



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

**for 9 months
of 2018**

Gdańsk
Publication date: 8 November 2018

CONTENTS

1. SUMMARY	3
2. KEY INFORMATION ABOUT THE GROUP	6
2.1. Material events in the reporting period and after the balance sheet date	6
2.2. Activities of the ENERGA Group	15
2.3. Implementation of the investment programme	20
2.4. Information on material contracts and agreements	21
2.5. Risk management	22
2.6. Proceedings pending before courts, arbitration or public administration bodies	22
3. ANALYSIS OF THE FINANCIAL SITUATION AND ASSETS	39
3.1. Rules for preparing the Condensed Interim Consolidated Financial Statements	39
3.2. Explanation of the economic and financial data disclosed in the Condensed Consolidated Financial Statements	39
3.3. Structure of assets and liabilities in the consolidated statement of financial position	46
3.4. Description of significant off-balance sheet items	47
3.5. Key operational data of the ENERGA Group	47
3.6. Financial results by operating segments	50
3.7. Projected financial results	57
3.8. Ratings	57
3.9. Dividend	58
3.10. Factors affecting ENERGA Group result in at least one quarter outlook	58
4. ENVIRONMENT	60
4.1. Macroeconomic situation	60
4.2. Electricity market in Poland	61
4.3. Regulatory environment	68
5. SHARES AND SHAREHOLDING STRUCTURE	72
5.1. ENERGA's shareholding structure	72
5.2. The Company's stock prices on the Warsaw Stock Exchange in Warsaw	73
5.3. Recommendations for the Company's stock	75
5.4. Shares held by executive and supervisory personnel	75
LIST OF FIGURES	77
LIST OF TABLES	78
GLOSSARY OF TERMS AND ABBREVIATIONS	79

1. SUMMARY



THE GROUP AFTER 9 MONTHS OF 2018

One of the leading energy groups and a reliable supplier of electricity and services for 1/4 of Poland, with a 32-percent share of RES in own production.

OPERATING DATA



16.9 TWh

volume of electricity supplied



2.9 TWh

gross production of electricity

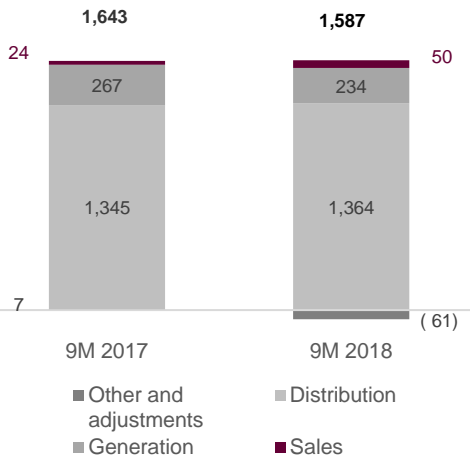


14.8 TWh

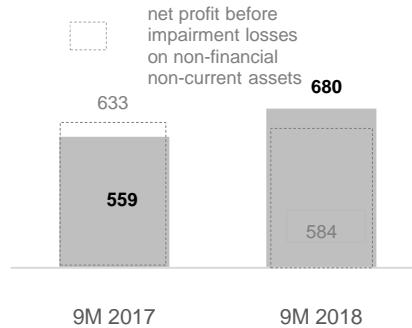
retail sales

FINANCIAL RESULTS

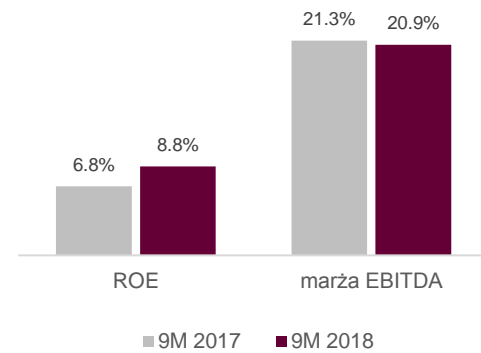
EBITDA (PLN m)



Net profit (PLN m)



Profitability ratios



ENERGA SA ON THE WSE

Market capitalisation: **PLN 3.24 bn***

* According to share price as at closing on 28 September 2018.

Prices of ENERGA SA shares



KEY RESOURCES



Distribution network length:
187k km



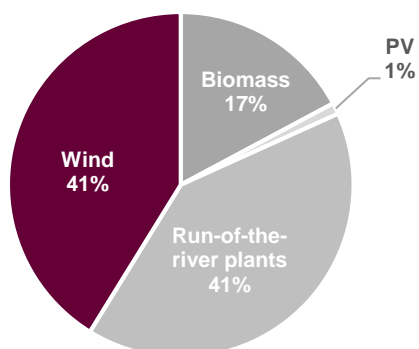
Installed capacity
1.34 GWe
of which **38%** falls to RES



9.6k
employees



RENEWABLE ENERGY SOURCES



Installed capacity
512 MWe



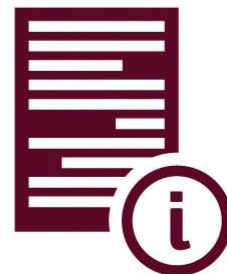
RES production
923 GWh

INVESTMENT PROJECTS IN THE

In the first nine months of 2018, the ENERGA Group completed investment projects worth **PLN 1,042 m**, of which almost PLN 860 m in the Distribution Business Line.

As a result of the completed investments, in the first 9 months of 2018 **40.839 thousand new customers** were connected, **3,145.1 km** of high, medium and low voltage lines were built and upgraded and **33.5 MW** of new renewable energy sources were connected to the grid.

Key information about the Group



2. KEY INFORMATION ABOUT THE GROUP

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

Signing a Memorandum of Understanding concerning the potential capital investment of Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych Energia in the Construction of Ostrołęka C Power Plant project

On 4 September 2018, the Management Board of ENERGA SA informed that a Memorandum of Understanding had been signed between ENERGA SA, ENEA SA, Elektrownia Ostrołęka Sp. z o.o. (“the Company”) and Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych Energia (the “Fund”) concerning the Fund’s capital investment (by subscribing for shares in the Company’s share capital) in a project implemented by the Company involving the preparation, construction and operation of a coal-fired power unit with a gross capacity of approx. 1,000 MW (the “MoU”, the “Project”).

The Fund’s involvement in the Company depends on the fulfilment of a range of legal, corporate and financial conditions, including the market situation. The Memorandum of Understanding is solely a commitment to negotiate in good faith for the conclusion of an investment agreement between the Fund, ENERGA SA, ENEA SA and the Company, or for the accession of the Fund to the existing investment agreement, the conclusion of which was reported by the Issuer in its Current Report No. 49/2016 dated 8 December 2016. The Memorandum of Understanding is valid from the day of signature to 30 November 2018.

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 SA (PLN 1 bn each), which includes any monies contributed by ENERGA SA and ENEA SA before the conclusion of a potential investment agreement with the Fund, and no more than PLN 1 bn in equity contributed to the Company by the Fund. The outstanding balance is to be covered by other forms of financing.

The Memorandum of Understanding was signed in connection with proceedings to obtain a conditional certificate permitting the Company to participate in main auction on the power market, and it can be presented to PSE SA for this purpose (Current Report No. 42/2018).

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 yet another of the sued wind farms

The Management Board of ENERGA ENERGA SA reported on 18 July 2018 that it had been advised that a subsidiary of 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 for both parties and do not adversely affect the financial performance of ENERGA Obrót SA

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 Ostrołęka Power Plant 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. as the Consortium Leader and ALSTOM Power Systems S.A.S., selected in a public procurement procedure conducted by the Company.

The subject of the Contract covers 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 1,000 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 (the “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 with the General Contractor as a result of a competitive dialogue public procurement procedure called “Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW”

The Management Board of ENERGA SA was informed on 6 July 2018 that the 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. a Consortium of GE Power Sp. z o.o. as the Consortium Leader and ALSTOM Power Systems S.A.S., selected in a public utilities contract award procedure conducted by the Company in the form of a competitive dialogue for the “Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW” (the “Contract”). The Company’s Articles of Association require that a 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 (Current Report No. 32/2018).

Definition 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

On 5 July 2018, the Management Board of ENERGA SA was informed about the adoption of a resolution by the Issuer’s Supervisory Board, whereby the Supervisory Board defined the manner of exercising voting rights at the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka Sp. z o.o. 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. as the Consortium Leader and ALSTOM Power Systems S.A.S., selected in a public utilities contract award procedure conducted by the Company in the form of a competitive dialogue for the “Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW”.

Definition 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 possible adoption 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, 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 (Current Report No. 31/2018).

Information concerning the receipt from the Management Board of Elektrownia Ostrołęka Sp. z o.o. of 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 Ostrołęka Power Plant C with a capacity of approximately 1,000 MW”

The Management Board of ENERGA SA informed that ENERGA SA, as a shareholder in Elektrownia Ostrołęka Sp. z o.o., had 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. as the Consortium Leader and ALSTOM Power Systems S.A.S., selected in a public utilities contract award procedure conducted by the Company in the form of a competitive dialogue for the “Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW”. The Management Board of the Company requested the Company’s General Meeting for consent to the execution of the Contract with the General Contractor, i.e. the Consortium of GE Power Sp. z o.o. as the Consortium Leader and Alstom Power System S.A.S., which offered to perform the Contract, with the parameters specified in the tender, for PLN 5,049,729,000.00 net of VAT (PLN 6,023,034,950.00 inclusive of VAT).

The Company’s Articles of Association require that a 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 obtaining 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 potential adoption by the General Meeting of the requested resolution do automatically mean 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 (Current Report No. 28/2018).

Information on the reversal of impairment losses on assets

The Management Board of ENERGA SA informed that due to developments in the 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 had identified triggers 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, a decision was made to reverse impairment losses totalling PLN 116.6 m on wind assets in the Generation Business Line. 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 will be involved. This will improve the operating profit of the ENERGA Group without affecting its EBITDA.

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

The items presented are estimates. The final outcome of the tests and the amounts of reversals will be presented in the consolidated financial statements of the ENERGA Group for the first half of 2018. (Current Report No. 27/2018).

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 Report No. 25/2018).

Beforehand, on 16 May 2018, the Management Board of ENERGA SA reported that it had decided not to recommend the General Meeting of ENERGA SA to pay a dividend for the financial year ended 31 December 2017. The entire net profit for 2017 amounting to PLN 106,601,622.10 would be transferred to supplementary capital.

The reason for the decision is the implementation of the “Strategy of the ENERGA Group for 2016-2025” (the “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).

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 (Current Report No. 18/2018).

Awards in three arbitration proceedings to determine the non-existence of legal relationships under contracts of sale of property rights from certificates of origin and their potential impact on performance

On 8 June 2018, the Management Board of ENERGA SA reported that it had been advised that in three arbitration cases to determine the non-existence of legal relationships purportedly arising from the contracts of sale of property rights arising from 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 (Current Report No. 22/2018).

On 13 June 2018, the Management Board of ENERGA SA reported that the potential effect of the arbitration awards on the Issuer’s financial performance in 2018 was estimated at approx. PLN 16 m. (Current Report No. 24/2018).

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 reported that it had been advised on 30 May 2018 that a subsidiary of 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 considered their relationship based on the agreement put into question by ENERGA Obrót S.A to be definitively terminated. At the same time, the parties decided to continue their cooperation in the disposal 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).

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 reported that it had been advised on 21 May 2018 that a subsidiary of 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 considered their relationship based on the agreement put into question by ENERGA Obrót S.A to be definitively terminated. They parties do not rule out the possibility of cooperating 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).

Selection of the successful tender in the public procurement procedure “Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW”

The Management Board of ENERGA SA (the “Issuer”) reported that on 4 April 2018, the Management Board had been informed that Elektrownia Ostrołęka Sp. z o.o. (the “Contracting Entity”) had selected the successful tender in the public procurement procedure “Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW” (the “Procedure”, the “Contract”), that of a Consortium composed of GE Power Sp. z o.o. and Alstom Power System S.A.S.. as the General Contractor, which offered to perform the Contract with the parameters specified in the tender for PLN 5,049,729,000.00 net of VAT, or PLN 6,023,034,950.00 inclusive of VAT.

The selection of the successful tender is not tantamount to:

- giving consent to conclude the contract with the General Contractor, as such consent requires the prior approval by the Supervisory Board of the Issuer;
- giving consent to issuing 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 (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 selection of the successful tender in the public procurement procedure “Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW”

The Management Board of ENERGA SA (the “Issuer”) reports that on 27 March 2018, it decided to vote at the General Meeting of Elektrownia Ostrołęka Sp. z o.o. (the “Contracting Entity”, the “Company”) in support of the consent to the selection of the successful tender in the public procurement procedure “Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW” (the “Procedure”, the “Contract”), that of a Consortium composed of GE Power Sp. z o.o. and Alstom Power System S.A.S.. as the General Contractor, which offered to perform the Contract, with the parameters specified in the tender, for PLN 5,049,729,000.00 net of VAT, or PLN 6,023,034,950.00 inclusive of VAT. 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 S.A.S.. 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 reported that it had been informed of the adoption by the General Meeting of the Company of a resolution on 27 March 2018 to give its consent to the selection of the successful tender in the Procedure, in line with the Issuer's decision referred to above.

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

- the Management Board of the Company has made its decision to select the General Contractor, and therefore it does not mean that the Procedure has been concluded by the Contracting Entity;
- consent has been given to the conclusion of a contract 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;
- giving consent to issuing 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 (Current Report No. 13/2018).

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

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

In the Amendment, the parties 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 were increased in order to provide the necessary resources for, *inter alia*, organisational work to be carried out under the contract with the General Contractor, related investments and the operation of the Company.

Moreover, the Issuer informed that in the performance of the Investment Agreement, the Issuer had sold on 23 March 2018 to the ENEA SA a holding of 1,201,036 shares in the Company for approx. PLN 58 m. As a result of this transaction, the Issuer holds a total of 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 its decision to select the General Contractor, and therefore it does not mean that the Contracting Entity has concluded the public procurement proceedings "Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW";
- 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 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 selection of the successful tender in the public procurement procedure “Construction of Ostrołęka Power Plant C with a capacity of approximately 1,000 MW”

The Management Board of ENERGA SA reported that on 23 March 2018, as a shareholder of Elektrownia Ostrołęka Sp. z o.o. (the “Contracting Entity”, the “Company”), it received a request addressed to the General Meeting from the Management Board of the Company for consent to the selection of the successful tender in the public procurement procedure “Construction of Ostrołęka Power Plant C with a capacity of approximately 1000 MW” (the “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 S.A.S. as the General Contractor, which offered to perform the Contract with the parameters specified in the tender for PLN 5,049,729,000.00 net of VAT, or PLN 6,023,034,950.00 inclusive of VAT. In accordance with the request, the consent of the Company’s shareholders referred to above 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 S.A.S.. 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 a 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 nor the potential adoption by the General Meeting of the requested resolution do automatically mean that:

- the Management Board of the Company has made its decision to select the General Contractor, and therefore it does not mean that the Procedure has been concluded by the Contracting Entity;
- 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;
- giving consent to issuing 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 (Current Report No. 11/2018).

Fitch Ratings affirms ENERGA's rating

The Management Board of ENERGA SA (the "Company", "ENERGA") announced that on 21 March 2018, Fitch Ratings (the "Agency", "Fitch") had 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'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 Ostrołęka Power Plant C project. Fitch pointed out that this risk was mitigated by, *inter alia*, implementing the project in a strategic partnership, participation of additional investors in its financing and 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 informed that due to developments in the legislative environment, in particular the signing by the President of the Republic of Poland of the Power Market Act which guarantees support for generating units and the resulting adjustment of pricing path estimates, it had identified triggers which may result in the reversal of impairment losses on certain assets of the ENERGA Group.

The impairment tests carried out for Q4 2017 revealed an increase in the recoverable amount of wind assets and conventional assets. On 17 January 2018, a decision was made to reverse impairment losses on assets in the Generation Segment totalling PLN 138.0 m, of which PLN 87.0 m was attributable to wind assets and PLN 51.0 m was attributable to Ostrołęka B's assets. The total estimated effect of the reversal on the ENERGA Group's consolidated net profit of for 2017 is PLN 114.9 m. No cash flows will be involved. This will improve the operating profit of the ENERGA Group without affecting its EBITDA.

Adjusted for the reversal of the impairment losses, the carrying amount of wind farms in the consolidated balance sheet of the ENERGA Group is PLN 597.3 m, of which PLN 8.1 m is the carrying amount of the wind farm pipeline, while the carrying amount of Ostrołęka Power Plant B is PLN 635.8 m.

The items presented are estimates. The final outcome of the tests and the amounts of reversals will be presented in the consolidated financial statements of the ENERGA Group for 2017, to 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 (the "Company") reported that on 10 January 2018, ENERGA Elektrownie Ostrołęka SA (a subsidiary of ENERGA SA) and Polska Grupa Górnicza SA ("PGG") had signed an amendment (the "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 deliveries to 750 thousand tonnes of coal per annum with the possible deviation of volume falling within a range of $\pm 20\%$. The parties agreed on coal deliveries of 750 thousand tonnes for 2018.

The Agreement to which the Amendment was signed had been concluded for a definite 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 was adjusted and presently its lifetime value is PLN 3.28 bn.

As a result of the increased volume of deliveries, PGG has become the main supplier 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:

- 1) from 6 February 2018 to 1 July 2018:
 - a) Alicja Barbara Klimiuk - Vice-President of the Management Board for Operations, serving as President of the Management Board
 - b) Jacek Kościelniak - Vice-President of the Management Board for Financial Matters,
 - c) Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters,
- 2) from 2 July 2018 to 31 July 2018:
 - a) Arkadiusz Siwko - President of the Management Board,
 - b) Alicja Barbara Klimiuk - Vice-President of the Management Board for Operations,
 - c) Jacek Kościelniak - Vice-President of the Management Board for Financial Matters,
 - d) Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters,
- 3) from 31 July 2018 until the date of this Information document:
 - a) Alicja Barbara Klimiuk - Vice-President of the Management Board for Operations, serving as President of the Management Board
 - b) Jacek Kościelniak - Vice-President of the Management Board for Financial Matters,
 - c) Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters.

On 29 June 2018, the Company's Supervisory Board decided to appoint Arkadiusz Siwko on the Management Board of ENERGA SA of the 5th Term of Office as President of the Management Board, effective from 2 July 2018.

Due to the dismissal of Arkadiusz Siwko by the Supervisory Board from the office of the President of the Management Board of ENERGA SA on 31 July 2018, on the same day, the Management Board of the Company passed a resolution delegating the obligations of the President of the Management Board to Alicja Barbara Klimiuk. On 31 July 2018, the Supervisory Board approved the decision to delegate the obligations of the President of the Management Board to Alicja Barbara Klimiuk, Vice-President of the Management Board for Operations.

From 1 January 2018 until the date of this Information document, the Supervisory Board of ENERGA SA has been composed of:

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

Other

Additional details are provided in note 20 to the Consolidated financial statements: *Other information significantly affecting the assessment of assets, financial position and the financial result of the Group.*

2.2. Activities of the ENERGA Group

The core business of the ENERGA Group involves 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 (URE). The ENERGA Group has a natural monopoly position in the northern and central part of Poland which hosts the Group's distribution assets through which the Group supplies electricity to more than 3 million customers, approx. 2.9 million of whom are customers with universal agreements and 205 thousand are TPA (Third Party Access) customers. A breakdown of ENERGA Operator SA's customers by tariff group is presented in Section 3.5. Key operating data. The total length of the power lines was almost 187 thousand km and covered almost 75 thousand km², i.e. about 24% of the country's landmass. ENERGA Operator SA acts as the Leading Entity in this Line.

Generation Business Line. The operation of this business line is based on four Divisions: the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). At the end of Q3 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 in hydro- and wind power plants. Green energy is produced by 46 hydropower plants, 5 wind farms and biomass-fired installations (in ENERGA Kogeneracja) as well as two photovoltaic installations.

In Q3 2018, the Group generated approx. 1 TWh of electricity (in gross terms) at its power plants relying on sources such as coal, water, wind, biomass and solar energy. During that period, 78% of the Group's gross electricity production originated from coal, 14% from hydro and 8% from wind.

As at the end of September 2018, the Group had the installed capacity of 0.5 GW in renewable energy sources, with a gross production of 923 GWh of electricity over 9 months of this year.

Sales Business Line. A business line with ENERGA Obrót SA as the leading entity that sells electricity, gas and additional services both as separate products and in packages. 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 Q3 2018, the ENERGA Group had approximately 3 million customers, including 2.7 million classified as G tariff customers, with the remainder being customers from: C, B and A tariff groups, in a decreasing 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 customers' satisfaction with the services provided by the ENERGA Group and their trust in the Group.

In Q3 2018, ENERGA Obrót SA offered the following products 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, Sprzedaż pieców akumulacyjnych i pomp ciepła.

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 Q3 2018, ENERGA Obrót SA sold its products and services proactively to 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 Enspirion, whereby customers ready to reduce their energy consumption when requested by a transmission system operator can make profits.

Being aware of the fast advancement 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 October 2018, nearly 2,500 contracts with customers were concluded via its online channel. 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 – it also optimises and digitises the company's back-office procedures as regards contract management. 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. Not only does it offer 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) for easy online content management. Once implemented, the project will provide a number of benefits and convenient solutions to customers:

- access to a full range of products tailored to specific user needs,
- 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 will be available, e.g. offer forms, connection requests and automated agreements.

In Q3 2018, work continued to optimise the company's customer service processes with a view to reducing the number of customer complaints and the time taken to process them, and to identifying the points that should be resolved at first contact. The company's channels of communication with customers were consistently improved and the available technical solutions were optimised.

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

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 Q3 2018, ENERGA Obrót additionally ran an online marketing campaign to promote its *Multiochrona* offer. This is the Company's response to the needs of the customers who, in the event of any technical issues at home, waste time looking for help and put a strain on their home budgets.

As part of its anti-smog measures, the Company launched a series of debates in Grudziądz on how to address 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). Furthermore, it explained the scope of activities of the Company's anti-smog service called "Breathing with energy" and the objectives of its programme bearing the same name.

As part of the Breathing with energy 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. 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.

Key changes in the Group's structure and organisation

As at 30 September 2018, the ENERGA Group consisted of 28 companies, including its parent company, ENERGA SA. As at the date of this Information document, the ENERGA Group consisted of 22 companies, including its parent company.

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 in 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.

An increase in share capital of Elektrownia Ostrołęka Sp. z o.o. by PLN 35 m by a resolution of the Shareholders Meeting of 29 March 2018, pursuant to which ENERGA SA and ENEA SA each subscribed for 50% of new shares (i.e. PLN 17.5 m, respectively) in exchange for cash contributions was registered with the National Court Register on 30 July 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., selected in a public procurement 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 gross power unit with auxiliary facilities.

On 27 July 2018, a resolution was passed by the General Meeting of Elektrownia Ostrołęka Sp. z o.o. to increase the company's share capital by PLN 287 m to PLN 551,100,000. The new shares were equally divided between ENERGA SA and Enea SA, PLN 143.5 m each. The increase was registered by the National Court Register on 16 October 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 target 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 to 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 target 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 Group companies: ENERGA Operator SA and ENERGA Operator Techniczna Obsługa Odbiorców Sp. z o.o. signed a Merger Plan on 26 April 2018, with ENERGA Operator SA as 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 Commercial Companies Code), using the simplified procedure provided for in Articles 516(1), 516(5) and 516(6) of that Code. The merger was registered by the National Court Register on 2 July 2018.

Another merger within the ENERGA Group was carried out in Q3 2018. Six grid work companies merged with the Leading Entity of the Distribution Business Line, 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 target companies) signed the Merger Plan. Resolutions of General Meetings of the companies being acquired were adopted on 31 August 2018. The merger was registered by the National Court Register on 1 October 2018.

Headcount in the ENERGA Group

As at 30 September 2018, the ENERGA Group had 9,609 employees (vs. 8,970 as at 31 December 2017). The headcount at the ENERGA Group increased by 89 in Q3 2018, mostly due to the continued development of ENERGA Ochrona Sp. z o.o. (Other Business Line), responsible for the supervision of the Group's property and facilities and continuation of the competency improvement process in the ENERGA Group with respect to MV and HV power line design and distribution substation design services provided by ENERGA Invest Sp. z o.o. for the Distribution Business Line.

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

Collective dismissals

In Q3 2018, Group companies did not carry out any collective dismissals as defined in the Act of 13 March 2003 on special rules on termination of employment for reasons not attributable to employees.

Collective disputes

At the end of Q3 2018, there were 31 trade union organisations in the ENERGA Group companies. More than 5,300 employees were members of the trade unions as at 30 September 2018.

Three collective disputes occurred within the ENERGA Group in Q3 2018. All of them are at the mediation stage now.

1. A collective dispute between ENERGA Elektrownie Ostrołęka SA and organisations of trade unions: Związek Zawodowy Energetyków and Związek Pracowników Ruchu Ciągłego involving:
 - demands made on 22 August 2017
 - 1) entering into a Collective Agreement covering the employees of EEO SA,
 - 2) signing an agreement for the payment of a holiday bonus for employees on the occasions of Easter, Power Engineers' Day and Christmas in the amount of PLN 1,000.00 per person,
 - 3) signing an agreement on occupational pension schemes,
 - 4) signing an agreement providing for an annual pay rise by the amount of increase in minimum wages,
 - 5) signing a wage agreement by 31 October of the year preceding the calendar year covered by the wage agreement,
 - 6) maintaining the triple contribution to the Company Social Benefits Fund per employee,
 - 7) making payments of PLN 1,000.00 net of tax and social security contributions to every employee of EEO SA by 10 September 2017,
 - demands made on 8 September 2017,
 - 1) making payments of PLN 1,000.00 net of tax and social security contributions to every employee of EEO SA,
 - 2) signing a collective agreements in accordance with the demand made on 22 August 2017.
2. A collective dispute between ENERGA Kogeneracja Sp. z o.o. and organisations of trade unions: Związek Zawodowy NSZZ Solidarność, Związek Zawodowy Pracowników Ruchu Ciągłego, Związek Zawodowy Inżynierów i Techników involving demands made on 22 May 2018, i.e.:
 - 1) maintenance of jobs for employees in danger of redundancy in connection with the reorganisation of the plant, in particular the Employer's withdrawal from the plan made in February 2018 to terminate employment contracts,
 - 2) meeting the obligations arising from point (a) of Appendix No. 5 to the Company Collective Bargaining Agreement for the Employees of EKO Sp. z o.o. by agreeing upon with the Trade Union Organisations of the level of the 'minimum' and 'maximum' base pay raise rate set for each grade,
 - 3) increasing the rate of basic contribution to the Company Social Benefits Fund at EKO from double to triple,
 - 4) raising the base pay of EKO employees by PLN 500.00,
 - 5) abandoning the proposal for detailed scopes of activities of organisational units within EKO Sp. z o.o. which had not been agreed upon,
 - 6) supplementing, by the Employer, of the list of work activities of particular nature by qualifying work activities carried out by employees of the Coal Feed Department and

Water Management Department as work activities of particular nature and adding them to the list.

3. A collective dispute between ENERGA Serwis Sp. z o.o. and the intercompany trade union organisation Organizacja Międzyzakładowa NSZZ Solidarność Region Mazowsze involving demands made on 21 August 2018, i.e.:
 - 1) a demand to increase the base pay as of 1 August 2018 by PLN 200.00 net of taxes and social security contributions (in words: two hundred zlotys), which increase would be a mandatory part of the base pay of every person employed by ENERGA Serwis Sp. z o.o. as at 1 August 2018.

2.3. Implementation of the investment programme

Over the first three quarters of 2018, the ENERGA Group made investments of PLN 1,042 million, of which a majority amounting to PLN 860 m was consumed by the Distribution Business Line, mainly for investments involving grid modernisation in order to improve the reliability of energy supply or to connect new users.

The capital expenditure of the Generation Business Line totalled PLN 156 m, which included, *inter alia*, work performed in order to align with sustainability requirements and modernisation investments at Ostrołęka Power Plant B, as well as a project aimed at the optimisation of a steam boiler for a BB20p biomass unit in Elbląg.

The Sales Business Line, in turn, allocated PLN 22 m to investments, most of which was spent on works involving lighting assets.

Table 1: Key investment areas for three months of 2018

Description of the project	Location	Capital expenditures (PLN m)	Execution stage
Distribution Business Line			
Modernisation of the distribution network to improve the reliability of supply	Distribution areas	414.1	Implemented on an ongoing basis
Grid development related to connection of new customers	Distribution areas	346.1	Implemented on an ongoing basis
Smart metering and other elements implementing the smart grid concept, including AMI	Distribution areas	27.0	Implemented on an ongoing basis
Grid development and modernisation related to connection of RES	Distribution areas	18.8	Implemented on an ongoing basis
Other capital expenditures, collisions and adjustments	Distribution areas and Distribution Business Line companies	54.1	Implemented on an ongoing basis
Generation Business Line			
Overhauls of the Ostrołęka B Power Plant	Ostrołęka	51.4	In progress
Installation of a NOx control system	Ostrołęka	21.9	In progress
Modernisation of electrostatic precipitators at the Ostrołęka B Power Plant	Ostrołęka	21.6	In progress
Optimisation of the steam boiler in the BB20p biomass unit	Elbląg	20.6	In progress

Upgrading a small hydro power plant and hydro power plant in Włocławek	Division	8.2	In progress
Other capital expenditures	The power division and Generation Business Line companies	31.9	-
Sales Business Line			
Capital expenditures for lighting assets	Business area of ENERGA Oświetlenie	19.1	In progress
Sales Support System	Business area of the Sales Business Line	1.2	In progress
Other capital expenditures	Sales area and Sales Business Line companies	1.6	-
Other companies, projects and adjustments	-	4.6	-
Total		1,042.2	

2.4. 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 (the "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 deliveries to 750 thousand tonnes of coal per annum with the possible deviation of volume falling within a range of $\pm 20\%$. The parties agreed on coal deliveries of 750 thousand tonnes for 2018.

The Agreement to which the Amendment was signed had been concluded for a definite 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 was adjusted and presently its lifetime value is PLN 3.28 bn. As a result of the increased volume of deliveries, PGG has become the main supplier of coal to the Ostrołęka B power plant (Current Report No. 1/2018).

Agreements for loans and borrowings and the domestic bond issue program

Details on agreements for loans and advances and the domestic bond issue programme are presented, *inter alia*, in Note 16 *Financial Instruments* to the consolidated financial statements.

Guarantees and sureties granted

As at 30 September 2018, sureties extended by ENERGA SA to cover the liabilities of the Group companies totalled PLN 5,443 m and included:

- surety for liabilities of ENERGA Finance AB (publ) on account of a PLN 5,339 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 20 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 non-arm's length terms

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

Detailed information on transactions with related entities is presented in Note 18 to the condensed interim consolidated financial statements for the nine months ended 30 September 2018.

2.5. Risk management

The ENERGA Group classifies risks into four categories:

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

A detailed description of the risks involved in the business operations of the Company is presented in the Management Report on the operations of the ENERGA Group for the first half of 2018. In the opinion of the Management Board, the risks identified therein are still present.

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

As at 30 June 2018, the ENERGA Group was a party to 12,815 court proceedings. The Group was a plaintiff in 11,290 cases where the aggregate amount in dispute was approx. PLN 556 m. The Group was a defendant in 1,513 cases where the aggregate amount in dispute was approx. PLN 550 m.

As at 30 September 2018, the total amount of claims involving the location of power installations on third party properties without a legal title, awarded by final judgments, was approx. PLN 21.1 m in approx. 3,793 cases. 2,075 court cases with amounts in dispute totalling PLN 200.8 were pending.

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 74.0 m, which is subject to change if new court cases involving power installations located on third party properties without a 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 regards the case referred to above, a first-instance judgment was pronounced on 12 July 2018, by which:

- 1) ENERGA Obrót SA was obligated to pay a compensation of PLN 100,000.00 to ERGO-ENERGY Sp. z o.o.;
- 2) ERGO-ENERGY Sp. z o.o. was obligated to pay PLN 5,092,000.00 to ENERGA Obrót SA;
- 3) ERGO-ENERGY Sp. z o.o. was obligated to pay costs of proceedings of PLN 34,113.50 to ENERGA Obrót SA;
- 4) ENERGA Obrót SA was obligated to pay costs of proceedings of PLN 13,191.89 to ERGO-ENERGY Sp. z o.o.

ENERGA Obrót SA filed a motion for a reasoning for the aforesaid judgment. A copy of the judgment with reasoning was collected. An appeal was lodged, contesting item I of the judgment.

As at 30 September 2018, the aggregated amount of all such cases was approx. PLN 201 m, which included:

Table 2: Type and amounts of receivables

Type of receivables	Balance as at 30 Sep 2018 (PLN m)
court and enforcement-based	129.7
bankruptcies	59.0
non-billing	9.8
non-billing – bankruptcies	2.3
Total	200.9

The table below presents the continuation of proceedings with the highest amounts in dispute, which remained pending in Q3 2018. The Company's previous interim reports and its Prospectus provide 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 a contract for the delivery and start-up of metering infrastructure (concerns the first stage of AMI).	The statement of claim was filed on 7 April 2015 (the amount in dispute is PLN 23,152,481). On 10 June 2015, the defendants filed a statement of defence, requesting that the claim 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 contractual penalties. In a pleading dated 30 September 2015, ENERGA Operator SA filed a reply to the statement of defence, addressing all defences in detail and tendering new evidence. On 18 December 2015, the defendants filed a rejoinder putting forward similar argumentation to that presented in the statement of defence but extended to include a defence of invalidity of the contracts due to their imprecise language and contractual inequality of the parties. On 13 January 2016, a hearing was held at which the Court obligated ENERGA Operator SA to file a reply to the defendants'

		<p>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 a hearing held on 23 November 2016, the Court granted the parties' motion and adjourned the hearing due to 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. Parties are yet to be heard in October and November this year, and subsequently the court will refer the case to experts.</p>
<p>T-Matic Systems SA, Arcus SA (plaintiff) ENERGA Operator SA (defendant)</p>	<ul style="list-style-type: none"> • Claim to declare a contract for stage II of AMI invalid • Counterclaim for payment of contractual penalties for stage II of AMI 	<p>On 8 February 2016, a 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 Gdańsk, file No. IX GC 893/15. The defendant's representative filed a pleading to extend the court time limit for responding to the reply. As the time limit for the response expired on 1 July 2016 and the Court did not yet issue a decision to extend the time limit, the defendant sent a pleading on 1 August 2016 responding to the legal issues and another pleading on 1 September 2016 addressing 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, in accordance with the demand for payment of 9 November 2015. On 30 January 2017, the Court issued a decision 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 file will be forwarded to the Regional Court in Gdańsk. In this case, taking of evidence has 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 14 November 2018. As regards the counterclaim, it was served on the plaintiffs (counterclaim defendants) who filed a statement of defence.</p>
<p>T-Matic Systems SA, Arcus SA (plaintiff) ENERGA Operator SA (defendant)</p>	<p>Claim for payment of compensation for unlawful acts/unfair competition practices</p>	<p>On 29 January 2018, ENERGA Operator SA received a statement of claim from Arcus SA and T-Matic Systems SA for payment 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 S.A and involving illegal actions or omissions in relation to the process of performing execution contracts 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."</p>

		<p>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. An organisation meeting was scheduled for 19 December 2018. During that meeting, the Court will plan the proceedings.</p>
ENERGA Operator SA (plaintiff); PKN ORLEN SA (defendant)	Claim for payment	<p>On 19 April 2016, the Court of Appeal in Warsaw pronounced its 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 PLN 16.1 m plus interest accrued from 30 June 2004 to the plaintiff, became final and non-appealable. The judgment is final. ENERGA Operator SA applied for delivery of the judgment with reasoning, which was delivered to the Plaintiff's representative on 1 August 2016. On 29 September 2016, ENERGA Operator SA filed with the Supreme Court a cassation appeal against the judgment of 19 April 2016 handed down by the Appellate Court in Warsaw. On 24 October 2016, the representative of ENERGA Operator SA received PKN ORLEN's cassation appeal filed against the judgment of the Appellate Court in Warsaw. ENERGA Operator SA responded to the appeal in a pleading which was forwarded on the same date to the Appellate Court in Warsaw. The new date of 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 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. However, the hearing was adjourned without setting a new date. This was done upon a concurrent request from both parties, in view of the ongoing negotiations concerning a court settlement.</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 President of the URE imposed a fine of PLN 11 m on ENERGA Operator SA for misleading the President of the URE. 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 President of the URE responded to the appeal, requesting <i>inter alia</i> that it be dismissed. By the date of this information document,</p>

		the court conducting the proceedings has not taken any further steps in the case.
ENERGA Operator SA (party); PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)	Fine imposed by the authority	ENERGA Operator SA received the decision of 6 November 2017 imposing fines totalling PLN 13,600,000 for breaching the 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 metering data to trading companies; (3) failure to meet the deadlines to examine complaints from trading companies; (4) failure to meet the deadlines to verify supplier switching reports; (6) failure to meet the deadlines for the final settlement of electricity sales agreements; (6) failure to restore power supplies to a customer. 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 steps related to it have been taken.
Boryszewo Wind Invest Sp. z o.o. (plaintiff) and 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 renewable electricity.	<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 a 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 due to the necessity to sell the property rights at the TGE exchange plus statutory interest (PLN 25,694,540.08) and incidental costs relating to debt service under a loan agreement (PLN 6,282,074.70).</p> <p>The file number assigned to the case was 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 second rejoinder.</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>Hearings were held on 14 May 2018 and 9 July 2018, during which a witness was interviewed. The Court directed the parties to mediate, however the plaintiff refused. A hearing will be held on 31 October 2018, during which the parties are to be heard and most probably the case will be closed in the first instance.</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 determine the non-existence of a 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 file number assigned to the case was 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 from Relax Wind Park I Sp. z o.o. was received on 8 February 2018.</p> <p>On 18 July 2018, the parties reached a settlement.</p> <p>On 19 July 2018, ENERGA Obrót SA withdrew its claim for determination, and Relax Wind Park I Sp. z o.o. withdrew its counterclaim for payment.</p>
<p>ENERGA Obrót SA (plaintiff) – MEGAWATT BALTICA SA (defendant 1), Powszechna Kasa Oszczędności Bank Polski SA (defendant 2)</p>	<p>Claim to determine the non-existence of a 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 file number assigned to the case was SA 128/17.</p> <p>On 5 December 2017, Megawatt Baltica filed a statement of defence accompanied by a counterclaim and a motion for preliminary injunction. 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 for determination brought by ENERGA Obrót SA</p> <p>A hearing was held on 5 July 2018.</p> <p>An updated counterclaim was filed by Megawatt Baltica on 1 September 2018. The amount of the claim is PLN 16,969,401.36 including statutory interest.</p>
<p>ENERGA Obrót SA (plaintiff) – ZAJĄCZKOWO WINDFARM Sp. z o.o. (defendant)</p>	<p>Claim to determine the non-existence of a 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 file number assigned to the case was 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>
<p>ENERGA Obrót SA (plaintiff) – EOLICA KISIELICE Sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (defendant 2)</p>	<p>Claim to determine the non-existence of a 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 file number assigned to the case was 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> <p>On 29 June 2018, Raiffeisen Bank Polska extended its counterclaim for payment.</p> <p>On 3 August 2018, Raiffeisen Bank Polska extended its counterclaim for payment.</p>

ENERGA Obrót SA (plaintiff) – PGE ENERGIA ODNAWIALNA SA (defendant)	Claim to determine the non-existence of a 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 file number assigned to the case was 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 determine the non-existence of a 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 file number assigned to the case was 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 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 for determination brought by ENERGA Obrót SA</p> <p>A hearing was held on 5 July 2018.</p> <p>An updated counterclaim was filed by C&C Wind on 1 September 2018. The amount of the claim is PLN 7,767,619.14 including statutory interest.</p>
ENERGA Obrót SA (plaintiff) – BORYSZEWO WIND INVEST Sp. z o.o. (defendant 1), MBANK SA (defendant 2)	Claim to determine the non-existence of a legal relationship purportedly established as a result of ENERGA Obrót SA entering into an agreement	<p>On 11 September 2017, ENERGA Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division.</p>

	<p>for the sale of property rights under certificates of origin ("CPA")</p>	<p>The file number assigned to the case was 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> <p>On 3 September 2018, ENERGA Obrót SA filed a third rejoinder.</p> <p>A hearing was held on 7 September 2018. The Court closed the proceedings.</p>
<p>ENERGA Obrót S.A (plaintiff) – JEŻYCZKI WIND INVEST Sp. z o.o., (defendant 1), MBANK SA (defendant 2)</p>	<p>Claim to determine the non-existence of a 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 file number assigned to the case was 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 second 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 pleading – 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> <p>On 6 June 2018 the Court dismissed the action with its judgment.</p> <p>On 13 July 2018, ENERGA Obrót SA appealed against the judgment.</p> <p>On 17 August 2018, MBANK filed a response to the appeal.</p>

On 31 August 2018, Jeżyczki Wind Invest filed a response to the appeal.

ENERGA Obrót S.A (plaintiff) – WIND INVEST Sp. z o.o., (defendant 1), MBANK SA (defendant 2)	Claim to determine the non-existence of a legal relationship purportedly established as a result of ENERGA Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)	On 11 September 2017, ENERGA Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division. The file number assigned to the case was XVI GC 798/17 On 28 November 2017, Wind Invest and MBANK filed statements of defence. On 26 March 2018, ENERGA Obrót SA filed a reply to the statements of defence. On 12 September 2018, MBANK filed a second rejoinder.
ENERGA Obrót S.A (plaintiff) – STARY JAROSŁAW WIND INVEST Sp. z o.o. (defendant 1), MBANK SA (defendant 2)	Claim to determine the non-existence of a legal relationship purportedly established as a result of ENERGA Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)	On 11 September 2017, ENERGA Obrót SA filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division. The file number assigned to the case was XVI GC 802/17. On 17 November 2017, Stary Jarosław Wind Invest and MBANK filed statements of defence. On 15 March 2018, ENERGA Obrót SA filed a reply to the statements of defence.
ENERGA Obrót SA (plaintiff) – LIVINGSTONE Sp. z o.o. (defendant 1), DNB BANK POLSKA SPÓŁKA AKCYJNA (defendant 2)	Claim to determine the non-existence of a legal relationship purportedly established as a result of ENERGA Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)	On 11 September 2017, ENERGA Obrót SA filed a statement of claim with the Regional Court in Warsaw, 26th Commercial Division. The file number assigned to the case was XXVI GC 713/17. On 22 December 2017, Livingstone and DNB Bank filed a statement of defence. On 26 February 2018, ENERGA Obrót SA filed a reply to the statement of defence. A hearing was held on 16 April 2018. On 23 April 2018 the parties submitted their pleadings.

		<p>A hearing was held on 7 May 2018.</p> <p>On 18 May 2018 the Court dismissed the action with its judgment.</p> <p>On 25 July 2018, ENERGA Obrót SA appealed against the judgment.</p> <p>The Defendants filed a response to the appeal on 3 September 2018.</p>
<p>ENERGA Obrót SA (plaintiff) – PGE ENERGIA ODNAWIALNA SA (defendant)</p>	<p>Claim to determine the non-existence of a 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, 20th Commercial Division.</p> <p>The file number assigned to the case was 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> <p>27 March 2018 – an order referring the parties to mediation and appointing a mediator.</p>
<p>ENERGA Obrót S.A (plaintiff) – KRUPY WIND INVEST Sp. z o.o. (defendant 1), MBANK SA (defendant 2)</p>	<p>Claim to determine the non-existence of a 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 file number assigned to the case was 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 statements of defence.</p> <p>On 2 July 2018, Krupy Wind Invest filed a second rejoinder.</p>

ENERGA Obrót SA (plaintiff) – PGE ENERGIA NATURY Sp. z o.o. (defendant)	Claim to determine the non-existence of a 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 file number assigned to the case was 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 determine the non-existence of a 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 file number assigned to the case was 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> <p>On 27 August 2018, the defendants filed a second rejoinder.</p>
ENERGA Obrót SA (plaintiff) – NIDZICA Sp. z o.o. (defendant 1), BANK OCHRONY ŚRODOWISKA SA (defendant 2)	Claim to determine the non-existence of a 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 file number assigned to the case was 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 with respect to the claim 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>

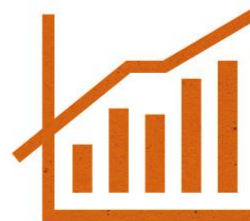
		<p>On 5 June 2018, ENERGA Obrót SA withdrew the action.</p> <p>On 7 June 2018, the Court decided to discontinue the proceedings.</p>
<p>ENERGA Obrót SA (plaintiff) – SAGITTARIUS SOLUTIONS Sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (defendant 2)</p>	<p>Claim to determine the non-existence of a 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 file number assigned to the case was 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 determine the non-existence of a 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 file number assigned to the case was 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, during which witnesses were interviewed. A hearing was held on 5 October 2018, during which further witnesses were interviewed. A hearing will be held on 22 November 2018, during which the parties are to be heard and most probably the case will be closed in the first instance.</p>

ENERGA Obrót SA (plaintiff) – ELEKTROWNIA WIATROWA EOL Sp. z o.o. (defendant 1), BANK ZACHODNI WBK SA (defendant 2)	Claim to determine the non-existence of a 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 file number assigned to the case was 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 statement of defence.</p> <p>6 February 2018 – an order referring the parties to mediation and appointing a mediator.</p> <p>The defendants did not agree to mediation.</p>
ENERGA Obrót SA (plaintiff) – WIELKOPOLSKIE ELEKTROWNIE WIATROWE Sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)	Claim to determine the non-existence of a 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 file number assigned to the case was 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 (no witnesses were interviewed). A hearing was held on 2 July 2018, during which further witnesses were interviewed. On 24 September 2018, a hearing was held, during which the parties were heard and the court closed the case in the first instance. The judgment was to be pronounced on 2 October and 16 October 2018. However, this was postponed until 5 November 2018 due to the judge’s illness</p>

ENERGA Obrót SA (plaintiff) – EW KOŹMIN Sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)	Claim to determine the non-existence of a 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 file number assigned to the case was 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> <p>The last hearing was held on 1 August 2018.</p> <p>On 30 August 2018, the Court dismissed the action for determination with its judgment and awarded contractual penalties.</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 file number assigned to the case was 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 for determination brought by ENERGA Obrót SA</p> <p>A hearing was held on 5 July 2018.</p>

ENERGA Sp. z o.o. (plaintiff) – Mostostal Warszawa SA (defendant)	Kogeneracja – account of a contract price reduction	An updated counterclaim was filed by Raiffeisen Bank on 1 September 2018. The amount of the claim is PLN 1,352,533.66 including statutory interest.
		<p>Case file No. IX GC 494/17. On 22 June 2017, ENERGA Kogeneracja Sp. z o.o. filed a statement of claim against Mostostal Warszawa SA with the Regional Court in Gdańsk, requesting that the defendant be ordered to pay to the plaintiff PLN 106,417,065.12 plus statutory 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 contract price due 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 preserve evidence in the form of an expert (institute) witness opinion. Inquiries about the possibility of preparing a relevant opinion sent out by the Court were all refused by the institutes. The defendant's time limit for the preparation of a statement of defence was extended to 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. In a letter dated 27 April 2018, Mostostal Warszawa SA upheld its opposition and presented its further position. In a pleading dated 13 June 2018, Mostostal Warszawa SA moved for a reversal of the evidence preservation decision and admission of evidence in the form of an opinion issued by a research and scientific institute in the normal course of proceedings. Additionally, Mostostal Warszawa moved that the opinion be prepared by a foreign institute and indicated two institutes from the United Kingdom. In response to this pleading, in its pleading dated 3 July 2018, ENERGA Kogeneracja Sp. z o.o. moved for a dismissal of the motion of Mostostal Warszawa SA to reverse the decision of 23 August 2017, an extension of the decision of 23 August 2017 to reflect further circumstances pointed out in pleadings, and in the event that the motion of Mostostal Warszawa SA was granted and the decision of 23 August 2017 was reversed, ENERGA Kogeneracja moved that the inquiry for an opinion be sent first to the Wrocław University of Technology, and only if they refused, to send an inquiry about the possibility of delivering an opinion to foreign institutes, and to this end, ENERGA Kogeneracja specified five institutes, highlighting an institute from Denmark. In a pleading dated 7 September 2018, ENERGA Kogeneracja Sp. z o.o. extended its claim by PLN 7,969,194.27 arising from contractual penalties for the failure to achieve the guaranteed availability of the Unit in the third year of operation. A hearing will be held on November 2018, where the Court will rule on the opposition of Mostostal Warszawa SA against the intervention of the State Treasury – the Minister for Energy.</p>

Analysis of the financial situation and assets



3. ANALYSIS OF THE FINANCIAL SITUATION AND ASSETS

3.1. Rules for preparing the Condensed Interim Consolidated Financial Statements

These condensed interim consolidated financial statements of the ENERGA Group for the nine months ended 30 September 2018 have been prepared:

- in accordance with the International Accounting Standard 34: Interim Financial Reporting as endorsed by the European Union,
- on a 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.

The accounting principles (policy) applied to prepare the Condensed Interim Consolidated Financial Statements are presented in note 7 to the Condensed Interim Consolidated Financial Statements of the ENERGA Group for the nine months ended 30 September 2018.

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

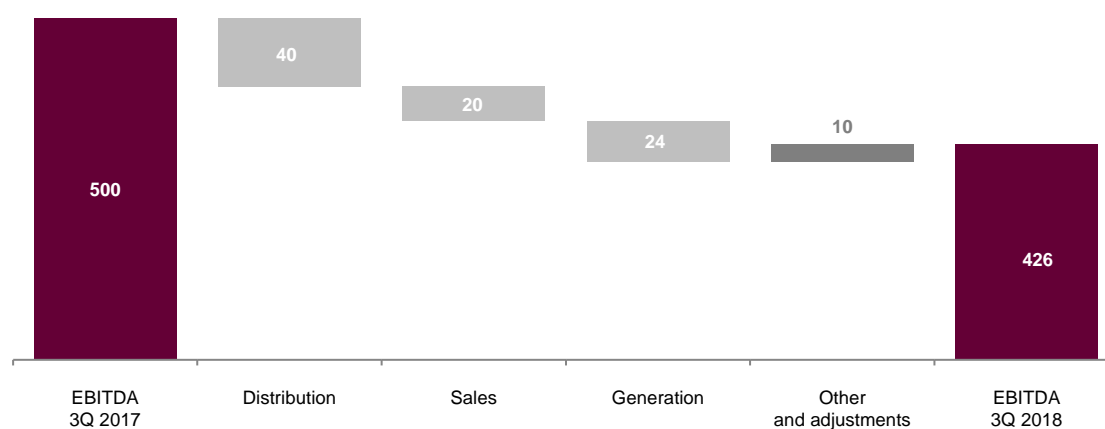
Table 4: Consolidated statement of profit or loss

PLN m	9 months of 2017	9 months of 2018	Change	Change (%)
Sales revenues	7,717	7,601	(116)	-2%
Cost of sales	(6,434)	(6,095)	339	5%
Gross profit on sales	1,283	1,506	223	17%
Other operating income	144	83	(61)	-42%
Selling and distribution expenses	(256)	(250)	6	2%
General and administrative expenses	(238)	(271)	(33)	-14%
Other operating expenses	(107)	(80)	27	25%
Operating profit	826	988	162	20%
Result on financial activity	(149)	(227)	(78)	-52%
Share in profit/(loss) of entities measured by the equity method	17	78	61	> 100%
Profit or loss before tax	694	839	145	21%
Income tax	(135)	(159)	(24)	-18%
Net profit or loss for the period	559	680	121	22%

EBITDA	1,643	1,587	(56)	-3%
---------------	--------------	--------------	-------------	------------

PLN m	Q3 2017	Q3 2018	Change	Change (%)
Sales revenues	2,520	2,567	47	2%
Cost of sales	(2,183)	(2,211)	(28)	-1%
Gross profit on sales	337	356	19	6%
Other operating income	48	26	(22)	-46%
Selling and distribution expenses	(84)	(87)	(3)	-4%
General and administrative expenses	(76)	(88)	(12)	-16%
Other operating expenses	(54)	(22)	32	59%
Profit or loss on operating activity	171	185	14	8%
Result on financial activity	(85)	(65)	20	24%
Share in profit/(loss) of entities measured by the equity method	9	27	18	> 100%
Profit or loss before tax	95	147	52	55%
Income tax	(24)	(24)	-	-
Net profit or loss for the period	71	123	52	73%
EBITDA	500	426	(74)	-15%

Figure 1: EBITDA bridge by Business Lines (PLN m)



In Q3 2018, the sales revenues of the Group were PLN 2,567 m, up by 2% or PLN 47 m from Q3 2017. Increased sales revenues were recorded in the Sales Business Line and Generation Business Line. In the Sales Business Line, the increase was owed to stronger electricity sales on the wholesale market.

On the other hand, the revenues of the Distribution Business Line decreased compared to Q3 2017 by PLN 80 m. The decline mainly resulted from a change in the presentation of the costs of the transitional charge – revenues were adjusted downwards by the value of the transitional charge previously presented as costs. The aforesaid change in presentation resulted in a considerable decline in the cost of sales.

The Group's EBITDA in Q3 2018 was PLN 426 m and fell by 15% year on year. A decline in EBITDA was recorded in three main Business Lines: Distribution, Sales and Generation.

Distribution Business Line accounted for the most part of the Group's EBITDA in Q3 2018 (88%), while the shares of the Generation Business Line and Sales Business Line were 15% and minus 2%, respectively. The steepest decline in EBITDA (by PLN 40 m to PLN 374 m) was recorded by the Distribution Business Line, mainly on the back of increased OPEX (increased costs of rights of way and employee benefits, to name just some). The deteriorated EBITDA in the Sales Business Line resulted from the persisting high prices of electricity on the market. In addition, EBITDA in the Generation Business Line decreased, mainly on the back of an increase in the cost of purchase of 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.

The operating profit in Q3 2018 increased by PLN 14 m in relation to Q3 2017. Aside from the factors referred to above, the change in EBIT performance year on year was mostly driven by a decision to recognise impairment losses in the Generation Business Line on existing and planned wind farm assets in Q3 2017 totalling PLN 74.7 m and impairment losses on goodwill of PLN 10.9 m.

In Q3 2018, equity in net income/loss of associates and joint ventures was recognised at PLN 27 m, marking an increase by PLN 18 m year on year.

The net result of the Group in Q3 2018 was positive and totalled PLN 123 m, having increased by PLN 52 m vs. Q3 2017. It should be noted that the aforesaid recognition of impairment losses in the Generation Business Line had a substantial impact on the deviation, adding PLN 74 m to the net result.

In the first nine months of 2018, the Group's EBITDA was PLN 1,587 m, down by 3% year on year. The Group's EBITDA was positively affected primarily by the Distribution Business Line (EBITDA growth by PLN 19 m year on year), which was mostly attributable to an increase in the margin on distribution with grid losses (as a result of a change in the method used for the estimation of unbilled sales and other factors). The Sales Business Line recorded growth as well, driven mostly by lower legal and contractual obligations (the Offtaker of Last Resort and long-term contracts for the purchase of green certificates). In turn, in Other Business Line and Adjustments EBITDA (declined by PLN 68 m year on year, which was the result of a gain on bargain purchase arising in the corresponding period in connection with the preliminary accounting for a PLN 50 m purchase of shares in Polimex – Mostostal SA). In the Generation Business Line EBITDA stood at PLN 234 m and resulted from higher charges for CO₂ emission allowances, offset by higher sales of the Ostrołęka Power Plant).

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

Table 5: EBITDA after material one-off events*

EBITDA (PLN m)	
9 months of 2018	
EBITDA	1,587
Adjusted EBITDA	1,593
9 months of 2017	

EBITDA	1,643
Adjusted EBITDA	1,568
<i>including:</i>	
<i>Gains from occasional acquisition</i>	<i>(50)</i>
<i>Actuarial reserves</i>	<i>(25)</i>

EBITDA (PLN m)	
Q3 2018	
EBITDA	426
Adjusted EBITDA	428

Q3 2017	
EBITDA	500
Adjusted EBITDA	467
<i>including:</i>	
<i>Actuarial reserves</i>	<i>(33)</i>

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

Table 6: Consolidated statement of financial position

PLN m	As at 31 December 2017	As at 30 September 2018	Chang e	Chang e (%)
ASSETS				
Non-current assets				
Property, plant and equipment	13,371	13,830	459	3%
Intangible assets	338	296	(42)	-12%
Goodwill	15	15	-	-
Investments in associated entities and joint ventures measured using the equity method	728	1,006	278	38%
Deferred tax assets	325	336	11	3%
Other non-current financial assets	46	78	32	70%
Other non-current assets	107	109	2	2%
	14,930	15,670	740	5%
Current assets				
Inventories	352	551	199	57%
Current tax receivables	31	3	(28)	-90%
Trade receivables	1,843	1,149	(694)	-38%
Contract assets	-	599	599	-

Other current financial assets	83	22	(61)	-73%
Cash and cash equivalents	3,641	2,953	(688)	-19%
Other current assets	176	240	64	36%
	6,126	5,517	(609)	-10%
TOTAL ASSETS	21,056	21,187	131	1%

EQUITY AND LIABILITIES

Equity

Share capital	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	(2)	-	2	100%
Reserve capital	1,018	1,018	-	-
Supplementary capital	1,433	1,540	107	7%
Cash flow hedge reserve	2	(7)	(9)	< -100%
Retained earnings	2,436	3,190	754	31%
Equity attributable to equity holders of the Parent Company	9,409	10,263	854	9%
Non-controlling interest	56	58	2	4%
	9,465	10,321	856	9%

Non-current liabilities

Loans and borrowings	2,720	2,444	(276)	-10%
Liabilities on account of the issue of debt securities	4,520	4,459	(61)	-1%
Non-current provisions	550	574	24	4%
Deferred tax liability	596	640	44	7%
Deferred income and non-current grants	501	255	(246)	-49%
Other non-current financial liabilities	81	29	(52)	-64%
	8,968	8,401	(567)	-6%

Current liabilities

Trade payables	792	480	(312)	-39%
Contract liabilities	-	114	114	-
Current part of loans and borrowings	356	368	12	3%
Liabilities on account of the issue of debt securities	109	69	(40)	-37%
				> 100%
Current income tax liability	11	63	52	

Deferred income and grants	182	176	(6)	-3%
Short-term provisions	571	721	150	26%
Other financial liabilities	280	149	(131)	-47%
Other current liabilities	322	325	3	1%
	2,623	2,465	(158)	-6%
Total liabilities	11,591	10,866	(725)	-6%
TOTAL EQUITY AND LIABILITIES	21,056	21,187	131	1%

As at 30 September 2018, the balance sheet total of the ENERGA Group was PLN 21,187 m, up by PLN 131 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 459 m increase were capital expenditures, in particular in the Distribution Business Line (expenditures on expansion and modernisation of the grid) and impairment losses on assets (reversal of impairment loss on wind farms in the Generation Business Line totalling PLN 117 m) net of depreciation and amortisation.

As regards non-current assets, a substantial change affected investments in associated entities and joint ventures measured using the equity method, which was due to the involvement of the ENERGA Group in Polska Grupa Górnicza Sp. z o.o., Polimex Mostostal SA, Elektrownia Ostrołęka Sp. z o.o. and ElectroMobility Poland SA. The key change under current assets concerned the balance of cash (the reasons are presented in the section related to cash flows).

The ENERGA Group equity was PLN 10,321 m as at 30 September 2018 and financed the Group's operations in 48.7%. 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 and deferred income and non-current grants (the decline is mainly related to connection fees and results from the application of IFRS 15: Revenue from Contracts with Customers).

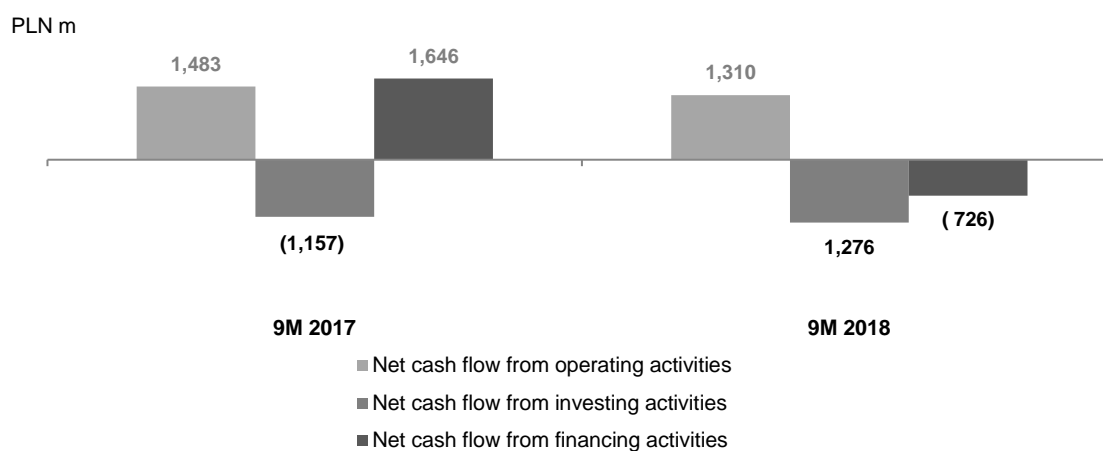
In addition to this, contract assets and contract liabilities items were added to the statement of financial position, in accordance with IFRS 15. The above changes were recognised in a simplified manner, without changing the comparable data. Therefore, for trade receivables and payables, the change has to be considered together with contract assets and liabilities. The change is described in more detail in Note 7: Significant accounting policies of the condensed interim consolidated financial statements for the nine months ended 30 September 2018.

Table 7: Consolidated statement of cash flows

PLN m	9 months of 2017	9 months of 2018	Change	Change (%)
Net cash flow from operating activities	1,483	1,310	(173)	-12%
Net cash flows from investment activities	(1,157)	(1 276)	(119)	-10%
Net cash flows from financing activities	1,646	(726)	(2 372)	< -100%
Net increase/ (decrease) in cash	1 972	(692)	(2 664)	< -100%

Cash and cash equivalents at the end of the reporting period	3,436	2,951	(485)	-14%
--	-------	-------	-------	------

Figure 2: Cash flows of the Group during 9 months 2018 and 2017



As at 30 September 2018, the Group held PLN 2,951 m in cash, PLN 485 m less than the year before.

The value of cash flows from operating activities decreased by PLN 173 m year on year. The decline in cash flows from operating activities compared to nine months of 2017 was mainly driven by changes in working capital. The period under review in 2018 saw a decline 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 payables.

Net cash used in investing activities increased by PLN 119 m in nine months of 2018. In the period of 2018 under review, the expenditure on property, plant and equipment and intangible assets was PLN 299 m higher. In nine months of 2017, on the other hand, expenditure on investments in deposits totalling PLN 127 m was recorded.

In the period under review, the company noted cash outflow from financing activities in the amount of PLN 726 m, compared to cash inflow in the amount of PLN 1,646 m in nine months of 2017. The change resulted mainly from the absence of receipts from incurred debt compared to receipts of PLN 2,313 m in the corresponding period of 2017.

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

Figure 3: Structure of assets and liabilities

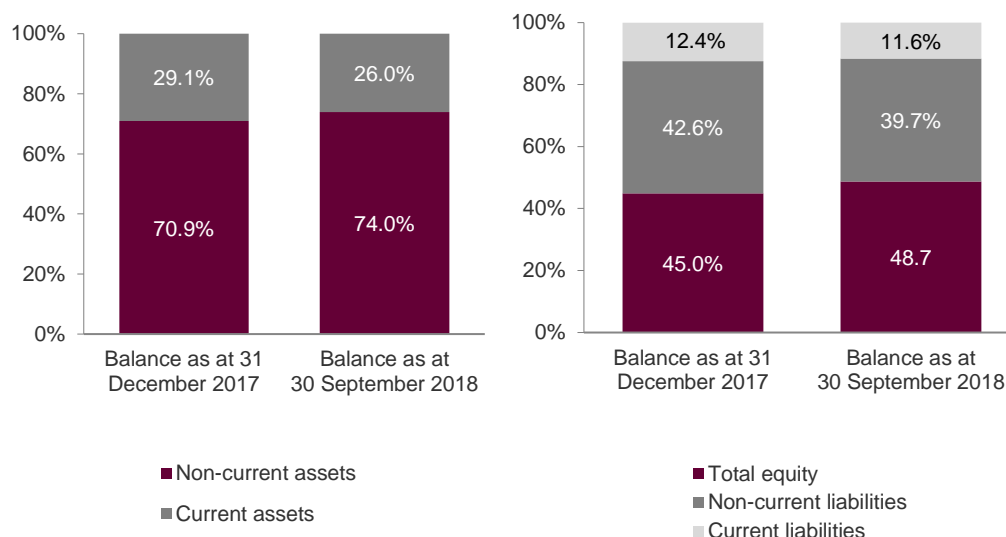


Table 8: Financial ratios of the ENERGA Group

Ratio	Definition	9 months of 2017	9 months of 2018
Profitability			
EBITDA	operating result + depreciation and amortisation + impairment losses on non-financial non-current assets / sales revenues	21.3%	20.9%
return on equity (ROE)	net profit for the period*/ equity at the end of the period	6.8%	8.8%
return on sales (ROS)	net profit for the period / sales revenues	7.2%	8.9%
return on assets (ROA)	net profit for the period*/ total assets at the end of the period	3.1%	4.3%

* net profit for the last 12 months

Ratio	Definition	As at 31 December 2017	As at 30 September 2018
Liquidity			
current liquidity ratio	current assets/current liabilities	2.3	2.2
Debt			
financial liabilities (PLN m)	total liabilities due to loans and borrowings and long- and short-term debt securities	7,705	7,340
net financial liabilities (PLN m)	financial liabilities – cash and cash equivalents	4,064	4,387
net debt/EBITDA ratio	net financial liabilities/EBITDA *	1.9	2.1

* EBITDA for the last 12 months

The decrease in EBITDA (3% yoy) with a parallel decrease in revenues (2% yoy) squeezed the EBITDA margin. The increase in the net result for the last 12 months, which was significantly driven, aside from operating factors, by the reversal of impairment losses in 2018 and recognition of impairment losses in 2017, resulted in a year-on-year increase in profitability ratios based on the annualised net result.

The decrease in cash combined with the parallel decline in debt, resulting in increased net financial liabilities and a slight deterioration of EBITDA (3% yoy) for the last 12 months led to a slight increase in the net debt to EBITDA ratio.

3.4. Description of significant off-balance sheet items

Relevant information can be found in the *Guarantees and sureties granted* 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 9: Distribution of electricity by tariff groups

Distribution of electricity by tariff groups (invoiced sales) in GWh	Q3 2017	Q3 2018	Change	Change (%)	9 months of 2017	9 months of 2018	Change	Change (%)
Tariff group A (HV)	918	819	(99)	-11%	2,620	2,619	(0)	-0%
Tariff group B (MV)	2,120	2,302	182	9%	6,248	6,678	430	7%
Tariff group C (LV)	1,136	1,088	(48)	-4%	3,484	3,399	(84)	-2%
Tariff group G (LV)	1,272	1,277	5	0%	4,114	4,230	116	3%
Total distribution of electricity	5,446	5,487	41	1%	16,465	16,927	462	3%

In Q3 2018, the volume increased by 41 GWh compared to the corresponding period of 2017, with the average selling rate of distribution services lower by 1% yoy. The highest volume growth was recorded in group B on the back of the increasing number of customers. In group A there was a 11% decline, mainly driven by lower energy consumption of a key customer. A slight decline in volume was also recorded in group C.

Table 10: 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		
Q3 2017	154.3	11.9	166.2	1.0	0.1	1.1
Q3 2018	28.4	10.7	39.1	0.6	0.1	0.7
Change	(125.8)	(1.2)	(127.1)	(0.4)	(0.0)	(0.4)
Change (%)	-82%	-10%	-76%	-41%	-8%	-39%
9 months of 2017	208.3	31.3	239.5	2.0	0.2	2.2
9 months of 2018	90.9	33.6	124.6	1.5	0.2	1.7

Change	(117.3)	2.3	(115.0)	(0.5)	0.0	(0.5)
Change (%)	-56%	7%	-48%	-24%	2%	-22%

The SAIDI and SAIFI of ENERGA Operator in Q3 2018 stood at 39.1 min/cust. and 0.7 distr./cust., respectively. The improvement in SAIDI and SAIFI year on year results from the occurrence of mass failures due to extreme weather events.

Table 11: Gross electricity production in the ENERGA Group

Gross electricity production (GWh)	Q3 2017	Q3 2018	Change	Change (%)	9 months of 2017	9 months of 2018	Change	Change (%)
Power plants – coal-fired	779	733	(46)	-6%	1,992	1,815	(177)	-9%
Power plants – biomass co-fired	-	-	-	-	-	-	-	-
CHP plants – coal-fired	12	17	5	39%	77	88	11	15%
CHP plants – biomass-fired	14	0	(14)	-100%	37	1	(36)	-97%
Power plants – hydro	164	132	(31)	-19%	689	655	(34)	-5%
Pumped storage power plant	3	5	2	81%	13	25	12	88%
Power plants – wind	84	73	(11)	-13%	308	262	(46)	-15%
Power plants – photovoltaics	2	2	0	17%	4	5	1	19%
Total production of electricity	1,059	963	(95)	-9%	3,120	2,851	(269)	-9%
<i>including from RES</i>	<i>264</i>	<i>208</i>	<i>(56)</i>	<i>-21%</i>	<i>1,039</i>	<i>923</i>	<i>(116)</i>	<i>-11%</i>

In Q3 2018, generation assets in the ENERGA Group produced 963 GWh electricity compared to 1,059 GWh in the corresponding period of the previous year.

The output of the Ostrołęka power plant in Q3 2017 was affected, among other drivers, by an overhaul of a unit which caused lower must-run production of electricity for the Transmission System Operator in Poland. Generation of energy in the Group's CHP plants is a consequence of heat production on local markets in the towns of Ostrołęka, Elbląg and Kalisz. In turn, the generation of wind and hydro energy is mainly the result of deteriorated hydrological and meteorological conditions.

Table 12: Heat production

Gross heat production in TJ	Q3 2017	Q3 2018	Change	Change (%)	9 months of 2017	9 months of 2018	Change	Change (%)
ENERGA Kogeneracja Sp. z o.o.	261	246	(15)	-6%	1,633	1,545	(88)	-5%
ENERGA Elektrownie Ostrołęka SA	187	182	(5)	-3%	1,029	890	(139)	-14%
Ciepło Kaliskie Sp. z o.o.	10	6	(5)	-45%	197	185	(12)	-6%
Total gross heat production	459	434	(25)	-5%	2,859	2,619	(239)	-8%

In Q3 2018, heat production stood at 434 TJ, compared to 459 TJ in the corresponding period of the previous year. The amount of heat generated by the Group was adjusted to the heat demand on local markets in such towns as Ostrołęka, Elbląg and Kalisz.

Table 13: Volume and cost* of consumption of key fuels

Consumption of fuels*	Q3 2017	Q3 2018	Change	Change (%)	9 months of 2017	9 months of 2018	Change	Change (%)
Coal								
Amount ('000 tonnes)	362	352	(10)	-3%	969	925	(43)	-4%
Cost (PLN m)	87	99	12	13%	233	253	20	8%
Biomass								
Amount ('000 tonnes)	14	0	(14)	-100%	38	1	(37)	-98%
Cost (PLN m)	5	0	(5)	-100%	13	0	(13)	-98%
Total fuel consumption (PLN m)	92	99	7	7%	247	253	6	3%

* including the cost of transport

In Q3 2018, the Group's generators consumed 10 thousand tonnes less coal by 10 and 14 thousand tonnes less biomass relative to the corresponding period of 2017. Biomass was not used for production because of low prices of property rights on the market (for the Ostrołęka power plant) and the ongoing optimisation activities at the biomass unit in Elbląg.

Lower consumption of fuels resulted from reduced generation of electricity and heat.

Table 14: Sales of electricity by the Sales Business Line

Sales of electricity by the Sales Business Line in GWh	Q3 2017	Q3 2018	Change	Change (%)	9 months of 2017	9 months of 2018	Change	Change (%)
Retail sales of electricity	5,092	4,752	(340)	-7%	15,233	14,751	(482)	-3%
Sales of electricity in the wholesale market, including:	422	996	573	>100%	1,985	2,814	829	42%
Sales of energy to the balancing market	72	145	73	>100%	443	350	(92)	-21%
Sales of energy to cover grid losses to ENERGA Operator	-	357	357	-	-	1,097	1,097	-
Other wholesale	350	493	143	41%	1,542	1,366	(176)	-11%
Total sales of electricity	5,515	5,748	233	4%	17,218	17,564	347	2%

In Q3 2018, the total volume of electricity sold by the Sales Business Line increased by 4% (i.e. 0.2 TWh) vs. Q3 2017. This was due to a more than double increase in sales volume on the wholesale market (by 0.6 TWh), which was the result of the completion of the contract with ENERGA Operator SA for the sales of energy to cover grid losses.

Retail Sales in Q3 2018 stood at 4.8 TWh, compared to 5.1 TWh in the corresponding period of the previous year, while sales to households increased year on year (by 1%). Sales to business customers decreased due to the higher competition on the polish market and shutting down the Group's activity on the slovak market.

3.6. Financial results by operating segments

Table 15: EBITDA of the ENERGA Group, by Business Line

EBITDA in PLN m	Q3 2017	Q3 2018	Change	Change (%)
DISTRIBUTION	414	374	(40)	-10%
GENERATION	90	66	(24)	-27%
SALES	13	(7)	(20)	< -100%
OTHER and consolidation eliminations and adjustments	(17)	(7)	10	59%
Total EBITDA	500	426	(74)	-15%

EBITDA in PLN m	9 months of 2017	9 months of 2018	Change	Change (%)
DISTRIBUTION	1,345	1,364	19	1%
GENERATION	267	234	(33)	-12%
SALES	24	50	26	> 100%
OTHER and consolidation eliminations and adjustments	7	(61)	(68)	< -100%
Total EBITDA	1,643	1,587	(56)	-3%

Distribution Business Line

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

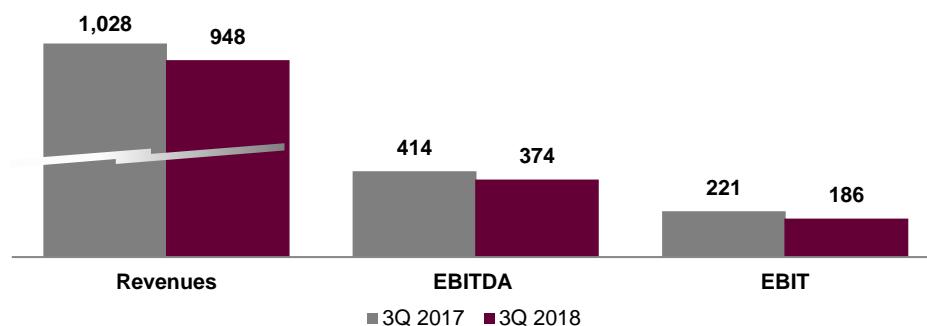


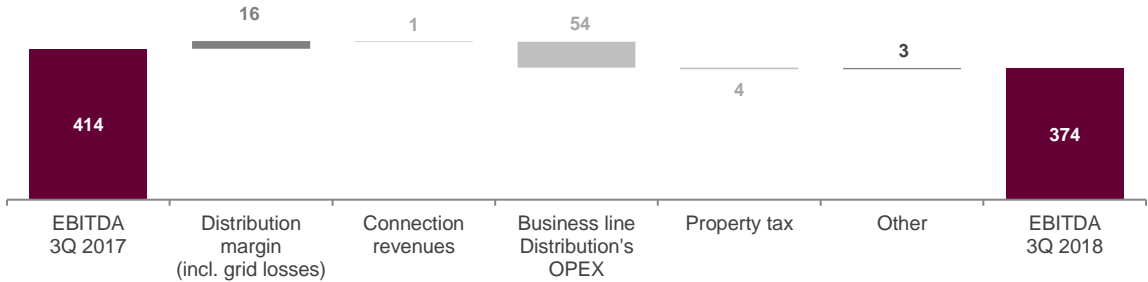
Table 16: Results of the Distribution Business Line:

PLN m	Q3 2017	Q3 2018	Change	Change (%)
Revenues	1,028	948	(80)	-8%
EBITDA	414	374	(40)	-10%
amortisation and depreciation	193	188	(5)	-3%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	221	186	(35)	-16%
Net result	153	120	(33)	-22%
CAPEX	242	326	84	35%

PLN m	9 months of 2017	9 months of 2018	Change	Change (%)
Revenues	3,203	3,020	(183)	-6%
EBITDA	1,345	1,364	19	1%
amortisation and depreciation	574	565	(9)	-2%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	771	799	28	4%
Net result	548	559	11	2%
CAPEX	677	860	183	27%

*Figures for 2017 were restated in connection with the reallocation of ENERGA Logistyka Sp. z o.o. between Business Lines, from the Distribution Business Line in 2017 to the Other and Adjustments Business Line in 2018.

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



EBITDA for nine months of 2018 totalled PLN 1,364 m (up by approx. 1% vs. last year). The distribution margin (with grid losses) was higher by almost PLN 107 m and had a considerable bearing on EBITDA. The improved performance in distribution business was the effect of a 3% rise in the volume of distribution services sold, lower grid losses and a change in the estimation of unbilled sales. On the other hand OPEX increased (mainly in the area of third party services and employee benefits), and revenues from new connections decreased (decline due to among the others IFRS 15 change in recognition of revenues in time).

Distribution Business Line generated 88% of EBITDA for the ENERGA Group (vs. 83% in the corresponding period).

In Q3 2018, the sales revenues of the Distribution Business Line stood at PLN 948 m, compared to PLN 1,028 m in the corresponding period of the previous year due to a different presentation of costs related to the transitional charge. Starting from Q1 2018, sales revenues were adjusted for the transitional charge which had been previously presented under expenses (without affecting the distribution margin).

In Q3 2018 EBITDA totalled PLN 374 m compared to PLN 414 m in the corresponding period of the previous year. A PLN 16 m increase in the distribution margin (with grid losses) had a considerable impact on the operating profit. The increase in distribution activity was mainly driven by higher volumes of distribution services sold. Higher OPEX (mostly employee benefits and costs of right of way), compared to the previous year had also an influence on the results.

EBIT was PLN 186 m, compared to PLN 221 m in 2017.

Net profit in Q3 2018 stood at PLN 120 m compared to PLN 153 m in the corresponding period of the previous year.

Generation Business Line

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

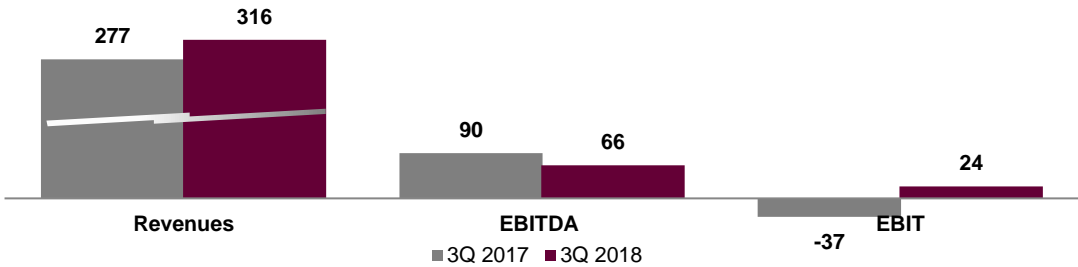


Table 17: Results of the Generation Business Line of the ENERGA Group:

:PLN m	Q3 2017	Q3 2018	Change	Change (%)
Revenues	277	316	39	14%
EBITDA	90	66	(24)	-27%
amortisation and depreciation	41	42	1	2%
impairment losses on non-financial non-current assets	86	-	(86)	-100%
EBIT	(37)	24	61	> 100%
Net result	(42)	10	52	> 100%
CAPEX	15	80	65	> 100%

PLN m	9 months of 2017	9 months of 2018	Change	Change (%)
Revenues	808	862	54	7%
EBITDA	267	234	(33)	-12%
amortisation and depreciation	123	122	(1)	-1%
impairment losses on non-financial non-current assets	86	(117)	(203)	< -100%
EBIT	58	229	171	> 100%
Net result	4	154	150	> 100%
CAPEX	61	156	95	> 100%

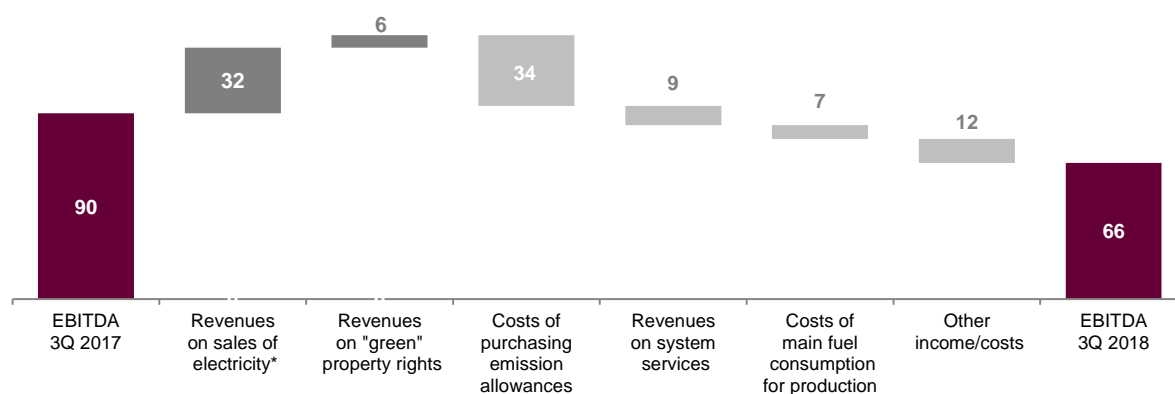
The following table presents a breakdown of EBITDA for the Generation Business Line by Division. The overview shows unit data, considering the Line management cost mark-up, elimination of inter-company transactions between business areas and consolidation adjustments.

Table 18: EBITDA of the Generation Business Line by Division

EBITDA in PLN m	Q3 2017	Q3 2018	Change	Change (%)
Hydro	22	18	(4)	-17%
Wind	6	19	12	> 100%
Ostrołęka power plant	55	33	(22)	-41%
Other and adjustments	7	(4)	(10)	< -100%
Generation total	90	66	(24)	-27%

EBITDA in PLN m	9 months of 2017	9 months of 2018	Change	Change (%)
Hydro	84	90	6	7%
Wind	21	57	35	> 100%
Ostrołęka power plant	128	77	(51)	-40%
Other and adjustments	34	10	(23)	-69%
Generation total	267	234	(33)	-12%

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



* includes net electricity trading (revenue less cost)

The share of the Generation Business Line in the total Group EBITDA was 15% in Q3 2018 (vs. 18% in the corresponding period of the previous year). EBITDA fell by PLN 24 m.

Factors that contributes to EBITDA generated by the Business Line in Q3 were among the others:revenues from the sale of electricity and from the sale of green certificates, costs of purchase of emission allowances, revenues from the system services and also cost of consumption of key fuels for generation activities.

Electricity sales revenues result from an increase in selling prices for electricity of the Ostrołęka power plant and wind farms. Growth of green certificates sales was a result of high market prices. Costs of purchasing CO₂ emission allowances depended on market prices of emission allowances and a pool of free production allowances granted to the Line for 2018.

Revenues from system services depended on the available capacity of a power unitfrom the Operating Reserve at the Ostrołęka power plant .

Cost of consumption of key fuels for productionwas mainly the result of the unit prices of coal purchased by the Group.

Additionally, actuarial reserves were reversed in Q3 2017, which did not occur in Q3 2018. That is why the results in the corresponding period of the previous year improved.

Capital expenditures of the Line in Q3 2018 increased by PLN 65 m and were mainly related to repair work at the Ostrołęka power plant and optimisation of the biomass unit in Elbląg.

Looking at the nine-month performance year on year, the Line's EBITDA stood at PLN 234 m, compared to PLN 267 m in the corresponding period of 2017Higher prices of energy sold at the Ostrołęka power plant and higher revenues from green certificates sales had a positive impact on the results. On the other hand prices of CO₂ on the market influenced the growth of CO₂ allowances costs.

Hydro

Table 19: Results of the Hydro Power Division

PLN m	Q3 2017	Q3 2018	Change	Change (%)	9 months of 2017	9 months of 2018	Change	Change (%)
Revenues	38	38	(0)	0%	144	155	11	7%
EBITDA	22	18	(4)	-17%	84	90	6	7%
EBIT	14	10	(3)	-24%	59	66	7	11%
CAPEX	2	4	2	> 100%	6	8	2	42%

Wind

Table 20: Results of the Wind Power Division

PLN m	Q3 2017	Q3 2018	Change	Change (%)	9 months of 2017	9 months of 2018	Change	Change (%)
Revenues	19	29	10	53%	59	76	17	28%
EBITDA	6	19	12	> 100%	21	57	35	> 100%
EBIT	(73)	8	81	> 100%	(75)	145	220	> 100%
CAPEX	-	0	0	0%	0	0	(0)	-85%

Ostrołęka power plant

Table 21: Results of the Ostrołęka Power Plant Division

PLN m	Q3 2017	Q3 2018	Change	Change (%)	9 months of 2017	9 months of 2018	Change	Change (%)
Revenues	190	210	20	10%	481	501	21	4%
EBITDA	55	33	(22)	-41%	128	77	(51)	-40%
EBIT	39	17	(22)	-57%	81	29	(51)	-64%
CAPEX	1	63	62	> 100%	36	107	71	> 100%

Other and adjustments

Table 22: Results of the Other and Adjustments Division

PLN m	Q3 2017	Q3 2018	Change	Change (%)	9 months of 2017	9 months of 2018	Change	Change (%)
Revenues	29	39	10	32%	124	130	6	5%
EBITDA	7	(4)	(10)	< -100%	34	10	(23)	-69%
EBIT	(16)	(11)	5	33%	(7)	(12)	(5)	-76%
CAPEX	13	13	0	3%	19	41	21	> 100%

Sales Business Line

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

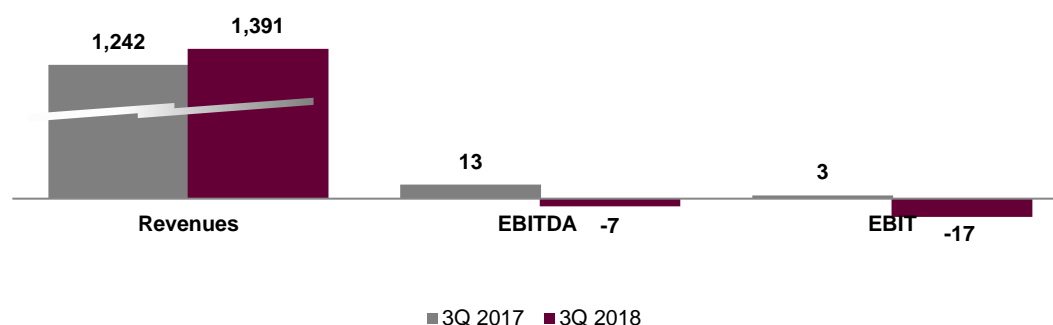
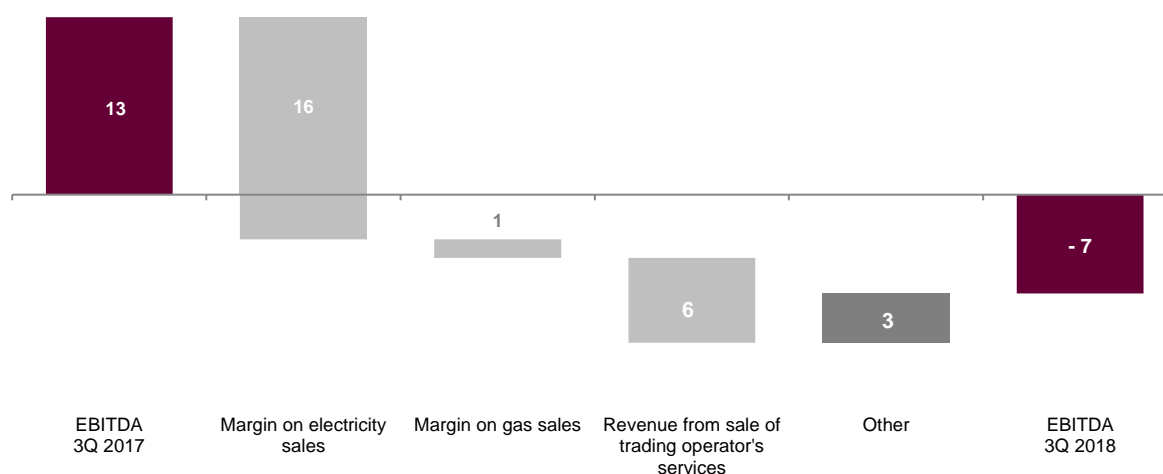


Table 23: Results of the Sales Business Line of the ENERGA Group

PLN m	Q3 2017	Q3 2018	Change	Change (%)
Revenues	1,242	1,391	149	12%
EBITDA	13	(7)	(20)	< -100%
amortisation and depreciation	10	10	-	0%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	3	(17)	(20)	< -100%
Net result	3	(11)	(14)	< -100%
CAPEX	10	10	-	0%

PLN m	9 months of 2017	9 months of 2018	Change	Change (%)
Revenues	3,859	4,074	215	6%
EBITDA	24	50	26	> 100%
amortisation and depreciation	32	30	(2)	-6%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	(8)	20	28	> 100%
Net result	(7)	24	31	> 100%
CAPEX	31	22	(9)	-29%

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



EBITDA of the Sales Business Line for nine months of 2018 totalled PLN 50 m, up by PLN 26 m on the corresponding period of 2017. The improved performance is driven by a higher margin on the sales of electricity (by PLN 55 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).

In Q3 2018 the results were under pressure of high electricity prices on the market, arbitration decisions and settlements in the cases regarding long-term agreements on the green certificates purchase irrelevant. The Sales Business Line recorded PLN -7 m EBITDA, compared to PLN 13 m in the corresponding period of the previous year. Revenues of the Sales Business Line in Q3 2018 amounted to PLN 1,391 m, up by PLN 149 m (or 12%) from Q3 2017. The most important revenue item of the

Business Line are still revenues from the sales of electricity, which went up by 10% (or PLN 121 m) yoy in Q3 2018. As a result of dynamic growth of electricity prices on the market in the past few months of 2018, the electricity sales margin:

decreased by PLN 16 m yoy in Q3 2018. Significant impact on the increase of the energy prices had the unexpected and strong growth of energy prices under the then existing forward market contracts in the previous quarters, combined with the continued growth in energy prices and persisting high energy prices on the SPOT and balancing markets (the average energy prices on those markets increased by approx. 20% relative to Q2 2018). This reflected in the high costs associated with closing the contract position.

It is worth to remind a decision made in September 2017 to bring a legal action to determine the invalidity of long-term contracts for the purchase of green certificates (due to the procedure in which they had been concluded), including contracts which generated enormous losses for the Sales Business Line (settlements based on prices exceeding market levels). In consequence, in Q3 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 Q3 2017, resulted in a lower average cost of the property right redemption.yoy.

In 2018, settlements have been entered into with three business partners, thus concluding the disputes. 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.

3.7. Projected financial results

The Management Board of ENERGA SA has not yet published any projections for separate and consolidated financial results for FY 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).

An agreement with Moody’s expired at the end of October 2017, and therefore starting from the current reporting period, ENERGA will no longer publish information on ratings assigned by that agency.

Table 24: ENERGA’s 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 affirmed on	21 March 2018

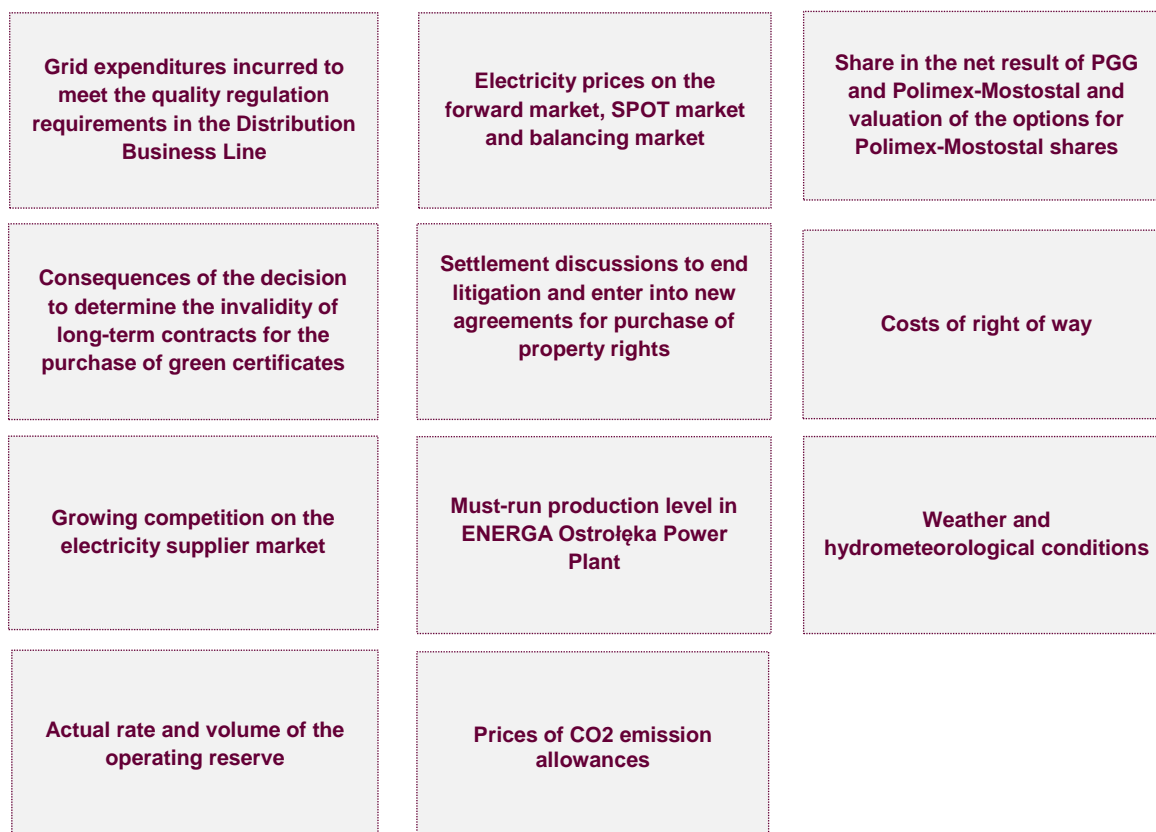
3.9. Dividend

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 10: Factors affecting the ENERGA Group result in the next quarter



Environment



4. ENVIRONMENT

4.1. Macroeconomic situation

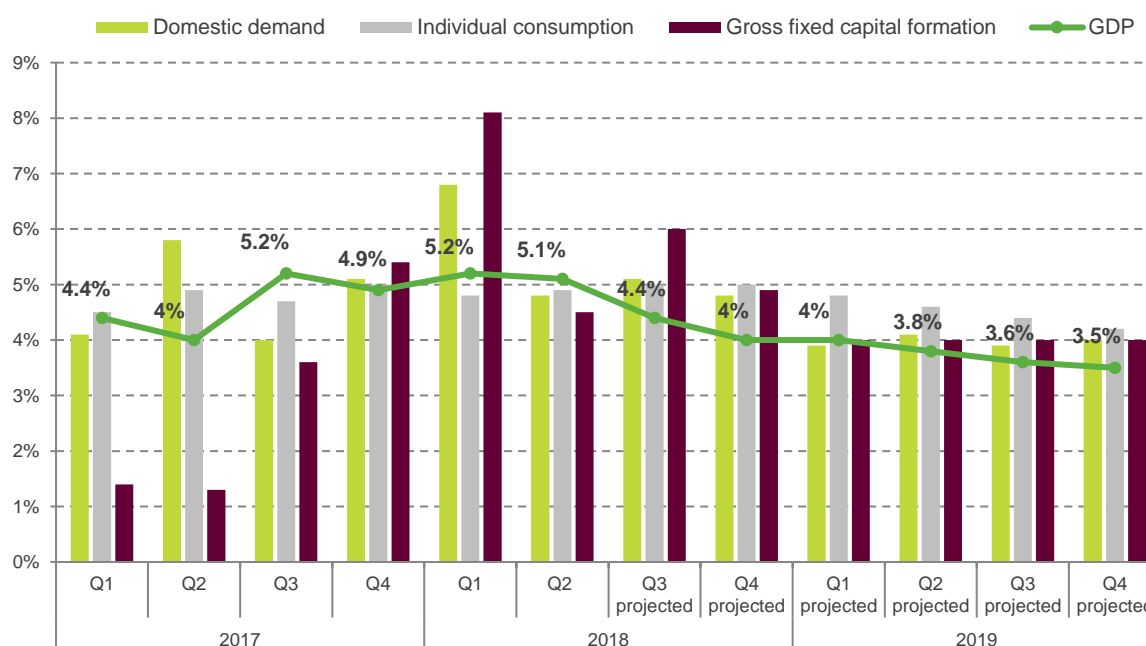
The key operating market of the companies within the ENERGA Group is the domestic market, therefore market cycles, expressed by means of the rate of GDP changes (hereinafter: GDP), inflation or unemployment rate, have a bearing on the prices of electricity, heat and gas and development of demand for products supplied to end customers.

The results of the NBP Macroeconomic Survey this autumn confirm that the top of the business cycle was reached in the first half of the year, and therefore the GDP growth rate in Poland would slow down over the following quarters and years, from 4.7% in 2018 to 3.8% in 2019 and 3.3% in 2020. Analysts from Santander Bank Polska SA claim that Q3 2018 was most likely the first quarter in a year with the growth rate of the national economy staying clearly below 5% year on year.

In September 2018, the marketed production increased by 2.8% vs. 4.4% in the previous year. Relative to September 2017, higher marketed production was recorded in 24 (out of 34) industry segments, such as production and supply of electricity, gas, steam and hot water (an increase by 10.4%).

A drop in Poland's PMI points to a slowdown in the industry sector. The index fell from 51.4 points in August to 50.5 points, a third decline in row, reflecting the slowest overall growth rate of the Polish industry sector since October 2016. The stagnation in the industrial sector was mainly due to a decline in new orders, which was in turned caused by deteriorated sentiments abroad and lower export demand.

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



Source: GUS (the Central Statistical Office) and forecasts of Santander Bank Polska SA

The Polish economy remains driven by domestic demand, and in particular consumption expenditure of households, which is supported by low unemployment rates and interest rate levels, as well as increasing income that translates into good consumer sentiment. The current consumer confidence index, a synthetic measure of the current tendencies in individual consumption, was 6.1 in October 2018, meaning that a majority of consumers were optimistic about the future economic situation of the country and financial condition of households. The current value of the consumer confidence index is 1.6 pp higher than the year before.

Since the beginning of 2018, economy has been supported by investments, especially infrastructure expenditures. The main driver in this category are investments carried out chiefly by local authorities.

According to Bank Millenium's analysts, the structure of economic growth in Poland will remain essentially unchanged, and the economy will continue to rely on private consumption, which may be additionally supported by potential pay rises in the public sector or increased social benefits next year. On the other hand, GDP can be impeded by the negative contribution of net exports, resulting mainly from the economic slowdown in Germany.

The average employment in the business enterprise sector between January and September 2018 was 3.7% higher compared to the previous year's figure and the average monthly (gross) salary grew by 7.2% yoy to PLN 4,771.86 at the end of September. According to the Ministry of Family, Labour and Social Policy, the registered unemployment rate in September 2018 was 5.8%, the same as in August 2018. The low unemployment rate confirms that the labour demand in Poland remains high, although the employment growth is gradually slowing down, partially due to difficulties in finding qualified staff in the industry or construction sectors. The strong labour demand drives wage growth. According to Bank Millenium's analysts, the wage growth throughout the business enterprise sector should be stable in the coming quarters, but most likely it will vary from one sector to another.

According to the preliminary data of the Central Statistical Office, the price index of sold production of industry in the period from January to September 2018 increased by 1.9% yoy. Increasing prices were recorded in the mining and quarrying sector (by 3.4%), while the segment of production and supply of electricity, gas, steam and hot water saw a decline (by 0.1% yoy).

Over the first three quarters of 2018, in turn, prices of consumer goods and services grew by 1.7% yoy. In 2018, like in previous years, food and non-alcoholic beverages have the highest share in spending in the calculation of the consumer price index (24.36%), followed by goods and services relating to the dwelling and energy products (20.35%). The increase in consumer prices, partly on the back of growing wholesale electricity prices and oil prices, can result in increased salary expectations.

What follows from statements made by members of the Monetary Policy Council (hereinafter: the RPP), interest rate increases, which could hamper price growth and improve interest on deposits, are not to be expected in the near future. According to the RPP, the current interest rate level supports the Polish economy in remaining on a sustainable growth trajectory and allows to keep a macroeconomic balance. Hence, during its meeting in October, the RPP left the interest rate unchanged, keeping the reference rate at 1.5%.

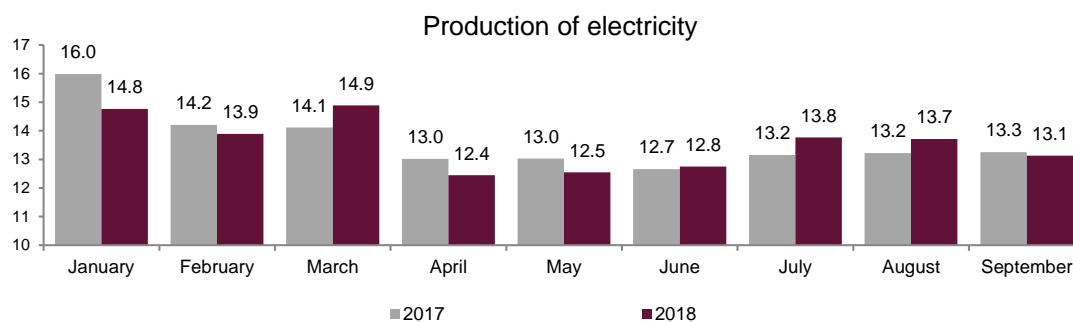
4.2. Electricity market in Poland

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

Domestic production and consumption of electricity

According to data published by Polskie Sieci Elektroenergetyczne ("PSE"), the production of electricity in Poland totalled 121.9 TWh after three quarters of 2018 and was 0.7 TWh or 0.6% lower compared to the corresponding period of the previous year (122.6 TWh). Lower production relative to the previous year was caused by shutting down the lignite-fired power plant in Adamów and lower production from wind and hydro power generation. These factors were partially compensated by the higher production from gas sources.

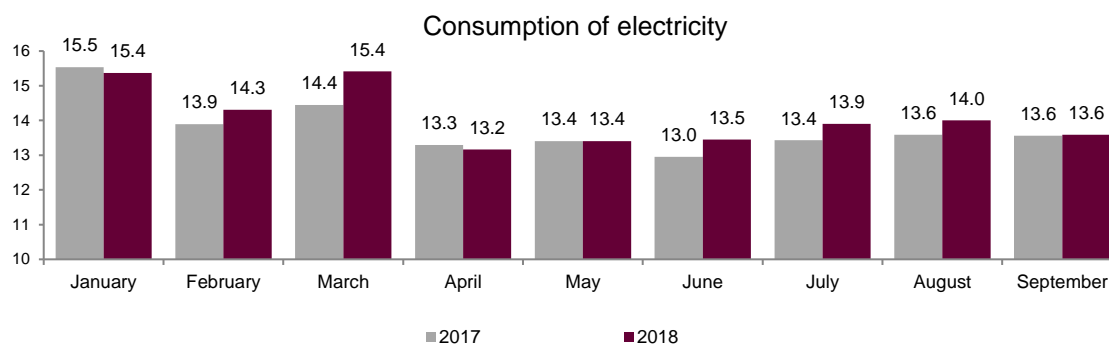
Figure 12: Production of electricity in Poland after three quarters of 2018 (TWh)



Source: PSE

After three quarters of 2018, domestic consumption of electricity in Poland totalled 126.6 TWh and was 2.5 TWh or 2.0% higher than in the corresponding period of the previous year (124.1 TWh).

Figure 13: Consumption of electricity in Poland after three quarters of 2018 (TWh)

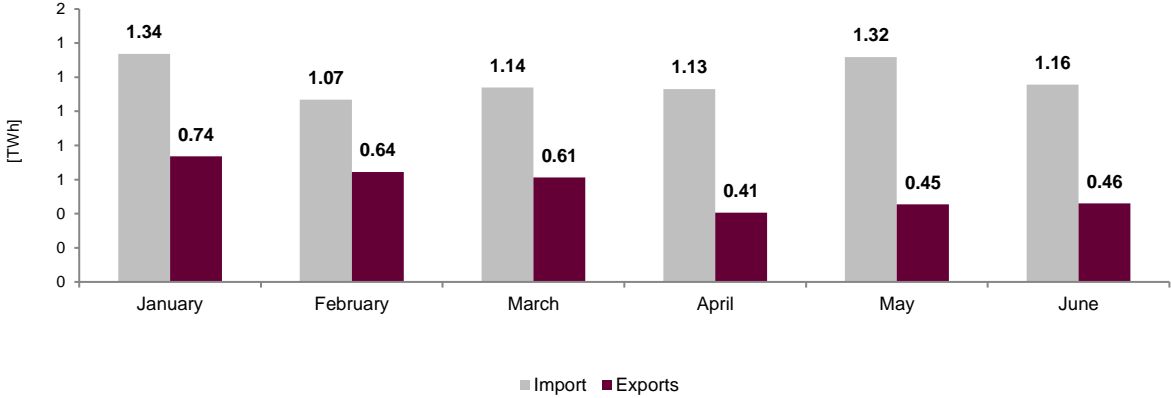


Source: PSE

Poland's cross-border power exchange

A decrease in exports of electricity after three quarters of 2018 by 2.85 TWh relative to the corresponding period of the previous year is the main reason behind the surplus of net import of electricity in the period under review amounting to 4.74 TWh, vs. net imports of 1.47 TWh in the corresponding period of the previous year. This is due to less electricity being exported in parallel exchange.

Figure 14: Monthly volumes of cross-border power exchange in Poland after three quarters of 2018 (TWh)

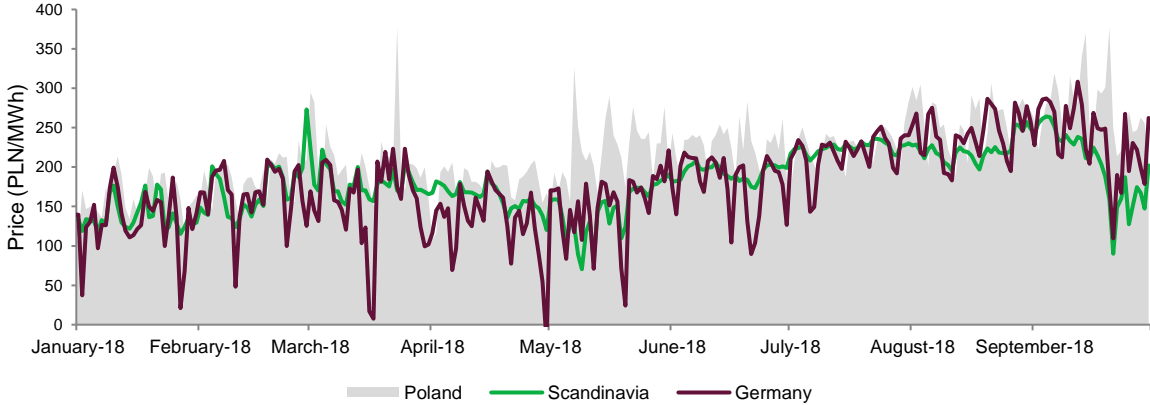


Source: PSE

Energy prices in selected countries neighbouring with Poland

In order to compare prices of energy in Poland to prices in selected neighbouring countries, prices in the SPOT market were used as a reference product. The average prices in Poland after three quarters of 2018 were much higher than in the neighbouring countries, which was particularly evident in Q2 and Q3 2018. Very high system losses, high demand for power during high temperatures in the summer and low production from wind sources, as well as increasing CO₂ emission allowance (EUA) prices and persistently high prices of coal resulted in increasing prices on the Polish market. The highest price differences were found in comparison to the German market (+20.6%, i.e. PLN 36.82/MWh), followed by differences in comparison to the Scandinavian market (+18.4%, i.e. PLN 33.57/MWh). Despite the continuously higher energy prices on the Polish market in comparison to the aforesaid markets, it is appropriate to note that the difference is gradually shrinking and in Q3 alone it was merely +8.79% in comparison to German market prices, or PLN 20.37/MWh).

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

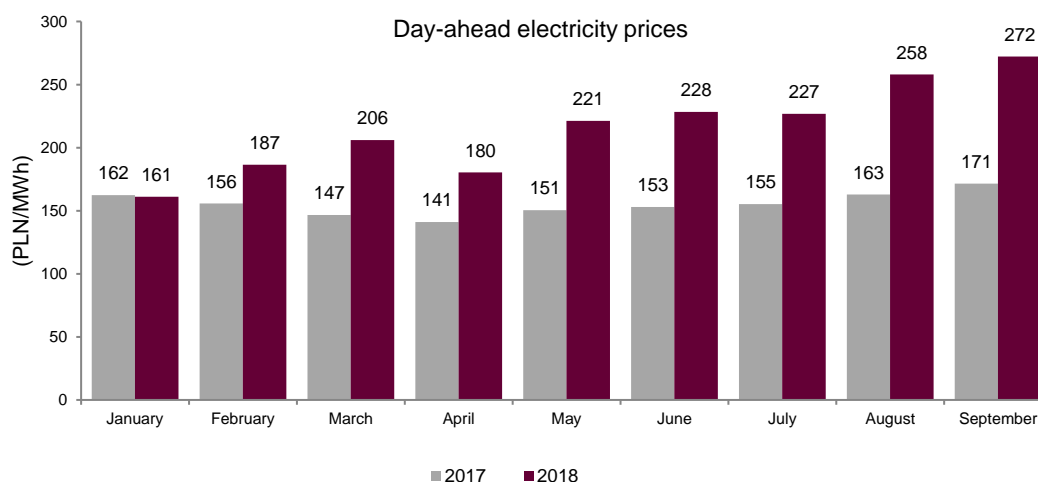


Source: Bloomberg

Day-Ahead Market of electricity in Poland

The average level of the IRDN24 index was PLN 215.82/MWh after three quarters of 2018, PLN 60.40/MWh higher than in the corresponding period of the previous year (PLN 155.42/MWh). The difference in the average level of the IRDN24 index was even higher when comparing Q3 2018 to the corresponding period of the previous year: PLN 89.08/MWh. Record levels of system losses and domestic demand for power were coupled with very low wind power generation, which consequently resulted in a considerable year-on-year increase in prices.

Figure 16: IRDN 24 index after three quarters of 2018 (PLN/MWh)



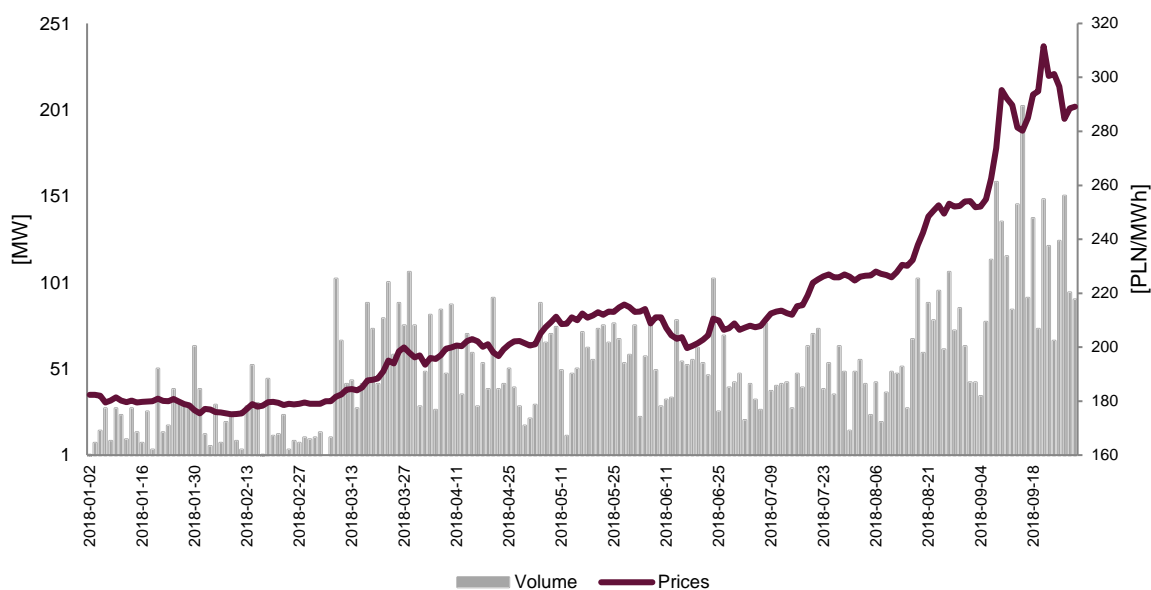
Source: PPE

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 the BASE 2019 market, with the rate shooting to PLN 311.56/MWh on 20 September 2018. The main drivers of energy rate increases in the forward market were:

- vigorous growth in CO₂ emission allowance prices,
- continually high price of coal on global markets, translating into increasing prices on the Polish market,
- much lower production on the local market from wind and water generation,
- record-breaking demand for electricity in the National Power System.

Figure 17: Forward contract price, base with delivery for 2019 after three quarters of 2018



Source: PPE

Emission allowance market

EUA prices rising to levels unseen since 2008 were mainly driven by efforts of the European Commission with the overarching goal to reduce the supply. 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), a mechanism which will operate starting from January 2019. Therefore, the volume of auctions in the first 8 months of 2019 will be reduced by 265 million allowances, which account for 16% of all allowances in circulation, which will be transferred to the 'Reserve' (MSR). During the first five years, the MSR is to be reduced by 24% of allowances from the auction pool every year. The next publication of the total number of allowances in circulation will be announced by the European Commission on 15 May 2019. If the number of allowances in circulation does not change, then 397 million of allowances offered in auctions in 2019 will be transferred to the MSR. The implementation of such an effective system to curb the supply of emission allowances on the market, backed up with suggestions that the floor for trading in emission allowances trading may be at the level of EUR 25 to 30 per tonne and the price may reach EUR 30 to 35 per tonne this year, resulted in increasing market prices for allowances. On 10 September 2018, these factors boosted the EUA price to EUR 25.24/t, while since the end of last year, the price has increased by 187%.

Figure 18: EUA prices after three quarters 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 25: Average levels of property right indices listed on the Polish Power Exchange

Index (type of certificate)	Index value		% Obligation (%)	Substitution fee (PLN)
	3 quarters of 2017 (PLN/MWh) with 2017 index	3 quarters of 2018 (PLN/MWh) with 2018 index		
OZEX_A (green)	34.17	82.36	19.35*	300.03*
KGMX (yellow)	120.65	114.40	8.0*	115.00*
KECX (red)	10.32	9.45	23.2*	9.00*

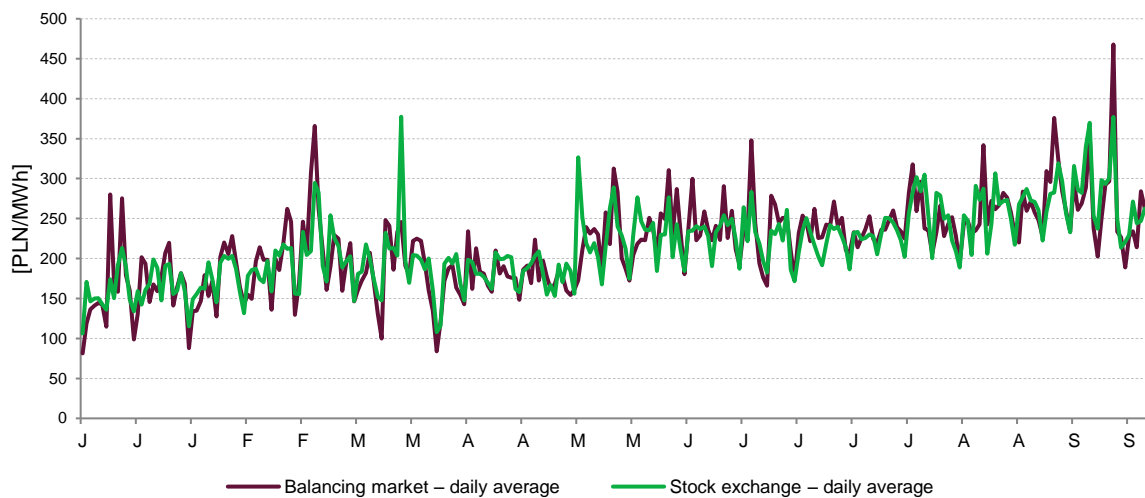
* value of the substitution fee and redemption obligation in 2018

From the perspective of the ENERGA Group's generation structure (high share of renewable production), the prices of green property rights are of key importance. PM RES prices in EOB trades remained on the growth path entered in the second half of 2017, closing Q3 2018 at PLN 134.73/MWh, with a very high price volatility.

Balancing market

For the most part of the 3 quarters of 2018, prices in the balancing market were close to day-ahead market prices. 20 September 2018 was a clear exception from the rule, when the average daily price in the balancing market was PLN 467.83/MWh, and the price in peak hours raced to PLN 900.00/MWh. The average price level in period under review in the balancing market was PLN 216.22/MWh, compared to PLN 161.92/MWh in the corresponding period of the previous year.

Figure 19: Comparison of prices in the balancing market and SPOT markets (exchange) after three quarters of 2018

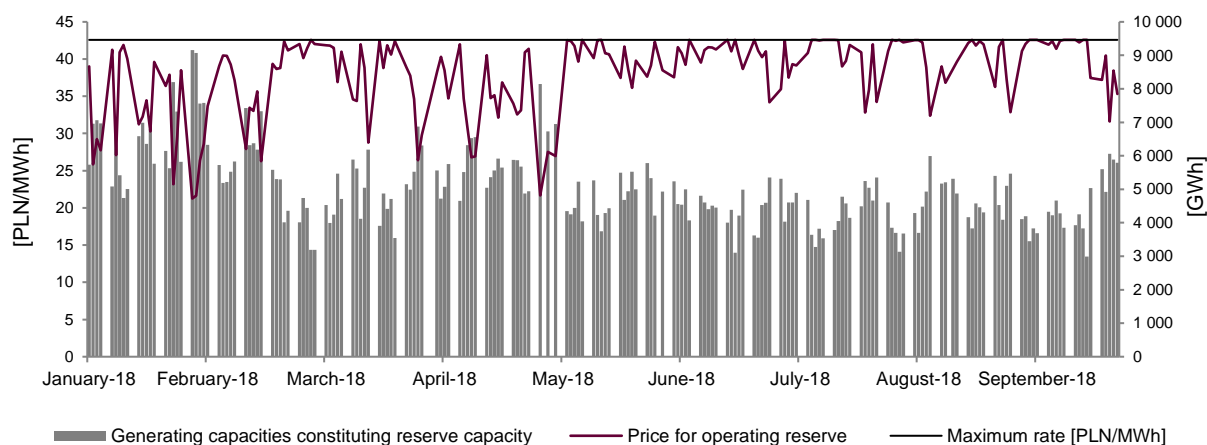


Source: PPE, PSE

Operating reserve

The operating reserve service is continued in 2018. The reference price was raised to PLN 42.58/MWh. The average operating reserve fee after three quarters of 2018 was PLN 38.08/MWh, an increase by PLN 0.96 compared to corresponding period of the previous year (PLN 37.12/MWh).

Figure 20: Prices and generating capacity constituting operating reserve after three quarters of 2018



Source: PSE

4.3. Regulatory environment

Legislative processes completed in Q3 2018

The Act of 20 July 2018 Amending the Water Law Act and Certain Other Acts (Dz.U. of 2018, item 1722)

The Act concerns the introduction of solutions supporting the reduction of formalities involved in administrative proceedings for water law permits and promises; the draft limits the requirement to present data or documents that are already in the possession of the authority.

Objective of the legislation:

- ✓ The provisions of the Water Law of 20 July 2017 that entered into force on 1 January 2018 gave rise to interpretation concerns, in particular as regards the issuance of water law permits and promises, integrated permits, State Treasury property management and application of the new system of payments for water services. Additionally, the lack of legal basis for financing of water management activities by the National Fund for Environmental Protection and Water Management remains an issue. For that reason, the legislature (the Minister for the Environment, the Government of the Republic of Poland) presented the aforesaid proposal for a revision to the Sejm.

Expected impact on the ENERGA Group:

- ✓ Simplification of formalities involved in administrative proceedings for water law permits and promises.
- ✓ Addressing interpretation concerns with respect to information used by Wody Polskie when setting the level of the variable fee for water services. Introduction of a value threshold above which there is an obligation to pay for water services.
- ✓ A provision has been introduced that allows, *inter alia*, to build hydro power plants pursuant to the provisions of Article 187a of the Water Law, which reads: “whoever intends to derive benefits from water engineering structures may participate in the costs of design or construction thereof”.

The Act of 20 July 2018 Amending the Waste Act and Certain Other Acts (Dz.U. of 2018, item 1592)

The Act concerns the introduction of provisions to address the issue of dumping of waste by waste management companies, or leaving waste in places where waste management activities have been discontinued.

Expected impact on the ENERGA Group:

- ✓ A more meticulous/restrictive approach to waste disposal, processing and storage may have a bearing on collection or disposal prices, especially for by-products of electricity generation from coal or biomass.
- ✓ Introducing the obligation to monitor waste storages and storage sites and the need to secure funds for that purpose.

Legislative processes pending in Q3 2018

Table 26: List of legal acts affecting the Group

Legal act	Purpose of legal changes	Opportunities	Threats/issues
Government bill concerning the promotion of electricity from high-efficiency cogeneration RCL No. UD371	Introduction of new legal mechanisms to support the development of new CHP facilities and maintenance of the existing heat generating facilities and systems	<ul style="list-style-type: none"> (1) An incentive to build new and upgrade the existing CHP generating installations. (2) A new support mechanism stimulating the development of small CHP installations (up to 1 MW) based on feed-in-premium tariffs (3) Introduction of a long-term support model (by 2046). 	<ul style="list-style-type: none"> (1) The tentative effective date of 1 January 2019 is ambitious given the early stage of the legislative process. (2) The draft is undergoing the pre-notification process. Currently preparations are underway to respond to the second round of questions asked by the European Commission.
The EU legislative package Clean Energy for All Europeans – the so-called Winter Package.	Maintaining EU's competitiveness in the era of transformation of energy markets towards clean energy. Plans to reduce coal subsidies, to increase the energy efficiency target to 30% and to reduce CO ₂ emissions by 40% by 2030. The new legislation requires approval by the Council and the European Parliament. The Winter Package includes solutions promoting the development of decentralised electricity production and storage to develop "civic energy".	<ul style="list-style-type: none"> (1) Resistance of some Member States against the low emission standard of 550g CO₂/kWh. (2) Differing positions of Member States as regards the share of the climate and energy policy of the EU. (3) Negotiability of legislation dedicated for the Polish electricity sector. (4) Delays in legislative processes despite pressure from the current Austrian presidency. 	<ul style="list-style-type: none"> (1) Starting from 1 January 2025, a potential limitation of support for installations emitting more than 550 g CO₂/kWh with power market mechanisms; (2) Potential changes to the basis of the legislative package during further legislative work. (3) A risk of losing acquired rights for contracts concluded on the power market before the end of the contract term. (4) To date, 4 out of 8 documents covered by the Winter Package have been agreed upon.
Government bill to amend the Waste Act and certain other acts Number on the list: UD394	The main intention of the legislature was to " <i>urgently clarify the provisions on the functioning of the product, packaging and waste management database, an electronic system which is now being intensively developed</i> ".	<ul style="list-style-type: none"> (1) More convenience compared to existing legislation: attaching copies instead of certain original documents, no obligation to certify copies of registration fee receipts or contracts and agreements. 	<ul style="list-style-type: none"> (1) Delays in the legislative process.
Government bill to amend the Energy Law and certain other acts Number on the list: UD394	The proposed amendments to the Energy Law arise from the need to transpose into the Polish law EU network codes and guidelines aimed at building a common, single market in electricity across the EU. The changes are necessary in view of the need to ensure consistency in the operation of the national electricity system. The bill to amend the Energy Law includes a proposal to regulate the concept of reserve	<ul style="list-style-type: none"> (1) Introduction of a 100% 'power exchange obligation' is a right step towards the improvement of the liquidity of the electricity market in Poland. ENERGA SA presented a supplementary proposal to introduce market makers on the Polish Power Exchange, 	<ul style="list-style-type: none"> (1) Delays in the legislative process. (2) A risk arising from the content of the revision lies in a too short and uneven transitional period for the new legislation. ENERGA SA put forward a proposal for changes involving a longer <i>vacatio legis</i> because of the time needed by DSOs and electricity suppliers to

sale, i.e. selling of gaseous fuels or electricity to an end customer connected to a distribution or transmission grid by a reserve provider if the current provider discontinues its sales.

(2) in order to further the market reforms. The revision introduces detailed rules governing the provision of 'reserve sale' services. Calls have been made to clarify the DSO/Supplier/End customer business relationships in order to avoid any potential interpretation concerns involved in the process.

internally adapt to the new legislation.

Shares and shareholding structure



5. SHARES AND SHAREHOLDING STRUCTURE

5.1. ENERGA's shareholding structure

Table 27: Issuer's shares by series and type

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

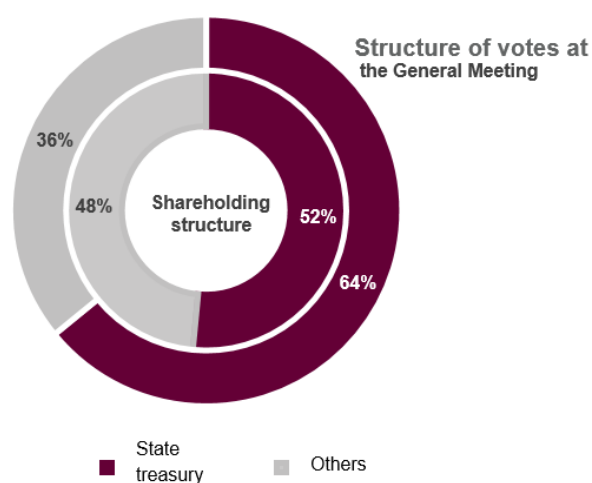
* One preferred share carries two votes at the General Meeting. These shares are owned by the State Treasury.

Table 28: Shareholding structure of ENERGA SA as at 30 September 2018

Shareholder's name	The Company's shareholding structure			
	Shares	(%)	Votes	(%)
State Treasury*	213,326,317	51.52	358,254,317	64.09
Others	200,740,797	48.48	200,740,797	35.91
Total	414,067,114	100.00	558,995,114	100.00

* The State Treasury holds 144,928,000 series BB registered shares, preferred in terms of voting at the General Meeting, and one share carries two votes at the General Meeting.

Figure 21: Shareholding and voting structure at the General Meeting of ENERGA as at 30 September 2018 and the date of preparing this Information



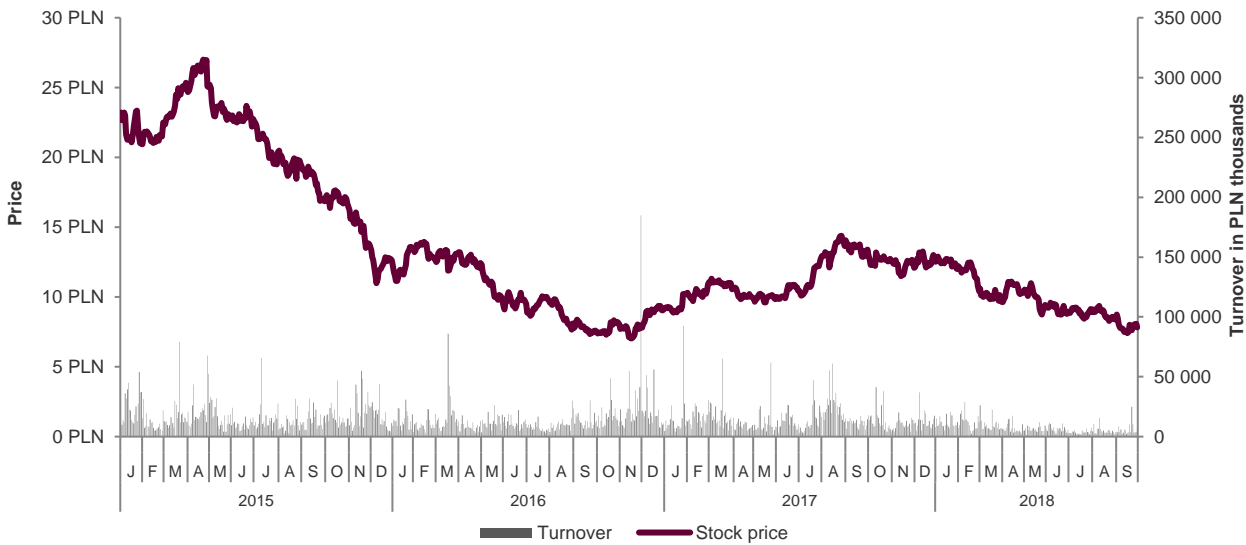
5.2 The Company's stock prices on the Warsaw Stock Exchange in Warsaw

Table 29: Information on ENERGA SA stock as at 30 September 2018

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114 shares
Stock price at the end of the period	PLN 7.82
Capitalisation at the end of the period	PLN 3.24 bn
9M minimum at market close	PLN 7.41
9M maximum at market close	PLN 14.50
9M minimum	PLN 7.35
9M maximum	PLN 14.57
Average trading value	PLN 20 m
Average trading volume	729 thousand shares
Average number of trades	1.4 thousand trades

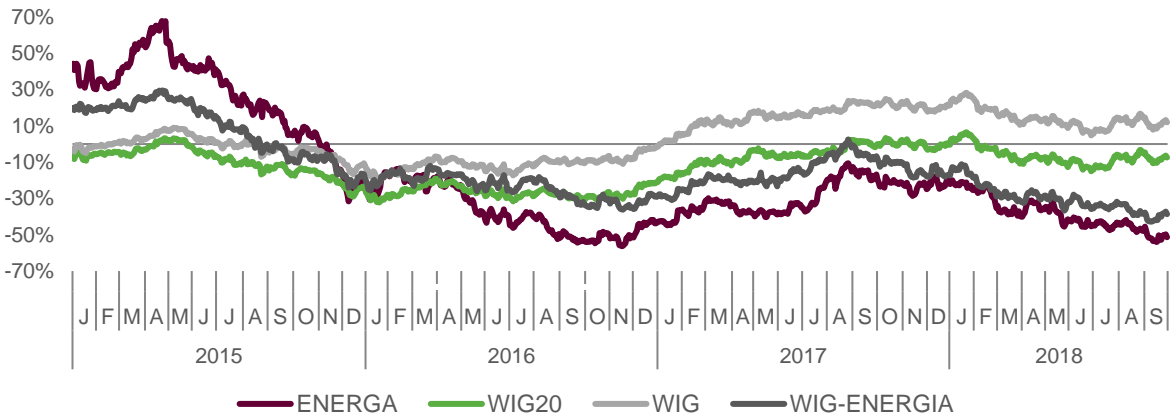
Source: Proprietary material based on data from www.infostrefa.com

Figure 22: ENERGA SA stock price in the period from 1 January 2015 to 30 September 2018



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

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



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

5.3 Recommendations for the Company's stock

Table 30: Summary of the recommendations

13 analyst recommendations over three quarters of 2018	8 Buy recommendations 2 Hold recommendations 3 Sell recommendations
---	--

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

5.4 Shares held by executive and supervisory personnel

As at 30 September 2018 and as at the date of preparing this Information, no member of ENERGA SA's Supervisory Board and no member of ENERGA SA's Management Board holds the Company's shares, rights to Company's shares or shares in the Company's associates.

Gdańsk, 7 November 2018

Signatures of ENERGA SA Management Board Members

Alicja Barbara Klimiuk

Acting President of the ENERGA SA Management Board

Jacek Kościelniak

Vice-President of the ENERGA SA Management Board for Finance

Grzegorz Ksepko

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

Jarosław Małkowski

Director of the Finance Department

LIST OF FIGURES

Figure 1: EBITDA bridge by Business Lines (PLN m)	40
Figure 2: Cash flows of the Group during 9 months 2018 and 2017	45
Figure 3: Structure of assets and liabilities	46
Figure 4: Results of the Distribution Business Line of the ENERGA Group (PLN m)	51
Figure 5: EBITDA bridge of the Distribution Business Line (in PLN m)	52
Figure 6: Results of the Generation Business Line of the ENERGA Group (PLN m)	52
Figure 7: EBITDA bridge of the Generation Business Line (PLN m)	54
Figure 8: Results of the Sales Business Line of the ENERGA Group (PLN m)	55
Figure 9: EBITDA bridge of the Sales Business Line (PLN m)	56
Figure 10: Factors affecting the ENERGA Group result in the next quarter.....	58
Figure 11: Annual changes in the GDP, domestic demand, individual consumption and investments	60
Figure 12: Production of electricity in Poland after three quarters of 2018 (TWh)	62
Figure 13: Consumption of electricity in Poland after three quarters of 2018 (TWh)	62
Figure 14: Monthly volumes of cross-border power exchange in Poland after three quarters of 2018 (TWh)	63
Figure 15: Prices of energy in the SPOT market in Poland and in selected neighbouring countries after three quarters of 2018	63
Figure 16: IRDN 24 index after three quarters of 2018 (PLN/MWh)	64
Figure 17: Forward contract price, base with delivery for 2019 after three quarters of 2018	65
Figure 18: EUA prices after three quarters of 2018	66
Figure 19: Comparison of prices in the balancing market and SPOT markets (exchange) after three quarters of 2018	67
Figure 20: Prices and generating capacity constituting operating reserve after three quarters of 2018	67
Figure 21: Shareholding and voting structure at the General Meeting of ENERGA as at 30 September 2018 and the date of preparing this Information	72
Figure 22: ENERGA SA stock price in the period from 1 January 2015 to 30 September 2018.....	74
Figure 23: Changes in ENERGA SA stock prices in comparison to changes in WIG, WIG20 and WIG ENERGIA indices	74

LIST OF TABLES

Table 1: Key investment areas for three months of 2018	20
Table 2: Type and amounts of receivables	23
Table 3: Proceedings pending before courts, arbitration or public administration bodies	23
Table 4: Consolidated statement of profit or loss	39
Table 5: EBITDA after material one-off events*	41
Table 6: Consolidated statement of financial position	42
Table 7: Consolidated statement of cash flows	44
Table 8: Financial ratios of the ENERGA Group	46
Table 9: Distribution of electricity by tariff groups	47
Table 10: SAIDI and SAIFI indicators	47
Table 11: Gross electricity production in the ENERGA Group	48
Table 12: Heat production	48
Table 13: Volume and cost* of consumption of key fuels	49
Table 14: Sales of electricity by the Sales Business Line	49
Table 15: EBITDA of the ENERGA Group, by Business Line	50
Table 16: Results of the Distribution Business Line:	51
Table 17: Results of the Generation Business Line of the ENERGA Group:	53
Table 18: EBITDA of the Generation Business Line by Division	53
Table 19: Results of the Hydro Power Division	54
Table 20: Results of the Wind Power Division	55
Table 21: Results of the Ostrołęka Power Plant Division	55
Table 22: Results of the Other and Adjustments Division	55
Table 23: Results of the Sales Business Line of the ENERGA Group	56
Table 24: ENERGA's current ratings	57
Table 25: Average levels of property right indices listed on the Polish Power Exchange	66
Table 26: List of legal acts affecting the Group	69
Table 27: Issuer's shares by series and type	72
Table 28: Shareholding structure of ENERGA SA as at 30 September 2018	72
Table 29: Information on ENERGA SA stock as at 30 September 2018	73
Table 30: Summary of the recommendations	75

GLOSSARY OF TERMS AND ABBREVIATIONS

Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and residues from agriculture, forestry and related industries, as well as the biodegradable fraction of other waste, in particular agricultural raw materials
CAPEX	Capital expenditure
CIRS, CCIRS	Currency Interest Rate Swap and Cross-Currency Interest Rate Swap transactions in which payments are made over a specified period with a prescribed frequency, based on variable interest rates, in two different currencies (CIRS) or in more currencies (CCIRS)
CO ₂	Carbon dioxide
EIB	The European Investment Bank
EBITDA	ENERGA SA defines EBITDA as operating profit/loss plus depreciation/amortisation and impairment of non-financial non-current assets. Since the EBITDA definition changed in 2016, EBITDA for comparable periods (2013-2015) has been recalculated according to the new definition.
EBIT (earnings before interest and taxes)	Operating profit
ENERGA SA, the ENERGA Company	Parent company of the ENERGA Group
EMTN	The Euro Medium Term Notes issuance programme
EUA	European Union Allowance; emission allowances
EUR	Euro, currency used in European Union's eurozone countries
WSE	The Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie SA)
The ENERGA Group, the Group, ENERGA	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	An interest rate swap agreement between two parties, under which the parties pay interest to each other on a 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 electricity generated or used by a 1 kW device 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 wind, solar radiation, geothermal energy, waves, currents and marine tides, run of rivers and energy obtained from biomass, landfill biogas as well as biogas from sewage discharge or treatment processes or the decomposition of plant and animal remains to generate electricity
OR	Operating reserve
DSO, Distribution System Operator	A utility company distributing gaseous fuels or electricity, responsible for grid operation in a gas or electricity distribution system, current and long-term operational safety of the system, operation, maintenance, repairs and the necessary expansion of the distribution network, including connections to other gas or electricity systems
TSO, Transmission System Operator	A utility company transmitting gaseous fuels or electricity, responsible for grid operation in a gas or electricity transmission system, current and long-term operational safety of the system, operation, maintenance, repairs and the necessary expansion of the transmission network, including connections to other gas or electricity systems
OZEX_A	Volume-weighted average price for 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 renewable electricity generated starting from 1 March 2009, as specified in the certificate of origin
Property rights	Transferable rights constituting a commodity arising from certificates of origin for renewable energy and energy from 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 KRS No. 0000197596; a company designated by the President of the URE's decision No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 to operate as the Electricity Transmission System Operator in the Republic of Poland in 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	Specialist open-end investment funds
SPOT	Day-Ahead Market (DAM): an energy market operating in the "day ahead" time interval (DA) supplying energy on day D
Certificate of origin from cogeneration	A document issued by the President of the URE pursuant to Article 9l of the Energy Law confirming that electricity has been generated in high-efficiency cogeneration in: (i) a gas-fired cogeneration unit or a cogeneration unit with a total installed electrical capacity at source under 1 MW (known as the yellow certificate), (ii) a cogeneration unit fired by methane released and captured during deep mining operations in coal mines (open, in liquidation or closed), or gas obtained by processing biomass, (known as a purple certificate), or (iii) another cogeneration unit (known as a red certificate)
Certificate of origin from renewable energy sources, green certificate	A document issued by the President of the URE pursuant to Article 9e of the Energy Law confirming that electricity has been generated from 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 commodity exchange where admitted commodities are traded, i.e. electricity, liquid and gaseous fuels, mine gas, pollution emission allowances and property rights arising from certificates of origin, whose price depends directly or indirectly on the price of electricity, liquid or gaseous fuels and the volume of pollution emissions
TWh	Terawatt hour, a multiple of the SI unit of electricity. 1 TWh equals 10 ⁹ kWh.
URE	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