ENERGA SA
Group

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

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Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	3-month period ended 31 March 2020 (unaudited)	3-month period ended 31 March 2019 (unaudited)
Sales revenues	**3,286**	**2,971**
Revenue from the Price Difference Payout Fund	**3**	**-**
Cost of sales	(2,806)	(2,528)
Gross profit on sales	**483**	**443**
Other operating income	60	61
Selling and distribution expenses	(102)	(101)
General and administrative expenses	(100)	(93)
Other operating expenses	(34)	(19)
Financial income	16	10
Financial costs	(115)	(89)
Share in profit/(loss) of the entities measured by the equity method	(19)	9
Profit or loss before tax	**189**	**221**
Income tax	(78)	(35)
Net profit or loss for the period	**111**	**186**
Attributable to:		
Equity holders of the Parent Company	113	186
Non-controlling interest	(2)	-
Earnings or loss per share (in PLN)		
- basic	**0.27**	**0.45**
- diluted	**0.27**	**0.45**

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended 31 March 2020 (unaudited)	3-month period ended 31 March 2019 (unaudited)
Net profit for the period	**111**	**186**
Items that will never be reclassified to profit or loss	***6***	***(25)***
Actuarial gains and losses on defined benefit plans	7	(31)
Deferred income tax	(1)	6
Items that are or may be reclassified subsequently to profit or loss	***(81)***	***(18)***
Foreign exchange differences from translation of foreign entities	4	-
Cash flow hedges	(105)	(22)
Deferred income tax	20	4
Net other comprehensive income	**(75)**	**(43)**
Total comprehensive income	**36**	**143**
Attributable to:		
Equity holders of the Parent Company	38	143
Non-controlling interest	(2)	-

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2020 (unaudited)	As at 31 December 2019
ASSETS		
Non-current assets		
Property, plant and equipment	14,359	14,262
Intangible assets	219	223
Right-of-use assets	842	847
Goodwill	11	11
Investments in associated entities and joint ventures measured using the equity method	316	336
Deferred tax assets	311	262
Other non-current financial assets	207	190
Other non-current assets	145	144
	16,410	**16,275**
Current assets		
Inventories	1,017	756
Current tax receivables	51	61
Trade receivables	1,576	1,489
Contract assets	359	313
Other current financial assets	789	203
Cash and cash equivalents	647	1,461
Other current assets	694	409
	5,133	**4,692**
TOTAL ASSETS	**21,543**	**20,967**

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

	As at 31 March 2020 (unaudited)	As at 31 December 2019
EQUITY AND LIABILITIES		
Equity		
Share capital	4,522	4,522
Foreign exchange differences from translation of a foreign entity	4	-
Reserve capital	1,018	1,018
Supplementary capital	2,035	2,035
Cash flow hedge reserve	(137)	(52)
Retained earnings	1,849	1,730
Equity attributable to equity holders of the Parent Company	**9,291**	**9,253**
Non-controlling interest	**9**	**11**
	9,300	**9,264**
Non-current liabilities		
Loans and borrowings	1,950	2,047
Liabilities on account of the issue of debt securities	2,486	2,326
Non-current provisions	803	786
Deferred tax liability	776	738
Deferred income and non-current grants	299	296
Lease liabilities	614	637
Other non-current financial liabilities	67	82
	6,995	**6,912**
Current liabilities		
Trade liabilities	574	802
Contract liabilities	119	139
Current part of loans and borrowings	2,896	393
Liabilities on account of the issue of debt securities	28	2,219
Deferred income and grants	155	188
Short-term provisions	730	583
Other financial liabilities	187	235
Other current liabilities	559	232
	5,248	**4,791**
Total liabilities	**12,243**	**11,703**
TOTAL EQUITY AND LIABILITIES	**21,543**	**20,967**

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Parent Company								
	Share capital	Foreign exchange differences from translation of a foreign entity	Reserve capital	Supplementary capital	Hedge revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
As at 1 January 2020	**4,522**	**-**	**1,018**	**2,035**	**(52)**	**1,730**	**9,253**	**11**	**9,264**
Actuarial gains and losses on defined benefit plans	-	-	-	-	-	6	**6**	-	**6**
Foreign exchange differences from translation of foreign entities	-	4	-	-	-	-	**4**	-	**4**
Cash flow hedges	-	-	-	-	(85)	-	**(85)**	-	**(85)**
Net profit (loss) for the period	-	-	-	-	-	113	**113**	(2)	**111**
Total comprehensive income for the period	**-**	**4**	**-**	**-**	**(85)**	**119**	**38**	**(2)**	**36**
As at 31 March 2020 (unaudited)	**4,522**	**4**	**1,018**	**2,035**	**(137)**	**1,849**	**9,291**	**9**	**9,300**
As at 1 January 2019	**4,522**	**-**	**1,018**	**1,540**	**(34)**	**3,249**	**10,295**	**61**	**10,356**
Actuarial gains and losses on defined benefit plans	-	-	-	-	-	(25)	**(25)**	-	**(25)**
Cash flow hedges	-	-	-	-	(18)	-	**(18)**	-	**(18)**
Net profit (loss) for the period	-	-	-	-	-	186	**186**	-	**186**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(18)**	**161**	**143**	**-**	**143**
As at 31 March 2019 (unaudited)	**4,522**	**-**	**1,018**	**1,540**	**(52)**	**3 410**	**10,438**	**61**	**10,499**

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

CONDENSED INTERIM CONSOLIDATED 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		
Profit/(loss) before tax	**189**	**221**
Adjustments for:		
Share in (profit)/loss of entities measured by the equity method	19	(9)
Foreign currency (gains)/losses	134	1
Amortization and depreciation	264	264
Net interest and dividends	81	76
(Profit)/loss on investing activities, including goodwill impairment allowance	3	(2)
Changes in working capital:		
Change in receivables	(671)	(247)
Change in contract assets	(46)	(3)
Change in inventories	(262)	(214)
Change in liabilities excluding loans and borrowings	105	86
Change in contract liabilities	(20)	43
Change in prepayments and accruals	(355)	(303)
Change in provisions	162	(59)
	(397)	**(146)**
Income tax	**(59)**	**(72)**
Net cash from operating activities	**(456)**	**(218)**
Cash flows from investing activities		
Disposal of property, plant and equipment and intangible assets	-	2
Purchase of property, plant and equipment and intangible assets	(379)	(490)
Investments in associated entities and joint ventures measured using the equity method	-	(181)
Loans granted	(20)	-
Net cash from investing activities	**(399)**	**(669)**
Cash flows from financing activities		
Proceeds from debt incurred	2,500	-
Repayment of debt incurred	(97)	(47)
Redemption of debt securities	(2,198)	(1)
Repayment of lease liabilities	(32)	(11)
Interest paid	(142)	(132)
Grants received	7	-
Net cash from financing activities	**38**	**(191)**
Net increase/(decrease) in cash and cash equivalents	**(817)**	**(1,078)**
Cash and cash equivalents at the beginning of the period	**1,457**	**2,726**
Cash and cash equivalents at the end of the period	**640**	**1,648**

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

ACCOUNTING PRINCIPLES (POLICIES) AND OTHER EXPLANATORY INFORMATION

1. General information

The Energa SA Group (the "Group") consists of **Energa Spółka Akcyjna** ("Parent Company", "Company") with its registered office in Gdańsk and its subsidiaries (see Note 2). The condensed interim consolidated financial statements of the Group cover the three months ended 31 March 2020 and contain appropriate comparative data.
The Parent Company is entered in the Register of Entrepreneurs of the National Court Register held by the District Court Gdańsk-Północ, 7th Commercial Division of the National Court Register under number KRS 0000271591. The Parent Company's REGON statistical number is 220353024.

Core operations of the Group companies are as follows:

1. distribution and sales of electricity and heat,
2. production of electricity and heat,
3. trading in electricity.

As at 31 March 2020, the Polish State Treasury is the parent and ultimate controlling party of the Company and the Energa SA Group.

2. Composition of the Group, and joint ventures and associates

2.1. Composition of the Group at the end of the reporting period

As at 31 March 2020 the Group consisted of ENERGA SA and the following subsidiaries:

No	Company name	Registered office	Line of business	% held by the Group in share capital as at	
				31 March 2020	31 December 2019
Distribution Business Line (Segment)					
1	Energa-Operator SA	Gdańsk	distribution of electricity	100	100
2	Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o.	Słupsk	contracting and design	100	100
Sales Business Line (Segment)					
3	ENERGA-OBRÓT SA	Gdańsk	trading in electricity	100	100
4	ENERGA Oświetlenie Sp. z o.o.	Sopot	lighting services	100	100
5	ENERGA Slovakia s.r.o.	Bratislava	trading in electricity	100	100
Generation Business Line (Segment)					
6	ENERGA SA	Gdańsk	production of energy	100	100
7	ENERGA Elektrownie Ostrołęka SA	Ostrołęka	production of energy	89.64	89.64
8	Energa Kogeneracja Sp. z o.o.	Elbląg	production of energy	100	100
9	ENERGA Ciepło Ostrołęka Sp. z o.o.	Ostrołęka	distribution of heat	100	100
10	ENERGA Serwis Sp. z o.o.	Ostrołęka	repairs and maintenance services	94.81	94.81
11	ENERGA Ciepło Kaliskie Sp. z o.o.	Kalisz	distribution of heat	91.24	91.24
12	CCGT Grudziądz Sp. z o.o.	Grudziądz	production of energy	100	100
13	CCGT Gdańsk Sp. z o.o.	Gdańsk	production of energy	100	100

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

No	Company name	Registered office	Line of business	% held by the Group in share capital as at	
				31 March 2020	31 December 2019
Other Business Line (Segment)					
14	Energa Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	accounting, payroll and administrative services	100	100
15	ENERGA Finance AB (publ)	Stockholm	financing activity	100	100
16	ENERGA Informatyka i Technologie Sp. z o.o.	Gdańsk	information and communication technologies	100	100
17	Enspirion Sp. z o.o.	Gdańsk	organization and management of development of innovative power projects	100	100
18	Energa Logistyka Sp. z o.o.	Płock	logistics and supply	100	100
19	ENERGA Invest Sp. z o.o.	Gdańsk	investment project management	100	100
20	Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o.	Gdańsk	development activity in engineering	100	100
21	ENERGA Ochrona Sp. z o.o.	Gdańsk	security activities	100	100
22	ECARB Sp. z o.o. w organizacji [1]	Gdańsk	financing activity	100	-

[1] On 4 May 2020, the company was registered in the National Court Register (KRS). 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.

Additionally, as at 31 March 2020 the Group holds shares in joint ventures: Polska Grupa Górnicza Sp. z o.o. ("PGG"), Elektrownia Ostrołęka Sp. z o.o. (formerly Elektrownia Ostrołęka SA) and in associates Polimex-Mostostal S.A. ("Polimex") and ElectroMobility Poland SA (see description in Note 2.2).

2.2. Joint ventures and associates

2.2.1. Polska Grupa Górnicza

On 28 April 2016, the subsidiary ENERGA Kogeneracja Sp. z o.o. signed agreement defining the terms and conditions of the financial investment in Polska Grupa Górnicza Sp. z o.o. As part of the investment in PGG, Energa Kogeneracja Sp. z o.o. undertook to make contributions towards the newly-issued shares in PGG in the total amount of PLN 500 m. Payments to the capital were made.

On 31 March 2017, Energa Kogeneracja Sp. z o.o. signed an Investment Agreement changing the terms and conditions of the financial investment in Polska Grupa Górnicza Sp. z o.o. ("PGG").

The parties to the Investment Agreement are ENERGA Kogeneracja Sp. z o.o., ENEA S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGNiG TERMIKA S.A., Węglokoks S.A., Towarzystwo Finansowe Silesia Sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw [Polish Corporates Mutual Fund], Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych [Private Assets Closed-End Mutual Fund] (hereinafter jointly referred to as "Investors") and PGG.

The new Agreement amends and supplements the terms and conditions of the investment made by the existing PGG shareholders as defined in the first Investment Agreement signed by the existing shareholders and the company on 28 April 2016.

The transaction envisages a recapitalization of PGG by the Investors (excluding Węglokoks S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw Private Assets Closed-End Mutual Fund) for the total amount of PLN 1 bn in three tranches.

Under the new agreement, the Group undertook to subscribe for new shares with the total par value of PLN 100 m in exchange for a cash contribution made in three tranches: Payments totalling PLN 100 m were made leading to the acquisition of 15.32% of PGG's share capital.

Both the Investment Agreement of 28 April 2016 and the new Investment Agreement of 31 March 2017 provide for a number of mechanisms allowing investors to monitor the financial standing of PGG on an ongoing basis, which includes implementation of its business plan and taking of optimization measures, among others in the case of adverse changes in market conditions. These rights are exercised by PGG's Supervisory Board, while according to the Agreement, each shareholder in PGG has the right to appoint, dismiss and suspend one Supervisory Board member (as a personal entitlement), while there are 8 Supervisory Board members in total.

Additionally, PGE Górnictwo i Energetyka Konwencjonalna S.A., Energa Kogeneracja Sp. z o.o., PGNiG TERMIKA S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych [Polish Corporates

Closed-End Mutual Fund] (hereinunder jointly referred to as "New Investors" signed a memorandum of agreement regarding PGG ("Memorandum of Agreement"). The purpose of the Memorandum of Agreement is to increase control of New Investors over PGG, since they jointly hold the majority of votes at PGG's Shareholder Meeting. The Memorandum of Agreement assumes, among others, that a joint position will be agreed upon when the key decisions are made by PGG's General Meeting and its Supervisory Board. On 29 June 2016, the Office of Competition and Consumer Protection (UOKiK) issued his approval for the concentration involving acquisition of joint control over PGG by the New Investors based on the Memorandum of Agreement. On 31 March 2017, by the power of the new Investment Agreement, Enea S.A. joined the group of investors in PGG. On 22 December 2017, UOKiK issued its approval for the concentration resulting from Enea S.A. joining the Agreement.

On 29 December 2017, an entry was made in the National Court Register pertaining to the transformation of Polska Grupa Górnicza Sp. z o.o. into a joint stock company.

On 31 August 2018, Annex No. 1 to the Agreement was signed to regulate the mode of continuation of the investment in PGG and to adjust the provisions of the Agreement to PGG's altered legal form.

PGG produces coal and therefore it offers access to rich resources of energy fuel that can be used by the Group's production entities. The registered office of PGG is in Katowice.

PGG is a privately held company and therefore there are no market quotes for its share prices.

The investments in the consolidated financial statements amount to PLN 178 m as at 31 March 2020.

2.2.2. Polimex-Mostostal

On 18 January 2017, the Management Board of ENERGA SA along with ENEA S.A., PGE S.A., PGNiG Technologie S.A. ("Investors") and Polimex-Mostostal S.A. signed an investment agreement under which the Investors undertook to make an equity investment in Polimex. ENERGA SA subscribed to 37.5 m newly-issued shares with the par value of PLN 2 each, for the total amount of PLN 75 m and 1.5 m Polimex shares from SPV Operator sp. z o.o. which are approved for trading on WSE in a block transaction for the total amount of PLN 5.8 m. As a result of this transaction, its stake in the Company reached approximately 16.5%.

The investment agreement allows the investors to influence Polimex's financial and operational policy. These powers are exercised through the Supervisory Board. The Supervisory Board consists of 7 members.

Moreover, the Investors signed a memorandum of agreement relating to the investment in Polimex ("Memorandum of Agreement"). The purpose of the Memorandum of Agreement is to ensure increased control over Polimex to the Investors, who jointly hold the majority of votes at PGG's Shareholder Meeting (66%). The Memorandum of Agreement assumes, among others, that a joint position will be agreed upon by voting when the key decisions are made by the General Meeting and Supervisory Board of Polimex, including determination of the composition of Polimex's Management Board.

Because of the Investors' powers mentioned above that result in significant influence, the stake held in Polimex was classified as an associate measured by the equity method.

Polimex is an engineering and construction company, which is characterized by a broad range of services provided in the capacity of a general contractor. The Company's registered office is in Warsaw. Polimex is listed on the Warsaw Stock Exchange. At the session closing on 31 March 2020, the average stock price of Polimex was PLN 1.314; accordingly the fair value of the block of shares held by the Group was PLN 51 m. The carrying amount of Polimex's shares is PLN 124 m. As at 31 March 2020, the carrying amount was higher than the fair value, but the entity is of the opinion that the surplus is temporary in nature. In the case of a prolonged decline in the fair value, the entity will restate the carrying amount accordingly.

2.2.3. Ostrołęka Power Plant

On 8 December 2016, Energa SA and Elektrownia Ostrołęka SA signed an Investment Agreement regarding development of a new 1000 MW power unit in Ostrołęka ("Project"). It was a condition precedent to the performance of the Agreement to obtain the consent of the President of the Office of Competition and Consumer Protection for the concentration consisting in the acquisition by Enea SA of a 50% shareholding in the Special Purpose Vehicle, i.e. Elektrownia Ostrołęka SA. On 11 January 2017, the President of UOKiK issued an unconditional approval for the concentration and, consequently, on 1 February 2017, Energa SA and Enea SA signed an agreement on the purchase of shares by Enea SA.

On this basis, Energa SA and ENEA S.A. acquired joint control over company, whose purpose is to build and operate a new coal-fired unit.

On 27 February 2018, the transformation of Elektrownia Ostrołęka SA into a limited liability company (sp. z o.o.) was registered.

Energa SA and Enea SA hold each a 50% stake in Elektrownia Ostrołęka Sp. z o.o. and the same number of votes at the General Meeting. The Management Board and the Supervisory Board consist of the same number of representatives of both investors. Decisions on significant actions within the remit of the General Meeting require unanimous consent of both shareholders. Given the above, the investment was classified as a joint venture and is captured using the equity method.

Elektrownia Ostrołęka Sp. z o.o is a privately held company and, therefore, there are no market quotes for its share prices.

On 26 March 2018, an annex to the Investment Agreement was signed defining the maximum outlays on the part of Energa SA until the issuance of the notice to proceed (NTP) for the General Contractor.

On 21 December 2018 as a result of a capacity market auction for 2023 (the main auction) Elektrownia Ostrołęka Sp. z o.o. contracted a total of 853 MW capacity obligation (with a 15Y capacity contract in force since 2023). On 28 December 2018, the Company issued the NTP to the Project's General Contractor: the Consortium of GE Power Sp. z o.o. as the Consortium Leader and Alstom Power Systems SAS.

At the same time, on 28 December 2018, Energa SA, Enea SA and Elektrownia Ostrołęka Sp. z o.o. terminated the Investment Agreement of 8 December 2016 amended with Annex No. 1/2018 of 26 March 2018 and signed the Memorandum of Understanding the intention of which was to conclude a new investment agreement specifying the terms of their co-operation and financing of the project of construction of the new power unit in Ostrołęka in the construction phase. In accordance with the Agreement of 28 December 2018, Energa SA and Enea SA declared financial contribution to the development of the Ostrołęka

C Power Plant ("Project") in the amount of: PLN 1 bn (Enea SA) and not less than 1 bn (Energa SA). Under the Agreement of 28 December 2018, Energa SA and Enea SA have already transferred PLN 181 m each to Elektrownia Ostrołęka Sp. z o.o.

On 30 April 2019, Energa SA and Enea SA signed an Agreement on financing the construction of the Ostrołęka C power plant, specifying details of the financial contribution by Energa SA and Enea SA declared in the Agreement of 28 December 2018. The purpose of the Agreement is to specify the Project financing rules in order to ensure its smooth continuation. Under the Agreement, Energa SA and Enea SA agreed to provide Elektrownia Ostrołęka Sp. z o.o. with funds towards implementation of the Project in accordance with the Project's schedule (see Current Report No. 7/2019 for details of the Agreement).

Further to this, on 17 July 2019, Energa SA and Elektrownia Ostrołęka Sp. z o.o. entered into a loan agreement whereby Energa SA provided Elektrownia Ostrołęka Sp. z o.o. with a loan of PLN 76 m maturing on 31 December 2019. The loan was drawn in two tranches totalling PLN 58 m. On 30 September 2019, Energa SA assigned to Enea SA half of its receivables in respect of the loan. The assigned receivables amount was paid by Enea SA. In addition, pursuant to Annex 1 of 23 December 2019 and Annex 2 of 31 January 2020 and Annex 3 of 30 March 2020 to the above loan agreement, the lenders confirmed the maximum loan amount at PLN 58 m, extended the maturity date to 30 June 2020 and expressed their intention to convert the debt into an equity stake in Elektrownia Ostrołęka Sp. z o.o. on the date preceding the final loan repayment.

On 23 December 2019, Energa SA, Enea SA and Elektrownia Ostrołęka Sp. z o.o. signed a loan agreement constituting a partial performance by Energa of its obligations under the Agreement of 30 April 2019. The loan taken out by Elektrownia Ostrołęka Sp. z o.o. is maximum of PLN 340 m, and will be drawn in tranches, subject to a justified request by Elektrownia Ostrołęka Sp. z o.o. related to the implementation of the Project. The first tranche of PLN 160 m was disbursed on 23 December 2019, the second tranche of PLN 17 m on 13 January 2020, and the third tranche of PLN 163 m on 22 April 2020. Under the Loan Agreement, Energa SA conditionally sold to Enea SA a half of its receivables from Elektrownia Ostrołęka Sp. z o.o. in respect of the loan. The receivables sold will pass to Enea SA subject to the conditions precedent set out in the Agreement of 30 April 2019 on the later of 31 January 2021 or on the date of payment of the full price by Enea SA to Energa SA. After 31 January 2021, the receivables under the loan agreement may be converted by Energa SA and Enea SA into an equity stake in Elektrownia Ostrołęka Sp. z o.o.

At the same time, Energa SA and Enea SA agreed to negotiate the principles of cooperation in the shareholders' agreement/ investment agreement, which is to comprehensively define the structure and form of financing the Project.

On 13 February 2020, pursuant to the Agreement, Energa SA and Enea SA decided to suspend the financing for the Project of construction of a new coal-fired unit – the planned Ostrołęka C power plant in Ostrołęka with a capacity of approx. 1000 MW ("Project"). The financing is suspended in particular in connection with the need and for the time of conducting analyzes regarding further activities under the Project, including its further funding.

Energa SA and Enea SA assumed that the suspension of financing of the Project would necessitate suspension by Elektrownie Ostrołęka Sp. z o.o. its Contract of 12 July 2018 for the Construction of the Ostrołęka C Power Plant, as well as the Contract of 4 October 2019 for the reconstruction of the railway infrastructure for the operation of the Ostrołęka C Power Plant. The agreement does not affect the effectiveness of the existing agreements between Energa SA and Enea SA and between Energa SA and Enea S.A. and Elektrownia Ostrołęka Sp. z o.o.; in particular, it does not affect the current arrangements re the financing of the Project or the formula for settlements between Sponsors adopted on the basis of the December Agreement and the April Agreement.

On 14 February 2020, Elektrownia Ostrołęka Sp. z o.o. ordered its contractors to suspend the implementation of the above contract and agreement effective from 14 February 2020.

On 21 February 2020, Energa SA and Enea S.A. signed an arrangement on analyses during the period of suspension of works on the Ostrołęka C project.

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.

From the date of entry into force of the Investment Agreement until 31 March 2020, the total value of the capital contribution to the Company from Energa S.A. (the total price for the shares acquired by the Company) was PLN 351 m.

The investments in the consolidated financial statements amount to PLN 0 as at 31 March 2020.

2.2.4. ElektroMobility Poland

ElectroMobility Poland SA was founded in October 2016 by four Polish energy companies: Energa SA, PGE Polska Grupa Energetyczna SA, Enea SA and Tauron Polska Energia SA. Each of the Companies has a 25% stake in the firm's share capital. Until 31 March 2019, the total capital contributions to the firm from Energa SA (nominal value of the shares acquired) was PLN 17.5 m.

ElectroMobility Poland SA was classified as an associate accounted for using the equity method.

2.2.5. Other changes in the composition of the Group

On 27 January 2020, the Group formed ECARB Sp. z o.o. w organizacji with its registered office in Gdańsk. The application to register the entity was submitted to the competent court on 4 March 2020. The company was registered in the National Court Register on 4 May 2020. The Group holds 100% of shares in the company's share capital.

3. Composition of the Parent Company's Management Board

Until the day 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) in the period 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) in the period 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) in the period 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) in the period from 7 May 2020 until the day these financial statements were prepared:
   - 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.

4. Approval of the financial statements

These condensed interim consolidated financial statements were approved for issue by the Company's Management Board on 9 June 2020.

5. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

These condensed interim consolidated 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 condensed interim consolidated financial statements are presented in millions of Polish zloty ("PLN m") and have been prepared based on the assumption that the Group would continue as a going concern in the foreseeable future.

As at the date of these condensed interim financial statements there is no evidence indicating that the continuation of the Group's business activities as a going concern may be at risk.

5.1. Statement of compliance

These condensed interim consolidated financial statements of Energa SA Group have been prepared in accordance with the International Accounting Standard 34: Interim financial reporting as endorsed by the European Union. They do not include all the information required for a complete set of financial statements compliant with the International Financial Reporting Standards ("IFRS"). However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2019.

5.2. Functional and presentation currency

The functional currency of the parent company and other Polish companies covered by these condensed interim consolidated financial statements and the presentation currency of these condensed interim consolidated financial statements is the Polish zloty. For Energa Slovakia s.r.o. and Energa Finance AB (publ) the functional currency of their financial statements is the euro. For the purpose of these financial statements, the underlying accounts of the above-mentioned companies have been translated into PLN as follows: data in the statement of financial position, except equity - exchange rates at the reporting date; equity - exchange rates at the date of transaction; data in the statement of profit or loss - at the weighted average exchange rate for the financial period.
Exchange differences from translation were recognised in other comprehensive income.

6. Material items subject to judgment and estimates

During the current reporting period, no changes were made in the scope or methods used in determining significant estimates. Changes in estimates were attributable to the events occurring during the reporting period.

The preparation of the condensed interim consolidated financial statements in accordance with the International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union ("EU") requires the Management Board to adopt certain assumptions and estimates that affect the amounts reported in these condensed interim consolidated financial statements and notes thereto. The assumptions and estimates are based on the Management Board's best knowledge of current and future activities and events. However, actual results may differ from those anticipated.

7. Significant accounting policies

The Group's accounting policy is applied consistently, except for changes in EU IFRSs.

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

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” (applicable to annual periods beginning on or after 1 January 2020);
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – definition of material (effective for annual periods beginning on or after 1 January 2020);
- Interest rate benchmarks – amendments to IFRS 9, IAS 39 and IFRS 7 (applicable to annual periods beginning on or after 1 January 2020).

The above-mentioned amendments to the standards did not have a material effect on the Group's performance.

7.2. 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” (applicable to annual periods beginning on or after 1 January 2021).
- Amendments to IAS 1 Presentation of Financial Statements – classification of liabilities as current or non-current (applicable to 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 Group does not anticipate the related changes to have a significant impact on its financial statements.

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

Sales and distribution of electricity and heat during the year are subject to seasonal fluctuations. The volume of energy sold and distributed, and consequently revenue, rise during the winter months and fall in the summer months. This is dependent on the ambient temperature and length of the day. The extent of fluctuations is determined by low temperatures and shorter days in winter and higher temperatures and longer days in summer. The seasonal nature of electric energy sales and distribution applies to a greater extent to small individual customers than to industrial sector clients.

NOTES ON BUSINESS LINES (OPERATING SEGMENTS)

9. Business lines (operating segments)

The Group presents segment information in accordance with IFRS 8 Operating Segments for the current and for comparative reporting periods. The Group is organized and managed within operating segments, which are divided according to the types of products offered. The Group’s disclosures are divided into the following business segments which the Group calls business lines:

- Distribution – distribution of electricity by Energa-Operator SA (Distribution System Operator), as well as operations directly associated with the distribution operations conducted by other Group companies;
- Generation – production of electricity from conventional and renewable sources, production and distribution of heat andmaintenance and repair activity, related directly to the production of energy;
- Sales - trading in electricity (wholesale trading and retail sales) and lighting services;
- Other - shared services centers in the accounting, HR and payroll, administration and ITC areas as well as financial activity, real estate management, logistics, supply and safety areas. The parent company has also been classified as belonging to the other business line.

The key measures used by the Energa SA Management Board to assess the performance of business lines is net profit and EBITDA, i.e. operating profit /(loss) (calculated as the profit /(loss) before tax adjusted by the share of profit/(loss) of an entity measured using the equity method, financial revenues and financial expenses) plus amortisation and depreciation and impairment losses on non-financial non-current assets.

The rules applied to the determination of business line results and measure the business line’s assets and liabilities are consistent with the rules used to prepare the consolidated financial statements. The share in the result of the entities measured by the equity method is recognized in consolidation eliminations and adjustments.

Transactions between business lines are settled on market terms.

The Group does not present information by geographic segments since its operations conducted for international clients and its international assets do not have a significant impact on the Group’s results.

The tables below show the allocation of revenues and expenses for the period from 1 January to 31 March 2020 and the assets and liabilities as at 31 March 2020 by individual reporting segments, together with appropriate comparative information.

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

3-month period ended 31 March 2020 (unaudited) or as at 31 March 2020 (unaudited)	Distribution	Sales	Generation	Other	Total	Consolidation eliminations and adjustments	Total activity
Revenue							
Sales to external clients	1,130	1,911	221	24	**3,286**	-	**3,286**
Sales between business lines	16	9	76	108	**209**	(209)	**-**
Revenue from the Price Difference Payout Fund	-	3	-	-	**3**	-	**3**
Total business line revenue	**1,146**	**1,923**	**297**	**132**	**3,498**	**(209)**	**3,289**
EBITDA	**493**	**34**	**69**	**(26)**	**570**	**(2)**	**568**
Amortization and depreciation	210	13	38	7	**268**	(4)	**264**
Impairment losses on non-financial non-current assets	-	-	(3)	-	**(3)**	-	**(3)**
Operating profit or loss	**283**	**21**	**34**	**(33)**	**305**	**2**	**307**
Net finance income/expense	(49)	(6)	(14)	(33)	**(102)**	3	**(99)**
Share in profit/(loss) of the entities measured by the equity method	-	-	-	-	**-**	(19)	**(19)**
Profit or loss before tax	**234**	**15**	**20**	**(66)**	**203**	**(14)**	**189**
Income tax	(46)	(5)	(10)	(17)	**(78)**	-	**(78)**
Net profit or loss for the period	**188**	**10**	**10**	**(83)**	**125**	**(14)**	**111**
Assets and liabilities							
Cash and cash equivalents	8	60	19	560	**647**	-	**647**
Total assets	**14,228**	**3,596**	**4,234**	**15,008**	**37,066**	**(15,523)**	**21,543**
Financial liabilities	4,864	89	874	6,866	**12,693**	(4,677)	**8,016**
Other business line information							
Capital expenditure	266	6	52	6	**330**	1	**331**

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

3-month period ended 31 March 2019 (unaudited) or as at 31 December 2019	Distribution	Sales	Generation	Other	Total	Consolidation eliminations and adjustments	Total activity
Revenue							
Sales to external clients	1,061	1,603	277	30	**2,971**	-	**2,971**
Sales between business lines	13	129	101	111	**354**	(354)	**-**
Total business line revenue	**1,074**	**1,732**	**378**	**141**	**3,325**	**(354)**	**2,971**
EBITDA	**548**	**(95)**	**118**	**(16)**	**555**	**(1)**	**554**
Amortization and depreciation	202	13	46	8	**269**	(5)	**264**
Impairment losses on non-financial non-current assets	**-**	(1)	-	**-**	**(1)**	**-**	**(1)**
Operating profit or loss	**346**	**(107)**	**72**	**(24)**	**287**	**4**	**291**
Net finance income/expense	(41)	(1)	(13)	(24)	**(79)**	-	**(79)**
Share in profit/(loss) of the entities measured by the equity method	-	-	-	-	**-**	9	**9**
Profit or loss before tax	**305**	**(108)**	**59**	**(48)**	**208**	**13**	**221**
Income tax	(53)	20	(12)	11	**(34)**	(1)	**(35)**
Net profit or loss for the period	**252**	**(88)**	**47**	**(37)**	**174**	**12**	**186**
Assets and liabilities							
Cash and cash equivalents	8	62	15	1,376	**1,461**	-	**1,461**
Total assets	**13,987**	**2,658**	**4,099**	**14,869**	**35,613**	**(14,646)**	**20,967**
Financial liabilities	4,958	92	866	6,468	**12,384**	(4,723)	**7,661**
Other business line information							
Capital expenditure	334	9	22	6	**371**	(2)	**369**

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

3-month period ended 31 March 2020 (unaudited)	Distribution	Sales	Generation	Other	Total	Consolidation eliminations and adjustments	Total activity
Revenues on sales of products and goods for resale and materials, including:	**10**	**1,859**	**267**	**42**	**2,178**	**(106)**	**2,072**
Electricity	9	1,836	175	-	**2,020**	(82)	**1,938**
Certificates of origin	-	-	36	-	**36**	-	**36**
Gas	-	40	-	-	**40**	-	**40**
Other products, goods for resale and materials	1	1	56	42	**100**	(24)	**76**
Excise tax	-	(18)	-	-	**(18)**	-	**(18)**
Revenues on sales of services, including:	**1,136**	**61**	**30**	**90**	**1,317**	**(103)**	**1,214**
Distribution and transit services	1,104	-	11	-	**1,115**	(12)	**1,103**
Customer connection fees	11	-	-	-	**11**	-	**11**
Rental income	10	1	18	-	**29**	(4)	**25**
Other services	11	60	1	90	**162**	(87)	**75**
TOTAL	**1,146**	**1,920**	**297**	**132**	**3,495**	**(209)**	**3,286**
including:							
Revenue from goods, products and materials transferred or services provided on a continuous basis	1,113	1,858	186	-	**3,157**	(94)	**3,063**
Revenue from goods, products and materials transferred or services provided at a specific time	33	62	111	132	**338**	(115)	**223**

In the revenue presented for the year 2020, the estimated revenue from completion of contracts amounts to PLN 249 m.

3-month period ended 31 March 2019 (unaudited)	Distribution	Sales	Generation	Other	Total	Consolidation eliminations and adjustments	Total activity
Revenues on sales of products and goods for resale and materials, including:	**15**	**1,683**	**349**	**56**	**2,103**	**(268)**	**1,835**
Electricity	14	1,650	260	-	**1,924**	(226)	**1,698**
Certificates of origin	-	-	24	-	**24**	-	**24**
Gas	-	51	-	-	**51**	-	**51**
Other products, goods for resale and materials	1	2	65	56	**124**	(42)	**82**
Excise tax	-	(20)	-	-	**(20)**	-	**(20)**
Revenues on sales of services, including:	**1,059**	**49**	**29**	**85**	**1,222**	**(86)**	**1,136**
Distribution and transit services	1,030	-	11	-	**1,041**	(9)	**1,032**
Customer connection fees	11	-	-	-	**11**	-	**11**
Rental income	9	1	17	-	**27**	(4)	**23**
Other services	9	48	1	85	**143**	(73)	**70**
TOTAL	**1,074**	**1,732**	**378**	**141**	**3,325**	**(354)**	**2,971**
including:							
Revenue from goods, products and materials transferred or services provided on a continuous basis	1,044	1,681	271	-	**2,996**	(235)	**2,761**
Revenue from goods, products and materials transferred or services provided at a specific time	30	51	107	141	**329**	(119)	**210**

NOTES TO CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10. Property, plant and equipment

In the current reporting period, the Group:

- incurred expenditures towards property, plant and equipment in the amount of PLN 318 m (PLN 353 m in the corresponding period of 2019);
- sold and scrapped property, plant and equipment with a total carrying value of PLN 1 m (PLN 6 m in the corresponding period of 2019);

11. Impairment tests for property, plant and equipment and goodwill

In first quarter of 2020, no indications were found that could result in the drop in recoverable value of property, plant and equipment of the Energa Group companies, therefore it was concluded that no impairment tests were necessary.

12. Cash and cash equivalents

Cash at bank bears interest based on variable interest rates negotiated with the banks and depends on applicable interest rates for one-day bank deposits. Short-term deposits are made for different periods, from one day to three months, depending on the Group'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 at bank and in hand	646	713
Short-term deposits up to 3 months	1	933
Total cash and cash equivalents presented in the statement of financial position	**647**	**1,646**
Unrealized foreign exchange differences and interest	(7)	2
Total cash and cash equivalents presented in the statement of cash flows	**640**	**1,648**
including restricted cash	*82*	*98*

13. Earnings per share

There were no diluting instruments in the Parent Company and therefore diluted earnings per share are equal to basic earnings per share. The data used to calculate earnings per share are presented below.

	3-month period ended 31 March 2020 (unaudited)	3-month period ended 31 March 2019 (unaudited)
Net profit or loss attributable to shareholders of the parent company	113	186
Net profit or loss attributable to common equity holders of the parent company	**113**	**186**
Number of shares at the end of the reporting period (millions)	414	414
Number of shares used to calculate earnings per share (millions)	414	414
Earnings or loss per share (basic and diluted) (in PLN)	**0.27**	**0.45**

14. 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.

15. Provisions

15.1. Provisions for employee benefits

The Group recognises provisions for post-employment benefits and jubilee bonuses in amounts calculated using actuarial methods. The amount of provisions recognized in these financial statements derives from the projection of provisions as at 31 March 2020, carried out by an independent actuary. The projection was based on the main assumptions used to measure provisions as at 31 December 2019, except the updated discount rate and the expected growth rate of the energy equivalent. The discount rate used to project the provisions as at 31 March 2020 was assumed at 1.7% (2% as at 31 December 2019).

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

	Pension and similar benefits	Energy tariff	Company Social Benefit Fund	Jubilee bonuses	TOTAL
As at 1 January 2020	**168**	**221**	**51**	**261**	**701**
Current service cost	3	1	-	4	**8**
Actuarial gains and losses	6	(17)	4	6	**(1)**
Benefits paid	(2)	-	-	(4)	**(6)**
Interest costs	1	2	-	1	**4**
As at 31 March 2020 (unaudited), of which:	**176**	**207**	**55**	**268**	**706**
Short-term	**14**	**11**	**1**	**24**	**50**
Long-term	**162**	**196**	**54**	**244**	**656**

	Pension and similar benefits	Energy tariff	Company Social Benefit Fund	Jubilee bonuses	TOTAL
As at 1 January 2019	**132**	**186**	**31**	**218**	**567**
Current service cost	2	1	-	3	**6**
Actuarial gains and losses	9	19	3	11	**42**
Benefits paid	(2)	-	-	(4)	**(6)**
Interest costs	1	1	-	2	**4**
As at 31 March 2019 (unaudited), of which:	**142**	**207**	**34**	**230**	**613**
Short-term	**11**	**10**	**1**	**23**	**45**
Long-term	**131**	**197**	**33**	**207**	**568**

15.2. Other provisions

	Legal claims	Land reclamation and liquidation costs	Liabilities for gas emissions	Obligation relating to property rights	Other provisions	TOTAL
As at 1 January 2020	**128**	**78**	**174**	**96**	**192**	**668**
Interest costs	-	2	-	-	-	**2**
Recognized	5	6	36	149	16	**212**
Reversed	(4)	-	-	-	(42)	**(46)**
Used	-	-	-	-	(9)	**(9)**
As at 31 March 2020 (unaudited), of which:	**129**	**86**	**210**	**245**	**157**	**827**
Short-term	**113**	**-**	**210**	**245**	**112**	**680**
Long-term	**16**	**86**	**-**	**-**	**45**	**147**

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

	Legal claims	Land reclamation and liquidation costs	Liabilities for gas emissions	Obligation relating to property rights	Other provisions	TOTAL
As at 1 January 2019	**114**	**63**	**158**	**433**	**249**	**1,017**
Interest costs	-	1	-	-	-	**1**
Recognized	2	-	41	93	21	**157**
Reversed	(2)	-	-	-	(39)	**(41)**
Used	(1)	-	-	(149)	(40)	**(190)**
As at 31 March 2019 (unaudited), of which:	**113**	**64**	**199**	**377**	**191**	**944**
Short-term	**113**	**-**	**199**	**377**	**125**	**814**
Long-term	**-**	**64**	**-**	**-**	**66**	**130**

NOTES ON FINANCIAL INSTRUMENTS

16. Financial instruments

16.1. Carrying amount of financial instruments by category and class

As at 31 March 2020 (unaudited)	Measured at fair value through profit or loss for period	Hedging derivatives	Measured at amortized cost	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Trade receivables	-	-	1,576	-	**1,576**
Contract assets	-	-	359	-	**359**
Cash and cash equivalents	-	-	647	-	**647**
Other financial assets	202	-	794	-	**996**
Loans granted	201	-	-		**201**
Derivative financial instruments	1	-	-	-	**1**
Other	-	-	794	-	**794**
TOTAL	**202**	**-**	**3,376**	**-**	**3,578**
Liabilities					
Loans and borrowings	-	-	4,846	-	**4,846**
Preferential loans and borrowings	-	-	1,334	-	**1,334**
Loans and borrowings	-	-	3,512	-	**3,512**
Liabilities on account of the issue of debt securities	-	-	2,514	-	**2,514**
Trade liabilities	-	-	574	-	**574**
Contract liabilities	-	-	119	-	**119**
Other financial liabilities	-	55	157	656	**868**
Liabilities on purchase of property, plant and equipment and intangible assets	-	-	110	-	**110**
Derivative financial instruments	-	55	-	-	**55**
Dividend liabilities	-	-	2	-	**2**
Lease liabilities	-	-	-	656	**656**
Other	-	-	45	-	**45**
TOTAL	**-**	**55**	**8,210**	**656**	**8,921**

The Other Assets line item includes margins of PLN 610 m securing the transactions settled via IRGiT (Izba Rozliczeniowa Giełd Towarowych SA – Commodity Clearing House). As at 31 December 2019, the value of the margins was PLN 162 m.

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

As at 31 December 2019	Measured at fair value through profit or loss for period	Hedging derivatives	Measured at amortized cost	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Trade receivables	-	-	1,489	-	**1,489**
Contract assets	-	-	313	-	**313**
Cash and cash equivalents	-	-	1,461	-	**1,461**
Other financial assets	183	24	186	-	**393**
Loans granted	178	-	-		**178**
Derivative financial instruments	5	24	-	-	**29**
Other	-	-	186	-	**186**
TOTAL	**183**	**24**	**3,449**	**-**	**3,656**
Liabilities					
Loans and borrowings	-	-	2,440	-	**2,440**
Preferential loans and borrowings	-	-	1,376	-	**1,376**
Loans and borrowings	-	-	1,064	-	**1,064**
Liabilities on account of the issue of debt securities	-	-	4,545	-	**4,545**
Trade liabilities	-	-	802	-	**802**
Contract liabilities	-	-	139	-	**139**
Other financial liabilities	-	72	206	676	**954**
Liabilities on purchase of property, plant and equipment and intangible assets	-	-	160	-	**160**
Derivative financial instruments	-	72	-	-	**72**
Dividend liabilities	-	-	2	-	**2**
Lease liabilities				676	**676**
Other	-	-	44	-	**44**
TOTAL	**-**	**72**	**8,132**	**676**	**8,880**

16.2. Fair value of financial instruments

Financial instruments measured at fair value on an ongoing basis

Some of the Group'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 assets and financial liabilities categorised into three level hierarchy:

- level 1 – fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group 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.

	31 March 2020 (unaudited) Level 2	31 December 2019 Level 2
Assets		
Hedging derivatives (CCIRS I)	-	22
Hedging derivatives (CCIRS II)	-	2
Other derivatives	1	5
Loans granted	201	178
Liabilities		
Hedging derivatives (CCIRS III)	25	35
Hedging derivatives (CCIRS IV)	18	34
Hedging derivatives (IRS)	12	3

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.

Condensed interim consolidated financial statements as at and for the three-month period ended 31 March 2020 (in PLN m)

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.

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.

Liabilities arising from the issue of Eurobonds and hybrid bonds	Carrying amount	Fair value	
		Level 1	Level 2
As at 31 March 2020 (unaudited)	**2,514**	**1,326**	**1,140**
eurobonds	1,354	1,326	-
hybrid bonds	1,160	-	1,140
As at 31 December 2019	**4,545**	**3,482**	**1,062**
eurobonds	3,470	3,482	-
hybrid bonds	1,075	-	1,062

Fair value measurement of liabilities arising from the bonds issued in the Euro was estimated: in the case of Eurobonds on the basis of quotations from the Bloomberg system from 31 March 2020, which are determined based on transactions on the Luxembourg stock exchange and over-the-counter trading, while in the case of hybrid bonds based on the analysis of future cash flows discounted using the interest rates in effect as at 31 March 2020.

16.3. Financial liabilities

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

Loans and borrowings

	As at 31 March 2020 (unaudited)	As at 31 December 2019
Currency	PLN	
Reference rate	WIBOR, Rediscount rate	
Value of the loan/borrowing	**4,846**	**2,440**
of which maturing in:		
up to 1 year (short-term)	2,896	393
1 to 3 years	779	786
3 to 5 years	704	764
over 5 years	467	497

As at 31 March 2020 and 31 December 2019, the amount of credit limits available to the Group was PLN 5,321 m (90.9% used) and PLN 5,311 m (45.9% used), respectively.

Detailed information on contracted loans and borrowings is presented in Note 16.5.

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Liabilities under bonds issued

	As at 31 March 2020 (unaudited)	As at 31 December 2019
Currency	EUR	
Reference rate	fixed	
Value of the issue		
in currency	552	1,067
in PLN	2,514	4,545
of which maturing in:		
up to 1 year (short-term)	28	2,219
3 to 5 years	569	532
over 5 years	1,917	1,794

Detailed information on bonds issued is provided in Note 16.5.

16.4. Credit risks broken down by rating category and other categories relating to trade receivables and contract assets:

	As at 31 March 2020 (unaudited)			As at 31 December 2019		
	Weighted average credit losses	Gross value	Impairment loss	Weighted average credit losses	Gross value	Impairment loss
Highest client rating	0.0%	684	-	0.0%	684	-
Medium client rating	0.2%	139	-	0.2%	139	-
Lowest client rating	0.7%	60	(1)	0.7%	60	(1)

	As at 31 March 2020 (unaudited)			As at 31 December 2019		
	Weighted average credit losses	Gross value	Impairment loss	Weighted average credit losses	Gross value	Impairment loss
Clients with no rating in sales business line	1.7%	808	(14)	1.7%	737	(13)
Disputed receivables	82.1%	308	(253)	82.2%	320	(263)
Other receivables	15.4%	240	(36)	19.7%	173	(34)

16.5. 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.

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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	Available financing amount	Nominal debt 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	-	808	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	-	453	18-12-2024
Nordic Investment Bank	Loan	Energa-Operator SA CapEx Program	30-04-2010	200	-	49	15-06-2022
Bondholders	Eurobonds	General corporate purposes	07-03-2017	1 366[1]	-	1 366[1]	07-03-2027
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	62[2]	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	FW Myślino construction	23-10-2014	68	-	41	15-09-2026
WFOŚiWG	Loan	ENERGA Wytwarzanie SA Investment Program	23-12-2014	2	-	2	30-06-2021
WFOŚiWG	Loan	Elektrownia CCGT Gdańsk Sp. z o.o.	27-06-2014	7	-	7	30-06-2024
NFOSiGW	Loan	Energa Elektrownie Ostrołęka SA CapEx Program	30-08-2018	134	-	89	20-12-2028
European Investment Bank	Hybrid bonds	Energa-Operator SA CapEx Program	04-09-2017	1 138[3]	-	1 138[3]	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[4]
TOTAL				**10,026**	**469**	**7,404**	

[1] liability under Eurobonds in the total amount of EUR 300 m converted using the average NBP exchange rate of 31 March 2020

[2] value of guarantee limits awarded to Energa SA Group companies based on the concluded execution agreements (utilization of the global limit)

[3] hybrid bonds liability of EUR 250 m converted using the average NBP exchange rate of 31 March 2020

[4] The loan is 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.

16.6. Cash flow hedge accounting

FX risk hedging

The special purpose vehicle ENERGA Finance AB (publ) and Energa SA signed the loan agreement denominated in EUR for the amount of EUR 200 m. In order to hedge currency risk under this loan in April 2017 the Group concluded cross-currency interest rate swap transactions of EUR 200 m ("CCIRS III").

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

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

Interest rate risk hedging

In August 2016, the Company concluded interest rate swap transactions to hedge the interest rate risk arising from the financing used under (see note 16.5):

- 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 Group 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 transaction pertaining to the EIB loan agreement, this is a four-year period.

As the hedge the Group designated the IRS transactions under which the Group receives floating-rate cash flows in PLN and pays fixed-rate cash flows in PLN. Interest cash flows received by the Group correspond with interest cash flows under the hedged financial liabilities. The Group expects that the hedged cash flows will continue until June 2022 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 hedges was:

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

The Group continued hedge accounting under IAS 39, and no ineffectiveness was identified in the period under review.

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

Change in cash flow hedge reserve during 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 June 2020, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

16.7. Security for the repayment of liabilities

At the end of the reporting period and as at 31 December 2019, there were no material assets securing repayment of liabilities or contingent liabilities.

OTHER NOTES

17. Investment commitments

At the end of the reporting period, the Group's commitments to incur expenditures for the purchase of property, plant and equipment and intangible non-current assets, which have not yet been included in the statement of financial position, were about PLN 6,682 m, of which:

- undertakings covered by the development plan of Energa-Operator SA to satisfy the current and future demand for electricity in the years 2020-2025 (agreed upon with the President of the Energy Regulatory Office) – approx. PLN 6,418 m;
- execution of the Przykona Wind Farm project – approx. PLN 20 m;
- undertakings executed in the Ostrołęka B Power Plant (among others: modernization of power units, construction of a flue gas denitrification installation) – approx. PLN 17 m;
- combined cycle power plants in Grudziądz and Gdańsk – approx. PLN 41 m;
- biomass-fired unit's steam boiler optimization project implemented in Energa Kogeneracja Sp. z o.o. – approx. PLN 12 m;
- modernization of the cooling water pump system and other replacement investment projects – approx. PLN 10 m;

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- construction of district heating grids and substations – approx. PLN 1 m;
- investment liabilities and liabilities in respect of loans granted to Elektrownia Ostrołęka Sp. z o.o. – approx. PLN 163 m.

18. Information on related entities

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

18.1. Transactions involving parties related to the State Treasury

As at 31 March 2020 The Group's controlling entity was the State Treasury. Accordingly, other parties related to the State Treasury were treated by the Group as related parties.

Transactions with parties related to the State Treasury were concluded in regular business dealings and pertained mainly to the purchase and sale of electricity and property rights, sale of electricity distribution services (including transit), settlements with the transmission system operator in the balancing market, for transmission services, system services and intervention work services and the purchase and transportation of fuel (mainly coal). The Group 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.

18.2. Transactions with associates and joint ventures

Sales of Energa SA Group companies to associates and joint ventures in the period ended 31 March 2020 and in the same period of the previous year were irrelevant. In 2020, purchases from associates and joint ventures amounted to PLN 34 m (in the corresponding period of the previous year, the level of purchases from associates and joint ventures was PLN 16 m). As at 31 March 2020, the level of receivables was PLN 201 m, and was related in particular to the loans granted to the joint venture Ostrołęka Power Plant (as at 31 December 2019, the level of receivables was PLN 178 m). Detailed information on the above transactions is provided in Note 2.2.3. The amount of liabilities as at 31 March 2020 was PLN 13 m compared to PLN 22 m as at 31 December 2019. All above transactions pertaining to the year 2020, excluding the above loans, were concluded primarily with Polska Grupa Górnicza Sp. z o.o. and involved mostly coal purchases.

18.3. Transactions with Parent Company's Management Board members

During the reporting period, the Parent Company did not conclude material transactions with Management Board members.

18.4. Compensation paid or due to key management and Supervisory Boards of Group companies

	3-month period ended 31 March 2020 (unaudited)	3-month period ended 31 March 2019 (unaudited)
Management Board of the parent company	2	1
Supervisory Board of the parent company	<1	<1
Management Boards of subsidiaries	8	5
Supervisory Boards of subsidiaries	<1	<1
Other key management	6	6
TOTAL	**16**	**13**

19. Contingent assets and liabilities

19.1. Contingent liabilities

As at 31 March 2020, the Group identifies contingent liabilities of PLN 329 m (PLN 325 m as at 31 December 2019), including mainly the contingent liabilities relating to disputes involving Energa SA Group companies, where a victory by the company is probable or no cash outflow can be reliably estimated and no provision has been recognized for these cases.

The largest contingent liability item consists of disputes relating to power infrastructure of Energa-Operator SA where it is located on private land. The Group recognizes provisions for reported legal claims. If there is uncertainty whether a claim amount or legal title to land is justified, the Group recognizes contingent liabilities. As at 31 March 2020, the estimated value of those claims recognized as contingent liabilities is PLN 252 m, compared with PLN 250 m on 31 December 2019. Considering the available legal opinions, the estimates define the risk of a situation in which liability arises to be below 50%.

Another important issue is also the Agreement to co-finance the project entitled "Construction of a biomass-fired power unit by Energa Kogeneracja Sp. z o.o. in Elbląg" which sets out the performance ratios relating to the volume of electricity and heat produced in 2014-2018. In order to secure the performance of obligations under the financing agreement Energa Kogeneracja Sp. z o.o. issued a blank promissory note amount of PLN 40 m with interest.

19.2. Contingent assets

At the end of the reporting period and as at 31 December 2019, there were no material contingent assets.

20. Other information significantly affecting the assessment of assets, financial position and the financial result of the Group

Global coronavirus pandemic

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 Poland. On 20 March 2020, a state of epidemic was declared for the whole of Poland.

The SARS-CoV-2 pandemic with the coronavirus disease COVID-19 is a phenomenon that will undoubtedly have a huge impact on the global economy. The pandemic is expected to have a major effect on the economic situation in Poland and reduce the domestic GDP growth in 2020.

It should be noted that the dynamics of events related to the coronavirus outbreak means that forecasting economic effects is subject to high uncertainty. Given the rapid changes in the economic environment and the lack of sufficient data, it is not possible to make any reliable estimates of the financial consequences for the Group.

The key question is how quickly the economy will return to a high activity after the period of disruption.

The pandemic is currently prompting governments to take measures to mitigate the adverse impact that coronavirus has on the economy. With fast and decisive preventive measures implemented by the Polish authorities, it is hoped that the period of reduced economic activity will not be long. The market situation in Poland will undoubtedly be affected by the global economic situation, not least in the countries which are Poland's main trading partners.

In the current market conditions, the Group notes the following market risks, that may, on aggregate, impact the Group's results in the coming quarters::

- Decrease in electricity demand, especially for A, B and C tariff customers;– the Group estimates that the volume of energy sold to end customers has declined 7% in relation to the pre-pandemic figures;
- Deterioration of consumers' payment discipline resulting from their worsened financial situation;
- Decline in production volume at Energa Elektrownie Ostrołęka Sp. z o.o.;
- Reduction of work efficiency, which may result from sickness absence, forced quarantine and work reorganisation designed to prevent the spread of the virus, including teleworking arrangements;
- The need for ENERGA-OBRÓT SA to submit new collaterals securing its purchase transactions to the Commodity Clearing House (Izba Rozliczeniowa Giełd Towarowych SA or IRGiT) within the framework of topping up security deposits as a direct result of the decline in electricity prices. It should be stressed, however, that a broader range of tools enabling submission of non-cash collaterals to IRGiT has been implemented within the scope of introduction of shielding measures by the Polish Government in connection with the pandemic meant, among other things, to hedge against liquidity risk in the companies trading on the Polish Power Exchange. Remediation measures introduced by the act are to apply until the end of third quarter 2020.

The Group estimates that the adverse impact of the above risk factors on the Group's EBITDA for Q1 2020 amounted to approx. PLN 27 m.

As regards the financial activity, based on scenario analyses, the Group does not identify the risk of default on its obligations, including obligations under financing agreements. The Group also undertakes liquidity protection measures 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.

In the face of the above threats, the Group is carefully monitoring the development of the situation in many areas of its activity, undertaking actions to mitigate the negative impact of the coronavirus epidemic on its financial position. Various scenarios are being analysed on an ongoing basis and appropriate mitigants are being put in place to reduce the possible effects of materialisation of individual risks.

The Group has the ability to effectively counteract any adverse phenomena that might occur in the short, medium and long term. The Group will mitigate the risks related to a possible reduction of revenues and their timely collection, and will ensure its capacity to service bank debt by keeping both operating and revenue costs down.

In view of the above, there are no indications of any threat to the continuation of the Group's business operations.

Act Amending the Excise Tax Act and Certain Other Acts

The Act Amending the Excise Tax Act and Certain Other Acts (hereinafter the "Act") came into force on 1 January 2019. The act limited prices for end customers in 2019 to a level not higher than the prices on 30 June 2018. At the same time, it reduced the excise tax on electricity from PLN 20 to PLN 5 per MWh. Moreover, the act envisaged that Zarządca Rozliczeń SA would cover the difference between the price indicated in the electricity tariff/price list and the weighted average price of electricity on the wholesale market.

The presented amendments were intended to mitigate the effects of a rapid rise in electricity production costs, mainly as a result of the increase in CO_2 emission allowance prices. The rise in prices on the wholesale market translated into a rise in selling prices to end customers in subsequent periods.

As at 31 December 2019, the Group posted the aggregate amount of PLN 693 m in the Revenue from the Price Difference Refund Fund. That amount included the estimated compensation due i.a. for the period from November to December 2019.

On 31 January 2020, the Group filed a motion with Zarządca Rozliczeń SA for disbursement of a financial compensation due to the reduction of electricity prices in settlements with the customers during the period from 1 November 2019 to 31 December 2019. On 28 February 2020, the Group received due compensation in the amount of PLN 52 m.

Until the end of September 2020, the Group is also under the obligation to make adjustments to the amounts disbursed by Zarządca Rozliczeń SA, if any.

21. Subsequent events

Transaction of purchase of a majority block of shares of Energa SA by PKN ORLEN S.A.

A call to subscribe to the sale of Energa S.A.'s shares was announced by PKN ORLEN S.A. on 5 December 2019. The price of the shares in the call was set at PLN 7 per share and was subsequently raised to PLN 8.35 per share on 15 April 2020.

On 26 February 2020, PKN ORLEN S.A. filed a motion with the European Commission constituting a notice of concentration in connection with the planned assumption of control over the Company and on 31 March 2020 obtained the European Commission's decision approving the concentration. Thus, the call's legal condition was fulfilled.

On 18 April 2020, PKN ORLEN S.A. signed an agreement with the State Treasury in connection with the planned assumption of control over the Company.

The process of settlement of the transaction of purchase of the Company's shares by PKN ORLEN S.A. was completed on 30 April 2020. As a result of the call, PKN ORLEN S.A. purchased 331,313,082 shares of the Company that account for 80.01% of its share capital and 85.20% of the overall number of votes at the Company's general meeting.

Thus, PKN ORLEN S.A. took control of the Company.

Downgrading of Fitch rating

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 SA., which has the rating BBB-.

Energa Group has signed financing agreements with a number of domestic and international banks. As at the date of announcement of the call, change of control and current rating downgrading clauses were part of the financing documentation.

The Company promptly took measures aimed at securing approvals of financing institutions for departures from currently applicable terms of financing with regard to potential breaches of change of control clauses or current rating downgrading clauses, with the intention to secure formal approvals for the events triggered by the enforcement of the call. As at the balance sheet date, none of the credit institutions approached by the Company responded negatively to the Company's motions. As at the date of preparation of these statements, the Company has secured a formal approval or signed annexes to the financing agreements that foresee departures from the terms of financing defined in the loan agreement with regard to change of control and current rating downgrading clauses with the majority of financing institutions.

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 1400 m, making it available by 9 April 2021

Signatures of Members of the Management Board of Energa SA:

Jacek Goliński
President of the Management Board ………………………………………….

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

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

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

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

Person responsible for the preparation of the financial statements:

Magdalena Kamińska
Deputy Director of the Finance Department ………………………………………….

Bartłomiej Bieńkowski ………………………………………….

Manager of the Financial Reporting and Taxes Department

Gdańsk, 9 June 2020