



Energa

ENERGA SA

**Condensed interim
financial statements
prepared in accordance
with IAS 34
for the three-month
period ended
31 March 2020**

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CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

	3-month period ended 31 March 2020 (unaudited)	3-month period ended 31 March 2019 (unaudited)
Sales revenues	27	23
Cost of sales	(20)	(17)
Gross profit on sales	7	6
Other operating income	2	2
General and administrative expenses	(30)	(26)
Other operating expenses	(11)	(4)
Other financial income	64	58
Financial costs	(96)	(80)
Loss before tax	(64)	(44)
Income tax	12	12
Net loss for the period	(52)	(32)
Loss per share (in PLN)		
Loss per share (basic and diluted)	(0.13)	(0.08)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended 31 March 2020 (unaudited)	3-month period ended 31 March 2019 (unaudited)
Net profit/(loss) for the period	(52)	(32)
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Cash flow hedges	(105)	(22)
Deferred income tax	20	4
Net other comprehensive income	(85)	(18)
Total comprehensive income	(137)	(50)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As at 31 March 2020 (unaudited)	As at 31 December 2019
ASSETS		
Non-current assets		
Intangible assets	17	14
Right-of-use assets	50	50
Shares in subsidiaries, associates and joint ventures	6,715	6,715
Bonds	1,719	1,719
Other long-term financial receivables	2,716	2,764
Deferred tax assets	58	39
Derivative financial instruments	1	3
Other non-current assets	161	160
	11,437	11,464
Current assets		
Cash pooling receivables	1,814	831
Trade receivables and other receivables financial receivables	326	310
Bonds	67	41
Current tax receivables	30	37
Cash and cash equivalents	551	822
Derivative financial instruments	-	26
Other current assets	40	42
	2,828	2,109
TOTAL ASSETS	14,265	13,573

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	As at 31 March 2020 (unaudited)	As at 31 December 2019
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	4,522	4,522
Reserve capital	1,018	1,018
Supplementary capital	2,035	2,035
Cash flow hedge reserve	(137)	(52)
Non-covered losses	(382)	(330)
Total equity	7,056	7,193
Non-current liabilities		
Loans and borrowings	2,879	2,398
Liabilities on account of the issue of debt securities	1,138	1,065
Deferred income and non-current grants	50	52
Derivative financial instruments	55	72
Long-term lease liabilities	43	41
Other non-current financial liabilities	1	-
	4,166	3,628
Current liabilities		
Cash pooling liabilities	119	192
Trade and other financial liabilities	17	19
Short-term lease liabilities	13	11
Current part of loans and borrowings	2,824	2,459
Liabilities on account of the issue of debt securities	22	10
Deferred income and grants	10	11
Accruals	12	11
Other current liabilities	26	39
	3,043	2,752
Total liabilities	7,209	6,380
TOTAL EQUITY AND LIABILITIES	14,265	13,573

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Capital reserve	Capital supplementary	Cash flow hedge reserve	Retained earnings/non-covered losses	Total equity
As at 1 January 2020	4,522	1,018	2,035	(52)	(330)	7,193
Cash flow hedges	-	-	-	(85)	-	(85)
Net loss for the period	-	-	-	-	(52)	(52)
Total comprehensive income for the period	-	-	-	(85)	(52)	(137)
As at 31 March 2020 (unaudited)	4,522	1,018	2,035	(137)	(382)	7,056
As at 1 January 2019	4,522	1,018	1,540	(34)	539	7,585
Cash flow hedges	-	-	-	(18)	-	(18)
Net loss for the period	-	-	-	-	(32)	(32)
Total comprehensive income for the period	-	-	-	(18)	(32)	(50)
As at 31 March 2019 (unaudited)	4,522	1,018	1,540	(52)	507	7,535

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	3-month period ended 31 March 2020 (unaudited)	3-month period ended 31 March 2019 (unaudited)
Cash flows from operating activities		
Loss before tax	(64)	(44)
Adjustments for:		
Loss on foreign exchange	108	-
Loss on investing activities	4	1
Amortization and depreciation	4	4
Net interest and dividends	7	28
Changes in working capital:		
Change in receivables	11	26
Change in liabilities excluding loans, borrowings and bonds	44	45
Change in prepayments and accruals	(4)	(2)
	110	58
Income tax paid	(56)	(65)
Net cash from operating activities	54	(7)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(7)	(4)
Proceeds from bond redemption by subsidiaries	1	179
Purchase of shares in subsidiaries, associates and joint ventures	-	(181)
Cash pooling expenditures	(1,056)	(962)
Interest received	25	102
Loan repayment	71	-
Loan granted	(17)	-
Capital contribution	(5)	-
Other	5	(30)
Net cash from investing activities	(983)	(896)
Cash flows from financing activities		
Repayment of loans and advances	(1,787)	(46)
Receipts from borrowings	2,500	-
Interest paid	(64)	(74)
Repayment of lease liabilities	(2)	(2)
Net cash from financing activities	647	(122)
Net decrease in cash and cash equivalents	(282)	(1,025)
Cash and cash equivalents at the beginning of the period	826	2,065
Cash and cash equivalents at the end of the period	544	1,040

ACCOUNTING PRINCIPLES (POLICIES) AND OTHER EXPLANATORY INFORMATION**1. General information**

These Condensed Interim Separate Financial Statements of Energa SA ("Company") cover the three-month period ended 31 March 2020 and contain the relevant comparative data.

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

As at 31 March 2020, the Company is controlled by the State Treasury. Since December 2013, the Company's shares have been publicly traded.

The core business of the Company is that of a holding company. The Company is the parent entity of the Energa SA Group. In order to achieve full understanding of the financial position and results of the Company as the parent entity in the Group, these financial statements should be read in conjunction with the condensed interim consolidated financial statements for the period ended 31 March 2020. These statements are available on the Company's website.

2. Composition of the Company's Management Board

Until these financial statements were prepared, the composition of the Management Board of Energa SA was as follows:

- 1) from 17 December 2019 to 16 January 2020:
 - Jacek Goliński - President of the Management Board;
 - Jacek Kościelniak - Vice-President of the Management Board for Financial Matters;
 - Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters;
 - Dominik Wadecki - Vice-President of the Management Board for Operational Matters;
 - Adrianna Sikorska - Vice-President of the Management Board for Communication Matters;
- 2) from 17 January 2020 to 9 February 2020:
 - Jacek Goliński - President of the Management Board;
 - Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters;
 - Dominik Wadecki - Vice-President of the Management Board for Operational Matters;
 - Adrianna Sikorska - Vice-President of the Management Board for Communication Matters;
- 3) from 10 February 2020 to 14 March 2020:
 - Jacek Goliński - President of the Management Board;
 - Marek Kasicki - Vice-President of the Management Board for Financial Matters;
 - Grzegorz Ksepko - Vice-President of the Management Board for Corporate Matters;
 - Dominik Wadecki - Vice-President of the Management Board for Operational Matters;
 - Adrianna Sikorska - Vice-President of the Management Board for Communication Matters;
- 4) from 15 March 2020 to 6 May 2020:
 - Jacek Goliński - President of the Management Board;
 - Marek Kasicki - Vice-President of the Management Board for Financial Matters;
 - Dominik Wadecki - Vice-President of the Management Board for Operational Matters;
 - Adrianna Sikorska - Vice-President of the Management Board for Communication Matters;
- 5) from 7 May 2020 until the date of these financial statements:
 - Jacek Goliński - President of the Management Board;
 - Marek Kasicki - Vice-President of the Management Board for Financial Matters;
 - Dominik Wadecki - Vice-President of the Management Board for Operational Matters;
 - Adrianna Sikorska - Vice-President of the Management Board for Communication Matters;
 - Iwona Waksmundzka-Olejniczak - Vice-President of the Management Board for Corporate Matters.

3. Approval of the financial statements

These financial statements and consolidated financial statements of the Energa SA Group were approved for issue by the Company's Management Board on 9 June 2020.

4. Basis for preparation of the financial statements

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

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

4.1. Statement of compliance

These financial statements have been prepared in accordance with the International Accounting Standard 34: Interim financial reporting as endorsed by the European Union ("EU"). They do not contain all the information required in the full financial statements according to the International Financial Reporting Standards ("IFRS"), however, selected notes are included to explain the events and transactions that are relevant to the understanding of the changes in the Company's financial position and performance since the most recent annual separate financial statements as at and for the year ended 31 December 2019.

4.2. Functional and presentation currency

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

5. Significant accounting policies

The Company's accounting policy is applied consistently. Its material accounting principles are the same as those described in the 2019 financial statements, except for changes resulting from amendments in EU IFRSs.

6. New standards and interpretations

6.1. Standards and interpretations applied in 2020 for the first time

The following amendments to the existing standards published by the IASB and endorsed in the EU came into force in 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020);
- Amendment to IFRS 3 "Business Combinations", definition of business (applicable to business combinations where the date of takeover falls at the start of the first annual period beginning on or after 1 January 2020 and to acquisitions of assets occurring on or after the start day of the aforesaid annual period);
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – definition of material (effective for annual periods beginning on or after 1 January 2020);
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7 (effective for annual periods beginning on or after 1 January 2020).

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

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

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IAS 1 "Presentation of Financial Statements" – classification of liabilities as short-term or long-term (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 16 Leases – Covid-19-Related Rent Concessions (applicable to annual periods beginning on or after 1 June 2020);

In the event that the above-mentioned standards are implemented, the Company does not anticipate the related changes to have a significant impact on its statements.

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

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

NOTES TO CONDENSED INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION

8. Shares in subsidiaries, associates and joint ventures

Name and legal form	Registered office	Value of shares in ledgers of Energa SA	Share of Energa SA in the share capital, in all votes and in management (%)
Subsidiaries			
Energa-Operator SA	Gdańsk	4,471	100.00
Energa OZE SA	Gdańsk	989	100.00
Energa-Obrót SA	Gdańsk	331	100.00
Energa Kogeneracja Sp. z o.o.	Elbląg	308	64.59
Energa Oświetlenie Sp. z o.o.	Sopot	234	100.00
Energa Finance AB (publ)	Stockholm	103	100.00
Energa Invest Sp. z o.o.	Gdańsk	68	100.00
CCGT Grudziądz Sp. z o.o.	Grudziądz	41	100.00
Energa Informatyka i Technologie Sp. z o.o.	Gdańsk	37	100.00
CCGT Gdańsk Sp. z o.o.	Gdańsk	22	100.00
Energa Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	6	100.00
Enspirion Sp. z o.o.	Gdańsk	5	100.00
Energa Ochrona Sp. z o.o.	Gdańsk	1	100.00
Energa Logistyka Sp. z o.o.	Płock	-	100.00
Energa Serwis Sp. z o.o.	Ostrołęka	-	14.09
Other companies	-	<1	-
Associates			
Polimex-Mostostal SA	Warsaw	82	16.48
ElectroMobility Poland SA	Warsaw	17	25.00
Joint ventures			
Elektrownia Ostrołęka Sp. z o.o.	Ostrołęka	-	50.00
Total value of shares		6,715	

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

Impairment tests for shares

In Q1 2020, there were no indications that could result in a decrease in recoverable value of shares, so there was no need for an impairment test.

9. Cash and cash equivalents

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

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

	As at 31 March 2020 (unaudited)	As at 31 March 2019 (unaudited)
Cash in bank	551	538
Short-term deposits up to 3 months	-	500
Total cash and cash equivalents presented in the statement of financial position, including:	551	1,038
Unrealized foreign exchange differences and interest	(7)	2
Total cash and cash equivalents presented in the statement of cash flows	544	1,040

Due to the application of the split payment mechanism, the Company restricted cash holdings are less than PLN 1 m.

10. Dividends

By the date of approval of these financial statements for publication, no decision had been made as to the distribution of the 2019 profit.

NOTES ON FINANCIAL INSTRUMENTS

11. Financial instruments

11.1. Carrying value of financial instruments by category and class

As at 31 March 2020 (unaudited)	Financial assets measured at fair value through profit or loss	Financial assets and liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Cash pooling receivables	-	1,814	-	-	1,814
Cash and cash equivalents	-	551	-	-	551
Derivative financial instruments	1	-	-	-	1
Shares in subsidiaries, associates and joint ventures	-	-	-	6,715	6,715
Bonds	-	1,786	-	-	1,786
Lease receivables	-	-	-	89	89
Other financial receivables	201	2,799	-	-	3,000
Trade receivables	-	19	-	-	19
Capital contributions	-	85	-	-	85
TOTAL	202	7,054	-	6,804	14,060
Liabilities					
Loans and borrowings	-	5,703	-	-	5,703
Preferential loans and borrowings	-	1,057	-	-	1,057
Loans and borrowings	-	4,646	-	-	4,646
Liabilities on account of the issue of debt securities	-	1,160	-	-	1,160
Derivative financial instruments	-	-	55	-	55
Liabilities under lease	-	-	-	56	56
Trade liabilities and other financial liabilities	-	18	-	-	18
Trade liabilities	-	13	-	-	13
Liabilities on purchase of property, plant and equipment and intangible assets	-	3	-	-	3
Capital contribution liabilities	-	2	-	-	2
Cash pooling liabilities	-	119	-	-	119
TOTAL	-	7,000	55	56	7,111

As at 31 December 2019	Financial assets measured at fair value through profit or loss	Financial assets and liabilities measured at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Cash pooling receivables	-	831	-	-	831
Cash and cash equivalents	-	822	-	-	822
Derivative financial instruments	5	-	24	-	29
Shares in subsidiaries, associates and joint ventures	-	-	-	6,715	6,715
Bonds	-	1,760	-	-	1,760
Lease receivables	-	-	-	94	94
Other financial receivables	178	2,866	-	-	3,044
Trade receivables	-	7	-	-	7
Capital contributions	-	78	-	-	78
TOTAL	183	6,364	24	6,809	13,380
Liabilities					
Loans and borrowings	-	4,857	-	-	4,857
Preferential loans and borrowings	-	1,095	-	-	1,095
Loans and borrowings	-	3,762	-	-	3,762
Liabilities on account of the issue of debt securities	-	1,075	-	-	1,075
Derivative financial instruments	-	-	72	-	72
Liabilities under lease	-	-	-	52	52
Trade liabilities and other financial liabilities	-	19	-	-	19
Trade liabilities	-	13	-	-	13
Liabilities on purchase of property, plant and equipment and intangible assets	-	6	-	-	6
Cash pooling liabilities	-	192	-	-	192
TOTAL	-	6,143	72	52	6,267

11.2. Fair value of financial instruments

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

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

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

	As at 31 March 2020 (unaudited) Level 2	As at 31 December 2019 Level 2
Assets		
Loan receivables	201	178
Hedging derivatives (CCIRS/IRS)	-	24
Other derivatives	1	5
Liabilities		
Hedging derivatives (CCIRS/IRS)	55	72

The fair value measurement of the receivable in respect of the non-bank loan was based on an analysis of future cash flows discounted using market interest rates prevailing on the balance sheet date, adjusted by a 10% margin reflecting the specific risk attached to the loan-financed project.

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

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

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

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

Loan from Energa Finance AB (publ)	Carrying amount	Fair value Level 2
As at 31 March 2020 (unaudited)	1,417	1,480
As at 31 December 2019	2,995	3,040

Hybrid bond issue	Carrying amount	Fair value Level 2
As at 31 March 2020 (unaudited)	1,160	1,140
As at 31 December 2019	1,075	1,062

The fair value measurement of liabilities under loans and hybrid bond issue has been estimated on the basis of an analysis of future cash flows discounted using market interest rates updated for 31 March 2020.

11.4. Description of material items in individual categories of financial instruments**11.4.1. Financial assets****Financial assets measured at amortized cost**

Financial instruments classified by the Company as financial assets measured at amortised cost comprise primarily purchased bonds, loans granted, other than described in point 11.2, cash and cash equivalents and cash pooling receivables.

Purchased bonds, by issuer, as at 31 March 2020 and 31 December 2019 are presented in the table below:

	As at 31 March 2020 (unaudited)	As at 31 December 2019
Energa-Operator SA	1,101	1,084
Energa OZE SA	676	667
Energa Kogeneracja Sp. z o.o.	9	9
TOTAL, of which:	1,786	1,760
Long-term	1,719	1,719
Short-term	67	41

11.4.2. Financial liabilities

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

Loans and borrowings

Loans and borrowings contracted as at 31 March 2020 and 31 December 2019 are presented in the table below:

	As at 31 March 2020 (unaudited)		As at 31 December 2019	
Currency	PLN	EUR	PLN	EUR
Reference rate	WIBOR	Fixed	WIBOR	Fixed
Loan/borrowing amount				
in currency	4,286	311	1,862	703
in PLN	4,286	1,417	1,862	2,995
of which maturing in:				
up to 1 year (short-term)	2,818	6	315	2,144
1 to 2 years	315	501	315	-
2 to 3 years	294	-	301	-
3 to 5 years	537	273	582	255
over 5 years	322	637	349	596

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

Liabilities under bonds issued

Liabilities under bonds issued as at 31 March 2020 and 31 December 2019 are presented in the table below:

	As at 31 March 2020 (unaudited)		As at 31 December 2019	
Currency	PLN	EUR	PLN	EUR
Reference rate	WIBOR	Fixed	WIBOR	Fixed
Value of the issue				
in currency	-	255	-	252
in PLN	-	1,160	-	1,075
of which maturing in:				
up to 1 year (short-term)	-	22	-	10
3 to 5 years	-	569	-	532
over 5 years	-	569	-	533

Detailed information on bonds issued is provided in Note 11.5.

11.5 Available external financing

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

The external financing available as at 31 March 2020 is presented in the table below:

Financing institution	Type of liability	Purpose of financing	Date of the agreement	Financing limit (for the Energa SA Group)	Available financing amount	Nominal indebtedness of Energa SA as at 31.03.2020	Repayment date
European Investment Bank	Loan	Energa-Operator SA CapEx Program	16-12-2009	1,050	-	441	15-12-2025
European Investment Bank	Loan	Energa-Operator SA CapEx Program	10-07-2013	1,000	-	617	15-09-2031
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	29-04-2010	1,076	-	440	18-12-2024
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	26-06-2013	800	-	179	18-12-2024
Nordic Investment Bank	Loan	Energa-Operator SA CapEx Program	30-04-2010	200	-	49	15-06-2022
ENERGA Finance AB (publ)	Loan	Current operations	21-03-2013	501 ¹	-	501 ¹	28-02-2022
ENERGA Finance AB (publ)	Loan	Current operations	28-06-2017	910 ²	-	910 ²	28-02-2027
PKO Bank Polski SA	Credit limit	General corporate purposes	12-10-2011	300	300	-	07-06-2021
PKO Bank Polski SA	Bonds	Energa Elektrownie Ostrołęka SA CapEx Program	30-05-2012	100	31	-	31-12-2022
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	138	5 ³	19-09-2022
Bank PEKAO SA	Renewable loan	General corporate purposes	13-10-2011	500	-	500	29-05-2020
Bank PEKAO SA	Loan	Energa Elektrownie Ostrołęka SA CapEx Program	30-05-2012	85	-	8	29-05-2022
Nordic Investment Bank	Loan	Construction of Myślino Wind Farm	23-10-2014	68	-	41	15-09-2026
European Investment Bank	Hybrid bonds	Energa-Operator SA CapEx Program	04-09-2017	1,138 ⁴	-	1,138 ⁴	12-09-2037
Syndicated loan	Revolving loan	Financing corporate objectives of Energa SA, including financing ongoing operations and financing the investment programme, excluding capital expenditure on coal energy	17-09-2019	2,000	-	2,000	17-09-2024 ⁵
TOTAL				9,928	469	6,829	

¹ liability of EUR 110 m converted using the average NBP exchange rate of 31 March 2020

² liability of EUR 200 m converted using the average NBP exchange rate of 31 March 2020

³ value of limits awarded to Energa SA based on the concluded executive agreements (utilization of the global limit)

⁴ liability of EUR 250 m converted using the average NBP exchange rate of 31 March 2020

⁵ loan granted for a period of 5 years from the date of signing the agreement, with an option to extend it twice for 1-year periods, the designated date is the end date of the term of the contract, the loan is treated as short-term.

11.6. Cash flow hedge accounting

The special purpose vehicle Energa Finance AB (publ) and Energa SA have signed a loan agreement denominated in EUR for the amount of EUR 200 m. In order to hedge currency risk under these loan, in April 2017, the Company concluded cross-currency interest rate swap transaction with nominal value of EUR 200 m ("CCIRS III").

The Company designated the foreign currency risk arising from intra-group loans denominated in EUR as a hedged position under the above hedging relationships. Foreign currency risk is hedged at the level of 100% of the total nominal amount of loans.

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

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

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

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

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

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

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

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

In August 2019, the Company entered into another IRS transaction for:

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

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

The Company designated the IRS transactions under which the Company receives floating-rate cash flows in PLN and pays fixed-rate cash flows in PLN as the hedging instruments. Interest cash flows received by the Company correspond with interest cash flows under the hedged financial liabilities. The Company expects that the hedged cash flows will continue until June 2023 and not longer.

All held hedging instruments serve to hedge cash flows and relate to the financial instruments allocated to the same risk category. The presented hedging instruments relate to the liabilities arising under loans between Energa Finance AB and Energa SA, hybrid bonds from the European Investment Bank and credits from the European Investment Bank and the European Bank for Reconstruction and Development.

The fair value of hedging is as follows:

	Value	Recognition in the statement of financial position	Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period	Nominal amounts of hedging instrument in millions of EUR/PLN
As at 31 March 2020 (unaudited)				
CCIRS III	25	Liabilities – Derivative financial instruments	None	200
CCIRS IV	18	Liabilities – Derivative financial instruments	None	250
IRS	12	Liabilities – Derivative financial instruments	None	600
As at 31 December 2019				
CCIRS I	22	Assets – Derivative financial instruments	None	400
CCIRS II	2	Assets – Derivative financial instruments	None	25
CCIRS III	35	Liabilities – Derivative financial instruments	None	200
CCIRS IV	34	Liabilities – Derivative financial instruments	None	250
IRS	3	Liabilities – Derivative financial instruments	None	600

Under cash flow hedge accounting, the cash flow hedge reserve (the effective portion of changes in the value of the hedge, less deferred tax) decreased in the reporting period by PLN 85 m. The Company continued hedge accounting under IAS 39, and no ineffectiveness was identified in the period under review.

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

	3-month period ended 31 March 2020 (unaudited)	3-month period ended 31 March 2019 (unaudited)
At the beginning of the reporting period	(52)	(34)
Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments	(8)	(26)
Accrued interest transferred from the reserve to financial income/costs	4	5
Revaluation of hedging instruments transferred from the reserve to financial income/costs	(101)	(1)
Income tax on other comprehensive income	20	4
At the end of the reporting period	(137)	(52)

As at 31 March 2020, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

OTHER NOTES

12. Information on related entities

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

12.1. Transactions involving parties related to the State Treasury

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

12.2. Related party transactions (without State Treasury companies)

	3-month period ended 31 March 2020 (unaudited)	3-month period ended 31 March 2019 (unaudited)
Net revenue on the sale of products, goods and materials	27	23
Cost of purchase	4	3
Other financial income	56	53
Financial costs	24	30

	As at 31 March 2020 (unaudited)	As at 31 December 2019
Assets		
Non-current receivables	66	71
Other long-term financial receivables – subsidiaries	2,515	2,586
Other long-term financial receivables – joint ventures	201	178
Cash pooling receivables	1,814	831
Trade receivables	19	7
Other short-term financial receivables	307	302
Long-term bonds	1,719	1,719
Short-term bonds	67	41
Other current assets	6	4
Equity and liabilities		
Long-term loan liabilities	1,411	851
Long-term lease liabilities	1	1
Other non-current financial liabilities	1	-
Cash pooling liabilities	119	192
Short-term trade liabilities	3	3
Other short-term financial liabilities	3	6
Short-term lease liabilities	1	1
Current part of loans and borrowings	6	2,144
Other current liabilities	20	32

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

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

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

	3-month period ended 31 March 2020 (unaudited)	3-month period ended 31 March 2019 (unaudited)
Management Board	2	1
Supervisory Board	<1	<1
TOTAL	2	1

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

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

The amount of benefits paid or due to the senior management in the period from 1 January 2020 to 31 March 2020 was PLN 3 m, like in the corresponding period of the previous year.

12.5. Collateral securing repayment of liabilities

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

13. Contingent assets and liabilities

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

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

On 13 January 2020, under the agreement of 23 December 2019, Energa SA transferred a loan tranche of PLN 17 m to Elektrownia Ostrołęka Sp. z o.o.

Impact of COVID-19 on the Company's operations

On 11 March 2020, the World Health Organization (WHO) announced a SARS-CoV-2 coronavirus pandemic. On 14 March 2020, a state of epidemic emergency was declared in the territory of the Republic of Poland. On 20 March 2020, a state of epidemic was declared. The coronavirus outbreak will have a massive impact on the economic situation in Poland.

Despite the increase in uncertainty on a micro and macro scale for other entities, the epidemic is an event that occurred after the balance sheet date, and as such will not pose a threat to the Company as a going concern.

The Company has analysed events and conditions that individually or jointly might affect its operations, and in its opinion their adverse direct and indirect impact will not be material. The Company does not expect a significant drop in sales or collections from its counterparties (mainly entities from the Energa Group). Certain revenue streams might be deferred, but with no impact on the Company's liquidity.

As regards the financial activity, based on scenario analyses, the Company does not identify the risk of default on its obligations, including obligations under financing agreements. The Company also undertakes measures to protect the liquidity of the Energa Group in connection with changes in the market environment, as well as in relation to the credit facilities maturing in 2020. Intensive steps in this area are being taken with financial institutions, and the risk of failure has not been identified.

As regards marketing activities, the Company expects that some sponsoring agreements might need to be amended to extend their respective terms or to agree substitute performance with the sponsored entities. In consequence, part of revenues from Group entities, generated in connection with marketing services, might also be deferred.

As regards IT activity, if the COVID-19 epidemic is prolonged, the Company identifies potential risks related to delayed implementation of investment projects, and thus delayed receipt of new revenue streams planned in connection with these projects. The above situation may be caused by the unavailability of some employees, due to illness, the need to look after family members, or their assignment to the tasks related to ensuring continuity of critical business systems. In addition, the delivery of IT equipment to the Company's employees might be delayed due to supply chain disruptions at global manufacturers of such equipment. The Company also expects a possible increase in hardware and infrastructure costs, and in the cost of IT services as most users in the organization began to work from home.

In view of the above, in the Company's opinion there are no indications of any threat to the continuation of its business operations. In addition, the Company does not identify any direct impact of the current situation on its financial results at the end of the first quarter of 2020.

15. Subsequent events**New companies**

On 27 January 2020, ECARB Sp. z o.o. w organizacji with its registered office in Gdańsk was formed. The company was registered in the National Court Register (KRS) on 4 May 2020. On 11 May 2020, Energa SA entered into an agreement with Energa OZE SA to sell 1,275 shares in the company. As a result of the transaction, Energa SA holds 64.6% shares, and Energa OZE SA 35.4% shares in the share capital of ECARB Sp. z o.o.

Take-over of control over the Company by PKN ORLEN S.A.

On 5 December 2019, PKN ORLEN S.A. announced a tender offer for the shares of Energa SA. The offer price was set at PLN 7 per share. On 15 April 2020, the price was increased to PLN 8.35 per share.

On 26 February 2020, PKN ORLEN S.A. submitted to the European Commission a notification of a concentration in connection with the planned takeover of control over the Company. On 31 March 2020, it received the European Commission's decision approving the concentration. This satisfied the legal condition attached to the tender offer.

On 18 April 2020, an agreement was signed between PKN ORLEN S.A. and the State Treasury in relation to the planned take-over of control over the Company. The process of settlement of the acquisition of the Company's shares by PKN ORLEN S.A. was completed on 30 April 2020. As a result of the tender offer, PKN ORLEN S.A. acquired 331,313,082 shares of the Company, representing 80.01% of the latter's share capital and 85.20% of the total number of votes at its General Meeting.

In this way, PKN ORLEN S.A. took over control over the Company.

On 10 December 2019, in connection with the tender offer, Fitch Ratings Agency announced that it had placed Energa SA on Rating Watch Negative. According to Fitch Ratings, the decision reflected the risk of the Company becoming tightly linked with a lower rated capital group (BBB- vs. the Company's rating of BBB) following PKN ORLEN's S.A. tender offer for the Company's shares, as well as the risk of a breach of the change of control clauses in the Company's credit agreements.

The Energa Group has credit agreements with a number of domestic and international banks. As at the date of announcement of the tender offer, the finance documents contained change of control and rating downgrade clauses.

The Company took immediate steps to obtain the lender's consents to a waiver of the financial covenants relating to a potential breach of the change of control or rating downgrade clauses with the intention to obtain formal approvals for the events caused by execution of the tender offer. As at the balance sheet date, none of the credit institutions approached by the Company expressed any negative opinion about the Company's petition. However, at the time of preparation of these financial statements, the Company had obtained formal consent or concluded annexes to credit agreements providing for a waiver of the contractual financial covenants in relation to the change control and rating downgrade clauses with most of the lenders, i.e. the European Bank for Reconstruction and Development, the Nordic Investment Bank and five institutions which provided the Company with a syndicated loan.

On 29 May 2020, Fitch Ratings Agency downgraded long-term foreign- and local-currency Issuer Default Ratings (IDRs) for Energa SA from BBB to BBB- with a Stable Outlook, the rating for the bonds issued by the Company's subsidiary Energa Finance AB (publ) down to a BBB-, and the rating for Energa SA's hybrid bonds down to BB.

The Agency justifies the downgrade primarily by the Company's takeover by PKN ORLEN S.A.

Guarantee limits

On 16 April 2020, Energa SA signed with Energa Obrót SA and Bank Gospodarstwa Krajowego Annex No. 4 to the Agreement on Granting of Guarantees within Credit Facility No. 4619-01092 of 9 April 2019 whereby Bank Gospodarstwa Krajowego raised the awarded guarantee limit by the amount of PLN 700 m, i.e. up to the amount of PLN 1,400 m, making it available by 9 April 2021.

Ostrołęka C Power Plant

On 22 April 2020, Energa SA transferred a loan tranche in the amount of PLN 163 m to Elektrownia Ostrołęka Sp. z o.o. based on the agreement of 23 December 2019.

On 2 June 2020, the Management Board of Energa SA approved the final report from the analyses carried out in co-operation with ENEA S.A. concerning the technical, technological, economic, organizational and legal aspects and the continued financing of the project involving construction of a new coal-fired unit, i.e. the planned Ostrołęka C power plant in Ostrołęka with the capacity of approx. 1,000 MW (the Project). The conclusions from the analyses do not justify continuation of the Project in its existing form, i.e. as a project of construction of a power plant generating electricity in the process of hard coal combustion. As a consequence, the Company's Management Board declared its intention to continue the construction of a generating unit in Ostrołęka while changing the fuel source from coal to gas. On 2 June 2020, Energa SA, ENEA S.A. and PKN ORLEN S.A. entered into a trilateral agreement setting out the following key terms of cooperation under the Gas Project. Additional information is provided in Current Report no. 51/2020.

Management Board Members

Jacek Goliński
President of the Management Board

Marek Kasicki
Vice-President of the Management Board for Financial Matters

Dominik Wadecki
Vice-President of the Management Board for Operational Matters

Adrianna Sikorska
Vice-President of the Management Board for Communication Matters

Iwona Waksmundzka-Olejniczak
Vice-President of the Management Board for Corporate Matters

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Gdańsk, 9 June 2020