



# Information to the condensed consolidated report of the Energa Group for Q1 2021

Gdańsk, 12 May 2021

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## 1. SUMMARY

### ENERGA GROUP IN 3M 2021



One of the leading energy groups and a reliable supplier of electricity and services for nearly ¼ of Poland, with a 40% share of RES in own production.

#### Financial data

Revenues	EBITDA	EBITDA margin
PLN 3,460 m	PLN 758 m	21.9%

#### Renewable energy sources

Installed capacity	RES production	
532 MWe	406 GWh	<p>Wind 46% Run-of-the-river plants 38% Biomass 15% PV 1%</p>





#### Operating data

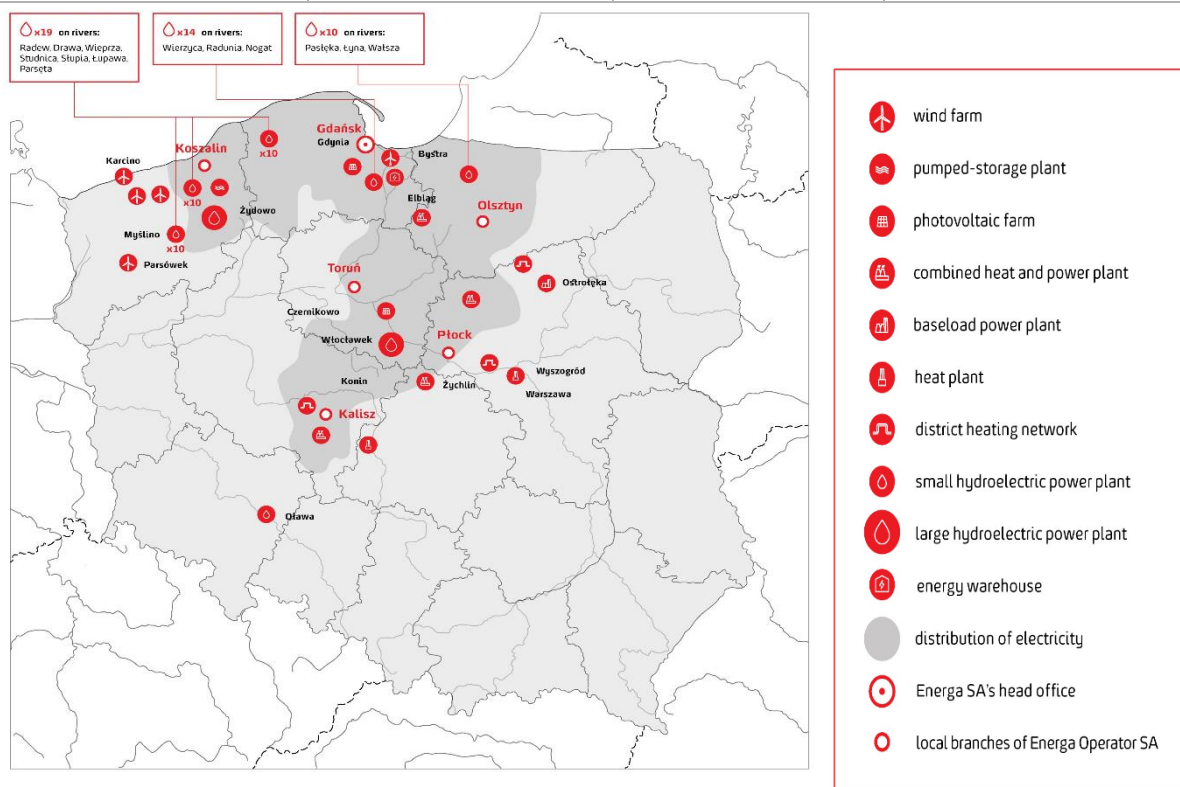
Volume of electricity supplied	Gross electricity production	Retail sales of electricity
<b>5.8 TWh</b>	<b>1.0 TWh</b>	<b>4.9 TWh</b>




#### Investor's guide\*

Capitalization	Share price	Fitch rating of Energa
PLN 3.23 billion	PLN 7.79	BBB-

\* At the end of Q1 2021

Key resources			
Distribution grid	Installed capacity	Number of clients	Number of employees
191 k km 	1.38 GWe of which 39% are RES 	Distribution: 3.2 m Sales: 3.2 m 	9.7 k 



Key Business Lines		
Distribution	Generation	Sales
		
EBITDA: PLN 520 m	EBITDA: PLN 104 m	EBITDA: PLN 144 m

Investments			
PLN 345 m	New customer connections	Modernization of HV, MV and LV lines	New RES
Of which Distribution: PLN 300 m	15 k	597 km	175 MW



Żelkowo hydro plant

## Key information on the Energa Group

## 2. KEY INFORMATION ON THE ENERGA GROUP

### 2.1. Description of activities and Group's structure

The core business of the Energa Capital Group ("Group", "Energa Group") involves the distribution, generation and trading in electricity and heat and concentrates on the following business lines:

**Distribution Business Line.** This is the Business Line of key importance to the Group's profitability, involved in the distribution of electricity (which is a regulated activity in Poland) conducted on the basis of tariffs approved by the President of the Energy Regulatory Office (URE). Energa Operator SA acts as the leading entity in this Line. The Energa Group has a natural monopoly position in the northern and central part of Poland which hosts the Group's distribution assets through which the Group supplies electricity to 3.2 million customers, approx. 3.0 million of whom are customers with universal agreements and 179,000 are TPA (Third Party Access) customers. At the end of March 2021, the total length of the power lines used by the Group was over 191 thousand km and covered almost 75 thousand km<sup>2</sup>, i.e. about 24% of the country's landmass.

**Generation Business Line.** The operation of this business line is based on four Generation Areas: the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). At the end of March 2021, the total installed generation capacity in the Group's power plants was approximately 1.4 GW. The leading entity in this Business Line is Energa OZE SA.

In Q1 2021 the Group generated approx.1 TWh of gross electricity, relying on a mix of sources such as coal, water, wind, biomass, and photovoltaic energy. In this period 59% of the Group's gross electricity production originated from coal, 27% from hydro, 12% from wind, with biomass accounting for 2% of production.

The Energa Group owes its strong position in terms of the percentage of renewable electricity in the total energy mix primarily to the generation of energy in hydro- and wind power plants. Green energy is produced by 46 hydro power plants, 6 wind farms as well as biomass-fired installations (Energa Kogeneracja) and two photovoltaic installations.

**Sales Business Line.** Its lead entity is Energa Obrót SA. It sells electricity, gas and additional services both as separate products and in bundles to all customer segments – from industry through large, medium and small enterprises, to households. As at the end of Q1 2021, the Energa Group had approximately 3.2 million customers, including 2.9 million classified as G tariff customers, with the remainder being customers from: C, B and A, in a decreasing order.

### Changes to the Group's structure and organization

In the first quarter of 2021, changes were made to the Group's structure through the establishment of four companies:

#### **Energa MFW 1 Sp. z o.o. (in organization) and Energa MFW 2 Sp. z o.o. (in organization)**

The companies were founded on 26 March 2021 by Energa OZE SA, which acquired 100% of their shares. The companies were established in connection with the planned investment in off-shore wind farms.

#### **CCGT Ostrołęka Sp. z o.o.**

The company was established on 11 January 2021 by Energa SA ("Energa", "Company"), which acquired all 150 shares in the company's share capital. The company was entered in the National Court Register on 29 January 2021. CCGT Ostrołęka Sp. z o.o. is ultimately meant to pursue the construction of the gas and steam power plant in Ostrołęka.

#### **Energa Green Development Sp. z o.o.**

The company was established on 20 January 2021 by Energa SA, which acquired all 1,200 shares in the company's share capital. The company was entered in the National Court Register on 9 February 2021. The establishment of Energa Green Development was prompted by the need to develop and integrate renewable energy projects, mainly based on wind and photovoltaics, within the Energa Group and the ORLEN Group. The company is to accumulate contractor competences in the area of development of farms.



## **2.2. Key events in the reporting period and after the balance sheet date**

### **Information about results of impairment tests**

In January 2021 the Management Board of Energa learned of the result of impairment tests of non-current assets of the Energa Group and impairment tests of shares in subsidiaries held by Energa SA, which were conducted for H2 2020 in accordance with IAS 36.

As a result of the above mentioned impairment tests of non-current assets of the Group, it was found necessary to:

- reverse an impairment losses on generation assets of subsidiary Energa Elektrownie Ostrołęka SA to the amount of PLN 414 m,
- reverse an impairment losses on CHP assets belonging to Energa Kogeneracja Sp. z o.o. in the amount of PLN 69 m,
- reverse an impairment losses on generation assets belonging to Energa OZE SA in the amount of PLN 13 m.

In addition, following the impairment tests of shares in subsidiaries held by Energa SA, the total result of created impairment losses was PLN 24 m (impairment loss in the value of shares in Energa Kogeneracja Sp. z o.o. in the amount of PLN 5 m and impairment loss on the value of shares in ENERGA AB Finance (publ) in the amount of PLN 19 m).

These events were of a non-cash nature. They impacted the net result of the Energa Group and Energa SA for 2020 without affecting the EBITDA.

### **Suspension by the Polish Financial Supervision Authority of administrative proceedings on granting the permit to withdraw shares of Energa SA from trading on the regulated market**

In January 2020 the Company received a decision from the Polish Financial Supervision Authority ("PFSA") dated 15 January 2021 on suspension of administrative proceedings on granting the permit to withdraw 269,139,114 of Company's shares from trading on the regulated market. The basis for this suspension are the legal claims reported by the Company in current reports Nos 80/2020 of 9 December 2020 and 82/2020 of 16 December 2020.

In the explanatory memorandum to its decision, the PFSA cited art. 97 § 1 (4) CAP as the legal basis for the suspension of the proceedings, and indicated that review of the case and issue of the decision depends on the prior resolution of the preliminary issue by the court.

### **Amendment to the order granting security for the claims for invalidity or revocation of a resolution of the Extraordinary General Meeting of Energa SA - establishing a security deposits**

On 12 April 2021 the Regional Court in Gdańsk, as a result of a complaints filed by the Company, issued two decision in which it amended its earlier two decisions of 7 December 2020 and 10 December 2020 (which the Company informed about in current reports No. 80/2020 of 9 December 2020 and 82/2020 of 16 December 2020) on granting security to the Company's shareholders for the claim to declare invalid or revoke Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020 on withdrawal from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) 269,139,114 series AA ordinary bearer shares of the Company bearing ISIN code PLENERG00022 in Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities) (the "Resolution"). Mentioned above two decisions of 7 December 2020 and 10 December 2020 amended in such a way that their execution was made conditional on the plaintiffs depositing a security deposits in the amount of PLN 1,360,326.23 (for each of the above-mentioned decisions separately) to secure the Company's claims arising in the performance of the security order. On 5 May 2021 the Company received information that in the case of decision of 10 December 2020 the security deposit was paid to the account of the Regional Court in Gdańsk.

### **Approval of the Polish Office of Competition and Consumer Protection for creation CCGT Ostrołęka Sp. z o.o. together with PKN ORLEN S.A. and PGNiG S.A.**

On 14 April 2021 the Management Board of the Company received information about the approval of the President of Urząd Ochrony Konkurencji i Konsumentów (the Polish Office of Competition and Consumer Protection) for the creation by PKN ORLEN S.A. ("PKN ORLEN"), Energa SA and Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG S.A.") of the joint venture, i.e. CCGT Ostrołęka Sp. z o.o. based in Ostrołęka. Consequently, one of the conditions of the investment agreement on directional principles of cooperation in construction of gas power plant in Ostrołęka C Power Plant, which was signed on 22 December 2020 between PKN ORLEN, the Company and PGNiG S.A., has been fulfilled.

## Adoption of the Long-Term Strategic Investments Plan of the Energa Group for 2021-2030

On 27 April 2021 the Company's Supervisory Board adopted a resolution to approve the "Long-Term Strategic Investments Plan of the Energa Group for 2021-2030".

A new version of the Long-Term Strategic Investments Plan ("Investment Plan") was prepared in connection with the "ORLEN Capital Group strategy by 2030" announced by PKN ORLEN S.A., the Company's strategic shareholder. Furthermore, the Investment Plan needed an update in order to be adapted to the ongoing and expected changes in the market and regulatory environment and in order to account for the current time schedule of investment projects.

According to the Investment Plan, total outlays on core- and additional investment projects of the Energa Group planned for 2021-2030 amount to approx. PLN 29.7 billion, including approx. PLN 13.4 billion between 2021 and 2025.

Approximately PLN 16.9 billion worth of outlays will be made in the Distribution Business Line between 2021 and 2030. The investment projects will be related mainly to the construction, reconstruction and expansion of the distribution grid to improve the reliability of electricity supply, to connect sources of electricity supply and growing flows in the grid as well as the construction or expansion of the grid in order to connect customers.

The Group intends to spend approx. PLN 11.8 billion on the Generation Business Line in the years 2021-2030, most of which will be allocated to investments related to renewable energy sources ("RES").

The Sales Business Line and other companies were allocated approx. PLN 1.1 billion and this amount will cover mainly the development of IT tools, the development of a new product offer and investment projects in the lighting area.

## Change in the composition of Supervisory Board

On 5 May 2021 Mr. Jarosław Dybowski submitted a statement of resignation from the positions of Vice-Chairman and Member of the Supervisory Board of the Company.

### 2.3. Capital expenditures and execution of key projects

During the first quarter of 2021, capital expenditures at the Energa Group totalled PLN 345 m, up by PLN 14 m, or 4%, from the same period last year. Investments made in the Distribution Business Line accounted for 87% of the total expenditures made by the Group and amounted to PLN 300 m.

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

In the Generation Business Line, capital expenditures totalled PLN 29 m, a significant portion of which were outlays for tasks related to the development of heating assets in Elbląg.

The Sales Business Line, in turn, allocated PLN 12 m to investments, most of which was spent on work related to lighting assets.

Table 1: Status of the investment programme for 3 months of 2021

Project description	Capital expenditures in 3M 2020 (PLN m)
<b>Distribution Business Line</b>	<b>300</b>
Modernization of the distribution grid to improve reliability of supplies	81
Grid expansion due to new customer connections	137
Grid expansion in connection with HV flows and connections of electricity sources	18
Smart metering and other elements of the implementation of smart grids	35
Other capital expenditures, collisions and corrections	29
<b>Generation Business Line</b>	<b>29</b>



Energa Kogeneracja Sp. z o.o.   BB20 Optimization	14
Energa Kogeneracja Sp. z o.o.   Leasing	5
Energa Elektrownie Ostrołęka Sp. z o.o.   Purchase and replacement of blast fans on units 1, 2, 3	2
Other investments	8
<b>Sales Business Line</b>	<b>12</b>
Capital expenditures for lighting assets	9
Other capital expenditures	3
<b>Other companies, projects and corrections</b>	<b>4</b>
<b>Total</b>	<b>345</b>

## Investment programme in the area of heat assets

The key goal of the investment programme is to adapt cogeneration and heat units to strict environmental requirements and to increase the EBITDA.

EBITDA will be maximized by implementing the district heating development programme for Elbląg CHP Plant and Kalisz CHP Plant, which will result in fuel change from hard coal to natural gas, while the position in heat markets in Elbląg and Kalisz is retained.

## CCGT Gdańsk

The investment envisages construction of a new gas and steam power plant. Modern power engineering infrastructure will support development of the generating base and provision of the capacity service and sales of electricity.

CCGT Gdańsk holds a decision on environmental conditions of approval of an undertaking for the CCGT unit and for a 400 kV power line that would link the CCGT power plant to the Gdańsk Błonia EXV (extra high voltage) electrical substation (power take-off point). Design work is underway leading to the securing of the building permit decision for the aforesaid 400 kV power line. On 30 October 2020, a letter of intent was signed with PKN ORLEN and the LOTOS SA Group. Energa SA, PKN ORLEN and the LOTOS Group committed thereunder to continue their efforts to prepare the ground for joint construction of a gas and steam power plant in Gdańsk. Currently, the conceptual work has reached the stage of advanced arrangements. The arrangements are to be completed and the binding decisions are to be made before the expiry of the term of the letter of intent which was previously set at the end of 2021. The parties to the letter of intent continue to embrace the assumption relating to the scheduling of the project that the CCGT unit will be completed in 2026.

## Smart Grid

The Smart Grid project aimed at ensuring stability and flexibility of the distribution system by deploying smart grid solutions is co-financed from EU funds as part of Operational Programme Infrastructure and Environment.

As part of the project, the SCADA electric grid control system will be expanded to include the fault location module, which will shorten duration of disruptions in supply of electricity.

Construction of an energy storage facility designed to stabilise the operation of the distribution system of 4 MW PV farm in Czernikowo is also an element of the project. The storage facility will be based on lithium-ion battery technology and will offer 1 MW rated power with capacity of 2 MWh.

## Project of construction of Ostrołęka C power plant

The project of construction of Ostrołęka C power plant in Ostrołęka is currently under conversion due to the change in the fuel source from coal to gas.

## PV Gryf Project

Construction a photovoltaic farm with the capacity of 19.83 MW. The farm is being built in the Przykona municipality on land that has been reclaimed after the mining operations of Adamów brown coal mine. The project won the RES auction organised by the Energy Regulatory Office on 14 December 2020. The Notice to Proceed was issued on 30 December 2020. On the same day, the construction site was handed over to the general contractor.

## **PV Mitra Project**

The Project involves preparation, construction and commissioning of a photovoltaic installation comprising the system of photovoltaic power station with the total installed capacity of approx. 100 MW, 50 substations 30/0.8kV, HV 110 kV power service line with an optical fibre link, a 110/30 kV transformer station, MV 30 kV cable lines and telecommunication lines, grounding and the internal road network with the full accessory infrastructure.



Photovoltaic farm – Bystra, municipality of Gdańsk

## **Financial and assets situation of the Energa Group**

### 3. FINANCIAL AND ASSETS SITUATION

#### 3.1. Rules for preparing quarterly consolidated financial statements

The condensed interim consolidated financial statements of the Energa Group for the three-month period ended on 31 March 2021 have been prepared:

- in accordance with the International Financial Reporting Standards endorsed by the European Union,
- on a historical cost basis, except for financial instruments measured at fair value through profit or loss and hedging derivatives,
- in millions of Polish zlotys ("PLN m"),

based on the assumption that the Group would continue as a going concern in the foreseeable future. As at the date of the financial statements, there is no evidence indicating that the continuation of the Energa Group's business activities as a going concern may be at risk.

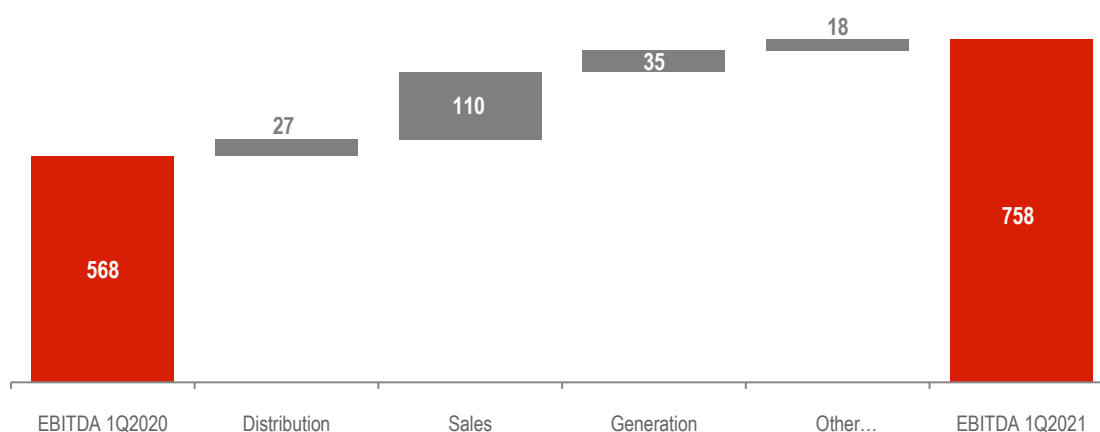
The accounting rules (policy) applied in preparation of the condensed interim consolidated financial statements have been presented in Note 7 to the condensed interim consolidated financial statements of the Energa Group for the three-month period ended on 31 March 2021.

#### 3.2. Description of the economic and financial figures disclosed in the Condensed Consolidated Financial Statements

Table 1: Consolidated statement of profit or loss (PLN m)

PLN m	Q1 2020*	Q1 2021	Change	Change (%)
<b>Sales revenue</b>	<b>3,286</b>	<b>3,460</b>	<b>174</b>	<b>5%</b>
<b>Revenue from the Price Difference Refund Fund</b>	<b>3</b>	<b>-</b>	<b>(3)</b>	<b>-100%</b>
Cost of sales	(2,647)	(2,664)	(17)	1%
<b>Gross profit on sales</b>	<b>642</b>	<b>796</b>	<b>154</b>	<b>24%</b>
Other operating income	73	67	(6)	-8%
Selling and distribution expenses	(251)	(248)	3	-1%
General and administrative expenses	(100)	(62)	38	-38%
Other operating expenses	(57)	(69)	(12)	21%
<b>Operating profit</b>	<b>307</b>	<b>484</b>	<b>177</b>	<b>58%</b>
Result on financial activity	(99)	(12)	87	-88%
Share in profit/(loss) of the entities measured by the equity method	(19)	-	19	-100%
<b>Profit or loss before tax</b>	<b>189</b>	<b>472</b>	<b>283</b>	<b>&gt; 100%</b>
Income tax	(78)	(88)	(10)	13%
<b>Net profit or loss for the period</b>	<b>111</b>	<b>384</b>	<b>273</b>	<b>&gt; 100%</b>
<b>EBITDA</b>	<b>568</b>	<b>758</b>	<b>190</b>	<b>33%</b>

Figure 1: EBITDA bridge by business lines (PLN m)



In the first quarter of 2021, the Group's EBITDA amounted to PLN 758 m, compared to PLN 568 m in the first quarter of 2020. The highest growth was recorded by the Sales Business Line, which was attributable primarily to the increased margin on electricity sales (the low base effect in 2020 when the disadvantageous tariff for households set by the President of the Energy Regulatory Office (URE) was in force and the margins on sales to other customers improved overall). A one-off event, namely the provision for contracts resulting in charges relating to G tariff in connection with the approval of the 2020 tariff by the President of URE, also had a material impact. That provision, established at the end of 2019, was successively released throughout 2020. No such event was recorded during the reporting period, which contributed to a negative impact on EBITDA change y/y. In the Distribution Business Line, the key positive factors included one-off events, namely the release of actuarial provisions and recognition of the positive effect of a settlement in a legal dispute. Meanwhile, y/y growth in the Generation Business Line was owed primarily to higher revenues from sales of electricity and system services to Polskie Sieci Elektroenergetyczne ("PSE") compensated by a materially higher cost of CO2 emission allowances due to the rising market prices of emission allowances and the increased cost of fuels consumption.

The Distribution Business Line accounted for the largest share in the Group's EBITDA in the first quarter of 2021 (69%). The Generation Business Line and the Sales Business Line represented 14% and 19%, respectively.

In the first quarter of 2021, the Group's operating profit amounted to PLN 484 m and rose by 58% compared to PLN 307 m in the corresponding period of 2020. The y/y change in EBIT was primarily affected by the operating factors described above.

In the first quarter of 2021, the share in the results of the associated entities and joint ventures amounted to PLN 0 m, which reflects a positive change by PLN 19 m in relation to the corresponding period of the previous year. The share in the result of Polska Grupa Górnicza SA was recognized in the previous year.

In the first quarter of 2021, the Group's net result amounted to PLN 384 m compared to PLN 111 m in the first quarter of 2020. The better performance on the financial activities, which was attributable primarily to the increased interest income by PLN 25 m (the interest associated with the settlement in the dispute involving damages on account of the transmission fee), changes in the investment impairment item by PLN 23 m (mainly as a result of reversal of the impairment loss on the held package of Polimex-Mostostal SA shares in the amount of PLN 21 m) and lower financial costs, among other things, the interest expense as a result of the shrinking debt balance and the positive balance of foreign exchange differences all contributed to the improved y/y net result in addition to the operational factors.

The Group's sales revenues amounted to PLN 3,460 m in the first quarter of 2021 and were 5%, or PLN 171 m, higher than the sales revenues recorded in the first quarter of 2020. Growth was reported in the Generation Business Line, mainly as a result of higher revenues from sales of electricity at the Ostrołęka power plant (increased must-run production levels) and from the hydro sources. Revenues from grid services were also higher in connection with the implementation of the clearing mechanism in the form of the Capacity Market in 2021. Meanwhile, the shrinking revenues in the Sales Business Line were attributable to the lower volume of electricity sales in the wholesale market and the lower average selling price of electricity in the retail market.

The effect of material unusual events burdening the EBITDA (assuming a materiality threshold of PLN 25 m) has been presented below.

Table 2: EBITDA after material one-off events\* (PLN m)

EBITDA (PLN m)	
<b>Q1 2021</b>	
<b>EBITDA</b>	<b>758</b>
<b>Adjusted EBITDA</b>	<b>716</b>
<i>including:</i>	
Actuarial reserves	(34)
<b>Q1 2020</b>	
<b>EBITDA</b>	<b>568</b>
<b>Adjusted EBITDA</b>	<b>615</b>
<i>including:</i>	
Provision for contracts resulting in charges	(38)
Revenue loss due to G Tariff	49
Estimated impact of COVID-19	27

\* The table presents non-recurring items identified on the basis of the criterion of materiality, which was set at PLN 25 m. In the case of impact of the Act on Energy Prices in 2019, the criterion of materiality was not applied given the importance of the matter.

Table 3: Consolidated statement of financial position (PLN m)

	As at 31 December 2020*	As at 31 March 2021	Change	Change (%)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14,565	14,630	65	0%
Intangible assets	926	1,228	302	33%
Right-of-use assets	907	915	8	1%
Goodwill	11	11	-	-
Investments in associates and joint ventures measured using the equity method	105	125	20	19%
Deferred tax assets	207	241	34	16%
Other non-current financial assets	77	142	65	84%
Other non-current assets	141	156	15	11%
	<b>16,939</b>	<b>17,448</b>	<b>509</b>	<b>3%</b>
<b>Current assets</b>				
Inventories	140	122	(18)	-13%
Current tax receivables	30	8	(22)	-73%
Trade receivables	1,941	1,928	(13)	-1%
Contract assets	-	-	-	-
Other current financial assets	60	92	32	53%
Cash and cash equivalents	221	222	1	0%
Other current assets	337	292	(45)	-13%



	2,729	2,664	(65)	-2%
<b>TOTAL ASSETS</b>	<b>19,668</b>	<b>20,112</b>	<b>444</b>	<b>2%</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	5	6	1	20%
Reserve capital	1,018	1,018	-	-
Supplementary capital	1,661	1,661	-	-
Cash flow hedge reserve	(96)	(61)	35	36%
Retained earnings	1,669	2,009	340	20%
<b>Equity attributable to equity holders of the parent company</b>	<b>8,779</b>	<b>9,155</b>	<b>376</b>	<b>4%</b>
<b>Non-controlling interests</b>	<b>(36)</b>	<b>(34)</b>	<b>2</b>	<b>6%</b>
	<b>8,743</b>	<b>9,121</b>	<b>378</b>	<b>4%</b>
<b>Non-current liabilities</b>				
Loans and borrowings	1,690	1,613	(77)	-5%
Bonds issued	2,520	2,545	25	1%
Non-current provisions	923	941	18	2%
Deferred income tax liability	777	814	37	5%
Deferred income and non-current grants	214	216	2	1%
Lease liabilities	704	675	(29)	-4%
Other non-current financial liabilities	22	27	5	23%
Contract liabilities	11	10	(1)	-9%
	<b>6,861</b>	<b>6,841</b>	<b>(20)</b>	<b>-0%</b>
<b>Current liabilities</b>				
Trade liabilities	792	772	(20)	-3%
Contract liabilities	131	159	28	21%
Current loans and borrowings	1,742	1,487	(255)	-15%
Bonds issued	41	31	(10)	-24%
Current income tax liability	-	51	51	-
Deferred income and grants	187	159	(28)	-15%
Short-term provisions	763	1,041	278	36%
Other financial liabilities	249	220	(29)	-12%
Other current liabilities	159	230	71	45%
	<b>4,064</b>	<b>4,150</b>	<b>86</b>	<b>2%</b>
<b>Total liabilities</b>	<b>10,925</b>	<b>10,991</b>	<b>66</b>	<b>1%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19,668</b>	<b>20,112</b>	<b>444</b>	<b>2%</b>

\*restated

As at 31 March 2021, the balance sheet total of the Energa Group amounted to PLN 20,112 m and was PLN 444 m higher than the total at the end of 2020.

As regards assets, the most significant item was that of intangible assets owed primarily to the increased value of energy certificates of origin and CO<sub>2</sub> emission allowances.

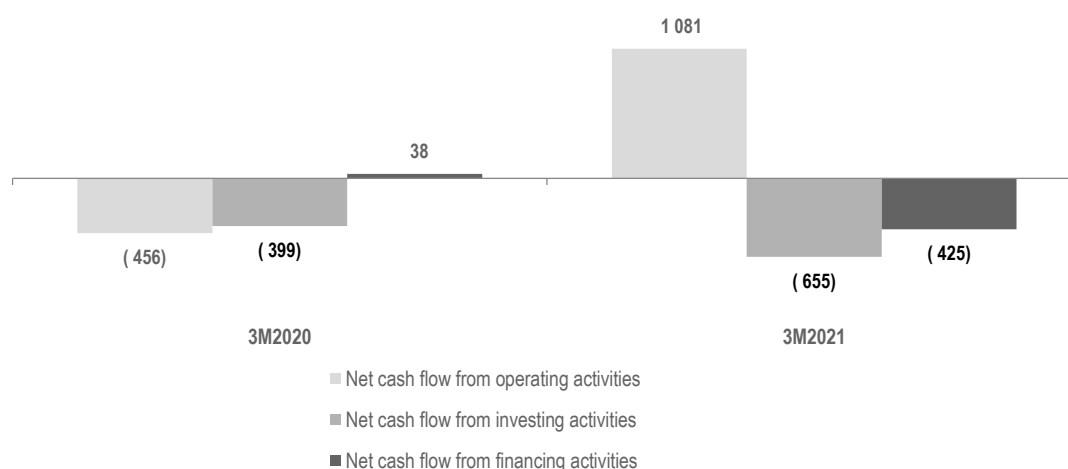
The equity of the Energa Group amounted to PLN 9,121 m as at 31 March 2021 and financed the Group in 45%.

The biggest change in liabilities involved the Current loans and borrowings item as a result of loan disbursements/repayments, in particular the syndicated loan and the loan from Bank Gospodarstwa Krajowego in the total amount of PLN 1,100 m as at 31 March 2021, as compared to PLN 1,350 m as at 31 December 2020. Meanwhile, a significant change, reverse to the aforesaid, involved the Short-term provisions item and related primarily to growth of provisions associated with the liability on account of gas emissions and the obligation associated with property rights.

**Table 4: Consolidated cash flow statement (PLN m)**

PLN m	3 months of 2020	3 months of 2021	Change	Change (%)
Net cash flows from operating activities	(456)	1,081	1,537	> 100%
Net cash flows from investment activities	(399)	(655)	(256)	-64%
Net cash flows from financial activities	38	(425)	(463)	< -100%
Net increase / (decrease) in cash	(817)	1	818	> 100%

**Figure 2: Group's cash flows (PLN m)**



In the first quarter of 2021, the combined net cash flows from the operating, investment and financial activities of the Group were positive and amounted to PLN 1 m, as opposed to the negative cash flows of PLN 817 m in the corresponding period of 2020.

The value of cash flows from the operating activities increased by PLN 1,537 m, compared to the first quarter of 2020. The increase in cash flows from the operating activities was attributable primarily to the higher gross profit, change in the balance of trade receivables, inventories and prepayments and accruals. Those items exceeded the remaining negative changes of which the most material item involved gains/losses on foreign exchange differences.

Net outflows from the investing activities in the first quarter of 2021 rose by PLN 256 m, which was due primarily to the change of the accounting policy in terms of presentation of energy certificates of origin, CO<sub>2</sub> emission allowances and energy efficiency certificates used for own needs, including those purchased, obtained free of charge and awarded by URE in the process of production of electricity. They have been presented as intangible assets and not as inventories previously.

In the first quarter of 2021, cash flows from the financial activities were negative and amounted to PLN 425 m, compared to the positive cash flows of PLN 38 m in the corresponding period of 2020. In the first quarter of 2020, material inflows and

outflows under the contracted loans and outflows on account of buyout of debt securities occurred, whereas in the first quarter of 2021 exclusively repayments of the contracted debts occurred as scheduled.

### 3.3. Characteristic of the structure of assets and shareholders' equity and liabilities in the consolidated statement of financial position

Figure 3: Structure of assets and shareholders' equity and liabilities in years

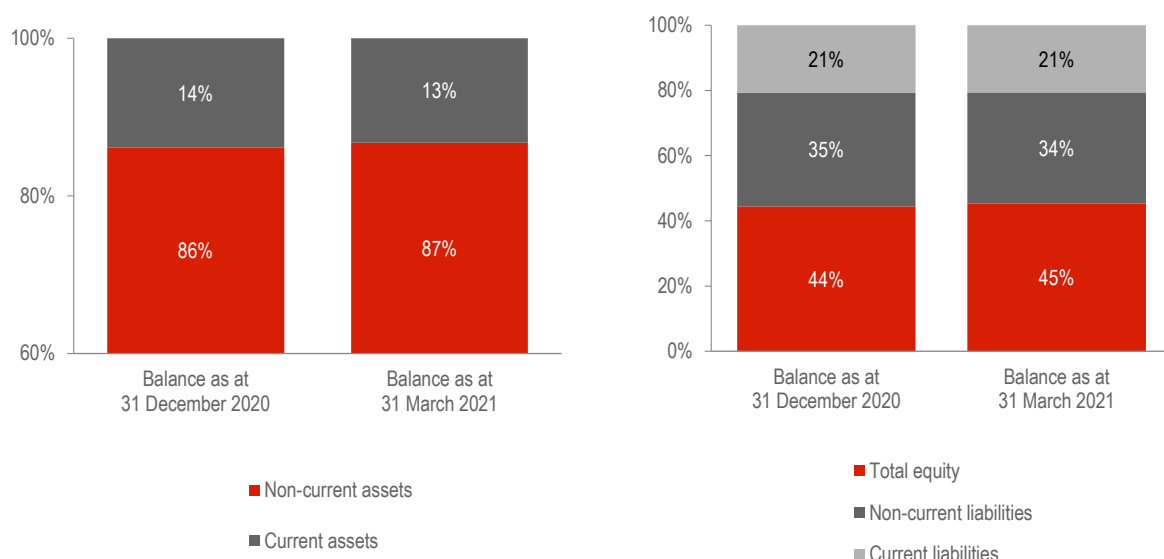


Table 5: Financial ratios of the Energa Group

Ratio	Definition	Q1 2020	Q1 2021
<b>Profitability</b>			
EBITDA margin	operating result + depreciation and amortization + impairment of non-financial non-current assets/ sales revenues (taking into account the revenue from the Price Difference Refund Fund)	17.3%	21.9%
return on equity (ROE)	net profit for the period / total equity at the end of period	-11.6%	-1.9%
return on sales (ROS)	net profit for the period / sales revenues (taking into account the revenue from the Price Difference Refund Fund)	3.4%	11.1%
return on assets (ROA)	net profit for the period / total assets at the end of the period	-5.0%	-0.9%
<i>* net profit for the last 12 months</i>			
Ratio	Definition	As at 31 December 2020	As at 31 March 2021
<b>Liquidity</b>			
current liquidity ratio	current assets/current liabilities	0.7	0.6
<b>Debt</b>			
financial liabilities (PLN m)	total liabilities on account of loans and borrowings, debt securities and leases (both non-current and current)	6,736	6,393
net financial liabilities (PLN m)	financial liabilities - cash and cash equivalents	6,515	6,171
net debt**/EBITDA* ratio	net financial liabilities/EBITDA	2.3	2.0

\* EBITDA for the last 12 months

\*\* value of net financial liabilities taken into account in the calculation of net debt to EBITDA ratio, with key elements defined in the financing agreements;

Both sales revenues and EBITDA recorded growth in the first quarter of 2021 compared to the corresponding period of the previous year (the factors contributing to those changes have been described in the part discussing financial volumes), with the latter growing more. As a result, EBITDA margin improved. Operational factors and the higher balance from financial activities also contributed to the improved net result y/y and, consequently, to the improvement of profitability ratios.

A decline in current assets, coupled with a rise in current liabilities, contributed to the lowering of the current liquidity ratio.

The fall in the net debt to EBITDA ratio was prompted specifically by the lower level of financial liabilities as at 31 March 2021 compared to 31 December 2020 and higher EBITDA annualized at the end of March 2021 in relation to EBITDA for the year 2020.

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

The relevant information has been presented in chapter 7.1. *Information on material contracts* of these Statements and in the Condensed interim consolidated financial statements for the three-month period ended on 31 March 2021, Note 20 - *Contingent Assets and Liabilities*.

### 3.5. Projected financial results

The management board of Energa SA did not publish forecasts for standalone and consolidated financial results for the 2021 financial year.

### 3.6. Factors likely to impact the Energa Group's performance within at least the subsequent quarter

Figure 4: Factors likely to impact the Energa Group's performance within the subsequent quarter

Expenditures incurred on the grid so as to meet quality regulation requirements in the Distribution Business Line	Energy prices on the futures, SPOT and balancing market	Dynamic growth in the number of prosumers and costs related to their functioning
Effects of implementation of ambitious sales plans in the competitive environment on the electricity sales market	Prices of CO <sub>2</sub> emission allowances	Size of support in the form of the Capacity Market
Must-run production level at the Ostrołęka B Power Plant and progress of implementation of adopted sales strategy	Weather and hydrometeorological conditions	Prolonging COVID-19 pandemic and economic restrictions in 2021



Włocławek Hydroelectric Power Station

## Operations of the Energa Group Segments

## 4. OPERATIONS OF THE ENERGA GROUP SEGMENTS

The Energa Group's financial performance by Business Line was as follows:

Table 6: EBITDA of the Energa Group, by Business Line (PLN m)

EBITDA in PLN m	Q1 2020	Q1 2021	Change	Change (%)
DISTRIBUTION	493	520	27	5%
GENERATION	69	104	35	51%
SALES	34	144	110	> 100%
OTHER and consolidation eliminations and adjustments	(28)	(10)	18	64%
<b>Total EBITDA</b>	<b>568</b>	<b>758</b>	<b>190</b>	<b>33%</b>

### 4.1. Distribution Business Line

#### 4.1.1. Business and operating activities

Table 7: Distribution of electricity by tariff groups (GWh)

Distribution of electricity by tariff groups (billed sales) in GWh	Q1 2020	Q1 2021	Change	Change (%)
Tariff group A (HV)	806	852	45	6%
Tariff group B (MV)	2,200	2,261	61	3%
Tariff group C (LV)	1,116	1,046	(70)	-6%
Tariff group G (LV)	1,570	1,647	77	5%
<b>Total distribution of electricity</b>	<b>5,694</b>	<b>5,806</b>	<b>113</b>	<b>2%</b>

In the first quarter of 2021, the volume of supplied electricity was on average 2% higher than in the previous year. The volume increased within A, B and G groups and decreased in C group. Those changes were associated with restrictions prompted by the COVID-19 pandemic, a partial lockdown on the economy and the extended scope of remote working and schooling in households.

Table 8: SAIDI | SAIFI indicators

	SAIDI			SAIFI		
	Unplanned incl. catastrophic	Planned	Total	Unplanned incl. catastrophic	Planned	Total
	Minutes per customer in the period			Disruptions per customer in the period		
Q1 2020	33.7	4.7	38.3	0.5	0.0	0.5
<b>Q1 2021</b>	<b>18.1</b>	<b>5.1</b>	<b>23.3</b>	<b>0.3</b>	<b>0.0</b>	<b>0.4</b>
Change	(15.5)	0.5	(15.1)	(0.1)	0.0	(0.1)
Change (%)	-46%	10%	-39%	-31%	16%	-28%

In the first quarter of 2021, the Energa Group improved its SAIDI (planned and unplanned incl. catastrophic) indicator by 39% compared to the corresponding period of the previous year. The value of SAIFI indicator also improved, by 28% y/y. Improvement of both indicators was attributable primarily to a reduction in unplanned interruptions and mass interruptions.

The SAIDI and SAIFI reliability of supply indicators obtained in the first quarter of 2021 reflect their continued improvement across the Energa Group. Achieved indicators make the Energa Group the market leader in terms of grid reliability.



#### 4.1.2. Financial results

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

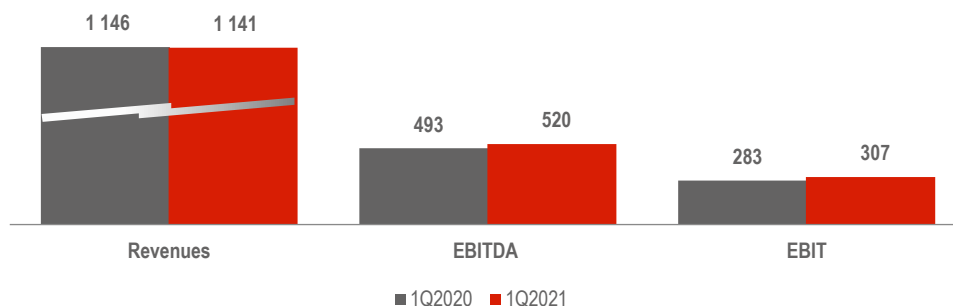
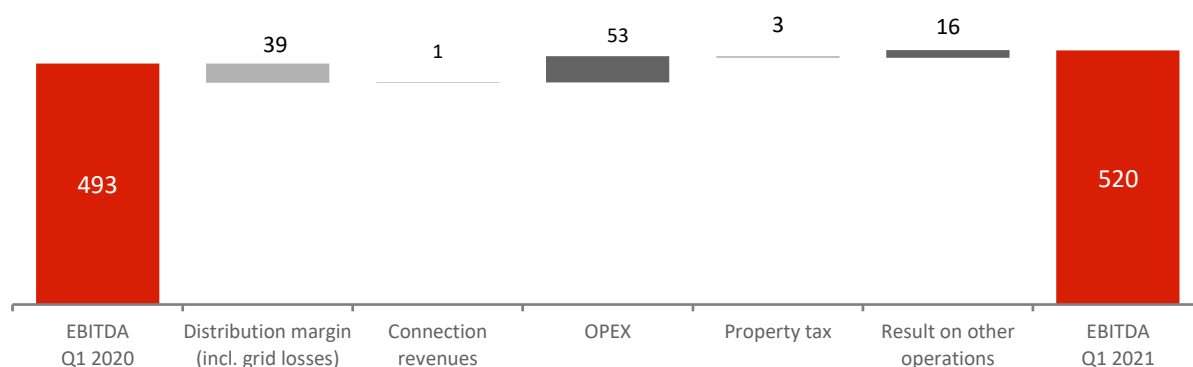


Table 9: Results of the Distribution Business Line (PLN m)

PLN m	Q1 2020	Q1 2021	Change	Change (%)
Revenue	1,146	1,141	(5)	0%
<b>EBITDA</b>	<b>493</b>	<b>520</b>	<b>27</b>	<b>5%</b>
amortization and depreciation	210	213	3	1%
impairment of non-financial non-current assets	-	-	-	0%
EBIT	283	307	24	8%
Net result	188	229	41	22%
CAPEX	266	300	34	13%

Figure 6: EBITDA bridge of the Distribution Business Line (PLN million)



In the first quarter of 2021, the Distribution Business Line accounted for almost 69% of the Energa Group's EBITDA, compared to nearly 87% in the first quarter of 2020.

The sales revenues of the Distribution Business Line in the first quarter of 2021 amounted to PLN 1,141 m, that is reached a level similar to the corresponding period of the previous year.

The Line's EBITDA stood at PLN 520 m and was approx. 5% higher y/y.

Lower OPEX costs, including specifically the one-off event in the form of release of actuarial provisions on account of the company social benefits fund for pensioners as well as the lower costs in connection with the rescheduling of some works due to the pandemic had a material impact on growth of EBIT operating result by 8% y/y, i.e. up to PLN 30.7m. Meanwhile, another

one-off event, namely the signing of an advantageous settlement in the dispute for damages on account of the transmission fee, improved the y/y result on the other operating activities.

Another factor contributing to the change in EBIT operating result was the distribution margin lower by PLN 39 m (including grid losses). The higher y/y volume of the distribution service was compensated by higher costs of grid losses associated with the higher volume of electricity for the coverage of grid losses and the disadvantageous settlement of the actual volume from December 2020 in January 2021.

In the first quarter of 2021, the net profit of the Distribution Business Line amounted to PLN 229 m, i.e. was 22% higher year-to-year. The improvement was primarily attributable to the change in EBIT and recognition in financial revenues of the statutory interest associated with the aforesaid settlement.

The Line's capex expenditure amounted to PLN 300 m and was 13% higher than in the first quarter of 2020.

## 4.2. Generation Business Line

### 4.2.1. Business and operating activities

Table 10: Gross electricity production (GWh)

Gross electricity production (GWh)	Q1 2020	Q1 2021	Change	Change (%)
Power plants – coal-fired	289	592	303	> 100%
Power plants - biomass co-fired	53	-	(53)	-100%
CHP plants - coal-fired	36	9	(27)	-74%
CHP plants - biomass-fired	17	22	6	35%
Power plants – hydro	209	259	50	24%
Pumped storage plant	21	19	(1)	-6%
Power plants – wind	175	124	(51)	-29%
Power plants - photovoltaics	1	1	(0)	-23%
<b>Total production of electricity</b>	<b>801</b>	<b>1,027</b>	<b>227</b>	<b>28%</b>
<i>including from RES</i>	<i>455</i>	<i>406</i>	<i>(49)</i>	<i>-11%</i>

In the first quarter of 2021, the Energa Group's generation assets produced 1.0 TWh of electricity compared to 0.8 TWh in the corresponding period of the previous year, i.e. 28% more y/y. That trend concerned primarily production from hard coal at the power plant in Ostrołęka and from hydro sources.

The production level at the Ostrołęka power plant was determined by must-run operation for the Transmission System Operator in Poland. Electricity production in hydro sources stemmed from the existing hydrological conditions. Production from wind was lower than in the corresponding period of the previous year despite the commissioning of the new Przykona wind farm, due to the prevailing weather conditions. Production of electricity at the Group's combined heat and power plants derived from production of heat, which was dependent mainly on the demand for heat from the Group's local customers and on an additional factor, namely the capex process conducted in connection with the change of the fuel mix within the CHP Generation Area.

Table 11: Gross heat production (TJ)

Gross heat production in TJ	Q1 2020	Q1 2021	Change	Change (%)
ENERGA Kogeneracja Sp. z o.o.	811	946	135	17%
ENERGA Elektrownie Ostrołęka S.A.	429	472	44	10%
Ciepło Kaliskie Sp. z o.o.	123	147	24	20%
<b>Total gross heat production</b>	<b>1,364</b>	<b>1,566</b>	<b>202</b>	<b>15%</b>

In the first quarter of 2021, the Group produced 1,566 TJ of heat, i.e. 15% more than in the corresponding period of the previous year, which was prompted, among other things, by air temperatures shaping demand for heat from the Group's customers in the local markets in the cities of Ostrołęka, Elbląg and Kalisz.

Table 12: Volume and cost of consumption of key fuels

Consumption of fuels*	Q1 2020	Q1 2021	Change	Change (%)
Hard coal				
Quantity (thous. of tonnes)	181	301	120	66%
Cost (PLN m)	57	88	31	54%
Biomass				
Quantity (thous. of tonnes)	48	25	(23)	-49%
Cost (PLN m)	25	10	(15)	-59%
<b>Total fuel consumption (PLN m)</b>	<b>82</b>	<b>98</b>	<b>16</b>	<b>20%</b>

\* including the cost of transport

In the first quarter of 2021, the cost of the Group's fuel consumption rose by PLN 16 m y/y. The Group's generating entities consumed 120,000 tons of hard coal more and 23,000 tons of biomass less than in the first quarter of 2020. Reduced consumption of biomass for production purposes was primarily the effect of discontinuation of co-firing at the power plant in Ostrołęka (termination of the support period). Increased consumption of hard coal stemmed from greater production of electricity, mainly by the power plant in Ostrołęka. At the same time, 1% higher unit cost of consumption of hard coal together with cost of transport and the 10% lower cost of consumption of biomass were recorded.

#### 4.2.2. Financial results

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

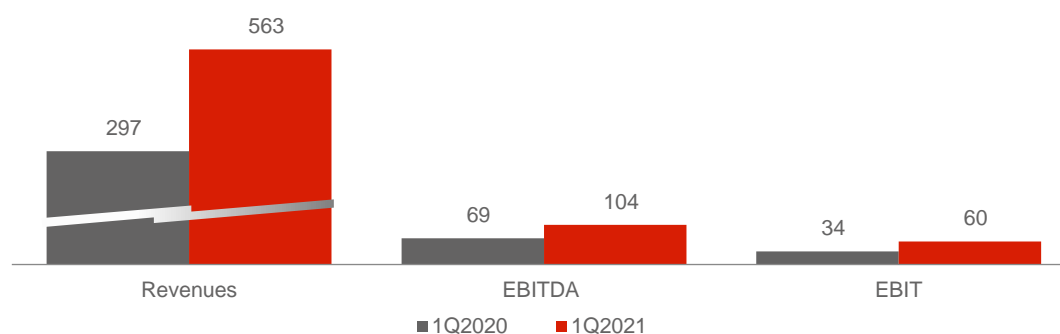
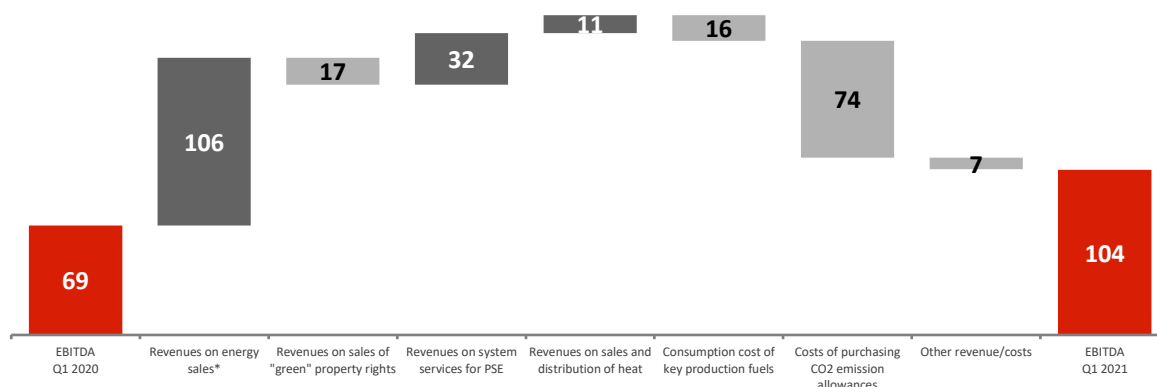


Table 13: Result of the Generation Business Line (PLN m)

PLN m	Q1 2020	Q1 2021	Change	Change (%)
Revenue	297	563	266	90%
<b>EBITDA</b>	<b>69</b>	<b>104</b>	<b>35</b>	<b>51%</b>
amortization and depreciation	38	34	(4)	-11%
impairment of non-financial non-current assets	(3)	10	13	> 100%
EBIT	34	60	26	76%
Net result	10	41	31	> 100%
CAPEX	52	29	(23)	-44%

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



\* includes net electricity trading (revenue less cost).

The following table presents EBITDA breakdown of the Generation Business Line into individual Generation Segments. The statement presents unit data with the elimination of mutual transactions among business segments and consolidation adjustments.

Table 14: EBITDA for the Generation Business Line broken down to Generation Segments (PLN m)

EBITDA in PLN m	Q1 2020	Q1 2021	Change	Change (%)
Water	37	55	17	46%
Wind	41	34	(7)	-18%
Ostrołęka power plant	(12)	18	29	> 100%
Other and adjustments	2	(2)	(4)	< -100%
<b>Generation total</b>	<b>69</b>	<b>104</b>	<b>35</b>	<b>51%</b>

In the first quarter of 2021, EBITDA of the Generation Business Line amounted to PLN 104 m (51% more y/y) and its share in the Group's combined EBITDA remained at 14% (12% in the first quarter of 2020). The key factors shaping the Line's EBITDA in the first quarter of 2021 were, among other things, revenues from sale of electricity and green property rights, revenues from regulatory system services, revenues from sale and distribution of heat, costs of consumption of key fuels for production purposes and costs of purchase of emission allowances.

Higher revenues from sale of electricity are attributable primarily to higher electricity production by the power plant in Ostrołęka and hydro sources as well as higher levels of selling prices of electricity.

The revenues from sale of green property rights were the effect of the lower volume of production, among other things, due to discontinuation of co-firing at the power plant in Ostrołęka and reduced electricity production from wind farms.

Higher revenues from system services were attributable mainly to the launch of the clearing mechanism in the form of the Capacity Market in early 2021 that is used by the Group's sources.

Growth in revenues from sale and distribution of heat was driven primarily by low air temperatures observed in the first quarter of 2021, which translated into the increased volume of generation of that product.

The cost of consumption of key fuels for production purposes was driven mainly by the higher volume of production of electricity at the power plant in Ostrołęka, lower unit cost of consumption of fuels (biomass) and efficiency of the generation facilities.

The increased cost of purchase of CO2 emission allowances was traced to the rising market prices of emission allowances, the volume of emissions from the Group's sources and the held pool of free emission allowances.

The Line's capex outlays in the first quarter of 2021 were PLN 23 m lower y/y and their level was attributable primarily to growth in district heating assets in Elbląg.

Table 15: Results of the Hydro Power Division (PLN m)

PLN m	Q1 2020	Q1 2021	Change	Change (%)
Revenue	64	85	21	33%
<b>EBITDA</b>	<b>37</b>	<b>55</b>	<b>17</b>	<b>46%</b>
EBIT	29	46	17	61%
CAPEX	2	(0)	(2)	< -100%

Table 16: Results of the Wind Power Division (PLN m)

PLN m	Q1 2020	Q1 2021	Change	Change (%)
Revenue	51	42	(8)	-17%
<b>EBITDA</b>	<b>41</b>	<b>34</b>	<b>(7)</b>	<b>-18%</b>
EBIT	27	17	(10)	-36%
CAPEX	3	2	(1)	-46%

Table 17: Results of the Ostrołęka Power Plant Division (PLN m)

PLN m	Q1 2020	Q1 2021	Change	Change (%)
Revenue	125	369	244	> 100%
<b>EBITDA</b>	<b>(12)</b>	<b>18</b>	<b>29</b>	<b>&gt; 100%</b>
EBIT	(18)	22	40	> 100%
CAPEX	45	3	(42)	-94%

Table 18: Results of the Other and Adjustments Division (PLN m)

PLN m	Q1 2020	Q1 2021	Change	Change (%)
Revenue	58	68	10	17%
<b>EBITDA</b>	<b>2</b>	<b>(2)</b>	<b>(4)</b>	<b>&lt; -100%</b>
EBIT	(3)	(25)	(22)	< -100%
CAPEX	3	25	22	> 100%

### 4.3. Sales Business Line

#### 4.3.1. Business and operating activities

Table 19: Sale of electricity (GWh)

Sales of electricity by the Sales Business Line in GWh	Q1 2020	Q1 2021	Change	Change (%)
<b>Retail sales of electricity</b>	<b>4,922</b>	<b>4,917</b>	<b>(5)</b>	<b>-0%</b>
<b>Sales of electricity in the wholesale market, including:</b>	<b>1,431</b>	<b>787</b>	<b>(644)</b>	<b>-45%</b>
<i>Sales of energy to the balancing market</i>	406	567	161	40%
<i>Sales of energy to cover network losses to Energa-Operator</i>	-	-	-	-
<i>Other wholesale</i>	1,025	221	(805)	-78%
<b>Total sales of electricity</b>	<b>6,353</b>	<b>5,704</b>	<b>(648)</b>	<b>-10%</b>

The combined volume of electricity sold by the Sales Business Line in the first quarter of 2021 was lower by 10% (i.e. 0.6 TWh) compared to the first quarter of 2020. That was due to lower sales in the wholesale market.

The sales volume in the retail market was at a level comparable to the corresponding period of the previous year (approx. 4.9 TWh). As a result of the ongoing COVID-19 pandemic, however, the changes occurred in the structure of the volume compared to the first quarter of 2020 when the pandemic-related restrictions covered exclusively a portion of a single month, namely March 2020. The volume of sales to business customers declined (the effect of economic restrictions) while the volume of sales to households rose, with the effect of the lockdown as well as that of remote work and schooling compounded by the effect of freezing winter.

At the end of the first quarter of 2021, the number of end customers for electricity (power takeoff point) of the Sales Business Line amounted to 3.2 m, which represented an increase by approx. 58,000 customers y/y. The G tariff group (households) primarily accounted for the incremental customer base.

Meanwhile, electricity sales in the wholesale market declined in the first quarter of 2021 by 0.6 TWh, or 45%, compared to the first quarter of 2020. The reason behind that decline was reduction of the scale of operations carried out on the electricity portfolio (renouncement from speculative transactions) as well as lower production of wind farms in the local market, which contributed to the smaller scale of the phenomenon consisting in the need for collecting that electricity and reselling its surplus.

#### 4.3.2. Financial results

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

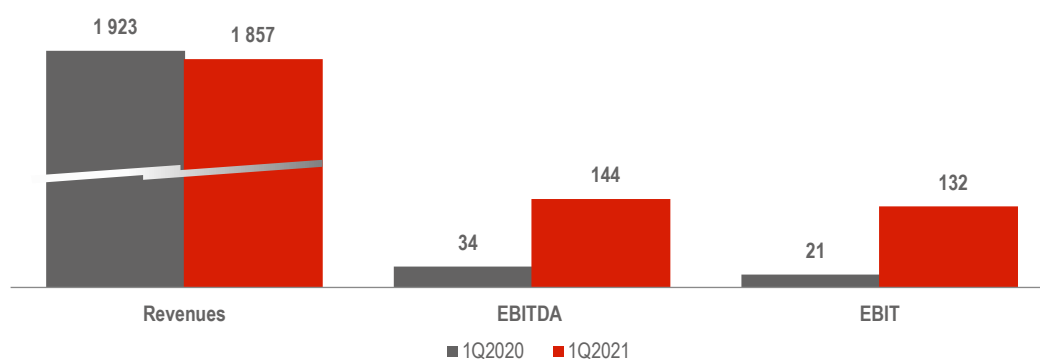
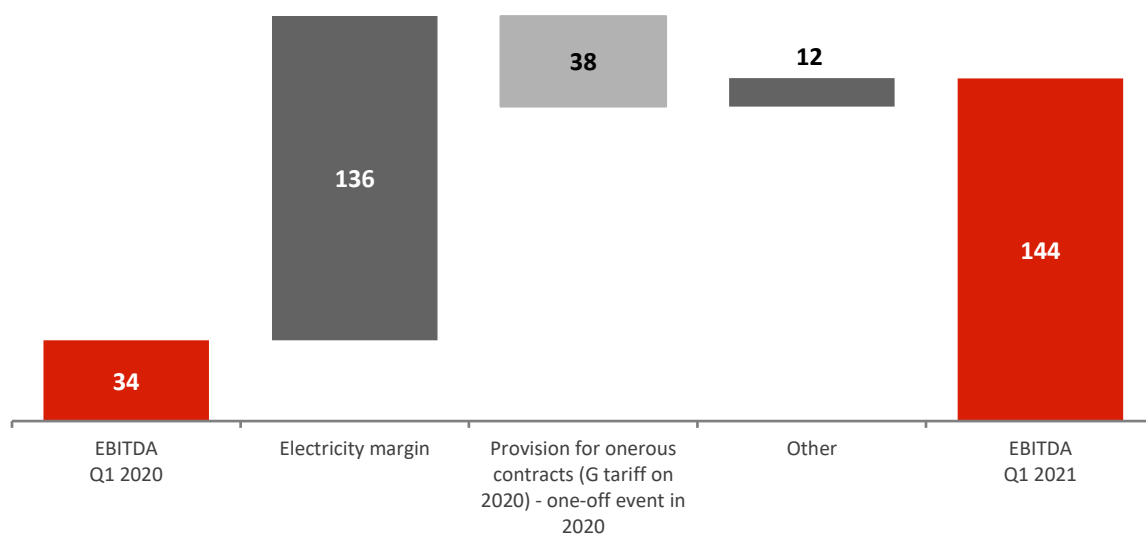


Table 20: Result of the Sales Business Line (PLN m)

PLN m	Q1 2020	Q1 2021	Change	Change (%)
Revenue	1,923	1,857	(66)	-3%
<b>EBITDA</b>	<b>34</b>	<b>144</b>	<b>110</b>	<b>&gt; 100%</b>
amortization and depreciation	13	12	(1)	-8%
impairment of non-financial non-current assets	-	-	-	0%
EBIT	21	132	111	> 100%
Net result	10	107	97	> 100%
CAPEX	6	12	6	100%



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

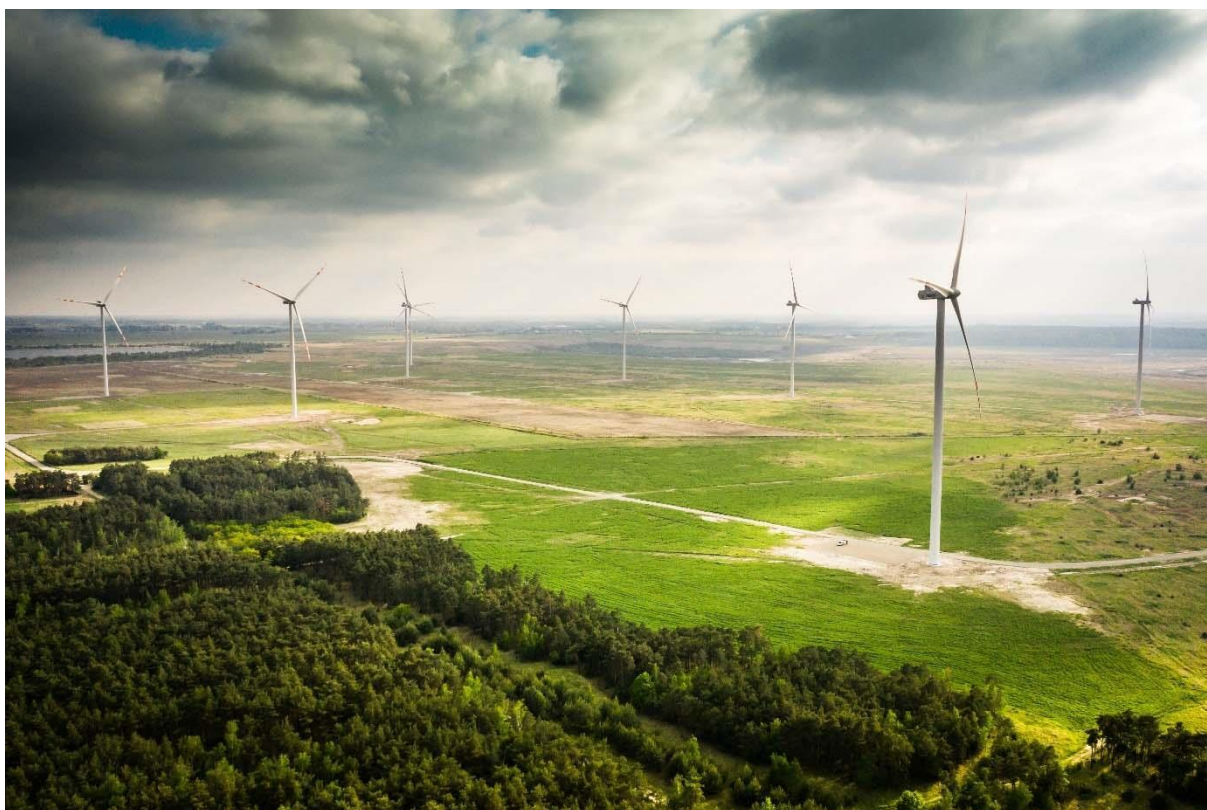


In the first quarter of 2021, EBITDA of the Sales Business Line amounted to PLN 144 m and was PLN 110 m higher compared to the result obtained in the first quarter of 2020. The Line's EBITDA in the first quarter of 2021 accounted for 19% of the Group's EBITDA whereas in the corresponding period of 2020 it represented 6%.

The revenues of the Sales Business Line in the first quarter of 2021 amounted to PLN 1,857 m and were PLN 66 m lower compared to the first quarter of 2020. The shrinking revenues were attributable to the lower volume of electricity sales in the wholesale market and the lower average selling price of electricity in the retail market.

Dynamic growth in EBITDA of the Sales Business Line y/y was driven primarily by the increase of the margin on electricity sales by PLN 136 m. That was the effect of low base (in 2020, the disadvantageous tariff for households set by the President of the Energy Regulatory Office (URE) was in force) and the overall improvement of margins on sales to other customers (the dynamic of the decline in the average unit cost of purchase of electricity being greater than the dynamic of the decline in the average selling price).

A one-off event, namely the provision for contracts resulting in charges relating to G tariff in connection with the approval of the 2020 tariff by the President of URE, also had a material impact on the change of the Line's EBITDA. That provision, established at the end of 2019, was successively released throughout 2020 due to materialization of that event within the framework of the margin on electricity sales (generation of lower revenues from sale of electricity to the customers settled on the basis of G tariff). As a result, PLN 38 m of that provision was released in the first quarter of 2020. No such event occurred during the reporting period, which generated a negative impact on EBITDA change y/y.



Przykonia Wind Farm

## Regulatory and business environment

## 5. REGULATORY AND BUSINESS ENVIRONMENT

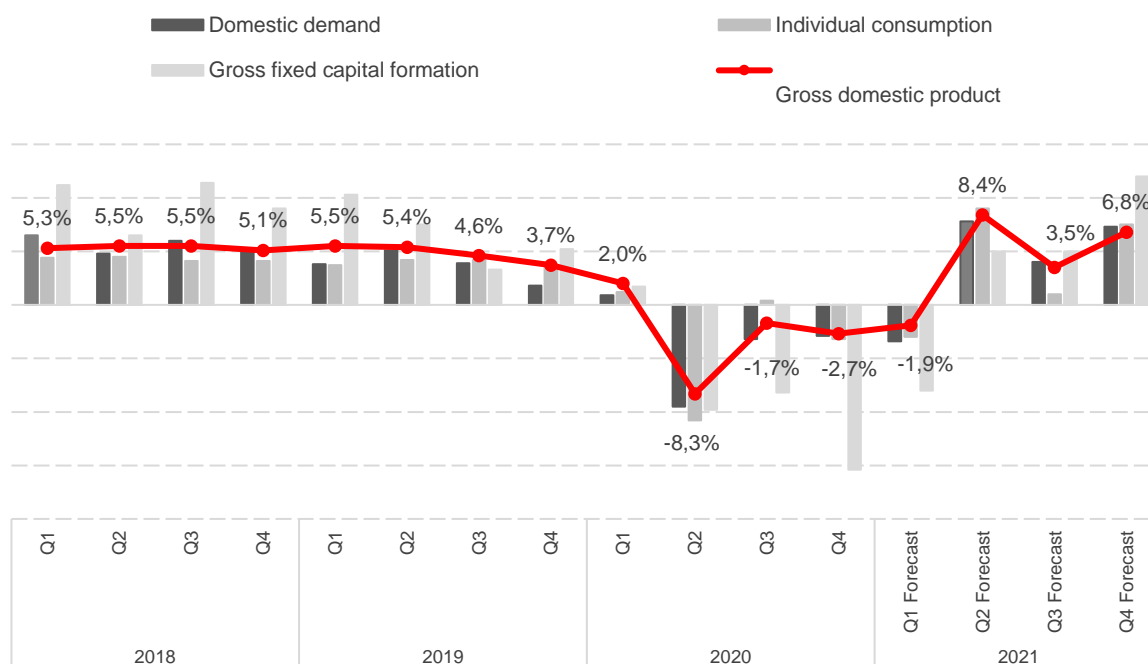
### 5.1. Macroeconomic situation

The key operating market for the Energa Group companies is the domestic market. Therefore, market cycles, expressed by means of the rate of GDP changes, inflation, or unemployment rate, have a bearing on the prices of electricity, heat and gas and the development of demand for products supplied to end customers. The SARS-CoV-2 (coronavirus) virus pandemic and the associated restrictions on the social and economic life remained a key factor impacting the economy in the first quarter of 2021. In the context of the coming quarters, the return to the stable rhythm of economic life will depend, to a large extent, upon the rate of vaccination, the society's immunity growth and containment of the COVID-19 disease.

According to the preliminary estimate of the Main Statistical Office (GUS), Poland's GDP in the fourth quarter of 2020 shrank, in real terms, by 2.7% y/y, compared to the 3.7% increase in the corresponding quarter of 2019. In the first quarter of 2021, the pandemic began to fade prompting the authorities to gradually lift the sanitary restrictions. However, the third wave of the pandemic came in March and the strict restrictions were reimposed. The macroeconomic data to date indicate that the industrial sector is coping well despite the pandemic. The analysts from Bank Millennium point out that the core pillar supporting the economy on the demand side is exports as well as public consumption. The services and retail sector is not faring so well. Intensified restrictions and declining mobility reduced private consumption and the persisting uncertainty limited the businesses' investment activities.

The analysts of Santander Bank Poland do not foresee an economic recovery in Poland until late 2021. Consequently, they have lowered their GDP forecast for the current year by 0.4 pp in relation to the level assumed in December 2020. A similar level of the forecast economic growth in 2021, namely 4.1% y/y, was presented by the National Bank of Poland (NBP) in its March projection, highlighting positive factors such as faster than expected reconstruction of business activity abroad, launch of new anti-crisis schemes supporting the labor market and entrepreneurs in Poland or incorporation in the projection of absorption of EU funds under the new instrument called the Next Generation EU whose purpose is to support development of European economies after the crisis triggered by the COVID-19 pandemic.

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



Source: GUS data (April 2021) and forecasts by Santander Bank Polska SA (April 2021)

The epidemiological situation in the country materially impacts the current and future consumer mood and trends in demand. In the first quarter of 2021, the current consumer confidence index, describing synthetically the present trends in individual consumption amounted to -24.4 and declined by 26.5 pp in relation to the corresponding period of the previous year. Meanwhile, the leading consumer confidence index, describing the trends in individual consumption anticipated in the coming months, remained at -21.7 in the first quarter of 2021 and declined by 20 pp y/y. Negative values of both indices show that there are more pessimistic than optimistic consumers. The country's economic outlook, current prospects for making important purchases and changes in the unemployment rate represented the constituents of the above indices that showed the greatest decline.

According to the preliminary data gathered by the Ministry of Economic Development, Labor and Technology, the unemployment rate in March 2021 amounted to 6.4% and was 0.1 pp lower than that recorded a month earlier. March was the first month in the current year when the number of the jobless registered with the employment offices decreased. Eurostat's figures also show a positive trend in the domestic labor market. In February 2021, Poland had the lowest unemployment rate in the European Union. However, the analysts point out that the above statistics fail to fully reflect the declining demand for labor during the pandemic. Such phenomena are noticeable as the outflow of workforce from abroad, the shortening of working hours in order to avoid layoffs, an increase in professional inactivity or self-employment in agriculture. Average employment in the enterprise sector during the first three months of 2021 decreased by 1.7% in relation to the corresponding period of the previous year. Meanwhile, the (gross) average monthly salary grew by 5.7% y/y and reached PLN 5,675.54. The advantageous income situation of households, limited risk of a strong rise in unemployment as well as the savings accumulated during the pandemic create room for consumption growth once the economy has been unlocked.

As previously indicated, a positive business climate is being observed in the Polish manufacturing sector, as confirmed by the listings of PMI (Purchasing Managers' Index for the Polish industry), which amounted to 54.3 points in March 2021 and rose by 0.9 point in the space of one month. The index's growth trend, as confirmed for the fourth time in row, sets the longest sequence of the kind since 2013. IHS Markit pointed out that the March testing of PMI also showed historic inflation and presence of record pressures on supply chains. Higher transport costs and the weakening of the Polish zloty translated into a significant rise in manufacturing costs, which led to the fastest inflation of prices of finished goods since the creation of the index (January 2003). On the other hand, an increased inflow of export purchase orders was observed rising the overall level of purchase orders and accelerating production growth. The sector's development, however, was halted by the limited supply due to a shortage of workforce and lack of raw materials in the market and the extended delivery times.

The consumer price index in Q1 2021 amounted to 2.7% in relation to the corresponding period of the previous year and was distinctly above the original expectations. The high inflation rate was attributable primarily to rising crude oil prices in the international markets. Higher prices were reported, first of all, for services (by 7.3% y/y) but also for goods (by 1.4% y/y). In the case of energy carriers (electricity, gas, firewood and heat), prices grew at the rate of 4.8% y/y. As forecasted by the analysts of Bank Millennium, the inflation rate will remain high in the subsequent quarters and its key components will be prices of fuels and electricity. Research into business climate also indicates that there is room for price growth. In its March projection, the National Bank of Poland assumes, however, CPI inflation rate at a level of 3.1% and 2.8% in 2021 and 2022, respectively.

As far as the monetary policy is concerned, the Monetary Policy Council (RPP) opted against revising the key interest rates in the first quarter of 2021. The primary interest rate of the National Bank of Poland, the reference rate, amounted to 0.10% at the end of March. Analysts anticipate stabilization of interest rate levels in the subsequent quarters. RPP's rhetoric remains moderate despite the intensifying inflation rate. RPP is likely to change its rhetoric once clear economic recovery occurs following stabilization of the epidemiological situation.

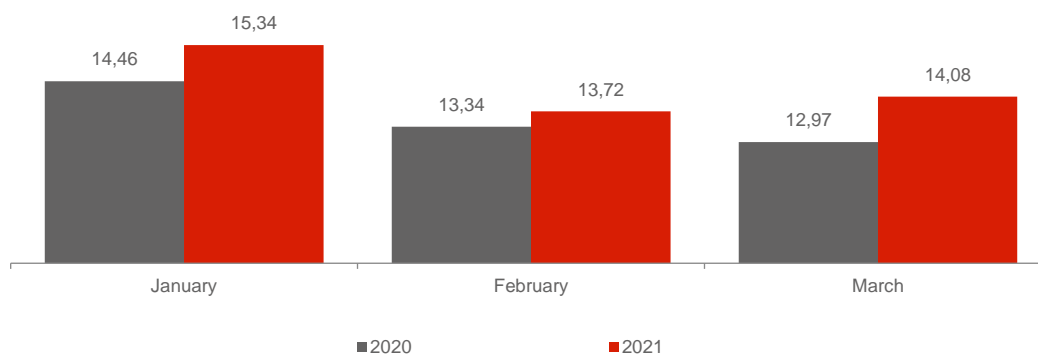
## **5.2. Electricity market in Poland**

Developments in the market environment are of key importance for the financial performance of the Group. In that context, attention is drawn specifically to electricity production and consumption, Poland's cross-border power exchange, electricity prices in Poland and selected neighboring countries, prices of property rights and costs of emission allowances.

### **Domestic production and consumption of electricity**

According to the data published by Polskie Sieci Elektroenergetyczne (PSE), production of electricity in Poland in the first quarter of 2021 amounted to 43.14 TWh and was 2.37 TWh, i.e. 5.5%, higher than in the corresponding period of the previous year (40.77 TWh). Higher production was visible in power plants fired with lignite and hard coal as well as in generation sources operating on gas fuel. Increased production came in response to higher demand for electricity within the National Power System (KSE).

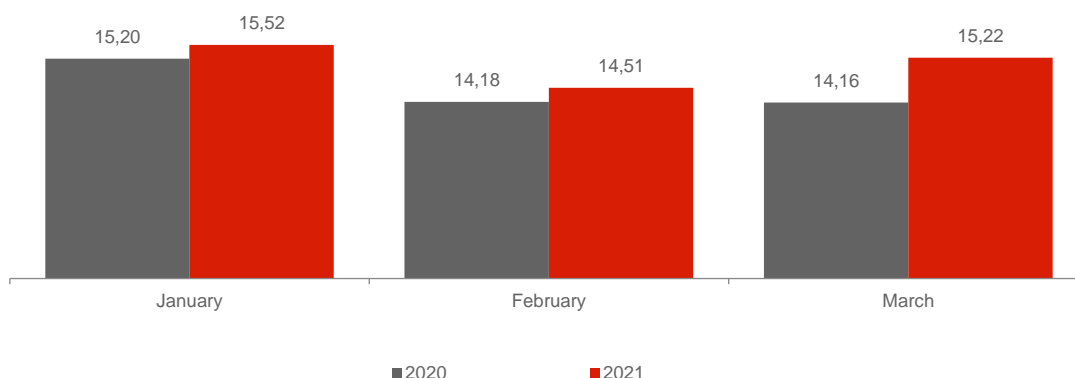
**Figure 10: Production of electricity in Poland in the first quarter of 2020 and 2021 (TWh)**



Source: PSE

Domestic consumption of electricity in Poland in the first quarter of 2021 amounted to 45.25 TWh and was 1.71 TWh, i.e. 3.9%, higher than in the corresponding period of the previous year (43.54 TWh). The rise in consumption was due to higher demand triggered by the recovering economy and the reduced scale of restrictions prompted by the COVID-19 pandemic in relation to the same period of the previous year.

**Figure 11: Consumption of electricity in Poland in the first quarter of 2021 (TWh)**

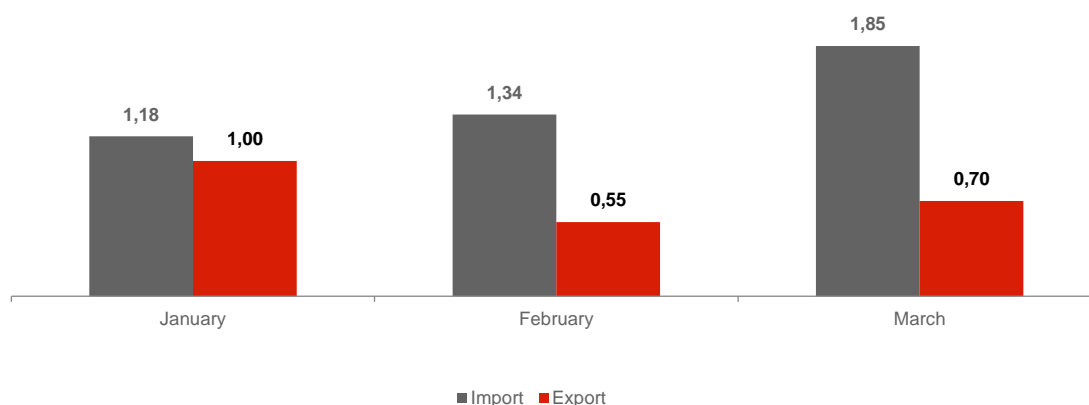


Source: PSE

### Poland's cross-border power exchange

In the first quarter of 2021, electricity exports were only 0.22 TWh lower in relation to the corresponding period of the previous year. Comparing the same periods, one can notice a slight decline in electricity imports by 0.87 TWh, which corresponds substantially to the surplus of net imports of electricity of 2.12 TWh during the examined period over the net imports of 2.77 TWh during the corresponding period of the previous year. This is the effect of lower off-take of electricity within the framework of parallel trade and the link to Ukraine.

Figure 12: Monthly volumes of cross-border power exchange in Poland in the first quarter of 2021 (TWh)

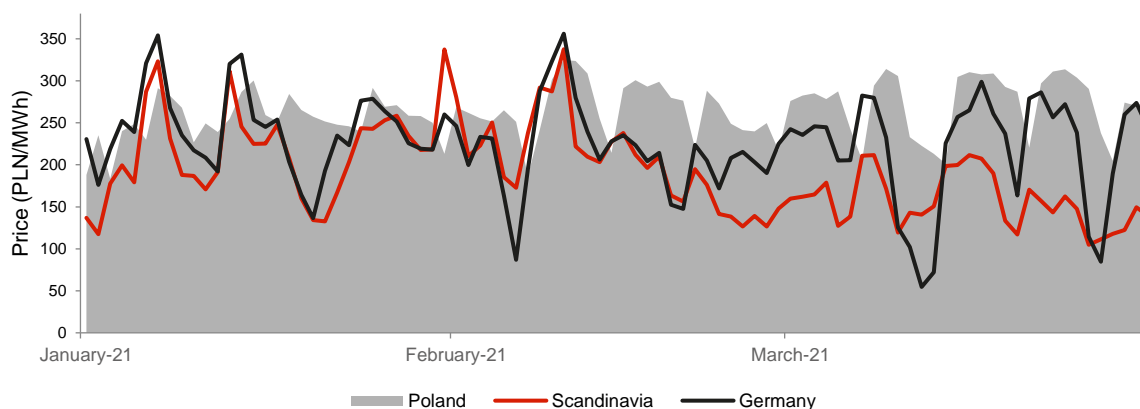


Source: PSE

### Energy prices in selected countries neighbouring with Poland

In the first quarter of 2021, the average level of SPOT market prices in Poland was higher than in the neighbouring countries. The increased demand for capacity coupled with low temperatures and lower generation of electricity from wind sources as well as the rise of EUA listings to the historic record levels, supported by an increase in capacity deficiencies, resulted in price growth in the Polish market as well as in the neighbouring markets. The largest price deviations were recorded against the Scandinavian market (+38.2%, or 73.06 PLN/MWh), and lesser ones against the prices in the German market (+17.3%, or 38.92 PLN/MWh).

Figure 13: Electricity prices in the SPOT market in Poland and selected neighbouring countries in the first quarter of 2021 (price (PLN/MWh))



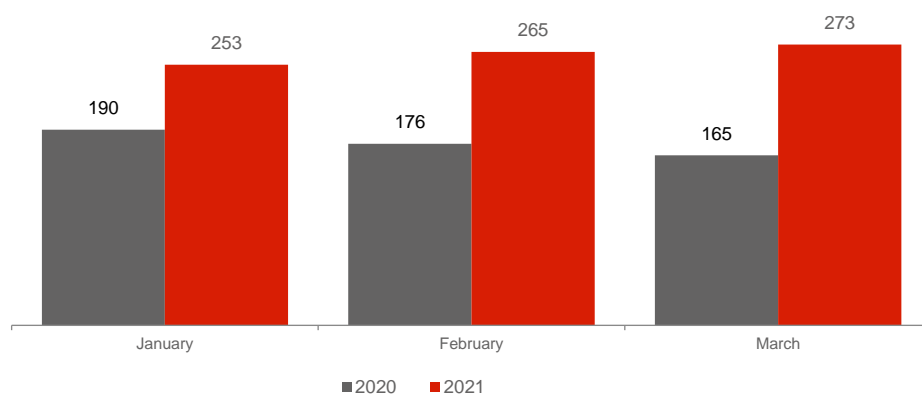
Source: Bloomberg, Reuters

### Day-Ahead Market of electricity in Poland

The average level of TGeBase index in the first quarter of 2021 amounted to 263.54 PLN/MWh and was 86.57 PLN/MWh higher than in the corresponding period of the previous year (176.97 PLN/MWh). Meanwhile, comparing the first quarter of 2021 against the fourth quarter of 2020, one can observe price growth of 17.37 PLN/MWh. The rise in the domestic demand for capacity attributable to the economic recovery was supported by the increase in capacity deficiencies and a drop in electricity imports, which in turn contributed to price growth in relation to the corresponding period of the previous year.



Figure 14: TGeBase index in the first quarter of 2021 (PLN/MWh)



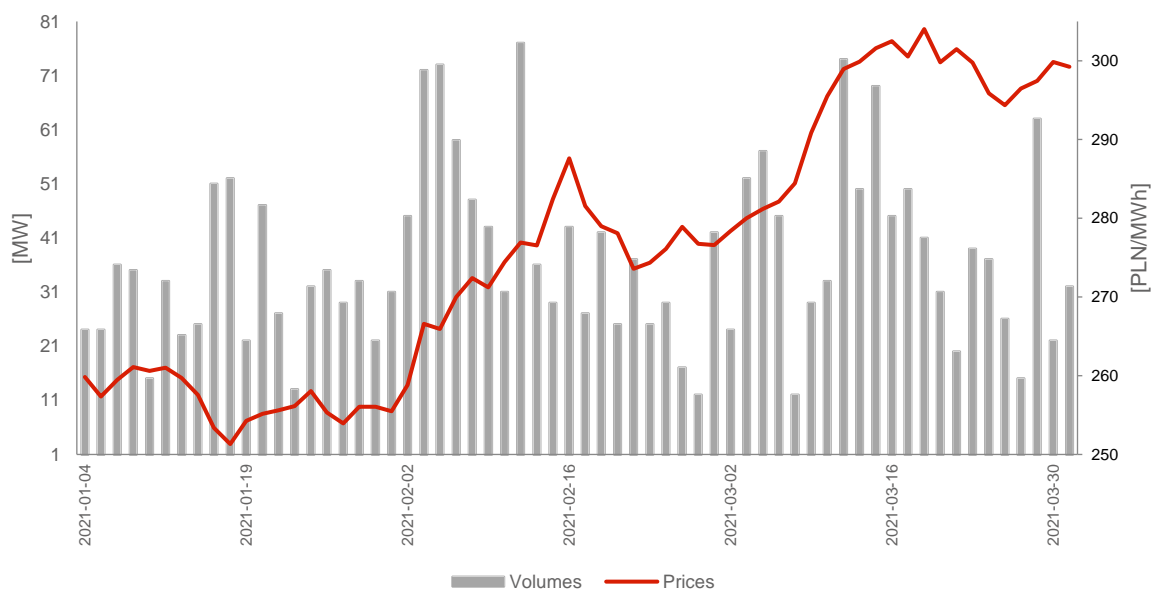
Source: TGE

### Electricity futures market in Poland

In the first quarter of 2021, electricity futures market was following a growth trend. The highest price was recorded on 18 March 2021 at 304.03 PLN/MWh (BASE 2022). The key determinants of electricity price growth in the first quarter of 2021 included:

- growth in CO<sub>2</sub> emission allowance prices,
- declining windiness,
- an increase in SPOT market prices,
- increased demand for electricity within the National Power System.

Figure 15: Price of a futures contract with BASE delivery in 2022 in the first quarter of 2021

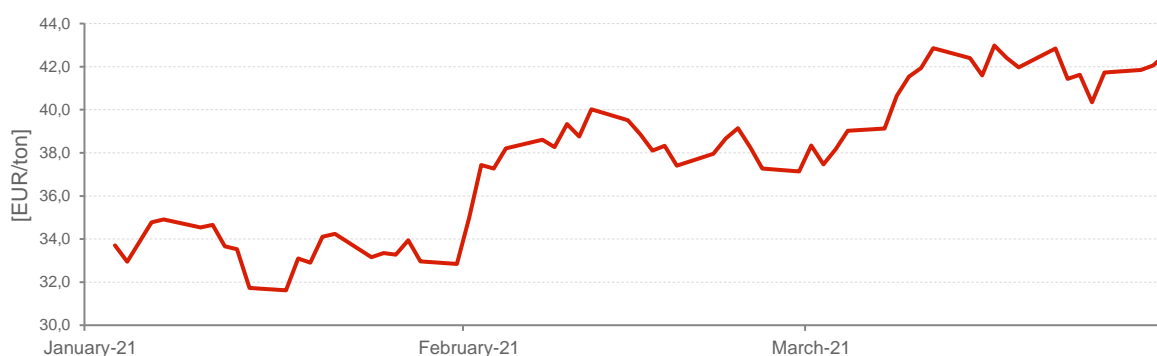


Source: TGE

## Emission allowance market

On 8 May 2020, the European Commission informed that over 1,385 m emission allowances were in circulation at the end of 2019. That value provided the basis for determination of the level of the so-called market stability reserve (MSR) operating within the framework of the EU system for trading in emission allowances (EU ETS) since January 2019. According to the market stability reserve rules, a total of approx. 333 m allowances is to be placed in the market stability reserve over a period of 12 months from 1 September 2020 to 31 August 2021. Over the first 5 years of the application of MSR, the number of allowances is to be reduced annually by 24% of the total number of allowances in the auction pool (if the total number of allowances in circulation exceeds the threshold of 833 m allowances). In 2021, there is no available volume of emission allowances sold annually by the Great Britain or additional volume offered by Poland. Following its departure from the European Union, the Great Britain established its own system, with the first auction scheduled in mid-May 2021. The British auctions, unlike the European system, are to list the minimum asking price. The British government is planning to sell 82m emission allowances (UKA) in 2021, including those for the aviation sector. In mid-May, the SPOT market and listings of futures contracts are to be launched at the ICE exchange. The key factor which determined EUA pricing in the first quarter of 2021 was speculation and the wait for the final conclusion of discussions on the shape of the European Climate Law and, consequently, the expansion of the emission reduction target to 50-55% in 2030. As a result, EUA price in the first quarter of 2021 amounted to 42.55 EUR/t, rising by 38% since the end of 2020. Its price increased by 141% when compared to the end of the first quarter of 2020.

Figure 16: EUA prices in the first quarter of 2021



Source: Bloomberg

## Market for property rights

The table below presents the prices of green property rights listed on the Polish Power Exchange.

Table 21: Average price levels of green property rights listed on the Polish Power Exchange

Index (type of certificate)	Index value		Percentage of obligation (%)	Substitution fee (PLN)
	Q1 2020 (PLN/MWh)	Q1 2021 (PLN/MWh)		
OZEX_A (green)	146.62	144.1	19.5*	300.03*

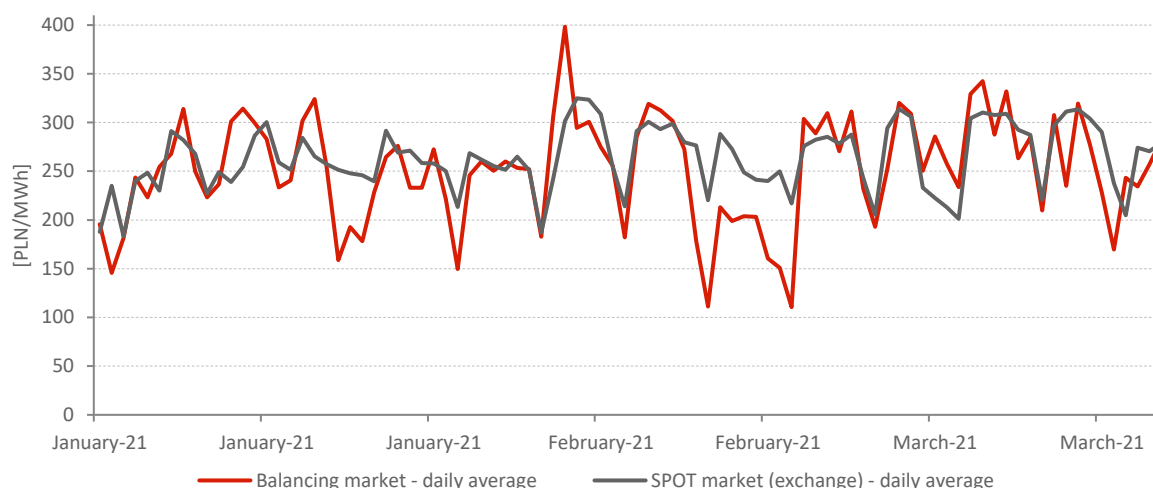
\* value of the substitution fee and the redemption obligation for the year 2021.

From the perspective of the Energa Group's generation structure (high share of renewable production), the prices of green property rights are of key importance. Prices of RES property rights in session transactions remained at approx. 142.00 PLN/MWh during the first two months of the quarter. In March, the prices climbed dramatically. RES property rights listings closed the first quarter of 2021 at 148.07 PLN/MWh.

## Balancing market

Since 1 January 2019, the limits for electricity clearing prices on the balancing market changed and currently range from PLN -50,000.00/MWh to PLN +50,000.00/MWh. Over the prevailing period of the first quarter of 2021, prices in the balancing market were similar to the day-after market prices. The only departure from that rule was, for instance, the situation on 21 February 2021 when the average daily price in the balancing market amounted to a mere 111.12 PLN/MWh and the highest combined level of capacity deficiencies in February reaching almost 16 GW occurred the day earlier. The average level of prices during the examined period in the balancing market amounted to 251.74 PLN/MWh against 181.84 PLN/MWh in the corresponding period of the previous year.

Figure 17: Overview of prices in the balancing market and SPOT market (exchange) in the first quarter of 2021 (PLN/MWh)



Source: TGE, PSE

## 5.3. Regulatory environment

### Legislative processes completed in the first quarter of 2021

Table 22: Overview of legislation having a material effect on the Group

Legal act	Description and purpose of the regulations
Poland's energy policy until 2040	<p>On 2 February 2021, the Council of Ministers passed the resolution on Poland's energy policy until 2040 (PEP), which was published in the Monitor Polski on 10 March 2021.</p> <p>The statutory objective of the state energy policy is energy security while ensuring competitiveness of the economy, energy efficiency and reduction of the energy sector's environmental impact.</p> <p>The cost of implementation of PEP has been estimated at nearly PLN 1,600bn by 2040, of which Poland is to secure approx. PLN 260bn from the EU funds within the 2030 perspective. Additionally, expenditure of approx. PLN 28.5bn from the national budget is planned in the years 2021-2025.</p> <p>PEP sets the framework for transformation of the energy sector in Poland and is based on three pillars:</p> <ol style="list-style-type: none"> <li>(1) Just transition;</li> <li>(2) Zero-emission energy sector and good air quality; and</li> <li>(3) Low-emission energy sector transformation.</li> </ol> <p>The key elements of PEP include:</p> <ol style="list-style-type: none"> <li>(1) By 2030, the share of renewable energy sources (RES) in the final gross energy consumption will amount to the minimum of 23 per cent;</li> <li>(2) For off-shore wind energy generation, the installed capacity will reach approx. 5.9 GW in 2030 and up to approx. 11 GW in 2040;</li> <li>(3) In 2033, the first unit of a nuclear power plant with a capacity of approx. 1 to 1.6 GW will be commissioned. The subsequent units will become operational every 2 or 3 years and the entire nuclear program envisages construction of 6 units;</li> <li>(4) By 2030, greenhouse gases (GHGs) will be reduced by approx. 30 per cent compared to the 1990 levels;</li> <li>(5) By 2040, the heating needs of all households will be covered by heat from the district heating system and by zero- or low-emission individual sources;</li> </ol>

	<p>(6) Use of hard coal in the economy will be reduced in the manner ensuring just transition;</p> <p>(7) Natural gas, crude oil and liquid fuels infrastructure will be expanded and the directions of supply will be diversified.</p>
Regulation of 30 March 2021 on the maximum price for electricity generated at an off-shore wind farm and introduced into the grid in Polish zloties per MWh, providing the basis for settlement of the right to cover a negative balance	<p>The Minister of Climate and Environment signed on 30 March 2021 the Regulation on the maximum price for electricity generated at an off-shore wind farm and introduced into the grid in Polish zloties per MWh, providing the basis for settlement of the right to cover a negative balance. That price was set at 319.6 PLN/MWh.</p> <p>The maximum price for electricity generated at an off-shore wind farm and introduced into the grid in Polish zloties per MWh set in the regulation provides the basis for settlement of the right to cover a negative balance in the first phase of the support system, i.e. the price that may be granted by way of a decision of the President of the Energy Regulatory Office for the initial investment projects implemented within Poland's exclusive economic zone of the Baltic Sea.</p> <p>The maximum price originally proposed in the draft regulation was raised from 301.5 PLN/MWh up to 319.6 PLN/MWh following public consultations and the consensus conference. This is the price incorporating capex and operating expenses for an off-shore wind farm located 55km from the shore. Furthermore, it accounts for the use of fixed prices for 2021, higher balancing costs, the fee for extension of validity of the location permit (PSZW) and property tax on civil engineering infrastructure.</p>

## Legislative process pursued in the first quarter of 2021

Table 23: Overview of legislation having a material effect on the Group

Legal act	Description and purpose of the regulations
<p><b>Bill to amend the Capacity Market Act.</b></p> <p>Number on the list: UC 42</p>	<p>The purpose of the bill is to ensure compliance of the provisions of the Capacity Market Act of 8 December 2017 with the provisions of the Market Regulation, among other things, within the scope relating to:</p> <ol style="list-style-type: none"> <li>(1) limitation of the participation of generation capacities emitting more than 550g of CO<sub>2</sub>/kWh and more than 350kg of CO<sub>2</sub>/kW on average per year in capacity mechanisms (starting from 4 July 2019, the provisions of the Market Regulation exclude from the capacity market new generation capacities (that did not start commercial production before that date) emitting more than 550g of CO<sub>2</sub>/kWh, and starting from 1 July 2025 also existing generation capacities (that started commercial production before 4 July 2019) emitting more than 550g of CO<sub>2</sub>/kWh of electricity and more than 350kg of CO<sub>2</sub>/kW);</li> <li>(2) guarantees of acquired rights under capacity contracts concluded before the end of 2019;</li> </ol> <p>The provisions of the bill enable:</p> <ul style="list-style-type: none"> <li>✓ further specification of the rules for the secondary market and carbon-intensive generation capacities;</li> <li>✓ continued functioning of the capacity market based on the classification of carbon intensity of market participants;</li> <li>✓ conversion of the capacity contracts of planned capacity market generation capacities and modification of their technical parameters (including changing the electricity production technology of generation capacities exceeding the emission limit).</li> </ul>
<p><b>Act amending the Energy Act and Some Other Acts</b></p>	<p>The work on the Act was underway in the lower chamber of the Polish Parliament since 3 December 2020 (see printed matter: 808.1065).</p> <p>The following amendments have been introduced, among other things:</p> <ol style="list-style-type: none"> <li>(1) As regards the functioning of the capacity market: <ul style="list-style-type: none"> <li>✓ A uniform definition of an electricity storage facility was introduced and references were added to the obligation for the TSO to collect measurement data for the Central Energy Market Information System (CSIRE);</li> <li>✓ The deadline for attaining the Financial Milestone was extended to 24 months;</li> <li>✓ The rules for terminating agreements on multi-year capacity contracts for the upgraded generation capacities that failed to attain the Financial Milestone were revised - the shortening of the contract's term to one year;</li> <li>✓ The penalties for the new generation capacities that have failed to attain the Operational Milestone as scheduled were limited. Under the new regulations, the penalties will amount to: <ul style="list-style-type: none"> <li>▪ 5% of the monthly value of the capacity obligation covered by the capacity agreement - in the first year of deliveries;</li> <li>▪ 15% of the monthly value of the capacity obligation covered by the capacity agreement - in the second year of deliveries;</li> <li>▪ 25% of the monthly value of the capacity obligation covered by the capacity agreement - in the third year of deliveries, to be calculated on the basis of the highest price at the close of the capacity auction relating to a given year of deliveries;</li> </ul> </li> </ul> <p>Extension of the deadline for attaining the Financial Milestone will positively impact the schedule of implementation of new investment projects.</p> <li>(2) As regards definition of the schedule for installation of smart metering in Poland: <ul style="list-style-type: none"> <li>✓ By 31 December 2028, the DSO will install remotely read meters communicated with the remote reading system at the energy off-take points representing, as a minimum, 80% of the total number of energy off-take points at end customers, including those representing, as a minimum, 80% of the total number of energy off-take points at end customers in households;</li> <li>✓ The roadmap for reaching the 80% target was defined (31 December 2023 – 15%, 31 December 2025 – 35% and 31 December 2027 – 65%);</li> <li>✓ Furthermore, the DSO will install remotely read meters at all transformer stations converting medium voltage to low voltage by 31 December 2025, at the latest.</li> </ul> </li> <li>(3) As regards comprehensive regulation of electricity storage facilities, among other things: <ul style="list-style-type: none"> <li>✓ The solutions proposed by the government cover, among other things, introduction of systemic definitions of a "storage facility" and "storage of electricity";</li> <li>✓ Introduction of the obligation to hold a license exclusively for storage facilities with capacities in excess of 10 MW. Smaller installations (over 50 kW) will have to be entered in the register kept by the competent system operator;</li> </ul> </li> </li></ol> <p>Abolishment of double fee charging in the case of pumped-storage power stations will allow for limitation of the charged fixed distribution fee.</p>

<b>Bill amending the Energy Law Act and the Renewable Energy Sources (RES) Act (UD162)</b>	<p>On 26 January 2021, the Bill amending the Energy Law Act and the Renewable Energy Sources (RES) Act was made available for public consultations. The purpose of the bill is to eliminate the so-called exchange obligation. In particular, the bill covers the proposed rescission of Article 49a in the Energy Law Act of 10 April 1997. Elimination of the exchange obligation for electricity aims to ensure freedom of operation of companies in the electricity market.</p>
<b>Bill to amend the Act on the system for greenhouse gas emission allowance trading and certain other acts (pertaining mainly to the Modernisation Fund (MF)). Number on the list: UC36, parliamentary printed matter no. 1008</b>	<p>This bill lays down, among other things, provisions aimed at establishing an operator for the distribution of resources from the Modernisation Fund (MF) in Poland, which is to operate between 2021 and 2030.</p> <p>The priority areas for support are:</p> <ol style="list-style-type: none"> <li>(1) investments in energy distribution networks;</li> <li>(2) development of renewable energy sources;</li> <li>(3) energy storage;</li> <li>(4) energy efficiency.</li> </ol> <p>Poland is to have at its disposal the funds derived from the sale of approx. 135m CO2 emission allowances, representing approx. 43% of the total pool of funding by 2030;</p> <p>Key assumptions:</p> <ol style="list-style-type: none"> <li>(1) Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej (the National Fund for Environmental Protection and Water Management) will act as the Polish operator of MF resources;</li> <li>(2) Priority investment projects may seek funding up to 100% of eligible costs. Non-priority investment project may seek funding up to 70% of eligible costs, at most.</li> <li>(3) The European Investment Bank, as the European MF operator, has the right to challenge the project list or a part of the project list as being non-compliant with the provisions of Directive (EU) 2018/410 of 14 March 2018, which sets out the objective of the Fund.</li> </ol>
<b>Consultations on the National Plan for Recovery and Increased Resilience</b>	<p>On 26 February 2021, the Chancellery of the President of the Council of Ministers published the draft National Plan for Recovery (KPO) and announced consultations. The deadline for submitting comments is 2 April 2021.</p> <ol style="list-style-type: none"> <li>(1) KPO is a policy document setting out the objectives associated with Poland's recovery and building of Poland's social and economic resilience following the crisis triggered by the COVID-19 pandemic. The document provides the basis for seeking EU funding under the EU Recovery and Resilience Facility (RRF). The time horizon for the enforcement of the document is the end of August 2026.</li> <li>(2) The purpose of the measures taken under KPO is, in the first place, to face the challenges associated with the COVID-19 pandemic, to overcome the health-related, economic and social implications of the pandemic and to mitigate the impact of COVID-19 on the economy. In the long run, KPO aims to support the transformation process and to increase the country's social and territorial cohesion.</li> </ol> <p>It should be kept in mind that some reforms and types of investment projects are already planned for support within the framework of national funds and instruments and EU funding, including the cohesion policy, the Common Agricultural Policy and the Just Transition Fund. Under the EU funding available in the years 2020-2027 (Multiannual Financial Framework and Next Generation EU), Poland will have at its disposal over EUR 170bn for the initiatives supporting structural transformation of the Polish and European economy. The funding for Poland broken down by support instrument:</p> <ol style="list-style-type: none"> <li>(1) EUR 23.9 bn grant from the Recovery Fund;</li> <li>(2) EUR 34.2 bn grant from the Recovery Fund;</li> <li>(3) EUR 72.2 bn for the cohesion policy (with Poland receiving 20% of the total made available to the EU);</li> <li>(4) EUR 3.8 bn from the Just Transition Fund;</li> <li>(5) EUR 21.6 bn for direct payments to farmers;</li> <li>(6) EUR 10.6 bn for development of rural areas; and</li> <li>(7) Approx. EUR 2 bn as support under the instrument for combating negative consequences of COVID-19 pandemic.</li> </ol>
<b>Draft Regulation of the Minister of Climate and Environment on reference prices of electricity from RES in 2021 and periods applicable to energy producers who won auctions in 2021</b> <b>Number on the list: UD162</b>	<p>On 26 February 2021, the Minister of Climate and Environment published the draft Regulation.</p> <p>The draft represents enforcement of the statutory delegation contained in Article 77(3) of the RES Act of 20 February 2015 as regards:</p> <ol style="list-style-type: none"> <li>(1) the maximum price per 1 MWh at which electricity from renewable energy sources may be sold in a given calendar year by producers by way of auction, hereinafter the "reference price"; and</li> <li>(2) the period in which the obligation arises to purchase electricity referred to in Article 92(1) of the act, and the period of the right to cover the negative balance referred to in Article 92(5) of the act, generated in the installations of the renewable energy source referred to in Article 72(1) of the act, applicable to the producers who win an auction in a given year, and the period in question cannot be longer than 15 years from the date of first production of electricity within those installations.</li> </ol> <p>In 30 cases, the proposed values of reference prices are identical with the values of reference prices adopted for the year 2020. In three cases, the decision has been made to lower reference prices against the prices set for the previous year. This applies to the installations with installed electrical capacity in excess of 1 MW using exclusively on-shore wind energy to generate electricity (from 250 PLN/MWh to 230 PLN/MWh), as well as the installations with installed electrical capacity not greater than 1 MW and installed electrical capacity greater than 1 MW using exclusively solar energy to generate electricity (respectively, from 360 PLN/MWh down to 340 PLN/MWh and from 340 PLN/MWh down to 320 PLN/MWh).</p>
<b>Giving opinions on the European Commission's initiative concerning the state subsidies – exemptions to approval requirement for the Green Deal and EU industrial and digital strategies – General Block Exemption Regulation (GBER).</b>	<p>The European Commission's assessment found that certain amendments were needed in the regulations governing support of businesses by EU member states to reflect EU priorities, in particular the Green Deal as well as EU industrial and digital strategies. Work is underway at Eurelectric/PKEE on the formulation of the proposed amendments and comments (the deadline for their submission by Eurelectric to the European Commission is 2 April 2021). At present, the following proposals are highlighted, among other things:</p> <ol style="list-style-type: none"> <li>(1) the need for reviewing the GBER regulation, including a review of the Energy and Environmental State Aid Guidelines ("EEAG"), given the new rules established within the framework of the EU Green Deal and EU industrial and digital strategies; and</li> <li>(2) the postulate that EEAG should serve as a reference tool used to define the framework enabling the support of member states, while GBER should remain a complementary instrument in relation to specific projects.</li> </ol>
<b>Work on the Delegated Act of the EU Taxonomy Regulation</b>	<p>The delegated act on EU taxonomy aims to support sustainable investment projects by clarifying which types of business activity contribute the most to attainment of EU environmental objectives.</p> <p>The delegated act is to define the technical criteria for evaluation of various types of business activity for their impact on counteracting climate changes and adapting to them. The current discussions relate to the regulation in the draft document of</p>

	transitional solutions for natural gas and nuclear energy as transitional fuels that enable faster energy transition and decarbonisation. The final wording of the document together with the appendices is expected in mid-2021. At the further stages (years 2021-2022), work will focus also on the application (accepted by the European Commission) relating to the Corporate Sustainability Reporting Directive (CSRD) and on the regulations amending the delegated acts concerning preferences in sustainable development, fiduciary duties and product management.
<b>Bill amending the Renewable Energy Sources (RES) Act and Some Other Acts (UD107)</b>	On 5 February 2021, the Government Centre for Legislation (RCL) published the new bill. The amendments proposed in the bill foresee, among other things: <ul style="list-style-type: none"> <li>(1) Extension until 30 December 2021 of the existing state aid schemes concerning auctions for RES energy producers;</li> <li>(2) Extension until 30 June 2024 of the support schemes associated with the sale of electricity at fixed price (the so-called FiT system) or the right to subsidy towards the market price of electricity (the so-called FiP system);</li> <li>(3) The long-term schedule for granting support to RES producers over the six subsequent years has been defined. The volume and value of electricity from renewable energy sources that may be sold at auction in the years 2022-2027 will be defined in the regulation. Neither the volume nor the value may be reduced. This solution will create predictable framework for development of the RES sector and will provide a stable investment perspective;</li> <li>(4) An amendment will be introduced with regard to capacity of the devices producing RES energy that may be deployed with no need for incorporation in the study of conditions and directions of spatial development of a given commune, increasing the currently applicable installed capacity from 100 kW up to 500 kW. Another exception will apply to photovoltaic installations (PV) located on agricultural land constituting class V, VI and VIz cultivated land and idle land, where the value in question will be 1,000 kW. Additionally, devices other than free-standing (i.e. basically mounted on buildings' roofs) will be subject to the exemption.</li> <li>(5) Limitation of licensing obligations for entrepreneurs engaged in business activity - for small installations. Raising of the threshold of combined installed electrical capacity from 0.5 MW up to 1 MW or cogenerated thermal power from 0.9 MW up to 3 MW.</li> </ul>



*Energa's Wind Farm*

## **Shares and shareholding structure**



## 6. SHARES AND SHAREHOLDING STRUCTURE

### 6.1. Information on shares and Energa's shareholding structure

Energa SA shares have been listed on the Warsaw Stock Exchange (WSE) since 2013. From the Company's inception, i.e. from 2006 to 29 April 2020, the State Treasury was the Company's strategic shareholder holding a 51.5% share in the Company's share capital, or 64.1% of votes at the General Meeting of the Company ("GM") as at 31 March 2020.

As at 31 March 2021 and as at the preparation date of this Report, PKN ORLEN is the strategic shareholder, holding 90.92% of the Company's shares, which translates to 93.28% of votes at the GM.

**Table 24: Company's shares by series and type as at 31 March 2021**

Series	Type of shares	Shares	(%)	Votes	(%)
AA	ordinary bearer shares	269,139,114	65.00	269,139,114	48.15
BB	preferred registered*	144,928,000	35.00	289,856,000	51.85
<b>TOTAL</b>		<b>414,067,114</b>	<b>100.00</b>	<b>558,995,114</b>	<b>100.00</b>

\* One preferred share entitles to two votes at the General Meeting.

**Table 25: Shareholding structure of Energa as at the date of this Report**

Shareholder's name	Company's shareholding structure			
	Shares	(%)	Votes	(%)
PKN ORLEN	376,488,640	90.92	521,416,640	93.28
others	37,578,474	9.08	37,578,474	6.72
<b>TOTAL</b>	<b>414,067,114</b>	<b>100.00</b>	<b>558,995,114</b>	<b>100.00</b>

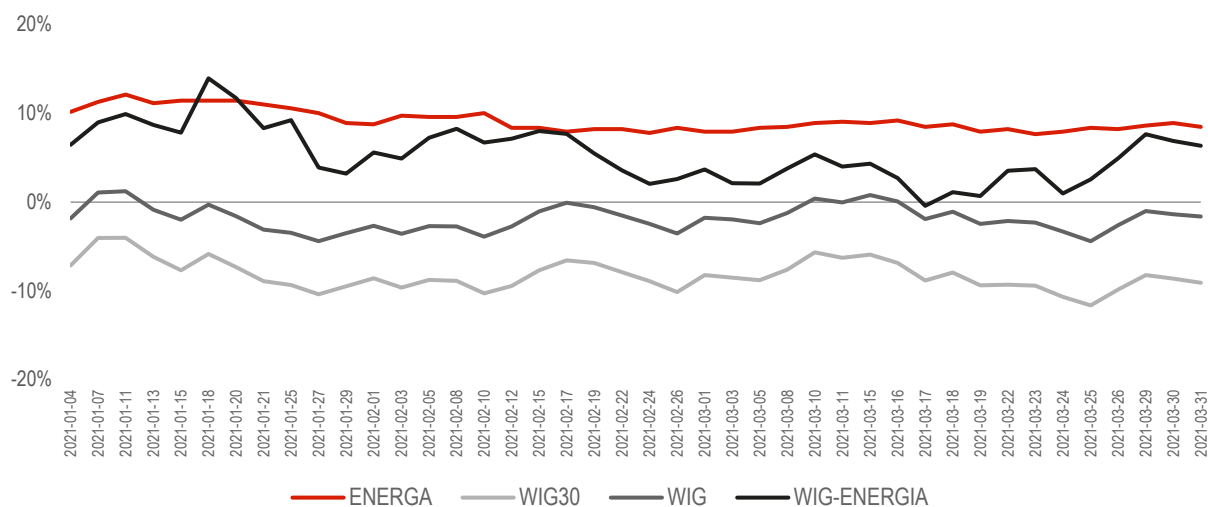
### 6.2. The Company's stock prices

**Table 26: Data for Energa shares as at 31 March 2021**

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114
Stock price at the end of the period	PLN 7.79
Capitalization at the end of the period	PLN 3,23 bn
Q1 2021 minimum	PLN 7.70
Q1 2021 maximum	PLN 8.08
Average trading value in Q1 2021	PLN 0.23 m
Average trading volume in Q1 2021	30 ths
Average number of transactions in Q1 2021	0.1 ths

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

**Figure 18: Changes in Energa stock prices compared to changes in WIG, WIG20 and WIG-ENERGIA indices**



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

Energa's stock price at the close of the stock exchange session held on 31 March 2021 amounted to PLN 7.79, which means that it decreased by 1% in comparison with the price on the last business day of the year 2020 (i.e. on 30 December). During the discussed period, WIG-Energia index increased by 5%.

### 6.3. Ratings

In Q1 2021, the ratings assigned by Fitch Ratings agency remained unchanged.

### 6.4. Changes to shares held by executive and supervisory personnel

As at 31 March 2021 and as at the date of this Report, no member of Energa SA's Supervisory Board and no member of Energa SA's Management Board held any Company shares, Company share options or any shares in the Company's related parties.



Włocławek Hydroelectric Power Station

## Other information about the Group

## 7. OTHER INFORMATION ABOUT THE GROUP

### 7.1. Information on material contracts, agreements and transactions

#### Agreements for loans and borrowings and the domestic bond issue programme

Details on agreements for loans and borrowings and the domestic bond issue programme are presented, inter alia, in Note 17, *Financial Instruments*, to the Condensed interim consolidated financial statements of the Energa Group for the three-month period ended on 31 March 2021.

**Table 27: Per value of bonds taken up by Energa SA and not redeemed, by issuer, as at 31 March 2021 (PLN m)**

No.	Company name	Par value of the bonds taken up
1.	Energa Operator SA	1,066.0
2.	Energa OZE SA	647.2
3.	Energa Kogeneracja Sp. Z o.o.	5.4
TOTAL		1,718.6

#### Guarantees and sureties granted

As at 31 March 2021, sureties extended by Energa SA to cover the liabilities of the Group companies totalled PLN 5,946 m and included:

- surety for liabilities of Energa Finance AB (publ) under Eurobond issue for PLN 5,825 m,
- sureties for liabilities of the Energa Group companies arising from bank guarantees granted by PKO Bank Polski SA under guarantee facilities dedicated to Energa Group companies in the total amount of PLN 59 m,
- sureties for liabilities of the Energa Group companies towards other entities, including: Commodity Clearing House (IRGiT), the State Treasury, the National Fund for Environmental Protection and Water Management (NFOŚiGW) and the Provincial Fund for Environmental Protection and Water Management (WFOŚiGW), in the total amount of PLN 62 m.

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

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

Information on transactions with related entities is presented in Note 19 to the Condensed interim consolidated financial statements of the Energa Group for the three-month period ended on 31 March 2021.

### 7.2. Risk Management

The Energa Group classifies risks into four categories:

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

A detailed description of the risks involved in the business operations of the Company is presented in the *Energa SA's Management Board Report on the activities of the Energa Capital Group and Energa SA in 2020*. In the opinion of the Management Board, the risks identified therein are still valid.

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

As at 31 March 2021, the Energa Group was a party to 13,582 court proceedings. The Group was a plaintiff in 11,293 cases where the aggregate amount in dispute was approx. PLN 494 m. The Group was a defendant in 1,523 cases where the aggregate amount in dispute was approx. PLN 667 m. Information on the total litigated value does not include proceedings where the claim is non-pecuniary.

As at 31 March 2021, the total amount of claims involving the location of power installations on third-party properties without a legal title, awarded by final judgments, was approx. PLN 39.1 m in 706 cases. 982 court cases with amounts in dispute totalling approx. PLN 88.7 m were pending.

Based on the available data pertaining to the value of pending proceedings, the Company assumes that the actual amount to be paid after the above-mentioned disputes are resolved may reach PLN 75.4 m, which is subject to change if new court cases involving power installations located on third-party properties without a necessary legal title are brought against Energa Operator SA.

The above data do not include cases in which court and enforcement-based collection is conducted for and on behalf of Energa Obrót in order for the company to recover the amounts due from its customers and bankruptcy cases.

As at 31 March 2021, the aggregate value of the cases in which court and enforcement-based collection is conducted for and on behalf of Energa Obrót in order for the company to recover the amounts due from its customers and bankruptcy cases amounted to approx. PLN 202 m, of which:

Type of receivables	Balance at the end of Q1 2021 (PLN m)
court and enforcement-based	125.7
bankruptcies	66.6
non-billed	7.5
non-billed – bankruptcies	2.6
<b>TOTAL</b>	<b>202.4</b>

Below are presented the proceedings with the highest value in dispute submitted to or continued before the court in 2021. The Company's previous periodic reports contain details of the legal steps taken during earlier years.

Table 28: Proceedings pending before courts, arbitration or public administration bodies

Parties	Object of dispute and details of the case
<b>Energa Operator SA (plaintiff); Arcus SA (defendant)</b>	<b>Claim for payment of contractual penalties under the a contract for the delivery and start-up of metering infrastructure during Stage I</b> <i>Regional Court in Gdańsk</i> <i>Litigated value: approx. PLN 23.1 million</i> Evidence proceedings before the Court of the first instance are pending. As at the date of update of the case, two opinions prepared by court experts were received by Energa Operator ("EOP"): one in the field of meteorology and one in the field of metrology. The court plans to commission a supplementary opinion in the field of metrology.
<b>Energa Operator SA (defendant) Arcus SA (plaintiff);</b>	<b>Claim for declaration of annulment of the contract of delivery and commissioning of the metering infrastructure at Stage II</b> <i>Litigated value: approx. PLN 78 million</i> <b>Counterclaim for payment of contractual penalties for a delay in performance of the contract of delivery and commissioning of the metering infrastructure</b> <i>Litigated value: approx. PLN 157 million</i> <i>Regional Court in Gdańsk</i>

	<p>Energa Operator SA does not admit any part of the claim. Evidence proceedings before the Court of the first instance are pending. As at the date of update of this case, the court is looking for experts capable of preparing an opinion in the field of information technology.</p>
<p><b>Energa Operator SA (defendant)</b> <b>Arcus SA (plaintiff);</b></p>	<p><b>Claim for payment of compensation for unlawful acts/unfair competition practices</b> <i>Regional Court in Gdańsk</i> <i>Litigated value: approx. PLN 174 million</i></p> <p>Energa Operator SA disputes legitimacy of that statement of claim and in response to the statement of claim dated 30 April 2018 applied for the claim to be dismissed. Pursuant to Article 177 § 1 Clause 1 of the Code of Civil Procedure, the court suspended the related proceedings. Energa Operator SA appealed against this decision in a complaint, which was dismissed. The proceedings have been stayed.</p>
<p><b>Energa Operator SA (defendant)</b> <b>Arcus SA (plaintiff);</b></p>	<p><b>Claim for payment for additional works under the contract of delivery and commissioning of the metering infrastructure</b> <i>Regional Court in Gdańsk</i> <i>Litigated value: approx. PLN 4.7 million</i></p> <p>Energa Operator SA disputes legitimacy of that statement of claim and has moved for it to be dismissed. Energa Operator SA filed an appeal against the decision to refuse dismissal of the statement of claim.</p>
<p><b>Energa Operator SA (party);</b> <b>PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)</b></p>	<p><b>Fine imposed by the authority</b> <i>Regional Court in Warsaw</i> <i>Litigated value: approx. PLN 13.2 million</i></p> <p>The Company received the decision of 21 December 2016 in which the President of the URE imposed a fine of PLN 11 m on Energa Operator SA for misleading the President of the URE. On 24 May 2019, the Regional Court in Warsaw issued a judgment reducing the fine to PLN 5.5 million. Both parties filed appeals in this case.</p>
<p><b>Energa Operator SA (party);</b> <b>PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)</b></p>	<p><b>Fine imposed by the authority</b> <i>Regional Court in Warsaw</i> <i>Litigated value: PLN 11 million</i></p> <p>Energa Operator SA received the decision of 6 November 2017 imposing fines totalling PLN 13.6 million for breaching the Traffic and Distribution Grid Operation Manual through: (1) communication with trading companies using other codes than provided for in the Traffic and Distribution Grid Operation Manual; (2) failure to meet the deadlines to provide measurement data to trading companies; (3) failure to meet the deadlines to examine complaints from trading companies; (4) failure to meet the deadlines to verify supplier switching reports; (5) failure to meet the deadlines for the final settlement of electricity sales agreements; and (6) failure to restart power supplies to one of the customers. With its judgment of 8 December 2020 the Regional Court in Warsaw dismissed the appeal. The company appealed.</p>
<p><b>Energa Kogeneracja Sp. z o.o. (plaintiff), Mostostal Warszawa SA (defendant)</b></p>	<p><b>Claim for payment on account of a contract price reduction</b> <i>Regional Court in Gdańsk, file No. IX GC 494/17</i> <i>Litigated value (after expansion of the claim): approx. PLN 114.4 million, with approx. PLN 7.8 million under the counterclaim</i></p> <p>Energa Kogeneracja Sp. z o.o. moved to the court to award the amount of approx. PLN 114.4 million from Mostostal Warsaw S.A., which includes: approx. PLN 22.6 million in contractual penalties, approx. PLN 90.3 million in reduced remuneration and approx. PLN 1.5 million in capitalised interest. In its statement of defence of 15 December 2017, Mostostal Warszawa SA moved to the court to dismiss the claims in their entirety and filed a counterclaim to award the amount of approx. PLN 7.8 million from Energa Kogeneracja Sp. z o.o. consisting of: approx. PLN 7.4 million in repayment of bank guarantee unduly withdrawn and approx. PLN 0.4 million in capitalised interest.</p> <p>There was only one hearing in the case regarding opposition by Mostostal Warszawa S.A. against third-party respondent entering the case, namely the Minister of Energy (whose tasks, after reorganisation, were taken over by the Minister of Climate). Objection by Mostostal Warszawa S.A. to third-party respondent entering the case was dismissed, so the third-party respondent is still present in the case.</p> <p>The court admitted evidence from the opinion of a scientific and research institute for the purpose of securing evidence. So far, the opinion has not been drawn up because none of the institutes</p>



	<p>which the court asked about the possibility of drawing up an opinion has confirmed such a possibility (both in Poland and abroad).</p> <p>Currently, the parties are waiting for a response from institutes in Stockholm, Hamburg and Vienna. Negotiations between the parties aimed at reaching the settlement have been unsuccessful.</p>
<b>Mostostal Warszawa SA</b> <b>(plaintiff)</b> <b>Energa Kogeneracja Sp. z o.o.</b> <b>(defendant)</b>	<p><b>Claim for payment of remuneration</b></p> <p><i>Regional Court in Gdańsk, file No. IX Gc 190/18</i></p> <p><i>Litigated value: approx. PLN 26.3 million</i></p> <p>Mostostal Warszawa SA filed for awarding the amount of approx. PLN 26.3 m from Energa Kogeneracja Sp. z o.o. consisting of: approx. PLN 20 m in remuneration (in part) and approx. PLN 6.3 m in capitalised interest. Initially a writ of payment in writ-of-payment proceedings was issued, but following an objection by Energa Kogeneracja Sp. z o.o. the case was referred to regular proceedings. There were 7 hearings in the case and all witnesses were heard.</p> <p>The court allowed evidence from an opinion prepared by an expert in construction industry. So far, no opinion has been drawn up.</p> <p>Negotiations between the parties aimed at reaching a settlement have not yet led to it.</p>
<b>shareholders of the Company</b> <b>(plaintiffs)</b> <b>Energa SA (defendant)</b>	<p><b>appeal against Resolution No 3 of the Extraordinary General Meeting of the Company of 29 October 2020</b></p> <p><i>Regional Court in Gdańsk, file No. IX GC 1158/20</i></p> <p><i>The claim is financial and non-pecuniary.</i></p> <p>On 9 December 2020, the Management Board of Energa SA learned of the issuance on 7 December 2020 by the Regional Court in Gdańsk, 9<sup>th</sup> Commercial Division, of a decision on granting the Company's shareholders injunctive relief as security for their claim for revoking Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020 on the withdrawal from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. of 269,139,114 series AA ordinary bearer shares in the Company and marked in Krajowy Depozyt Papierów Wartościowych S.A. with ISIN PLENERG00022 code (the "Resolution"), by suspending its performance for the duration of the proceedings. The issuance of the decision results in suspending the enforceability of the Resolution.</p> <p>The application for injunctive relief in the above mentioned case was filed together with a statement of claim for repealing the Resolution. Energa SA filed a complaint against the injunctive relief and a statement of defence within the time limit and in the manner prescribed by the applicable legal regulations (on 21 January 2021 and 7 January 2021 respectively). The Chairman of the Polish Financial Supervision Authority joined the case.</p> <p>On 21 April 2021, Energa SA obtained the decision concerning the appeal filed in the case. The decision on the securing of claims of 7 December 2020 was amended so that its enforcement was made contingent upon payment by the plaintiffs of a security deposit in the amount of PLN 1,360,326.23.</p>
<b>shareholders of the Company</b> <b>(plaintiffs)</b> <b>Energa SA (defendant)</b>	<p><b>appeal against Resolution No 3 of the Extraordinary General Meeting of the Company of 29 October 2020</b></p> <p><i>Regional Court in Gdańsk, file No. IX GC 1164/20</i></p> <p><i>The claim is financial and non-pecuniary.</i></p> <p>On 16 December 2020, the Management Board of Energa SA learned of the issuance on 10 December 2020 by the Regional Court in Gdańsk, 9<sup>th</sup> Commercial Division, of a decision on granting the Company's shareholders injunctive relief as security for their claim for revoking Resolution No. 3 of the Extraordinary General Meeting of the Company of 29 October 2020 on the withdrawal from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. of 269,139,114 series AA ordinary bearer shares in the Company and marked in Krajowy Depozyt Papierów Wartościowych S.A. with ISIN PLENERG00022 code (the "Resolution"), by suspending its performance for the duration of the proceedings. The issuance of the decision results in suspending the enforceability of the Resolution. The application for injunctive relief in the above mentioned case was filed together with a statement of claim for repealing or annulling the Resolution. Energa SA filed a complaint against the injunctive relief and a statement of defence within the time limit and in the manner prescribed by the applicable legal regulations (on 12 January 2021 and 25 February 2021, respectively). On 14 April 2021, Energa SA obtained the decision concerning the appeal filed in the case. The decision on the securing of claims of 10 December 2020 was amended so that its enforcement was made contingent upon payment by the plaintiffs of a security deposit in</p>



	<p>the amount of PLN 1,360,326.23. On 5 May 2021 the Company received information that the security deposit was paid by the plaintiffs to the account of the Regional Court in Gdańsk.</p>
<b>Energa SA (applicant)</b>	<p><i>Komisja Nadzoru Finansowego (Polish Financial Supervision Authority)</i></p> <p>On 30 October 2020 the Company applied to the Polish Financial Supervision Authority for withdrawal of Company's shares from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange).</p> <p>On 19 January 2021 the Company learned that on 15 January 2021 the Polish Financial Supervision Authority decided to stay the procedure.</p>
<b>Boryszewo Wind Invest Sp. z o.o. (plaintiff), Energa Obrót SA (defendant)</b>	<p><b>Claim for payment of damages for the failure by Energa Obrót SA to perform part of the agreement to purchase property rights in certificates of origin for renewable electricity.</b></p> <p><i>Regional Court in Gdańsk, file No. IX GC 701/17</i></p> <p>Litigated value: approx. PLN 31,8 million (amount appealed: approx. PLN 17,8 million)</p> <p>On 25 August 2017, Boryszewo Wind Invest filed a statement of claim against Energa Obrót SA for payment of approx. PLN 31.9 m plus interest as damages for a failure to perform part of the Framework Agreement for the Sale of Property Rights under Certificates of Origin No. W/HH/210/2010/1, which consisted in making a representation about partial termination of the agreement and refusal to acquire property rights in the Certificates of Origin. The amount claimed comprises the "losses" incurred by the plaintiff due to the necessity to sell the property rights at the TGE exchange plus statutory interest (approx. PLN 25.7 m) and incidental costs relating to debt service under a credit facility agreement (approx. PLN 6.3 m).</p> <p>The case was concluded in the first instance with a judgment awarding approx. PLN 17.8 m plus statutory interest accruing from 26 July 2017 in favour of Boryszewo Wind Invest and dismissing the remaining part of the claim. Energa Obrót SA filed an appeal. Judgment of the Court of second instance announced on 28 October 2019, appeal by Energa Obrót SA was dismissed. On 22 July 2020, Energa Obrót SA filed a cassation appeal, and on 7 September 2020 Boryszewo Wind Invest filed a response to the cassation appeal. By the decision of December 16, 2020, the Supreme Court accepted the cassation appeal for examination.</p>
<b>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")</b>	
<b>Energa Obrót SA (plaintiff) MEGAWATT BALTICA SA (defendant 1), Powszechna Kasa Oszczędności Bank Polski SA (defendant 2)</b>	<p><i>Court of Arbitration at the Polish Chamber of Commerce in Warsaw, file No. SA 128/17</i></p> <p><i>Second instance file No: I Aga 35/19</i></p> <p><i>Litigated value: approx. PLN 23.3 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The parties filed a response to the counterclaim. On 29 January 2018, a court session with Megawatt Baltica SA's participation was held with respect to the summons for a settlement attempt. No settlement was signed.</p> <p>An updated counterclaim was filed by Megawatt Baltica SA on 1 September 2018. The amount of the claim is approx. PLN 17 m including statutory penalty interest.</p> <p>On 27 December 2018, the final judgment was issued whereby contractual penalties were awarded from Energa Obrót SA in favour of Megawatt Baltica SA. The amount of the contractual penalties awarded was reduced by 10% (i.e. approx. PLN 15.3 m).</p> <p>On 26 September 2019, hearings were held regarding Energa Obrót SA's complaints for reversing the partial and final judgment.</p> <p>The judgment dismissing the appeal filed by Energa Obrót SA against the final judgment was passed by the court on 10 October 2019. The court awarded the costs of proceedings amounting to PLN 2.4 thousand from Energa Obrót SA to Megawatt Baltica SA. On 11 October 2019, Energa Obrót SA filed a request for the statements of grounds for the judgments. The company decided not to file the cassation appeal in the case of the appeal to reverse the partial judgment. On the other hand, the cassation appeal relating to the appeal to reverse the final judgment was filed on 17 February 2020. On 24 March 2020, the opponent filed a response to the cassation appeal. By a decision of 17 July 2020, the Supreme Court accepted the cassation appeal for examination.</p>

<b>Energa Obrót SA (plaintiff)</b> <b>C&amp;C WIND sp. z o.o.</b> <b>(defendant 1),</b> <b>Bank Ochrony Środowiska SA</b> <b>(defendant 2)</b>	<p><i>Court of Arbitration at the Polish Chamber of Commerce in Warsaw, file No. SA 127/17</i></p> <p><i>Second instance file No.: VII Aga 1994/18; VII AGa 188/19</i></p> <p><i>Litigated value: approx. PLN 2.3 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The parties filed a response to the counterclaim. On 29 December 2017, Energa Obrót SA withdrew the statement of claim against BOŚ. In its decision of 16 January 2018, the Court of Arbitration at the Polish Chamber of Commerce in Warsaw discontinued the proceedings against the defendant BOŚ SA as the statement of claim filed against that entity had been withdrawn. Arbitration procedures were concluded by final judgments of the arbitration court, against which Energa Obrót SA sought extraordinary remedies – appeals to reverse the judgments were filed with the Court of Appeal in Warsaw. The complaints were legally dismissed, and cassation appeals are available against the judgments in this regard. The parties attempted to negotiate a settlement but they did not reach an agreement. Energa Obrót SA applied for delivery of court judgments with explanatory memorandum of 22 October 2020 and 20 November 2020. On January 18, 2021, the judgment was delivered dismissing the complaint to set aside the partial award of the Court of Arbitration. The cassation appeal has not been filed. On 24 March 2021, a judgment was delivered dismissing the complaint to set aside the final judgment of the Court of Arbitration.</p>
<b>Energa Obrót SA (plaintiff)</b> <b>BORYSZEWO WIND INVEST</b> <b>Sp. z o.o. (defendant 1),</b> <b>mBank SA (defendant 2)</b>	<p><i>Regional Court in Warsaw, file No. XVI GC 799/17</i></p> <p><i>Second instance file No VII AGa 8/19</i></p> <p><i>Litigated value: approx. PLN 10.8 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The parties filed a response to the counterclaim and exchanged procedural writs.</p> <p>In September 2018, the Court closed the court proceedings and issued a judgment dismissing the statement of claim, and Energa Obrót SA filed an appeal on 2 November 2018.</p> <p>On 21 December 2018, Boryszewo Wind Invest filed a response to the appeal and mBank SA did so on 28 December 2018. The date of the appeal hearing was scheduled for 6 November 2020, which was later cancelled.</p> <p>An appeal hearing was held on February 10. On March 10, 2021, the Court of Appeal in Warsaw dismissed the appeal of Energi Obrót SA and awarded Boryszewo Wind Invest and mBank approx. PLN 18.8 thousand for reimbursement of court fees. Energa Obrót SA will submit an application for delivery of the judgment with justification.</p>
<b>Energa Obrót SA (plaintiff)</b> <b>JEŻYCZKI WIND INVEST sp. z</b> <b>o.o. (defendant 1),</b> <b>mBank SA (defendant 2)</b>	<p><i>Regional Court in Warsaw, file No. XVI GC 805/17</i></p> <p><i>Second instance file No VII AGa 1998/18</i></p> <p><i>Litigated value: approx. PLN 15.3 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The parties submitted a response to the counterclaim and exchanged procedural writs. Thereafter, a hearing was held, during which, on 6 June 2018 the court issued a judgment dismissing the statement of claim. On 13 July 2018 Energa Obrót SA filed an appeal, and then on 17 August 2018 MBANK and on 31 August 2018 Jeżyczki Wind Invest submitted a response to the appeal. The court of second instance passed a judgment dismissing the appeal of Energa Obrót SA. The Company applied for a copy of the judgment with reasoning. On 29 March 2021, Energa Obrót SA filed a cassation appeal.</p>
<b>Energa Obrót SA (plaintiff)</b> <b>WIND INVEST sp. z o.o.</b> <b>(defendant 1),</b> <b>mBank SA (defendant 2)</b>	<p><i>Regional Court in Warsaw, file No. XVI GC 798/17</i></p> <p><i>Second instance file No VII AGa 1004/19</i></p> <p><i>Litigated value: approx. PLN 15.2 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The judgment was delivered on 19 September 2019. The court dismissed the statement of claim filed by Energa Obrót SA. On 27 November 2019, Energa Obrót SA filed an appeal. An appeal hearing was held on 19 November 2020 – the appeal by Energa Obrót SA was dismissed. On 24 November 2020, Energa Obrót SA filed a request for delivery of the judgment with the explanatory memorandum. On 22 March 2021, Energa Obrót SA filed a cassation appeal.</p>
<b>Energa Obrót SA (plaintiff)</b> <b>STARY JAROSŁAW WIND</b> <b>INVEST sp. z o.o. (defendant</b> <b>1),</b> <b>mBank SA (defendant 2)</b>	<p><i>Regional Court in Warsaw, file No. XVI GC 802/17</i></p> <p><i>Second instance file No.: VII AGa 61/20</i></p> <p><i>Litigated value: approx. PLN 13.8 million</i></p>

	<p>On 11 September 2017, Energa Obrót SA filed a statement of claim. On 17 November 2017, the defendants filed statements of defence, the parties exchanged procedural writs and the witnesses were heard.</p> <p>With its judgment of 24 September 2019, the court dismissed the action for declaration. On 17 December 2019, Energa Obrót SA filed an appeal against the judgment. On 19 March 2020, Sary Jarosław Wind Invest filed a response to the appeal. On 23 March 2020, mBank filed a response to the appeal.</p> <p>An appellate hearing was held on 8 October 2020, during which the parties upheld their positions. The court ended the hearing and postponed the delivery of the judgment until 26 October 2020. This date was cancelled thereafter. The new date was set for 15 April 2021.</p> <p>On 15 April 2021, the court of second instance issued a verdict dismissing the appeal filed by Energa Obrót SA. Energa Obrót SA filed an application for the delivery of the verdict together with the statement of grounds.</p>
<b>Energa Obrót SA (plaintiff)</b> <b>KRUPY WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)</b>	<p><i>Regional Court in Warsaw, file No. XVI GC 803/17</i></p> <p><i>Second instance file No.: VII AGa 572/19</i></p> <p><i>Litigated value: approx. PLN 5.6 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The case is now pending before a court of second instance. The case was concluded by the court of first instance with a judgment dismissing the Company's action. Energa Obrót SA appealed on 2 July 2019. The appellate hearing scheduled for 17 April 2020 was rescheduled due to the state of epidemic to 27 August 2020. At the hearing, the court closed the court proceedings. On 15 September 2020, the Court dismissed the appeal of Energa-Obrót SA. The judgment with the explanatory memorandum was delivered to Energa Obrót SA on 30 October 2020. On 30 December 2020, Energa Obrót SA filed a cassation appeal.</p>
<b>Energa Obrót SA (plaintiff/counter-defendant)</b> <b>EW CZYŻEWO sp. z o.o. (defendant 1/counter-plaintiff), BANK BGŻ BNP PARIBAS SA (defendant 2)</b>	<p><i>Regional Court in Gdańsk, file No. IX GC 736/17</i></p> <p><i>Second instance file No I AGa 56/19</i></p> <p><i>Litigated value: approx. PLN 3.9 million</i></p> <p>The case was concluded by the court of first instance. The Court dismissed the action for declaration with its judgment and awarded contractual penalties. Energa Obrót SA filed an appeal. Appellate hearings were held on 23 July and 28 October 2019. The judgment was delivered on 28 November 2019. A cassation appeal was filed against the judgment. BGŻ BNP's response to the cassation appeal was served on 8 July 2020; on 10 July 2020 EW Czyżewo's response to the cassation appeal was served.</p>
<b>Energa Obrót SA (plaintiff), ELEKTROWNIA WIATROWA EOL sp. z o.o. (defendant 1), BANK ZACHODNI WBK SA (defendant 2)</b>	<p><i>Regional Court in Warsaw, file No. XXVI GC 712/17</i></p> <p><i>Litigated value: approx. PLN 3 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim. The case was concluded in the first instance by dismissal of the action (21 February 2020). Energa Obrót SA appealed on 7 July 2020. On 24 September 2020 EW EOL and Santander (formerly Bank Zachodni WBK) filed a response to the appeal. The date of the appellate hearing has not yet been scheduled.</p>
<b>Energa Obrót SA (plaintiff), WIELKOPOLSKIE ELEKTROWNIE WIATROWE sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)</b>	<p><i>Regional Court in Gdańsk, file No. IX GC 735/17</i></p> <p><i>Second instance file No I AGa 74/19</i></p> <p><i>Litigated value: approx. PLN 3 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim.</p> <p>The case was closed by the court of first instance. The parties attempted to negotiate a settlement but no settlement was signed. Energa Obrót SA filed a cassation appeal on 5 August 2020. In September 2020, Wielkopolskie Elektrownie Wiatrowe and BNP Paribas filed a response to the cassation appeal.</p>

<b>Energa Obrót SA (plaintiff)</b> <b>EW KOŹMIN sp. z o.o.</b> <b>(defendant 1),</b> <b>BANK BGŻ BNP PARIBAS SA</b> <b>(defendant 2)</b>	<p><i>Regional Court in Gdańsk, file No. IX GC 738/17</i>  <i>Second instance file No I AGa 21/19</i>  <i>Litigated value: approx. PLN 2.8 million</i></p> <p>On 11 September 2017, Energa Obrót SA filed a statement of claim.</p> <p>The case was concluded by the court of first instance. The defendant wind farm filed a counterclaim against the company for payment of contractual penalties. On 30 August 2018, the Court dismissed the action for declaration with its judgment and awarded contractual penalties. Energa Obrót SA filed an appeal. On 24 June 2020, the court of second instance delivered a judgment dismissing the appeal with respect to the declaration of invalidity of CPA and granting the appeal with respect to the request to reduce the contractual penalties. The judgment with reasoning was served on 10 August 2020. On 12 October 2020, Energa Obrót SA filed a cassation appeal. On 9 November 2020 EW Koźmin sp. z o.o., and then on 10 November 2020 Bank BGŻ BNP Paribas S.A. filed a response to the cassation appeal.</p>
<b>Wielkopolskie Elektrownie Wiatrowe sp. z o.o. (plaintiff),</b> <b>Energa Obrót SA (defendant)</b>	<p><i>Regional Court in Gdańsk, file No. IX GC 719/19</i>  <i>Litigated value: approx. PLN 6.1 million</i></p> <p>On 14 August 2019, Wielkopolskie Elektrownie Wiatrowe (WEW) filed a statement of claim for payment by Energa Obrót SA of contractual penalties on account of failure to perform the Agreement for the Sale of Property Rights under Certificates of Origin (CPA). On 4 March 2021, the court of first instance issued a judgment upholding part of the claim, i.e. ordering EOB to pay WEW the amount of approx. PLN 2.5 million with statutory interest and trial costs (approx. PLN 35.4 thousand). In the remaining scope, i.e. for more than half of the claimed claim, the claim was dismissed. In the justification, the court indicated that the claim for payment of contractual penalties for non-performance of CPA is justified, however, the penalties should be significantly reduced, up to the amount of actually suffered damage. The judgment is not final. On 5 March 2021, an application was submitted for a written justification of the judgment.</p>
<b>Elektrownia Wiatrowa Zonda sp. z o.o (plaintiff),</b> <b>Energa Obrót SA (defendant)</b>	<p><i>Regional Court in Gdańsk, file No. IX GC 735/19</i>  <i>Litigated value: approx. PLN 2.1 million</i></p> <p>The case is now pending in the first instance. Energa Obrót SA filed a statement of defence. A preparatory hearing was held on 31 January 2020, hearings were held on 13 and 14 July 2020. On 17 August 2020, the court delivered a judgment granting claim of Zonda Sp. z o.o. On 18 August 2020 Energa Obrót SA filed a motion for delivery of the judgment with the explanatory memorandum, and appealed on 29 October 2020. The response to the appeal was received on 4 January 2021. The hearing was scheduled for 28 April 2021. On 28 April 2021, a hearing was held at which the parties presented their positions. The court is to issue a verdict on 17 May 2021.</p>
<b>Elektrownia Wiatrowa EOL sp. z o.o. (plaintiff), Energa Obrót SA (defendant)</b>	<p><i>Regional Court in Gdańsk, file No. IX GC 740/19</i>  <i>Litigated value: approx. PLN 6.8 million</i></p> <p>On 20 August 2019, Elektrownia Wiatrowa EOL filed a statement of claim for payment by Energa Obrót SA of contractual penalties on account of Energa Obrót SA's failure to perform the Agreement for the Sale of Property Rights under Certificates of Origin (CPA). The case is now pending in the first instance. Energa Obrót SA filed a statement of defence. The proceedings are now stayed.</p>
<b>Jeżyczki Wind Invest ("JWI"),</b> <b>Wind Invest ("WI"),</b> <b>Stary Jarosław Wind Invest ("SJWI"),</b> <b>Krupy Wind Invest ("Krupy Wind Invest"), Boryszewo Wind Invest ("BWI") (plaintiffs),</b> <b>Energa Obrót SA (defendant)</b>	<p><i>Regional Court in Gdańsk, 9th Commercial Department</i>  <i>Case reference no. IX GC 1263/20</i>  <i>Value of the object of litigation: approx. PLN 56.6m</i></p> <p>The suit for payment of damages on account of non-performance by Energa Obrót SA of the agreements on sale of property rights derived from certificates of origin (CPA).</p> <p>On 30 December 2020, the plaintiffs had filed a suit that was delivered to Energa Obrót SA on 12 February 2021 together with the obligation to file the defense against the suit within 60 days.</p> <p>The defense against the suit was filed on 13 April 2021.</p>

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<b>Wind Invest Group companies:</b>	<i>Regional Court in Gdańsk, 9th Civil Law Department</i>
<b>Boryszewo Wind Invest,</b>	<i>Case reference no. IX GC 1/21</i>
<b>Dobiesław Wind Invest,</b>	<i>Value of the object of litigation: approx. PLN 6.9m in total</i>
<b>Gorzyca Wind Invest, Krupy</b>	The suit for payment of damages on account of the damage sustained by the companies as a result of Energa Obrót SA failure to sign the agreement on sale of electricity produced by the plaintiff companies and, consequently, the sale of electricity to other entities at the prices lower than those Energa Obrót SA was obliged to pay the plaintiffs. The defense against the suit was filed on 13 April 2021.
<b>Wind Invest, Nowy Jarosław</b>	
<b>Wind Invest, Pękanino Wind</b>	
<b>Invest (plaintiffs)</b>	
<b>Energa Obrót SA (defendant)</b>	

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## 7.4. Headcount in the Group

As at 31 March 2021, the Energa Group employed the total of 9,713 persons compared to 9,731 as at the end of last year. The main reason for changes in the level of employment was natural rotation.

## 7.5. Collective disputes and collective dismissals

### Collective dismissals

In Q1 2021, Group companies did not carry out any collective dismissals as defined in the Act of 13 March 2003 on special rules for termination of employment contracts for reasons not attributable to employees.

### Collective disputes

In Q1 2020, there were two collective disputes pending at the Group, which are currently at mediation stage.

Collective dispute at the employer ENERGA Logistyka Sp. z o.o. concerning the dispute demands submitted by the trade union on 24 September 2020 (demands of trade union MOZ NSZZ Solidarność at EOP Branch in Płock) and on 30 September 2020 (demands of trade union Międzyzakładowy Związek Zawodowy Pracowników Energetyki Płockiej). The demands concerned:

- a. concluding a new agreement, whereby this agreement would guarantee the rights of employees at a level no worse than currently in force,
- b. or reaching an agreement with the trade unions on the withdrawal of the notice provisions of the agreement.

Collective dispute at the employer of ENERGA-OPEATOR SA Branch in Płock regarding dispute demands submitted on 30 September 2020 by trade union Międzyzakładowy Związek Zawodowy Pracowników Energetyki Płockiej and demands submitted in October 2020 by trade unions MOZ NSZZ Solidarność at EOP Branch in Płock and NSZZ ENERGETYK. The demands concerned:

- a. concluding a new agreement, whereby this agreement would guarantee the rights of employees at a level no worse than currently in force,
- b. or reaching an agreement with the trade unions on the withdrawal of the notice provisions of the agreement.

Gdańsk, 12 May 2021

Signatures of Energa SA Management Board Members

Jacek Goliński

President of the Management Board of Energa SA

Marek Kasicki

Vice-President of the Energa SA Management Board for Finance

Adrianna Sikorska

Vice-President of the Energa SA Management Board for Communications

Dominik Wadecki

Vice-President of the Energa SA Management Board for Operations

Iwona Waksmundzka-Olejniczak

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

Magdalena Kamińska

Director of the Finance Department

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## GLOSSARY OF TERMS AND ABBREVIATIONS

AMI (Advanced Metering Infrastructure)	An integrated set of smart electricity meters, modules and communication systems enabling the collection of data on energy consumption for specified users.
Billing	A detailed receipt, a statement of all charges for value-added services used by a subscriber in a billing period.
Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and residues from agriculture, forestry and related industries, as well as the biodegradable fraction of other waste, in particular agricultural raw materials.
CAPEX (Capital Expenditures)	Capital expenditures.
CBRF	Centrum Badawczo-Rozwojowe im. M. Faradaya (Faraday Research and Development Centre), established for the purpose of implementation of Energa's Innovation Strategy for 2017-2020, with a perspective beyond 2025.
CO <sub>2</sub>	Carbon dioxide.
EIB (European Investment Bank)	European Investment Bank
EBITDA (Earnings before interest, taxes, depreciation and amortization)	Energa SA defines EBITDA as operating profit/loss plus depreciation/amortisation and impairment of non-financial non-current assets. Since the EBITDA definition changed in 2016, EBITDA for comparable periods (2013-2015) has been recalculated according to the new definition.
EBIT (earnings before interest and taxes)	Operating profit.
EBOR	European Bank for Reconstruction and Development
Issuer, issuer	Energa SA
EMTN	The Euro Medium Term Note (EMTN) programme
Energa SA, Energa, Energa SA	Parent company of the Energa Group.
Energa Operator, Energa Operator SA, EOP	Energa Operator SA, a subsidiary of Energa SA and the Lead Entity of the Distribution Business Line in the Energa Group.
Energa Obrót, Energa Obrót SA, EOB	Energa Obrót SA, a subsidiary of Energa SA and the Lead Entity of the Sales Business Line in the Energa Group.
Energa OZE, Energa OZE SA	Energa OZE SA, a subsidiary of Energa SA and the Lead Entity of the Generation Business Line in the Energa Group. Energa Wytwarzanie SA was renamed Energa OZE SA on 3 September 2019.
	The Euro Medium Term Notes issuance programme.
ESG	Environmental, Social, Governance
EU	The European Union.
EUR	Euro, the currency used in European Union's eurozone countries.
WSE	Giełda Papierów Wartościowych w Warszawie SA (the Warsaw Stock Exchange)
The Energa Group, the Group, Energa	A group of companies engaged in distribution, trade and generation of electricity and heat. It also conducts activity related to street lighting, design, procurement of materials, grid-related services, specialised transport, hotel and IT services.
Tariff group	Group of customers off-taking electricity or heat or using electricity or heat supply services with respect to which a single set of prices or fee rates along with their terms and conditions are applicable.
GUS	Główny Urząd Statystyczny (the Central Statistical Office).
GW	Gigawatt, unit of power in the International System of Units, 1 GW = 10 <sup>9</sup> W.
GWe	Gigawatt of electric power.
GWh	Gigawatt hour.
IRS (Interest Rate Swap)	An interest rate swap agreement between two parties, under which the parties pay interest to each other on a contractual nominal amount calculated according to a different interest rate.
KNF	Komisja Nadzoru Finansowego (the Polish Financial Supervision Authority).
Cogeneration, CHP	An engineering process of simultaneous production of heat and electric or mechanical energy in the course of the same engineering process.
Covenants	Contract clauses used as safeguards, especially in lending agreements.
KRS	Krajowy Rejestr Sądowy (the National Court Register).
NPS	National Power System
kWh	Kilowatt hour, unit of electricity generated or used by a 1 kW device in an hour; 1 kWh = 3,600,000 J = 3.6 MJ.
MEW	Small hydro power plant.
MSP	Ministerstwo Skarbu Państwa (the Ministry of Treasury).
MW	Unit of power in the International System of Units, 1 MW = 10 <sup>6</sup> W.
MWe	Megawatt of electric power.
MWh	Megawatt hour.
MWt	Megawatt of electric power.
NBP	Narodowy Bank Polski (the National Bank of Poland), Poland's central bank.

NFOŚiGW	Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej (the National Fund for Environmental Protection and Water Management).
NIB	Nordic Investment Bank
EGM	The Extraordinary General Meeting of Energa SA.
Renewable energy sources, RES	Sources converting the energy of wind, solar radiation, geothermal energy, waves, currents and marine tides, run of rivers and energy obtained from biomass, landfill biogas as well as biogas from sewage discharge or treatment processes or the decomposition of plant and animal remains to generate electricity.
DSO, Distribution System Operator	A utility company distributing gaseous fuels or electricity, responsible for grid operation in a gas or electricity distribution system, current and long-term operational safety of the system, operation, maintenance, repairs and the necessary expansion of the distribution network, including connections to other gas or electricity systems.
TSO, Transmission System Operator	A utility company transmitting gaseous fuels or electricity, responsible for grid operation in a gas or electricity transmission system, current and long-term operational safety of the system, operation, maintenance, repairs and the necessary expansion of the transmission network, including connections to other gas or electricity systems.
OZEX_A	Volume-weighted average price for all transactions pertaining to the PMOZE_A contract on an exchange session.
PGE	PGE Polska Grupa Energetyczna SA.
PGG	Polska Grupa Górnicza SA
GDP	Gross Domestic Product.
PLN	Polish zloty; national currency.
PMI	Forward-looking index of the Polish industry
PMOZE_A	Property rights in certificates of origin for renewable electricity generated starting from 1 March 2009, as specified in the certificate of origin.
p.p.	Percentage point.
ECP	Electricity connection point
GCP	Gas connection point
Property rights	Transferable rights constituting a commodity arising from certificates of origin for renewable energy and energy from cogeneration.
PSE	Polskie Sieci Elektroenergetyczne Spółka Akcyjna with its registered office in Warsaw, entered in the Register of Entrepreneurs of the National Court Register under KRS No. 0000197596; a company designated by the President of the URE's decision No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 to operate as the electricity transmission system operator in the Republic of Poland in the period from 1 January 2008 to 1 July 2014.
yoy	Year on year.
DAM	Day-Ahead Market
SAIDI (System Average Interruption Duration Index)	System Average Interruption Duration Index.
SAIFI (System Average Interruption Frequency Index)	System Average Interruption Frequency Index.
Smart Grid	An electricity system that integrates in an intelligent way the behaviours of all participants of generation, transmission, distribution and use processes in order to supply electricity in an economic, sustainable and safe manner. Comprehensive power industry solutions allowing for linking, mutual communication and optimal control of previously dispersed elements of energy networks.
SPOT	Day-Ahead Market (DAM): an energy market operating in the "day ahead" time interval (DA) supplying energy on day D.
Certificate of origin	Certificate of origin from renewable energy sources, a green certificate, and a certificate of origin from cogeneration.
Certificate of origin from cogeneration	A document issued by the President of the URE pursuant to Article 9l of the Energy Law confirming that electricity has been generated in high-efficiency cogeneration in: (i) a gas-fired cogeneration unit or a cogeneration unit with a total installed electrical capacity at source under 1 MW (known as the yellow certificate), (ii) a cogeneration unit fired by methane released and captured during deep mining operations in coal mines (open, in liquidation or closed), or gas obtained by processing biomass, (known as a purple certificate), or (iii) another cogeneration unit (known as a red certificate).
Certificate of origin from renewable energy sources, green certificate	A document issued by the President of the URE pursuant to Article 9e of the Energy Law confirming that electricity has been generated from a renewable energy source (known as a green certificate).
Tariff G	A tariff group for individual customers – households.
Polish Power Exchange, TGE	Towarowa Gielda Energii SA, a commodity exchange where admitted commodities are traded, i.e. electricity, liquid and gaseous fuels, mine gas, pollution emission allowances and property rights arising from certificates of origin, whose price of depends directly or indirectly on the price of electricity, liquid or gaseous fuels and the volume of pollution emissions.

TPA (Third Party Access)	A principle under which the owner or operator makes its network infrastructure available to third parties in order to provide services to customers. In the case of electricity, this means the possibility of using the network of a local energy distributor to deliver energy purchased from any seller to the indicated location.
TWh	Terawatt hour, a multiple of the SI unit of electricity. 1 TWh equals 10 <sup>9</sup> kWh.
EU	The European Union.
URE	The Energy Regulatory Office.
WACC	Weighted average cost of capital.
WIBOR (Warsaw Interbank Offered Rate)	Warsaw Interbank Offered Rate.
Cofiring	Generation of electricity or heat using a process of simultaneous and joint combustion of biomass or biogas with other fuels in a single device; a portion of the energy generated in this manner can be deemed to be energy generated in a renewable energy source.