

Answers to questions asked during the Annual General Meeting

1. **How does ENERGA intend to carry out its proportionate part of the EU energy and climate obligations (by 2020), which the State of Poland accepted in 2009, and obligations to reduce greenhouse gas emissions (by 2030) arising from the arrangements adopted in 2014 and from the Paris Agreement on climate protection, which was ratified by Poland in 2016?**
 - The ENERGA Group leads Polish energy groups in terms of the percentage of electricity produced in RES installations.
 - ENERGA Group's strategy for 2016-2025 (Strategy) is consistent with the existing regulations and assumes maintenance of ENERGA Group's strong position in the RES sector.
 - The Management Board believes that the strategy defines the best path, balancing the interests of ENERGA Group's stakeholders, including its shareholders, the existing legal obligations, including those related to energy security, and also considering the changes in its surroundings.
 - Such investments included in the Strategy include, among others: the biomass-fired unit in Kalisz, the Przykona Wind Farm.
 - The ENERGA Group takes action to overhaul and modernize the existing conventional production units:
 - 1) extensive modernization work was conducted on the existing units at the Ostrołęka B Power Plant; they were adapted to the environmental regulations arising from the IED Directive and BAT conclusions (installation of a flue gas denitrification installation on OP 650 boilers nos. 1, 2 and 3 and modernization of electrostatic precipitators in units 1, 2 and 3 at the Ostrołęka B Power Plant (2016-2018); an investment project to build an additional flue gas desulfurization installation is being prepared). In this respect, the Ostrołęka Power Plant is among the very best 200 MWe class units in Poland. Following the modernization, the gross electricity production efficiency at the Ostrołęka B Power Plant was increased (the higher efficiency, the lower the emissions are per electricity production unit), the capacity of units 2 and 3 was raised to 230 MW and the remaining service life of the turbines was extended,
 - 2) the investment project to adapt the existing production installation at the Elbląg CHP Plant to the environmental requirements defined in the IED Directive and BAT conclusions included adaptation of two OP-130 steam boilers to the permitted emission levels (a flue gas denitrification installation ("deNOx installation") and a desulfurization installation ("deSOx installation") and full decommissioning of an OP-130 steam boiler (no. 7) after the period of derogation under the Transitional National Plan.
 - The Strategy also contains a customer-oriented business model facilitating effective customer value management based on a consistent product and service offering. In practical terms, this will contribute to a more efficient management of the use of energy by all customer groups and introduction of environmental solutions based on modern energy-saving solutions.

- One of the elements of the Strategy is the Efficiency Improvement Program, which reflects ENERGA Group's efforts undertaken among others to improve energy efficiency (understood in particular as the optimum utilization of its assets while ensuring respect for the natural environment).

2. According to ENERGA, what are the market conditions requisite to make the Ostrołęka C project profitable in economic terms – does the project require any additional support mechanisms; if it does then what are they and have they been guaranteed?

- Yes, the project requires regulatory support. Introduction of the Capacity Market or other support mechanisms is important for ensuring security of the entire national power system.
- Polskie Sieci Elektroenergetyczne S.A. guarantees the secure operation of the entire National Power System (NPS) and it is responsible for the correct application and implementation of the adopted regulation and for the provision of electricity transmission services, while keeping the criteria required for the secure operation of NPS.
- The state authorities take initiatives to modernize and adapt the Polish power sector to the climate protection requirements, while also pursuing the goal of ensuring continuity and reliability of electricity supply in Poland. The ENERGA Group (together with a partner, i.e. the ENEA Group), by participating in the Polish Electricity Association (PKEE), conducts an active dialogue with the regulators to ensure that the appropriate environment is in place to achieve the intentions underlying the Ostrołęka C investment project.
- We are expecting balanced target regulations, which will properly support capital expenditures on energy. Renewable energy may be supported, among others, by actions to amend the tax regulations related to wind farms.

3. As ENERGA is developing the Ostrołęka C project, does it take into account the risk of public resistance and the health and environmental risks and the need for cyclical adaptation to emission standards arising from the Industrial Emissions Directive (IED) in effect from January 2016 and the binding BAT/BREF emission limits?

- The unchanged condition for executing this investment project is to use the application of cutting-edge solutions; this is why the new unit (which is coal-fired) will be executed using the supercritical steam generation technology. Units of this type feature cutting-edge technology and are capable of achieving electricity production efficiency exceeding the net level of 45%. We should also note that those solutions are contemporary but fully mature and tested in practice, also in Poland.
- The Ostrołęka C Power Plant will meet the current requirements defined in BAT/BREF.
- The Company has based its plans in respect to this as well as any other investment project on the most advanced technologies, which will guarantee that the plant will satisfy the environmental protection standards in advance.
- The units operated at the Ostrołęka B Power Plant are a proper example of the continuous technology modernization process and an effective reduction of emissions from ENERGA Group's production sources.
- As in any other investment project executed by the ENERGA Group, we will take into account the justified postulates of local communities. The long years of operation of the Ostrołęka B

Power Plant clearly show that such plants can have a positive impact on its surroundings and relations with the local community are managed in a good atmosphere.

4. What are the consequences of the decision to build the Ostrołęka C power plant for ENERGA's minority shareholders as compared to the scenario, in which the project is suspended. What will be the dividends paid by ENERGA (in an outlook until 2025) in each of the two scenarios.

- This project, in particular with the expected Capacity Market regulations and thanks to the beneficial long-term coal off-take contracts (in which the price is correlated to the profitability of coal-fired units), will be profitable and will increase the Company's value for all the shareholders, that is for both the majority shareholder as well as for minority shareholders.
- Execution of an investment project having the scale of the Ostrołęka C project will be partially financed with the funds generated by the ENERGA Group. Combined with an ambitious capital expenditure plan in other areas – 70% of expenditures, or PLN 14.4 billion, will be designated by 2025 for expansion and efficiency improvement of power grids and renewable energy sources – it may affect the potential for dividend distribution. This effect should be compensated for by an increased potential for dividend payments in the subsequent period, in which the new projects will be operated.
- The Management Board has continuously emphasized that the dividend policy must be balanced between a response to shareholder expectations and a guarantee of the Company's financial security in subsequent years. According to the Strategy adopted in November of last year, the dividend policy will be adapted to the financial needs of the investment process which assumes the cessation of key spending items by 2023.