



**Energa SA's  
Management Board  
Report on the  
Operations of the  
Energa Group**

**for the first half of  
2019**

Gdańsk,  
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# 1. SUMMARY



## THE GROUP AFTER H1 2019

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

### OPERATING DATA



**11.2 TWh**  
volume of electricity supplied



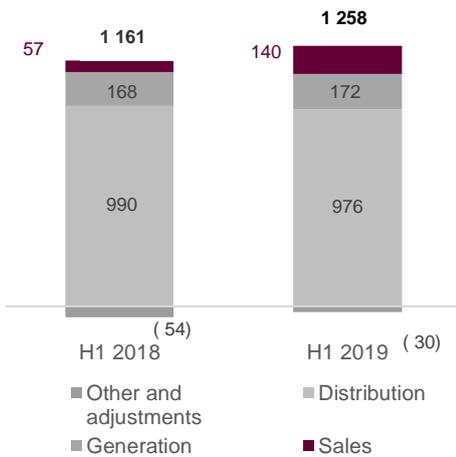
**1.9 TWh**  
gross electricity production



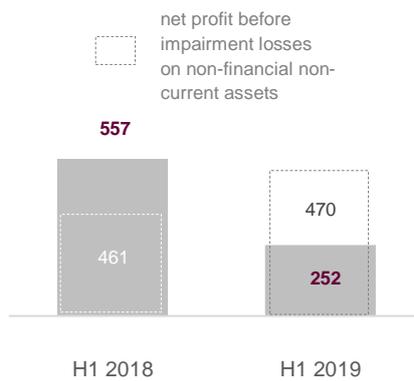
**9.8 TWh**  
retail sales

### FINANCIAL RESULTS

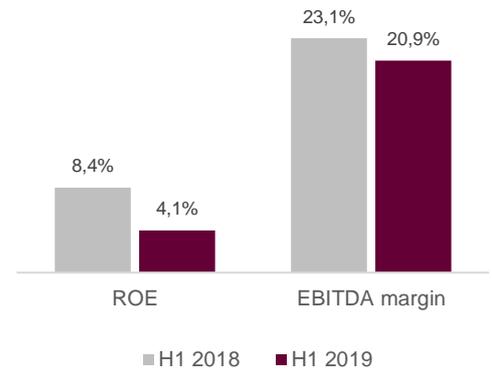
#### EBITDA (PLN m)



#### Net profit (PLN m)



#### Profitability ratios

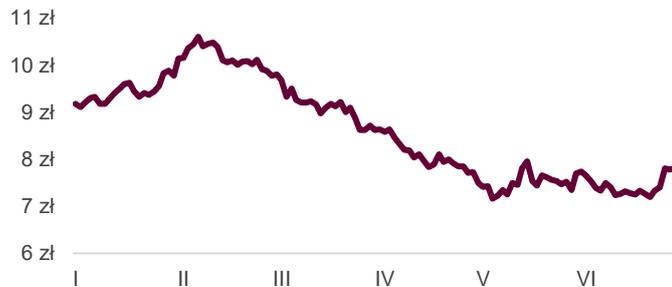


### ENERGA SA ON THE WSE

Market capitalisation: **PLN 3.23 bn\***

\* According to the closing share price on 28 June 2019

#### Price of Energa SA shares



## KEY RESOURCES



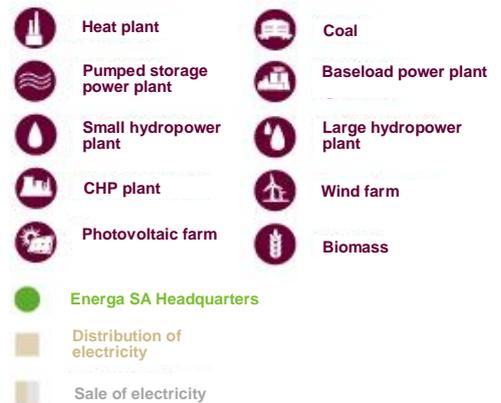
Length of distribution network  
**188k km**



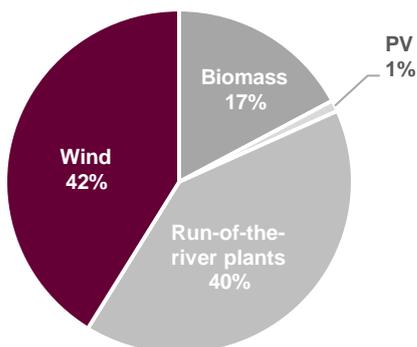
Installed capacity  
**1.35 GWe**  
of which **38%** are RES



**9.9k**  
employees



## RENEWABLE ENERGY SOURCES



Installed capacity  
**508 MWe**



RES production  
**792 GWh**

## INVESTMENT PROJECTS IN THE ENERGA GROUP

In H1 2019, the Energa Group completed **PLN 776 million** worth of investments, of which almost PLN 648 million accounted for the Distribution Business Line.

As a result of the investments, almost **27.4 thousand** new customers were connected, **1,939 km** of high-, medium-, and low-voltage lines were constructed and upgraded, and **77 MW** of new renewable sources were connected to the grid in H1 2019.

# KEY INFORMATION ABOUT THE GROUP



## 2. KEY INFORMATION ABOUT THE GROUP

### 2.1. Activities of Energa Group

The core business of the Energa Group involves the distribution, generation and trading in electricity and heat. As at 30 June 2019, the Energa Group consisted of 22 companies, including its parent company, Energa SA.

Activities of the Group concentrate on the following business lines:

**Distribution Business Line.** This is the Business Line of key importance to the Group's profitability, involved in the distribution of electricity (which is a regulated activity in Poland) conducted on the basis of tariffs approved by the President of the Energy Regulatory Office (ERO). Energa Operator SA acts as the Leading Entity in this Line. 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 3.1 million customers, approximately 2.9 million of whom are customers with universal agreements and 188 thousand are TPA (Third Party Access) customers. More detailed information on customers of Energa Operator SA (by energy group) is presented in chapter 3.5. *Key operational data*. The total length of the power lines was over 188 thousand km and covered almost 75 thousand sq. km, i.e. approximately 24% of the area of Poland.

**Generation Business Line.** The operation of this Business Line is based on four Generation Areas: the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). At the end of H1 2019, the total installed generation capacity in the Group's power plants was approximately 1.35 GW. The Leading Entity in this Business Line is Energa Wytwarzanie SA (on 3 September 2019, the company's name was changed to Energa OZE SA).

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

**Sales Business Line.** The Business Line with Energa Obrót SA as the Leading Entity sells electricity, gas and additional services offered to clients both as separate products and in packages. Products and services are sold to all customer segments, from industry through large, medium and small enterprises, to households. As at the end of the first half of 2019, the Energa Group had 3.1 m customers, including 2.8 m classified as G tariff customers, with the remainder being customers from tariff groups: C, B and A, in a decreasing order.

#### Customer service

For many years, Energa Obrót SA has been offering trend-setting customer service solutions. The dynamically changing market environment, the growing expectations of increasingly informed customers and the actions of competitors leave no doubt as to the need to implement and develop a customer-oriented business model.

Customer orientation and putting their needs at the centre is the Cafeteria's idea. In April this year, the pilot formula (hereinafter: POC - Proof of Concept) launched sales in this model in two own showrooms, in Gdańsk and Toruń. Client communications use tablets with an interactive application Salesbook. The manner in which conversations are conducted with clients has been designed to ensure a sense of individual approach for each client. The attractive form of communication using graphic elements will make it easier for the client to understand the benefits of the offer.

In the first half of 2019, Energa Obrót SA offered the following electricity products and services to individual customers:

- Bonus na start (Start bonus),

- Energia z bonem 100 zł (Energy with a PLN 100 voucher);
- Fachowcy pod ręką (Experts at hand);
- Fachowcy pod ręką PREMIUM, STANDARD, STANDARD+ and PRE-PAID packages;
- Godziny tańszego prądu (Cheaper electricity hours);
- Lekarz bez kolejki (Doctor without a queue);
- Mega Zysk (Mega Profit);
- Oferta antysmogowa (Anti-smog offer);
- Oferta antysmogowa z pakietem Fachowców (Anti-smog offer with the Expert package);
- Oferta taka jak Ty (An offer just like you);
- Pakiet bezpiecznej podróży I i II (Safe travel package I and II);
- Pakiet dla oszczędnych (Thrifty package);
- Pakiet pełnej ochrony (Full protection package);
- Pakiet pełnej ochrony Plus (Full protection package Plus);
- Prąd dla dużej rodziny (Electricity for a large family);
- Prąd za grosze (Electricity for a penny) - promotional offer;
- Starter.

As part of the technology offers, the following products were available to individual customers:

- Heat pumps;
- Photovoltaic panels.

The following electricity products and services were offered to SOHO customers:

- Energia na + (Plus Energy);
- Łowcy rabatów (Discount hunters);
- Utility consumption monitoring;
- Strefa Korzyści (Benefits Zone);
- Umów się i/lub EnerGRA (Set up an appointment and/or EnerGRA);
- Wspólnie oszczędniej (Cheaper together);
- Wspólnie się opłaca (Together pays off).

Last year, Energa Obrót transformed its model of cooperation with business customers, turning from a supplier into a business partner. This change is reflected in the Energy Efficiency Package introduced in September 2018 with the purpose of supporting customers in reducing the cost of purchase of utilities, such as electricity, gas and heat.

As part of the Energy Efficiency Package, 17 new technical services were offered in the first half of 2019:

- “Audyt Energetyczny Przedsiębiorstwa” (Corporate Energy Audit);
- “Audyt Efektywności Energetycznej” (Energy Efficiency Audit);
- “Audyt Energetyczny” (Energy Audit);
- “Doradztwo w zakresie zewnętrznych źródeł finansowania” (Consulting Services on External Financing);
- “Studium wykonalności” (Feasibility Study);
- “Projekt techniczny” (Engineering Design);
- “Modernizacje układów pomiarowych” (Metering System Upgrades);
- “Przylączenia klientów” (Customer Connections);
- “Modernizacja infrastruktury” (Infrastructure Upgrades);
- “Budowa stacji abonenckich” (Construction of Substations);
- “Kompensacja Mocy Biernej” (Reactive Power Compensation);
- “EnerSOL! - Zestawy fotowoltaiczne” (Photovoltaic sets);
- “Optymalizacja parametrów” (Parameter Optimisation);

- “Strategia zarządzania energią” (Energy Management Strategy);
- “Wizualizacja profili zużycia” (Usage Profile Visualisation);
- “Przeglądy stacji transformatorowych” (Transformer Station Inspections);
- “Przeglądy instalacji elektroenergetycznych” (Inspections of Electrical Systems).

The Energy Efficiency Package focuses on solutions supporting business customers in the reasonable, conscious and responsible use of their existing energy resources.

Introducing its energy efficiency range for the Business Market, the company caught up with the market leaders who are able to address almost all energy concerns of their customers within their product range.

The changes taking place on the market and the growing need among clients to actively manage the demand for energy utilities caused that in the first half of 2019 the offer of the Energy Efficiency Package was very popular among business clients.

Being aware of the fast advancements in technology, Energa Obrót relentlessly works on new solutions and launches new channels in order to make it easier for customers to access its services.

In the first half of 2019, over 6,800 agreements with clients were concluded using the electronic channel (including 2,500 entirely via the Internet), which is an over 30% increase on 2018.

This online service not only offers a modern and comfortable solution for customers, but also optimizes and digitizes the company’s back-office contract processing efforts. Importantly, responsive versions of these forms are also available for customers, enabling them to complete the entire process on their mobile phones. In the first half of 2019, the company optimized its sales form from 9 to 4 steps, which cut the average time for customers to fill out the form from an average of 22 to 16 minutes. In addition, a SOHO segment form has been launched, used already by over 230 businesses (as at the end of August 2019).

Moreover, as part of initiatives aimed at innovating and improving the efficiency of contact channels dedicated to customers, the company revamped its website, 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. The company continually optimizes Live Chat to guarantee quick and convenient contact with the company for its customers.

One of the main goals of the project called “A System for Online Sale and Customer Service of Energa Obrót SA” is to provide a CMS (Content Management System) for easy online content management on the [energa.pl](http://energa.pl) site. Once implemented, the project will offer 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 full online sale process,
- a wide array of self-service operations, e.g. offer forms or online applications.

In Energa Obrót, a second project is underway for Company Digitization, associated with the platform project, i.e. Mobile Application Construction.

Active, methodical and conscious shaping of customer experience is in line with the idea of customer focus as a strategic goal of the Energa Group. Implementation of a comprehensive CEM (Customer Experience Management) strategy is of key importance for Energa Obrót; it supports building customer satisfaction, loyalty and willingness to recommend.

The main achievement of the first six months of 2019 is implementation of strategies for managing and continuously improving Energa Obrót’s customer experience through continuous operational activities

such as tracking customers' changing needs and expectations (VOC - voice of customer) and process adaptation to those needs, and implementation and monitoring of adequate measures.

In the first half of 2019, the company continued its operational activities to simplify communications. All information materials and process document templates for mass market customers have been simplified on an ongoing basis. A client ombudsman is active at the company, supporting customers in the most complex, long-lasting matters. The ombudsman's purpose is to educate customers in the use of contact channels prepared for them, to mediate and develop solutions enabling satisfactory resolution of interventions and matters brought by customers and to analyze customer service processes in order to improve them.

## **2.2. Key changes in the Group's structure and organisation**

### Elektrownia Ostrołęka Sp. z o.o.

On 1 March 2019, an increase in share capital of Elektrownia Ostrołęka Sp. z o.o. by PLN 361,382,100 by a resolution of the Shareholders Meeting of 4 January 2019, pursuant to which Energa SA and Enea S.A. each subscribed for 50% of new shares, i.e. PLN 180,691,050, in exchange for cash contributions, was registered with the National Court Register.

### Energa Wytwarzanie SA

On 26 March 2019, the Energa Wytwarzanie (split company) division plan was agreed and signed pursuant to Article 529 § 1 point 4 of the Commercial Companies Code, i.e. through the transfer of the split company Energa Wytwarzanie's assets which represent organized parts of the enterprise within the meaning of Article 4a point 4 of the CIT Act of 15 February 1992 (consolidated version, JoL 2018, item 1036) and Article 2 point 27e of the VAT Act of 11 March 2004 (consolidated version, JoL 2018, item 2174), into two acquiring companies:

- a) ENSA PGK8 Spółka z o.o. and
- b) EOB PGK1 Spółka z o.o.

in exchange for stakes that ENSA PGK8 Spółka z o.o. and EOB PGK1 Spółka z o.o. issued to the sole shareholder of the split company, i.e. Energa SA. The share capital of Energa Wytwarzanie was reduced by PLN 62,141,000, (to PLN 1,109,241,000) through cancellation of 6,214,100 AA series shares with a nominal value of PLN 10 each, with a total nominal value of PLN 62,141,000 held by Energa SA.

In parallel, the division involved an increase in the stake capitals of the acquiring companies as follows:

- 1) the stake capital of ENSA PGK8 Spółka z o.o. was increased by PLN 21,522,000, i.e. to PLN 21,582,000 by creating 43,044 new stakes with a nominal value of PLN 500 each, with a total nominal value of 21,522,000, which were taken up by Energa SA.
- 2) the share capital of EOB PGK1 Spółka z o.o. was increased by PLN 40,619,000, i.e. from PLN 10,000 to PLN 40,629,000, by creating 81,238 new stakes with a nominal value of PLN 500 each, with a total nominal value of 40,619,000, which were taken up by Energa SA.

Additionally, on 3 September 2019, the company's name was changed from Energa Wytwarzanie to Energa OZE. This change resulted from a decision taken by the General Meeting of Energa Wytwarzanie in July 2019. Energa OZE properly reflects the nature of its activities, i.e. the management of generating facilities producing energy from renewable sources (excluding ESP Żydowo). The new name is intended to emphasize the direction chosen by the Energa Group.

## **2.3. Material events in the reporting period and after the balance sheet date**

### **2.3.1. Material events in the reporting period**

#### **The decision to amicably settle all disputes regarding 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**

On 12 June 2019, that a subsidiary of Energa Obrót SA and one of the 22 wind farms sued by Energa Obrót SA had settled amicably all their disputes regarding the agreement for the sale of property rights under certificates of origin (CPA contracts).

The parties continue their cooperation selling property rights under a new agreement.

The terms of the settlement are satisfactory to the parties and have a neutral effect on the financial result of Energa Obrót SA.

This was the fourth settlement between Energa Obrót SA and sued wind farms. The total capacity of the facilities affected by the settlements accounted for approximately 35% of the total installed capacity of all the sued wind farms.

#### **Fitch Ratings upholds Energa SA's rating**

On 3 June 2019, the Management Board of Energa SA announced that the Fitch Ratings agency had affirmed the Company's long-term foreign- and local-currency issuer ratings 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.

#### **Provisions defining the EU energy policy framework**

On 22 May 2019, the Council of the European Union, as the last body on the EU legislative path, adopted the missing provisions defining the framework of the EU energy policy encompassing a total of 8 legal acts under the common name "Clean energy for all Europeans". The directive and 3 regulations entered into force 20 days after their publication in the EU Official Journal.

The provisions stipulate, among others, limitation of support in the form of a capacity market for electricity generating units. If the EPS 550 emission requirement is not met (emissions below 550 g CO<sub>2</sub> for each kWh of electricity or below 350 kg CO<sub>2</sub> per year per kW of installed capacity), the generating unit will not be able to benefit from the support offered in the capacity market as of July 2025. At the same time, the rights acquired under contracts concluded by the end of 2019 as a result of auctions carried out on the Polish capacity market will be valid until their expiration.

The result of the above was a recognition of a write-down of assets held in Ostrołęka B Power Plant (detailed information is presented in the chapter 2.3.2. in the part titled *Information on the write-down of assets held in Ostrołęka B Power Plant*).

#### **Agreement on financing the construction of the Ostrołęka C power plant**

On 30 April 2019, Energa SA and Enea S.A. signed an agreement on financing the construction of the Ostrołęka C power plant in Ostrołęka with a gross capacity of 1000 MW. The purpose of the agreement is to further detail the rules for financing the project in order to enable its continued implementation without delays.

According to the agreement, without prejudice to previous arrangements between the parties, the Company has undertaken to Enea and Elektrownia Ostrołęka Sp. z o.o. to ensure financial resources of no less than PLN 819 million to implement the project in accordance with the investment project time schedule, and Enea has undertaken to ensure financial resources of PLN 819 million to implement the Project in accordance with the investment project time schedule.

These amounts correspond to the financial commitment declared in the agreement of 28 December 2018, i.e. not less than PLN 1 bn from Energa, including the funds already provided to Elektrownia Ostrołęka for advances to the general contractor of the block in the approximate amount of PLN 181 million.

Energa SA will carry out its obligations starting from the date of the agreement, in the years 2019 and 2020 and in subsequent years, whereas Enea will carry out its obligations starting from January 2021.

At the same time, Energa and Enea have undertaken to negotiate in good faith target rules for cooperation in the shareholders' agreement / investment agreement which is to define comprehensively the structure and form of the project financing. In the event these are not agreed upon by 31 December 2020, Enea will be required to refund to Energa half of the financial outlays, with the provision that the total amount which Enea may be required to refund will not exceed PLN 819 million.

### **Distribution of profit for 2018**

On 15 April 2019, the Management Board of Energa SA decided not to recommend the General Meeting the payment of the dividend for the financial year ended 31 December 2018. The decision was approved by the Supervisory Board.

On 25 June 2019, the General Meeting decided to allocate the entire net profit from 2018 (in the amount of PLN 495,002,271.26) to supplementary capital.

The decision was dictated by the implementation of the "Strategy of the Energa Group for 2016-2025", whereby the dividend payment policy is adjusted to reflect the financial needs of the investment process.

### **Composition of and changes on the corporate bodies of Energa SA during the reporting period**

As at 30 June 2019, the composition of the Management Board of Energa SA was as follows:

- 1) Mr. Grzegorz Ksepko – Vice-President of the Management Board for Corporate Matters, acting President of the Management Board,
- 2) Mr Jacek Kościelniak – Vice-President of the Management Board for Financial Matters,
- 3) Mr. Dominik Wadecki – Vice-President of the Management Board for Operations.

In the first half of 2019, two changes in the composition of the Management Board took place. On 30 May 2019, Ms. Alicja Barbara Klimiuk was dismissed from the position of Vice President of the Management Board for Operations. Mr. Dominik Wadecki became a new member of the Management Board (from 31 May 2019).

On 31 May 2019, the Management Board of Energa SA adopted a resolution entrusting the performance of the duties of the President of the Management Board to Grzegorz Ksepko. This decision was approved by the Company's Supervisory Board on 3 June 2019.

As at 30 June 2019, the composition of the Supervisory Board was as follows:

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

Detailed résumés of all members of the Supervisory Board and Management Board are available on our website <https://grupa.energa.pl/en/energa-group/company-management>.

## Other

Additional information is presented in Note 21 *Other information significantly affecting the assessment of assets, financial position and the financial result of the Group* of Consolidated financial statement.

### 2.3.2. Material events after the balance sheet date

#### Agreement for an ESG-linked revolving credit facility

On 17 September 2019, the Company has entered into an ESG-linked revolving credit facility agreement with a consortium of the banks: Santander Bank Polska SA (Credit Coordinator, Agent, Agent ESG), Bank Gospodarstwa Krajowego, Powszechna Kasa Oszczędności Bank Polski SA, Caixabank SA (Spółka Akcyjna) Oddział w Polsce, MUFG Bank (Europe) N.V. with registered office in Amsterdam. The purpose of this agreement is to grant the Company a PLN 2 billion ESG-linked revolving credit facility. The facility is intended, among others, for the development of renewable generation capacity and further modernisation of power lines, and will also be partially used to repay previous debts related to these purposes. The facility has been granted on the condition that the funds must be used for purposes not related to coal-fired power generation. The facility has been made available for 5 years starting from the signing date, with two possible extensions of 1 year each. The interest rate for the facility has been set on market terms based on the WIBOR rate plus margin. The Company has committed to achieve an ESG (Environmental, Social, Governance) rating, whose level may determine the margin. The facility is unsecured.

The agreement contains conditions precedent that are typical for such financing and have to be satisfied in order to disburse the facility. The remaining provisions of the agreement do not depart from those commonly used in agreements of this type.

#### Information on the write-down of assets held in Ostrołęka B Power Plant

On 26 July 2019, the Management Board of Energa SA announced that due to changes in the legislative environment, i.e. entry into force of EU Regulation 2019/943 of 5 June 2019 on the internal electricity market, introducing, among others, restrictions on support under the capacity market mechanism for existing fossil fuel generating units emitting above 550 g CO<sub>2</sub> per kWh of electricity and above 350 kg CO<sub>2</sub> on average per year per kWe of installed capacity, conditions have been identified for recognizing a write-down of assets held in Ostrołęka B Power Plant.

As a result of the impairment test carried out in the first half of 2019, a decrease in the recoverable amount of assets in Ostrołęka B Power Plant was found. On 26 July 2019, a decision was made to recognize a write-down of assets by the total of PLN 270 million. The impact of the write-down on the consolidated net result of the Energa Group for the first half of 2019 was PLN 219 million. The above event has no cashflow impact. It affected the operating results of the Energa Group without affecting its EBITDA.

Adjusted for the write-down, the book value of Ostrołęka B Power Plant in the consolidated balance sheet of the Energa Group is PLN 566 million.

#### Decision to amicably settle all disputes regarding 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

On 22 July 2019, a subsidiary Energa Obrót SA and one of the 22 wind farms sued by Energa Obrót SA had settled amicably all their disputes regarding the agreement for the sale of property rights under certificates of origin. The terms of the settlement do not significantly affect financial result of the company.

This was the fifth settlement between Energa Obrót SA and the sued wind farms. The total capacity of the facilities affected by the settlement accounts for approximately 43% of the total installed capacity of all the sued wind farms.

### **Creation of a provision by a subsidiary**

In the connection with the final judgment of the Court of Appeal in Gdańsk, dismissing the action of Energa Obrót SA in one of the cases mentioned in the current report no 37/2017, the company decided to create a provision in the amount of PLN 31 million.

The provision was created in order to secure financial resources for possible future payment of any contractual penalties resulting from framework contracts for the sale of property rights resulting from renewable energy certificates. At the moment, the provision created fully secures claims against Energa Obrót SA in case of their possible future payment.

The impact on the EBITDA of the Energa Group for the first half of 2019 is PLN 31 million.

So far, Energa Obrót SA has concluded five settlements with the defendant wind farms, and is conducting court disputes and negotiations with other entities, which may result in further settlements, i.e. ultimately an amicable conclusion of the disputes.

## **2.4. Implementation of the investment programme**

During the first half of 2019, capital expenditures in the Energa Group reached PLN 776 million, and were by PLN 152 million, i.e. 24%, higher than in the corresponding period of the previous year. Investments of Business Line Distribution accounted for 84% of all expenditures incurred by the Group and amounted to PLN 648 million.

The investments of the Distribution Business Line included grid expansion aimed at connecting new customers and producers as well as upgrades to improve the reliability of electricity supply. Additionally, expenditure was incurred on innovative technologies and grid solutions, such as the project of the grid rebuilding to meet Smart Grid standards.

In the Generation Business Line, investments totalled PLN 101 million, a significant portion of which were outlays for alignment with environmental requirements, upgrades at Ostrołęka B Power Plant.

The Sales Business Line, in turn, allocated PLN 17 million to investments, most of which was spent on work related to lighting assets.

**Table 1: Status of the investment programme in H1 2019**

<b>Project description</b>	<b>Location</b>	<b>Capital expenditures in H1 2019 (PLN million)</b>	<b>Execution stage</b>
<b>Distribution Business Line</b>			
Modernization of the distribution network to improve reliability of supplies	Distribution areas	291	Ongoing
Grid expansion due to new customer connections	Distribution areas	265	Ongoing
Smart metering and other elements of intelligent network implementation, including AMI	Distribution areas	7	Ongoing
Grid expansion in connection with HV flows and ee source connections	Distribution areas	21	Ongoing
Other investment expenditures, collisions and corrections	Distribution areas and Distribution Business Line companies	64	Ongoing
<b>Generation Business Line</b>			
Ostrołęka B Power Plant (IOS II, reduction of NO <sub>x</sub> )	Ostrołęka	71	Underway
Other capital expenditures	Generation area and Generation Business Line companies	30	-
<b>Sales Business Line</b>			
Capital expenditures for lighting assets	Area of operations of Energa Oświetlenie	13	Underway
Sales Support System	Area of operation of the Sales Business Line	2	Underway
Other capital expenditures	Sales area and Sales Business Line companies	2	-
<b>Other companies, projects and corrections</b>	-	10	-
<b>Total</b>		<b>776</b>	

## **New projects or suspended projects**

### **CCGT Grudziądz**

Based on Resolution No. 1494/V/2019 of 21 March 2019, the Management Board of Energa SA set up an investment project called CCGT Grudziądz regarding construction of a new 450-750 MW gas and steam power plant, whose goal is to raise the value of the Energa Group by building modern energy infrastructure in a manner permitting development of the existing generation base in order to provide capacity services and electricity sales. The project consists of completing the preparation stage and proceeding with the construction stage of a gas-steam power unit fired with high-methane natural gas, located in Grudziądz.

The assets of CCGT have been separated into the special purpose vehicle EOB PGK1 Sp. z o.o., wholly owned by Energa SA (with Energa Wytwarzanie SA).

As part of the project, activities were started to acquire a strategic partner and foreign industry investors (funds), work began to obtain debt financing and a tender procedure was launched to select a general contractor.

## 2.5. Research and development

The Energa Group initiated and implemented the research and development projects identified in the Strategic Research Agenda (SAB). The SAB is a document which specifies: guidelines, objectives, main directions, initiatives, as well as other parts that make up the entire area of Research, Development and Innovation in the next 10 years.

### Strategic Research Agenda for 2019-2028



	Business and technological improvements			Innovative business models			Future technologies		
Flares									
Areas	Intelligent, automatic and reliable grid	Digitization and customer satisfaction	Optimization of production capacity and DSR	Smart City	Electromobility	Microgrids*	RES	Energy storage**	Alternative stable generation sources
	Reliable and efficient management of grid assets	Customer behavior and satisfaction surveys	Regulatory alignment of generating assets	Smart City strategies and business models	Strategies and business models, and promotion of electromobility	Participation in energy clusters and promotion of microgrid solutions	PV and BIPV technologies	Water tank machines	Hybrid power plants
	Smart Grid	Customer relationship management systems	Effective management and operations of generating assets	Test platforms for new Smart City products and services	Solutions for infrastructure operators and charging service customers	Products and services for microgrid operators and customers	(Land and sea) wind energy technologies	Energy accumulators	Hydrogen technologies and fuel cells
Subareas	Measurement data management and monetization	Integrated and available customer data	DSR services	IT platforms and applications for Smart City	IT systems and platforms for charging infrastructure management	IT systems and platforms for billing and microgrid traffic management	Hydropower (inland) technologies	Other energy reservoirs (kinetic, CAES, UTES, etc.)	Energy from waste/ biomass
	Reliable and effective IT infrastructure	Mobile and Internet platforms and applications for customers	Virtual power plants (VPP)	Integrated devices and systems for Smart City	Demonstrators of infrastructure, charging and cooperation with EV	Demonstrations of microgrid infrastructure, devices and systems	Offshore energy technologies		Geothermal energy and other sources of heat and cold
	Cybersecurity	Rapid prototyping and testing of new products and services							
Objective	Operational improvement of processes and products using technologies/ solutions existing on the market			Search for new sources of value and growth for the Energa Group. Participation in new currently emerging markets			Preparation of the enterprise for energy sector transformation		
Approach	Implementation of solutions available on the market, with the need to adapt existing infrastructure			Creation of an innovative market offer in new business areas based on existing and acquired competence and partnerships			Industrial research and participation in scientific and research consortia to improve and commercialize innovative technologies		

\* microgrids are understood as Local Balancing Areas  
 \*\* energy storage is understood as both storage of electricity and other types of energy (e.g. heat, cold)

Source: EY

Based on the Strategic Research Agenda adopted in Energa SA, Energa Operator SA has developed and adopted a strategic document meant to support and develop innovation - *Innovation Strategy of Energa Operator SA until 2027*.

The Group continued implementation of the following projects:

- NEDO - A project exploring the possibilities of using energy storage. Energy storage is seen as a key element of the energy system in which there is an increasing number of unstable, dispersed energy sources. Research activities verify possible uses of technologies to improve operational flexibility of the system and to ensure connectivity of renewable energy.
- UPGRID - municipal power grid of the future. The international project made it possible for prototype integrated AMI/SG cabinets to be verified in a real-life grid. In practice, the project tested the possibilities of data integration from SCADA and AMI in a standard CIM (i.e. Common Information Model) data exchange model. Integrated low-voltage network data and data from smart meters have become the basis for the development of prototype new functionalities supporting grid management.
- EDI - an international project which looks for new possibilities of using data from smart meters. New solutions are being developed by start-ups from Europe.

- SORAL - the project currently underway encompasses research and development aimed at building a CBM solution for a MV grid. Using diagnostic tests of MV cables, Energa Operator SA plans to build a system measuring the risk of failure in those grids.
- "Smart GRID" - is a project that implements technologies tested under innovative projects (MV grid monitoring and control, SCADA/DMS) on a wide scale, across the entire network. This project continued to research possible use of energy storage to support the operation of a grid saturated with dispersed generation.
- Electromobility - thanks to the electromobility projects carried out so far (e-Mobility, Car-sharing), the Group managed to acquire practical knowledge, in particular on the operation of charging stations, electric cars, as well as related customer experience. Currently, the Group continues efforts to expand the charging infrastructure (construction of further charging stations) along with the 2020 planned launch of a billing system enabling payments recording and billing for charging services. All the activities undertaken at the Group in the area of electromobility are aimed at expanding the offer of services provided by the Energa Group, as well as at achieving a strong position by the Group on the electromobility market.

The company also continued to publish a research quarterly, Acta Energetica. The quarterly magazine is addressed to people dealing with energy and electricity. Acta Energetica helps to promote knowledge that is useful in the development of scientific expertise and its practical applications in business projects.

## 2.6. Information on material contracts and agreements

### Agreements for loans and borrowings and the domestic bonds programme

Detailed information on agreements for loans and advances and the domestic bond issue programme is presented, among others, in Note 17 to the consolidated financial statements.

The following table presents the nominal value of bonds subscribed up by Energa SA and not redeemed, broken down by Energa Group issuer company as at 30 June 2019.

**Table 2: Nominal value of bonds subscribed by Energa SA and not redeemed, broken down by issuer, as at 30 June 2019**

No.	Company name	Nominal value of subscribed bonds (PLN million)
1.	Energa Operator SA	3,774
2.	Energa Wytwarzanie SA	647
3.	Energa Kogeneracja Sp. z o.o.	18
	<b>Total</b>	<b>4,439</b>

### Guarantees and sureties granted

As at 30 June 2019, sureties extended by Energa SA to cover liabilities of Group companies totalled PLN 5,545 million and included:

- surety for liabilities of Energa Finance AB (publ) under Eurobond issue for PLN 5,315 million,
- sureties for liabilities of the Energa Group companies under bank guarantees granted by Bank PKO Bank Polski SA within guarantee limits dedicated to Energa Group companies for the total amount of PLN 161 million,
- 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), for the total amount of PLN 69 million.

### Information on material non-arm's length transactions with related parties

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

Information on transactions with related parties is contained in Note 19 to the consolidated interim financial statements for the six-month period ended on 30 June 2019 and as at that date.

## 2.7. Risk management

### Integrated Risk Management System of the Energa Group

The Integrated Risk Management System (hereinafter: IRMS) has been in place at the Energa Group since 2011 and it is supervised centrally by Energa SA.

The IRMS has been implemented on the basis of a risk management process which is harmonized across the whole Group. It is based on international standards (ISO, COSO, FERMA) and spans all organisational levels and business lines. The risk management process consists of various interrelated stages forming a continuous process. It starts at the level of organisational units and moves on to top executives and from the level of Group companies to Energa SA as the parent company.

Figure 1: Risk management process effective in the Energa Group



The main documents underlying the risk management process at the Energa Group is the *Risk Management Policy* along with the risk management methodology, which define, among others, the harmonized approach, risk management principles and roles in the risk management process.



**Management Board:** defines the risk management focus, approves risk review outcomes and accepts risk appetite



**Risk Unit:** coordinates the risk management process, conducts risk reviews and action plan reviews, develops reports summarising the outcomes of risk identification and evaluation and action plan monitoring



**Risk Owner:** manages risks, develops and implements action plans, monitors risks, keeps risks within certain limits



**Employees:** report risks, events and inefficiencies of controls



**Audit Committee:** monitors the effectiveness of existing internal control and risk management systems at the Energa Group



**Internal Audit:** performs an independent and objective assessment of the risk management system

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



**risk review** – involving identification and assessment of risks and defining the risk management strategy (in semi-annual cycles)



**review of action plans** – update of the risk management strategy and verification of risk mitigation measures taken by Risk Owners (in quarterly cycles)



**ongoing risk management** – involving identification and assessment of risks and defining the risk management strategy, in the context of current events relevant to the Energa Group (on an ongoing basis)

Based on the semi-annual risk reviews, information on the risk exposure of the Energa Group is prepared. Relying on that information, the Management Board of Energa SA decides on the risk appetite level and approves the risk management strategy. The results of risk reviews are communicated to the Risk Owners and reported to the Audit Committee.

## Description of major factors and risks

Key risks identified at the level of Energa SA and Group companies for each of the four Energa Group Risk Model areas are presented below, together with a description of key risk mitigation measures.

### Strategic area

Risk	Description of the risk and its potential effects	Control mechanisms used
<b>Risks of strategic programmes</b>	Risks involved in the implementation of the <i>Group Strategy for 2016-2025</i> . Key risks in this area are associated with the use of revenue decoupling regulations in heat tariffs, implementation of a new customer-centric business model and development of new business areas, to name just some. Materialisation of risks may lead to lower EBITDA, loss of part of the market / competitive advantage, lack of return on investments or deterioration of image.	<ul style="list-style-type: none"> <li>• Running programmes in project-based structures;</li> <li>• Ongoing monitoring of progress in the implementation of individual programmes;</li> <li>• Ongoing risk reporting.</li> </ul>
<b>Project / investment risks</b>	Risks involved in investments carried out within the Energa Group, including without limitation those related to the new unit in Ostrołęka, the gas and steam unit in Grudziądz, the biomass unit in Elbląg, the flue gas desulphurisation plants in Ostrołęka or the development of generation capacity in the Generation Business Line. Materialisation of risks may lead to non-achievement of the expected return on investments, loss of revenue, the need to repay subsidies or deterioration of image.	<ul style="list-style-type: none"> <li>• Contracts with experienced and reputable contractors;</li> <li>• Ongoing monitoring and control of investments at the operating and strategic levels (Committees and Top Executives);</li> <li>• Staging of the investment project preparation process;</li> <li>• Continuous involvement of law firms;</li> <li>• Carrying out investments on project basis;</li> <li>• Periodic and ongoing risk identification.</li> </ul>
<b>Market risks</b>	Risks involved in trading in electricity, fuels and property rights, including in the context of price volatility, forward market and SPOT market fluctuations, meeting customer demand or	<ul style="list-style-type: none"> <li>• Risk management in core selling activities;</li> </ul>

regulatory and legal requirements. Materialisation of risks may lead to difficulties in the achievement of strategic objectives, financial losses, changes to risk exposures, customer attrition, increased costs of operation.

- Processes and principles relating to contracting, trading and purchasing areas;
- A coupled model;
- Use of advisory and legal services.

## Legal and regulatory area

Risk	Description of the risk and its potential effects	Control mechanisms used
<b>Regulatory risk</b>	The risk concerns legislative changes affecting the functioning of the Energa Group's individual Business Lines. Materialisation of risks may lead to liquidity deterioration, modification of investment plans or higher operating expenses. The risk additionally offers an opportunity to adopt new legal solutions which could facilitate raising of additional funds or provide a support system for the Group's assets.	<ul style="list-style-type: none"> <li>• Monitoring of legal changes;</li> <li>• Dedicated teams in Energa Group entities coordinating work on the implementation of legal acts;</li> <li>• Participation in the legislative process;</li> <li>• Participation of the Group's representatives in the activities of industry associations.</li> </ul>
<b>Risk of non-compliance with new legal provisions</b>	The risk is associated, for instance, with legal, financial, organisational or image-related ramifications of the Energa Group's failure to align with new legal provisions, or a misinterpretation of new legal provisions.	<ul style="list-style-type: none"> <li>• Monitoring of legal changes;</li> <li>• Working groups engaged in bringing the Group's activities in line with the law (e.g. energy prices, cybersecurity);</li> <li>• Implementation of a compliance management system at the Energa Group.</li> </ul>
<b>Environmental risk</b>	Risks associated with conducting the operations in accordance with the provisions of environmental law, good practice and environmental standards (ISO 14001, ISO 50001) mitigating the risks and ensuring sustainability; providing information and assurance to stakeholders with respect to compliance with the national environmental regulations and the requirements of the EMAS Regulation. Materialisation of risks may lead to withdrawal of the ISO 14001 certificate. Non-compliance with environmental regulations may lead to increased costs due to the need to address potential environmental incidents, imposition of financial sanctions and closures of defective plant components.	<ul style="list-style-type: none"> <li>• Internal policies;</li> <li>• Monitoring legislative changes on an ongoing basis;</li> <li>• Analysis and measurements of emissions;</li> <li>• Inspections and audits;</li> <li>• The EMAS system implemented by the Group companies.</li> </ul>
<b>Risk of fraud</b>	The risk concerns situations and actions related to fraud, including potential conflicts of interest, corruption or misappropriation on the part of the employees of the Energa Group companies. The risk involves the potential threat of fraud and corrupt practices in operating processes. Materialisation of risks may lead to financial losses and may entail procedures conducted by law enforcement authorities against employees or bodies of the Group companies. The risk may have an adverse effect on the Energa Group's image and reputation, undermining employees'	<ul style="list-style-type: none"> <li>• Internal anti-fraud policies;</li> <li>• Training for employees (related to, among others, corruption prevention);</li> <li>• The organisation's three lines of defence (internal control system, risk management system, internal audit);</li> <li>• External controls;</li> <li>• Investigations.</li> </ul>

trust in supervisors, colleagues and the organisation as a whole.

<b>Legal risk</b>	The risks are associated with court and administrative proceedings carried out by or against the Group companies. Materialisation of risks may give rise to an obligation to pay damages and sanctions, or to grant customer discounts arising from the provisions of law.	<ul style="list-style-type: none"> <li>• Cooperation with law firms;</li> <li>• A system for the monitoring of important matters;</li> <li>• Internal policies;</li> <li>• Insurance policies for some events;</li> <li>• Control mechanisms built into IT tools used.</li> </ul>
<b>Risk of the Polish capacity market being suspended</b>	The risk is that the complaint of Tempus Energy will be considered justified by the Court of Justice of the European Union and that a judgment is issued annulling the European Commission (EC) decision approving the Polish capacity market. Materialisation of risk may result in the suspension of the capacity market and, inter alia, payments of fees under existing capacity contracts and in suspended organization of new auctions on the capacity market.	<ul style="list-style-type: none"> <li>• Support from the Ministry of Energy and other representatives of the Polish party (as an intervener on the EC side during the proceedings);</li> <li>• Involvement of one of the Energa Group companies, Enspirion Sp. z o.o. (a leader on the Polish market of DSR Aggregators) - as an intervener to support the Polish party and offer current information on the process status.</li> </ul>
<b>Risk of infringement of personal data, natural persons' rights or freedoms</b>	The risk relates to the protection of personal data processing and to compliance with the GDPR and all external laws and regulations on personal data processing and privacy. Materialisation of risk may lead, among others, to non-realization of data subjects' rights, to fines and other sanctions, reputation losses.	<ul style="list-style-type: none"> <li>• Internal policies on personal data protection;</li> <li>• Data Protection Officers;</li> <li>• Dedicated organizational unit which performs tasks related to the protection of personal data for Group entities;</li> <li>• Risk analysis in the area of personal data protection and DPIA;</li> <li>• Audits.</li> </ul>

## Operating area

Risk	Description of the risk and its potential effects	Control mechanisms used
<b>Risk to the security of persons and property</b>	Risk associated with unauthorized access to facilities, including power equipment. The risk additionally involves the safety and security of employees and third parties present on the premises of the Group's companies, as well as incidents related to terrorism and sabotage. Potential consequences of the risk may involve a threat to security of grid operation, loss/destruction of property or interruption of operational continuity.	<ul style="list-style-type: none"> <li>• Security Plans, including Critical Infrastructure Security Plans;</li> <li>• Internal safety and security policies;</li> <li>• Business Continuity Plans of the Group Companies;</li> <li>• Property insurance, third party liability insurance and insurance for lost revenues;</li> <li>• Physical and technical security systems at the Group's facilities;</li> <li>• Security incident monitoring within the Group;</li> <li>• Employee training.</li> </ul>
<b>Cyber security risk</b>	The risk relates to incidents that may adversely affect cyber security. The risk applies mainly to the information systems used to provide the key service. Risk materialization may lead to disruption, serious deterioration or discontinuation of the key service. The risk is also identified and managed in the context of the	<ul style="list-style-type: none"> <li>• The cyber security team appointed at the level of Energa SA, whose goal is to develop guidelines for a consistent Cybersecurity Management System within the Energa Group;</li> <li>• Energa CERT;</li> </ul>

	requirements of the Act on the National Cybersecurity System.	<ul style="list-style-type: none"> <li>• Internal security regulations, including information security risk management procedure;</li> <li>• Risk assessment in information systems supporting key services.</li> </ul>
<b>Risk of disruption of business continuity</b>	Risks associated with the disruption of critical distribution activities, i.e. continuity of the distribution service meeting the required performance security criteria of the distribution system. Materialisation of risks may put human life and property in danger and lead to unavailability of critical process resources (sites, systems, employees).	<ul style="list-style-type: none"> <li>• Business Continuity Strategy;</li> <li>• Emergency Procedures;</li> <li>• Critical Infrastructure Security Plan;</li> <li>• Rules of proceeding in emergency;</li> <li>• Backup sites;</li> <li>• Periodic testing within the business continuity management system.</li> </ul>
<b>Risk of IT system failures</b>	Risk involving the availability (malfunctions and loss of performance), integrity and confidentiality of ICT systems, including interfaces/integrations. Materialisation of the risk may lead to increased maintenance costs of IT systems and the need to incur additional capital expenditures in this area. The risk may significantly hinder or even prevent the Group companies from performing their basic functions.	<ul style="list-style-type: none"> <li>• IT system backup procedures;</li> <li>• Internal policies on ICT security;</li> <li>• Service Level Agreements (SLA) and Service Agreements signed with IT service and hardware providers;</li> <li>• Eliminating the possibility of entering incorrect data in the system (system validations and a system of user privileges);</li> <li>• Training to improve specialist qualifications of IT employees;</li> <li>• IT audits.</li> </ul>
<b>Risk of untimely / poor customer and seller service</b>	The risk is associated with observance of quality standards in customer service and compliance with contractual provisions. Materialisation of risks may affect revenue, result in financial sanctions, damages and obligatory discounts, as well as civil law suits and deterioration of image due to poor customer experience.	<ul style="list-style-type: none"> <li>• Outsourcing a part of the complaints process;</li> <li>• Customer satisfaction surveys;</li> <li>• Monitoring of KPIs designated in the complaint resolution process;</li> <li>• Processes and Principles for managing process interfaces between the Energa Group companies;</li> <li>• IT systems.</li> </ul>
<b>Compliance Programme risks</b>	Risks associated with infringements of the Energa Operator SA Compliance Programme. If the risk materializes, complaints might be filed by system users to the Energy Regulatory Office and the Office of Competition and Consumer Protection. The effects of the risk involve increased workload related to the preparation and conducting of explanatory proceedings before the President of the URE or the imposition of possible fines.	<ul style="list-style-type: none"> <li>• The provisions of the Compliance Programme allowing for seeking of damages on general principles from the employee who breached his/her duties, which resulted in a fine being imposed by the President of the URE;</li> <li>• Provisions of the agreements related to subcontractors' and service providers' conformity with the Compliance Program;</li> <li>• Regular training.</li> </ul>
<b>Risk of product sales by Energa Kogeneracja Sp. z o.o.</b>	The risk relates to a reduction in the sales volumes by Energa Kogeneracja and failure to comply with the terms of integrated permits in the absence of investments aligning the operation of generating facilities with environmental regulations. An important risk factor is the lack of agreement with the city of Elbląg regarding an annex or a contract for heat supply to the city. The risk may result in failure to meet the revenue plan, deterioration of company returns and efficiency, or fines.	<ul style="list-style-type: none"> <li>• Meetings with City Hall and EPEC representatives;</li> <li>• Cooperation with a law firm;</li> <li>• Investment, upgrade and overhaul plans;</li> <li>• Team responsible for developing an optimal target model for cooperation and heat supply to the city of Elbląg.</li> </ul>

## Finance area

Risk	Description of the risk and its potential effects	Control mechanisms used
<b>Liquidity risk</b>	Risk associated with the ability to meet payment obligations in the short and long term. Materialisation of the risk may hinder the achievement of strategic objectives and organisational development, undermine creditworthiness, increase the cost of debt servicing and lead to a loss of reputation.	<ul style="list-style-type: none"> <li>• Financial policy, including the market risk management policy;</li> <li>• Financial projections;</li> <li>• Long-term financial model;</li> <li>• Cash pooling;</li> <li>• Cash flow projections;</li> <li>• Analysis of variances.</li> </ul>
<b>Pricing policy risk</b>	Risk associated with incorrect calculation of selling prices and approval by the President of the URE of tariff rates at a level which does not guarantee the viability of sales. If the risk materializes, this may result in losing the market share (margin, volume, revenue), customer attrition, and if no tariff is approved – inability to bill customers for actual sales.	<ul style="list-style-type: none"> <li>• Ongoing market investigation for developments in the market, legal and regulatory environment;</li> <li>• Ongoing examination of the planned financial result and other selected ratios, and ongoing analysis of the impact of the adopted price calculation principles on that result/ratios;</li> <li>• Ongoing examination of offering mechanisms (including the Coupled Model) and proper performance of commercial IT systems and databases;</li> <li>• Close collaboration to obtain the necessary insights for the pricing policy;</li> <li>• Audits and inspections;</li> <li>• Quoting process monitoring system.</li> </ul>

## Financial risk management in the Group

### Interest rate risk

The Energa Group finances its operating or investing activities with variable or fixed interest debt. Interest rates are also involved when surplus cash is invested in floating or fixed interest rate assets.

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

According to the interest rate risk policy, the risk of interest rates fluctuation is mitigated by maintaining a portion of debt with a fixed interest rate. In line with these guidelines, IRS variable interest rate hedging transactions are performed. In connection with implementation of hedge accounting, the Energa Group also identifies interest rate risk related to the concluded CCIRS and IRS hedging transactions, which however has no effect on the Group's financial result.

Moreover, the level of interest rates has a direct effect on the WACC quoted by the President of the URE to calculate the return on RAB, which is included in the Energa Operator SA's tariffs. Low interest rates result in a lower return on RAB and an increase in actuarial provisions.

### Foreign exchange risk

In the financial area, the FX risk is associated mainly with incurring and servicing Energa Group's debt in foreign currencies under the EMTN (Euro Medium Term Notes) Programme. Additionally, selected Energa Group companies have foreign currency surpluses resulting from their operating or investing

activities. The Energa Group monitors foreign exchange risk and manages it mainly through CCIRS hedge transactions and hedge accounting.

#### **Credit risk**

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

In the scope being analysed, in order to mitigate credit risk, regular monitoring of the ratings of financial institutions which whom the Energa Group works is being carried out.

#### **Liquidity risk**

Liquidity risk involves the likelihood of becoming unable to pay current liabilities on time or losing the potential benefits of over-liquidity.

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

Efficient use of the Group's cashflow surplus to finance current operations of individual Group companies is maximized by one-way zero-balancing cash pooling.

Additionally, Energa SA concluded loan agreements with several financial institutions, which are a potential immediate source of funds in case of any liquidity needs.

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

As at 30 June 2019, the Energa Group was a party to 13,803 court proceedings. The Group appeared as plaintiff in 12,045 cases, where the aggregate amount in dispute was approximately PLN 513 million. The Group appeared as defendant in 1,725 cases with the aggregate amount in dispute of approximately PLN 424 million.

As at 30 June 2019, the total amount of claims to locate power installations on properties owned by third parties without the necessary legal title, awarded by final and non-appealable judgments, was approximately PLN 23 million in approximately 3,948 cases. There were 2,097 pending court cases with the total amount in dispute of PLN 215 million.

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 65.5 million, 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 approximately PLN 13 million. As at 30 June 2019, the aggregate amount of all such cases was approximately PLN 373 million, of which:

Type of receivables	Balance as at 30 June 2019 (PLN m)
court, execution	133.6
bankruptcies	59.0
non-billed	7.5
Non-billed - bankruptcies	2.3
<b>Total</b>	<b>202.4</b>

Presented below is the continuation of proceedings with the highest amount in dispute, pending in the second quarter of 2019. Company's previous periodic reports and its Prospectus contain information on the legal steps taken in earlier periods.

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

Parties	Object of dispute	Case description
T-Matic Systems SA, Arcus SA (defendant)  Energa Operator SA (plaintiff)	Claim for payment of contractual penalties under the agreements to supply and launch the metering infrastructure (re: stage I of AMI)	<p>On 7 April 2015, a statement of claim was filed (the amount claimed being PLN 23,152,481). On 10 June 2015, the defendants filed a statement of defence, requesting that the claim be dismissed in its entirety, arguing that the defendants were not at fault for the delays, some of the delays being caused by reasons attributable to Energa Operator SA or to force majeure, the fact that Energa Operator SA suffered no damage and the contractual penalties were grossly excessive. In a pleading dated 30 September 2015, Energa Operator SA filed a response to the statement of defence, addressing all charges in detail and submitting new evidence.</p> <p>On 18 December 2015, the defendants filed a rejoinder putting forward similar argumentation to the one presented in the statement of defence but extended to include a defence of invalidity of the agreements due to their imprecise language and contractual inequality of the parties. On 13 January 2016, the hearing was held at which the Court required Energa Operator SA to file a response to the defendants' rejoinder, what was done on 25 February 2016. Number of hearings and settlement negotiations took place. The parties did not reach an agreement and submitted motions regarding expert opinions. The files were forwarded to experts for an opinion.</p>
T-Matic Systems SA, Arcus SA (plaintiff)  Energa Operator SA (defendant)	<p>Claim to declare an agreement regarding stage II of AMI invalid</p> <p>Counterclaim for payment of contractual penalties for stage II of AMI</p>	<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 Warsaw, file No. IX GC 893/15. On 7 November 2016, a counterclaim was filed against Arcus and T-Matic for payment of PLN 157,063,142 on account of the payment of contractual penalties of PLN 156,060,200 and PLN 1,002,942 on account of a reduction in remuneration, as per the call for payment of 9 November</p>

		<p>2015. On 30 January 2017, the Court issued a decision to resume the proceedings which had been stayed upon parties' motion. On 13 June 2017, the Court decided to discontinue the interlocutory appeal proceedings to dismiss the plaintiff's motion for injunctive relief prohibiting the use of the insurance guarantee, in connection with a motion to withdraw the interlocutory appeal. The case files were forwarded to the Regional Court in Gdańsk. In this case, evidence proceedings have been initiated and further witnesses are being examined.</p> <p>As regards the counterclaim, it was served on the plaintiffs (counterclaim defendants) who filed a statement of defence. The court heard all the witnesses and representatives of Arcus SA and T-Matic Systems SA.</p> <p>On 24 May 2019, a representative of Energa Operator SA was heard as a party. The parties submitted motions to take of evidence from experts, the court will decide on whether to admit and hear that evidence. The court is currently seeking experts who would undertake to prepare an opinion.</p>
<p>T-Matic Systems SA, Arcus SA (plaintiff)</p> <p>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 the amount of PLN 174,111,458.96 as compensation for unlawful acts allegedly committed by Energa Operator SA. The compensation, as described in the statement of claim, concerns losses resulting from an unlawful act/unfair competition practice committed deliberately by Energa Operator S.A and involving illegal actions or omissions in relation to the process of performing construction 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." 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 organisational session at which the Court heard the parties' statements was held. The Court stayed the proceedings. Energa Operator appealed against this decision with a complaint, which was dismissed.</p>
<p>Energa Operator SA (plaintiff)</p> <p>PKN ORLEN SA (defendant)</p>	<p>Claim for payment</p>	<p>On 19 April 2016, the Appellate Court in Warsaw announced its judgment on the claim of Energa Operator SA, Płock Branch, 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. On 29 September 2016, Energa Operator</p>

SA filed with the Supreme Court a cassation appeal against the judgment of 19 April 2016 handed down by the Appellate Court in Warsaw. On 24 October 2016, the representative of Energa Operator SA received PKN ORLEN's cassation appeal filed against the judgment of the Appellate Court in Warsaw. Energa Operator SA responded to the appeal in a pleading which was forwarded on the same date to the Appellate Court in Warsaw. The new date of the hearing was set at 20 July 2017. The Supreme Court dismissed the appeal filed by the defendant PLN Orlen, but granted the appeal filed by Energa Operator SA, reversing the appealed judgment of the Appellate Court and remanding the case to the same for re-examination.

On 1 August 2017, the reasoned judgment was received. The hearing was scheduled for 15 November 2017. Having re-examined the case, the Appellate Court rendered a judgment of 15 November 2017 reversing those provisions of the appealed judgment of the Regional Court of 27 October 2014 which ordered PKN Orlen to pay PLN 30,093,882.82 and remanding the case for re-examination in this respect to the Regional Court.

A hearing was held on 11 May 2018 before the Regional Court in Warsaw. The Court called the parties to consider a settlement.

In a letter dated 15 November 2018, the company informed the Regional Court in Warsaw about the negative outcome of the settlement negotiations and moved for a hearing of the court's own motion. The court set further dates for hearings - the court set the hearing for 24 September 2019.

**Events after the balance sheet date:**

The trial did not take place on 24 September 2019. The court dismissed the case, informing the proxies. The next date of hearing was set on 8 November 2019.

Energa Operator SA (party)	Fine imposed by the authority	Energa Operator SA received the decision of 21 December 2016 in 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 inter alia that it be dismissed.
PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)		Two hearings were held, at which the court heard witnesses. On 24 May 2019, the court issued a judgment reducing the fine to PLN 5.5 million. Both parties appealed.
Energa Operator SA (party)	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
PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)		

<p>Energa Kogeneracja Sp. z o.o. (plaintiff)</p> <p>Mostostal Warszawa SA (defendant)</p>	<p>Claim for payment on account of a contract price reduction</p>	<p>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 restart power supplies to one of the customers. The company appealed against this decision and requested that it be reversed or, in the alternative, varied by the fine being waived or reduced.</p>
		<p>The case is pending under file No. XVII AmE 68/18 and to date no actions related to it have been taken.</p>
		<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.</p>
		<p>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 preparation of a statement of defence was extended to 15 December 2017.</p>
		<p>On 22 December 2017, Energa Kogeneracja Sp. z o.o. received a statement of defence accompanied by a counterclaim for the amount of PLN 7,753,230. Energa Kogeneracja Sp. z o.o. filed a reply to the counterclaim on 9 April 2018. The State Treasury, represented by the Minister for Energy, joined the proceedings as a secondary intervenor alongside Energa Kogeneracja Sp. z o.o. With the letter of 27 April 2018 Mostostal Warszawa SA sustained the opposition and presented its further position. With the letter of 13 June 2018 Mostostal Warszawa SA applied for repealing the decision on perpetuation of evidence and admitting the 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, amendment of the decision of 23 August 2017 to reflect further circumstances described in pleadings, and should the motion of Mostostal Warszawa SA be granted and the decision of 23 August 2017 be reversed, Energa Kogeneracja</p>

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moved that the inquiry for an opinion be sent first to the Wrocław University of Technology, and only if they refused, that an inquiry about the possibility of delivering an opinion be sent to foreign institutes, and to this end, Energa Kogeneracja listed five institutes, highlighting one 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.

**Events after the balance sheet date:**

A hearing will be held in November 2019, where the Court will rule on the opposition of Mostostal Warszawa SA to the intervention of the State Treasury – the Minister for Energy.

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Boryszewo Wind Invest Sp. z o.o. (plaintiff)	Claim for payment of damages for the failure by Energa Obrót SA to perform part of the agreement to purchase property rights in 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 in 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>Case file number assigned: 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.</p> <p>The first-instance hearing was held on 31 October 2018.</p>
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<p>Energa Obrót SA (plaintiff)</p> <p>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>Action for declaration of 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 lawsuit with the Regional Court in Warsaw, XVI Commercial Division.</p> <p>Case file number assigned: XVI GC 801/17.</p> <p>Relax Wind Park I Sp. z o.o. and the Bank of China filed statements of defense.</p> <p>A counterclaim of Relax Wind Park I Sp. z o.o. was received on 8 February 2018.</p> <p>On 22 June 2018, Energa Obrót SA filed a reply with a response to the counterclaim.</p> <p>On 18 July 2018, the parties reached a settlement.</p> <p>On 19 July 2018, Energa Obrót SA withdrew its action for declaration, and Relax Wind Park I Sp. z o.o. withdrew its counterclaim for payment.</p> <p>The parties reached a settlement which put an end to any disputes concerning the validity of the CPA (18 July 2018). The parties have definitely terminated their cooperation in the area of acquiring property rights.</p> <p>The proceedings were validly discontinued by a decision of 19 October 2018.</p>
<p>Energa Obrót SA (plaintiff)</p> <p>"MEGAWATT BALTICA" SA (defendant 1), Powszechna Kasa Oszczędności Bank Polski SA (defendant 2)</p>	<p>Action for declaration of 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 lawsuit with the Arbitration Court at the Polish Chamber of Commerce in Warsaw.</p> <p>Case file number assigned: 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 with Megawatt Baltica SA's participation 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 response to the statement of defence.</p> <p>On 16 April 2018, Megawatt Baltica filed a second rejoinder.</p> <p>The hearing was held on 10 May 2018.</p>

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On 30 May 2018, the parties submitted their summaries.  
On 4 June 2018, the Court issued a partial judgment dismissing the action for declaration filed by Energa Obrót SA.

A hearing was held on 5 July 2018.

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.

On 31 October 2018, Energa Obrót SA filed a statement of defence.

On 14 November 2018, Megawatt Baltica filed a reply to the response to the counterclaim.

On 28 November 2018, Energa Obrót SA filed a second rejoinder.

The hearing was held on 11 December 2018.

The parties filed a statement of costs of proceedings on 19 December 2018.

On 27 December 2018, the final judgment was issued whereby contractual penalties were awarded. The amount of the contractual penalties awarded was reduced by 10% (i.e. PLN 15,272,462).

On 8 March 2019, Energa Obrót SA filed an appeal against the final judgment.

On 9 April 2019, Megawatt Baltica filed a response to the appeal against the final judgment.

On 11 June 2019, Energa Obrót SA submitted a pleading (reply) to the appeal for setting aside a partial judgment.

On 21 June 2019, Megawatt Baltica submitted a pleading (rejoinder) to the appeal for setting aside a partial judgment.

The date of the hearing in the partial repeal case was set for 4 July 2019.

During the hearing on 4 July 2019, no significant procedural events occurred, except for submission of a request for deferment by Energa Obrót SA representatives. The court postponed the hearing of 4 July 2019 to 26 September 2019.

**Events after the balance sheet date:**

On 26 August 2019, Energa Obrót SA submitted a reply regarding the appeal to set aside the final judgment.

On 20 September 2019, Megawatt Baltica filed a pleading (duplicate) regarding the appeal to set aside the final judgment.

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Energa Obrót SA  
(plaintiff)  
ZAJĄCZKOWO  
WINDFARM Sp. z o.o.  
(defendant)

Action for declaration of 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

On 11 September 2017, Energa Obrót SA filed a lawsuit with the Regional Court in Gdańsk, IX Commercial Division.

Case file number assigned: IX GC 737/17.

On 14 November 2017, the defendant filed a statement of defence.

	certificates of origin ("CPA")	<p>On 19 January 2018, Energa Obrót SA filed a response 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)</p> <p>EOLICA KISIELICE Sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (defendant 2)</p>	<p>Action for declaration of 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 lawsuit with the Regional Court in Gdańsk, IX Commercial Division.</p> <p>Case file number assigned: 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> <p>On 20 September 2018, Raiffeisen Bank Polska extended its counterclaim for payment.</p> <p>On 10 October 2018, Energa Obrót SA filed a reply to the extended counterclaim.</p> <p>The first hearing was held on 18 October 2018.</p> <p>On 30 October 2018, Raiffeisen Bank Polska extended its counterclaim for payment.</p> <p>On 29 January 2019, a hearing was held, during which the Court heard a witness.</p> <p>The court has scheduled the next hearing for 25 April 2019, when it intends to close the proceedings in the first instance.</p> <p>The court canceled the hearing at a request from both parties, which had started settlement negotiations.</p> <p><b>Events after the balance sheet date:</b></p> <p>The parties concluded a settlement on 22 July 2019. The court proceedings were discontinued (order of 1 August 2019).</p>
<p>Energa Obrót SA (plaintiff)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót</p>	<p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Regional Court in Warsaw, XX Commercial Division.</p> <p>Case file number assigned: XX GC 839/17.</p>

PGE ENERGIA ODNAWIALNA SA, (defendant)	SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	<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> <p>The mediation has ended. Because no settlement has been reached by the Parties, the Court will continue to hear evidence. A hearing during which evidence will be collected from witnesses is scheduled for 15 October 2019.</p>
Energia Obrót SA (plaintiff) C&C WIND Sp. z o.o. (defendant 1), Bank Ochrony Środowiska SA (defendant 2)	Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energia Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	<p>On 11 September 2017, Energia Obrót SA filed a lawsuit with the Arbitration Court at the Polish Chamber of Commerce in Warsaw.</p> <p>Case file number assigned: SA 127/17.</p> <p>On 5 December 2017, C&amp;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, Energia Obrót SA withdrew the statement of claim against BOŚ.</p> <p>In its decision of 16 January 2018, the Court of Arbitration at the Polish Chamber of Commerce in Warsaw discontinued the proceedings against the defendant BOŚ SA as the statement of claim filed against that entity had been withdrawn.</p> <p>The first hearing was held on 7 February 2018.</p> <p>On 12 March 2018, Energia Obrót SA filed a response to the statement of defence.</p> <p>On 16 April 2018, C&amp;C Wind filed a second rejoinder.</p> <p>The 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 dismissing the action for declaration filed by Energia Obrót SA.</p> <p>A hearing was held on 5 July 2018.</p> <p>An updated counterclaim was filed by C&amp;C Wind on 1 September 2018. The amount of the claim is PLN 7,767,619.14 including statutory interest.</p> <p>On 22 October 2018, C&amp;C Wind withdrew the counterclaim in its entirety, without waiving the claim.</p> <p>On 31 October 2018, Energia Obrót SA filed a pleading – a response to the counterclaim along with an opposition against the withdrawal of the counterclaim in a partial amount.</p> <p>On 14 November 2018, C&amp;C Wind filed a reply to the response to the counterclaim, withdrawing the withdrawal of the counterclaim for the amount opposed by Energia Obrót SA, and changed the action for payment to an action for declaration that Energia Obrót SA was not entitled to the refund of contractual penalties.</p>

		<p>On 5 December 2018, Energa Obrót SA filed a second rejoinder.</p> <p>The hearing was held on 11 December 2018.</p> <p>The parties filed a statement of costs of proceedings on 19 December 2018.</p> <p>On 27 December 2019, the Court issued a judgment whereby it decided that C&amp;C Wind was not required to refund the contractual penalties of PLN 6,578,480 paid to Energa Obrót SA.</p> <p>On 8 March 2019, an appeal was filed against the final award.</p> <p><b>Events after the balance sheet date:</b></p> <p>On 7 August 2019, the defendant filed a defence to set aside the final judgment. The date of the hearing has not been set.</p>
<p>Energa Obrót SA (plaintiff)</p> <p>BORYSZEWO WIND INVEST Sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p>Action for declaration of 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 lawsuit with the Regional Court in Warsaw, XVI Commercial Division.</p> <p>Case file number assigned: 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 response 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>On 21 September 2018, the Court dismissed the action with its judgment.</p> <p>On 2 November 2018, Energa Obrót SA filed an appeal.</p> <p>On 28 December 2018, mBank filed a response to the appeal.</p> <p>The date of the appellate hearing has not yet been scheduled.</p>
<p>Energa Obrót SA (plaintiff)</p> <p>JEŻYCZKI WIND INVEST Sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p>Action for declaration of 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 lawsuit with the Regional Court in Warsaw, XVI Commercial Division.</p> <p>Case file number assigned: 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 rejoinder to the statement of defence.</p> <p>On 16 February 2018, Jeżyczki Wind Invest and mBank filed the second rejoinder.</p>

		<p>A hearing was held on 27 February 2018.</p> <p>On 27 March 2018, Energa Obrót SA filed the 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> <p>On 31 August 2018, Jeżyczki Wind Invest filed a response to the appeal.</p> <p>The date of the appeal hearing has not been set yet.</p>
<p>Energa Obrót SA (plaintiff)</p> <p>WIND INVEST Sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p>Action for declaration of 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 lawsuit with the Regional Court in Warsaw, XVI Commercial Division.</p> <p>Case file number assigned: XVI GC 798/17</p> <p>On 28 November 2017, Wind Invest and mBank filed statements of defence.</p> <p>On 26 March 2018, Energa Obrót SA filed a rejoinder to the statement of defence.</p> <p>On 12 September 2018, Wind Invest filed a second rejoinder.</p> <p>On 12 February 2019, a hearing was held during which no determinations relevant for the legal proceedings were made. The court adjourned the hearing to 22 May 2019, when it intends take evidence from witnesses.</p> <p>On 22 May 2019, a hearing was held during which the Court took evidence from a witness. The date of the next hearing was set by the court for 9 July 2019.</p> <p><b>Events after the balance sheet date:</b></p> <p>During the hearing scheduled for 9 July 2019, the court took evidence from a witness. The court postponed the hearing to 6 September 2019.</p> <p>On 6 September 2019, a hearing was held. The court dismissed the parties’ evidence requests, including a request to take evidence from the testimony of another witness. The court closed the trial and the parties delivered final speeches. The court postponed the announcement of the judgment until 13 September 2019.</p> <p>On 19 September 2019, the court issued a judgment dismissing the claim.</p>
<p>Energa Obrót SA (plaintiff)</p> <p>STARY JAROSŁAW WIND INVEST Sp. z</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as</p>	<p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Regional Court in Warsaw, XVI Commercial Division.</p> <p>Case file number assigned: XVI GC 802/17.</p>

o.o. (defendant 1), mBank SA (defendant 2)	a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")	<p>On 17 November 2017, Stary Jarosław Wind Invest and mBank filed statements of defence.</p> <p>On 15 March 2018, Energa Obrót SA filed a rejoinder to the statement of defence.</p> <p>On 21 September 2018, mBank filed a second rejoinder. The hearing was held on 6 December 2018. No witnesses were summoned to the hearing.</p> <p>On 11 April 2019, a hearing was held during which the Court took evidence from a witness. The Court postponed the next hearing to 12 September 2019.</p> <p><b>Events after the balance sheet date:</b></p> <p>On 12 September 2019, a hearing was held during which the court heard a witness.</p> <p>On 24 September 2019, the court issued a judgment dismissing the claim.</p>
Energa Obrót SA (plaintiff)  LIVINGSTONE Sp. z o.o. (defendant 1), DNB BANK POLSKA SPÓŁKA AKCYJNA (defendant 2)	Action for declaration of 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 lawsuit with the Regional Court in Warsaw, XXVI Commercial Division.</p> <p>Case file number assigned: XXVI GC 713/17.</p> <p>On 22 December 2017, Livingstone and DNB Bank filed a statement of defence.</p> <p>On 26 February 2018, Energa Obrót SA filed a rejoinder to the statement of defence.</p> <p>A hearing was held on 16 April 2018.</p> <p>On 23 April 2018, the parties submitted their pleadings.</p> <p>A hearing was held on 7 May 2018.</p> <p>On 18 May 2018, the Court dismissed the action with its judgment.</p> <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>An appeal hearing was held on 29 November 2018.</p> <p>An appeal hearing was held on 19 December 2018.</p> <p>The parties concluded a settlement ending all disputes over the invalidity of the CPA (12 June 2019). The court proceedings will be discontinued.</p>
Energa Obrót SA (plaintiff)  PGE ENERGIA ODNAWIALNA SA, (defendant)	Action for declaration of 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 lawsuit with the Regional Court in Warsaw, XX Commercial Division.</p> <p>Case file number assigned: 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 rejoinder to the statement of defence.</p>

<p>Energa Obrót SA (plaintiff)</p> <p>KRUPY WIND INVEST Sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p>Action for declaration of 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>27 March 2018 – an order referring the parties to mediation and appointing a mediator.</p> <p>The Court directed the parties to mediate.</p> <p>The mediation procedure ended on 15 December 2018. The parties did not reach an agreement. Because no settlement has been reached by the Parties, the Court will continue to hear evidence. A hearing during which witnesses were to be heard was scheduled for 22 May 2019.</p> <p>On 22 May 2019, a hearing was held during which the Court took evidence from a witness. The date of the next hearing was set by the court for 24 July 2019.</p> <p><b>Events after the balance sheet date:</b></p> <p>On 24 July 2019, a hearing was held during which witnesses were heard. The court set the date of the next hearing on September 4, 2019.</p> <p>The date of the hearing set for 4 September 2019 was adjourned at the joint request of the parties motivated by settlement discussions. The court did not set a new date for the hearing.</p> <hr/> <p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Regional Court in Warsaw, XVI Commercial Division.</p> <p>Case file number assigned: 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 rejoinder to the statement of defence.</p> <p>On 2 July 2018, Krupy Wind Invest filed a second rejoinder.</p> <p>On 21 September 2018, mBank filed a second rejoinder.</p> <p>A hearing was held on 21 September 2018.</p> <p>A hearing was held on 27 February 2019, during which evidence was taken from witnesses.</p> <p>A hearing was held on 20 March 2019, during which a witness was heard.</p> <p>On 10 April 2019, the Court held a hearing at which it heard the defendant and closed the trial. The judgment was scheduled to be delivered on 24 April 2019.</p> <p>On 8 May 2019, the Court adopted a judgment dismissing the claim.</p> <p><b>Events after the balance sheet date:</b></p> <p>On 2 July 2019, an appeal was filed against the judgment of 8 May 2019.</p> <p>Krupy Wind Invest and mBank filed an appeal on 14 and 16 August 2019, respectively.</p> <p>The date of the appeal hearing has not been set.</p>
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<p>Energa Obrót SA (plaintiff)</p> <p>PGE ENERGIA NATURY Sp. z o.o. (defendant)</p>	<p>Action for declaration of 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 lawsuit with the Regional Court in Warsaw, XX Commercial Division.</p> <p>Case file number assigned: 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> <p>The mediation procedure ended on 15 December 2018. The parties did not reach an agreement.</p> <p>Because no settlement has been reached by the Parties, the Court will continue to take evidence. A hearing during which witnesses are to be heard is scheduled for 24 October 2019.</p>
<p>Energa Obrót SA (plaintiff)</p> <p>"WINDVEST - POLAND" Sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (defendant 2)</p>	<p>Action for declaration of 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 lawsuit with the Regional Court in Warsaw, XXVI Commercial Division.</p> <p>Case file number assigned: 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 rejoinder to the statement of defence.</p> <p>On 27 August 2018, the defendants filed a second rejoinder.</p> <p>The date of the first hearing was set for 31 May 2019.</p> <p>The hearing was held on 31 May 2019. The court did not hear the witnesses summoned because the parties began settlement discussions. The court postponed the hearing to 21 October 2019.</p>
<p>Energa Obrót SA (plaintiff)</p> <p>NIDZICA Sp. z o.o. (defendant 1), BANK OCHRONY ŚRODOWISKA SA (defendant 2)</p>	<p>Action for declaration of 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 lawsuit with the Regional Court in Warsaw, XVI Commercial Division.</p> <p>Case file number assigned: XVI GC 800/17.</p> <p>On 6 November 2017, Nidzica filed a statement of defence.</p> <p>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 rejoinder 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)</p> <p>"SAGITTARIUS SOLUTIONS" Sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (defendant 2)</p>	<p>Action for declaration of 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 lawsuit with the Regional Court in Warsaw, XVI Commercial Division.</p> <p>Case file number assigned: 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 rejoinder to the statement of defence.</p> <p>On 16 November 2018, Sagittarius and Raiffeisen filed a second rejoinder.</p> <p>A hearing was held on 15 January 2019. The court took evidence from witnesses. The date of the next hearing, during which witnesses will be heard, was set for 16 May 2019.</p> <p>The hearing scheduled for 16 May 2019 was canceled. The court set a new date of the hearing as 17 December 2019. Witnesses will be heard at the hearing.</p>
<p>Energa Obrót SA (plaintiff)</p> <p>"EW CZYŻEWO" Sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p>Action for declaration of 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 lawsuit with the Regional Court in Gdańsk, IX Commercial Division.</p> <p>Case file number assigned: 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 response to the statement of defence.</p> <p>On 18 May 2018, EW Czyżewo filed a second rejoinder with extension of the counterclaim.</p> <p>The hearing was held on 26 June 2018, during which witnesses were deposed.</p> <p>A hearing was held on 5 October 2018, during which witnesses were deposed.</p> <p>A hearing was held on 20 November 2018.</p>

		<p>On 4 December 2018, the Court dismissed the action for declaration with its judgment and awarded penalties.</p> <p>On 6 February 2019, Energa Obrót SA filed an appeal.</p> <p>On 18 March 2019, EW Czyżewo filed a response to the appeal.</p> <p>On 18 March 2019, Bank BGŻ BNP Paribas filed a response to the appeal.</p> <p><b>Events after the balance sheet date:</b></p> <p>The court adjourned the next hearing to 28 October 2019.</p>
<p>Energa Obrót SA (plaintiff)</p> <p>ELEKTROWNIA WIATROWA EOL Sp. z o.o. (defendant 1), BANK ZACHODNI WBK SA (defendant 2)</p>	<p>Action for declaration of 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 lawsuit with the Regional Court in Warsaw, XXVI Commercial Division.</p> <p>Case file number assigned: XXVI GC 712/17.</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 rejoinder 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> <p>On 28 May 2018, EW EOL filed a statement of defence.</p> <p>A closed hearing was held on 30 October 2018.</p> <p>On 30 November 2018 the parties submitted their pleadings.</p> <p>The hearing scheduled for 21 May 2019 was canceled. The court set the date of the hearing as 1 October 2019. Witnesses will be heard during the hearing.</p>
<p>Energa Obrót SA (plaintiff)</p> <p>WIELKOPOLSKIE ELEKTROWNIE WIATROWE Sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p>Action for declaration of 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 lawsuit with the Regional Court in Gdańsk, IX Commercial Division.</p> <p>Case file number assigned: 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 rejoinder to the statement of defence.</p> <p>On 10 April 2018, Wielkopolskie Elektrownie Wiatrowe filed a second rejoinder.</p> <p>The hearing was held on 28 May 2018 (no witnesses were deposed).</p>

<p>Energa Obrót SA (plaintiff)</p> <p>"EW KOŹMIN" Sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p>Action for declaration of 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>A hearing was held on 2 July 2018, where witnesses were interviewed.</p> <p>On 24 September 2018, a hearing was held, during which the parties were heard and the court closed the case in the first instance.</p> <p>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> <p>On 6 December 2018, the Court dismissed the action for declaration with its judgment.</p> <p>On 12 February 2019, Energa Obrót SA filed an appeal.</p> <p>On 18 March 2019, Wielkopolskie Elektrownie Wiatrowe filed a response to the appeal.</p> <p>On 19 March 2019, Bank BGŻ BNP Paribas SA filed a response to the appeal.</p> <p><b>Events after the balance sheet date:</b></p> <p>On 13 August 2019, the court announced a judgment dismissing the appeal of Energa Obrót SA and awarding costs of representation to the defendants.</p> <hr/> <p>On 11 September 2017, Energa Obrót SA filed a lawsuit with the Regional Court in Gdańsk, IX Commercial Division.</p> <p>Case file number assigned: 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 response 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 declaration with its judgment and awarded contractual penalties.</p> <p>On 30 November 2018, Energa Obrót SA filed an appeal.</p> <p>On 31 December 2018, Bank BGŻ BNP Paribas filed a response to the appeal.</p> <p>On 23 January 2019, EW Koźmin filed a response to the appeal.</p>
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		The date of the appellate hearing has not yet been scheduled.
Energa Obrót SA (plaintiff) "WIATROWA BALTICA" Sp. z o.o. (defendant 1), Raiffeisen Bank Polska SA (defendant 2)	Action for declaration of 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 lawsuit with the Arbitration Court at the Polish Chamber of Commerce in Warsaw.</p> <p>Case file number assigned: SA 129/17.</p> <p>On 4 December 2017, 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 response to the statement of defence.</p> <p>On 16 April 2018, Wiatrowa Baltica filed a second rejoinder.</p> <p>The 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 dismissing the action for declaration filed by Energa Obrót SA.</p> <p>A hearing was held on 5 July 2018.</p> <p>An updated counterclaim was filed by Raiffeisen Bank on 1 September 2018. The amount of the claim was PLN 1,352,533.66 including statutory interest.</p> <p>On 31 October 2018, Energa Obrót SA filed a response to the counterclaim.</p> <p>On 14 November 2018, Raiffeisen Bank and Wiatrowa Baltica filed a reply to the response to the counterclaim.</p> <p>On 28 November 2018, Energa Obrót SA filed a second rejoinder.</p> <p>The hearing was held on 11 December 2018.</p> <p>The parties filed a statement of costs of proceedings on 19 December 2018.</p> <p>By its judgment of 27 December 2018, the Court awarded the amount of contractual penalties, reduced by 10% (i.e. PLN 1,019,280.31).</p> <p>On 8 March 2019, Energa Obrót SA filed an appeal against the final judgment.</p> <p>The defendants have not filed a response, the date of the hearing has not been set.</p>

## **2.9. Headcount in the Group**

As at 30 June 2019, the Energa Group employed the total of 9,937 persons (vs. 9,686 as at the end of last year). The growth in employment in the first half of this year (by 251 people; 2.6%) is primarily attributable to the continuation of efforts taken to bridge the competency and generation gap among wiremen and technical engineers employed in the Distribution and Generation Business Lines. In addition, the increase was generated by the hiring of temporary staff in Energa Elektrownie Ostrołęka SA in connection with the construction of the second Flue Gas Desulphurisation Plant and renovation and upgrades.

## **2.10. Collective disputes and collective dismissals**

### **Collective dismissals**

In the first half of 2019, Group companies did not carry out any collective dismissals as defined in the Act of 13 March 2003 on special rules for termination of employment contracts for reasons not attributable to employees.

### **Collective disputes**

According to data reported by the unions (every six months, as required by law), about 5,600 Energa Group employees were members of trade unions as at 30 June 2019.

As at 30 June 2019, there was one collective dispute pending at the Energa Group.

A collective dispute between Energa Elektrownie Ostrołęka SA (EEO SA) and organisations of trade unions: Związek Zawodowy Energetyków and Związek Pracowników Ruchu Ciągłego, involving:

- the following demands made on 22 August 2017:

- 1) to enter into a Collective Agreement covering the employees of EEO SA,
- 2) to sign an agreement to pay of holiday bonuses to employees on Easter, the Power Engineers' Day and Christmas, in the amount of PLN 1,000 per person,
- 3) to sign an agreement on Employee Pension Plans,
- 4) to sign an agreement providing for annual pay increases by the increase in minimum wage,
- 5) to sign a wage agreement by 31 October of the year preceding the calendar year covered by the wage agreement,
- 6) to maintain the triple contribution to the Company Social Benefits Fund per employee,
- 7) to pay PLN 1,000 net to each EEO SA employee by 10 September 2017.

- the following demands made on 8 September 2017:

- 1) to make a one-time payment of PLN 1,000 net to every EEO SA employee,
- 2) to sign a collective agreement in accordance with the pronouncement of 22 August 2017.

This collective dispute is presently in collective mediation.

## 2.11. Awards and distinctions

Table 4: Awards and distinctions received by the Group in the first half of 2019

	Award/ distinction (reason awarded)	Award/ distinction conferred by	Month award/distinction conferred
1.	<b>Nadzieja dla Sportu 2018 (2018 Sports Hopefuls)</b> (distinction conferred at the 2018 Sports Champions Gala for commitment to the development of Polish basketball)	Committee of the 84th Popularity Contest for the Best Polish Athletes 2018, organized by <i>Przegląd Sportowy</i> and TV <i>Polsat</i>	January 2019
2.	Dedicated <b>Statuette for the Sponsor of Energa Basket League and Energa Women Basket League</b> (presented at the Gala concluding the 2018/19 season)	Polish Basketball League	June 2019
3.	<b>Award in the category "ecomobility"</b> Conferred at the second edition of the Development Vision Forum in Gdynia	The statuette is awarded to companies that help implement low-carbon and sustainable solutions in transport	June 2019

# Analysis of the financial situation and assets



## 3. ANALYSIS OF THE FINANCIAL SITUATION AND ASSETS

### 3.1. Principles used in the preparation of the mid-year consolidated financial statements

The Condensed interim consolidated financial statements of the Energa Group as at and for the six-month period ended 30 June 2019 have been prepared:

- in accordance with International Accounting Standard 34 “Interim Financial Reporting”, as endorsed by the European Union,
- on the historical cost basis, except financial instruments measured at fair value through profit or loss and hedging derivatives,
- in PLN million (“PLN m”),
- on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of preparation of the financial statements, there were no circumstances indicating a risk to the Energa Group’s ability to continue as a going concern.

The accounting principles (policy) used in the preparation of the Condensed interim consolidated financial statements have been presented in Note 7 to the Condensed interim consolidated financial statements of the Energa Group as at and for the six-month period ended 30 June 2019.

### 3.2. Analysis of the economic and financial information disclosed in the Condensed consolidated financial statements

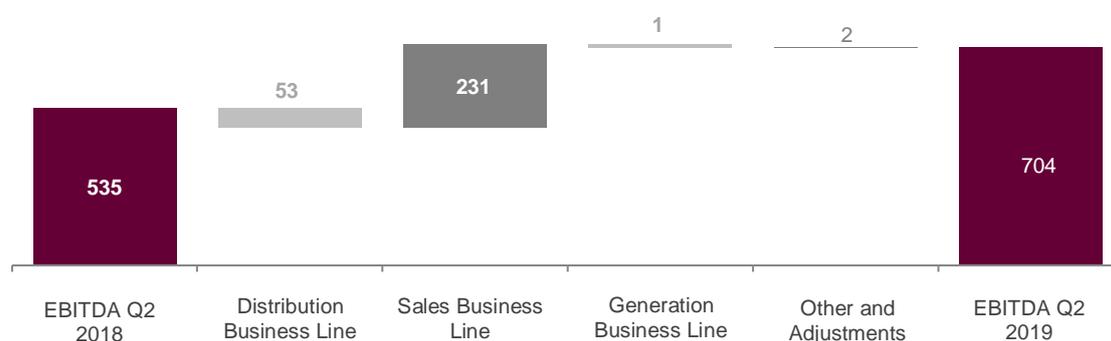
Table 5: Consolidated statement of profit or loss

PLN m	Q2 2018	Q2 2019	Change	Change (%)
<b>Sales revenue</b>	<b>2,392</b>	<b>2,549</b>	<b>157</b>	<b>7%</b>
<b>Revenue from Price Difference Refund Fund</b>	<b>-</b>	<b>510</b>	<b>510</b>	<b>-</b>
Cost of sales	(1,816)	(2,754)	(938)	52%
<b>Gross profit on sales</b>	<b>576</b>	<b>305</b>	<b>(271)</b>	<b>-47%</b>
Other operating revenue	28	87	59	> 100%
Selling and distribution expenses	(75)	(87)	(12)	16%
General and administrative expenses	(91)	(87)	4	-4%
Other operating expenses	(23)	(55)	(32)	> 100%
<b>Operating profit or loss</b>	<b>415</b>	<b>163</b>	<b>(252)</b>	<b>-61%</b>
Financial profit or loss	(86)	(78)	8	-9%
Share of profit/(loss) of entities measured using the equity method	21	7	(14)	-67%
<b>Gross profit or loss</b>	<b>350</b>	<b>92</b>	<b>(258)</b>	<b>-74%</b>
Income tax	(70)	(26)	44	-63%
<b>Net profit or loss for the period</b>	<b>280</b>	<b>66</b>	<b>(214)</b>	<b>-76%</b>
<b>EBITDA</b>	<b>535</b>	<b>704</b>	<b>169</b>	<b>32%</b>

PLN m	H1 2018	H1 2019	Change	Change (%)
<b>Sales revenue</b>	<b>5,034</b>	<b>5,520</b>	<b>486</b>	<b>10%</b>
<b>Revenue from Price Difference Refund Fund</b>	<b>-</b>	<b>510</b>	<b>510</b>	<b>-</b>
Cost of sales	(3,884)	(5,282)	(1,398)	36%
<b>Gross profit on sales</b>	<b>1,150</b>	<b>748</b>	<b>(402)</b>	<b>-35%</b>
Other operating revenue	57	148	91	> 100%
Selling and distribution expenses	(163)	(188)	(25)	15%
General and administrative expenses	(183)	(180)	3	-2%
Other operating expenses	(58)	(74)	(16)	28%
<b>Operating profit</b>	<b>803</b>	<b>454</b>	<b>(349)</b>	<b>-43%</b>
Financial profit or loss	(162)	(157)	5	-3%
Share of profit/(loss) of entities measured using the equity method	51	16	(35)	-69%
<b>Gross profit or loss</b>	<b>692</b>	<b>313</b>	<b>(379)</b>	<b>-55%</b>
Income tax	(135)	(61)	74	-55%
<b>Net profit or loss for the period</b>	<b>557</b>	<b>252</b>	<b>(305)</b>	<b>-55%</b>
<b>EBITDA</b>	<b>1,161</b>	<b>1,258</b>	<b>97</b>	<b>8%</b>

In H1 2019, the Group's EBITDA was PLN 1,258 m, up by 8% in comparison with the corresponding period of the preceding year. A positive impact on the Group's EBITDA was exerted mainly by the Sales Business Line (EBITDA increase by PLN 83 m y/y), mainly as a result of a low prior year base (low results due to an unexpected and rapid rise in energy market prices in that period) and inclusion of Act on "energy prices in 2019" impact. An increase was also seen by the Other and Adjustments as well as Generation Business Lines. On the other hand, EBITDA of the Distribution Business Line reached the level of PLN 976 m in H1 2019 versus PLN 990 m in H1 2018.

**Figure 2: EBITDA bridge by Business Line (PLN m)**



In Q2 2019, the Group's EBITDA was PLN 704 m and it went up by 32% year on year. A rise in EBITDA by PLN 231 m to PLN 235 m was seen by the Sales Business Line. As mentioned above, this was mainly the effect of recognition in Q2 of the low base of the previous year and one-off event (release of provisions). On the other hand, creation of a provision of PLN 31 m to secure in whole potential future claims against Energa Obrót on grounds of contractual penalties which might be imposed in litigation in

connection with invalidation of long-term contracts for purchases of green energy certificates (CPA contracts) had a negative effect on the said Line's EBITDA. As compared to the corresponding period of the preceding year, a drop in EBITDA in Q2 2019 was experienced by the Distribution Business Line (as an effect of a lower distribution margin) and by the Generation Business Line (mainly as a result of an increase in fixed costs and the cost of purchase of emission allowances).

The Distribution Business Line had the greatest share in the Group's EBITDA in Q2 2019 (61%), while the shares of the Sales Business Line and the Generation Business Line were 33% and 8%, respectively (Other and Adjustments Business Line contributes negatively to EBITDA).

In Q2 2019, operating profit decreased by PLN 252 m year on year. Apart from the factors discussed above, this change was driven mainly by a decision to recognize an impairment loss on non-financial non-current assets in the Ostrołęka B Power Plant in the amount of PLN 270 m in Q2 2019. In the comparative period, reversal of an impairment loss on wind farms totaling PLN 117 m had a positive effect on EBIT.

In Q2 2019, the Group's net profit amounted to PLN 66 m and it was lower by PLN 214 m as compared to Q2 2018. It should be emphasized that this difference was mainly the result of the said recognition and reversal of impairment losses in the Generation Business Line in the current and in the preceding year: in Q2 2019 the effect on the net profit was PLN -219 m, while in Q2 2018 the effect on the net profit was PLN +95 m.

In Q2 2019, the Group's sales revenue (including revenue from Price Difference Refund Fund) was PLN 3,059 m and it increased by 28% year on year, i.e. by PLN 667 m. A considerable rise in revenue was recorded by the Sales Business Line, which was the effect of recognition in Q2 of the difference in prices resulting from the Act on "energy prices in 2019", which concerned the whole H1 2019, and by the Generation Business Line as a result of an increase in the market sales prices of electricity and green property rights. As far as revenue of the Distribution Business Line is concerned, it remained at the same level as in the corresponding period of the preceding year.

The following table presents the effect of unusual and non-recurring items on EBITDA.

**Table 6: EBITDA adjusted by material non-recurring items\***

<b>EBITDA (PLN m)</b>	
<b>H1 2019</b>	
<b>EBITDA</b>	<b>1,258</b>
<b>Adjusted EBITDA</b>	<b>1,233</b>
<i>including:</i>	
<i>Provision for onerous contracts (reversal)</i>	<i>(87)</i>
<i>Effect of the Act on "energy prices in 2019" (for H1 2019)</i>	<i>20</i>
<i>CPA – provision for disputes</i>	<i>31</i>
<b>H1 2018</b>	
<b>EBITDA</b>	<b>1,161</b>
<b>Adjusted EBITDA</b>	<b>1,165</b>

<b>EBITDA (PLN m)</b>	
<b>Q2 2019</b>	
<b>EBITDA</b>	<b>704</b>
<b>Adjusted EBITDA</b>	<b>526</b>
<i>including:</i>	
<i>Provision for onerous contracts (reversal)</i>	<i>(50)</i>
<i>Loss of revenue – effect of the Act on "energy prices in 2019" (reversal of amount for Q1 2019)</i>	<i>(209)</i>
<i>Effect of the Act on "energy prices in 2019" (for Q2 2019)</i>	<i>50</i>
<i>CPA – provision for disputes</i>	<i>31</i>
<b>Q2 2018</b>	
<b>EBITDA</b>	<b>535</b>
<b>Adjusted EBITDA</b>	<b>539</b>

\*The table presents non-recurring items identified on the basis of the criterion of materiality, which was set at PLN 25 m. In case of the effect of the Act on "energy prices in 2019", due to its importance, the materiality criterion was abandoned.

**Table 7: Consolidated statement of financial position**

<b>PLN m</b>	<b>As at 31 December 2018*</b>	<b>As at 30 June 2019</b>	<b>Change</b>	<b>Change (%)</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14,396	14,343	(53)	0%
Intangible assets	246	215	(31)	-13%
Right-of-use assets	-	368	368	-
Goodwill	15	15	-	-
Investments in associates and joint ventures measured using the equity method	1,029	1,224	195	19%
Deferred tax assets	313	320	7	2%
Other non-current financial assets	65	11	(54)	-83%
Other non-current assets	118	124	6	5%
	<b>16,182</b>	<b>16,620</b>	<b>438</b>	<b>3%</b>
<b>Current assets</b>				
Inventories	687	666	(21)	-3%
Income tax receivables	4	25	21	> 100%
Trade receivables	1,429	1,782	353	25%
Contract assets	363	309	(54)	-15%
Other current financial assets	22	102	80	> 100%
Cash and cash equivalents	2,724	1,571	(1 153)	-42%
Other current assets	188	907	719	> 100%
	<b>5,417</b>	<b>5,362</b>	<b>(55)</b>	<b>-1%</b>
<b>TOTAL ASSETS</b>	<b>21,599</b>	<b>21,982</b>	<b>383</b>	<b>2%</b>

## EQUITY AND LIABILITIES

### Equity

Share capital	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	-	(1)	(1)	-
Reserve capital	1,018	1,018	-	-
Supplementary capital	1,540	2,035	495	32%
Revaluation reserve – hedging instruments	(34)	(38)	(4)	-12%
Retained earnings	3,249	3,011	(238)	-7%
<b>Equity attributable to equity holders of the Parent</b>	<b>10,295</b>	<b>10,547</b>	<b>252</b>	<b>2%</b>
<b>Non-controlling interest</b>	<b>61</b>	<b>38</b>	<b>(23)</b>	<b>-38%</b>
	<b>10,356</b>	<b>10,585</b>	<b>229</b>	<b>2%</b>
				-
<b>Non-current liabilities</b>				
Loans and borrowings	2,384	2,205	(179)	-8%
Issues of debt securities	4,484	2,322	(2,162)	-48%
Long-term provisions	642	714	72	11%
Deferred tax liability	593	613	20	3%
Deferred income and long-term grants	274	282	8	3%
Lease liabilities	16	286	270	> 100%
Other non-current financial liabilities	45	78	33	73%
	<b>8,438</b>	<b>6,500</b>	<b>(1,938)</b>	<b>-23%</b>
<b>Current liabilities</b>				
Trade liabilities	617	1,004	387	63%
Contract liabilities	129	122	(7)	-5%
Current loans and borrowings	189	293	104	55%
Issues of debt securities	108	2,189	2,081	> 100%
Income tax liabilities	65	-	(65)	-100%
Deferred income and grants	187	164	(23)	-12%
Short-term provisions	942	518	(424)	-45%
Other financial liabilities	300	233	(67)	-22%
Other current liabilities	268	374	106	40%
	<b>2,805</b>	<b>4,897</b>	<b>2,092</b>	<b>75%</b>
<b>Total liabilities</b>	<b>11,243</b>	<b>11,397</b>	<b>154</b>	<b>1%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>21,599</b>	<b>21,982</b>	<b>383</b>	<b>2%</b>

\*restated

As at 30 June 2019, the balance sheet total of the Energa Group was PLN 21,982 m, up by PLN 383 m, i.e. 2%, as compared to 31 December 2018.

As far as non-current assets are concerned, the major positive change (+ PLN 368 m) took place within the right-of-use assets, which have been presented in the statement of financial position due to the application of IFRS 16 “Leases”. The change has been described in more detail in Note 7 *Significant accounting policies* to the Condensed interim consolidated financial statements of the Energa Group as at and for the six-month period ended 30 June 2019.

Within current assets, a drop (by PLN 1,153 m) in cash (the reasons for changes in the balance of cash have been presented further in the part dedicated to cash flows) was partly offset by an increase in other current assets [up by PLN 719 m, mainly as a result of recognition of a price difference (compensation under the Act on “energy prices in 2019”), prepaid costs of real estate tax] as well as the trade receivables line item (by PLN 353 m), which was determined by a rise in market prices of electricity and the decision made by the Group in Q2 2019 to reintroduce the market sales prices of electricity to business customers for H1 2019 instead of the prices under the Act on “energy prices in 2019”, as used before. However, the effect of the implementation of this Act and the Regulation of the Minister of Energy of 19 July 2019 resulting in a reduction of prices for H1 has been recognized within the Group’s equity and liabilities.

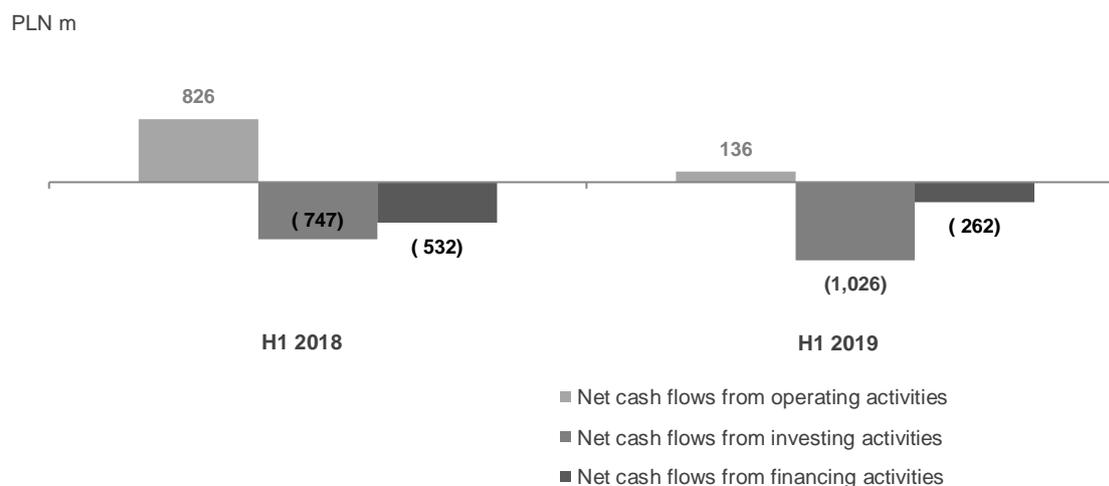
As at 30 June 2019, the Group’s equity was PLN 10,585 m, which means that it was higher by PLN 229 m, i.e. 2%, as compared to the end of 2018. The said increase was driven mainly by the allocation of the entire net profit generated on a stand-alone basis in 2018 to the supplementary capital. The share of equity in the Group’s financing structure was 48%.

The major change in liabilities was relate to the reclassification of PLN 2,155 m related to issued eurobonds maturing in March 2020 from non-current to current liabilities resulting from issues of debt securities. Further important changes affected the lease liabilities line item (the effect of the application of IFRS 16 “Leases”) and short-term provisions (down by PLN 424 m, mainly due to the use of the provision for property rights and CO<sub>2</sub> emission allowances as well as partial reversal of the provision for onerous contracts), in addition to trade liabilities following the recognition of the effect of the Act on “energy prices in 2019”.

**Table 8: Consolidated statement of cash flows**

PLN m	H1 2018	H1 2019	Change	Change (%)
Net cash flows from operating activities	826	136	(690)	-84%
Net cash flows from investing activities	(747)	(1,026)	(279)	-37%
Net cash flows from financing activities	(532)	(262)	270	51%
Net increase/ (decrease) in cash	(453)	(1,152)	(699)	< -100%
Cash at the end of the period	3,190	1,574	(1,616)	-51%

**Figure3: The Group's cash flows in H1 2019 and in 2018**



As at 30 June 2019, the Group held PLN 1,574 m in cash, i.e. PLN 1 616 m less than a year before.

Total net cash flows from operating, investing and financing activities of the Group in H1 2019 amounted to PLN -1,152 m, as compared to cash flows of PLN -453 m in H1 2018.

As compared to the corresponding period of 2018, cash flows from operating activities were lower by PLN 690 m, which was mainly driven by changes in working capital.

In H1 2019, an increase was seen in other receivables, mainly as a result of recognition of a difference in prices (by PLN 510 m) and a rise in trade receivables (up by PLN 353 m) that was driven by higher market prices of electricity as well as the decision made by the Group in Q2 2019 to reintroduce the market sales prices of electricity to business customers for H1 2019 instead of the prices under the Act on “energy prices in 2019”, as used before. The effect of the implementation of this Act and the Regulation of the Minister of Energy of 19 July 2019 leading to a reduction of prices for H1 2019 has been recognized within trade liabilities (up by PLN 387 m). At the same time trade liabilities associated with purchases of electricity (after the elimination of the effect of the Act on “energy prices in 2019”) did not see a commensurate increase due to the introduction of the exchange obligation and consequently, a change in the settlement dates (through accelerated payments).

In H1 2019, real estate tax liabilities increased as well (by PLN 162 m), which triggered a rise in the related accruals. Additionally, in the analysed period the amount of provisions went down, primarily as a result of the use of the provision for property rights and CO<sub>2</sub> emission as well as partial reversal of the provision for onerous contracts.

In H1 2019, net payments on investing activities were higher by PLN 279 m than in the corresponding period of 2018, which was mainly due to a higher value of investments in associates and joint ventures measured using the equity method as well as an increase in expenditure on purchases of property, plant and equipment as well as intangible assets.

In H1 2019, cash flows from financing activities amounted to PLN -262 m as compared to PLN -532 million in H1 2018. The decrease in payments observed year on year was mainly due to a lower value of redemption of debt securities: PLN 1 m in H1 2019 versus PLN 168 m in the corresponding period of 2018.

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

Figure 4: Structure of assets and liabilities

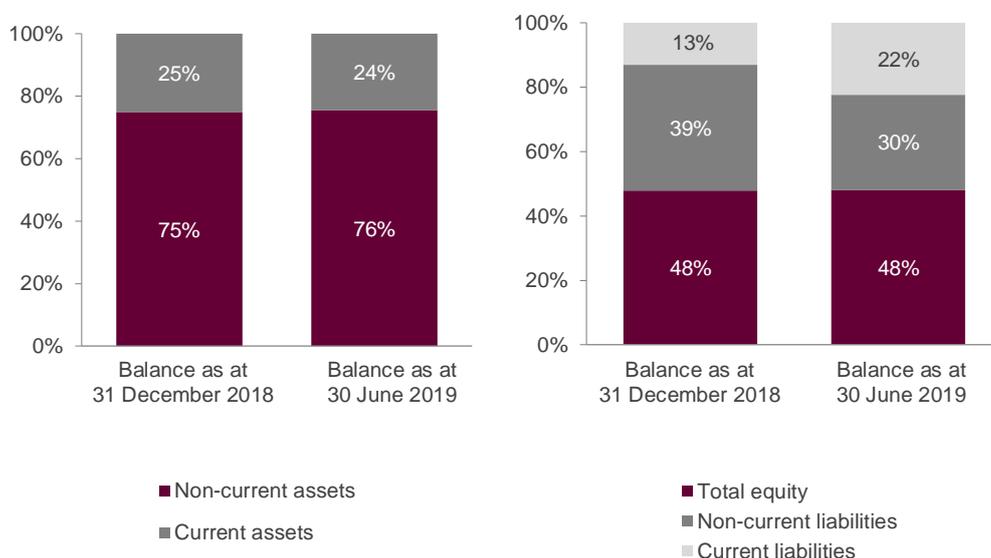


Table 9: Financial ratios of the Energy Group

Ratio	Definition	H1 2018	H1 2019
<b>Profitability</b>			
EBITDA margin	operating profit/loss + depreciation and amortization + impairment losses on non-financial non-current assets / sales revenue (including revenue from Price Difference Refund Fund)	23.1%	20.9%
return on equity (ROE)	net profit for the period*/ equity at the end of the period	8.4%	4.1%
return on sales (ROS)	net profit for the period / sales revenue (including revenue from Price Difference Refund Fund)	11.1%	4.2%
return on assets (ROA)	net profit for the period*/ total assets at the end of the period	4.1%	2.0%

\* net profit for the last 12 months

Ratio	Definition	As at 31 December 2018	As at 30 June 2019
<b>Liquidity</b>			
current ratio	current assets / current liabilities	1.9	1.1
<b>Debt</b>			
financial liabilities (PLN m)**	the total of loans and borrowings, debt securities and lease liabilities, excluding hybrid bond liabilities (both non-current and current)	6,097	6,232
net financial liabilities (m PLN)	financial liabilities – cash and cash equivalents	3,373	4,661
net debt / EBITDA ratio	net financial liabilities/EBITDA *	1.8	2.4

\* EBITDA for the last 12 months

\*\* due to the first-time adoption of IFRS 16, lease liabilities increased significantly; therefore, starting from 1 January 2019, this line item has been included in the calculation of financial liabilities; the figures for 2018 have been restated; additionally, financial liabilities which are taken account of in the calculation of the net debt / EBITDA ratio exclude hybrid bond liabilities; the figures for 2018 have been restated;

Both sales revenue and EBITDA saw an increase in H1 2019 as compared to the corresponding period of the preceding year. The factors affecting the change have been discussed in the part dedicated to the analysis of financial data. As the changes in EBITDA were not considerable as compared to sales revenue, the EBITDA margin decreased. On the other hand, the lower level of the net profit, thus profitability ratios, was affected in particular by recognition and reversal of impairment losses in Q2 2019 and 2018, respectively.

Reclassification of liabilities associated with issued eurobonds and the related rise in current liabilities resulted in a decrease in the current ratio. The Group intends to refinance the eurobonds maturing in March 2020 using a non-current financial liability.

In the first half of 2019, the Group has renegotiated its financial contracts and the financial institutions have agreed that the issued hybrid bonds may be excluded from the definition of financial debt for purposes of calculation of financial covenants. The net debt to EBITDA ratio for the current period has been presented using the revised definition and the comparative data have been restated as appropriate.

An increase in the net debt / EBITDA ratio was driven by a lower level of cash reported at the end of H1 2019 as compared to the end of 2018, which was accompanied by a rise in financial liabilities (the effect of the application of IFRS 16), where EBITDA remained at a similar level for the past 12 months.

### 3.4. Description of significant off-balance sheet items

Relevant information is presented in Section *Guarantees and Surety Bonds* of this Report and in Note 20 *Contingent assets and liabilities* to the Condensed interim consolidated financial statements.

### 3.5. Key operational data of the Energa Group

Table 10: Electricity distribution by tariff group

Electricity distribution by tariff group (billed sales) in GWh	Q2 2018	Q2 2019	Change	Change (%)	6 months of 2018	6 months of 2019	Change	Change (%)
Tariff group A (HV)	939	844	(95)	-10%	1,800	1,673	(127)	-7%
Tariff group B (MV)	2,135	2,111	(24)	-1%	4,376	4,363	(13)	0%
Tariff group C (LV)	1,099	1,052	(47)	-4%	2,311	2,209	(102)	-4%
Tariff group G (LV)	1,410	1,343	(67)	-5%	2,953	2,916	(36)	-1%
<b>Total electricity distribution</b>	<b>5,584</b>	<b>5,351</b>	<b>(233)</b>	<b>-4%</b>	<b>11,440</b>	<b>11,162</b>	<b>(278)</b>	<b>-2%</b>

In Q2 2019, the volume of distributed electricity was 5,351 GWh, with the average distribution service sales price lower by 4% y/y. The major change in the volume was seen in tariff group A due to a reduction of the consumption of electricity by one customer (an autoproducer using the distribution network only incidentally).

Table 11: SAIDI and SAIFI indicators

	SAIDI			SAIFI		
	Unplanned incl. catastrophic	Planned	Total	Unplanned incl. catastrophic	Planned	Total
	Minutes per customer in the period			Disruptions per customer in the period		
Q2 2018	40.8	10.2	51.0	0.6	0.1	0.6
<b>Q2 2019</b>	<b>33.4</b>	<b>7.2</b>	<b>40.7</b>	<b>0.6</b>	<b>0.1</b>	<b>0.6</b>
Change	(7.4)	(2.9)	(10.3)	0.0	(0.0)	0.0
Change (%)	-18%	-29%	-20%	3%	-22%	0%
H1 2018	61.4	22.4	83.8	0.9	0.1	1.0
<b>H1 2019</b>	<b>61.8</b>	<b>13.8</b>	<b>75.6</b>	<b>1.1</b>	<b>0.1</b>	<b>1.2</b>
Change	0.4	(8.7)	(8.2)	0.2	(0.0)	0.2
Change (%)	1%	-39%	-10%	26%	-31%	18%

The SAIDI and SAIFI indicators of Energa Operator in Q2 2019 were 40.7 min/cust. and 0.6 disr./cust., respectively. Improvement of the SAIDI indicator and maintenance of SAIFI at a similar level to the corresponding period of the preceding year was due to operational initiatives aimed to improve power recovery after power grid failures as well as grid modernization investments.

**Table 12: Gross electricity production in the Energa Group**

Gross electricity production (GWh)	Q2 2018	Q2 2019	Change	Change (%)	H1 2018	H1 2019	Change	Change (%)
Power plants – coal-fired	526	553	27	5%	1 082	1 067	(14)	-1%
Power plants – biomass co-fired	-	-	-	-	-	-	-	-
CHP plants – coal-fired	22	22	1	3%	71	64	(7)	-10%
CHP plants – biomass-fired	-	37	37	-	1	76	75	> 100%
Power plants – hydro	207	219	12	6%	523	475	(48)	-9%
Pumped storage power plant	10	12	2	24%	20	26	7	33%
Power plants – wind	82	80	(3)	-3%	188	238	50	26%
Power plants – photovoltaics	2	2	(0)	-0%	3	3	0	1%
<b>Total production of electricity</b>	<b>849</b>	<b>925</b>	<b>76</b>	<b>9%</b>	<b>1,888</b>	<b>1,950</b>	<b>62</b>	<b>3%</b>
<i>of which renewable</i>	<i>291</i>	<i>337</i>	<i>46</i>	<i>16%</i>	<i>715</i>	<i>792</i>	<i>77</i>	<i>11%</i>

In Q2 2019, the generation assets in the Energa Group produced 9% more electricity than in the corresponding period of the preceding year.

An increase in the production of the Ostrołęka Power Plant of 27 GWh versus Q2 2018 was attributable to increased availability of units to the Transmission System Operator in Poland (in Q2 2018, unit #1 underwent an overhaul in 2018, while average-scale repairs were performed for two months in Q2 2019 in unit #2). The higher production of energy in the Group's CHP plants (by 38 GWh) is a consequence of the launch of generation in the BB20 biomass-fired unit in Elbląg as well as heat production on local markets in Ostrołęka, Elbląg and Kalisz. The higher production of energy by run-of-river power plants (up by 12 GWh) is mainly the result of improved hydrological conditions. The lower production of energy by wind farms (down by 3 GWh) was caused by downtime due to wind farm failures.

**Table 13: Heat production**

Gross heat production in TJ	Q2 2018	Q2 2019	Change	Change (%)	H1 2018	H1 2019	Change	Change (%)
Energa Kogeneracja Sp. z o.o.	331	400	69	21%	1,299	1,288	(10)	-1%
Energa Elektrownie Ostrołęka SA	200	231	32	16%	708	697	(11)	-2%
Ciepło Kaliskie Sp. z o.o.	18	35	17	94%	179	165	(14)	-8%
<b>Total gross heat production</b>	<b>549</b>	<b>667</b>	<b>118</b>	<b>22%</b>	<b>2,185</b>	<b>2,150</b>	<b>(35)</b>	<b>-2%</b>

In Q2 2019, heat production was 22% higher than in the corresponding period of the preceding year, which was attributable to an increased demand for heat on local markets in Ostrołęka, Elbląg and Kalisz.

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

Consumption of fuels*	Q2 2018	Q2 2019	Change	Change (%)	H1 2018	H1 2019	Change	Change (%)
<b>Coal</b>								
Quantity (thousand tons)	257	273	16	6%	574	553	(21)	-4%
Cost (PLN m)	72	82	11	15%	154	163	9	6%
<b>Biomass</b>								
Quantity (thousand tons)	0	28	28	> 100%	1	60	59	> 100%
Cost (PLN m)	0	17	17	> 100%	0	35	35	> 100%
<b>Total fuel consumption (PLN m)</b>	<b>72</b>	<b>99</b>	<b>27</b>	<b>38%</b>	<b>154</b>	<b>198</b>	<b>44</b>	<b>28%</b>

\* including cost of transport

In Q2 2019, the Group's generators consumed 16 thousand tons of coal more and 17 thousand tons of biomass more than in the corresponding period of the preceding year. Increased production with the use of biomass is the effect of the completion of optimization projects in the biomass-fired unit located in Elbląg. An increased consumption of coal was driven by higher production of electricity and heat by the Ostrołęka Power Plant.

A rise in the overall cost of fuel consumption was a direct consequence of a higher unit cost of biomass and coal consumption by the Generation Business Line. What also matters is a change in the fuel mix in the generation sources in Elbląg, with a considerably higher share of biomass.

**Table 15: Sales of electricity by the Sales Business Line**

Sales of electricity by the Sales Business Line in GWh	Q2 2018	Q2 2019	Change	Change (%)	H1 2018	H1 2019	Change	Change (%)
<b>Retail sales of energy</b>	<b>4,754</b>	<b>4,837</b>	<b>83</b>	<b>2%</b>	<b>9,998</b>	<b>9,804</b>	<b>(194)</b>	<b>-2%</b>
<b>Sales of energy on the wholesale market, including:</b>	<b>844</b>	<b>805</b>	<b>39</b>	<b>-5%</b>	<b>1,818</b>	<b>2,428</b>	<b>610</b>	<b>34%</b>
<i>Sales of energy to the balancing market</i>	69	116	47	68%	205	433	228	> 100%
<i>Sales of energy to Energa Operator to offset grid losses</i>	342	180	(162)	-47%	740	559	(181)	-25%
<i>Other wholesale</i>	433	509	75	17%	873	1,436	563	65%
<b>Total sales of energy</b>	<b>5,598</b>	<b>5,642</b>	<b>43</b>	<b>1%</b>	<b>11,816</b>	<b>12,232</b>	<b>416</b>	<b>4%</b>

In Q2 2019, the total volume of electricity sold by the Sales Business Line increased slightly by 1% (i.e. by 0.4 TWh) versus Q2 2018. The sales volume on the retail market went up by 2% (i.e. by 0.8 TWh), which was accompanied by a slight decrease in wholesale by 5% (i.e. by 0.4 TWh) versus the preceding year.

As far as retail sales are concerned, in Q2 2019 an increase was seen in the sales volume to customers on the Polish market (higher sales to businesses and households), which was accompanied by a sharp decline in sales on the Slovak market (the effect of gradual discontinuation of operations on the retail market in that country). An increase in the sales volume on the Polish market was driven by a rise in the number of customers, which was 3.1 m as at the end of Q2 2019 (up by ca. 56 thousand customers as

compared to the end of Q2 2018). The number of customers increased primarily in tariff group G (households).

The reason for a slight decrease in the sales volume on the wholesale market (by 0.4 TWh), was the lower volume of energy sold to offset grid losses as a result of changes in the contracting model used for that purpose by Energa Operator SA.

### 3.6. Financial performance by operating segment

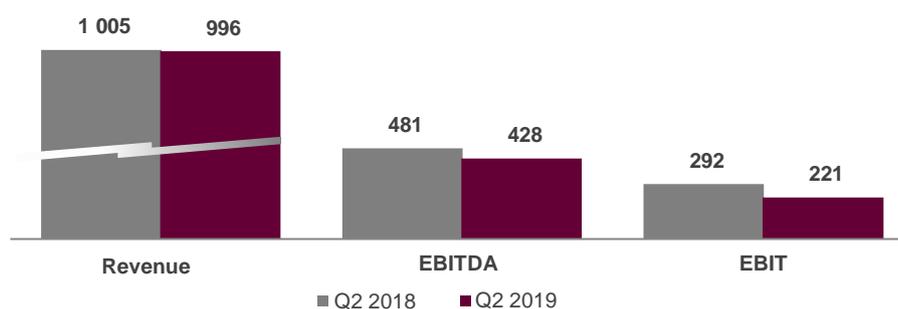
Table 16: Energa Group's EBITDA by Business Line

EBITDA in PLN m	Q2 2018	Q2 2019	Change	Change (%)
DISTRIBUTION	481	428	(53)	-11%
GENERATION	65	54	(11)	-17%
SALES	4	235	231	> 100%
OTHER and consolidation eliminations and adjustments	(15)	(13)	2	13%
<b>Total EBITDA</b>	<b>535</b>	<b>704</b>	<b>169</b>	<b>32%</b>

EBITDA in PLN m	H1 2018	H1 2019	Change	Change (%)
DISTRIBUTION	990	976	(14)	-1%
GENERATION	168	172	4	2%
SALES	57	140	83	> 100%
OTHER and consolidation eliminations and adjustments	(54)	(30)	24	44%
<b>Total EBITDA</b>	<b>1,161</b>	<b>1,258</b>	<b>97</b>	<b>8%</b>

#### Distribution Business Line

Figure 5: Performance of the Distribution Business Line of the Energa Group (PLN m)



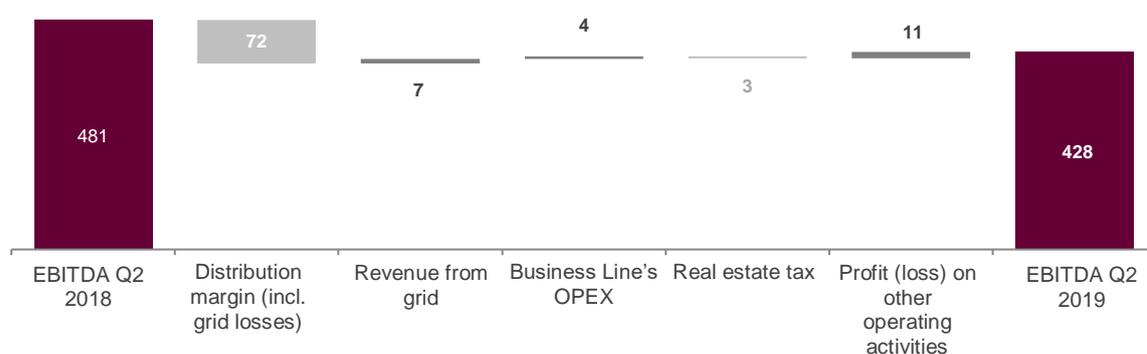
**Table 17: Performance of the Distribution Business Line**

PLN m	Q2 2018	Q2 2019	Change	Change (%)
Revenue	1,005	996	(9)	-1%
<b>EBITDA</b>	<b>481</b>	<b>428</b>	<b>(53)</b>	<b>-11%</b>
depreciation and amortization	189	207	18	10%
impairment losses on non-financial non-current assets	-	-	-	-
EBIT	292	221	(71)	-24%
Net profit (loss)	210	148	(62)	-30%
CAPEX	312	314	2	1%

PLN m	H1 2018	H1 2019	Change	Change (%)
Revenue	2,072	2,070	(2)	0%
<b>EBITDA</b>	<b>990</b>	<b>976</b>	<b>(14)</b>	<b>-1%</b>
depreciation and amortization	377	409	32	8%
impairment losses on non-financial non-current assets	-	-	-	-
EBIT	613	567	(46)	-8%
Net profit (loss)	439	400	(39)	-9%
CAPEX	534	648	114	21%

EBITDA for the first six months of 2019 was PLN 976 m and it remained at a level similar to the one reported for the corresponding period of the preceding year. The distribution margin lower by ca. PLN 18 m (taking into account grid losses) had a considerable impact on EBITDA. A decline in the distribution margin was the effect of higher prices of energy purchased to offset grid losses year on year, postponement of the introduction of the new tariff for 2019 which reclassified the company's own costs calculated for the current year only as from April 2019 (including higher costs of grid losses, depreciation and amortization as well as real estate tax), in addition to a change in the method of estimating sales which were unbilled in the preceding year, which increased the margin on a one-off basis in Q2 2018. In H1 2019, OPEX saw a year-on-year increase, mainly in the area of employee benefits. An increase in revenue from grid connections had a positive impact on the results.

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



In Q2 2019, the Distribution Business Line generated 61% of EBITDA for the Group (90% in the comparative period).

The Business Line's EBITDA amounted to PLN 428 m versus PLN 481 m in the corresponding period of the preceding year, while EBIT totalled PLN 221 m (i.e. PLN 71 m less year on year). The distribution margin lower by PLN 72 m (taking into account grid losses) had a considerable impact on the operating profit. This change was driven, among other things, by an increase in the cost of grid losses, due to a considerable increase in the market prices of electricity year on year. What is more, in the corresponding period of the preceding year a change in the method of estimating unbilled sales following the introduction of reports from the new billing system had a positive effect on the margin.

In Q2 2019, the net profit of the Distribution Business Line totalled PLN 148 m versus PLN 210 m in Q2 2018, and the reasons for its decrease were the same as in the case of the operating profit.

In Q2 2019, sales revenue remained at a similar level to the one reported in the corresponding period of the preceding year.

## Generation Business Line

Figure 7: Performance of the Generation Business Line of the Energa Group (PLN m)

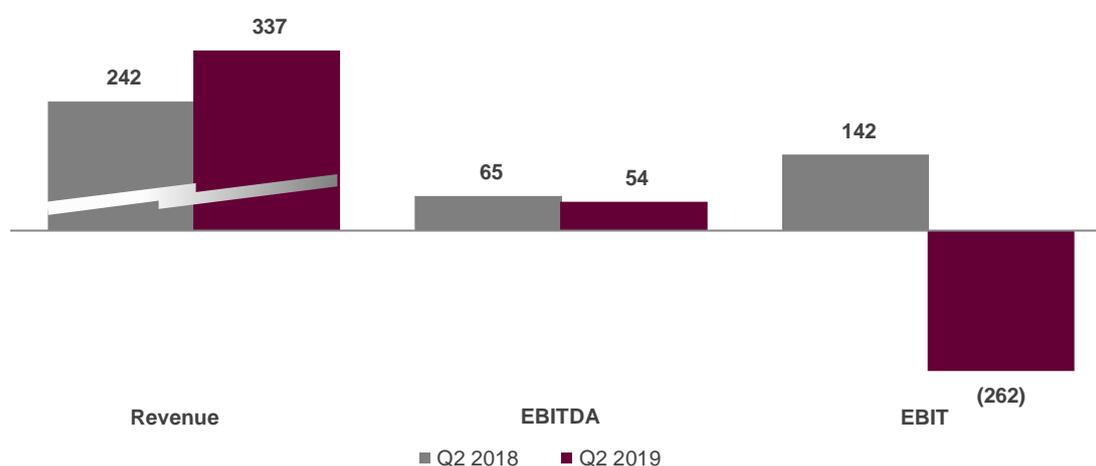


Table 18: Performance of the Generation Business Line of the Energa Group

PLN m	Q2 2018	Q2 2019	Change	Change (%)
Revenue	242	337	95	39%
<b>EBITDA</b>	<b>65</b>	<b>54</b>	<b>(11)</b>	<b>-17%</b>
depreciation and amortization	40	46	6	15%
impairment losses on non-financial non-current assets	(117)	270	387	> 100%
EBIT	142	(262)	(404)	< -100%
Net profit (loss)	103	(224)	(327)	< -100%
CAPEX	46	79	33	72%

PLN m	H1 2018	H1 2019	Change	Change (%)
Revenue	546	715	169	31%
<b>EBITDA</b>	<b>168</b>	<b>172</b>	<b>4</b>	<b>2%</b>
depreciation and amortization	80	92	12	15%
impairment losses on non-financial non-current assets	(117)	270	387	> 100%
EBIT	205	(190)	(395)	< -100%
Net profit (loss)	144	(177)	(321)	< -100%
CAPEX	76	101	25	33%

The following table presents a breakdown of EBITDA for the Generation Business Line by Division. It shows non-consolidated data, considering the Line management cost mark-up, elimination of inter-divisional transactions and consolidation adjustments.

**Table 19: EBITDA of the Generation Business Line by Division**

EBITDA in PLN m	Q2 2018	Q2 2019	Change	Change (%)
Hydro	29	42	12	42%
Wind	25	18	(7)	-29%
Ostrołęka Power Plant	13	2	(11)	-83%
Other and Adjustments	(3)	(8)	(6)	< -100%
<b>Total Generation</b>	<b>65</b>	<b>54</b>	<b>(12)</b>	<b>-18%</b>

EBITDA in PLN m	H1 2018	H1 2019	Change	Change (%)
Hydro	72	90	18	25%
Wind	38	59	22	58%
Ostrołęka Power Plant	45	26	(18)	-41%
Other and Adjustments	14	(4)	(18)	< -100%
<b>Total Generation</b>	<b>168</b>	<b>172</b>	<b>4</b>	<b>2%</b>

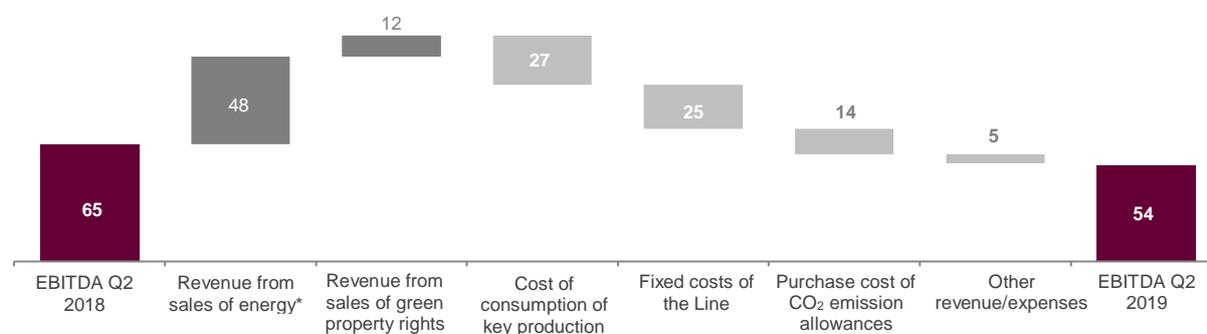
The Line's EBITDA for the first six months of 2019 increased by PLN 4 m year on year. In the analysed period, revenue from sales of electricity went up by PLN 95 m (mainly as a result of a higher sales price in the Ostrołęka Power Plant as well as the hydro power plants and a higher CHP production volume). This was accompanied by a rise in revenue from sales of green property rights by PLN 24 m (mainly due to higher market prices and the launch of production in the biomass-fired unit located in Elbląg).

The positive effect of the revenue increase on the Line's results was partly offset by an increase in:

- the cost of fuels consumed for production purposes (due to higher coal purchase prices as well as a change in the CHP fuel mix): by PLN 44 m;
- the cost of purchase of emission allowances (due to the purchase prices and a smaller quantity of free-of-charge allowances): by PLN 28 m; and

- fixed costs (mainly due to average-scale repairs in unit #2 in the Ostrołęka Power Plant as well as real estate tax adjustment for the wind farm in the municipality of Karścino in 2018, which resulted from changes in the Act on Renewable Energy Sources): by PLN 24 m.

**Figure 8: EBITDA bridge of the Generation Business Line (PLN m)**



\* includes net electricity trading (revenue less cost)

The share of the Generation Business Line in the Group's total EBITDA was 8% in Q2 2019 (12% in the corresponding period of the preceding year).

A lower level of the Line's EBITDA (down by PLN 11 m year on year) was mainly the result of an increase in the cost of consumption of the key fuels used for energy production, higher fixed costs of the Line as well as a rise in the purchase cost of CO<sub>2</sub> emission allowances. A negative effect of these factors was only partly offset by higher revenue from sales of energy as well as higher revenue from sales of green property rights.

An increase in revenue from sales of electricity in Q2 2019 as compared to the corresponding period of the preceding year was driven by the sales prices earned by the Group's generation sources and was affected by a rise in market prices. This factor was additionally strengthened by higher production volumes of the Ostrołęka Power Plant as well as CHP and hydro sources.

A rise in revenue from sales of green property rights was both the effect of higher market prices and the launch of production in the biomass-fired unit located in Elbląg.

As far as the cost of consumption of the key fuels used in production is concerned, its increase was mainly attributable to higher unit prices of coal paid by the Group as well as an increased coal-based production volume in the Ostrołęka Power Plant, in addition to a change in the fuel mix used in the CHP Plant in Elbląg (launch of production in the biomass-fired unit).

An increase in the fixed costs incurred by the Line was determined by two factors. First, higher repair costs due to the average-scale repairs in unit #2 in the Ostrołęka Power Plant. Second, it is the effect of the base and the adjustment made in 2018 to the real estate tax for the Karścino wind farm as a result of changes in the Act on Renewable Energy Sources.

Higher costs of purchasing CO<sub>2</sub> emission allowances were driven by an increase in the market prices of emission allowances and a smaller quantity of free-of-charge allowances available for 2019.

Apart from the factors which determined EBITDA, as discussed above, one should also take into account the major factors which influenced both EBIT and the gross profit of the Business Line. Due to changes in the legislative environment, i.e. the entry into force of Regulation EU 2019/943 of 5 June 2019 on the internal electricity market, introducing, among others, restrictions on support under the capacity market mechanism for existing fossil fuel generating units emitting above 550 g of carbon dioxide per kWh of electricity and above 350 kg of carbon dioxide on average per year per kWe of installed capacity,

indications of impairment were identified for the assets held by the Ostrołęka B Power Plant. On 26 July 2019, a decision was made to recognize an impairment loss on the said assets in the total amount of PLN 270 m.

On the other hand, while comparing the results with those achieved in Q2 2018 one should remember that at that time an impairment loss on wind farms totalling PLN 117 m was reversed. The reversal was caused by developments in the legislative environment, namely the signing of the Act of 7 June 2018 Amending the Act on Renewable Energy Sources and Certain Other Acts by the President of the Republic of Poland.

The above-mentioned events were non-cash in nature and did not have any effect on EBITDA. However, they resulted in a considerable negative difference in the operating profit for Q2 2019 at the level of EBIT as well as the gross profit versus the corresponding period of 2018.

Capital expenditures of the Line in Q2 2019 were higher by PLN 33 m and mainly related to bringing the Ostrołęka B Power Plant into line with environmental requirements.

## Hydro

Table 20: Performance of the Hydro Power Division

PLN m	Q2 2018	Q2 2019	Change	Change (%)	H1 2018	H1 2019	Change	Change (%)
Revenue	50	68	18	37%	117	141	24	20%
<b>EBITDA</b>	<b>29</b>	<b>42</b>	<b>12</b>	<b>42%</b>	<b>72</b>	<b>90</b>	<b>18</b>	<b>25%</b>
EBIT	21	34	12	58%	56	74	18	33%
CAPEX	3	2	(1)	-29%	4	4	(0)	-4%

## Wind

Table 21: Performance of the Wind Power Division

PLN m	Q2 2018	Q2 2019	Change	Change (%)	H1 2018	H1 2019	Change	Change (%)
Revenue	23	28	5	23%	47	79	32	68%
<b>EBITDA</b>	<b>25</b>	<b>18</b>	<b>(7)</b>	<b>-29%</b>	<b>38</b>	<b>59</b>	<b>22</b>	<b>58%</b>
EBIT	133	5	(128)	-96%	138	33	(105)	-76%
CAPEX	-	9	9	-	-	9	9	-

## Ostrołęka Power Plant

Table 22: Performance of the Ostrołęka Power Plant Division

PLN m	Q2 2018	Q2 2019	Change	Change (%)	H1 2018	H1 2019	Change	Change (%)
Revenue	142	194	52	36%	291	382	91	31%
<b>EBITDA</b>	<b>13</b>	<b>2</b>	<b>(11)</b>	<b>-83%</b>	<b>45</b>	<b>26</b>	<b>(18)</b>	<b>-41%</b>
EBIT	(3)	(284)	(281)	< -100%	13	(276)	(289)	< -100%
CAPEX	27	61	34	> 100%	44	76	32	73%

## Other and Adjustments

Table 23: Performance of the Other and Adjustments Division

PLN m	Q2 2018	Q2 2019	Change	Change (%)	H1 2018	H1 2019	Change	Change (%)
Revenue	28	47	19	70%	91	113	22	24%
<b>EBITDA</b>	<b>(3)</b>	<b>(8)</b>	<b>(6)</b>	<b>&lt; -100%</b>	<b>14</b>	<b>(4)</b>	<b>(18)</b>	<b>&lt; -100%</b>
EBIT	(10)	(17)	(6)	-62%	(1)	(21)	(20)	< -100%
CAPEX	15	6	(9)	-58%	28	12	(16)	-57%

## Sales Business Line

Figure 9: Performance of the Sales Business Line of the Energa Group (PLN m)

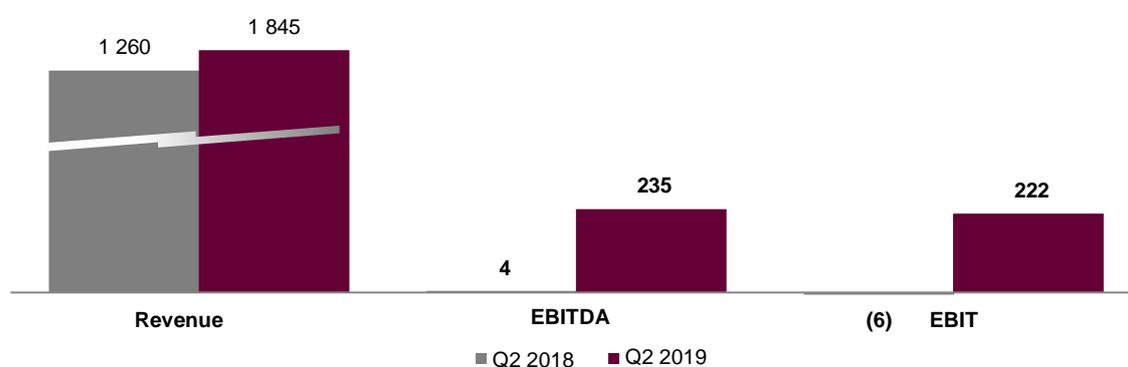


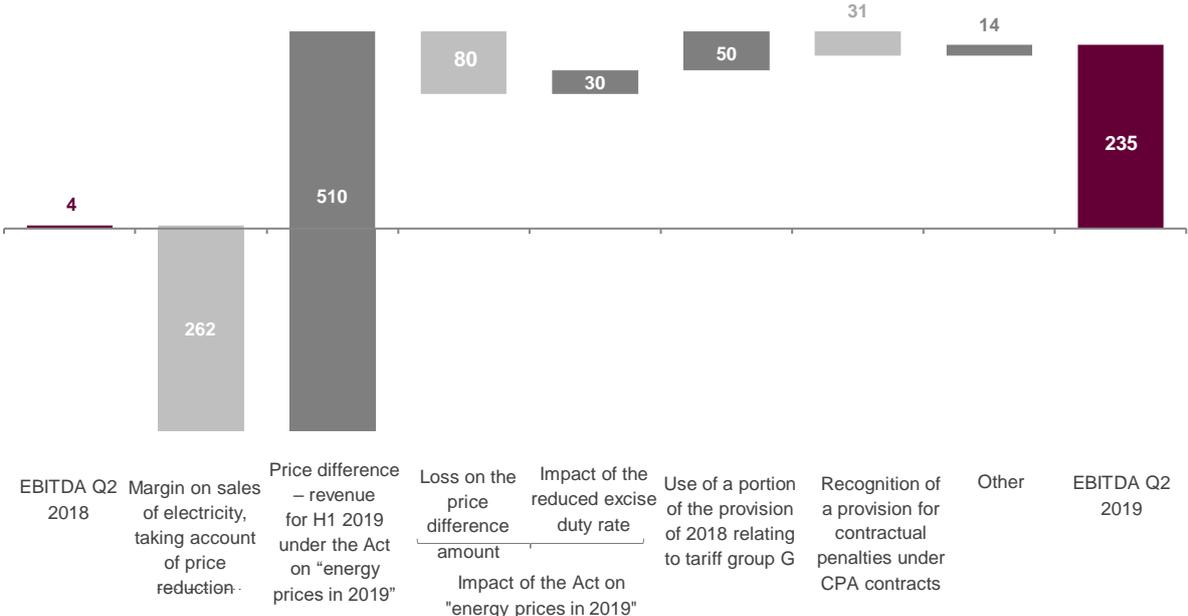
Table 24: Performance of the Sales Business Line of the Energa Group

PLN m	Q2 2018	Q2 2019	Change	Change (%)
Revenue	1,260	1,845	585	46%
<b>EBITDA</b>	<b>4</b>	<b>235</b>	<b>231</b>	<b>&gt; 100%</b>
depreciation and amortization	10	13	3	30%
impairment losses on non-financial non-current assets	-	-	-	-
EBIT	(6)	222	228	> 100%
Net profit (loss)	(3)	171	174	> 100%
CAPEX	7	8	1	14%

PLN m	H1 2018	H1 2019	Change	Change (%)
Revenue	2,683	3,577	894	33%
<b>EBITDA</b>	<b>57</b>	<b>140</b>	<b>83</b>	<b>&gt; 100%</b>
depreciation and amortization	20	26	6	30%
impairment losses on non-financial non-current assets	-	(1)	(1)	-
EBIT	37	115	78	> 100%
Net profit (loss)	35	83	48	> 100%
CAPEX	12	17	5	42%

EBITDA of the Sales Business Line for the first six months of 2019 totalled PLN 140 m, up by PLN 83 m versus the corresponding period of 2018. The increase in EBITDA was mainly the result of a low prior year base (when the results were lower due to an unexpected and rapid increase in energy prices on the market at that time) and the reverse of part of the reserve of PLN 87 m from 2018 for contracts bearing charges regarding the G tariff (it is non-recurring and non-cash in nature event). The results for the first six months of 2019 included the effect of the Acton “energy prices in 2019”, which in total consisted of PLN -20 m. The net effect of this was the loss of the estimated amount of the price difference in relation to the reduced revenues resulting from adjustment to applicable regulations, while reducing the cost of sales resulting from a change in the excise tax rate. Details are described below.

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



In Q2 2019, EBITDA of the Sales Business Line was PLN 235 m, which represents a 33% share in the Group’s EBITDA. In the corresponding period of the preceding year, EBITDA was PLN 4 m and its share in the Group’s EBITDA was 1%.

Revenue of the Sales Business Line in Q2 2019 amounted to PLN 1,845 m, up by PLN 585 m versus Q2 2018. The increase was partly due to the fact that in Q2 2019 a difference in prices was recognized for the whole H1 2019.

The financial performance of the Sales Business Line in Q2 2019 was considerably influenced by changes in the regulatory environment which have taken place in recent months. On 29 June 2019, the amended Act on “energy prices in 2019” entered into force, and on that basis the Minister of Energy issued a Regulation on the calculation of the price difference and financial compensation as well as determination of reference prices on 19 July 2019 (the Regulation), which became effective as of 13 August 2019. These regulations were used as the basis for reducing electricity prices for customers in H1 2019 down to the level of 30 June 2018. In effect, the Sales Business Line used the reduced prices specified in the Act on “energy prices in 2019” as the basis for its settlements with customers, incurring at the same time higher costs of energy purchases resulting from the market conditions. The estimated difference in prices on that basis in H1 2019 was PLN 510 m and it was recognized in whole within the Business Line’s revenue in Q2 2019, which translated into a considerable increase in EBITDA for the quarter. The estimated price difference for H1 2019 was ca. PLN 80 m lower than revenue from sales of electricity that would have been earned had the said Act not been adopted. The impact on the results of the loss on the amount of the price difference was partly offset by a decrease in the cost of sales due to the reduced of the excise tax from 20 to 5 PLN/mWh (with the effect attributable to Q2 of PLN 30 m

and to H1 2019 of PLN 60 m). In total, therefore, the impact of the Act on "energy prices in 2019" on the results of the Business Line in Q2 2019 amounted to PLN -50 m per balance, while in H1 2019 stood at PLN -20 m, as mentioned above.

At the same time, in H1 2019 a portion of the provision recognized in 2018 for onerous contracts in tariff group G was reversed in the amount of PLN 87 m, (including PLN 50 m in Q2 2019), which positively impacted the results.

At the end of H1 2019, a provision was recognized in the amount of PLN 31 m to secure funds for the potential obligation to pay any contractual penalties by Energa Obrót SA (as at 30 June 2019), arising from disputes over the validity of long-term contracts for purchases of property rights (CPA Contracts). This was due to the final decision of the Court of Appeals in Gdańsk, which dismissed the claim lodged by Energa Obrót SA to establish the non-existence of a legal relationship between the company and one of its counterparties.

A considerable increase in the Business Line's EBITDA year on year was also the effect of a low base. The results reported for Q2 2018 were low due to an unexpected and rapid increase in the market prices of electricity, leading to a decline in the margin on energy sales to end customers.

### 3.7. Projected financial results

The Management Board of Energa SA has not published any projections for stand-alone or consolidated financial results for the 2018 financial year.

### 3.8. Ratings

On 3 June 2019, the Fitch Ratings agency affirmed the Company's long-term foreign- and local-currency issuer ratings 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 hybrid bonds issued by Energa SA.

**Table 25: 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	3 June 2019

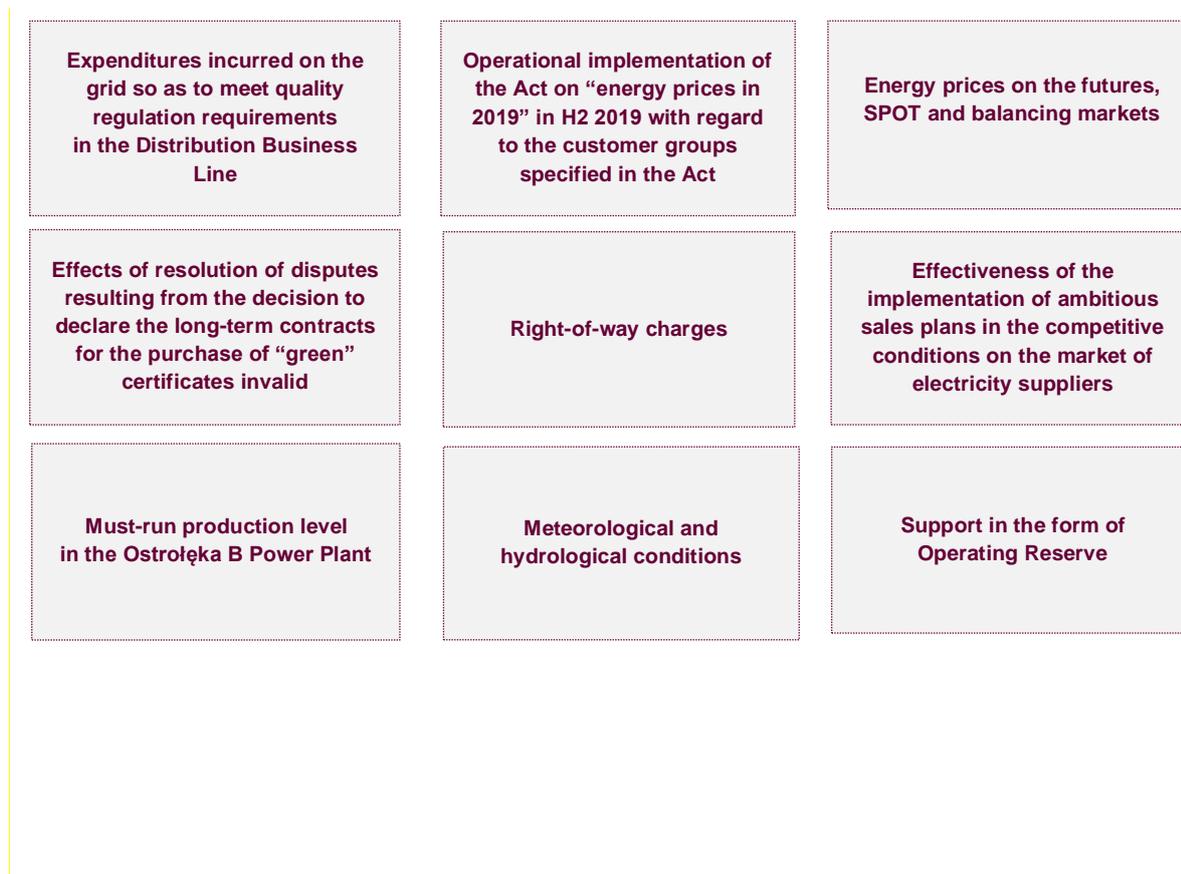
### 3.9. Dividends

On 25 June 2019, the Annual General Meeting adopted a resolution on the distribution of profit for 2018, which was allocated to the supplementary capital in whole. Therefore, no dividends will be paid out in the current year.

### 3.10. Factors affecting the Energa Group's performance within at least the next quarter

In the opinion of the Management Board of Energa SA, the factors described below will affect the performance and operations of the Company and the Energa Group within at least the next quarter.

Figure 11: Factors affecting the Energa Group's performance within the next quarter



# ENVIRONMENT



## 4. ENVIRONMENT

### 4.1. Macroeconomic Situation

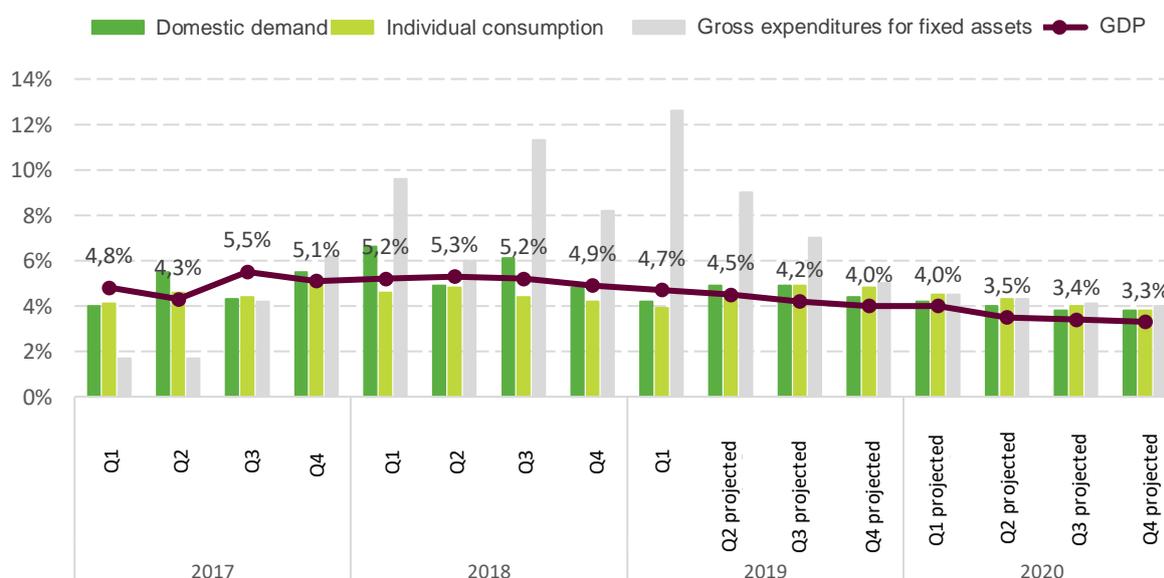
The key operating market for the Energa Group companies is the domestic market. Therefore, market cycles, expressed by means of the rate of GDP changes, inflation, or unemployment rate, have a bearing on the prices of electricity, heat and gas and the development of demand for products supplied to customers.

Macroeconomic data suggest that the annual growth rate in Poland remains relatively high (GDP growth in Q2 2019 was 4.5% y/y). In July 2019 the National Bank of Poland (NBP) raised the projections for both the GDP growth path and inflation for years 2019-2021, however a gradual decrease in GDP dynamics is expected in the coming quarters as a result of a decline in economic activity in the euro area and due to a slowdown in the rate of absorption of funds from the European Union budget. Among the risk factors, the NBP also indicates the intensification of trade disputes in the global economy and taking protectionist measures.

The slowdown in the Polish manufacturing sector is reflected in the PMI index (leading indicator of the Polish industry), which in Q2 2019 remained below the 50-point limit indicating the level of economic recovery. PMI for Poland in June this year fell from May's 48.8 points to the four months' lowest value (48.4 points). The reason for this is a decline in production and new orders in industry, partially offset by an improved situation on the labour market, longer delivery times and faster growth of stocks of purchased items.

The growth of industrial output sold in the period between January and June 2019 was 5.1% higher than in the same period last year, when a growth of 6.2% was recorded. Output growth in Q2 this year was weaker than in the first quarter (4.1% against 6.1%). As regards generation and supply of electricity, gas, steam and hot water, a growth of 1.9% was recorded in the first half of this year.

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



Source: GUS (Central Statistical Office) and forecasts of Santander Bank Polska SA (September 2019)

The Polish economy continues to be driven by domestic demand, in particular individual consumption, which stood at 4.4% y/y in Q2 2019 and was higher by 0.5 p.p. compared to Q1 2019. It is expected

that the high dynamics of private consumption will be aided by the fiscal package introduced this year (extended "Family 500 plus" programme and "Retirement plus" project) as well as planned changes to personal income tax. Consumption will also be driven by the situation on the labour market, which is advantageous for employees, and means further fast increase of salaries. In the 2020 projection, following a decline in wage growth, a reduction in the growth of household disposable income is expected, and thus a slight decline in the growth rate of private consumption. In Q2 this year, the forward-looking consumer confidence index, a synthetic measure of the tendencies in individual consumption expected in the coming months, increased by 1.1 y/y to 5.3. The indicator's positive value means numerically more optimistically-inclined consumers, however, in relation to previous year, there has been a decline in sentiments about changes in the overall economic situation of the country as well as unemployment trends.

In Q2 2019, higher investment supported domestic demand, however, as forecast by the National Bank of Poland, the growth of gross fixed capital expenditures will slow down in 2019-2021, caused by a slowdown in central and local government sector investments due to a smaller inflow of EU funds and a slower growth of external demand, which restricts private investment. The results of the NBP Quick Monitoring analyzing the situation of the enterprise sector also suggest a downward correction of the current investment dynamics, or even its decline.

The good economic situation translates into a good situation on the labour market. Unemployment rate in June this year was at 5.3%, reaching the level recorded last in 1990. The average employment in the enterprise sector and the average gross remuneration in the first half of this year increased year on year but to a lesser extent than a year ago. The average employment in the enterprise sector increased by 2.9% year on year, while in 2018 a 3.8% increase was recorded. In turn, the average (gross) monthly salary in the enterprise sector increased by 6.8% y/y, reaching PLN 5,104.46 at the end of June this year. Referring to last year's results, the average gross salary was 7.3% higher y/y then. As indicated by analysts from Bank Millennium, the above data may suggest that the labour market is gradually approaching saturation, which will be caused by a slowdown in domestic economic growth and supply restrictions on the labour market (difficulties with finding qualified labour). Additionally, due to the aging of the population, a further decline in the numbers of professionally active people is expected, while the opening of the German labour market in 2020 is a risk factor for the outflow of foreign labour from Poland.

According to preliminary GUS data, between January and June this year, the price index of industrial output sold increased by 2% y/y. The prices were higher than last year across the sections. As regards generation and supply of electricity, gas, steam and hot water, the prices increased by 4.8%.

In turn, the consumer price index in the first half of 2019 increased by 1.8% compared to the same period of the previous year. In June, the index recorded an increase of 2.6% y/y and for the first time since 2012, exceeded the NBP inflation target. Acceleration of the consumer price growth was caused by a higher dynamics of food prices, influenced by the growing prices of agricultural commodities worldwide, as well as higher base inflation in connection with a relatively strong consumer demand in Poland and growing of service prices. On the other hand, a decrease in administered electricity charges in Poland and strong competition on the global and domestic market had an opposite effect. At the end of this year, inflation is expected to accelerate and its upward trend is to continue in the coming quarters.

As regards the monetary policy, the Monetary Policy Council did not make any changes to base interest rates in the first half of 2019. The Council recognizes a slowdown in the global economy and higher uncertainty as to global economic activity in the coming quarters, however, in its view, Poland continues to be in a good economic situation. Despite the recent increase in consumer prices, inflation has remained moderate and, in the Council's view, in the monetary policy impact horizon, it will remain close to the inflation target (2.5% with a symmetrical range of deviations by  $\pm 1$  percentage point), while the current the level of interest rates helps keep the Polish economy on a sustainable growth path and allows it to maintain macroeconomic balance.

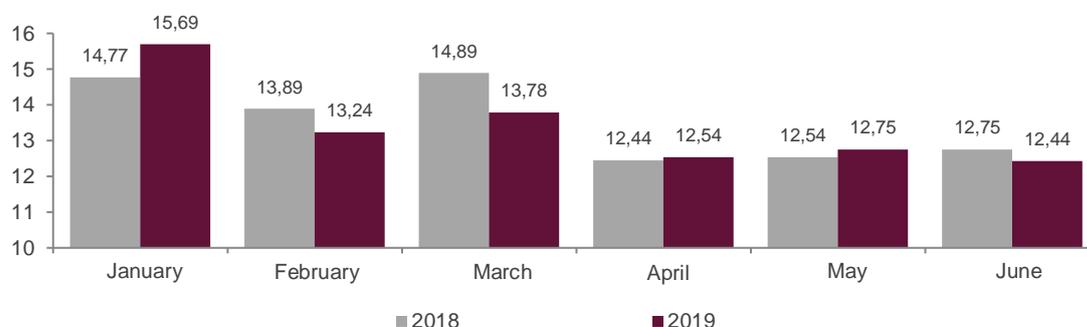
## 4.2. Electricity market in Poland

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"), in the first half of 2019, production of electricity in Poland was at 80.44 TWh and was lower by 0.83 TWh, 1.0% compared to the corresponding period of the previous year (81.27 TWh). Decreased generation compared to last year was observable in lignite-fired power plants, which have been driven out of the National Power System predominantly by wind farms, which benefited from good weather conditions, as well as by generation from gas sources.

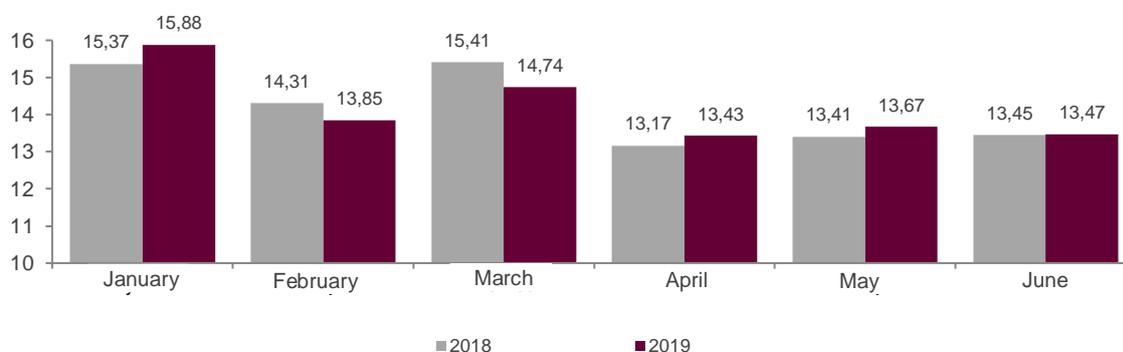
Figure 13: Production of electricity in Poland in the first half of 2019 (TWh)



Source: PSE

In the first half of 2019, domestic consumption of electricity in Poland was at 85.11 TWh and remained almost unchanged compared to the corresponding period of the previous year (lower by 0.08 TWh, i.e. 0.1%).

Figure 14: Consumption of electricity in Poland in the first half of 2019 (TWh)

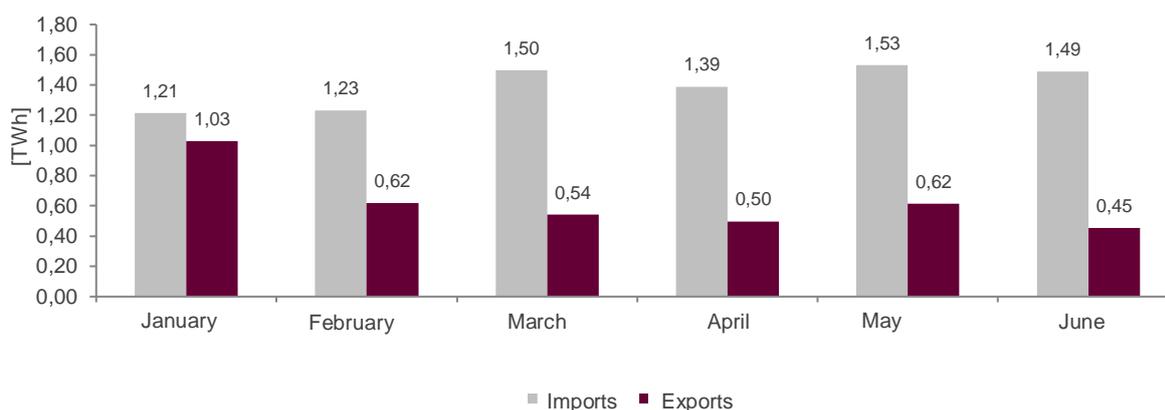


Source: PSE

## Poland's cross-border power exchange

In the first half of 2019, electricity exports were 0.44 TWh higher than in the same period last year. When comparing the two corresponding periods, a growth in electricity imports by 1.20 TWh can be observed, being the main reason for the 4.59 TWh surplus of net electricity imports in the period under review vs. net imports of 3.84 TWh in the corresponding period of the previous year. This is attributable to the increased import of electricity in parallel exchange.

Figure 15: Monthly volumes of intersystem exchange in Poland after the first half of 2019 (TWh)

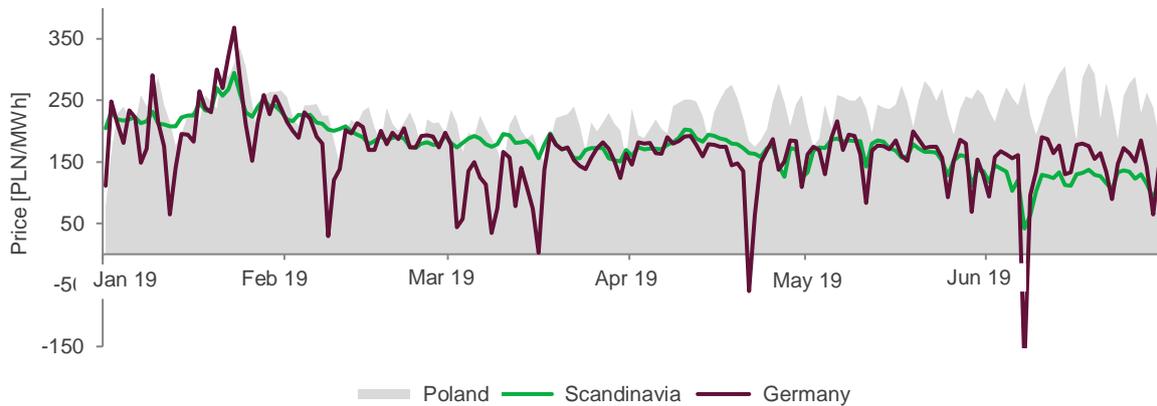


Source: PSE

## 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 in the first half of 2019 were much higher than in the neighbouring countries, which was particularly evident in Q2 2019. Very high system losses, sustained high demand for power together with high temperatures and higher EUA prices, supported in the second quarter of 2019 by low generation from wind sources, led to an increase in prices on the Polish market. The largest price differences in the first half 2019 were found in comparison with the German market (+38.2%, i.e. 63.24 PLN/MWh), followed by differences in comparison with the Scandinavian market (+29.7%, i.e. 51.89 PLN/MWh). A particular price disparity was visible in the second quarter of 2019, where prices on the Polish market were higher compared to the German market (+56.1%, i.e. 85.90 PLN/MWh) and to the Scandinavian market (+57.0%, i.e. 86.71 PLN/MWh).

**Figure 16: Energy prices on the SPOT market in Poland and in selected neighbouring countries in the first half of 2019**

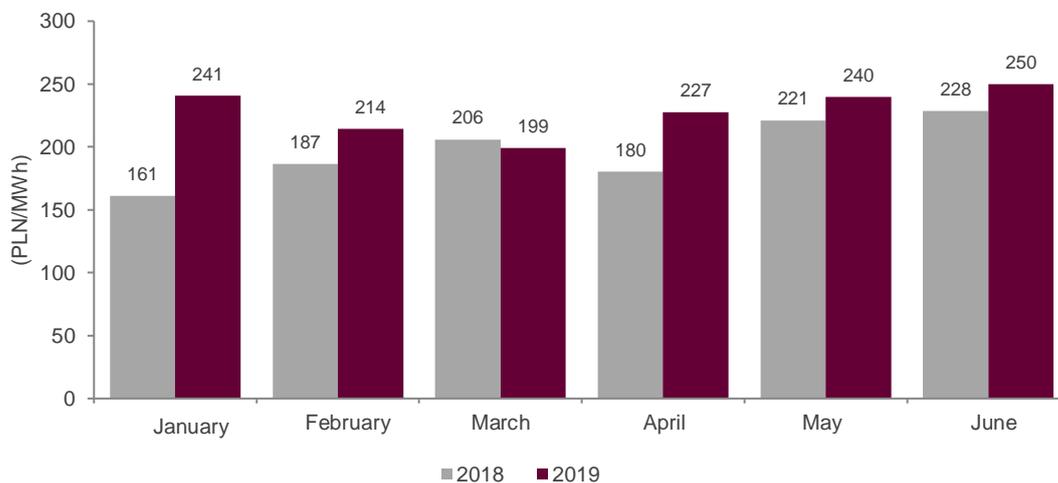


Source: Bloomberg

### Day-Ahead Market of electricity in Poland

In the first half of 2019, the IRDN24 index averaged 228.62 PLN/MWh, and was higher by 31.26 PLN/MWh than in the corresponding period of the previous year (197.36 PLN/MWh). While comparing the second quarter of this year with the same period of last year, the difference was 28.79 PLN/MWh. High levels of system losses and domestic demand for power were coupled with very low wind power generation in the second quarter 2019, which consequently resulted in a considerable year-on-year increase in prices.

**Figure 17: IRDN 24 index in the first half of 2019 (PLN/MWh)**



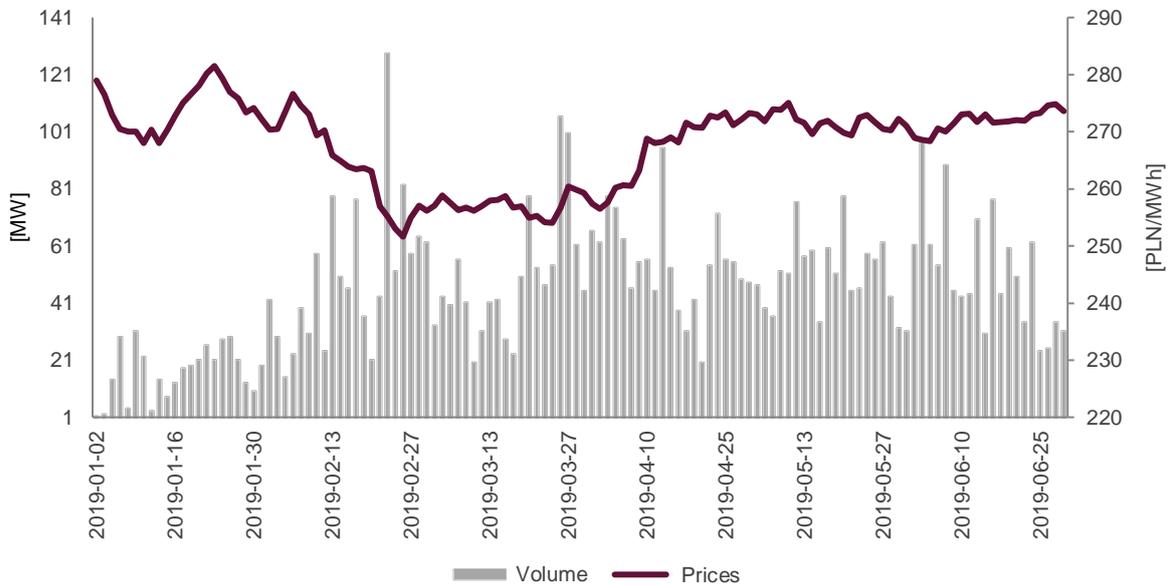
Source: TGE

### Electricity futures market in Poland

In the first quarter of 2019, the electricity futures market was in a downward trend. Since then, the BASE 2020 market could see increases pushing the price above 270 PLN/MWh. The lowest price of 251.62 PLN/MWh was quoted on 26 February this year. The main drivers of energy rate increases in the futures market were:

- a growth in CO<sub>2</sub> emission allowance prices,
- a significant drop in windiness in the second quarter of 2019,
- an increase in SPOT market prices,
- higher average daily demand for electricity in the National Power System.

Figure 18: Forward contract price, base with delivery for 2020 in the first half of 2019

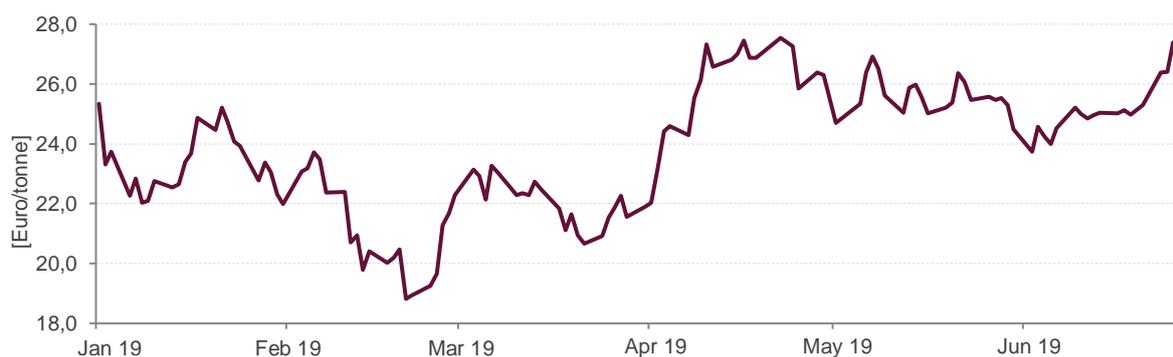


Source: TGE

## Emission allowance market

On 15 May 2019, the European Commission published data on the number of allowances in circulation as at the end of 2018 (just over 1.654 billion), which is the basis for defining the Market Stability Reserve (MSR) of the EU Emissions Trading System (EU ETS), a mechanism which started to operate in January 2019. Therefore, the volume of auctions between September 2019 and August 2020 will be reduced by over 397 million allowances, which account for 24% of all allowances in circulation, which will be transferred to the (MSR). For the first 5 years of the functioning of the MSR, the number of allowances is to be reduced by 24% of the total number of allowances in the auction pool annually. The next publication of the total number of allowances in circulation will be announced by the European Commission on 15 May 2020. If the number of allowances in circulation does not change, then 397 million of allowances offered in auctions in 2020 will be transferred to the MSR. Introducing such an effective system for limiting the supply of allowances on the market, i.e. MSR, following the reform of the EU ETS, was expected to lead to a high increase in the prices of emission allowances, starting from the beginning of the year. However, as it seems, the price of EUAs in the first quarter of 2019 was mainly driven by lower demand. Increased temperatures and very high wind generation in Europe gave rise to a decrease in the consumption of fossil fuels, which drove the demand for emission allowances down. In the second quarter of 2019, with significantly lower windiness, the increase in demand for EUA pushed its price at the end of the first half of the year to 26.29 EUR/t, which gave a 8% increase since the end of 2018, while compared with the end of the second quarter of 2018, the price increased by 75%. The market is still uncertain as to whether Great Britain will remain in the EU ETS.

Figure 19: EUA prices in the first half of 2019



Source: Bloomberg

## Market for property rights

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

Table 26: Average levels of property right indices listed on the Polish Power Exchange

Index (type of certificate)	Index value		Obligation percentage (%)	Substitution fee (PLN)
	First half of 2018 (PLN/MWh) with 2017 index	First half of 2019 (PLN/MWh) with 2018 index		
OZEX_A (green)	66.27	125.16	19.35*	300.03*
KGMX (yellow)	116.68	111.06	-	115.00*
KECX (red)	9.80	8.47	-	8.19*

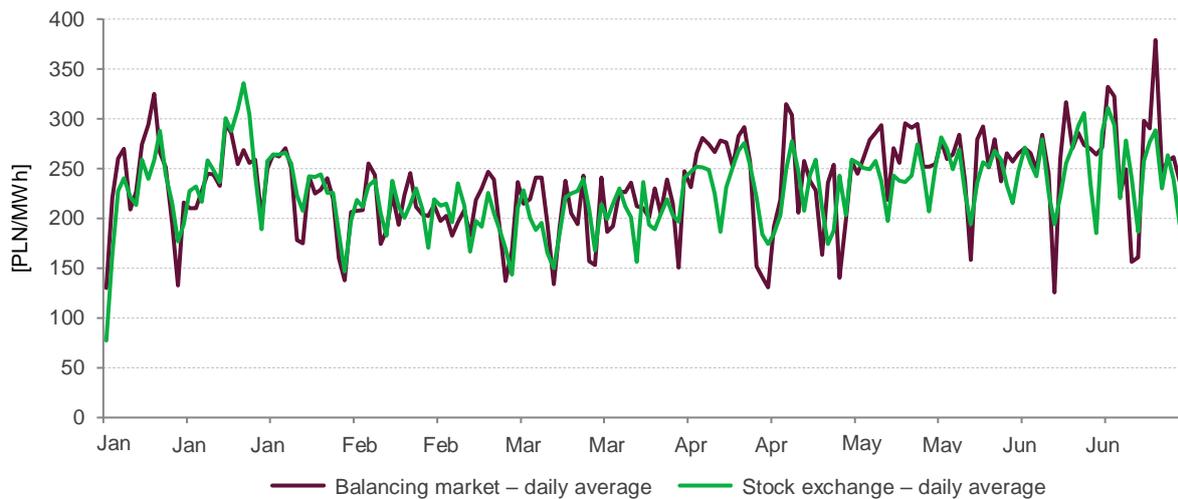
\* value of the substitution fee and redemption obligation for 2019

At the end of 2018, the support system for co-generation sources in the form of yellow and red certificates expired. Since 2019, the system has been replaced by auctions, and the related costs have been transferred to end customers in the form of a new co-generation fee added to their bills. Yellow and red certificates were listed until the end of June 2019 because until then the 2018 obligations had to be settled. The end of quotations for red and yellow certificates was the main determinant of a clear drop in prices and volumes of these instruments in June this year. 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 followed the declining trend started in the second half of 2018. The trend reversed after 20 March this year, when a fast increase in quotations on this market was triggered by the decision by the Ministry of Energy to withdraw from the proposed changes in the compensation (substitution) fee in the draft revision of the RES Law. In the second quarter of 2019, there were no major price changes on this market, remaining largely just above 130.00 PLN/MWh. As a consequence, at the end of H1 2019, PM RES were quoted at 132.23 PLN/MWh.

## Balancing market

On 1 January 2019, the limits for electricity clearing prices on the balancing market changed, ranging currently from -50,000.00 PLN/MWh to +50,000.00 PLN/MWh. For most of the first half of 2019, the prices in the balancing market were similar to the day-ahead market prices. 26 June this year was a clear departure from that rule, when the average daily price in the balancing market was 379.00 PLN/MWh, and the peak hour price reached 980.00 PLN/MWh. The average price on the balancing market in the period under review was 234.48 PLN/MWh, compared to 197.20 PLN/MWh in the corresponding period of the previous year.

**Figure 20: Comparison of prices on the balancing market and SPOT markets (exchange) in the first half of 2019**

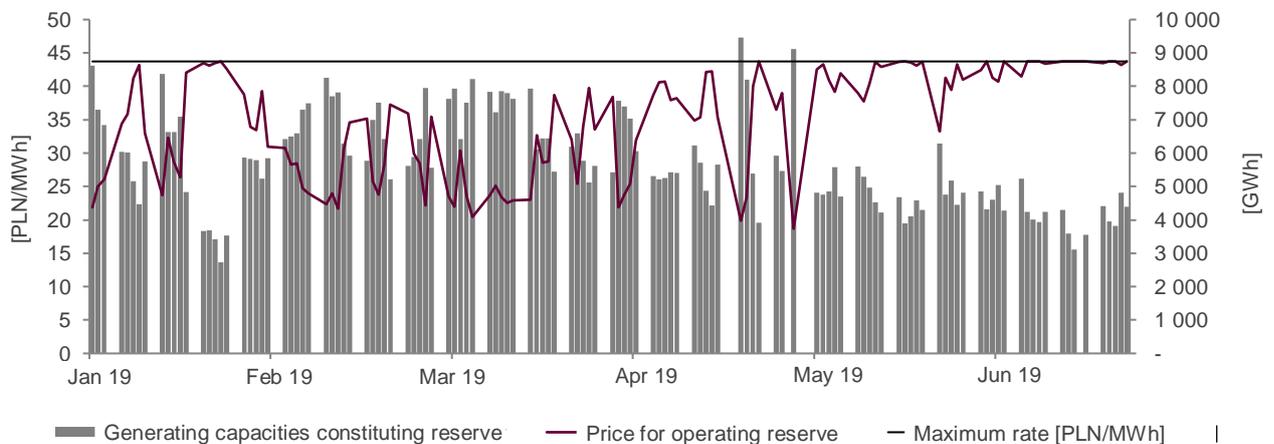


Source: TGE, PSE

## Operating reserve

The operating reserve service continues to be provided in 2019. The reference price was raised to 43.73 PLN/MWh. In H1 2019, the average operating reserve fee was 34.91 PLN/MWh and was lower by PLN 2.07 compared to the same period of the previous year (36.99 PLN/MWh).

**Figure 21: Summary of prices and generating capacity making up the operating reserve in the first half of 2019**



Source: PSE

### 4.3. Regulatory Environment

#### Legislative processes completed in the first half of 2019

**The Act of 21 February 2019 amending the Act amending the Act on excise duty and certain other acts, the Environmental Protection Law Act, the Act on the management system for emissions of greenhouse gases and other substances, the Act on amending the Act on biocomponents and liquid biofuels and certain other acts and the Act on the promotion of electricity from high-efficiency co-generation**

The purpose of the amending Act is to lay down specific provisions aiming to prevent increases in electricity prices, and to launch what is referred to the Compensation Fund for Energy Undertakings.

Objective of the legislation:

- ✓ Exempting power undertakings which deal with the transmission or distribution of electricity from their obligation, i.e. putting them under an obligation to set such electricity prices and rates for 2019 as not to exceed the prices and rates of gross fees applied on 31 December 2018;
- ✓ Extending the obligation to apply the prices charged on 30 June 2018 to include all contracts made between traders in electricity and end consumers;
- ✓ Specifying the method for fixing the weighted average price for: (i) contracts made by energy undertakings in 2019, (ii) contracts made by energy undertakings before 1 January 2019, (iii) groups of end consumers determined for the voltage level of the power network to which the end consumers are connected;
- ✓ A new deadline regarding changes to contracts and price lists of trading companies - 30 days from the entry into force of the implementing regulation;
- ✓ Placing the President of the URE under an obligation to calculate and publish the weighted average price of electricity on the wholesale market in the Public Information Bulletin of the Energy Regulatory Office, using the method and within timeframes provided for in the implementing regulation, and to publish the data components used for calculating the price difference to be paid, as indicated in the same regulation;
- ✓ Allowing final consumers which buy electricity for their own purposes on the Towarowa Gielda Energii SA commodity market or through a commodity brokerage house, and not from trading companies, to apply for the compensation.

**The Act of 13 June 2019 amending the Act amending the Act on excise duty and certain other acts, the Act on energy efficiency and the Act on biocomponents and liquid biofuels**

Objective of the legislation:

- ✓ Determination of settlement rules for the first half of 2019;
- ✓ Introduction of new settlement rules for the second half of 2019. Prices for households, public finance units, hospitals and small and medium-sized business will still be frozen. Trading companies will receive compensation from the Settlements Manager. The level of compensation will depend on the values specified in the dedicated Notice of the Minister of Energy or the individual decision of the President of the URE to be issued within 90 days after receipt of the relevant application;
- ✓ The Minister of Energy will, within 21 days after the effective date of the Act, issue a regulation specifying the method of payment of the compensation, along with a formula based on which it is to be paid;

- ✓ Energy-intensive customers have been excluded from the system, while medium and large enterprises will be able to apply for compensation in the form of *de minimis* aid (no more than EUR 200,000 over three years).

**EU regulation package: Clean Energy for All Europeans, so-called Winter Package:**

- **Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market in electricity and amending Directive 2012/27/EU;**
- **EU Regulation 2019/943 of 5 June 2019 on the internal electricity market;**
- **Regulation (EU) 2019/941 of the European Parliament and of the Council of 5 June 2019 on emergency preparedness in the electricity sector and repealing Directive 2005/89/EC;**
- **Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing the European Union Agency for the Cooperation of Energy Regulators.**

Objective of the legislation:

- ✓ Maintenance of EU's competitiveness in the era of energy markets transformation towards green energy. Plans to reduce coal subsidies, set the energy efficiency target at 32.5% and set the EU-wide RES target at 32%. The Winter Package includes solutions promoting the development of decentralized electricity generation and storage to foster 'civic energy';
- ✓ Increased security of power systems in the EU;
- ✓ Clarification of the ACER competence.

Expected impact on the Energa Group:

- ✓ Guaranteed retention of the rights acquired under capacity contracts made on the capacity market before the end of 2019.
- ✓ Incentive to develop low-emission generating units, e.g. CCGTs, as well as greater importance of DSR and energy storage for purposes of power markets.
- ✓ Limitation, as of 1 July 2025, of support in the form of capacity market mechanisms for installations which emit more than 550 g CO<sub>2</sub>/kWh.
- ✓ The need to implement legal changes in the Act on the capacity market in the context of main and additional auctions with delivery timeframes in the years 2025 and later, and the primary market.

**Table 27: List of legal acts affecting results of the Energa Group**

Legal act	Purpose of legal changes	Opportunities	Threats/issues
Implementing regulations and decision of the European Commission regarding the Polish CHP support scheme	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"> <li>(1) Incentive to build new and retrofit existing CHP installations.</li> <li>(2) A support scheme based on several mechanisms dedicated for installations with various technical characteristics.</li> <li>(3) Introduction of a long-term support model (by 2048).</li> <li>(4) On 25 May 2019, the European Commission adopted decision SA.51192 2019/N not to raise objections to the Polish CHP support system.</li> </ul>	<ul style="list-style-type: none"> <li>(1) No implementing regulations have been adopted, which prevents the launch of the support system.</li> <li>(2) Potential lack of support for existing CHP units.</li> <li>(3) Low of support for CHP units fired with biomass.</li> <li>(4) No publication of the justification for decision SA.51192 2019/N prevents full analysis of the arrangements with the European Commission on the detailed conditions for the operation of the Polish support system.</li> </ul>
Act of 8 December 2017 on the capacity market	Tempus Energy's complaint to the Court of Justice of the EU against European Commission Decision No. SA.46100 (2017/N) - Poland - Planned Polish capacity mechanism for the operation of the Polish capacity market.	<ul style="list-style-type: none"> <li>(1) Complainant's charges dismissed by the Court of Justice of the EU (CJEU) and the Appellate Court's decision upheld. 46100 to re-confirm compliance of the Polish support system as being in line with the EU state aid rules.</li> </ul>	<ul style="list-style-type: none"> <li>(1) The CJEU decision regarding the launch of a formal procedure to investigate the Polish capacity market will cause the need to suspend its operation until a new decision is issued by the European Commission (standstill) and to suspend payments and organize new power auctions.</li> <li>(2) Emergence of long-term regulatory risk due to the estimated duration of proceedings before the CJEU.</li> </ul>

Legal act	Purpose of legal changes	Opportunities	Threats/issues
Project: "The Energy Policy of Poland until 2040."	A strategy defining the development lines for the Polish energy sector, which determines, <i>inter alia</i> , the target energy mix and the key development focus for power sector entities.	<ul style="list-style-type: none"> <li>(1) The document describes several scenarios for the development of the sector until 2040.</li> <li>(2) The target energy mix for 2040 is presented.</li> <li>(3) The Strategy provides for a dynamic development of RES – PV and offshore wind farms (until around 2030), and the launch of nuclear power plants.</li> </ul>	<ul style="list-style-type: none"> <li>(1) The need to correlate with the "National Action Plan for Energy and Climate for 2021-2030".</li> <li>(2) Limited vision for the development of RES – onshore wind farms and hydroelectric power stations.</li> <li>(3) No comprehensive plans for the development of energy storage.</li> </ul>
Project: "The National Action Plan for Energy and Climate for 2021 – 2030"	A strategy which demonstrates how Poland will achieve the EU's climate policy goals by 2030.	<ul style="list-style-type: none"> <li>(1) A comprehensive action plan for the development of a low-carbon economy.</li> <li>(2) Measures stimulating the development of new sectors related to energy: biofuels, energy storage, e-mobility, etc.</li> </ul>	<ul style="list-style-type: none"> <li>(1) The need to correlate with the draft "Energy Policy of Poland until 2040."</li> <li>(2) The need to take into account arrangements with the European Commission or for EC to provide justification in the absence of objections.</li> <li>(3) European Commission's recommendations propose profound changes to the draft Plan and the need to provide more detail.</li> </ul>
Government bill to amend the Energy Law and certain other acts. Number on the list: UC34.	Clarifying the powers of the President of the URE and putting in place a smart metering development policy in Poland.	<ul style="list-style-type: none"> <li>(1) A comprehensive plan for the development of Advanced Metering Infrastructure (AMI) will make development planning easier for DSOs.</li> </ul>	<ul style="list-style-type: none"> <li>(1) Potential rebranding of DSOs.</li> <li>(2) Long duration of the legislative process.</li> </ul>
Communication of the President of the Energy Regulatory Office of 18 February 2019 on the guidelines for Compliance Programs developed by distribution system operators and storage system operator	Specification of the terms of DSO operation within vertically integrated energy companies with regard to non-discriminatory treatment of distribution network users.	<ul style="list-style-type: none"> <li>(1) Specification of the terms of cooperation with Group companies will minimize the risk of possible fines for DSOs for violation of the Compliance Program.</li> </ul>	<ul style="list-style-type: none"> <li>(1) Restrictive requirements in terms of the requirements for ICT infrastructure, information protection, marketing activities and the DSO brand.</li> <li>(2) The need for the wording of the Compliance Program to be approved by an individual administrative decision of the President of the URE.</li> </ul>

# SHARES AND SHAREHOLDING STRUCTURE



## 5. SHARES AND SHAREHOLDING STRUCTURE

### 5.1. Energa's shareholding structure

Shares of Energa SA have been listed on the Warsaw Stock Exchange (WSE) since 2013. Since the beginning of the Company, i.e. since 2006, the strategic shareholder is the State Treasury, whose share in the share capital as at 30 June 2019 amounted to 51.5%, which gives 64.1% of votes at the General Meeting.

**Table 28: Energa'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	preferred registered*	144,928,000	35.00	289,856,000	51.85
Total		414,067,114	100.00	558,995,114	100.00

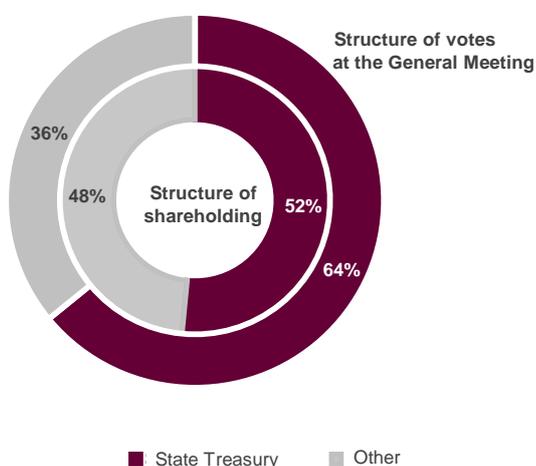
\* One preferred share entitles to two votes at the General Meeting. The owner of the shares is the State Treasury.

**Table 29: Shareholding structure of Energa as at 30 June 2019 and as at the date of this Management Board Report**

Shareholder name	Company shareholding structure			
	Shares	(%)	Votes	(%)
State Treasury*	213,326,317	51.52	358,254,317	64.09
Other	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 registered series BB shares, with preference as to voting rights at the General Meeting, where one preferred share entitles to 2 votes at the General Meeting.

**Figure 22: Shareholding structure of Energa as at 30 June 2019 and as at the date of this Management Board Report**



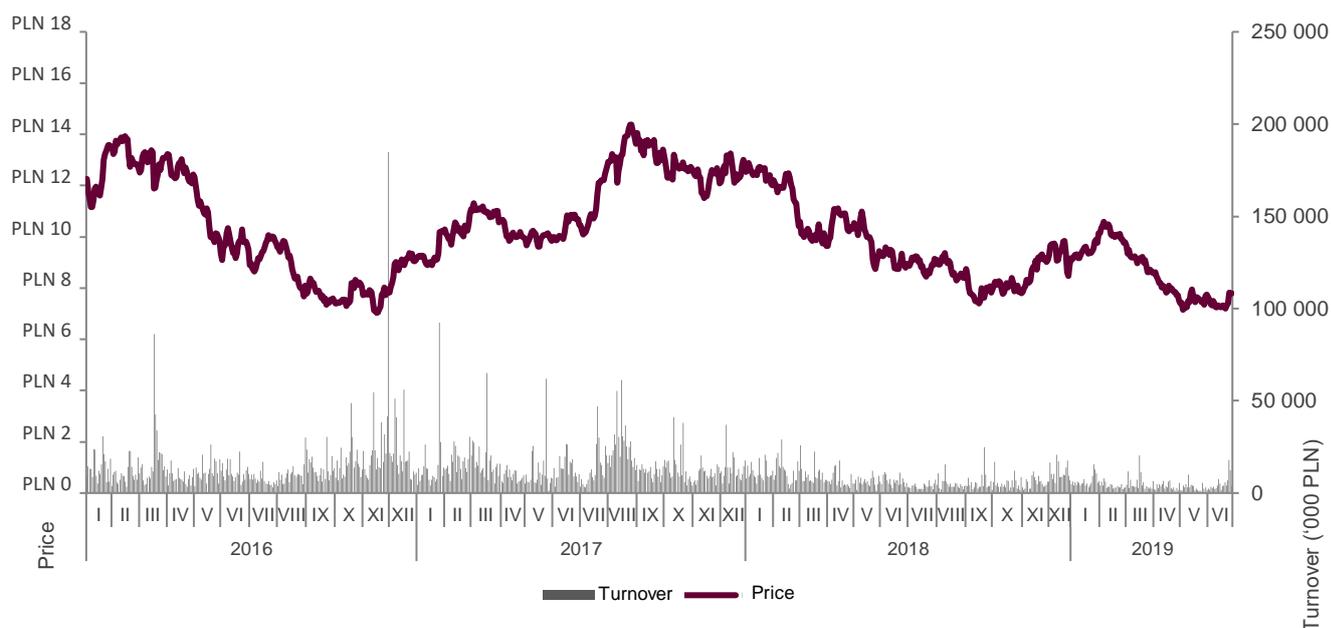
## 5.2. Prices of the Company's shares and recommendations awarded

Table 30: Data on Energa stock as at 30 June 2019

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114
Stock price at the end of the period	PLN 7.80
Capitalisation at the end of the period	PLN 3.23 billion
1st half of the year minimum at closing	PLN 7.16
1st half of the year maximum at closing	PLN 10.60
1st half of the year minimum	PLN 7.15
1st half of the year maximum	PLN 10.65
Average daily trading value	PLN 4.6 million
Average daily trading volume	531,000
Average daily number of trades	1,000

Source: Proprietary material based on data from [www.infostrefa.pl](http://www.infostrefa.pl)

Figure 23: Energa SA stock price in the period from 4 January 2016 to 28 June 2019



Source: Proprietary material based on data from [www.infostrefa.com](http://www.infostrefa.com)

**Figure 24: Changes in Energa SA stock prices in comparison with changes in WIG, WIG30 and WIG-Energia indices**



Source: Proprietary material based on data from [www.infostrefa.com](http://www.infostrefa.com)

The first half of the year started with an increase of Energa’s share price and the whole energy sector. Until 4 February 2019, WIG-Energia Index was growing much faster than the other indexes and reached the highest level in the first half of 2019. From that moment, share prices of the energy sector companies began to record declines. In mid-March the price of the Company’s shares and the WIG-Energia Index returned to the level from the beginning of the year. This coincided with the removal of Energa from WIG20 Index and the beginning of the period of annual result publication. Energy sector companies, as recommended by auditors, created reserves due to uncertainty regarding compensation. Since then, slight increases have been recorded in the energy sector companies, but the trend has continued to decline.

The closing price of Energa’s shares on the last trading day (i.e. 28 June 2019) stood at PLN 7.80, which represents a decline by 12% compared with the last trading day in 2018 (i.e. 29 December, 2018). In the first half of 2019 WIG-Energia index dropped by 7%.

After the trading session on 15 March 2019, there was an annual review of index portfolios and Energa SA was among the 2 companies removed from WIG20 Index. From 16 March 2019, the Company’s shares are included in mWIG40 index and remained in WIG30.

**Figure 25: Analyst recommendations awarded in the first half of 2019**



A list of recommendations can be found on the Company’s Investor Relations website at <https://ir.energa.pl/en/ir/investor-relations-web-site/Financial-results/Recommendations>.

### **5.3. Shares held by executive and supervisory personnel**

As at the date of publication of the interim report for the first half of 2019, as at 30 June 2019 and as at the date of this Report, no member of Energa SA's Supervisory Board and no member of Energa SA's Management Board held any Company shares, Company share options or any shares in the Company's related parties.

## **Statement of the Management Board**

The Management Board of Energa SA hereby represents that:

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

b) KPMG Audyt Sp. z o.o. Sp.k., an entity authorized to audit financial statements, which reviewed the Condensed interim consolidated financial statements of the Energa Group and the Standalone interim financial statements of Energa SA for the first half of 2019 was selected in accordance with the applicable regulations. The said entity and the statutory auditors who reviewed the said statements met the conditions for expressing an unbiased and independent opinion on the reviewed interim condensed consolidated financial statement and reviewed interim condensed standalone financial statement, in accordance with the governing law and professional standards.

Gdańsk, 27 September 2019

### **Signatures of Energa SA Management Board Members**

Grzegorz Ksepko

Acting President of the Energa SA Management Board

Jacek Kościelniak

Vice-President of the Energa SA Management Board for Finance

Dominik Wadecki

Vice-President of the Energa SA Management Board for Operations

Paweł Szawłowski

Director of the Finance Department

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## Glossary of terms and abbreviations

Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and residues from agriculture, forestry and related industries, as well as the biodegradable fraction of other waste, in particular agricultural raw materials
CAPEX (Capital Expenditures)	Capital expenditures
CIRS, CCIRS (Currency Interest Rate Swap, Cross-Currency Interest Rate Swap)	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 <sub>2</sub>	Carbon dioxide
EIB (European Investment Bank)	European Investment Bank
EBITDA (Earnings before interest, taxes, depreciation and amortization)	Energa SA defines EBITDA as operating profit/loss plus depreciation/amortisation and impairment of non-financial non-current assets.
EBIT (earnings before interest and taxes)	Operating profit
Energa SA, Energa	Parent company in the Energa Group of Companies
Energa Operator, EOP	Energa Operator SA – a subsidiary of Energa SA and the Leading Entity of the Distribution Business Line in the Energa Group.
Energa Obrót, EOB	Energa Obrót SA – a subsidiary of Energa SA and the Leading Entity of the Sales Business Line in the Energa Group
EMTN (Euro Medium Term Notes)	The Euro Medium Term Notes programme
EUA (European Union Allowance)	emission allowances
EUR	Euro, currency used in European Union's eurozone countries
WSE	Giełda Papierów Wartościowych w Warszawie SA (the Warsaw Stock Exchange).
Energa Group of Companies, Energa Group	A Group of Companies engaged in distribution, trade and generation of electricity and heat. It also conducts activity related to street lighting, design, procurement of materials, grid-related services, specialized transport, hotel and IT services
Tariff group	Group of customers off-taking electricity or heat or using electricity or heat supply services with respect to which a single set of prices or fee rates along with their terms and conditions are applicable
GUS	Central Statistical Office
GW	Gigawatt, unit of power in the International System of Units, 1 GW = 10 <sup>9</sup> W
GWe	Gigawatt of electrical power
GWh	Gigawatt hour
IRM	Stimulated Demand Reduction
IRS (Interest Rate Swap)	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
Co-generation, 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)	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 <sup>6</sup> 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 the gaseous transmission system or in the electrical energy transmission system, current and long-term operational safety of this system, operation, maintenance, refurbishment and required expansion of the transmission grid, including connections with other gaseous systems or other electrical power systems

OZEX_A	Volume-weighted average price 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 co-generation
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)	System Average Interruption Duration Index
SAIFI (System Average Interruption Frequency Index)	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 co-generation	A document issued by the President of the URE pursuant to Article 9I of the Energy Law confirming that electricity has been generated in high-efficiency co-generation in: (i) a gas-fired co-generation unit or a co-generation unit with a total installed electrical capacity at source under 1 MW (known as the yellow certificate), (ii) a co-generation 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 co-generation 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.
TPA (Third Party Access)	The rule which means the ability to use the power grid of a power company without an obligation to buy electricity from that company
TWh	Terawatt hour, a multiple of the SI unit of electricity. 1 TWh equals 10 <sup>9</sup> kWh.
URE	Energy Regulatory Office
WACC (weighted average cost of capital)	Weighted average cost of capital
WIBOR (Warsaw Interbank Offered Rate)	Warsaw Interbank Offered Rate
RAB	Regulatory Asset Base
Co-firing	Electricity or heat generation based on a joint, simultaneous process of biomass or biogas combustion with other fuels in one device; part of the energy generated in the above manner may be considered as energy produced from a renewable energy source