ENERGA SA

Condensed Interim Financial Statements prepared in accordance with IAS 34 for the nine-month period ended 30 September 2018

CONTENTS

Condensed interim separate financial statements as at and for the nine-month period ended 30 September 2018 (in millions of PLN)

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

	3-month period ended 30 September 2018 (unaudited)	9-month period ended 30 September 2018 (unaudited)	3-month period ended 30 September 2017 (unaudited)	9-month period ended 30 September 2017 (unaudited)
Sales revenues	**18**	**58**	**22**	**59**
Cost of sales	(14)	(45)	(14)	(37)
Gross profit on sales	**4**	**13**	**8**	**22**
Other operating income	2	7	3	7
General and administrative expenses	(22)	(70)	(17)	(55)
Other operating expenses	(1)	(13)	(6)	(15)
Dividend income	-	675	-	203
Other financial income	63	179	33	176
Financial costs	(77)	(264)	(71)	(184)
Profit/(loss) before tax	**(31)**	**527**	**(50)**	**154**
Income tax	4	20	8	14
Net profit/(loss) for the period	**(27)**	**547**	**(42)**	**168**
Earnings/(loss) per share (in PLN)				
Earnings/(loss) per share (basic and diluted)	(0.07)	1.32	(0.10)	0.41

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended 30 September 2018 (unaudited)	9-month period ended 30 September 2018 (unaudited)	3-month period ended 30 September 2017 (unaudited)	9-month period ended 30 September 2017 (unaudited)
Net profit/(loss) for the period	**(27)**	**547**	**(42)**	**168**
Items which may be reclassified to profit or loss in the future				
Cash flow hedge	(17)	(11)	(5)	(53)
Deferred income tax	3	2	1	10
Net other comprehensive income	**(14)**	**(9)**	**(4)**	**(43)**
Total comprehensive income	**(41)**	**538**	**(46)**	**125**

and for the nine-month period ended 30 September 2018 (in millions of PLN)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As at 30 September 2018 (unaudited)	As at 31 December 2017
ASSETS		
Non-current assets		
Intangible assets	11	13
Shares in subsidiaries, associates and joint ventures	7,315	7,149
Bonds	4,559	3,805
Deferred tax assets	30	19
Derivative financial instruments	67	33
Other non-current assets	141	149
	12,123	**11,168**
Current assets		
Cash pooling receivables	571	553
Trade receivables and other current financial receivables	32	99
Bonds	438	444
Income tax receivables	-	19
Cash and cash equivalents	2,292	3,013
Other current assets	69	96
	3,402	**4,224**
TOTAL ASSETS	**15,525**	**15,392**

Condensed interim separate financial statements as at and for the nine-month period ended 30 September 2018 (in millions of PLN)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (cont.)

	As at 30 September 2018 (unaudited)	As at 31 December 2017
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Parent Company		
Share capital	4,522	4,522
Reserve capital	1,018	1,018
Supplementary capital	1,540	1,433
Cash flow hedge reserve	(7)	2
Retained earnings	591	151
Total equity	**7,664**	**7,126**
Non-current liabilities		
Loans and borrowings	4,923	5,087
Bond issued	2,068	2,043
Deferred income and non-current grants	67	79
Derivative financial instruments	23	78
	7,081	**7,287**
Current liabilities		
Cash pooling liabilities	326	477
Trade liabilities and other financial liabilities	14	23
Current loans and borrowings	315	326
Bond issued	16	30
Income tax liabilities	59	-
Deferred income and grants	16	19
Accruals	13	8
Other current liabilities	21	96
	780	**979**
Total liabilities	**7,861**	**8,266**
TOTAL EQUITY AND LIABILITIES	**15,525**	**15,392**

and for the nine-month period ended 30 September 2018 (in millions of PLN)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Supplementary capital	Cash flow hedge reserve	Retained earnings	Total equity
As at 1 January 2018	**4,522**	**1,018**	**1,433**	**2**	**151**	**7,126**
Cash flow hedge	-	-	-	(9)	-	(9)
Net profit for the period	-	-	-	-	547	547
Total comprehensive income for the period	**-**	**-**	**-**	**(9)**	**547**	**538**
Retained earnings brought forward	-	-	107	-	(107)	-
As at 30 September 2018 (unaudited)	**4,522**	**1,018**	**1,540**	**(7)**	**591**	**7,664**
As at 1 January 2017	**4,522**	**1,018**	**728**	**41**	**828**	**7,137**
Cash flow hedge	-	-	-	(43)	-	(43)
Net profit for the period	-	-	-	-	168	168
Total comprehensive income for the period	**-**	**-**	**-**	**(43)**	**168**	**125**
Retained earnings brought forward	-	-	705	-	(705)	-
Dividend payment	-	-	-	-	(79)	(79)
As at 30 September 2017 (unaudited)	**4,522**	**1,018**	**1,433**	**(2)**	**212**	**7,183**

and for the nine-month period ended 30 September 2018 (in millions of PLN)

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	9-month period ended 30 September 2018 (unaudited)	9-month period ended 30 September 2017 (unaudited)
Cash flows from operating activities		
Profit or loss before tax	**527**	**154**
Adjustments for:		
Foreign currency gains/(looses)	7	2
Profit/(loss) on investing activities	9	(28)
Amortization and depreciation	5	4
Net interest and dividends	(574)	(146)
Changes in working capital:		
Change in receivables	55	(13)
Change in liabilities excluding loans, borrowings and bonds	68	39
Change in prepayments and accruals	(8)	(18)
	89	**(6)**
Income tax paid	**(87)**	**9**
Net cash from operating activities	**2**	**3**
Cash flows from investing activities		
Disposal of property, plant and equipment and intangible assets	2	-
Purchase of property, plant and equipment and intangible assets	(4)	(7)
Sale of investment property	-	11
Proceeds from bond redemption by subsidiaries	372	1,126
Purchase of bonds issued by subsidiaries	(1,075)	(517)
Acquisition of shares in subsidiaries, associates and joint ventures	(166)	(211)
Sale of shares in subsidiaries	58	43
Cash pooling expedintures	(169)	(625)
Dividends received	675	203
Interest received	93	119
Loan repayment	10	-
Other	1	8
Net cash from investing activities	**(203)**	**150**
Cash flow from financing activities		
Proceeds from loans and borrowings	-	1,061
Repayment of loans	-	846
Cash pooling proceeds	(232)	(211)
Interest paid	(292)	(182)
Net cash from financing activities	**(524)**	**1,514**
Net increase/(decrease) in cash and cash equivalents	**(725)**	**1,667**
Cash and cash equivalents at the beginning of the period	**3,015**	**1,293**
Cash and cash equivalents at the end of the period	**2,290**	**2,960**

ACCOUNTING PRINCIPLES (POLICIES) AND OTHER EXPLANATORY INFORMATION

1. General information

The condensed interim separate financial statements of Energa SA (the “Company”) cover the nine months ended 30 September 2018 and contains relevant comparative data.

Energa SA is entered in the Register of Entrepreneurs of the National Court Register held by the District Court Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register under KRS number 0000271591. The Company’s REGON statistical number is 220353024.

As at 30 September 2018, the Company is controlled by the Polish State Treasury. Since December 2013, the Company’s shares have been publicly traded.

The core business of the Company is holding activity. The Company is the parent entity in the Energa SA Group. In order to achieve full understanding of the financial position and results of the Company as the parent entity in the Group, these financial statements should be read in conjunction with the condensed interim consolidated financial statements for the period ended 30 September 2018. These statements are available on the Company’s website.

2. Composition of the Company’s Management Board

Until these financial statements were prepared, the composition of the Management Board of Energa SA was as follows:
1) in the period from 1 January 2018 to 5 February 2018:

- Mr Daniel Obajtek – President of the Management Board,
- Ms Alicja Barbara Klimiuk – Vice-President of the Management Board for Operational Matters,
- Mr Jacek Kościelniak – Vice-President of the Management Board for Financial Matters,
- Mr Grzegorz Ksepko – Vice-President of the Management Board for Corporate Matters,

2) in the period from 6 February 2018 to 1 July 2018:

- Ms Alicja Barbara Klimiuk – Vice-President of the Management Board for Operational Matters, acting as the President of the Management Board
- Mr Jacek Kościelniak – Vice-President of the Management Board for Financial Matters,
- Mr Grzegorz Ksepko – Vice-President of the Management Board for Corporate Matters,

3) in the period from 2 July 2018 to 31 July 2018:

- Mr Arkadiusz Siwko – President of the Management Board,
- Ms Alicja Barbara Klimiuk – Vice-President of the Management Board for Operational Matters,
- Mr Jacek Kościelniak – Vice-President of the Management Board for Financial Matters,
- Mr Grzegorz Ksepko – Vice-President of the Management Board for Corporate Matters,

4) in the period from 1 August 2018 until the day these financial statements were prepared:

- Ms Alicja Barbara Klimiuk – Vice-President of the Management Board for Operational Matters,acting as the President of the Management Board
- Mr Jacek Kościelniak – Vice-President of the Management Board for Financial Matters,
- Mr Grzegorz Ksepko – Vice-President of the Management Board for Corporate Matters.

3. Approval of the financial statements

These financial statements and consolidated financial statements of the Energa SA Group were approved for publication by the Company’s Management Board on 7 November 2018.

4. Basis of preparation of the financial statements

These financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value through profit or loss and hedging derivatives.

These financial statements have been prepared based on the assumption that Energa SA would continue as a going concern in the foreseeable future. As at the date of these financial statements there is no evidence indicating that the continuation of the Company’s business activities as a going concern may be at risk.

4.1. Statement of compliance

These financial statements have been prepared in accordance with the International Accounting Standard 34: Interim financial reporting as adopted by the European Union (“EU”). They do not contain all the information required in the full financial statements according to the International Financial Reporting Standards (“IFRS”), however, selected notes are included to explain the events and transactions that are significant to the understanding of the changes in the Company’s financial position and performance since the most recent annual financial statements as at and for the year ended 31 December 2017.

4.2. Functional and presentation currency

The functional currency of the Company and the presentation currency of these financial statements is the Polish zloty and all the figures are stated in millions of Polish zlotys (“PLN m”) unless stated otherwise.

5. Significant accounting policies

The accounting policies of the Company are applied on a continuous basis, except for the changes caused by amendments to IFRS EU, in particular concerning IFRS 9: Financial instruments and IFRS 15: Revenue from Contracts with Customers, applied for the first time in this reporting period. For the hedge accounting purposes, the Company applies IAS 39 on a continuous basis. The Company has applied both standards since the date of their entry into force without restating the comparative data.

5. Significant accounting policies (cont.)

IFRS 9: Financial instruments

In accordance with the new standard, financial assets are classified only in three categories: as financial assets measured at amortized cost, as financial assets measured at fair value through other comprehensive income, or as financial assets measured at fair value through profit or loss. The classification of financial assets depends on the business model of financial asset management and the characteristics of contractual cash flows for the financial asset concerned.
Financial assets are classified at initial recognition and can only be reclassified if the business model of financial asset management changes.
In accordance with IFRS 9, a financial asset shall be measured at amortized cost if both of the following conditions are met:
• it is the Company's objective to hold financial assets in order to collect contractual cash flows, and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
On the other hand, a financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:
• it is the Company's objective to hold financial assets in order to collect contractual cash flows, and to sell financial assets, and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
The other financial assets are measured at fair value through profit or loss.
IFRS 9 did not modify the classification of financial liabilities.
IFRS 9 changes the model with regard to the recognition of impairment losses, moving from incurred to expected losses. On 1 January 2018, the Company introduced a model of expected credit loss for receivables in accordance with the simplified method admitted for application by IFRS 9. The application of the model is justified by the following reasons:
• the Company's receivables did not have a significant financing component (determined in accordance with IFRS 15) at their transaction price, meaning that no significant financing component existed that could adjust the promised amount of consideration,
• the receivables were expected to be repaid in full in less than one year.
The simplified model allows for the calculation of lifetime expected credit losses.
The expected credit loss, in accordance with IFRS 9, is calculated considering the estimates of potential recoveries from security. For receivables from counterparties, it is expected that repayment history information may reflect the credit risk to be incurred in future periods.
Furthermore, the receivables can be revalued on a case-by-case basis, in particular with respect to:
• receivables from debtors in liquidation or bankruptcy,
• receivables disputed by debtors and receivables which are past due and, following an assessment of the debtor's assets and financial position, their repayment in the contractual amount is unlikely (in which case an impairment charge for doubtful debts can be created equalling 100% of the previously recognized debt),
• other past-due receivables, as well as receivables not past due that involve a substantial risk of default in the Management Board's discretion.
For bond purchases, the Company evaluates an increase in credit risk since initial recognition on an individual basis for every bond issuer, considering all reasonable and supportable information, including that which is forward-looking.
The Company assesses the change in the risk of a default occurring over the expected life of the bond. To make that assessment, the Company compares the risk of a default occurring on the bond as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information.
As at the date of these statements, the Company considers the risk of default on the bonds held to be low.

IFRS 15: Revenue from Contracts with Customers

There have been no significant changes in revenue recognition in connection with the adoption of IFRS 15 by the Company.
Revenues from sales are recognized when (or as) the Company satisfies a performance obligation (provides the service) or transfers the goods. The obligation is satisfied when (or as) the customer obtains control of the transferred asset. Revenues from sales are recognized at the transaction price, i.e. the amount expected to be paid.
The generic structure of sales revenue and the treatment thereof are as follows:
• rental income is recognized on a straight-line basis throughout the rental period in relation to open agreements;
• revenue from other services is recognized when the service is provided.
Recharge revenue is recognized as core operating income.
Adjustments of sales revenues are recognized in their respective periods until the approval of financial statements for issue.
Dividend income is recognized when the right to dividend is vested.
In view of their non-materiality, contract assets and contract liabilities are not presented in the statement of financial position.

Condensed interim separate financial statements as at and for the nine-month period ended 30 September 2018 (in millions of PLN)

5. Significant accounting policies (cont.)

The table below presents the classification of financial instruments prior to and after the effective date of the new IFRS standards (valid as at 1 January 2018).

Financial instruments	Classification of financial instruments according to IAS 39	Classification of financial instruments according to IFRS 9	Value according to IAS 39	Value according to IFRS 9
Assets				
Cash pooling receivables	Loans and receivables	Assets and financial liabilities measured at amortized cost	553	553
Cash and cash equivalents	Cash and cash equivalents	Assets and financial liabilities measured at amortized cost	3,013	3,013
Derivative financial instruments	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through profit or loss	24	24
Derivative financial instruments	Hedging derivatives	Hedging derivatives	9	9
Shares in subsidiaries, associates and joint ventures	Financial instruments excluded from the scope of IAS 39	Financial instruments excluded from the scope of IFRS 9	7,149	7,149
Bonds	Loans and receivables	Assets and financial liabilities measured at amortized cost	4,249	4,249
Lease receivables	Financial instruments excluded from the scope of IAS 39	Financial instruments excluded from the scope of IFRS 9	86	86
Trade receivables and other current financial receivables	Loans and receivables	Assets and financial liabilities measured at amortized cost	83	83
Capital contributions	Loans and receivables	Assets and financial liabilities measured at amortized cost	71	71
TOTAL			**15,237**	**15,237**
Liabilities				
Preferential loans and borrowings	Financial liabilities measured at amortized cost	Assets and financial liabilities measured at amortized cost	1,378	1,378
Loans and borrowings	Financial liabilities measured at amortized cost	Assets and financial liabilities measured at amortized cost	4,035	4,035
Bond issued	Financial liabilities measured at amortized cost	Assets and financial liabilities measured at amortized cost	2,073	2,073
Derivative financial instruments	Hedging derivatives	Hedging derivatives	78	78
Trade liabilities and other financial liabilities	Financial liabilities measured at amortized cost	Assets and financial liabilities measured at amortized cost	23	23
Cash pooling liabilities	Financial liabilities measured at amortized cost	Assets and financial liabilities measured at amortized cost	477	477
TOTAL			**8,064**	**8,064**

6. New standards and interpretations

6.1. Standards and interpretations applied in 2018 for the first time

The following amendments to existing standards published by the IASB and approved by the EU came into force in 2018:

- IFRS 9: Financial Instruments (applicable to annual periods beginning on or after 1 January 2018),
- IFRS 15: " Revenue from Contracts with Customers" (applicable to annual periods beginning on or after 1 January 2018),
- Clarifications to IFRS 15: Revenue from Contracts with Customers (applicable to annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 2: " Share-based Payment" – Classification and Measurement of Share-based Payment Transactions (applicable to annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4: " Insurance Contracts" – Applying changes introduced by IFRS 9: Financial Instruments (applicable to annual periods beginning on or after 1 January 2018),
- Improvements to IFRSs (2014-2016 cycle) – Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards, IAS 28: Investments in Associates and Joint Ventures (applicable to annual periods beginning on or after 1 January 2018),
- Amendments to IAS 40: " Investment Property" – Transfers of Investment Property to other asset groups (applicable to annual periods beginning on or after 1 January 2018),
- IFRIC 22 interpretation: " Foreign Currency Transactions and Advance Consideration" (applicable to annual periods beginning on or after 1 January 2018).

The introduction of the above-mentioned amendments did not have a material effect on the Company's accounting policies.

6.2. Standards and interpretations already published and endorsed in the EU, which have not come into effect

When approving these financial statements, the Company did not apply the following standards, amendments to standards and interpretations that were published and endorsed in the EU but have not yet become effective:

- IFRS 16: Leases (applicable to annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 9: Financial Instruments – Prepayment Features with Negative Compensation (applicable to annual periods beginning on or after 1 January 2019),
- Interpretation IFRIC 23: Uncertainty over Income Tax Treatments (applicable to annual periods beginning on or after 1 January 2019).

The Company is still analysing contracts which will be subject to disclosure in the balance sheet in accordance with IFRS 16, as their quantity and value is subject to continuous changes.

6.3. Standards and interpretations adopted by the IASB but not yet endorsed in the EU

IFRS as endorsed in the EU do not currently differ from the regulations adopted by the IASB, with the exception of the following standards, amendments to standards and interpretations, which as at the date of approving these financial statements have not yet been adopted for application:

- Changes regarding references to the Conceptual Framework in the IFRS (applicable to annual periods beginning on or after 1 January 2020);
- IFRS 17: Insurance Contracts (applicable to annual periods beginning on or after 1 January 2021),
- Amendments to IAS 19: Employee Benefits – amendments to the defined benefit plan (applicable to annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28: Investments in Associates and Joint Ventures – Detailed scope of application of the standard for long-term interests in associates and joint ventures (applicable to annual periods beginning on or after 1 January 2019),
- Amendments to various standards – Improvements to IFRS (2015-2017 Cycle) amendments made as part of the process of introducing annual improvements to IFRSs (IFRS 3, IFRS 11, IAS 12, and IAS 23) aimed primarily at resolving inconsistencies and clarification of the terminology (applicable to annual periods beginning on or after 1 January 2019),
- Amendment to IFRS 3: Business combinations (applicable to annual periods beginning on or after 1 January 2020),
- Amendments to IAS 1: Presentation of financial statements and IAS 8: Accounting policies, changes in accounting estimates and errors - definition of material (applicable to annual periods beginning on or after 1 January 2020).

In the event that the above-mentioned standards are implemented, the Company does not expect the related changes to have a material effect on its financial statements.

7. Explanations regarding the seasonality and cyclicality of operations in the period under review

Due to the inherent nature of the holding business, the Company's financial revenue fluctuates heavily during the year; it depends on the dates of resolutions to pay out dividends by the companies in which the Company holds shares, unless such resolutions indicate other record dates.

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NOTES TO CONDENSED INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION

8. Shares in subsidiaries, associates and joint ventures

Name and legal form	Registered office	Value of shares/equity in the books of Energa SA	Share of Energa SA in the share capital, in all votes and in management (%)
Subsidiaries			
Energa-Operator SA	Gdańsk	4,471	100.00
Energa Wytwarzanie SA	Gdańsk	1,051	100.00
Energa Kogeneracja Sp. z o.o.	Elbląg	621	64.59
Energa-Obrót SA	Gdańsk	330	100.00
Energa Oświetlenie Sp. z o.o.	Sopot	234	100.00
Energa Finance AB (publ)	Stockholm	103	100.00
Energa Invest Sp. z o.o.	Gdańsk	68	100.00
Energa Informatyka i Technologie Sp. z o.o.	Gdańsk	37	100.00
Energa Logistyka Sp. z o.o.	Płock	25	100.00
Energa Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	5	100.00
Enspirion Sp. z o.o.	Gdańsk	5	100.00
Energa Serwis Sp. z o.o.	Ostrołęka	2	14.09
Energa Ochrona Sp. z o.o.	Gdańsk	1	100.00
Other companies	-	1	-
Associates			
Polimex-Mostostal SA	Warszawa	82	16.48
ElectroMobility Poland SA	Warszawa	7	25.00
Joint ventures			
Elektrownia Ostrołęka Sp. z o.o.	Ostrołęka	272	50.00
Total value of shares		**7,315**	

The value of shares presented in the table above represents the value at cost less impairment losses.

On 29 March 2018, Energa SA contributed PLN 18 m in cash and, in return, acquired newly issued shares in Elektrownia Ostrołęka Sp. z o.o. Energa SA's share in that company's share capital did not change.

Following the merger of Energa Centrum Usług Wspólnych Sp. z o.o. and RGK Sp. z o.o. on 7 June 2018, the aggregate amount of impairment losses on shares as at 30 September 2018 did not change and stood at PLN 29 m, which represented solely the shares held in Energa Centrum Usług Wspólnych Sp. z o.o.

On 30 July 2018, Energa SA contributed PLN 143 m in cash and, in return, acquired newly issued shares in Elektrownia Ostrołęka Sp. z o.o. Energa SA's share in that company's share capital did not change.

Impairment tests for shares and equity

In Q3 2018, no impairment triggers were identified that could result in a decrease in recoverable value of shares, therefore it was found that impairment testing was unnecessary.

In the first half of 2018, shares and equity held by the Company were assessed for any internal and external impairment triggers. Since certain triggers were identified that could result in the impairment of shares and equity of some Group companies held by Energa SA, impairment tests were conducted.

The impairment tests for shares and equity were conducted using the income method, determining the value in use based on the discounted value of estimated cash flows from operating activities, and making a range of assumptions, including the following:

- price forecasts for electricity, coal, CO_2 emission allowances and certificates of origin for the Polish market, based on a report prepared for the Group by a third party; the forecast covered a horizon until 2065,
- assumptions regarding the quantities of free CO_2 emission allowances for 2015-2021 as specified in the Regulation of the Council of Ministers of 31 March 2014 (item 439) and 8 April 2014 (item 472),
- assumptions made for capital expenditures at levels permitting to maintain the production capacity of the existing non-current assets as a result of replacement investments, including capital expenditures to adjust industrial emission levels to the requirements of Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions and the Commission Implementing Decision (EU) 2017/1442 establishing best available techniques (BAT) conclusions, which was published on 17 August 2017,

8. Shares in subsidiaries, associates and joint ventures (cont.)

- support maintained for production of energy from existing renewable sources in accordance with the Renewable Energy Sources Act of 20 February 2015, as amended (Journal of Laws of 2017, item 1148),
- support system maintained for high-efficiency co-generation throughout the forecast period,
- the Operating Reserve maintained until 2020 and support to be received under the Power Market starting from 2021 until the end of the projection period,
- the length of forecasts for the individual companies was adopted in such a way to ensure that the cash flow used to calculate residual value was as similar as possible to the cash flows expected in the coming years.

The discount rates set on the basis of the after-tax weighted-average cost of capital (WACC), used for the calculation, fell within the range from 6.92% to 8.62%.

Energa Invest Sp. z o.o.

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period from May 2018 to December 2024 and residual value. A 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2024; this does not exceed the average long-term inflation rates in Poland. The standard 5-year projection period was extended because of the ongoing implementation of the company's new business model; as a result, it is now possible to determine the residual value based on representative cash flows and prepare a more reliable valuation of the Company's shares.

Based on the results of testing conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the Company's shares.

Energa Informatyka i Technologie Sp. z o.o.

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period from May 2018 to December 2022 and residual value. A 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2022; this does not exceed the average long-term inflation rates in Poland.

Based on the results of testing conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the Company's shares.

Energa Kogeneracja Sp. z o.o.

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period from May 2018 to December 2030 and residual value. A 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2030; this does not exceed the average long-term inflation rates in Poland. The standard 5-year projection period was extended, as proceeds from green certificates obtained by the BB20 installation distort cash flows in that period. Extension of the projection period makes it possible to determine the residual value based on representative cash flows and prepare a more reliable valuation of the Company's shares.

Based on the results of testing conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the Company's shares.

Enspirion Sp. z o.o.

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period from May 2018 to December 2022 and residual value. A 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2022; this does not exceed the average long-term inflation rates in Poland.

Based on the results of testing conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the Company's shares.

Energa Wytwarzanie SA

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period from May 2018 to December 2022 and residual value. 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2022; this is not higher than the average long-term inflation rates in Poland.

Based on the results of the test conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the value of the Company's shares.

Energa Ochrona Sp. z o.o.

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period from May 2018 to December 2022 and residual value. 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2022; this is not higher than the average long-term inflation rates in Poland.

Based on the results of the test conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the value of the Company's shares.

and for the nine-month period ended 30 September 2018 (in millions of PLN)

8. Shares in subsidiaries, associates and joint ventures (cont.)

Energa Logistyka Sp. z o.o.

The impairment test for shares in the company was conducted as at 31 May 2018. The value in use was calculated on the basis of financial projections for the period from May 2018 to December 2025 and residual value. A 2.0% growth rate was used to extrapolate cash flow forecasts beyond 2025; this does not exceed the average long-term inflation rates in Poland. The standard 5-year projection period was extended because of the ongoing implementation of the company's new business model; as a result, it is now possible to determine the residual value based on representative cash flows and prepare a more reliable valuation of the Company's shares.

Based on the results of the test conducted in the first half of 2018, it was found that no impairment losses needed to be recognized on the value of the Company's shares.

Sensitivity analysis

The estimated impact of the change in the WACC level on the overall valuation of the above-mentioned shares is presented below. An adverse change in WACC at the following level will not require any impairment losses to be recognized.

The sensitivity analysis considers changes in factors throughout the forecast period.

Parameter	Value and direction of change	Impact on overall appraisal value of tested CGUs [PLN m]		Change in impairment loss/reversal amount [PLN m]
		Increase in value	Decrease in value	
Discount rates	[+ 0.5 p.p.]	-	(226)	-
	[- 0.5 p.p.]	276	-	-

If market conditions change, there is a risk that test results will be different in the future.

9. Cash and cash equivalents

Cash in bank earns interest at variable interest rates, the level of which depends on the interest rate applicable to overnight bank deposits. Short-term deposits are made for different periods, from one day to three months, depending on the Company's current cash requirements and earn interest at interest rates negotiated individually with banks.

The balance of cash and cash equivalents presented in the statement of cash flows comprises the following items:

	As at 30 September 2018 (unaudited)	As at 30 September 2017 (unaudited)
Cash in bank	547	1,259
Short-term deposits up to 3 months	1,745	1,704
Total cash and cash equivalents presented in the statement of financial position, including:	**2,292**	**2,963**
Unrealized foreign exchange differences and interest	(2)	(3)
Total cash and cash equivalents presented in the statement of cash flows	**2,290**	**2,960**

Due to the application of the split payment mechanism, the Company holds PLN 3 m of restricted cash.

10. Dividends

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

On 26 June 2017, the Ordinary General Meeting of Shareholders adopted a resolution on the distribution of profit for 2016, where PLN 79 m was appropriated for payment of the dividend for shareholders of the Company, resulting in PLN 0.19 per share. The dividend was paid out in full, including PLN 28 m on account of shares with voting preference.

and for the nine-month period ended 30 September 2018 (in millions of PLN)

NOTES ON FINANCIAL INSTRUMENTS

11. Financial instruments

11.1. Carrying value of financial instruments by category and class

As at 30 September 2018 (unaudited)	Financial assets measured at fair value through profit or loss	Assets and financial liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Cash pooling receivables	-	571	-	-	**571**
Cash and cash equivalents	-	2,292	-	-	**2,292**
Derivative financial instruments	15	-	52	-	**67**
Shares in subsidiaries, associates and joint ventures	-	-	-	7,315	**7,315**
Bonds	-	4,997	-	-	**4,997**
Lease receivables	-	-	-	74	**74**
Trade receivables and other current financial receivables short-term	-	16	-	- -	**16**
Capital contributions	-	74	-	-	**74**
TOTAL	**15**	**7,950**	**52**	**7,389**	**15,406**
Liabilities					
Loans and borrowings	-	5,238	-	-	**5,238**
Preferential loans and borrowings	-	1,277	-	-	**1,277**
Loans and borrowings	-	3,961	-	-	**3,961**
Liabilities arising from the issue of debt securities	-	2,084	-	-	**2,084**
Derivative financial instruments	-	-	23	-	**23**
Trade liabilities and other financial liabilities	-	14	-	-	**14**
Cash pooling liabilities	-	326	-	-	**326**
TOTAL	**-**	**7,662**	**23**	**-**	**7,685**

and for the nine-month period ended 30 September 2018 (in millions of PLN)

11. Financial instruments (cont.)

As at 31 December 2017	Financial assets measured at fair value through profit or loss	Financial assets and liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Cash pooling receivables	-	553	-	-	**553**
Cash and cash equivalents	-	3,013	-	-	**3,013**
Derivative financial instruments	24	-	9	-	**33**
Shares in subsidiaries and associates and joint ventures	-	-	-	7,149	**7,149**
Bonds	-	4,249	-	-	**4,249**
Lease receivables	-	-	-	86	**86**
Trade receivables and other current financial receivables short-term	-	83	-	-	**83**
Capital contributions	-	71	-	-	**71**
TOTAL	**24**	**7,969**	**9**	**7,235**	**15,237**
Liabilities					
Loans and borrowings	-	5,413	-	-	**5,413**
Preferential loans and borrowings	-	1,378	-	-	**1,378**
Loans and borrowings	-	4,035	-	-	**4,035**
Liabilities arising from the issue of debt securities	-	2,073	-	-	**2,073**
Derivative financial instruments	-	-	78	-	**78**
Trade liabilities other financial liabilities	-	23	-	-	**23**
Trade liabilities	-	14	-	-	**14**
Capital contributions	-	8	-	-	**8**
Purchase of property, plant and equipment and intangible assets	-	1	-	-	**1**
Cash pooling liabilities	-	477	-	-	**477**
TOTAL	**-**	**7,986**	**78**	**-**	**8,064**

and for the nine-month period ended 30 September 2018 (in millions of PLN)

11. Financial instruments (cont.)

11.2. Fair value of financial instruments

Some of the Company's financial assets and liabilities are measured at fair value at the end of each reporting period.

The table below analyses fair value measurements for financial instruments categorised into a three-level hierarchy:

- level 1 – fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- level 2 – fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3 – fair value based on unobservable inputs for the asset or liability.

	As at 30 September 2018 (unaudited)	As at 31 December 2017
	Level 2	Level 2
Assets		
Hedging derivatives (CCIRS/IRS)	52	9
Other derivatives	15	24
Liabilities		
Hedging derivatives (CCIRS)	23	78

Cross Currency Interest Rate Swaps (CCIRSs) and Interest Rate Swaps (IRSs) are measured at fair value by discounting future cash flows. The interest rates and the basis spread used in discounting are obtained from Bloomberg.

Other derivatives include options to purchase shares in Polimex-Mostostal SA. The options were purchased from Towarzystwo Finansowe Silesia Sp. z o.o. under an agreement of 18 January 2017 and refer to the purchase, in three tranches, a total of 9 million shares of Polimex-Mostostal SA, at the nominal price of PLN 2 per share. The option exercise dates were set at: 30 July 2020, 30 July 2021 and 30 July 2022. The fair value measurement of the call options to purchase shares of Polimex-Mostostal SA was carried out using the Black-Scholes model. The measurement considered the current price and historic volatility of the company's share prices. The risk-free rate was determined on the basis of the yield of treasury bonds with maturities similar to the option expiration date.

11.3. Fair value of financial instruments not measured at fair value on an ongoing basis

Except for the information given in the table below, the carrying amounts of financial assets and liabilities do not depart in a material way from their fair values.

Loan from Energa Finance AB (publ)	Carrying amount	Fair value Level 2
As at 30 September 2018 (unaudited)	2,991	3,062
As at 31 December 2017	2,944	3,047

Hybrid bond issue	Carrying amount	Fair value Level 2
As at 30 September 2018 (unaudited)	1,068	1,059
As at 31 December 2017	1,055	1,152

The fair value measurement of liabilities under loans and under a hybrid bond issue was estimated on the basis of an analysis of future cash flows discounted using market interest rates updated for 28 September 2018.

11.4. Description of material items in individual categories of financial instruments

11.4.1. Financial assets

Financial assets measured at amortized cost

Financial instruments classified by the Company as financial assets measured at amortized cost comprise primarily purchased bonds, cash and cash equivalents and cash pooling receivables.

The purchased bonds are presented in the table below, broken down by issuer, as at 30 September 2018 and 31 December 2017:

Condensed interim separate financial statements as at and for the nine-month period ended 30 September 2018 (in millions of PLN)

11. Financial instruments (cont.)

	As at 30 September 2018 (unaudited)	As at 31 December 2017
Energa-Operator SA	4,126	3,273
Energa Wytwarzanie SA	761	848
Energa Elektrownie Ostrołęka SA	79	94
Energa Kogeneracja Sp. z o.o.	31	34
TOTAL, of which:	**4,997**	**4,249**
Long-term	4,559	3,805
Short-term	438	444

11.4.2. Financial liabilities

All of the Company's financial liabilities are classified as financial liabilities measured at amortized cost, except for hedging derivatives. This category of the Company's financial instruments includes primarily contracted loans and borrowings, issued bonds and cash pooling liabilities.

Loans and borrowings

Loans and borrowings contracted as at 30 September 2018 and 31 December 2017 are presented in the table below:

	As at 30 September 2018 (unaudited)		As at 31 December 2017	
Currency	PLN	EUR	PLN	EUR
Reference rate	WIBOR	Fixed	WIBOR	Fixed
Value of the loan/borrowing				
in currency	2,247	700	2,469	706
in PLN	2,247	2,991	2,469	2,944
of which maturing in:				
up to 1 year (short-term)	309	6	297	29
1 to 2 years	317	2,131	313	-
2 to 3 years	316	-	317	2,081
3 to 5 years	596	-	616	-
over 5 years	709	854	926	834

Detailed information on contracted external financing is provided in Note 11.5.

Liabilities under bonds issued

Liabilities under bonds issued as at 30 September 2018 and 31 December 2017 are presented in the table below:

	As at 30 September 2018 (unaudited)		As at 31 December 2017	
Currency	PLN	EUR	PLN	EUR
Reference rate	WIBOR	Fixed	WIBOR	Fixed
Value of the issue				
in currency	1,016	250	1,018	253
in PLN	1,016	1,068	1,018	1,055
of which maturing in:				
up to 1 year (short-term)	16	-	18	12
1 to 2 years	1,000	-	1,000	-
3 to 5 years	-	534	-	-
over 5 years	-	534	-	1,043

Detailed information on bonds issued is provided in Note 11.5.

Condensed interim separate financial statements as at and for the nine-month period ended 30 September 2018 (in millions of PLN)

11. Financial instruments (cont.)

11.5. Available external financing

In the current reporting period and as at the last day of the reporting period and as at the date of approving these financial statements for publication, there were no events of default on contractual obligations under the terms and conditions of any external funding acquired.

The external financing available as at 30 September 2018 is presented in the table below:

Financing institution	Type of liability	Purpose of financing	Date of the agreement	Financing limit (for the Energa SA Group)	Available financing amount (for the Energa SA Group)	Nominal indebtedness of Energa SA as at 30 September 2018	Repayment date
European Investment Bank	Loan	Energa-Operator SA Investment Programme	16-12-2009	1,050	-	570	15-12-2025
European Investment Bank	Loan	Energa-Operator SA Investment Programme	10-07-2013	1,000	-	717	15-09-2031
European Bank for Reconstruction and Development	Loan	Energa-Operator SA Investment Programme	29-04-2010	1,076	-	579	18-12-2024
European Bank for Reconstruction and Development	Loan	Energa-Operator SA Investment Programme	26-06-2013	800	-	236	18-12-2024
Nordic Investment Bank	Loan	Energa-Operator SA Investment Programme	30-04-2010	200	-	81	15-06-2022
Energa Finance AB (publ)	Loan	Current activities	21-03-2013	2 131[1]	-	2 131[1]	18-03-2020
Energa Finance AB (publ)	Loan	Current activities	28-06-2017	854[2]	-	854[2]	28-02-2027
Bondholders	Domestic bonds	General corporate purposes	19-10-2012	1,000	-	1,000	19-10-2019
PKO Bank Polski SA	Credit limit	General corporate purposes	12-10-2011	300	300	-	07-06-2021
PKO Bank Polski SA	Bonds	Energa Elektrownie Ostrołęka SA Investment Programme	30-05-2012	100	47	-	31-12-2022
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	175	5[3]	19-09-2022
Bank PEKAO SA	Revolving loan	General corporate purposes	13-10-2011	500	500	-	29-05-2020
Bank PEKAO SA	Loan	Energa Elektrownie Ostrołęka SA Investment Programme	30-05-2012	85	-	14	29-05-2022
Nordic Investment Bank	Loan	Construction of Myślino wind farm	23-10-2014	68	-	50	15-09-2026
European Investment Bank	Hybrid bonds	Energa-Operator SA Investment Programme	04-09-2017	1,068[4]	-	1,068[4]	12-09-2037
TOTAL				**10,432**	**1,022**	**7,305**	

[1] EUR 499 m liability converted using the average NBP exchange rate of 28 September 2018

[2] EUR 200 m liability converted using the average NBP exchange rate of 28 September 2018

[3] value of guarantee limits granted to the Energa SA Group companies based on concluded contracts (utilisation of the global limit)

[4] EUR 250 m liability converted using the average NBP exchange rate of 28 September 2018

11. Financial instruments (cont.)

11.6. Cash flow hedge accounting

The special purpose vehicle Energa Finance AB (publ) and Energa SA have signed three loan agreements denominated in EUR for the total amount of EUR 699 m. In order to hedge currency risk under these loans, in 2013, in July 2014 and April 2017, the Company concluded cross-currency interest rate swap transactions with nominal values of EUR 400 m ("CCIRS I"), EUR 25 m ("CCIRS II") and EUR 200 m ("CCIRS III"), respectively.

The Company designated the foreign currency risk arising from intra-group loans denominated in EUR as a hedged position under the above hedging relationships. The foreign currency risk is hedged at the level of 89% of the total nominal amount of loans.

As the hedge the Company designated CCIRS transactions under which the Company receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN. Cash flows received by the Company correspond with the cash flows under the intra-group loans. The Company expects that the hedged cash flows will continue until June 2027.

In September 2017, Energa SA issued hybrid bonds for the total amount of EUR 250 m. In order to hedge the currency risk under these bonds, the Company concluded CCIRS transactions ("CCIRS IV").

The Company designated the foreign currency risk arising from the issue of hybrid bonds denominated in EUR as a hedged position under the above hedging relationships. The foreign currency risk is hedged at the level of 100% of the total nominal amount of the issued bonds.

As the hedge the Company designated CCIRS transactions under which the Company receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN. Cash flows received by the Company correspond with the cash flows under the bonds issued. The Company expects that the hedged cash flows will continue until September 2027.

In August 2016, the Company additionally concluded IRS transactions to hedge interest rate risk arising out of contracted financing with regard to (see note 11.5):

- loan agreement concluded with EIB in 2013 – PLN 150 m.

In April and June 2018, the Company additionally concluded IRS transactions with similar characteristics for the following:

- loan agreement concluded with EIB in 2013 – PLN 100 m,
- loan agreement concluded with EBRD in 2010 – PLN 100 m, and
- loan agreement concluded with EIB in 2009 – PLN 100 m.

The Company designated the risk related to the WIBOR 3M interest rate arising from interest payments on the financial liabilities stated above in the period no longer than 2 years from the date of the hedging transactions as hedged positions under hedging relationships. In the case of the transactions relating to EIB loan agreement, this is a four-year period.

The Company designated the IRS transactions under which the Company receives floating-rate cash flows in PLN and pays fixed-rate cash flows in PLN as the hedging instruments. Interest cash flows received by the Company correspond with interest cash flows under the hedged financial liabilities. The Company expects that the hedged cash flows will continue until June 2022 and not longer.

All holdings of hedging instruments back cash flows and relate to financial instruments classified to the same risk categories. The hedging instruments shown relate to liabilities under loans between Energa Finance AB and Energa SA, hybrid bonds from the European Investment Bank and loans from the European Investment Bank and the European Bank for Reconstruction and Development.

and for the nine-month period ended 30 September 2018 (in millions of PLN)

11. Financial instruments (cont.)

The fair value of hedging instruments is as follows:

	Value	Recognition in the statement of financial position	Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period	Nominal amounts of the hedge in EUR m
As at 30 September 2018 (unaudited)				
CCIRS I	47	Assets – Derivative financial instruments	None	400
CCIRS II	3	Assets – Derivative financial instruments	None	25
CCIRS III	23	Liabilities – Derivative financial instruments	None	200
CCIRS IV	1	Assets – Derivative financial instruments	None	250
IRS	1	Assets – Derivative financial instruments	None	450
As at 31 December 2017				
CCIRS I	7	Assets – Derivative financial instruments	None	400
CCIRS II	<1	Assets – Derivative financial instruments	None	25
CCIRS III	49	Liabilities – Derivative financial instruments	None	200
CCIRS IV	29	Liabilities – Derivative financial instruments	None	250
IRS	2	Assets – Derivative financial instruments	None	450

Under cash flow hedge accounting, the cash flow hedge reserve (the effective portion of changes in the value of the hedge, less deferred tax) decreased in the reporting period by PLN 9 m. The Company continued hedge accounting under IAS 39, and no ineffectiveness was identified in the period under review.

The table below presents changes in the cash flow hedge reserve resulting from hedge accounting in the reporting period:

	9-month period ended 30 September 2018 (unaudited)	9-month period ended 30 September 2017 (unaudited)
At the beginning of the reporting period	**2**	**41**
Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments	98	(79)
Accrued interest transferred from the reserve to financial income/costs	(21)	1
Revaluation of hedging instruments transferred from the reserve to financial income/costs	(88)	25
Income tax on other comprehensive income	2	10
At the end of the reporting period	**(7)**	**(2)**

As at 30 September 2018, no ineffectiveness was identified resulting from the applied cash flow hedge accounting.

OTHER NOTES

12. Information on related entities

Related party transactions are made based on market prices of goods, products or services delivered.

12.1. Transactions involving parties related to the State Treasury

The Company's parent entity is the State Treasury. Energa SA concludes transactions with other related parties and with the State Treasury associated with its regular, daily business operations. These transactions are concluded on an arms' length basis and their terms and conditions do not deviate from transactions with other entities. They do not constitute material transactions. The Company does not keep records that would allow it to aggregate the value of all transactions concluded with all state institutions and with subsidiaries of the State Treasury.

and for the nine-month period ended 30 September 2018 (in millions of PLN)

12. Information on related entities (cont.)

12.2. Related party transactions (without State Treasury companies)

	9-month period ended 30 September 2018 (unaudited)	9-month period ended 30 September 2017 (unaudited)
Net income from sale of products, goods and materials	57	59
Cost of purchase	10	10
Dividend income	675	203
Other financial income	145	125
Financial costs	93	72

	As at 30 September 2018 (unaudited)	As at 31 December 2017
Assets		
Non-current receivables	58	69
Cash pooling receivables	571	553
Trade receivables	16	15
Other current financial receivables – subsidiaries	16	17
Other current financial receivables – joint venture	-	10
Long-term bonds	4,559	3,805
Short-term bonds	438	444
Other current assets	55	79
Equity and liabilities		
Non-current liabilities on account of loans and borrowings	2,985	2,915
Non-current liabilities arising from the issue of debt securities	1,007	844
Cash pooling liabilities	326	477
Current trade liabilities	2	3
Other financial liabilities	1	9
Current part of loans and borrowings	6	29
Current liabilities arising from the issue of debt securities	12	6
Other current liabilities	16	90

The tables above present transactions with subsidiaries within the Energa SA Group and with joint ventures. Transactions with associates are immaterial.

The transactions involving the acquisition of shares in subsidiaries, associates and joint ventures are presented in Note 8.

12.3. Compensation paid or due to the Company's Management Board members and Supervisory Board members

	9-month period ended 30 September 2018 (unaudited)	9-month period ended 30 September 2017 (unaudited)
Management Board	3	3
Supervisory Board	<1	<1
TOTAL	**3**	**3**

During the reporting period, there were no loans granted to or other material transactions with members of the Management Board and of the Supervisory Board of Energa SA.

12.4. Compensation paid or due to senior management (except for members of the Company's Management Board and Supervisory Board)

The amount of benefits paid or due to the senior management in the period from 1 January 2018 to 30 September 2018 was PLN 9 m vs. PLN 7 m in the same period last year.

12.5. Collateral securing repayment of liabilities

As at the end of the reporting period, there was no collateral established on the Company's assets.

13. Contingent assets and liabilities

The Company did not have any significant contingent assets and liabilities.

14. Other information significantly affecting the assessment of assets, financial position and the financial result of the Company

On 4 April 2018, Elektrownia Ostrołęka Sp. z o.o. (the "Contracting Authority") had resolved a public procurement award procedure titled "Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW" ("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 with the parameters specified in the tender for a net amount of PLN 5,050 m, gross amount: PLN 6,023 m.

Award of the Contract is not equivalent to:

- giving the consent to conclude the contract with the General Contractor – such a consent needs, among other things, a prior approval from the Supervisory Board of Energa SA;

- 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 Energa SA and the prior consent in principle by Energa SA's General Meeting to proceed with the Construction Phase.

Earlier, on 24 March 2018, the Management Board of Energa SA, as a shareholder of the Contracting Authority, received a request from the Contracting Authority for the consent to award the Contract (Current Report No. 11/2018). The Management Board of Energa SA gave the consent on 27 March 2018 (Current Report No. 13/2018).

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. as the Consortium Leader and Alstom Power Systems SAS (Current Report No. 33/2018).

On 3 September 2018, the Company's Extraordinary General Meeting adopted a resolution concerning a consent in principle to the commencement of the Construction Phase of the Ostrołęka C Project, consisting in the preparation, construction and operation of a supercritical coal-fired steam power unit with a gross capacity of approximately 1,000 MWe.

On 4 September 2018, a Memorandum of Understanding was signed between Energa SA, Enea S.A., Elektrownia Ostrołęka Sp. z o.o. and Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych Energia ("Fund") concerning the Fund's capital investment (by subscribing for shares in Elektrownia Ostrołęka Sp. z o.o. share capital) in a project implemented by the Elektrownia Ostrołęka Sp. z o.o. involving the preparation, construction and operation of a coal-fired power unit with a gross capacity of approx. 1,000 MW ("Project"). The Memorandum of Understanding defines the tentative financing structure for the Project, with a total of PLN 2 bn in equity to be contributed by Energa SA and Enea S.A. (PLN 1 bn each), which includes any monies contributed by Energa SA and Enea S.A. before the conclusion of a potential investment agreement with the Fund, and no more than PLN 1 bn in equity contributed to Elektrownia Ostrołęka Sp. z o.o. by the Fund. The outstanding balance is to be covered by other forms of financing. The Memorandum of Understanding is valid from the day of signature to 30 November 2018.

Details of the Public Procurement and the Contract are presented in item 2.1. Material events in the reporting period and after the balance sheet date of the Information to the condensed consolidated report of the Energa Group for nine month period of 2018.
Furthermore, in accordance with information provided in a current report of the Polimex-Mostostal Group (Current Report No. 30/2018 of 22 June 2018), the Management Board of Polimex-Mostostal S.A. in Warsaw reported that the Company had concluded a letter of intent with GE Power Sp. z o.o. concerning cooperation in the performance of the public contract "Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW, with Elektrownia Ostrołęka Sp. z o.o. as the Contracting Authority.

15. Subsequent events

On 4 October 2018, the General Meeting of Shareholders of ElectroMobility Poland SA passed a resolution concerning an increase in the share capital of the company to PLN 70 m, by increasing the nominal value of shares. Pursuant to the resolution, on 19 October 2018, Energa SA contributed PLN 10 m in cash to the company.

Members of the Management Board

Alicja Barbara Klimiuk ....
acting President of the Management Board

Jacek Kościelniak ....
Vice-President of the Management Board for Financial Matters

Grzegorz Ksepko ....
Vice-President of the Management Board for Corporate Matters

Energa Centrum Usług Wspólnych Sp. z o.o. ....
Entity responsible for keeping accounting ledgers
and for preparing financial statements
Energa Centrum Usług Wspólnych Sp. z o.o.
al. Grunwaldzka 472, 80-309 Gdańsk
KRS 0000049425, NIP 879-229-21-45, REGON 871566320 ....

Gdańsk, 7 November 2018