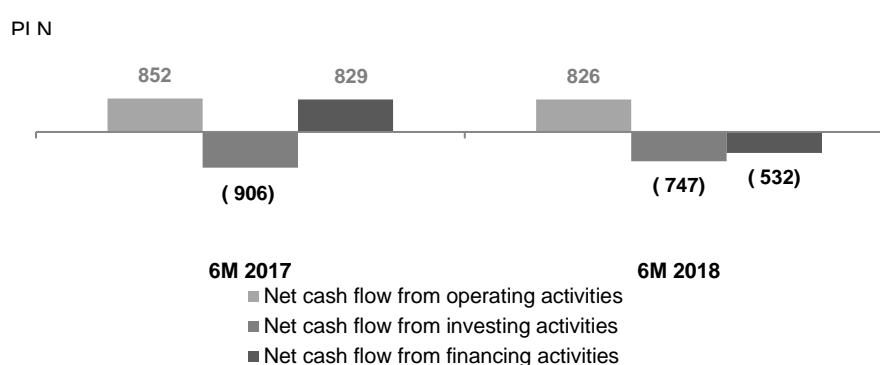
In non-current assets, the most significant change was recorded under property, plant and equipment. The biggest contributors to the PLN 282 m increase were capital expenditures, in particular in the Distribution Business Line (expenditures on expansion and modernisation of the grid) and impairment charges on assets (reversal of impairment charges on wind farms in the Generation Business Line with a total value of PLN 117 m) net of depreciation and amortization. The key change under current assets concerned the balance of cash (the reasons are presented in the section related to cash flows).

ENERGA Group equity was PLN 10,215 m as at 30 June 2018 and financed the Group's operations in 48.6%. In Q2 2018, ENERGA SA's profit for 2017 was distributed. The entire profit totalling PLN 107 m was transferred to supplementary capital.

As regards liabilities, major changes affected the balance of trade payables (applies mainly to ENERGA Obrót SA) and deferred income and non-current grants (the drop is mainly related to connection fees and follows from the application of IFRS 15 "Revenue from Contracts with Customers").

Table 8: Consolidated statement of cash flows

PLN m	H1 2017	H1 2018	Change	Change (%)
Net cash flow from operating activities	852	826	(26)	-3%
Net cash flows from investment activities	(906)	(747)	159	18%
Net cash flows from financial activities	829	(532)	(1,361)	< -100%
Net increase / (decrease) in cash	775	(453)	(1,228)	< -100%
Cash and cash equivalents at the end of the reporting period	2,239	3,190	951	42%

Figure 3: Cash flows of the Group in H1 2018 and 2017 (PLN m)

As at 30 June 2018, the Group held PLN 3,190 m in cash, which is PLN 951 m more than a year before.

Total net cash flows from operating, investment and financial activities of the Group in H1 2018 were negative at PLN 453 m, compared to positive flows of PLN 775 m in the corresponding period of 2017.

Cash flows from operating activities dropped by PLN 26 m compared to the corresponding period of the previous year. The decline in cash flows from operating activities compared to H1 2017 mainly resulted from changes in the working capital. H1 2018 saw a drop in trade receivables, an increase in inventories of certificates of origin and an increase in real property tax accruals, which resulted in an increase in related liabilities, offset by a drop in trade liabilities.

Net cash used in investing activities fell by PLN 159 m in H1 2018. In H1 2018, expenses on acquisition of property, plant and equipment and intangible assets were higher, which was partly offset by the lower investments in associated entities and joint ventures valued with the equity method. In addition, expenditures on term deposits and deposits totalling PLN 127 m were made H1 2017.

In the discussed period, cash flows from financial activities were negative at PLN 532 m, down by PLN 1,361 m on H1 2017. The drop mainly resulted from the lack of receipts from incurred debt compared to receipts of PLN 1,252 m in the corresponding period of 2017.

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

Figure 4: Structure of assets and liabilities

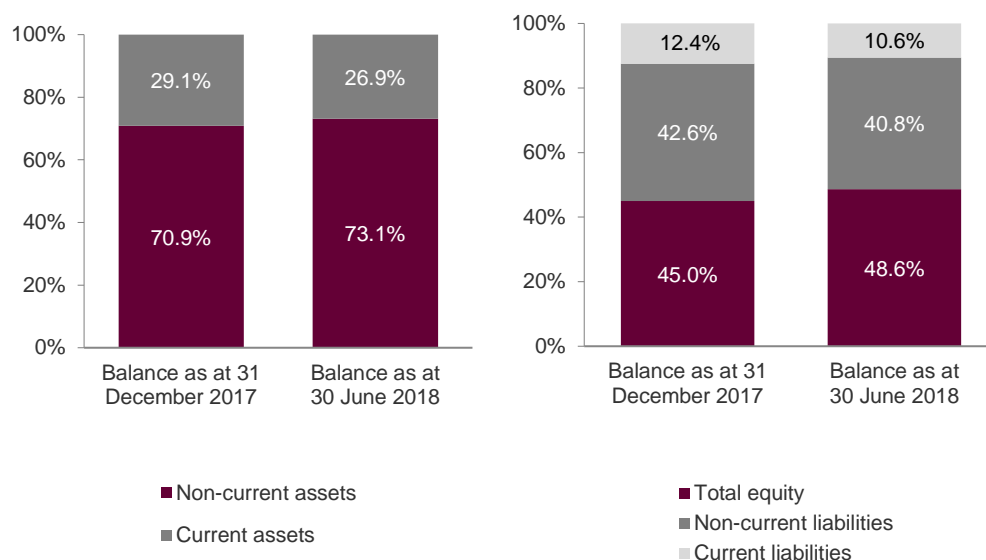


Table 9: Financial ratios of the ENERGA Group

Ratio	Definition	H1 2017	H1 2018
Profitability			
EBITDA	operating result + depreciation and amortization + impairment losses on non-financial non-current assets / sales revenues	22.0%	23.1%
return on equity (ROE)	net profit for the period*/ equity at the end of the period	8.2%	8.4%
return on sales (ROS)	net profit for the period / sales revenues	9.4%	11.1%
return on assets (ROA)	net profit for the period*/ total assets at the end of the period	3.8%	4.1%

* net profit for the last 12 months

Ratio	Definition	As at 31 December 2017	As at 30 June 2018
Liquidity			
current liquidity ratio	current assets/current liabilities	2.3	2.6
Debt			
financial liabilities (PLN m)	total liabilities due to loans and borrowings and long- and short-term debt securities	7,705	7,532
net financial liabilities (PLNm)	financial liabilities - cash and cash equivalents	4,064	4,343
net debt/EBITDA ratio	net financial liabilities/EBITDA *	1.9	2.0

* EBITDA for the last 12 months

The increase in EBITDA (2% yoy) with a drop in revenues (3% yoy) improved the EBITDA margin ratio. As a result of the higher net result for the last 12 months combined with an increase in assets and capitals the profitability ratios based on the annualised net result remained flat yoy.

The drop in cash parallel to the drop in debt mostly attributable to the redemption of bonds and the flat EBITDA in the last 12 months allowed the Group to maintain the net debt/EBITDA ratio at a similar level.

3.4. Description of significant off-balance sheet items

The relevant information can be found in *Guarantees and sureties given* section of this Management Board Report and in the Consolidated Financial Statements - note 19: *Contingent assets and liabilities*

3.5. Key operational data of the ENERGA Group

Table 10: Distribution of electricity by tariff groups

Distribution of electricity by tariff groups (invoiced sales) in GWh	Q2 2017	Q2 2018	Change	Change (%)	H1 2017	H1 2018	Change	Change (%)
Tariff group A (HV)	870	939	69	8%	1,702	1,800	98	6%
Tariff group B (MV)	2,020	2,135	115	6%	4,128	4,376	248	6%
Tariff group C (LV)	1,126	1,099	(26)	-2%	2,347	2,311	(36)	-2%
Tariff group G (LV)	1,380	1,410	30	2%	2,842	2,953	111	4%
Total distribution of electricity	5,396	5,584	188	3%	11,019	11,440	421	4%

In Q2 2018, the volume grew by 188 GWh compared to the corresponding period of 2017, with the average rate of distribution service sold lower by 2% yoy. The highest volume growth was recorded in group B on account of the growing number of customers and economic recovery, as well as in group A mostly due to a higher consumption by one of the key accounts. A small drop in volume was recorded in group C.

Table 11: 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		
Q2 2017	27.9	9.6	37.5	0.5	0.1	0.6
Q2 2018	41.6	10.7	52.3	0.6	0.1	0.7
Change	13.7	1.1	14.8	0.1	0.0	0.1
Change (%)	49%	11%	39%	14%	7%	14%

H1 2017	54.0	19.4	73.4	1.0	0.1	1.1
H1 2018	62.6	23.3	85.8	0.9	0.1	1.1
Change	8.6	3.9	12.5	(0.1)	0.0	(0.1)
Change (%)	16%	20%	17%	-8%	9%	-6%

In Q2 2018, ENERGA Operator's SAIDI and SAIFI indicators were 52.3 minutes per customer and 0.7 outage per customer, respectively. SAIDI and SAIFI indicators deteriorated

relative to the corresponding period of the previous year as a result of a higher failure rate in the power grid in Q2 2018 caused by unfavourable weather conditions.

Table 12: Gross electricity production in the ENERGA Group

Gross electricity production (GWh)	Q2 2017	Q2 2018	Change	Change (%)	H1 2017	H1 2018	Change	Change (%)
Power plants - coal-fired	638	526	(112)	-18%	1,212	1,082	(131)	-11%
Power plants - biomass co-fired	-	-	-	-	-	-	-	-
CHP plants - coal-fired	20	22	2	9%	64	71	7	10%
CHP plants - biomass-fired	14	-	(14)	-100%	23	1	(22)	-96%
Hydropower plants	253	207	(46)	-18%	525	523	(2)	-0%
Pumped storage plant	4	10	6	> 100%	10	20	9	90%
Power plants - wind	109	82	(26)	-24%	224	188	(35)	-16%
Power plants - photovoltaics	2	2	0	25%	2	3	0	20%
Total production of electricity	1,039	849	(190)	-18%	2,062	1,888	(174)	-8%
<i>including from RES</i>	<i>378</i>	<i>291</i>	<i>(86)</i>	<i>-23%</i>	<i>774</i>	<i>715</i>	<i>(59)</i>	<i>-8%</i>

In Q2 2018, generating assets in the ENERGA Group produced 18% less electricity compared to the corresponding period of the previous year. The declines in generation were seen in all source types (except photovoltaics).

The lower output of the Ostrołęka power station (by 112 GWh) relative to Q2 2017 was caused, among others, by the lower must-run production of energy for the Transmission System Operator in Poland and a general overhaul of one of the units carried out in Q2 2018. Lower generation of energy in the Group's CHP plants (by 12 GWh) is a consequence of heat production on local markets in the towns of Ostrołęka, Elbląg and Kalisz. Lower generation of energy by run-of-river power plants (down by 46 GWh) is mainly the result of deteriorated hydrological conditions. Production by wind power plants dropped by 26 GWh which can be explained by worse wind conditions secondary to hot weather which prevailed in Q2 2018.

Table 13: Heat production

Gross heat production in TJ	Q2 2017	Q2 2018	Change	Change (%)	H1 2017	H1 2018	Change	Change (%)
ENERGA Kogeneracja Sp. z o.o.	436	331	(105)	-24%	1,372	1,299	(73)	-5%
ENERGA Elektrownie Ostrołęka SA	290	200	(90)	-31%	842	708	(134)	-16%
Ciepło Kaliskie Sp. z o.o.	41	18	(23)	-56%	186	179	(7)	-4%
Total gross heat production	767	549	(218)	-28%	2,399	2,185	(214)	-9%

In Q2 2018, heat production was 28% lower than in the corresponding period of the previous year. The heat generation by the Group (similarly to electricity generation from this kind of sources) was adjusted to the heat demand on local markets in such towns as Ostrołęka, Elbląg and Kalisz.

Table 14: Volume and cost* of consumption of key fuels

Consumption of fuels*	Q2 2017	Q2 2018	Change	Change (%)	H1 2017	H1 2018	Change	Change (%)
Hard coal								
Quantity (thous. of tons)	294	257	(37)	-12%	607	574	(33)	-5%
Cost (PLN m)	74	72	(2)	-3%	146	154	8	5%
Biomass								
Quantity (thous. of tons)	15	0	(15)	-100%	24	1	(23)	-96%
Cost (PLN m)	5	0	(5)	-100%	8	0	(8)	-97%
Total fuel consumption (PLN m)	79	72	(8)	-10%	154	154	(0)	-0%

* including the cost of transport

In Q2 2018, the Group's generators consumed less hard coal by 37 thousand tons and less biomass by 15 thousand tons relative to the corresponding period of 2017. There was not generation based on biomass due to the low prices of property rights on the market (in the case of the power plant in Ostrołęka) and the optimisation work underway at the biomass unit in Elbląg.

The lower consumption of fuels results from reduced generation of electricity and heat. This result was partly offset by a higher unit cost of coal consumption by the Business Line.

Table 15: Sales of electricity by the Sales Business Line

Sales of electricity by the Sales Business Line in GWh	Q2 2017	Q2 2018	Change	Change (%)	H1 2017	H1 2018	Change	Change (%)
Retail sales of electricity	5,047	4,754	(293)	-6%	10,141	9,998	(142)	-1%
Sales of electricity in the wholesale market, including:	714	844	130	18%	1,562	1,818	256	16%
Sales of energy to the balancing market	136	69	(67)	-49%	371	205	(166)	-45%

<i>Sales of energy to cover network losses to ENERGA Operator</i>	-	342	342	-	-	740	740	-
<i>Other wholesale</i>	578	433	(145)	-25%	1,192	873	(319)	-27%
Total sales of electricity	5,760	5,598	(162)	-3%	11,703	11,816	113	1%

In Q2 2018, total volume of electricity sold by the Sales Business Line decreased by 3% (namely by 0.2 TWh) vs. Q2 2017. This was caused by lower sales volume on the retail market – by 6% (namely by 0.3 TWh) while sales to the wholesale market grew by 18% (namely by 0.1 TWh) relative to the previous year.

As regards retail sales in Q2 2018, there was a decline in the volume of sales to business customers and households in the Polish market, and a drop in the volume of sales in the Slovakian market attributable to the Group's operations being discontinued in that country. The lower retail sales could be explained by the lower average number of customers and lower average consumption of electricity by customers. The variance to trends prevailing on the market (energy consumption is growing in Poland) is attributable to churn of customers from tariff groups characterised by above-average unit consumption. In volume terms, sales to households (tariff G) in Q2 2018 represented 29% of the sales invoiced to end customers of ENERGA Obrót SA (in Q2 2017 the share was 27%).

In the period under analysis, sales of energy in the wholesale market grew by 18%, driven by the contract with ENERGA Operator SA for the sale of electricity to cover network losses. In 2017, the Group did not have a contract with that company as another seller of electricity was selected. 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 sales of excess energy (other wholesale) in Q2 this year compared to Q2 2017.

3.6. Financial results by operating segments

Table 16: EBITDA of the ENERGA Group, by Business Line

EBITDA in PLN m	Q2 2017	Q2 2018	Change	Change (%)
DISTRIBUTION	400	481	81	20%
GENERATION	73	65	(8)	-11%
SALES	21	4	(17)	-81%
OTHER and consolidation eliminations and adjustments	48	(15)	(63)	< -100%
Total EBITDA	542	535	(7)	-1%

EBITDA in PLN m	H1 2017	H1 2018	Change	Change (%)
DISTRIBUTION	931	990	59	6%
GENERATION	177	168	(9)	-5%
SALES	11	57	46	> 100%

OTHER and consolidation eliminations and adjustments	24	(54)	(78)	< -100%
Total EBITDA	1,143	1,161	18	2%

Distribution Business Line

Figure 5: Results of the Distribution Business Line of the ENERGA Group (PLN m)

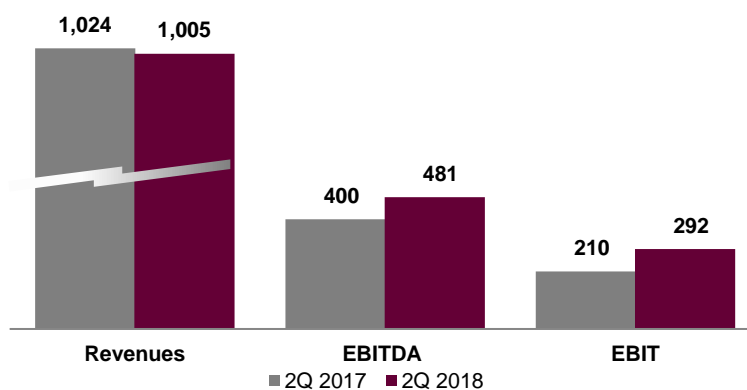


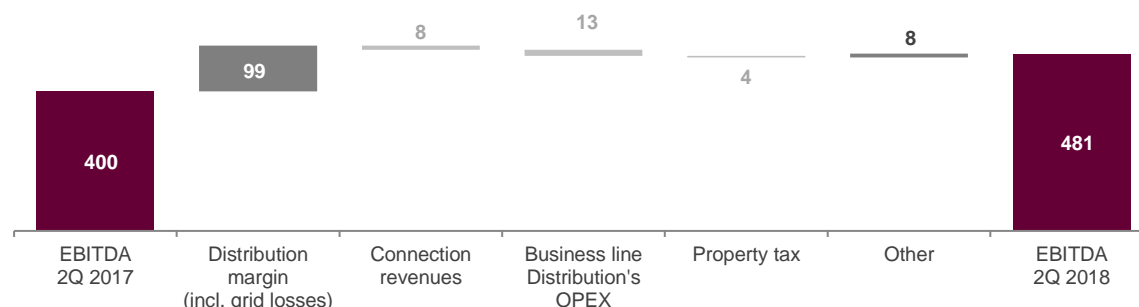
Table 17: Results of the Distribution Business Line

PLN m	Q2 2017	Q2 2018	Change	Change (%)
Revenues	1,024	1,005	(19)	-2%
EBITDA	400	481	81	20%
amortization and depreciation	190	189	(1)	-1%
impairment losses on non-financial non-current assets	-	-	-	-
EBIT	210	292	82	39%
Net result	144	210	66	46%
CAPEX	266	312	46	17%

PLN m	H1 2017	H1 2018	Change	Change (%)
Revenues	2,175	2,072	(103)	-5%
EBITDA	931	990	59	6%
amortization and depreciation	381	377	(4)	-1%
impairment losses on non-financial non-current assets	-	-	-	-
EBIT	550	613	63	11%
Net result	395	439	44	11%
CAPEX	435	534	99	23%

*Figures for 2017 were converted in connection with the reallocation of ENERGA Logistyka Sp. z o.o. to the Business Line. In 2017, the company was presented under the Distribution Business Line. From 2018, it has been presented under the Other and Adjustments Business Line.

Figure 6: EBITDA bridge of the Distribution Business Line (in PLN m)



In Q2 2018, the Distribution Business Line generated 90% of EBITDA for the ENERGA Group (74% in the corresponding period of last year).

In Q2 this year, sales revenues of the Distribution Business Line were lower than in the corresponding period of the previous year by 2% despite a different presentation of costs related to the transitional charge. Starting Q1 2018, the sales revenues have been reduced by the transitional charge which was previously presented under expenses (this does not affect the distribution margin). There was also an adverse effect of the average rate of distribution services sold, which fell by 2% yoy. It is mostly the result of less favourable structure of sales – higher sales in cheaper A and B tariffs. In Q2 2018, connection fee revenues fell by PLN 8 m compared to the corresponding period of the previous year, which is partly the result of application of IFRS 15 and the fact that such revenues were not accounted for over a certain period of time, as in the previous reporting periods. The entire balance-sheet amount of deferred income from new connections was charged to equity, to retained profit/loss.

EBITDA was higher than in the previous year and totalled PLN 481 m (up by approx. 20%), and EBIT was PLN 292 m (an increase by 39% yoy, i.e. by PLN 82 m). The distribution margin higher by PLN 99 m (taking into account network losses) had a considerable impact on the operating profit. The improved performance in the distribution business was the effect of higher volume of distribution services sold, lower network losses and a change in measurement of sales revenues which have not been invoiced yet as a result of transition to reports generated from the new billing system.

The drop in revenues from new connections as described above, higher costs of real property tax and augmented OPEX relative to the previous year (including in impairment charges for receivables) had a negative impact on EBIT.

Profit after tax in Q2 2018 was higher by PLN 66 m than in the corresponding quarter of the previous year.

H1 EBITDA was higher than in the previous year and totalled PLN 990 m (up by approx. 6%). The distribution margin higher by nearly PLN 92 m (taking into account) had a considerable impact on EBITDA. The improved performance in distribution business was the effect of higher volume of distribution services sold (by 4%), lower network losses and a change in measurement of sales revenues which have not been invoiced yet as mentioned above. The positive effect was partly offset by higher OPEX (mainly on third party services and impairment charges on receivables), and lower revenues from new connections.

Generation Business Line

Figure 7: Results of the Generation Business Line of the ENERGA Group (PLN m)

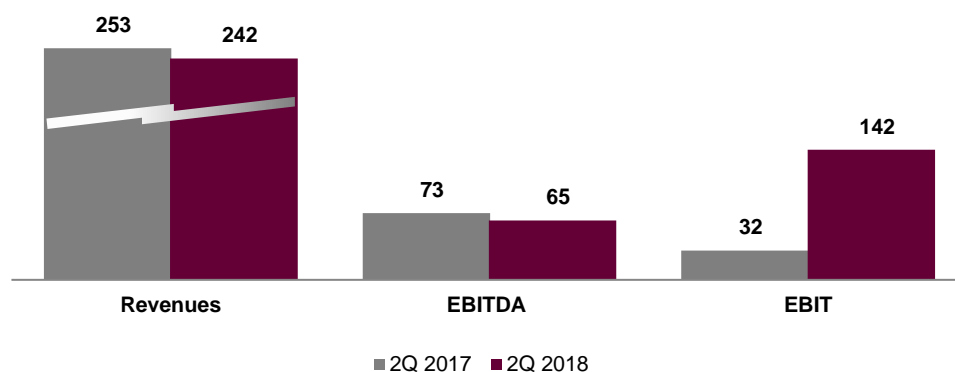


Table 18: Results of the Generation Business Line of the ENERGA Group

PLN m	Q2 2017	Q2 2018	Change	Change (%)
Revenues	253	242	(11)	-4%
EBITDA	73	65	(8)	-11%
amortization and depreciation	41	40	(1)	-2%
impairment losses on non-financial non-current assets	-	(117)	(117)	0%
EBIT	32	142	110	> 100%
Net result	12	103	91	> 100%
CAPEX	28	46	18	64%

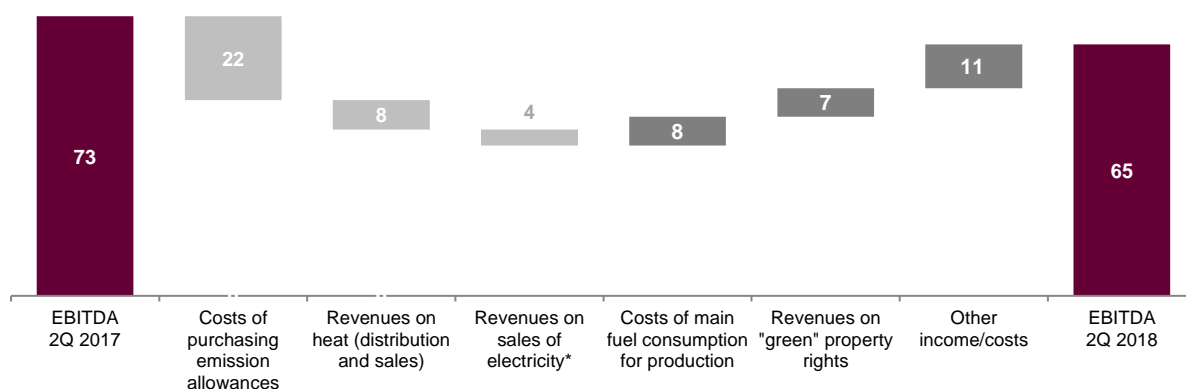
PLN m	H1 2017	H1 2018	Change	Change (%)
Revenues	531	546	15	3%
EBITDA	177	168	(9)	-5%
amortization and depreciation	82	80	(2)	-2%
impairment losses on non-financial non-current assets	-	(117)	(117)	0%
EBIT	95	205	110	> 100%
Net result	46	144	98	> 100%
CAPEX	46	76	30	65%

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 19: EBITDA for Generation Business Line broken down to Generation Segments

EBITDA in PLN m	Q2 2017	Q2 2018	Change	Change (%)	H1 2017	H1 2018	Change	Change (%)
Water	32	29	(3)	-8%	62	72	10	16%
Wind	7	25	18	> 100%	15	38	23	> 100%
Ostrołęka power plant	29	13	(16)	-55%	73	45	(29)	-39%
Other and adjustments	4	(3)	(7)	< -100%	27	14	(13)	-48%
Generation total	73	65	(8)	-11%	177	168	(9)	-5%

Figure 8: 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 12% in Q2 this year and 13% in the corresponding period of the previous year. EBITDA fell by PLN 8 m.

Lower EBITDA generated by the Business Line was chiefly attributable to higher costs of purchasing emission allowances and lower revenues from heat and electricity generation. These factors were only partly offset by lower costs of consumption of key fuels in the generation business and higher revenues from sales of green property rights.

Higher costs of purchasing CO₂ emission allowances 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.

Lower revenues from sales and distribution of heat are the consequence of lower cumulative demand for heat on local markets in the towns of Ostrołęka, Elbląg and Kalisz.

Lower generation from nearly all sources (except photovoltaics) explains the drop in revenue from sales of electricity. At the same time, that effect was largely positively offset by a growth in average sales price for electricity generated by the power plant in Ostrołęka.

The lower consumption of fuels results from reduced generation of electricity and heat. That effect was partly limited by higher unit prices of coal in Q2 2018 relative to the corresponding period of 2017.

The increase in revenues from sales of green property rights was driven by higher market prices of green property rights.

In addition, Q2 2018 saw an adjustment to property tax on wind farms resulting from changes in legislation after the Polish President had signed off amendments to the Renewable Energy Sources Act.

Apart from the factors affecting the gross yoy results of the Business Line, one has to note the reversal of the impairment charges on wind farms of a total value of PLN 117 m which took place in Q2 2018. The reversal was made because of the changes in the legislation, similar to those mentioned in the preceding paragraph, when the Polish President signed off the Act on Amendments to the Renewable Energy Sources Act on 7 June 2018. That event was not cash-related and improved the operating profit of the ENERGA Group while having no effect on its EBITDA.

Capital expenditures of the Line in Q2 2018 were higher by PLN 18 m and were mainly related to repair work in the Ostrołęka Power Plant and optimisation work on the biomass unit in Elbląg.

When looking at the H1 yoy results, one has to note EBITDA shrinkage by PLN 9 m. Lower EBITDA was chiefly attributable to higher costs of purchasing emission allowances (by PLN 40 m) attributable to higher market prices, and lower revenues from heat generation (by PLN 6 m) associated with lower generation volumes. Those factors were partly offset by higher (by PLN 10 m) revenues from sales of electricity resulting from higher sales prices at Ostrołęka Power Plant and higher revenues at wind plants and CHP plants, and higher (by PLN 18 m) revenues from sale of green property rights (higher market prices). In addition, similarly like in Q2 2018, the Business Line's result was affected by an adjustment to property tax on wind farms resulting from the changed legislation.

Hydro

Table 20: Results of the Hydro Power Division

PLN m	Q2 2017	Q2 2018	Change	Change (%)	H1 2017	H1 2018	Change	Change (%)
Revenues	53	50	(3)	-6%	106	117	11	10%
EBITDA	32	29	(3)	-8%	62	72	10	16%
EBIT	24	21	(2)	-10%	46	56	10	22%
CAPEX	2	3	1	67%	4	4	0	6%

Wind

Table 21: Results of the Wind Power Division

PLN m	Q2 2017	Q2 2018	Change	Change (%)	H1 2017	H1 2018	Change	Change (%)
Revenues	20	23	3	13%	40	47	7	16%
EBITDA	7	25	18	> 100%	15	38	23	> 100%
EBIT	(1)	133	134	> 100%	(2)	138	140	> 100%
CAPEX	0	-	(0)	-100%	0	-	(0)	-100%

Ostrołęka Power Plant

Table 22: Results of the Ostrołęka Power Plant Division

PLN m	Q2 2017	Q2 2018	Change	Change (%)	H1 2017	H1 2018	Change	Change (%)
Revenues	144	142	(2)	-1%	290	291	1	0%
EBITDA	29	13	(16)	-55%	73	45	(29)	-39%
EBIT	14	(3)	(16)	< -100%	42	13	(29)	-69%
CAPEX	22	27	5	25%	35	44	9	26%

Other and adjustments

Table 23: Results of the Other and Adjustments Division

PLN m	Q2 2017	Q2 2018	Change	Change (%)	H1 2017	H1 2018	Change	Change (%)
Revenues	36	28	(8)	-23%	94	91	(3)	-4%
EBITDA	4	(3)	(7)	< -100%	27	14	(13)	-48%
EBIT	(4)	(10)	(6)	< -100%	10	(1)	(11)	< -100%
CAPEX	4	15	11	> 100%	7	28	21	> 100%

Sales Business Line

Figure 9: Results of the Sales Business Line of the ENERGA Group (PLN m)

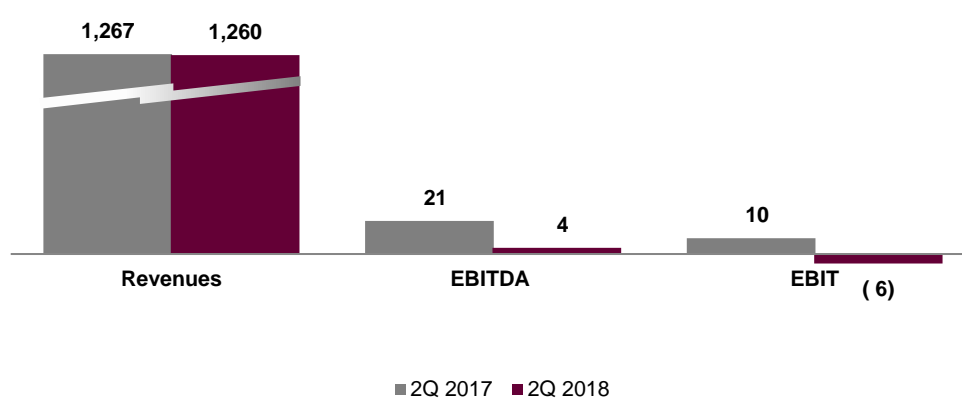
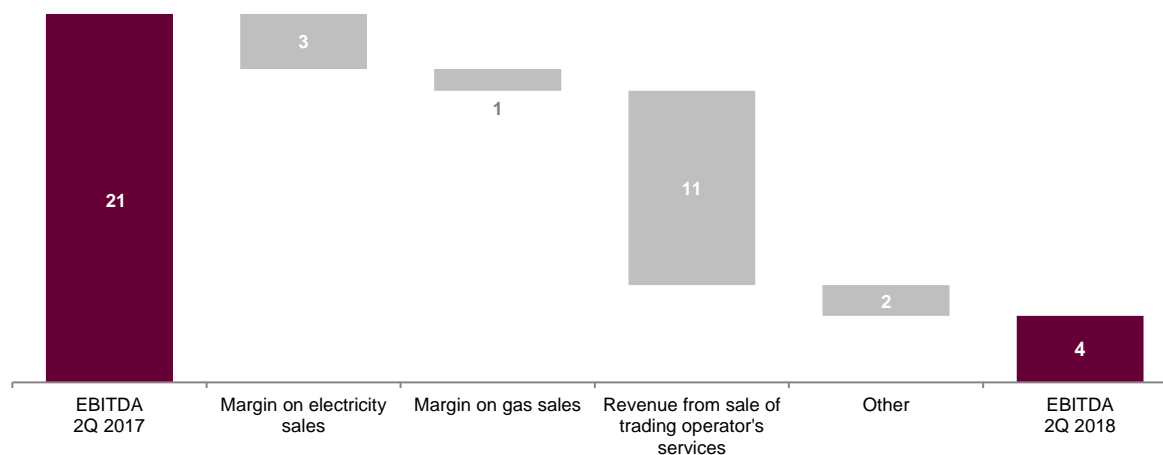


Table 24: Results of the Sales Business Line of the ENERGA Group

PLN m	Q2 2017	Q2 2018	Change	Change (%)
Revenues	1,267	1,260	(7)	-1%
EBITDA	21	4	(17)	-81%
amortization and depreciation	11	10	(1)	-9%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	10	(6)	(16)	< -100%
Net result	7	(3)	(10)	< -100%
CAPEX	13	7	(6)	-46%

PLN m	H1 2017	H1 2018	Change	Change (%)
Revenues	2,617	2,683	66	3%
EBITDA	11	57	46	> 100%
amortization and depreciation	22	20	(2)	-9%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	(11)	37	48	> 100%
Net result	(10)	35	45	> 100%
CAPEX	21	12	(9)	-43%

Figure 10: EBITDA bridge of the Sales Business Line (PLN m)



In Q2 2018, the Sales Business Line contributed PLN 4 m to EBITDA, i.e. 1% of the Group's EBITDA in comparison with PLN 21 m of EBITDA in Q2 2017, when the share of the Business Line in EBITDA of the Group was 4%.

The revenues of the Sales Business Line in Q2 2018 totalled PLN 1,260 m, which means they shrank by PLN 7 m (or 1%) in comparison with Q2 2017. The most important revenue item of the Business Line continue to be revenues from the sales of electricity, which in Q2 2018 were 1% higher yoy (i.e. by PLN 10 m). In Q2 2018, revenues from sales of electricity on the retail market fell by PLN 36 m (or 3%) relative to Q2 2017. It came as a result of lower volumes (by 6%) and higher average sales price (by 3%). The sales of energy in the wholesale market were higher by PLN 45 m (or 44%) yoy, as a result of higher volume by 18% and the higher average sales price by 21%. Revenues from the sales of gas were lower by PLN 8 m yoy in the analysed period as a result of a decline in volume.

The margin on sales of electricity, which is a key contributor to the Business Line's profit, shrank by PLN 3 m yoy. The margin dropped despite a considerable limitation of additional legal and contractual obligations associated with 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) since early 2018. The lower margin relative to the previous year is chiefly secondary to unexpected and dynamic growth of electricity prices on the market in the past few months of this year. Below are determinants which shape the margin on the sales of electricity:

- a) Volume of retail sales – volume drop by 6% adversely affected the margin yoy.
- b) The structure of the sales volume by tariff groups – unfavourable tariff situation resulted in a margin drop due to an increase in the share of tariff group customers with a lower 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 grew yoy due to expected (taken into account when signing contracts for sales) increase in energy prices on the market. However, in Q2 2018 the cost was significantly affected by a dynamic and unexpected growth in energy prices on the market and the prices remaining high in the past few months. The above was true for the forward market, SPOT market and balancing market, as a result of which the Business Line incurred high cost on unwinding a contract position. The fact that prices remain at high levels may also adversely affect results of the Business Line in the quarters to come. It should be noted that the cost of purchasing energy would have been even higher if it had not been for lower burdens associated with the function of the Offtaker of Last Resort performed 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.
- e) The cost of property right redemption – the average unit cost in Q2 2018 was lower than in the corresponding period of the previous year. Such a situation occurred despite the increase in the obligation (from 15.4 to 17.5%) and the rapid 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 to file a suit with the court to request that long-term contracts for the purchase of green certificates be declared invalid (due to the procedure applied to conclusion of such contracts), including contracts which generated enormous losses for the Sales Business Line (settlements based on prices higher than market prices). As a result, in Q2 2018 the Business Line purchased green certificates predominantly at market prices (except where disputes were settled in that period) which, combined with the high cost of purchase of certificates in Q2 2017, resulted in the drop of average cost.

It is worth noting that the above decision of ENERGA Obrót was contested by its business partners, 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. In the past few months, settlements were entered into with three business partners, thus concluding the disputes, while

ENERGA Obrót received three unfavourable rulings in arbitration proceedings, which generated additional burdens for the Company.

An important factor which adversely affected yoy EBITDA were the revenues from sales of services by the commercial operator mostly provided to wind farm operators. Their decline by PLN 11 m was associated with the significant limitation of the Offtaker of Last Resort function, i.e. obligation to purchase much less energy from farms located on the grounds of the ENERGA Group. It should be noted that the benefits provided by the lower cost of electricity due to limitation of that function are much higher than the decline in revenues from sales of services of the commercial operator.

The margin on the sales of gas dropped slightly (by PLN 1 m) yoy. Since 2017, profitability of gas trading has remained low. This is related to implementation of charges on gas storage in case of import in 2016, which translated into less favourable rules of gas trading in the wholesale market.

In H1 2018, EBITDA of the Sales Business Line totalled PLN 57 m, up by PLN 46 m on the corresponding period of 2017. The improved performance is driven by higher margin on the sales of electricity (by PLN 71 m yoy) on the back of reduced legal and contractual obligations (the Offtaker of Last Resort and long-term contracts for the purchase of green certificates), as discussed earlier in this Report. The adverse effect of high electricity prices on the market and the arbitration decisions and settlements started materially impacting the result in Q2 2018, therefore the improved H1 result was mostly driven by Q1 performance. The other factors described above (lower revenues from sales of services of the commercial operator by PLN 24 m and lower margin on the sale of gas by PLN 2 m) continued to affect the performance in H1. The explanation of those trends in the case of H1 are consistent with the ones provided for Q2 above.

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 25: 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

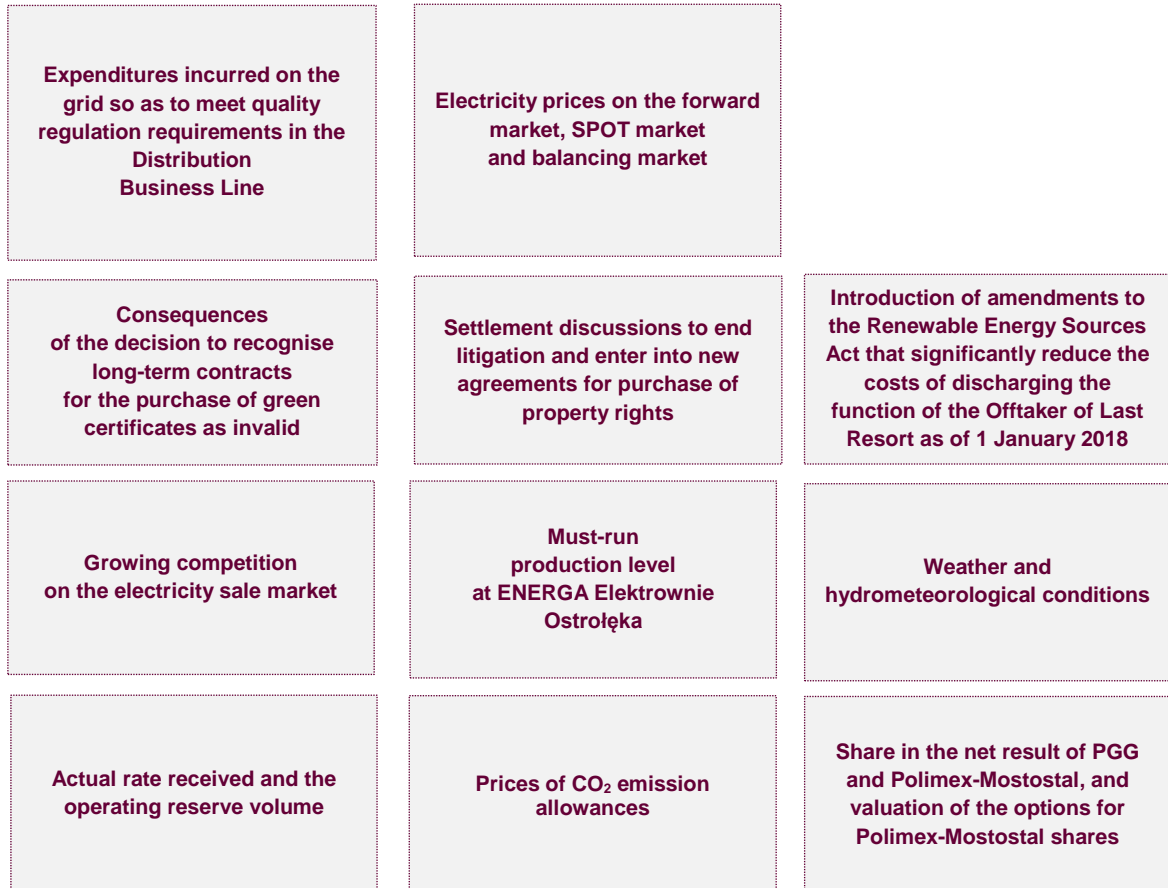
3.9. Dividends

On 27 June 2018, the Ordinary General Meeting of Shareholders adopted a resolution on the distribution of profit for 2017, which was transferred to supplementary capital in whole.

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 11: Factors affecting ENERGA Group result in the next quarter



Environment



4. ENVIRONMENT

4.1. Macroeconomic situation

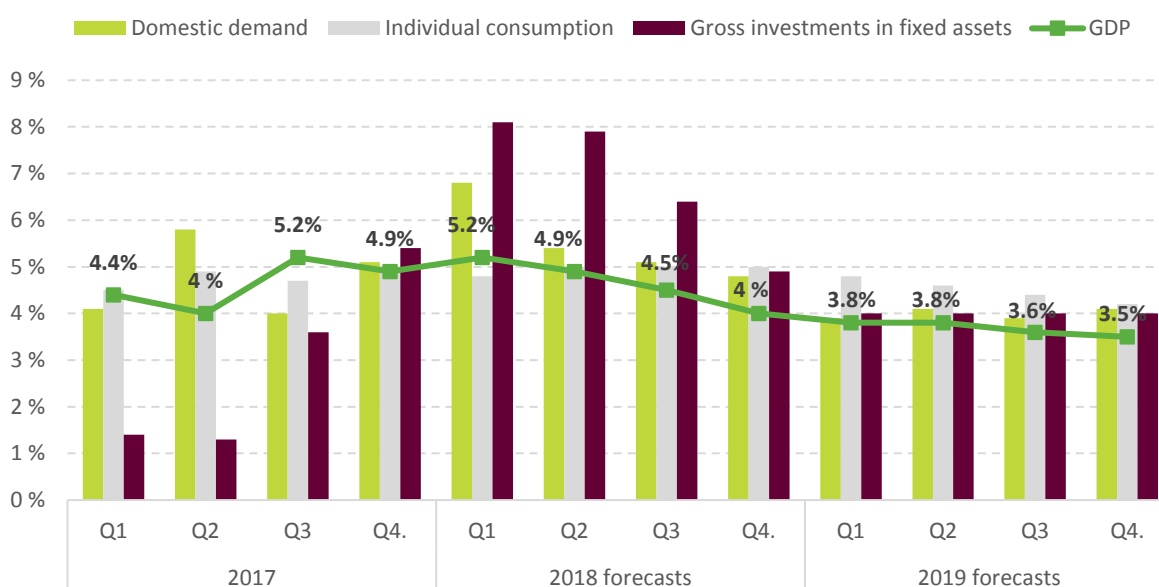
The key operating market of the companies within the ENERGA Group is the domestic market, therefore fluctuations of market conditions, expressed with the rate of GDP changes, inflation or unemployment rate translate to prices of electricity, heat and gas and development of demand for products supplied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

The statistical data show that the condition of the Polish economy in Q2 2018 may be at the level just as high as in Q1, when the GDP reached an increase by 5.2% compared to the corresponding period of the previous year. In the quarters to come, the analysts expect that the domestic GDP growth rate will fall, as the growth of the eurozone economy slows down and the global economy deteriorates. As the National Bank of Poland (NBP) mentions, potential uncertainty factors include exacerbation of trade disputes and continued protectionism in the global trade, along with the risk of a potential debt crisis in Italy.

The growth rate of the total industrial output in the first half of this year was 6.2% higher than a year before. As regards the industry related to generation and supply of electricity, gas, steam and hot water, the increase was 8.4% yoy. There was a drop in the total industrial output in the mining and extraction sector (1.2% yoy).

Good sentiment in the industry is confirmed by the PMI index, with June results (54.2 points compared to forecast 53.1 points) being a sign of the strongest general condition of the Polish industrial sector since the beginning of 2018. The growth rate of production, the number of new orders and employment was higher than in May.

Figure 12: Annual changes in the GDP, domestic demand, individual consumption and investments



Source: Central Statistical Office and forecast of Bank Zachodni WBK

The Polish economy is still driven by domestic demand, in particular consumption of households, which is positively affected by low unemployment, growing incomes and good consumer sentiment, which, based on the NBP Inflation Report (published this July), are the result, among others, of benefits paid

under the 500 plus Family programme and a moderate growth of consumer prices. In addition, the low level of interest rates and the related low costs of debt financing of consumer spending has a positive impact on domestic demand.

In the first half of this year, the economy was supported by the faster growth rate of gross investments in fixed assets. The main source of the increase in this category was still the sector of governmental and local government institutions, with a low rate of investments by enterprises. As the National Bank of Poland reports, the high growth rate of public investments at the beginning of 2018 was mainly related to an increase in investments made by local government units, co-financed with EU funds. Figures from the Ministry of Development show that a further strong increase in such expenditure can be expected in the quarters to come. From 2019 to 2020 the annual growth in transfers from the EU will be lower, which will translate to a drop in the growth rate of public investment.

The average employment in the enterprise sector from January to June was 3.8% higher compared to the previous year's figures and the average monthly salary (gross) grew by 7.3% yoy, to PLN 4,848.16 at the end of June. In accordance with information from the Ministry of Family, Labour and Social Policy, the number of unemployed in June reached a record low level of under one million. The rate of registered unemployment dropped to 5.9%. Such a low level of domestic unemployment means that the employers have difficulties with finding employees with necessary qualifications, which is an increasingly apparent barrier to the development of enterprises in industry and trade.

The ratio of prices of total industrial output from January to June 2018 grew by 1.4% compared to the same period of the previous year. An increase in prices was recorded in the mining and extraction sector (by 2.8%) while there was a drop in prices in the segment of production and supply of electricity, gas, steam and hot water (by 0.6% yoy).

In the first half of this year the prices of consumer goods and services grew by 1.6% compared to the same period of 2017. The main source of changes in inflation were the prices of food and energy. As the National Bank of Poland reports, the growth rate of consumer prices in Poland remains moderate, as a result of stabilisation of the internal demand pressure and a moderate inflation at the main trade partners of Poland. In the opinion of the Monetary Policy Council, in the forthcoming quarters the inflation will be close to the inflation target (2.5% with a rate of deviation by ± 1 per cent point). Therefore, at the last meeting, the Council left per cent rates unchanged and retained the reference rate at 1.5%.

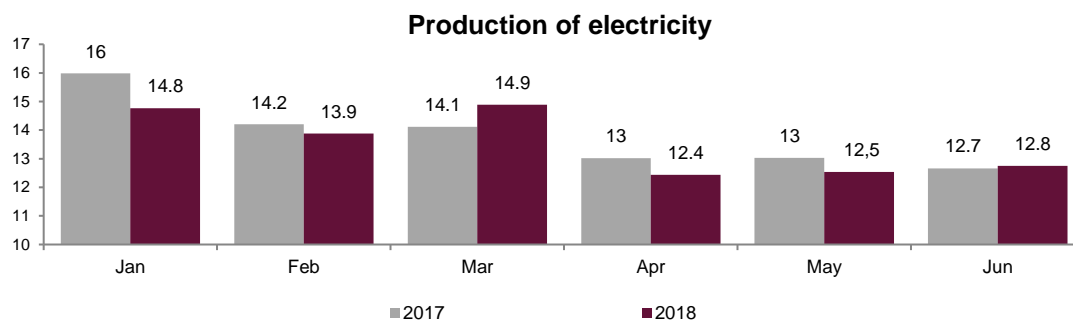
4.2. Electricity market in Poland

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 the first half of 2018 production of electricity in Poland totalled 81.3 TWh and was 1.7 TWh lower, i.e. 2.0%, compared to same period of the previous year (83.0 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. These factors were partially compensated by the higher production from gas sources.

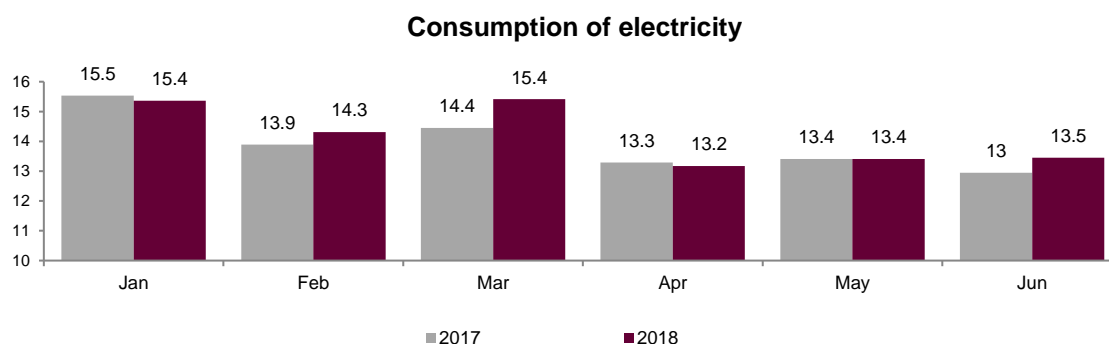
Figure 13: Production of electricity in Poland in the first half of 2018 (TWh)



Source: PSE

In the first half of 2018 domestic consumption of electricity in Poland totalled 85.1 TWh and was 1.6 TWh higher, i.e. 1.9%, compared to same period of the previous year (83.5 TWh).

Figure 14: Consumption of electricity in Poland in the first half of 2018 (TWh)

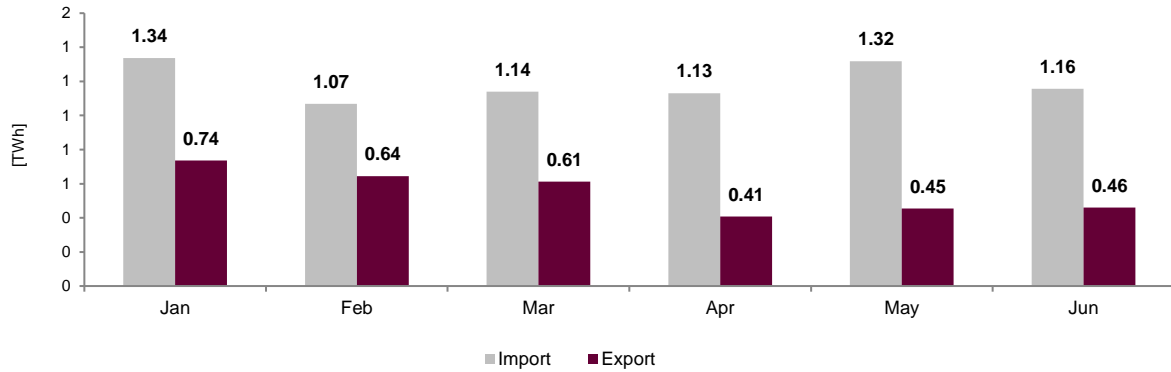


Source: PSE

Poland's intersystem exchange

Lower export of electricity in the first half of this year, by 3.15 TWh, compared to the same period of the previous year, is the main reason for the surplus of net import of electricity in the first half of 2018 at 3.84 TWh compared to net import of 0.51 TWh in the first half of the previous year. This is the result of handing over of less electricity as part of parallel trading.

Figure 15: Monthly volumes of intersystem exchange in Poland after the first half of 2018 (TWh)

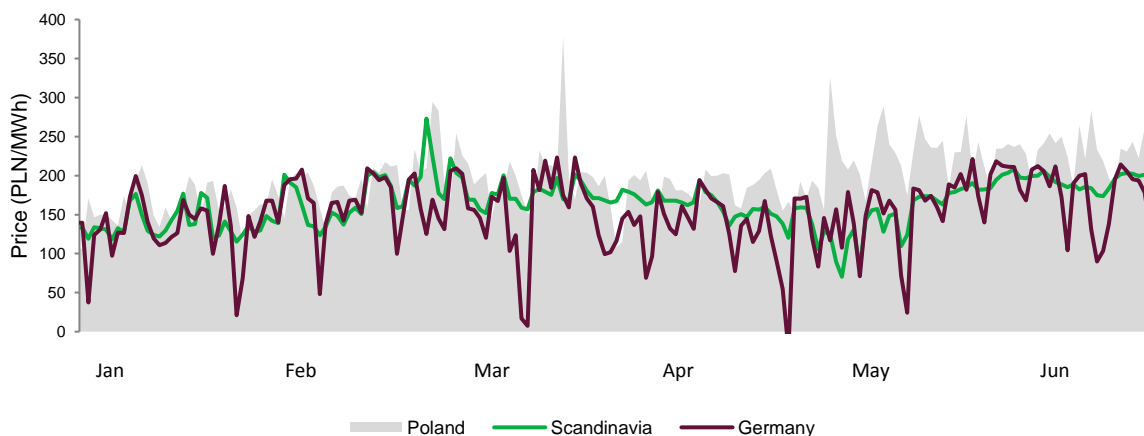


Source: PSE

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 H1 of 2018 were much higher than in the neighbouring countries, which was particularly evident in Q2 2018. Very high system losses, high demand for power during low temperatures and low generation from wind sources, as well as an increase in EUA quotations and persistently high prices of coal resulted in the price increase in the Polish market. The highest price deviations are found in comparison with the German market (+29.7%, i.e. PLN 45.18/MWh), and lower in comparison with prices in the Scandinavian market (+20.1%, i.e. PLN 32.99/MWh).

Figure 16: Prices of energy in the SPOT market in Poland and in selected neighbouring countries in the first half of 2018

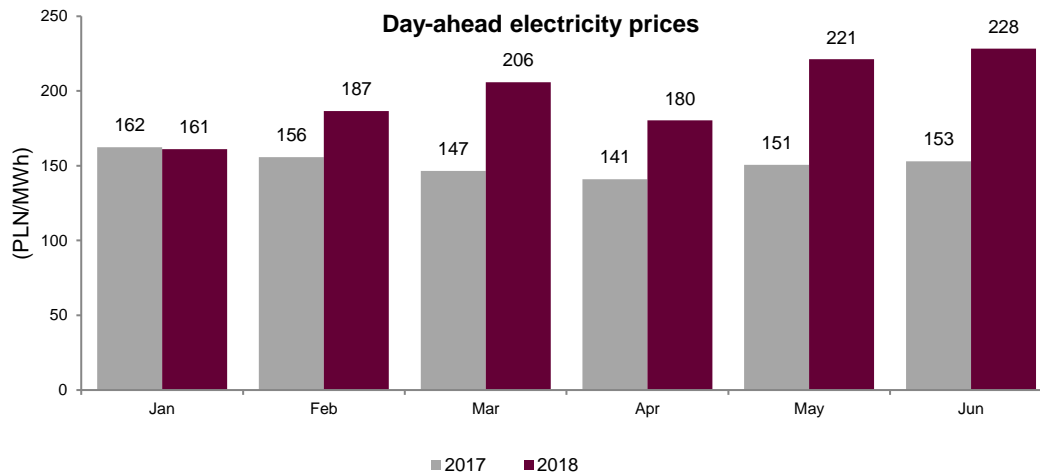


Source: Bloomberg

Day-Ahead Market of electricity in Poland

The average level of the IRDN24 index was PLN 197.36/MWh in the first half of 2018 and was PLN 45.82/MWh higher than in the same period of the previous year (PLN 151.54/MWh). Even higher difference in the average level of the IRDN24 index was recorded when comparing Q2 of this year with the same period of the previous year and totalled PLN 61.88/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 17: IRDN 24 index in the first half of 2018 (PLN/MWh)



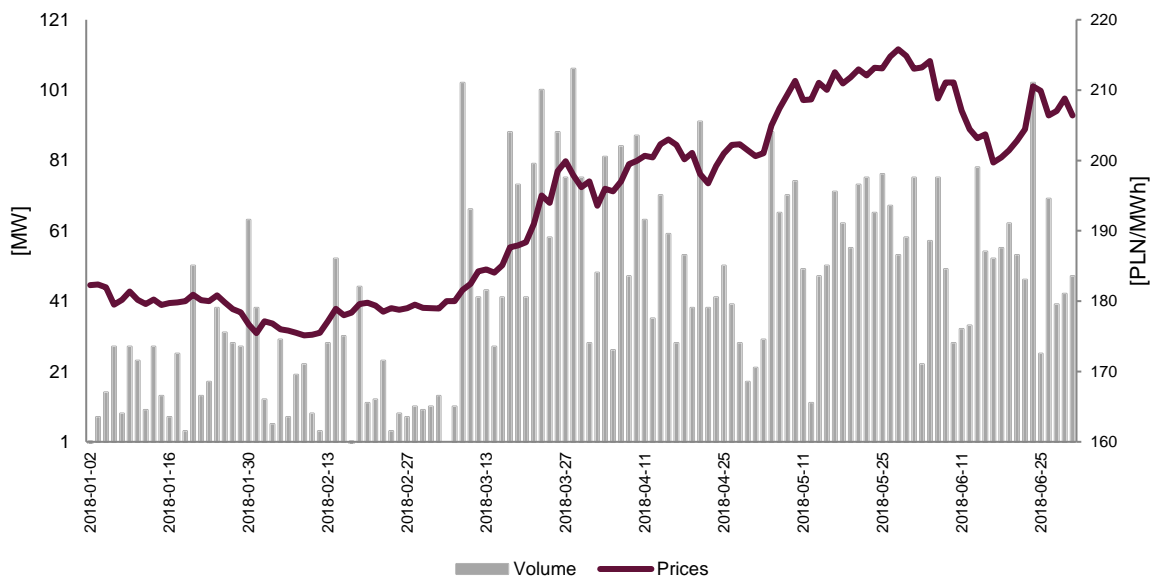
Source: PPE

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 215.80/MWh on 29 May. The main determinants of the energy rate increase in the future market were:

- a dynamic growth in CO₂ emission allowance prices,
- high price of coal on global markets, translating to an increase in prices on the Polish market,
- much lower production in the local market from wind and water generation,
- record demand for electricity in the National Power System.

Figure 18: Forward contract price, base with delivery for 2019 in the first half of 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 15 May 2018, the European Commission published data on the number of allowances in circulation as at the end of 2017 (just over 1.654 billion), which is the basis for defining the Market Stability Reserve (MSR) of the EU Emissions Trading System (ETS), which will operate from January 2019. Therefore, the volume of auctions in the first 8 months of 2019 will be reduced by 265 m of allowances, which account for 16% of the total of allowances in circulation, which will be moved to the so-called Reserve (MSR). For the first 5 years of operations, the MSR is to be reduced each year by 24% of allowances from the auction pool. The next publication of the total number of allowances in circulation will be made by the EC on 15 May 2019. If the number of allowances in circulation does not change, then consequently the number of allowances offered at auctions in 2019 to be transferred to the MSR will be 397 m of allowances. Implementation of such an effective system that limits the supply of emissions on the market, backed up with suggestions that the floor for the emission allowances trading may be at the level of EUR 25 to 30 per ton has increased the market prices of allowances. On 29 May 2018 these factors shot the EUA rate to €16.59/t, and by the end of the previous year the rate increased by more than 100%.

Figure 19: Prices of emission allowances EUA in the first half of 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 26: Average levels of property right indices listed on the Polish Power Exchange

Index (type of certificate)	Index value		Obligation (%)	Substitution fee (PLN)
	first half of 2017 (PLN/MWh) with 2016 index	first half of 2018 (PLN/MWh) with 2017 index		
OZEX_A (green)	31.6	66.27	19.35*	300.03*
KGMX (yellow)	122.96	116.68	8.0*	115.00*
KECX (red)	10.66	9.80	23.2*	9.00*

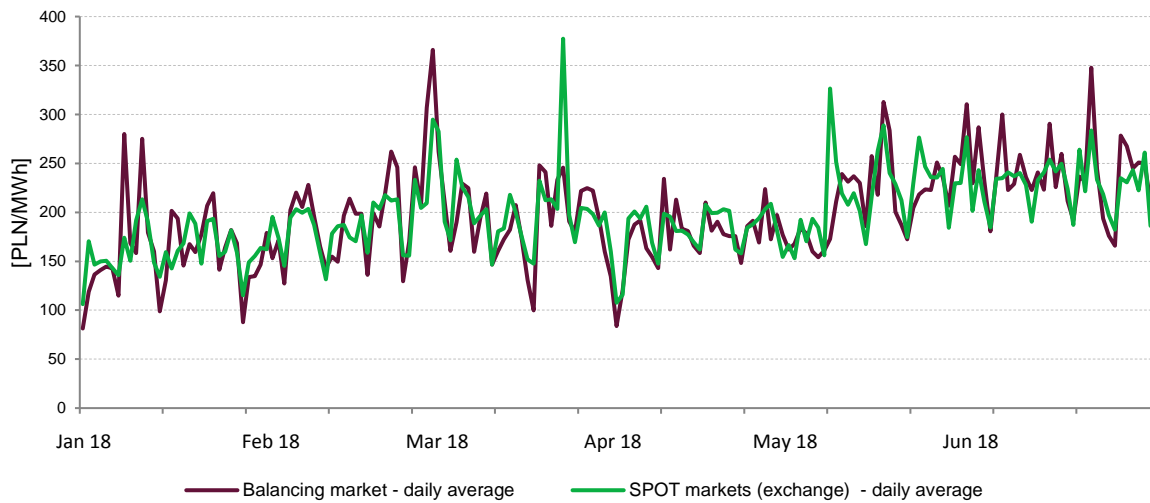
* value of the substitution fee and redemption obligation in 2018

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 the first half of 2018 the PM RES prices in session transactions continued growths started in the second half of the previous year, ending the second quarter at PLN 75.17/MWh. An effective level of resistance for quotations of green property rights, as in the first quarter, was the level of PLN 80.00 per MWh.

Balancing market

For the most the first half of 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 197.20/MWh, compared to PLN 154.92/MWh in the same period of the previous year.

Figure 20: Comparison of prices on the balancing market and SPOT markets (exchange) in the first half of 2018

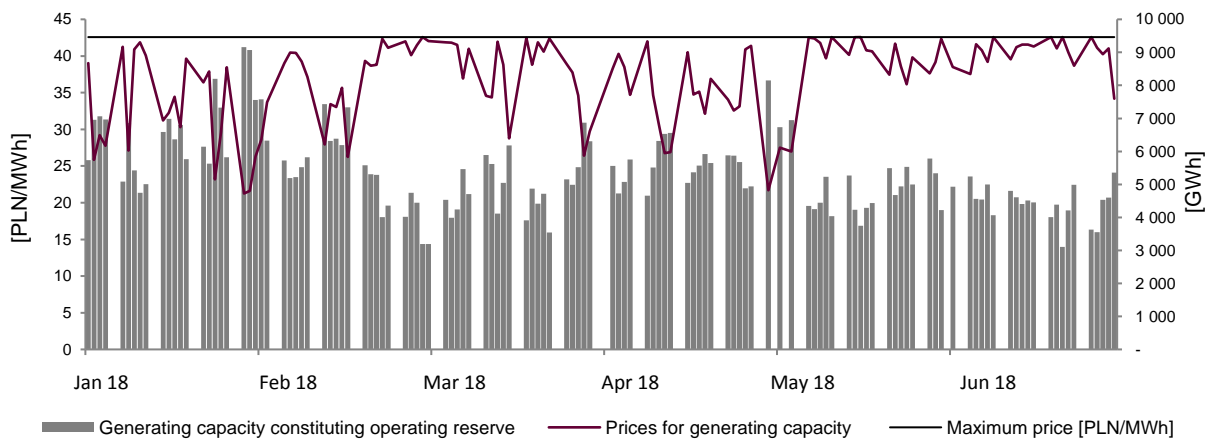


Source: PPE, PSE

Operating reserve

The service of operating reserve is continued in 2018. The reference price was increased to PLN 42.58/MWh. In the first half of 2018 the average operating reserve fee was PLN 36.99/MWh and was higher by PLN 1.33 compared to same period of the previous year (PLN 35.66/MWh).

Figure 21: Prices and generating capacity constituting operating reserve in the first half of 2018



Source: PSE

4.3. Regulatory environment

Table 27: List of legal acts affecting results of the ENERGA Group

Legal act	Purpose of legal changes	Opportunities	Threats
The draft regulation of the Ministry of Energy on detailed conditions and the manner of providing financial security by providers of power and participants of preliminary auctions	<ul style="list-style-type: none"> (1) Definition of the rules and requirements as regards financial security required from participants of the power market auctions (2) Detailed regulations pertaining to organisation of the so-called initial auctions of the power market, dedicated to the cross-border power 	<ul style="list-style-type: none"> (1) Publication of the draft regulation guarantees timely implementation of the power market in Poland (2) The option was introduced as regards fulfilment of the statutory obligation of having the financial security in the form of a suretyship from the parent company which holds the required rating 	<ul style="list-style-type: none"> (1) Certain issues related to rating category definitions must be specified in greater detail; in some cases this may result in the risk of placing a financial security of a different kind
The draft regulation of the Minister of Energy on the detailed conditions and the manner of performance of the power obligation, its settlement and demonstration as well as detailed conditions for concluding transactions on the secondary market	<ul style="list-style-type: none"> (1) Definition of the rules and requirements pertaining to the method of conducting test hazard periods by the TSOs (2) Detailed regulations on the operations of the so-called secondary market of the power market 	<ul style="list-style-type: none"> (1) Publication of the draft regulation guarantees timely implementation of the power market in Poland (2) If the rules of transactions on the secondary market are worded in greater detail, the risk of power market beneficiaries resulting from the non-performance of obligations can be reduced 	<ul style="list-style-type: none"> (1) The proposed algorithm for calculation of unit rate of the fine is too high and, in the future, may result in the risk of calculating unreasonably high fines
Governmental bill of the Act on promotion of electricity from high-efficiency cogeneration RCL No. UD371	<ul style="list-style-type: none"> (1) Launch of the support for the CHP development under the new rules (2) Rules of supporting CHP adapted to the size, technology and age of the plant (3) Dedicated support for the new CHPs (4) The new system will replace the existing system which expires at the end of 2018. 	<ul style="list-style-type: none"> (1) An opportunity of supporting modernisation of the oldest CHP systems in Poland and capacity rebuilding (2) Improvement of CHP profitability (3) A system which provides chances of development for small cogeneration plants (4) An option of individual support for large CHPs 	<ul style="list-style-type: none"> (1) Lack of detailed information on the launch of dialogue with the EU on pre-notification of the new system of support (2) The early stage of legislative works creates the risk that the new act of law will not become effective from 1 January 2019 (no support for the CHPs) (3) The risk of the lack of financing from the support system for investments related to adaptation to the

BAT/BREF requirements
(4) Imprecise rules of supporting biomass-fired CHPs

EU legislation. Clean Energy for All Europeans legislative proposals, the so-called Winter Package. COM/2016/0860 final

Establishment of an energy union and introduction of energy union management principles. Plans to reduce coal subsidies, to define RES targets and the energy efficiency target 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 decentralised electricity production and its storage to develop "civic energy". One of the key changes 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. The regulation on the internal electricity market which is currently being proceeded will introduce new rules for support schemes, which may have a negative impact on the power market in Poland.

- (1) Resistance of some Member States against the low emission standard, i.e. 550g CO₂/kWh.
- (2) The new regulations on the support of the RES and CHP development and improvement of the energy efficiency.

- (1) Limitation of support with power market mechanisms for all installations emitting more than 550 g CO₂/kWh.
- (2) Restrictions related to the non-fulfilment of the goals of the EU climate policy by the Member States.
- (3) Too ambitious EU climate targets not matched to the realities of certain Member States.
- (4) The obligation to consult National Energy Plans with the European Commission and the obligation to account for the EC recommendations in this scope.
- (5) Biomass no longer treated as an RES.

Shares and shareholding structure



3. SHARES AND SHAREHOLDING STRUCTURE

3.1. ENERGA's shareholding structure

Table 28: 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

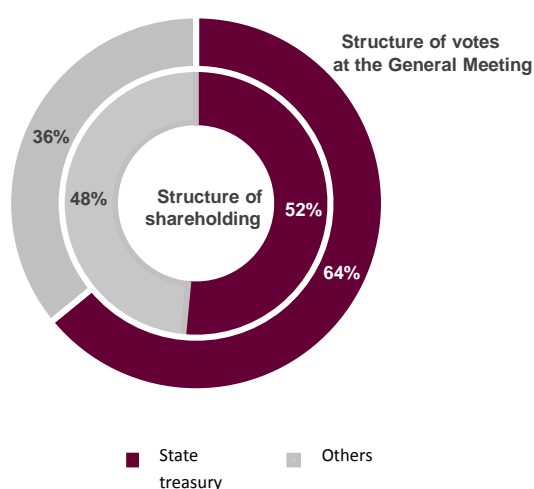
* One preferred share entitles its holder to 2 votes at the General Meeting. These shares are owned by the State Treasury.

Table 29: Shareholding structure of ENERGA as at 30 June 2018 and as at the date of preparing this Report of the Management Board

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 22: Shareholding structure of ENERGA as at 30 June 2018 and as at the date of preparing this Report of the Management Board



3.2. Prices of the Company's shares and recommendations awarded

Table 30: Data for ENERGA stock as at 30 June 2018

Data	Value
Issue price	PLN 17.00
Shares	414,067,114
Stock price at the end of the period	PLN 8.94
Capitalisation at the end of the period	PLN 3.70 bn
1st half of the year minimum at closing	PLN 8.74
1st half of the year maximum at closing	PLN 12.89
1st half of the year minimum	PLN 8.58
1st half of the year maximum	PLN 13.09
Average trading value	PLN 8.8 m
Average trading volume	816,000 pcs
Average number of trades	1,600 pcs

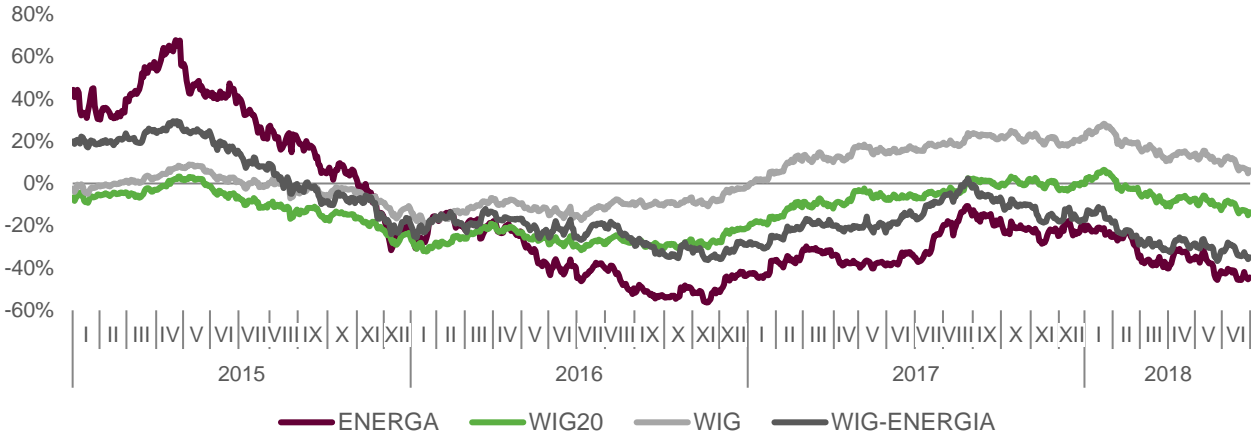
Source: Proprietary material based on data from www.infostrefa.pl

Figure 23: ENERGA SA stock price in the period from launch (i.e. 11 December 2013) to 30 June 2018



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

Figure 24: 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

Figure 25: Analyst recommendations awarded in the first half of 2018



A list of recommendations can be found on the Company’s Investor Relations website.

3.3. Shares held by executive and supervisory personnel

As at 10 May 2018, as at 30 June 2018 and as at the date of preparing this Report, 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.

Statement of the Management Board

The Management Board of ENERGA SA hereby represents that:

a) according to the best knowledge, the condensed interim consolidated and separate financial statements and the comparative data were prepared in line with the accounting principles, and reflect, truly, reliably and clearly, the asset and financial position of ENERGA SA and the ENERGA Group and its financial result. Management Board Report on the operations of the ENERGA Group contains a true description of the Group's development, achievements and situation, including the description of basic risks and threats;

b) KPMG Audyt Sp. z o.o. sp.k., an entity authorised to audit financial statements, which audited the Condensed Interim Consolidated Financial Statements of the ENERGA Group and the Standalone Interim Financial Statements of ENERGA SA for the first half of 2017 was selected in accordance with the applicable regulations. The said entity and the statutory auditors who audited the said statements met the conditions for expressing an unbiased and independent opinion on the audited interim condensed consolidated financial statements, in accordance with the governing law and professional standards.

Gdańsk, 9 August 2018

Signatures of ENERGA SA Management Board Members

Alicja Klimiuk

Acting President of the ENERGA SA Management Board

Jacek Kościelniak

Vice-President of the Management Board for Finance of ENERGA SA

Grzegorz Ksepko

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

Jarosław Małkowski

Director of the Finance Department

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Glossary of terms and abbreviations

Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and remnants of agricultural and forestry production, the industry processing their products, and a portion of other biodegradable waste, in particular agricultural raw materials
CAPEX	Capital expenditures
CIRS, CCIRS (<i>Currency Interest Rate Swap, Cross-Currency Interest Rate Swap</i>)	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 (<i>Earnings before interest, taxes, depreciation and amortization</i>)	ENERGA SA defines EBITDA as operating profit/loss plus depreciation/amortization and impairment of non-financial fixed assets.
EBIT (<i>Earnings before interest and taxes</i>)	Operating profit
ENERGA SA, ENERGA	Parent company in the ENERGA Group of Companies
ENERGA OPERATOR, EOP	ENERGA OPERATOR SA – a subsidiary of ENERGA SA and the Leading Entity of the Distribution Business Line in the ENERGA Group.
ENERGA OBRÓT, EOB	ENERGA OBRÓT SA – a subsidiary of ENERGA SA and the Leading Entity of the Sales Business Line in the ENERGA Group
EMTN (<i>Euro Medium Term Notes</i>)	Euro Medium Term Notes issuance programme
EUA	European Union Allowance
EUR	Euro, currency used in European Union's eurozone countries
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie SA)
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, specialised 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 (<i>Interest Rate Swap</i>)	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	Specialised 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 9I 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 SA, 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
TPA (<i>Third Party Access</i>)	The rule which means the ability to use the power grid of a power company without an obligation to buy electricity from that company
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