



**Management Board
Report on the
activity of the
ENERGA Group**

for H1 2015

Gdańsk, 11 August 2015

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1. SUMMARY OF THE SECOND QUARTER OF 2015



ENERGA GROUP AFTER Q2 2015

THE THIRD LARGEST INTEGRATED DISTRIBUTION SYSTEM OPERATOR IN TERMS OF THE VOLUME OF ENERGY SUPPLY, WITH THE HIGHEST NUMBER OF INSTALLED SMART METERS AND ONE OF THE MARKET LEADERS IN TERMS OF RELIABILITY OF ELECTRICITY SUPPLY

FIRST PLACE IN THE POLISH MARKET IN CONNECTED RENEWABLE ENERGY SOURCES AND LEADING POSITION IN OWN RES PRODUCTION

THIRD BIGGEST SELLER OF ELECTRICITY TO END USERS

ENERGA GROUP PROFITS



PLN 524 m
EBITDA

PLN 180 m
Net profit

KEY RESOURCES



Distribution network with the length of over
184 thous. km



Installed capacity
1.36 GWe
of which **41%** are RES



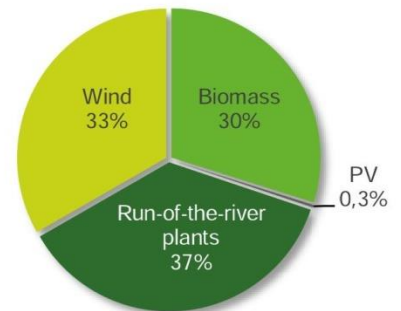
8.5 thousand
employees



RENEWABLE ENERGY SOURCES

RES - installed capacity

Installed capacity
556 MWe



ENERGA SA AT THE WSE

Market capitalization: PLN 9.4 bn*

We paid a dividend of PLN 596 m from standalone profit in 2014, translating into PLN 1.44 per share, paid out on 21 May 2015

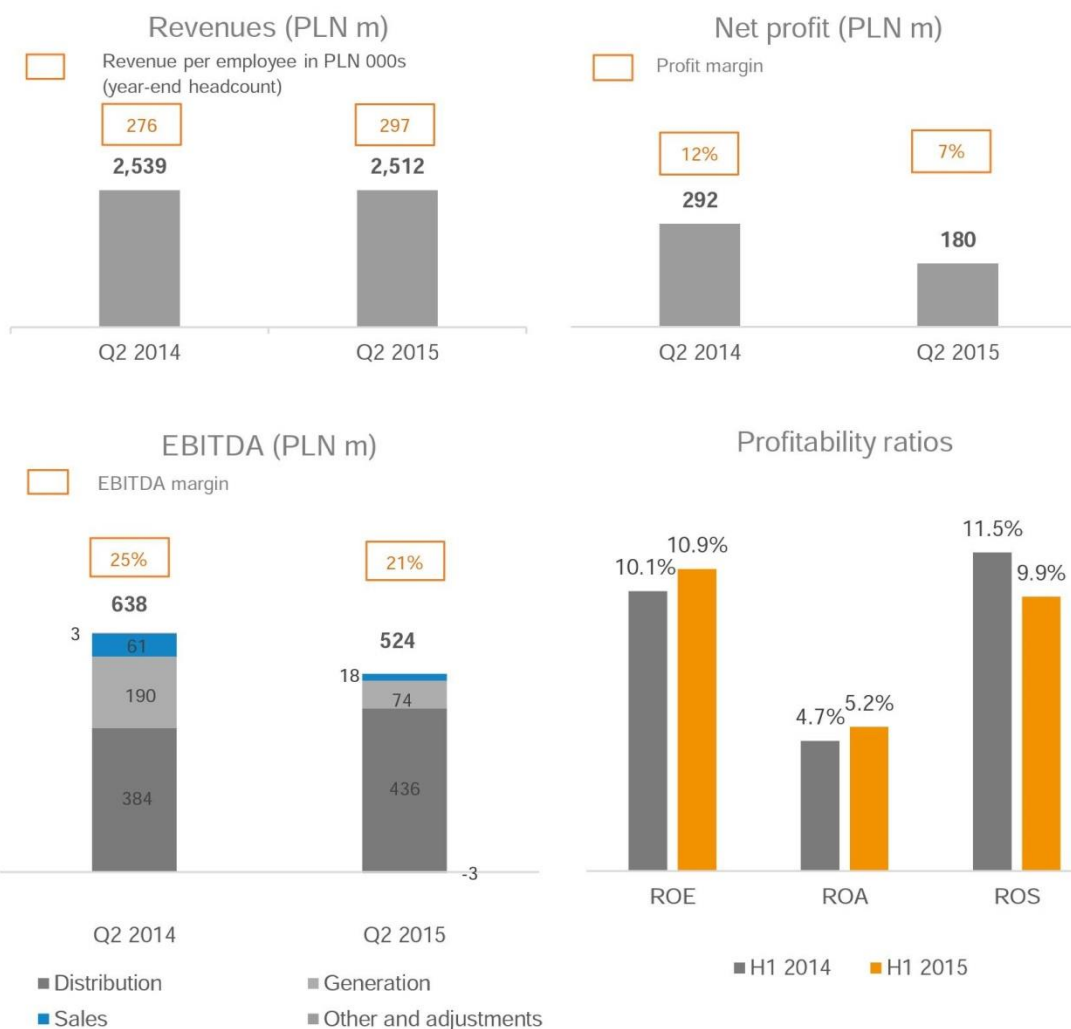
Indices: WIG20, WIG30, MSCI Poland, MSCI Global Sustainability Indexes, WIG Energa, WIG, WIGdiv, FTSE All World, RESPECT Index

* According to the closing share price on 30 June 2015

OPERATIONAL DATA

	Q2 2014	Q2 2015
Volume of electricity supplied (GWh)	5,070	5,225
Gross electricity produced (GWh)	1,284	1,058
- incl. RES (GWh)	478	453
Electricity sold (GWh)	6,034	6,134

CONSOLIDATED FINANCIAL HIGHLIGHTS



INVESTMENTS

Investment projects in the ENERGA Group

In Q2 2015, the ENERGA Group executed investment projects worth **PLN 351 m**, of which almost **PLN 271 m** in the Distribution Segment. As a result of these capital expenditures, **6.1 thousand new clients** were connected, **964 km** of high, medium and low voltage lines were built and modernized and **156 MW** of new renewable energy sources were connected to the grid.

Key information about the Group



2. KEY INFORMATION ABOUT THE GROUP

2.1. Material events in the reporting period and after the balance sheet date

Distribution of ENERGA SA's net profit for 2014

As stated in the Current Report no. 7/2015 of 29 April 2015, the Company announced that the Annual General Meeting of ENERGA SA held on that date adopted a resolution to distribute the net profit for the financial year covering the period from 1 January to 31 December 2014 in the amount of PLN 650,538,620.29, with the following allocation: dividend for shareholders - PLN 596,256,644.16, or PLN 1.44 per share (91.7% of the net profit), and for supplementary capital - PLN 54,281,976.13 (8.3% of the net profit). allocate PLN 54,281,976.13 for the Company's supplementary capital (8.3% of the profit). All 414,067,114 shares are entitled to receive the dividend. The dividend date was set at 7 May and the dividend was paid on 21 May 2015.

Annual General Meeting of Shareholders in 2015

In the Current Report no. 4/2015 of 3 April 2015, the Company published information on convening the Annual General Meeting of ENERGA SA ("AGM") to be held on 29 April 2015. In the following current report the Company also published the wording of draft AGM resolutions and in the Current Report no. 8/2015 of 29 April 2015 it published the results of voting on individual resolutions adopted at the AGM.

Appointment of ENERGA SA Management Board Members for the new term of office

On 28 April 2015, the Company's Supervisory Board adopted a resolution to appoint the Company's Management Board for the 4th term of office, comprised of:

Andrzej Tersa - President of the Management Board,

Seweryn Kędra - Vice-President of the Management Board, Chief Financial Officer,

Jolanta Szydłowska - Vice-President of the Management Board, Corporate Affairs.

The Company published this information in its current report no. 6/2015 of 28 April 2015.

First negawatts acquired for PSE

The ENERGA Group used demand response for the first time to maintain the stability of the power system. Enspirion, an Energa Group company, reduced energy consumption by some of the clients for 4 hours upon request from Polskie Sieci Energetyczne (PSE).

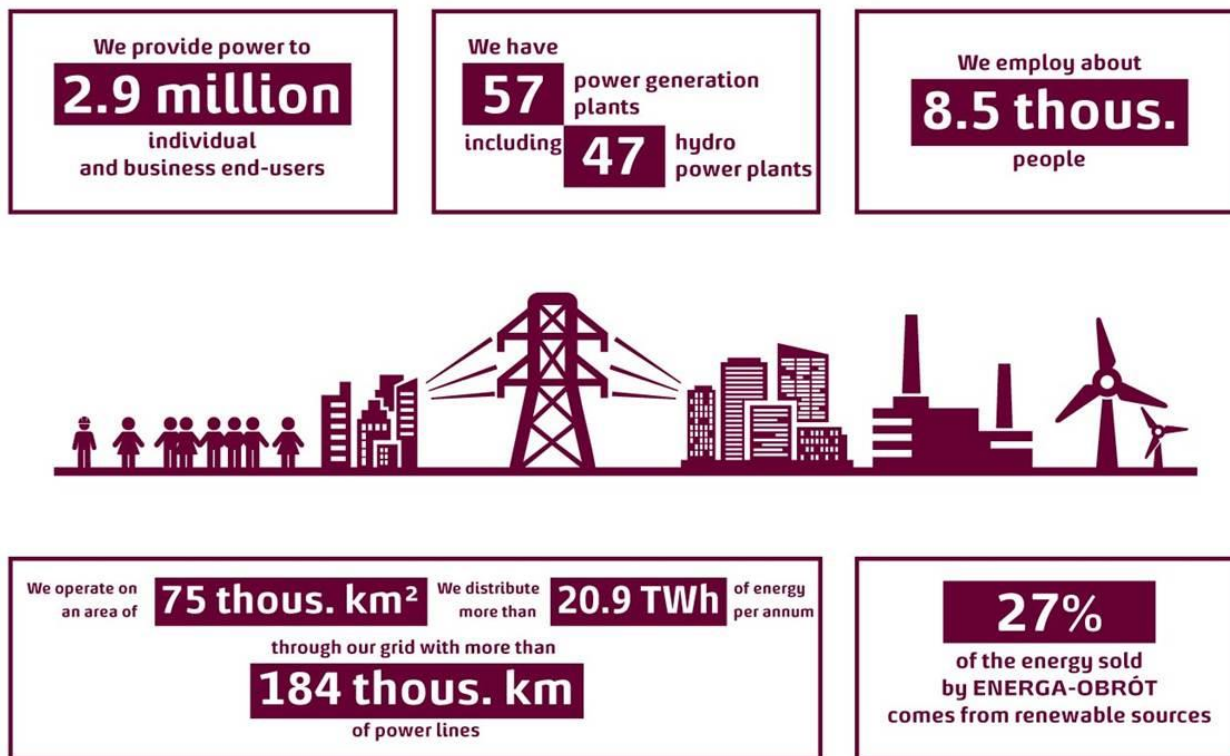
The Stimulated Demand Reduction was executed by Enspirion under the 20 negawatt agreement concluded with PSE last year. The reduction was primarily a test exercise. Enspirion reduced 20 MW of demand for capacity from the system, fully delivering on the contracted volume and confirming effectiveness of the Stimulated Demand Reduction process. Enspirion already signed an agreement with PSE for further 77 NW and won the most recent tender procedure. At present, Stimulated Demand Reduction has no significant effect on the Group's results. However, implementing demand response on a large scale could be a major contributor to the stability of the power system, in which the importance of unstable RES generators continues to increase.

Other

Additional information were presented in note 22 *Other information significantly affecting the assessment of assets, financial position and the financial result of the Group of the consolidated financial statements.*

2.2. Activities of the ENERGA Group

Figure 1: Activities of the ENERGA Group

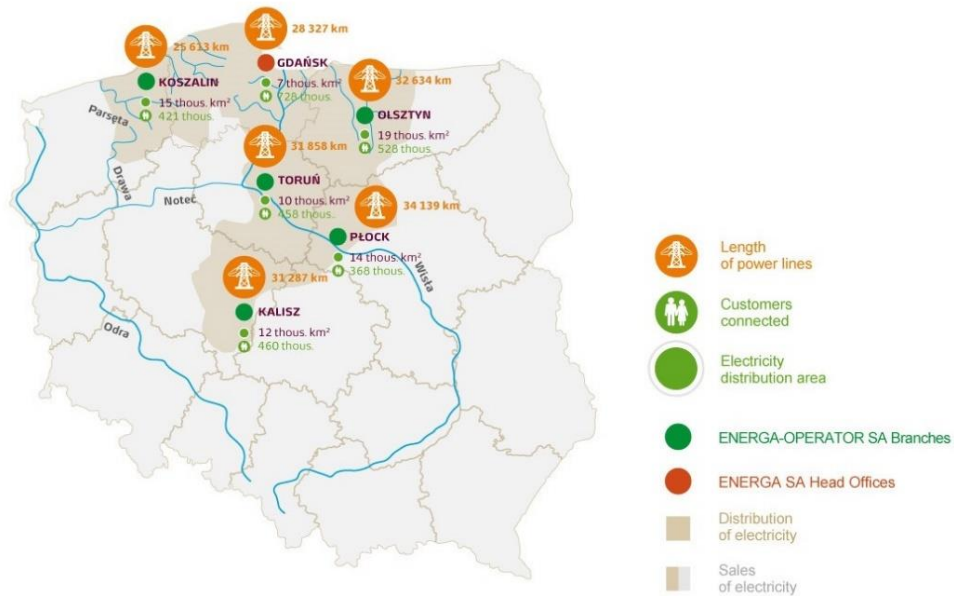


As at 31 Dec 2014

The core business of the ENERGA Group entails distribution, generation and sales of electricity and heat and concentrates on the following key operating segments:

The Distribution Segment - operating segment of key importance for the Group's operating profitability, involving distribution of electricity which in Poland is a regulated activity conducted on the basis of tariffs approved by the President of the Energy Regulatory Office (ERO). The ENERGA Group has a natural monopoly position in the northern and central part of Poland, where its distribution assets are located, through which it supplies electricity to over 2.9 million customers, approx. 2.8 million of which are customers with comprehensive agreements and roughly 177 thousand are TPA customers. A breakdown of ENERGA-OPERATOR SA's customer by energy group is presented in the Key operating data section. As at 30 June 2015, the distribution grid consisted of power lines with a total length of over 184 thousand km and covered almost 75 thousand km², i.e. about 24% of the country's landmass. ENERGA-OPERATOR SA acts as the Segment Leader.

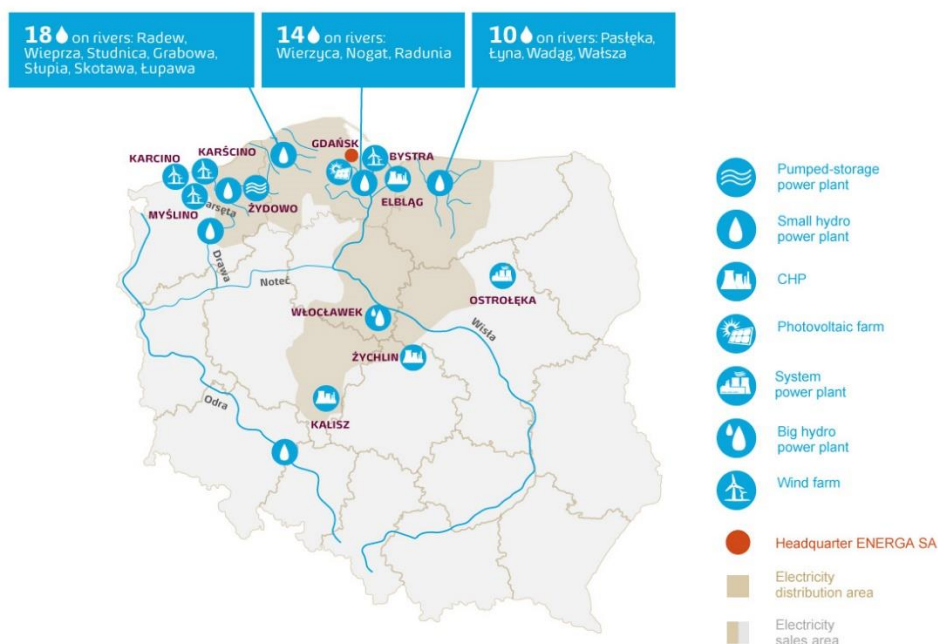
Figure 2: Electricity distribution area served by ENERGA-OPERATOR SA



The **Generation Segment** operates on the basis of four business lines: The Ostrołęka Power Plant, Hydro, Wind and Other (including co-generation, i.e. CHP). At the end of Q2, the total installed capacity in the Group’s power plants was approximately 1.4 GW.

In Q2 2015, the Group had gross production of 1.1 TWh of electricity. The installed capacity of our power plants relies on diverse energy sources, such as hard coal, hydropower, wind, biomass and solar energy. In Q2 2015, 57% of the Group’s gross energy production originated from hard coal, 20% from hydro, 15% from biomass and 8% from wind. The Segment Leader is ENERGA Wytwarzanie SA.

Figure 3: Location of the main generation assets of the ENERGA Group



The ENERGA Group owes its leading position in terms of the percentage of electricity from renewable energy sources in the total energy generated, primarily to the generation of energy in hydro power plants and from biomass. Green energy is produced in 46 hydro power plants, 4 wind farms and in biomass-fired installations (mainly in ENERGA Elektrownie Ostrołęka SA and ENERGA Kogeneracja Sp. z o.o).

At the end of Q2 of this year, the Group had an installed capacity of 0.56 GW in renewable energy sources, in which the Group generated a gross amount of 453 GWh of electricity.

The Sales Segment sells electricity as a separate product and in packages with other utilities and services to all Customers, from industry, through big, medium-sized and small business, to households. The leader in this Segment is ENERGA-OBRÓT SA. The biggest share in terms of volume goes to industrial Customers, and households are the most numerous group of customers. At the end of H1 2015, the ENERGA Group supplied 2.9 million Customers, out of which 2.6 million were G tariff customers.

Figure 4: Structure of ENERGA-OBRÓT's end buyers by customer type



The Sales Segment is developing its sales network, focusing on the quality of customer service. As at 30 June 2015, the sales network consisted of:

- 1) 10 showrooms in cities with the largest concentration of ENERGA-OBRÓT customers;
- 2) 9 sales points (retail islands) in shopping centers in selected cities of Poland;
- 3) 37 partnership outlets located in the operating area of the DSO ENERGA-OPERATOR (36) and outside of that area (1);
- 4) 452 certified salesmen focused on selling ENERGA's offering to clients throughout Poland.

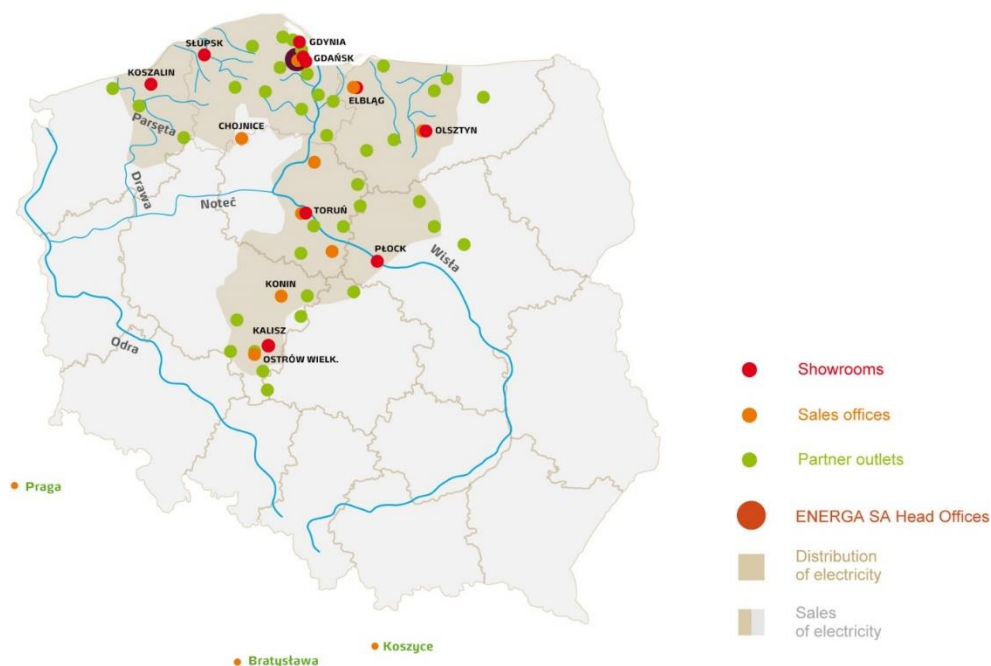
Sales are conducted in the locations listed above (which include concluding a new agreement, extending an existing one, activating products, changing a client assigned to a meter), while the matters related to complaints, enforcement and settlement of electricity bills are handled by the Customer Service Center available to Clients over the phone and electronically.

The Sales Segment plans to increase the number of users of online Customer service channels (eBok, meBOK) up to 50% from the current 19% by 2020.

The Sales Segment will concentrate its activities on the quality of services in all contact channels and on implementation of solutions improving the efficiency of service processes. The best performing Customer service models will be used as benchmarks, also from other sectors (e.g. banking, telecommunications).

Additionally, analyses of the current condition of the customer service area will be conducted in Distribution, Sales and Generation Segment to identify the possible synergies between segments and eliminate any factors that interfere with the service process.

Figure 5: Location of ENERGA-OBRÓT SA's Showrooms and Partnership Outlets



2.3. Key changes in the Group's structure and organization

As at 30 June 2015, the ENERGA Capital Group (ENERGA Group, Group) was composed of the parent company ENERGA SA (Company, Issuer) and 48 subsidiaries. The subsidiaries are grouped in three business segments, managed by ENERGA SA's direct subsidiaries which are Segment Leaders, and the Others segment managed directly by ENERGA SA. The simplified structure of the ENERGA Group at the end of the second quarter of this year is shown in the table below.

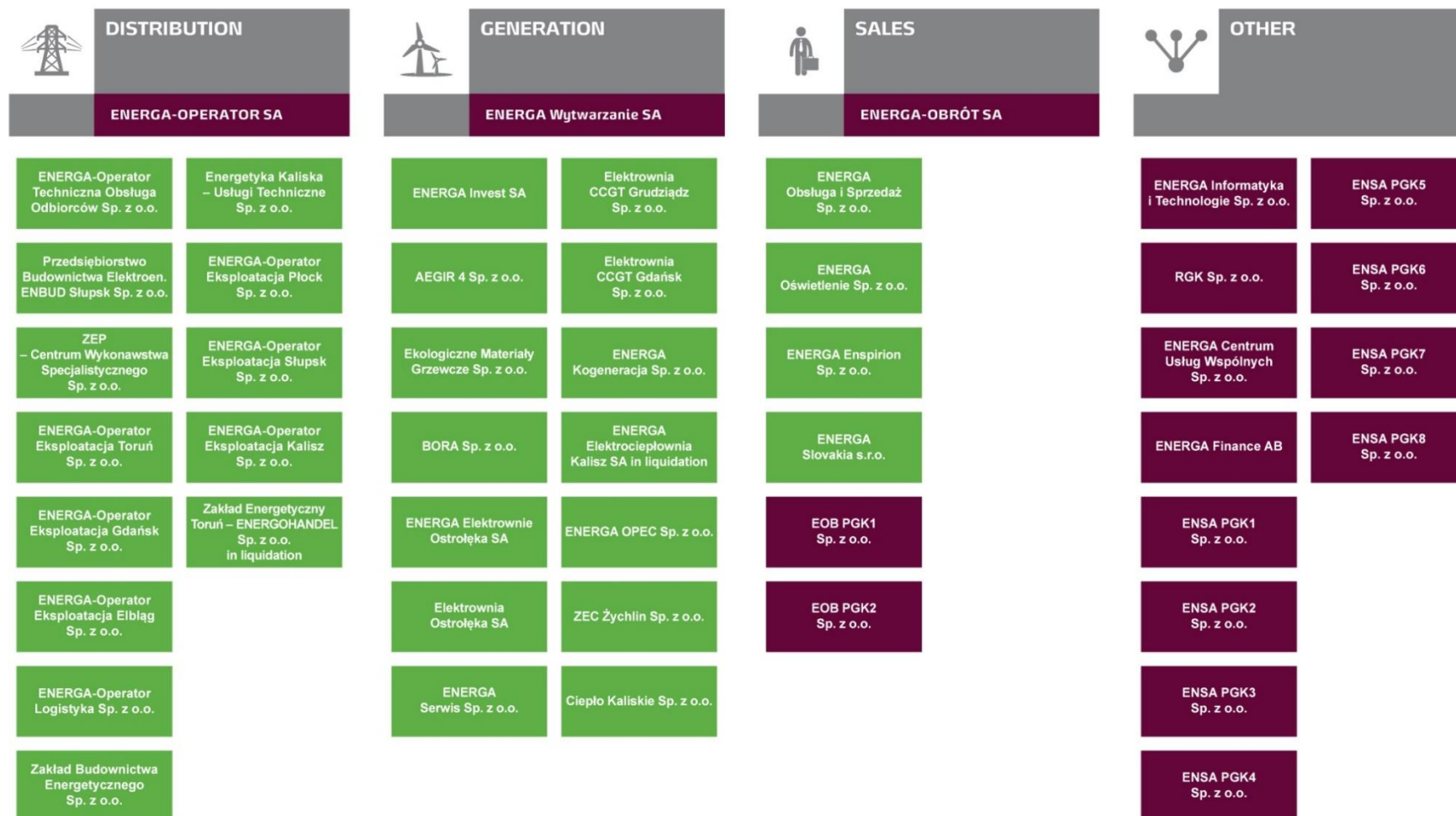
Figure 6: Composition of the ENERGA Group as at 30 June 2015

STRUCTURE OF THE ENERGA CAPITAL GROUP
AS AT 30 JUNE 2015

 Direct subsidiary
of ENERGA SA

 Indirect subsidiary
of ENERGA SA

ENERGA SA



All of the parent's subsidiaries are subject to consolidation.

The following significant events causing major changes to the structure of the ENERGA Group occurred in the current reporting period:

1. On 14 April 2015, a merger plan was signed to merge ENERGA Elektrownie Ostrołęka SA (acquiring company) ENERGA Kogeneracja Sp. z o.o. (acquired company). The merger was to be executed by transferring all assets of the acquired company to the acquiring company. On 26 May 2015, decision was made to close the Project and thus end all the activities leading to the integration of above-mentioned companies.
2. On 15 April 2015, the merger of ENERGA Wytwarzanie SA (acquiring company) and BREVA Sp. z o.o. (acquired company) was registered. The merger has been carried out without increasing the share capital of the acquiring company.
3. On 28 April 2015 a split-up of the company Ekologiczne Materiały Grzewcze Sp. z o.o. (split company) conducted by spinning off part of assets of the company to ENERGA Elektrownie Ostrołęka SA (acquiring company), was registered. As a result, the share capital of ENERGA Elektrownie Ostrołęka SA increased by PLN 5,473,720, i.e. up to PLN 228,473,720 and the share capital of Ekologiczne Materiały Grzewcze Sp. z o.o. fell from PLN 6,330,000 to PLN 137,500, i.e. by PLN 6,192,500.

2.4. Implementation of the investment program

In H1 2015, the ENERGA Group executed investment projects worth PLN 619 m, of which almost PLN 449 m in the Distribution Segment. Investment projects in the Distribution Segment included expansion of the grid to connect new clients and producers as well as modernization, which is aimed at improving the reliability of electricity supply. Expenditures were also made for innovative grid technologies and solutions.

In the Generation Segment, construction the Parsówek Wind Farm with the total capacity of 26 MW is in progress (startup of this installation is planned to begin this year). The Czernikowo photovoltaic plant (3.7 MW) is at the final phase of its execution - currently an operating permit is being obtained. Preparatory work is conducted in relation to the 30 MW Przykona Wind Farm project (the FID-ready stage is to be achieved in 2015). Work related to the achievement of compliance of Power Plant B in Ostrołęka with environmental requirements constitutes an important part of the Segment's capital expenditures.

Table 1: Implementation status of the investment program on 30 June 2015

Description of the project	Location	Capital expenditures (PLN m)	Execution stage
GENERATION SEGMENT			
Construction of a wind farm with the capacity of approx. 20 MWe. The facility has been commissioned and the project has been completed.	Myśliń Zachodniopomorskie Voivodship	8.0	Completed
Construction of a heat source for the city of Ostrołęka. The installation was launched in April. Final acceptance is in progress.	Ostrołęka	28.3	Preparation for completion
Modernization of boiler electrostatic filters at Ostrołęka Power Plant B. The site has been handed over to the general contractor. Construction work has started.	Ostrołęka	15.2	In progress

Construction of a NOx emission reduction installation at the Ostrołęka B Power Plant. Construction work is in progress.	Ostrołęka	26.4	In progress
Construction of a photovoltaic power plant with the capacity of approx. 4 MWe under the Smart Toruń project. Operating permit is being obtained.	Czernikowo Kujawsko-Pomorskie Voivodship	11.8	Preparation for completion
Preparation of a project to build a combined cycle plant in Grudziądz and Gdansk with the capacity of approx. 500 MWe. Building permit for the unit has been obtained. The investment is at the stage of a tender to select the general contractor. Formal and legal activities continue in relation to the preparation of the building site.	Grudziądz, Gdansk	11.8	In preparation
Other projects and adjustments	-	56.3	-

DISTRIBUTION SEGMENT

Grid development related to connection of new customers.	Distribution areas	179.2	In progress continuously
Grid development and modernization related to connection of RES plants.	Distribution areas	12.8	In progress continuously
Distribution grid modernization to improve reliability of supply.	Distribution areas	144.6	In progress continuously
Smart meters and other elements implementing the smart grid concept, including AMI.	Distribution areas	71.0	In progress continuously
Other capital expenditures.	Distribution areas and Distribution Segment companies	41.7	In progress continuously

2.5. Research and development

On 7 May 2015, a cooperation agreement on the development of smart power grids in Poland was signed by ENERGA Group companies, i.e. ENERGA-OPERATOR and ENERGA Wytwarzanie as well as Polskie Sieci Energetyczne and Hitachi Ltd as a representative of a consortium of Japanese companies. The Agreement provides for the preparation of a feasibility study for a project aimed at increasing safety of the power system. The financing of the project is supported by a Japanese government agency, New Energy and Industrial Technology Development Organization (NEDO).

On 9 April 2015, the Executive Committee of the Pomeranian Voivodship adopted a resolution establishing Smart Specialization in Pomerania (Inteligentne Specjalizacje Pomorza, ISP). ENERGA SA is the leader and a leading partner of a Partnership that will implement the key specialization in the region. The applying Partnership included almost 30 entities from the Pomeranian voivodship, including: LOTOS, APATOR, Gdańsk University of Technology, Polish Naval Academy and the Group's Segment Leaders: ENERGA-OPERATOR, ENERGA-OBRÓT and ENERGA Wytwarzanie. The purpose of the area entitled "Eco-efficient technologies in production, industry, distribution and consumption of energy and fuels" which includes our specialization, is to foster a decline in energy consumption in the economy and its negative impact on the environment. ENERGA currently

is actively involved in negotiating the wording of the arrangements governing the development of ISP with Marshal's Office representatives.

As part of the eMobility project conducted by the ENERGA Group, the purpose of which is to find information on and research the use of electric cars by the residents of Gdańsk, Gdynia and Sopot, electric car charging stations are deployed. In the Tri-City there are already four publicly available charging points for electric cars, which are run by the ENERGA Group - two for fast charging and two for semi-fast charging.

2.6. Information on material contracts

Material contracts

A contract is recognized as material if its value exceeds 10% of the ENERGA's equity.

Agreements for loans and borrowings and a domestic bond issue program

Details on the agreements for loans and borrowings and a domestic bond issue program are provided, among others, in note 20 *Financial instruments* of the consolidated financial statements.

Moreover, during the reporting period, the ENERGA Group used the short-term bond issue facility, in which, to achieve efficient liquidity management, the Group company issuing the debt securities offered their purchase only to other Group companies. Acting on the basis of the Financial Policy adopted by the ENERGA Group and under the terms and conditions of internal bond issue facilities, in H1 2015 ENERGA purchased bonds issued by Group companies. The main purpose of the issues was for the issuers, ENERGA Group companies, to raise funds to execute their capital expenditure programs.

The table below presents the nominal value of bonds subscribed by ENERGA SA and outstanding, broken down into individual issuers from the ENERGA Group, as at 30 June 2015.

Table 2: Nominal value of bonds subscribed by ENERGA SA and outstanding, by issuer, as at 30 June 2015

No.	Company name	Nominal value of subscribed bonds (PLN 000s)
1.	ENERGA-OPERATOR SA	3,648,675
2.	ENERGA Wytwarzanie SA	1,138,000
3.	ENERGA Kogeneracja Sp. z o.o.	75,769
4.	ENERGA Elektrownie Ostrołęka SA	150,000
5.	ENERGA-OBRÓT SA	100,000
	Total	5,112,444

Guarantees and sureties given

Table 3: Information on sureties and guarantees extended by ENERGA SA as at 30 June 2015

No.	Date extended	Expiration date	Entity for which the surety or guarantee was given	Entity in favor of which the surety or guarantee was given	Form	Surety or guarantee amount (PLN 000s)	Secured liability amount as at 30 June 2015 (PLN 000s)	Purpose of the amounts
1	2012-11-15	2024-12-31	ENERGA Finance AB	bondholders	surety agreement ¹	5,243,000	2,093,593	Eurobond issue program under the EMTN program
2	2011-11-08	2016-10-31	ENERGA-OPERATOR Logistyka Sp. z o.o.	PKO BP SA	- agreement to extend a guarantee	483	483	bank guarantee
3	2012-03-19	2017-03-29	ENERGA Elektrownie Ostrołęka SA	PKO BP SA	- agreement to extend a guarantee	200	200	bank guarantee
4	2012-12-17	2017-09-30	ENERGA Invest SA	PKO BP SA	- agreement to extend a guarantee	3,500	3,172	bank guarantee
5	2015-04-03	2019-05-02	ENERGA Invest SA	PKO BP SA	- agreement to extend a guarantee	89,408	89,392	bank guarantee
6	2013-04-22	2017-09-19	ENERGA Wytwarzanie SA	PKO BP SA	- agreement to extend a guarantee	2,091	0	bank guarantee
7	2013-04-25	2017-09-19	Elektrownia CCGT Grudziądz Sp. z o.o.	PKO BP SA	- agreement to extend a guarantee	6,300	6,254	bank guarantee
8	2014-01-14	2017-12-12	ENERGA Wytwarzanie SA	PKO BP SA	- agreement to extend a guarantee	218	0	bank guarantee
9	2014-03-03	2018-04-24	ENERGA Wytwarzanie SA	PKO BP SA	- agreement to extend a guarantee	53,732	852	bank guarantee
10	2014-05-15	2017-10-28	ENERGA Informatyka i Technologie Sp. z o.o.	PKO BP SA	- agreement to extend a guarantee	15	15	bank guarantee
11	2015-01-08	2024-12-31	ENERGA Wytwarzanie SA	WFOŚiGW in Gdańsk	surety - loan agreement	15,000	6,939	loan

12	2015-01-30	2017-11-11	ENERGA Serwis Sp. z o.o.	PKO BP SA	surety agreement to extend a guarantee	3,000	44	bank guarantee
13	2015-03-20	2018-12-25	ENERGETYKA KALISKA-USŁUGI TECHNICZNE Sp. z o.o.	PKO BP SA	surety agreement to extend a guarantee	5,000	1,250	bank guarantee
14	2015-04-01	2017-04-30	ENERGA OPERATOR Techniczna Obsługa Odbiorców Sp. z o.o.	PKO BP SA	surety agreement to extend a guarantee	2,000	787	bank guarantee
15	2015-05-27	2018-09-08	ZEP-Centrum Wykonawstwa Specjalistycznego Sp. z o.o.	PKO BP SA	surety agreement to extend a guarantee	3,250	39	bank guarantee
Total						5,427,197	2,203,020	

* Item 1 - on 15 November 2012, an EMTN Eurobond issue program was established for the amount up to EUR 1 bn. Under the EMTN program, ENERGA Finance AB (publ) registered under the Swedish law, acting as a subsidiary of ENERGA SA, may issue Eurobonds with maturities from 1 year to 10 years. Pursuant to the surety agreement of 15 November 2012, ENERGA SA undertook, unconditionally and irrevocably to guarantee liabilities of ENERGA Finance AB (publ) resulting from Eurobonds up to EUR 1,250 m until 31 December 2024 inclusive. On 19 March 2013, ENERGA Finance AB (publ) issued series I of Eurobonds in the amount of EUR 500 m and maturing on 19 March 2020. The Ministry of Finance approved the extension by ENERGA SA of a guarantee up to a total amount of EUR 1,250 m valid until 31 December 2024 to secure repayment of liabilities arising from the Eurobonds issued by ENERGA Finance AB (publ).

**/ Items 2-10 and 12-15: civil law sureties extended by ENERGA SA for liabilities of ENERGA Group companies arising from bank guarantees granted by Bank PKO BP SA under guarantee facilities dedicated to ENERGA Group companies. The facility may be used until 19 September 2017. Terms of validity of the guarantees granted under the facility limit may extend beyond the validity date of the limit. Repayment of liabilities is secured by a civil law surety.

Information on transactions of material importance with related companies on terms other than an arm's length basis

All the transactions within the ENERGA Group are made on the basis of the market prices of goods, products or services based on their manufacturing costs.

Information on the transactions with affiliated entities is presented in Note 19 to the condensed consolidated interim financial statements for the period of 6 months ended 30 June 2015.

2.7. Risk management

Integrated Risk Management System in the ENERGA Group

The aim of risk management in the ENERGA Group is to identify potential opportunities and threats which may influence the organization, to keep the risk within the prescribed limits, and to support the achievement of the Group's strategic and operating objectives. The Integrated Risk Management System (ERM) functioning in the ENERGA Group since 2011 ensures a uniform approach to risk management. The ERM system consists of the Risk Management Policy in the ENERGA Group and the Risk Management Methodology in the ENERGA Group whose basis is formed by the risk management process taking place in the

organization's environment. The risk management process consists of various interrelated stages forming a continuous process. These stages include the following: risk identification, event identification, risk assessment, preparation and implementation of action plans, and risk monitoring and reporting.

The ENERGA Group runs ongoing and periodic risk reviews whose purpose is to track the changes taking place, analyze the identified risks and recognize new opportunities and threats. Risk monitoring in the organization supports the decision-making process at all management echelons and helps derive conclusions for the future. Based on the risk reviews information is prepared concerning the enterprise's risk exposure. On its basis the ENERGA SA Management Board makes decisions pertaining to the Group's risk appetite. Risk review findings are communicated to the Owners of the various risks.

In the ENERGA Group risk classification is split into four areas forming the Risk Model:

- strategic, encompassing the risks associated with attaining strategic objectives, including planning and execution of investments and corporate governance,
- regulatory and legal, including compliance risks with the prevailing laws and regulations,
- operating, encompassing the risks associated with attaining operating objectives, including those relating to infrastructure, processes and resources,
- financial, encompassing the risks associated with financial management.

Based on the needs for change (reported by stakeholders in the risk management process and ensuing from organizational changes), audit recommendations and the opinions of the Management Boards of the Managing Company and the Companies' Segment Leaders, the ENERGA Group's risk management system is perfected and aligned to the expectations of its recipients while simultaneously remaining consistent with international risk management standards.

Description of major factors and risks

The key risks and what we consider to be the most important risk factors as identified at the Group and Segment levels are depicted below.

Strategic area

The Business Model functioning in the ENERGA Group aims to ensure the Group's long-term value growth. Some of the factors affecting this Model's shape originate from outside the organization and are not dependent on it. We include the following factors among them:

- major shareholder's decisions,
- amendments to domestic legal regulations, including the State's Energy Policy,
- changes to energy strategy at the European Union level,
- modifications to the methodology for computing distribution tariffs,
- political environment,
- competitors' activity.

If they materialize, the Group's management system may be curtailed or become inefficient because the Model is not fully aligned to market requirements and because changes ensuing from analyses of the environment have not been implemented effectively.

As a result of a dynamic development of the energy market, the exposure of the key business segments of the ENERGA Group to market risks has been growing. An electricity volume shortfall on the market caused, for instance, by lower energy demand among end-users, the company's price and product policy or by actions taken by the competition may

contribute to failing to generate earnings and disruptions in the intended growth path. Since risk directly affects volume, and consequently - sales revenues, risk control mechanisms are monitored on an ongoing basis to adapt the ENERGA Group's operating measures flexibly to market conditions.

Factors such as ineffectively conducted marketing actions entailing among others: failure to support the attainment of strategic objectives, support for improperly selected and ineffective sales channels or the ineffective exchange of information with stakeholders may diminish the ENERGA Group's image and as a result lead to losing clients, investors and business partners.

Another important risk is the issue of aligning the ENERGA Group's investment plan to analyses and forecasts of market development, financial capabilities or a failure to take advantage of potential synergy effects, which in an adverse scenario may compromise the Group's competitive position and reduce its value. In addition, there is a risk that the assumed financial objectives of mergers and acquisitions carried out by the Group are not achieved or attained, while if investments prove to be misguided, it may be necessary to write off the impaired value. Growing the Distribution Segment's percentage of investments in the Group's overall investment profile reduces the probability of risk materializing as they are related to making investments in regulated activity.

As a result of the legal obligation to connect new consumers and RES electricity generators to the distribution grid, upon a request meeting specific technical and economic criteria, it is necessary to incur capital expenditures related to investments in the power grid at all voltage levels. The risk related to planning distribution grid development entails the necessity of ensuring the grid's operational security while simultaneously aligning its development plan to stakeholder expectations in an optimum way. Misguided decisions on selecting new technology, incorrect prioritization of investment projects and delayed investment progress at the design stage on account of formal and legal reasons may lead, among others, to financial claims and higher costs of network losses following improperly planned investments. This risk is mitigated, among others, by using well-defined procedures to devise development plans and engaging research and development entities to support the implementation of development concepts.

Legal and regulatory area

Domestic and European Union legal regulations pertaining to the energy sector directly affect the ENERGA Group's operations, thereby imposing additional obligations in many cases. The ENERGA Group has a leading position in Poland in terms of the percentage of electricity from renewable energy sources in the total energy generated. Therefore, any changes in the national RES support system, the introduction of fees for drawing water for energy purposes or the acknowledgement by the European Commission of the substantiation for the complaint regarding inappropriate use of public aid in this respect by the Polish government, may result in a loss of capacity to generate added value in significant areas of the Group operations.

Regulatory uncertainty and frequent amendments to legal acts make it necessary to redefine investment plans and the policy for contracting property rights and may cause financial performance to decline. Unforeseen amendments to the law and procedures governing the operation of the market for emission allowances may lead to disruptions in the profit earned on trading activity.

Another risk factor is the dearth of transparency and unambiguity related to the interpretation of legal regulations, whereby there is extensive uncertainty on how issues concerning the Group's operations will be resolved if they become the subject of court proceedings.

The absence of regulations on rights to real estate for electrical power equipment leads to the owners of the affected real estate lodging claims for damages. Financial and technical limitations on changing the location where the distribution company's property is situated may impede the company from making investments in these lines and in the event of unfavorable court judgments - it may become necessary to remove high and medium voltage grid equipment.

The ENERGA Group's generation and distribution activities affect the natural environment and are subject to legal regulations on environmental protection. To conduct these activities in compliance with the regulations it is necessary to obtain the pertinent permits and administrative decisions and satisfy environmental procedures. This may extend the investment process and incite protests of environmental groups, especially since the distribution company's activities overlap with significant tracts of the Natura 2000 area and other environmentally-sensitive areas.

Since it belongs to the utility sector, a hefty portion of the ENERGA Group's operations, including distribution, sales and generation of electricity and heat are subject to regulation by the President of the Energy Regulatory Office (President of ERO), who is responsible, among other things, for monitoring compliance between the operations of energy companies with the relevant provisions of the Energy Law and the terms and conditions of the concessions extended by the President of ERO. The decisions made by the President of ERO particularly affect electricity prices for household consumers. Improper calculation of sales prices or the approval of tariff rates at a level that does not ensure the profitability of sales or a failure to incorporate the actual costs incurred by a DSO in the cost calculation may lead to a considerable reduction in the margin, market share and revenues generated by the Group's companies.

Operating area

Due to the large size of ENERGA Group's assets and the age of some facilities, the activity of Group companies is exposed to such risk factors as: breakdowns, atmospheric and hydrologic factors, fortuitous events and acts of vandalism. Their materialization may affect the security and continuity of generation and supplies to customers of electricity of sufficient quality parameters. This issue is especially important for the must-run power plant in Ostrołęka B and the hydro power plants in Włocławek whose percentage of total electricity production in the Group is substantial. In the Distribution Segment maintaining the continuity of electricity supplies is its fundamental objective; that is why unplanned interruptions in rendering services may tarnish the overall Group's image. Interrupted operations of generation or distribution units lower their performance and may involve danger to safety of people and property as well as the necessity to incur additional costs of repair/replacement of damaged components or activities connected with disaster recovery. In turn, lack of continuity of sales and errors in settlements with customers affect the quality of services provided and customer satisfaction levels.

Implementation of capital expenditure programs by ENERGA Group companies involves, among others, the requirement to carry out a procurement process. Improper or inefficient performance of the process may affect quality of services provided when products with incorrect technical or quality parameters are purchased. It may also lead the companies to conclude detrimental contracts and pay contractual penalties or costs of litigation when they are terminated.

Another risk is connected with the matters of information security in the context of information processing or information access. In this area, risks may involve unauthorized third parties obtaining access to information, for instance company secrets, personal data of customers or

employees, strategy, prices, transaction volumes and making such information public. Also, the power companies in Poland, as well as those in Europe and all over the world, are likely to be targets of hacking attacks. That is why the risk connected with security and functionality of IT systems becomes ever more important.

Loss of confidentiality, accessibility, integrity or operational continuity of IT systems may result in significant difficulties or even in an inability to perform the basic tasks and, in strategic terms, may cause significant harm to the Group's image or its competitive position. A failure to ensure continuity of operation of IT systems in the Sales Segment may lead to incorrect settlements with Customer and consequently result in incomplete revenues on sales of electricity.

Finance area

The macroeconomic situation of the ENERGA Group affects the conditions of its business operations. Variations in business conditions measured by GDP change rates, inflation or unemployment rates translate to electricity and heat prices and shape demand for products supplied by Group companies.

Implementing the provisions of the ENERGA Group Financial Policy, the Group companies conclude different kinds of financial agreements which entail financial and market risks. The most important ones include the interest rate risk, FX risk, credit risk and liquidity risk, which determine the financial performance of individual companies and the entire ENERGA Group.

Interest rate risk

ENERGA Group companies finance their operating or investing activity with debt liabilities bearing interest at a floating or fixed interest rate. Interest rates are also associated with investment of surplus cash in floating or fixed interest rate assets.

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

According to the interest rate risk policy, risk of variation in interest rates is mitigated by maintaining a portion of debt with fixed interest rate. As part of those assumptions, IRS transactions have been concluded to hedge the risk of the WIBOR 3M interest rate, which is used as the base for the company's debt denominated in PLN.

After the hedge accounting was implemented, the ENERGA Group has also identified interest rate risk related to the concluded CCIRS and IRS hedging transactions, which however has no effect on the Group's financial result.

Moreover, the level of interest rates has a direct effect on the WACC stated by the President of ERO to calculate the return on WRA, which is included in the tariffs of ENERGA-OPERATOR SA. Low interest rates result in a lower return on WRA and an increase in actuarial provisions.

Foreign exchange risk

In the finance area the FX risk is associated mainly with incurring and servicing ENERGA Group's debt liabilities in foreign currencies under the EMTN Eurobond Issue Program. Additionally, selected ENERGA Group companies had foreign currency surpluses resulting from their operating or investing activity. The Group monitors its foreign exchange risk and

manages it primarily through contracted CCIRS hedge transactions and implemented hedge accounting.

Credit risk

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

In this respect, the ratings of financial institutions with which the ENERGA Group cooperates are monitored on a regular basis to minimize credit risk. Credit risk also arises in the case of funds invested in participation units in the ENERGA Trading SFIO fund, which has been designed to serve the Group. According to the adopted investment policy, the fund invests in assets such as treasury bills and bonds and commercial debt instruments. Credit risk associated with investments in treasury bills and bonds is referred to the solvency risk of the State Treasury. Credit risk associated with investments in commercial debt instruments is mitigated through the fund's properly defined investment policy. The fund may invest its monies only in assets characterized by an investment rating awarded by rating agencies or internally by the fund manager.

Liquidity risk

Risk of loss of financial liquidity - associated with the possibility of losing the ability to pay liabilities on time or losing possible benefits resulting from over-liquidity.

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

To efficiently manage the liquidity of Group companies, the ENERGA Group uses the mechanism of issuing short-term bonds offered by the issuer - a Group company - only to other Group companies. The procedure is coordinated by ENERGA, which makes it possible to optimize the entire process in terms of its organization. Moreover, the Company has concluded loan agreements with several financial institutions, which represent an immediate liquidity reserve in case of any liquidity needs. When cash surplus is needed, the recently established ENERGA Trading SFIO mutual fund offers the possibility to retire units at any time, thus allowing for an unlimited and immediate access to the funds.

2.8. Proceedings pending before the court, arbitration bodies or public administration bodies

As at 30 June 2015, ENERGA Group companies were parties to 5,536 court proceedings. Group companies acted as plaintiffs in 3,758 cases with the aggregated value of the disputed

matters of approx. PLN 160 m. Group companies acted as defendants in 1,751 cases with the aggregated value of the disputed matters of approx. PLN 250 m.

The overall amount of claims for locating power devices on properties of other parties without the necessary legal title, awarded by final judgments, was approx. PLN 11.3 m in 1,891 cases. There were 2,536 pending court cases and the value of the disputed matters in such pending cases was PLN 283 m. Based on the available data about the value of pending procedures, we assume that the actual amount to be paid after the disputes are resolved may reach PLN 62 m, with a reservation that this amount may change if new court cases related to placement of power devices on third party's real properties without the necessary legal title are launched against ENERGA-OPERATOR.

These data do not include the cases in which court and enforcement-based collection is conducted on behalf and for ENERGA-OBRÓT SA as the company pursues amounts due from its Customers. The aggregated amount of all such cases as at 30 June 2015 was about PLN 112 m.

The aggregated amount of all of the court proceedings has not exceeded 10% of the Issuer's equity.

Out of the eight proceedings described in the Company's Prospectus approved by the Polish Financial Supervision Authority on 15 November 2013, two of them - one brought by Ergo Energy Sp. z o.o. against ENERGA-OBRÓT SA and the other brought by Boryszewo Wind Invest Sp. z o.o. in Warsaw also against ENERGA-OBRÓT SA remained pending in H1. In the latter case, both parties appealed against the court judgment of 12 September 2014 and submitted replies to them. In its judgment of 29 May 2015, the Court of Appeals examined appeals of both parties and sided with ENERGA-OBRÓT, changing the Regional Court's judgment by dismissing the action to rule that the defendant's statement terminating partially the Master Agreement to Sell Property Rights arising from Certificates of Origin had no legal effect and consequently all the provisions of the agreement remain in effect. The case has been effectively closed.

In the proceedings brought by Krupy Wind Invest Sp. z o.o. against ENERGA-OBRÓT SA, on 25 February 2015, the Court of Appeal in Gdańsk issued a final judgment siding with ENERGA-OBRÓT in the matter of a partial termination of the PPA and CPA agreements with Krupy Wind Invest. The Court of Appeals has dismissed the appeal and awarded the defendant from the plaintiff the costs of the appellate proceedings, changed the appealed judgment by dismissing the action to rule that a statement made by the defendant terminating the Master Agreement to sell property rights arising from certificates of origin had no legal effect and consequently the agreement remains in effect. The case has been effectively closed.

In the proceedings to refund overpaid excise tax to ENERGA Elektrownie Ostrołęka SA, hearings were held on 21 November and 8 December 2014 before the Voivodship Court of Administration (WSA) in Warsaw based on complaints against decisions made by the Director of the Customs Chamber in Warsaw refusing to rule invalidity of the final decisions on overpayment and calculation of excise tax on electricity supplies. The court rescinded the decision of the Director of the Customs Chamber in Warsaw acting as a second instance body, finding that they had been made with gross violation of law. The Director of the Customs Chamber did not agree with the rulings handed down by the WSA in Warsaw and filed cassation appeals against them.

On 6 April 2015, ENERGA-OPERATOR SA filed a claim with the Regional Court in Gdańsk, IX Commercial Division, for payment against T-matic S.A. with its registered seat in Warsaw and Arcus S.A. in Warsaw. The claim requests payment of contractual penalties due to

incorrect performance of the agreement to deliver and launch the metering infrastructure. The value of the dispute is over PLN 23 m. A response to the statement of claim was delivered in June 2015. The date of the hearing has not been set yet. The case is pending.

2.9. Headcount in the Group

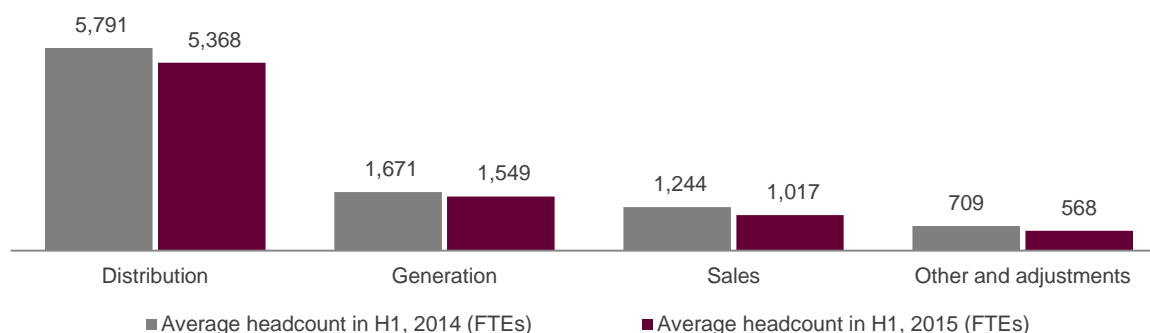
Headcount in the ENERGA Group

At the end of June 2015, total headcount in the ENERGA Group was 8,470, compared to 9,187 at the end of H1 of the previous year.

In the second quarter of the year, the headcount decreased by 59 persons. The largest decline occurred in the Distribution Segment, mainly under individual departure programs initiated by employees and through retirement.

The average headcount (in FTEs) in the ENERGA Group for the period of January-June 2015 was 8,502 FTEs and in the corresponding period of the previous year it was 9,415 FTEs. The chart below presents the average headcount by segment.

Figure 7: Average headcount in the ENERGA Group, 1 January to 30 June 2014 and 2015



2.10. Collective disputes

Table 4: Collective disputes in the Group

Disputes ended with a settlement in H1 2015 and the date of preparing this Management Board Report

In connection with the action taken on 30 December 2014 by the Trade Unions operating in Elektrownia Ostrołęka SA, a collective dispute was launched in the company ENERGA Serwis Sp. z o.o. The union side requested an increase of the bonus for December of the previous year by a gross amount of PLN 1,436 per each employee acquired from ENERGA Elektrownie Ostrołęka SA. The employer met with the unions on 8 and 20 January 2015. The dispute was registered in OIP in Warsaw on 23 January 2015. At the meeting on 6 February 2015, the parties concluded a Collective Agreement to end the dispute. Pursuant to §3 of the Agreement, the dispute ended on 5 March, that is on the date the one-off benefit was paid.

In a letter from MOZ NSZZ "Solidarność" at ENERGA-OPERATOR SA Branch in Koszalin and MZZPE in Koszalin of 9 December 2014, a collective dispute was launched in the employer ENERGA Techniczna Obsługa Odbiorców Sp. z o.o. The following joined the dispute: MZZP GK ENERGA Toruń, MZZP KE ENERGA SA of the Energetyka Kaliska Branch in Kalisz, MZZP GK ENERGA SA in Olsztyn, MZZP Energetyki Słupsk, MZZP KE ENERGA SA of the Elbląskie Zakłady Energetyczne Branch, MZZP Energetyki Płockiej, MOZ ZZIT at the ENERGA Group in Elbląg. The subject matter of the dispute involved the following requests: for the Management Board of EOP TOO Sp. z o.o to cease soliciting employees to terminate their employment agreements to benefit from programs "Rules of Individual Employee Departures" and "my Business as a Partner of TOO" and to sign a collective bargaining agreement guaranteeing the current level of employment in EOP TOO until 31 July 2017. The dispute was reported on 8 January of this year in a letter to the Regional Labor Inspector in Szczecin in respect to demand number 2, since the demand number 1 was accepted by the Employer within the deadline specified by the Trade Unions. Negotiations were held in January, which ended by signing a discrepancy report. The parties have selected a mediator. The meetings were held under the mediation procedure on 23 January and 4 February 2015 and the dispute was ended on 4 February of this year by signing an Agreement.

On 29 January 2015, the employer ENERGA-OPERATOR SA Branch in Płock concluded an Agreement with the trade unions to terminate the collective dispute launched by a letter of the Trade Unions of 2 September 2014, in respect to the demand in item

4 to pay to each employee a monthly discretionary bonus of 10% of their basic salary, starting in September 2014. The dispute was closed with the signing of the Agreement on 23 June 2015, which exhausted the rest demands of the union side.

The employer ENERGA-OPERATOR SA Head Office was part to collective disputes launched by the Trade Unions, in respect of:

- 1) employee wage hike of PLN 600 set pro rata on a per employee per FTE basis calculated from 1 January 2015,
- 2) guarantee of rights for all employees at a level no lower than laid down for employees in the industry's collective bargaining agreement.

The Parties have concluded an Agreement on 21 July 2015

ENERGA-OPERATOR SA Branch in Płock on 4 May of this year reported a dispute concerning a base salary raise for employees by a net amount of PLN 600 with back pay from January of this year, as demanded by MOZ NSZZ „Solidarność” ENERGA-OPERATOR SA Branch in Płock. On 21 July this year the Parties have concluded an Agreement ending the dispute.

The employer ENERGA-OPERATOR SA Eksploatacja Płock Sp. z o.o. has a collective dispute launched under the demand by KP NSZZ "Solidarność" in ENERGA-OPERATOR SA Eksploatacja Płock Sp. z o.o. on 8 April of this year. The collective demands consist of the following, among others:

- 1) retracting from organizational and restructuring processes in progress and planned that have not been agreed upon,
- 2) taking actions to reinstate the standards in the industry's collective bargaining agreement,
- 3) commencing actions to appoint employee councils,
- 4) issues related to occupational safety and health,
- 5) employee salary wage raise by a net amount of PLN 600 on base salary,

The Parties have concluded an Agreement ending the dispute on 21 July this year in terms of salary demand.

The employers ENERGA-OPERATOR SA Branch in Toruń and ENERGA-OPERATOR SA Eksploatacja Toruń Sp. z o.o. were parties to collective disputes launched under a statement by KM NSZZ "Solidarność" in GK ENERGA SA Toruń pertaining to the following demands:

- 1) raising every employee's base salary by a net amount of PLN 600 with back pay as of 1 January 2015,
- 2) disbursing a bullet payment of PLN 1,500 to every employee from the Company Social Benefits Fund earmarked to cover the costs of vacation recreation.

Disputes were closed with the signing of the Agreement on 21 July this year.

Collective disputes were reported in Q2 of this year by the employer ENERGA-OPERATOR SA Branch in Olsztyn and Toruń and ENERGA-OPERATOR SA Eksploatacja Elbląg and Toruń in connection with demands made by trade union organizations concerning the following:

- 1) retracting from organizational and restructuring processes in progress and planned that have not been agreed upon,
- 2) refraining from further reduction in the number of jobs and maintaining the headcount level in place with the employer on the date of reporting the collective dispute, including the suspension of all programs of the likes "voluntary severance programs and Individual and collective redundancy programmes";
- 3) taking any and all formal and legal actions to reinstate the standards in the industry's collective bargaining agreement,
- 4) employee salary wage raise by a net amount of PLN 600 on base salary,
- 5) taking actions to ensure that employees have the right to elect supervisory board members according to the rules established in the rules and regulations for elections agreed upon with the trade unions,
- 6) issues related to occupational safety and health.

Disputes were ended by signing of the Agreement on 21 July this year in terms of salary demand.

Continuing and pending disputes

In ZET-ENERGOHANDEL Sp. z o.o. a collective dispute has been launched by the trade unions on 23 January 2013 regarding a raise in salaries and the restructuring process conducted in the Group. The trade unions demand to maintain the current level of employment, guarantee continued employment and secure the employees' interests acquired during the restructuring process, and also to determine the wage increases for 2013. This dispute has not been resolved.

ENERGA-OPERATOR SA's employers are parties to a collective dispute launched by trade unions on 20 September 2013 in connection with the transfer of employees from 7 ENERGA-OPERATOR SA's employers to special-purpose vehicles providing services associated with the service, operation, maintenance and administration of non-utility properties. The dispute concerns a request by the trade unions to accept joint and several liability for breaches of the social contract against the transferred employees to an extent reaching beyond liability of the existing employers and a demand for the companies providing Facility Management services to join the Multi-Company Collective Bargaining Agreement for Employees of the Utilities Sector and to the social contract. In 2014, the dispute was in mediation (and the latest meeting of the parties to the dispute with a mediator's participation was held on 27 February). The parties did not reach an agreement and a discrepancy report was signed on 13 March 2014.

In its letters of 6 and 13 October 2014, NSZZ "Solidarność" operating in Ciepło Kaliskie Sp. z o.o., MZZP Koncernu Energetycznego ENERGA SA Branch Energetyka Kaliska in Kalisz „Ciepło Kaliskie” Sp. z o.o., National Union of Heat Generators Branch in Kalisz launched a collective dispute to withdraw from salary cuts for company employees. The parties have prepared a discrepancy report from the negotiations. Currently, the parties are at the stage of selecting a mediator in the dispute.

The employers ENERGA SA, ENERGA-OBRÓT SA, ENERGA Centrum Usług Wspólnych Sp. z o.o. and ENERGA Informatyka i Technologie Sp. z o.o. are parties to collective disputes launched by the Trade Unions, in respect of:

1) employee wage hike of PLN 600 set pro rata on a per employee per FTE basis calculated from 1 January 2015,
2) guarantee of rights for all employees at a level no lower than laid down for employees in the industry's collective bargaining agreement.

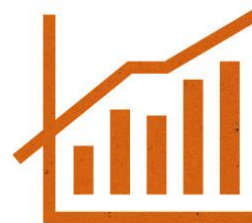
Currently, the disputes are at the negotiation stage.

On 28 April of this year, Ciepło Kaliskie Sp. z o.o. reported a collective dispute with the trade union organizations of NSZZ „Solidarność” operating in Ciepło Kaliskie Sp. z o.o., MZZP Koncernu Energetycznego ENERGA SA Branch Energetyka Kaliska in Kalisz „Ciepło Kaliskie” Sp. z o.o. and the National Union of Heat Generators Branch in Kalisz. Their demands consist of retracting from the restructuring processes in progress and planned, taking actions to enable employees to elect a supervisory board member according to the rules established in the rules and regulations agreed upon with the trade unions and starting negotiations to enter into a memorandum of agreement setting the average monthly salary growth rate in 2015 for the company's employees. On 11 May of this year the parties signed a discrepancy report pertaining to the first two demands (on 4 May of this year the parties struck and agreement on the pay raise).

On 25 May of this year a dispute was reported between ENERGA Kogeneracja Sp. z o.o. and OP NSZZ „Solidarność” in ENERGA-OPERATOR SA Branch in Olsztyn with its registered office in Elbląg, MZZP Ruchu Ciągłego ENERGA Kogeneracja Sp. z o.o., MOZ ZZIT in the ENERGA Group in Elbląg concerning the reorganization of work in continuous operations, financial issues for employees employed in continuous operations, matters related to occupational safety and health and the overall staff's salaries (among others base salary hikes). The Parties ended negotiations with discrepancy report and the dispute went to mediation phase.

Employees of ENERGA Oświetlenie Sp. z o.o., ENERGA-OPERATOR SA Branch in Gdańsk, Kaliszu and Koszalin, ENERGA-OPERATOR SA Eksploatacja Gdańsk, Kalisz Słupsk, ENERGA-OPERATOR Techniczna Obsługa Odbiorców Sp. z o.o. and Zakład Budownictwa Energetycznego Sp. z o.o. are parties to collective disputes launched on demands made by trade union organizations for an employee salary raise of PLN 600 set pro rata per employee per FTE calculated from 1 January 2015. The disputes with the various employers are currently at the negotiation stage.

Analysis of the financial situation and assets



3. ANALYSIS OF THE FINANCIAL STANDING AND ASSETS

3.1. Rules for preparing the interim consolidated financial statements

The condensed interim consolidated financial statements of the ENERGA SA Group for the six-month period ended 30 June 2015 were prepared:

- in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union;
- according to the historical cost basis except for financial instruments measured at fair value through profit or loss and hedging derivatives;
- 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 significant uncertainty as to the ability of the ENERGA Group to continue its business activities as a going concern.

The accounting principles (policies) applied to the preparation of the condensed interim consolidated financial statements are presented in Note 7 to the condensed interim consolidated financial statements of the ENERGA Group consistent with IAS 34 for the six-month period ended 30 June 2015.

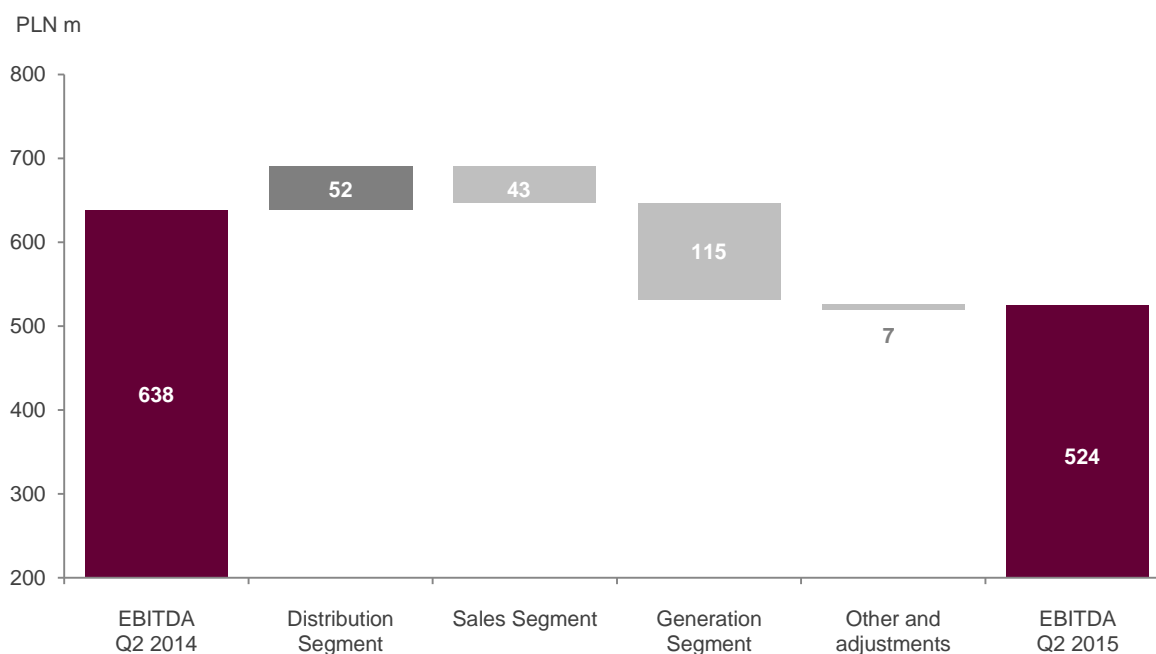
3.2. Discussion of the economic and financial data disclosed in the condensed consolidated financial statements

Table 5: Consolidated statement of profit or loss

PLN 000s	H1 2014	H1 2015	Change	Change (%)
Sales revenues	5,286,506	5,425,090	138,584	3%
Cost of sales	(4,132,333)	(4,325,465)	(193,132)	-5%
Gross profit on sales	1,154,173	1,099,625	(54,548)	-5%
Other operating income	64,515	44,163	(20,352)	-32%
Selling and distribution expenses	(121,826)	(155,400)	(33,574)	-28%
General and administrative expenses	(176,963)	(165,858)	11,105	6%
Other operating expenses	(62,225)	(57,700)	4,525	7%
Operating profit	857,674	764,830	(92,844)	-11%
Result on financial activity	(99,787)	(107,696)	(7,909)	-8%
Share of profit (loss) of associates	(157)	-	157	100%
Profit before tax	757,730	657,134	(100,596)	-13%
Income tax	(148,107)	(122,494)	25,613	17%
Discontinued operations and non-current assets classified as held for sale	(3,147)	-	3,147	100%
Net profit for the period	606,476	534,640	(71,836)	-12%
EBITDA	1,281,309	1,215,620	(65,689)	-5%

PLN 000s	Q2 2014	Q2 2015	Change	Change (%)
Sales revenues	2,538,527	2,512,098	(26,429)	-1%
Cost of sales	(1,943,554)	(2,048,689)	(105,135)	-5%
Gross profit on sales	594,973	463,409	(131,564)	-22%
Other operating income	16,557	16,997	440	3%
Selling and distribution expenses	(67,158)	(78,353)	(11,195)	-17%
General and administrative expenses	(89,144)	(78,733)	10,411	12%
Other operating expenses	(32,672)	(25,366)	7,306	22%
Operating profit	422,556	297,954	(124,602)	-29%
Result on financial activity	(58,511)	(59,162)	(651)	-1%
Share of profit (loss) of associates	-	-	-	0%
Profit before tax	364,045	238,792	(125,253)	-34%
Income tax	(69,798)	(59,074)	10,724	15%
Discontinued operations and non-current assets classified as held for sale	(2,193)	-	2,193	100%
Net profit for the period	292,054	179,718	(112,336)	-38%
EBITDA	638,117	524,293	(113,824)	-18%

Figure 8: EBITDA bridge, by segment



In Q2 2015 the Group's sales revenues amounted to PLN 2,512 m and were at a similar level to the same period last year. There was a substantial decline in revenues in the Generation Segment (-28%, i.e. PLN 125 m). Lower revenues were largely caused by the decline in sales revenues in the business lines of the Ostrołęka Power Plant and Hydro (a total of PLN

119 m). The lower figures result primarily from the lower volume of production in the Ostrołęka Power Plant and in the hydro power plants as well as from the drop in the President of ERO's price for renewable sources as well as lower revenues on green certificates. In addition, in the period under analysis, the Segment restated its inventories of property rights to the market price of 30 June 2015 (restatement by PLN 29 m).

The Generation Segment's diminished revenues were partially offset by higher sales in the Distribution Segment by 5%, i.e. PLN 51 m - the increase in the average distribution rate (by 1%) and the higher volume of distributed electricity (by over 3%) exerted a positive influence.

In Q2 of the current year, the Group's EBITDA was PLN 524 m, down by 18% compared to the same period of the previous year. The negative change in the EBITDA of the Generation Segment by PLN 115 m (61%) yoy and of the Sales Segment by PLN 43 m (71%) yoy primarily contributed to this reduction. Above all, the Distribution Segment exerted a positive contribution to EBITDA (growth of PLN 52 m, or 13%).

The Distribution Segment contributed the most to the Group's EBITDA in Q2 2015 (83%), while the Generation Segment accounted for 14% and the Sales Segment accounted for 3%.

The operating profit in Q2 of this year fell by 29%, i.e. by PLN 125 m compared to Q2 of the previous year. The largest decline of PLN 122 m (i.e. 78% yoy) transpired in the Generation Segment. On top of the declining sales revenues described above, the occurrence in Q2 2014 of a non-recurring event, i.e. the reversal of a provision for free CO₂ emission allowances that were not received (positive impact on the level of the 2014 result equal to PLN 35.8 m) contributed to the deterioration in the result. Operating profit also declined by PLN 44 m (i.e. 82% yoy) in the Sales Segment. This ensued primarily from the higher costs of purchasing energy and property rights. A favorable change transpired in the Distribution Segment in which operating profit rose by PLN 50 m yoy, which was the effect of a higher margin on the sales of distribution services and lower operating expenses (chiefly the effect of the decrease in actuarial provisions in connection with the higher discount rate).

The Group's net result in Q2 2015 was PLN 180 m, down 38% from Q2 2014.

The Group's EBITDA results have been presented below adjusted for the impact exerted by non-recurring events, by Segments, in Q2 2015 and in the same period of the previous year and H1 2015 and H1 2014.

The most important non-recurring event in Q2 2014 was the reversal of a provision for free CO₂ emission allowances that were not received. Compared to the same quarter of the previous year, in Q2 2015 the contribution of the established revaluation charges for impairment losses of property, plant and equipment and intangible assets on adjusted EBITDA changed by PLN 5.5 m (mainly concerns to the Generation Segment - wind farm projects). The item "Surplus of headcount restructuring (income)/expenses" in which the impact of reversal of actuarial provisions, the change in the balance of headcount restructuring provisions and payment of severance awards not covered by that provision is presented has not seen considerable movements in the quarters under analysis.

Table 6: EBITDA adjusted for material non-recurring events

Q2 2015 (PLN 000s)	Distribution	Sales	Generation	Other and adjustments	All operations
EBITDA	435,576	17,797	74,305	(3,385)	524,293
Impairment allowances for property, plant and equipment and intangible assets	(19)	-	11,372	-	11,353
Surplus of headcount restructuring (income)/expenses	9,675	174	(827)	12	9,034
Adjusted EBITDA	445,232	17,971	84,850	(3,373)	544,680
Q2 2014 (PLN 000s)	Distribution	Sales	Generation	Other and adjustments	All operations
EBITDA	383,937	61,059	189,664	3,457	638,117
Impairment allowances for property, plant and equipment and intangible assets	-	-	4,059	1,773	5,832
Surplus of headcount restructuring (income)/expenses	4,983	2,680	1,859	13	9,535
Establishment / (reversal) of additional provision for CO ₂ emissions pertaining to free allowances that were not received	-	-	(35,800)	-	(35,800)
Adjusted EBITDA	388,920	63,739	159,782	5,243	617,684
H1 2015 (PLN 000s)	Distribution	Sales	Generation	Other and adjustments	All operations
EBITDA	933,621	66,981	227,517	(12,499)	1,215,620
Impairment allowances for property, plant and equipment and intangible assets	(19)	-	11,372	-	11,353
Surplus of headcount restructuring (income)/expenses	6,327	(3,151)	(989)	(107)	2,080
Adjusted EBITDA	939,929	63,830	237,900	(12,606)	1,229,053
H1 2014 (PLN 000s)	Distribution	Sales	Generation	Other and adjustments	All operations
EBITDA	793,774	107,178	373,490	6,867	1,281,309
Impairment allowances for property, plant and equipment and intangible assets	-	-	10,494	1,773	12,267
Surplus of headcount restructuring (income)/expenses	7,239	(9,991)	9,079	1,587	7,914
Establishment / (reversal) of additional provision for CO ₂ emissions pertaining to free allowances that were not received	-	-	(35,800)	-	(35,800)

Adjusted EBITDA **801,013** **97,187** **357,263** **10,227** **1,265,690**

The Company defines and calculates EBITDA as operating profit/(loss) (calculated as net profit/(loss) on continuing operations for the financial period/year, adjusted by (i) income tax, (ii) the share of profit of the associate, (iii) financial income and (iv) financial costs, adjusted by amortization and depreciation (posted to the profit and loss account). The Company defines and calculates adjusted EBITDA as EBITDA adjusted for non-recurring events. Neither EBITDA nor Adjusted EBITDA have been defined in the IFRS and should not be treated as an alternative for measures and categories consistent with IFRS. Additionally, both EBITDA and adjusted EBITDA do not have a uniform definition. The method of calculating EBITDA and Adjusted EBITDA by other companies may differ materially from the method used by ENERGA SA. As a result, EBITDA and Adjusted EBITDA presented herein as such do not constitute the basis for comparison with EBITDA and Adjusted EBITDA reported by other companies.

Table 7: Consolidated Statement of Financial Position

PLN 000s	Balance as at 31 December 2014	Balance as at 30 June 2015	Change	Change (%)
ASSETS				
Non-current assets				
Property, plant and equipment	12,315,221	12,476,307	161,086	1%
Investment property	40,408	43,303	2,895	7%
Intangible assets	393,079	375,619	(17,460)	-4%
Goodwill	143,058	143,058	-	0%
Deferred tax assets	245,591	272,080	26,489	11%
Derivative financial instruments	28,662	36,388	7,726	27%
Other non-current financial assets	20,327	20,327	-	0%
Other non-current assets	55,110	75,745	20,635	37%
	13,241,456	13,442,827	201,371	2%
Current assets				
Inventories	295,741	514,079	218,338	74%
Current tax receivables	76,090	24,532	(51,558)	-68%
Trade receivables	1,550,754	1,619,095	68,341	4%
Investments in the financial assets portfolio	763,760	555,456	(208,304)	-27%
Deposits	42	4,037	3,995	>100%
Other current financial assets	22,364	21,701	(663)	-3%
Cash and cash equivalents	1,931,638	1,649,792	(281,846)	-15%
Other current assets	208,201	296,062	87,861	42%
Assets classified as held for sale	26,632	-	(26,632)	-100%
	4,875,222	4,684,754	(190,468)	-4%
TOTAL ASSETS	18,116,678	18,127,581	10,903	0%

EQUITY AND LIABILITIES

Equity

Share capital	4,521,613	4,521,613	-	0%
Exchange differences resulting from conversion of a foreign entity	417	(1,182)	(1,599)	>-100%
Reserve capital	447,192	447,192	-	0%
Supplementary capital	606,472	660,754	54,282	9%
Cash flow hedge reserve	(16,932)	19,742	36,674	>100%
Retained earnings	2,956,946	2,842,607	(114,339)	-4%
Equity attributable to equity holders of the Parent Company	8,515,708	8,490,726	(24,982)	0%
Non-controlling interest	37,851	42,710	4,859	13%
	8,553,559	8,533,436	(20,123)	0%

Non-current liabilities

Loans and borrowings	2,389,554	2,563,954	174,400	7%
Bonds issued	3,116,835	3,083,113	(33,722)	-1%
Non-current provisions	631,716	638,467	6,751	1%
Deferred tax liabilities	553,387	572,690	19,303	3%
Deferred income and non-current grants	525,824	528,492	2,668	1%
Derivative financial instruments	22,748	15,563	(7,185)	-32%
Other non-current financial liabilities	8,539	8,232	(307)	-4%
Other non-current liabilities	1,186	104	(1,082)	-91%
	7,249,789	7,410,615	160,826	2%

Current liabilities

Trade liabilities	869,106	682,524	(186,582)	-21%
Current loans and borrowings	170,568	216,556	45,988	27%
Bonds issued	71,540	37,760	(33,780)	-47%
Current income tax liability	50,432	80,471	30,039	60%
Deferred income and government grants	36,965	41,906	4,941	13%
Accruals	120,594	81,914	(38,680)	-32%
Short-term provisions	373,995	531,896	157,901	42%
Other financial liabilities	228,910	120,090	(108,820)	-48%
Other current liabilities	362,314	390,413	28,099	8%
Liabilities related to assets classified as held for sale	28,906	-	(28,906)	-100%
	2,313,330	2,183,530	(129,800)	-6%

Total liabilities	9,563,119	9,594,145	31,026	0%
TOTAL EQUITY AND LIABILITIES	18,116,678	18,127,581	10,903	0%

As at 30 June 2015, the ENERGA Group's total assets were PLN 18,128 m, slightly up from 31 December 2014.

In non-current assets the most important change pertained to property, plant and equipment. The growth of PLN 161 m mostly concerned capital expenditures in the Distribution Segment (capital expenditures to expand and modernize the grid) and in the Generation Segment (adapting the generation units to environmental requirements and building a heat source for the city of Ostrołęka) minus amortization and depreciation. In current assets the most significant changes concern the following items in particular: inventories (up PLN 218 m, chiefly certificates of origin of energy from RES), investments in the financial assets portfolio (down by PLN 208 m); this item presents participation units in the ENERGA Trading fund; information concerning the change in presentation of the investment in participation units in the ENERGA Trading SFIO fund has been recognized in Consolidated financial statements, note 7: Significant accounting policies, item *Presentation of participation units in the ENERGA Trading SFIO fund* and cash (down by PLN 282 m).

On the liabilities side of the balance sheet, a significant change occurred in loan and borrowing liabilities, which went up by PLN 220 m (9%) compared with December 2014 figures, following a drawdown of additional tranches of loans from international financial institutions (EIB, NIB) to finance investment projects executed in the Distribution and Generation Segments. The level of provisions rose (PLN 165 m, i.e. 16% - this change primarily concerned the provision for obligatory redemption of certificates).

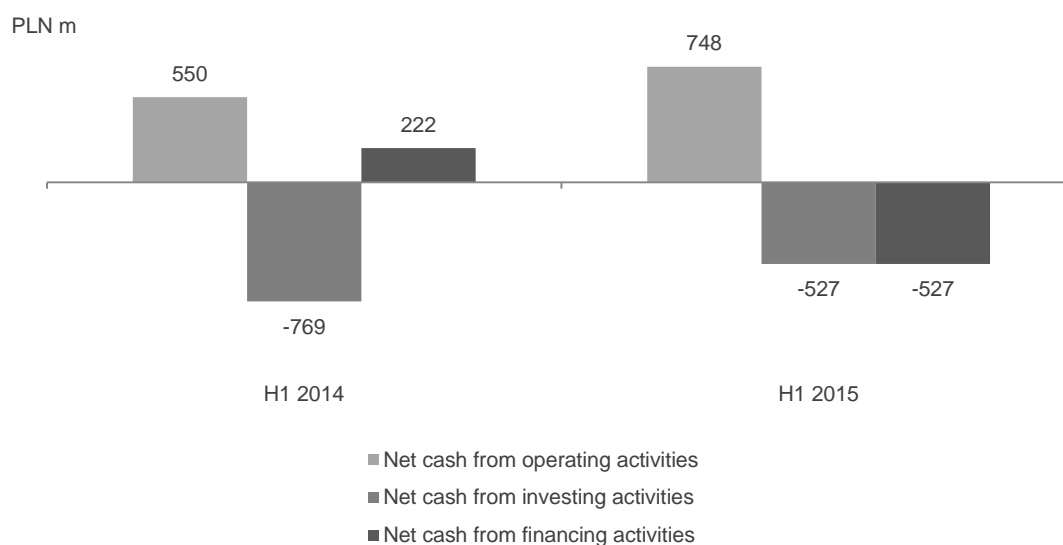
Also in the liabilities area, in the period under analysis, other financial liabilities decreased (PLN 109 m, or 46%; mainly due to repayment of liabilities for the acquisition of property, plant and equipment and intangible assets) and trade liabilities (PLN 187 m, i.e. 21%).

The ENERGA Group's equity as at 30 June 2015 was PLN 8,533 m. ENERGA SA's result for 2014 was allocated with PLN 54 m going to supplementary capital and PLN 596 m being designated as a dividend payment to the Company's shareholders. The cash flow hedge reserve was PLN 37 m. As at 30 June 2015, equity financed the Group at a level of 47% (similarly to the level at 31 December 2014).

Table 8: : Consolidated statement of cash flows

PLN 000s	H1 2014	H1 2015	Change	Change (%)
Net cash flow from operating activities	549,966	747,785	197,819	36%
Net cash flow from investing activities	(768,568)	(527,468)	241,100	-31%
Net cash flow from financing activities	221,869	(526,742)	(748,611)	>-100%
Net increase / (decrease) in cash	3,267	(306,425)	(309,692)	>-100%
Cash and cash equivalents at the end of the period	1,786,731	1,604,396	(182,335)	-10%

Figure 9: Group's cash flows in H1 2015 and 2014



As at 30 June 2015, the balance of the Group's cash was PLN 1,604 m and was down PLN 182 m (i.e. 10%) from the cash balance one year ago.

The total net cash flows from the Group's operating, investing and financing activities in H1 2015 were negative at PLN 306 m, compared to the positive cash flows of PLN 3 m in the same period of the previous year.

Cash flow from operating activities increased by PLN 198 m (36%) compared to the previous year. The increase in cash flows from operating activities compared to H1 2014 was driven mainly by changes in working capital coupled with a simultaneous increase in amortization and depreciation expenses and in net interest. This effect was partially offset by the decline in the gross result.

The cash flows from investing activities in H1 2015 surged up by PLN 241 m (31%), which was mostly caused by higher net cash flows related to investing assets in participation units in the ENERGA Trading fund (in H1 2014 the Group invested assets while in H1 2015 a portion of the assets was withdrawn from this fund). This effect was partially offset by higher capital expenditures to acquire property, plant and equipment.

In the period under discussion cash flows from financing activities were negative and amounted to PLN 527 m, or PLN 749 m less than in H1 2014. The drawdown of financing from EIB and NIB in an aggregate amount of PLN 268 m in 2015 contributed to the movement in the cash flows in the period under analysis as in 2014 EIB and EBRD financing in the amount of PLN 890 m was originated. In addition, a higher dividend was paid in 2015 than in 2014.

3.3. Structure of the annual consolidated statement of financial position

Table 9: Structure of the consolidated statement of financial position

Consolidated Statement of Financial Position	Balance as at 31 December 2014	Balance as at 30 June 2015
ASSETS		
Non-current assets	73.1%	74.2%
Current assets	26.9%	25.8%
TOTAL ASSETS	100.0%	100.0%
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Parent Company	47.0%	46.8%
Non-controlling interest	0.2%	0.2%
Total equity	47.2%	47.1%
Non-current liabilities	40.0%	40.9%
Current liabilities	12.8%	12.0%
Total liabilities	52.8%	52.9%
TOTAL EQUITY AND LIABILITIES	100.0%	100.0%

Figure 10: Asset and liability structure

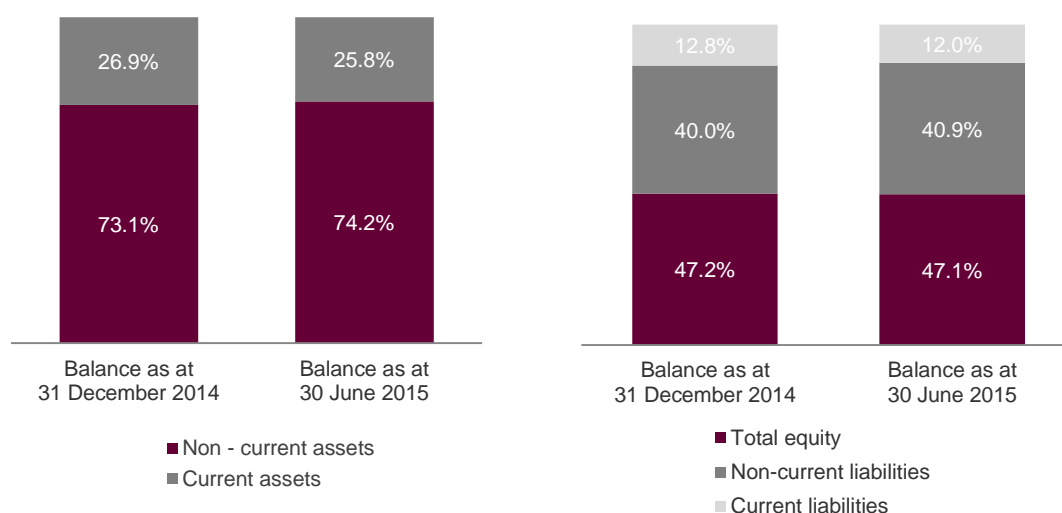


Table 10: Financial ratios of the ENERGA Group

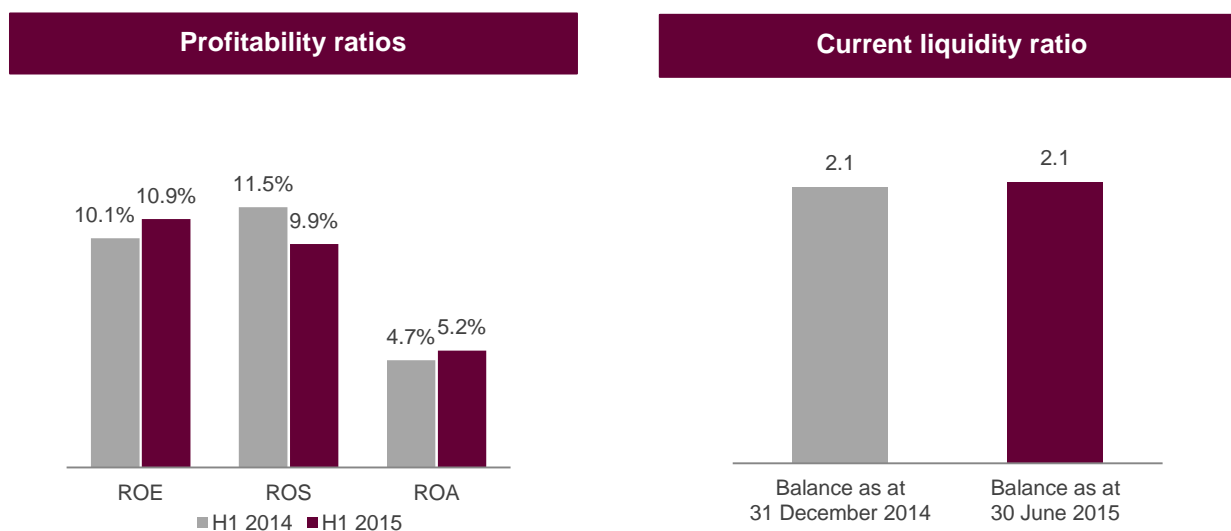
Ratio	Definition	H1 2014	H1 2015
Profitability			
EBITDA margin	operating result + amortization and depreciation / sales revenues	24.2%	22.3%
return on equity (ROE)	net profit for the period* / equity at the end of the period	10.1%	10.9%
return on sales (ROS)	net profit for the period / sales revenues	11.5%	9.9%
return on assets (ROA)	net profit for the period* / total assets at the end of the period	4.7%	5.2%

* net profit for the last 12 months

Ratio	Definition	Balance as at 31 December 2014	Balance as at 30 June 2015
Liquidity			
current liquidity ratio	current assets/current liabilities	2.1	2.1
Indebtedness			
financial liabilities (PLN m)	sum of liabilities under loans and borrowings and under long- and short-term debt securities	5,748	5,901
net financial liabilities (PLN m)	financial liabilities - cash and cash equivalents	3,817	4,252
net debt / EBITDA ratio	net financial liabilities / EBITDA*	1.7	1.9

*EBITDA for the last 12 months

Figure 11: Profitability and current liquidity ratios



In relation to H1 2014 the ENERGA Group improved its return on equity and return on assets ratios for the past 12 months, and recorded a decrease of return on sales in connection with the deterioration of the result in H1 2015 in relation to 2014.

The liquidity ratio is on a safe level, corresponding to the level as at 30 June 2014.

In H1 2015 financial liabilities increased (3%) from their levels at the end of 2014. The similar level of the net debt to EBITDA ratio in H1 2015 in relation to the end of last year was attributable to the change of net financial liabilities (by 11%) and increase of the Group's results for the past 12 months (by 12%).

3.4. Description of significant off-balance sheet items

Information in this respect is presented in section 'Granted guarantees and sureties' in this Management Board Report and in the consolidated financial statements - Note 21: *Contingent assets and liabilities*.

3.5. Key operational data of the ENERGA Group

Table 11: Distribution of electricity, by tariff groups*

Distribution of electricity, by tariff groups* in GWh	Q2 2014	Q2 2015	Change	Change (%)	H1 2014	H1 2015	Change	Change (%)
Tariff Group A (HV)	1,037	1,092	56	5%	1,997	2,076	79	4%
Tariff Group B (MV)	1,738	1,785	47	3%	3,505	3,673	168	5%
Tariff Group C (LV)	981	1,001	20	2%	2,107	2,136	29	1%
Tariff Group G (LV)	1,314	1,347	32	2%	2,718	2,800	83	3%
Total distribution of energy	5,070	5,225	155	3%	10,327	10,685	359	3%

* Billed sales

In Q2 2015, compared to the corresponding period in 2014, increases were recorded in both the volume of electricity in distribution (by 3%) and in the average rate of distribution services (by over 1%). Increase of the volume of the distribution services was associated with the economic recovery (tariffs A and B) and the shift from six-monthly readings to bi-monthly readings for tariffs G and C1 (positive impact of this event on the revenues of Q1 2015 was partly balanced in Q2 of this year).

Table 12: SAIDI and SAIFI

	SAIDI			SAIFI		
	Unplanned incl. catastrophic	planned	Total	Unplanned incl. catastrophic	planned	Total
	Number of minutes per customer in the relevant period			Disruptions per customer in the relevant period		
Q2 2014	36.3	14.8	51.1	0.7	0.1	0.8
Q2 2015	29.4	12.2	41.6	0.6	0.1	0.7
Change	(6.9)	(2.6)	(9.5)	(0.1)	(0.0)	(0.1)
Change (%)	-19%	-17%	-19%	-9%	-13%	-10%
H1 2014	115.7	34.4	150.1	1.5	0.2	1.7

H1 2015	121.0	26.2	147.1	1.7	0.2	1.9
Change	5.3	(8.2)	(3.0)	0.2	(0.0)	0.2
Change (%)	5%	-24%	-2%	12%	-10%	9%

In Q2 2015, ENERGA-OPERATOR SA achieved SAIDI and SAIFI at 41.6 min./cust. and 0.7 interruptions, respectively. The improvement in both these indices compared to Q2 2014 is a result of mass failures caused by the unfavorable weather conditions in May 2014.

Table 13: Number of ENERGA-OPERATOR SA's customers as at 30 June 2015 (by tariff group)

Tariff groups ENERGA-OPERATOR	As at 30 June		Change	Change (%)
	2014	2015		
Tariff Group A	69	75	6	9%
Tariff Group B	6,367	6,599	232	4%
Tariff Group C	302,882	298,317	(4,565)	-2%
Tariff Group G	2,648,340	2,652,381	4,041	0%
TOTAL	2,957,658	2,957,372	(286)	0%

Tariff group A - the biggest customers connected to the high voltage grid (110 kV), e.g. steelworks, shipyards and other big industrial facilities; Tariff group B - big industrial facilities connected to the medium voltage grid (from 1 kV to 60 kV), e.g. factories, hospitals, shopping centers, recreation and entertainment facilities; Tariff group C - institutional customers connected to the low voltage grid (up to 1 kV), e.g. banks, shops, clinics, points of sale, street lighting; Tariff group G - households and similar customers, regardless of the voltage.

Due to the specific nature of the distribution activity, the number of ENERGA-OPERATOR SA's customers at the end of Q2 2015 is similar to the last year's figures.

Table 14: Gross production of electricity in the ENERGA Group

Gross electricity produced (GWh)	Q2 2014	Q2 2015	Change	Change (%)	H1 2014	H1 2015	Change	Change (%)
Power plants - coal-fired	773	569	(205)	-26%	1,463	1,188	(275)	-19%
Power plants - biomass co-fired	176	159	(16)	-9%	317	305	(12)	-4%
CHP plants - coal-fired	27	32	4	15%	93	74	(19)	-20%
CHP plants - biomass-fired	-	(3)	(3)	-100%	0	9	9	>100%
Power plants - hydro	238	210	(28)	-12%	475	463	(13)	-3%
Pumped-storage plant	5	5	(1)	-11%	21	13	(7)	-36%
Power plants - wind	64	86	22	34%	167	205	38	23%
Power plants - photovoltaics	-	1	1	100%	-	1	1	100%
Total electricity production	1,284	1,058	(226)	-18%	2,536	2,259	(278)	-11%
<i>incl. RES</i>	<i>478</i>	<i>453</i>	<i>(25)</i>	<i>-5%</i>	<i>960</i>	<i>983</i>	<i>24</i>	<i>2%</i>

In Q2 2015, ENERGA Group's generation companies produced approx. 226 GWh (18%) less electricity than they did in the corresponding period of the previous year. The main reason was a decline in coal-fired production in the must-run power plant in Ostrołęka (205 GWh). Additionally, lower electricity production was observed in run of the river hydro power plants (28 GWh), mainly due to the worse hydrologic conditions. At the same time, production from the Group's wind farms increased, among others as a result of additional production from the new wind farm Myśliń (11 GWh) and better wind conditions.

Table 15: Production of heat

Gross heat production in TJ	Q2 2014	Q2 2015	Change	Change (%)	H1 2014	H1 2015	Change	Change (%)
ENERGA Kogeneracja Sp. z o.o.*	358	406	49	14%	1,261	1,283	22	2%
ENERGA Elektrownie Ostrołęka S.A.	278	280	2	1%	832	791	(41)	-5%
Ciepło Kaliskie Sp. z o.o.	30	14	(15)	-52%	30	172	142	>100%
Total gross heat production	665	701	36	5%	2,123	2,245	122	6%

* including EC Kalisz

In Q2 2015, heat production increased by about 36 TJ (5%), with the highest contributor being the additional production of 49 TJ by ENERGA Kogeneracja, caused by external factors which made it possible to sell more heat in the local market in Elbląg. In the same period heat production in ENERGA Elektrownie Ostrołęka was on a similar level to Q2 last year (2 TJ difference).

Table 16: Volume and cost* of consumption of key fuels

Consumption of fuel	Q2 2014	Q2 2015	Change	Change (%)	H1 2014	H1 2015	Change	Change (%)
Coal								
Quantity (thous. tons)	390	288	(102)	-26%	792	628	(163)	-21%
Cost (PLN m)	100	70	(30)	-30%	206	156	(50)	-24%
Biomass								
Quantity (thous. tons)	115	100	(14)	-13%	209	205	(3)	-2%
Cost (PLN m)	45	41	(4)	-8%	81	83	1	2%
Total fuel consumption (PLN m)	145	111	(33)	-23%	287	239	(49)	-17%

* including the cost of transportation

In Q2 2015, the generators from the ENERGA Group consumed approx. 102 thousand tons (26%) of black coal less than the year before. This was due to a 20% drop in the production of electricity and heat from this fuel. The consumption of biomass in the analyzed period fell by approx. 14 thous. tons (13%), driven by lower production of electricity and heat (by 12 GWh).

The change in consumption volumes of the individual fuels was accompanied by a decrease in average unit cost (PLN per MWh) of electricity and heat production (by 12% for coal and 2% for biomass). This was the effect of, among others, increased purchase price of the raw material and increased efficiency of fuel consumption by the heat source in Ostrołęka.

Table 17: Sales of electricity by the Sales Segment

Sales of electricity by the Sales Segment in GWh	Q2 2014	Q2 2015	Change	Change (%)	H1 2014	H1 2015	Change	Change (%)
Retail electricity sales	3,847	4,023	176	5%	8,127	8,307	180	2%
Electricity sales on the wholesale market, of which:	2,187	2,112	(75)	-3%	4,877	4,690	(187)	-4%
<i>Electricity sales to the balancing market</i>	(4)	7	11	>100%	209	112	(97)	-46%
<i>Electricity sales to ENERGA-OPERATOR to cover network losses and for own consumption</i>	220	0	(220)	-100%	722	(16)*	(738)	>-100%
<i>Other wholesale</i>	1,970	2,105	135	7%	3,946	4,593	647	16%
Total electricity sales	6,034	6,134	101	2%	13,004	12,997	(7)	0%

* the negative volume is an effect of settlement of a 2014 contract that was not extended to 2015

In Q2 2015, the total volume of electricity sold by the segment increased by approximately 2% (101 GWh) when compared to Q2 2014. The increase of the sales volume occurred in the retail market (by 176 GWh) whereas in the wholesale market it decreased (by 75 GWh).

In retail sales, volumes sold to business clients increased, while a decrease in sales volumes to households. Increase of the volume in the business customer group is the result of increase of average electricity consumption by such clients, which is the derivative of the increase of energy consumption in Poland (in accordance with the Polskie Sieci Elektroenergetyczne SA data, in Q2 2015 consumption in Poland increased 2.4% yoy). In terms of volume, sales to households (tariff G) in Q2 2015 accounted for 33% of sales billed to end users by ENERGA-OBRÓT SA (35% in Q2 2014).

In the analyzed period, electricity sales fell also in the wholesale market (by about 3%). This was a result of ENERGA-OPERATOR SA changing the entity selling electricity to cover network losses starting in 2015.

3.6. Financial results by operating segments

Table 18: EBITDA of the ENERGA Group, by Segment

EBITDA (PLN 000s)	Q2 2014	Q2 2015	Change	Change (%)
DISTRIBUTION	383,937	435,576	51,639	13%

GENERATION	189,664	74,305	(115,359)	-61%
SALES	61,059	17,797	(43,262)	-71%
OTHER and consolidation exclusions and adjustments	3,457	(3,385)	(6,842)	>-100%
Total EBITDA	638,117	524,293	(113,824)	-18%

EBITDA (PLN 000s)	H1 2014	H1 2015	Change	Change (%)
DISTRIBUTION	793,774	933,621	139,847	18%
GENERATION	373,490	227,517	(145,973)	-39%
SALES	107,178	66,981	(40,197)	-38%
OTHER and consolidation exclusions and adjustments	6,867	(12,499)	(19,366)	>-100%
Total EBITDA	1,281,309	1,215,620	(65,689)	-5%

Distribution Segment

Figure 12: Results of the ENERGA Group's Distribution Segment (PLN m)

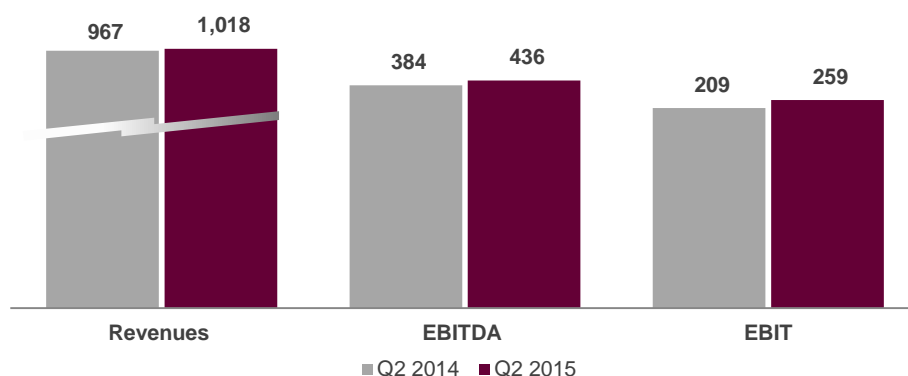


Table 19: Results of the Distribution Segment

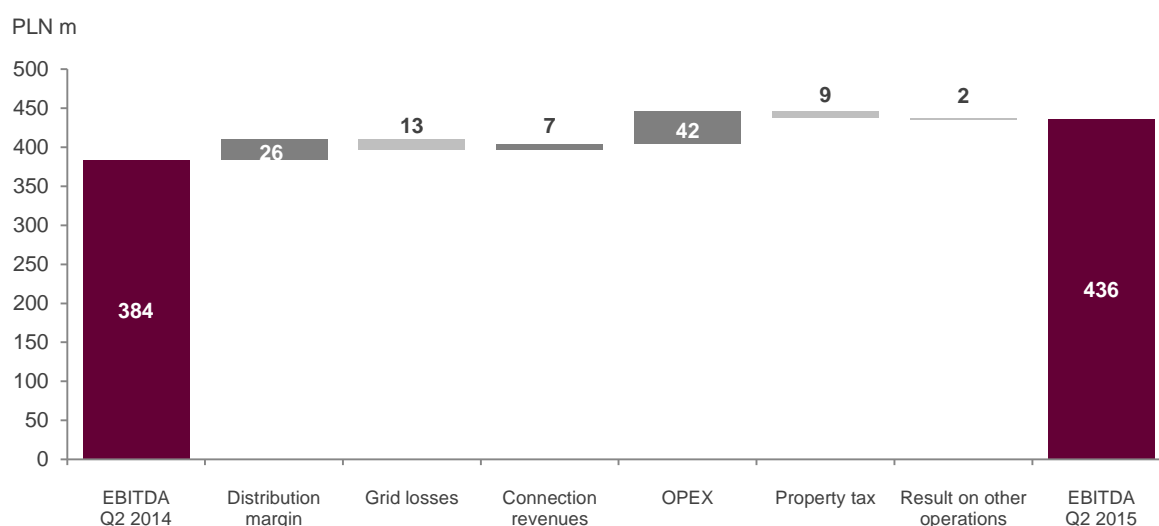
PLN 000s	Q2 2014	Q2 2015	Change	Change (%)
Revenues	966,805	1,018,002	51,197	5%
EBITDA	383,937	435,576	51,639	13%
amortization and depreciation	174,711	176,356	1,645	1%
EBIT	209,226	259,220	49,994	24%
Net profit	137,775	172,943	35,168	26%
CAPEX	164,051	270,746	106,695	65%

PLN 000s	H1 2014	H1 2015	Change	Change (%)
Revenues	1,983,957	2,109,773	125,816	6%

EBITDA	793,774	933,621	139,847	18%
amortization and depreciation	344,812	352,331	7,519	2%
EBIT	448,962	581,290	132,328	29%
Net profit	311,089	408,117	97,028	31%
CAPEX	318,354	449,257	130,903	41%

PLN 000s	Balance as at 31 December 2014	Balance as at 30 June 2015	Change	Change (%)
Cash	839,964	515,668	(324,296)	-39%
Financial debt	3,474,170	3,531,813	57,643	2%
Headcount at the end of the period (people)	5,435	5,334	(101)	-2%

Figure 13: EBITDA Bridge of the Distribution Segment



In Q2 2015, the Distribution Segment contributed approx. 83% to ENERGA Group's EBITDA (60% in the comparative period).

In Q2 of this year, sales revenues of the Distribution Segment were more than 5% higher than in the corresponding period of the previous year. The increase in revenues was driven by both: higher volume of electricity in distribution (by 3%) as well as higher average rate of distribution services (by over 1%). In Q2 2015, revenues from connection fees were PLN 23 m, which is PLN 7 m more than in the same quarter of 2014 (the effect of connecting more wind farms).

EBITDA grew by over 13% y/y to PLN 436 m, while EBIT increased by nearly PLN 50 m (nearly 24% yoy). Important contributors to the operating result of PLN 259 m included: an increase in the distribution margin by PLN 13 m including network losses (it was primarily the effect of economic recovery in tariffs A and B and switching from 6-month readings to 2-month readings for Tariffs G and C1, which on one hand increased revenues on the distribution services while on the other hand reduced network losses); the positive impact of the change of frequency of readings on Q1 2015 results was partly balanced in Q2 this year) and a PLN 42 m decline in operating expenses - OPEX (caused on the one hand on decrease of the actuarial provisions and on the other hand by increasing discount rate by

over PLN 26 m, resulting from delays in incurrence of the costs associated with operation of the grid).

Net profit in Q2 2015 was higher than in the same quarter the year before by nearly PLN 35 m. The balance of financial activity increased by nearly PLN 10 m, which is the result of lower interest cost on financial debt (among others, the impact of decrease of interest rates), and increased financing with the funds available in the Segment.

Capital expenditures of the Distribution Segment, at PLN 271 m, were PLN 107 m higher than in the comparable period of the previous year.

Compared to 31 December 2014, the Segment's financial debt increased by almost PLN 58 m. At the end of March 2015, ENERGA-OPERATOR SA issued long-term bonds in the amount of PLN 200 m. The 39% decline in cash compared to 31 December 2014 was also affected by a dividend payment by ENERGA-OPERATOR SA to ENERGA SA. As a result, net debt increased by almost PLN 382 m from the end of December 2014.

At the end of Q2 2015, the headcount in the Distribution Segment was 5,334 persons.

Generation Segment

Figure 14: Results of the ENERGA Group's Generation Segment (PLN m)

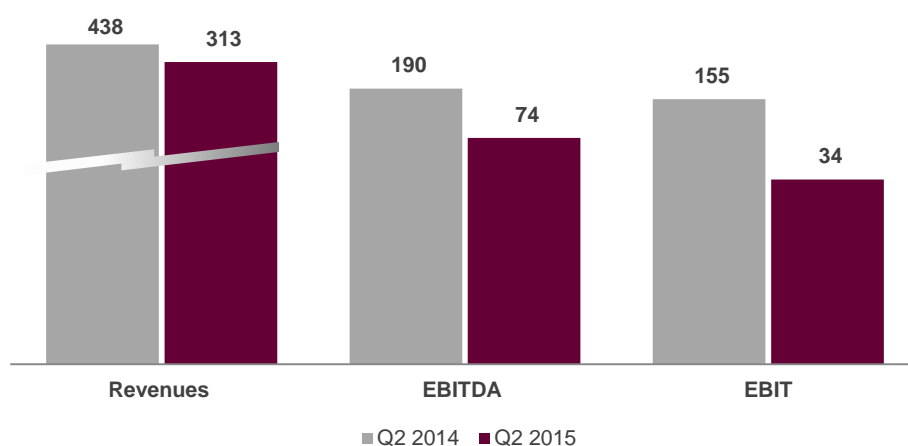


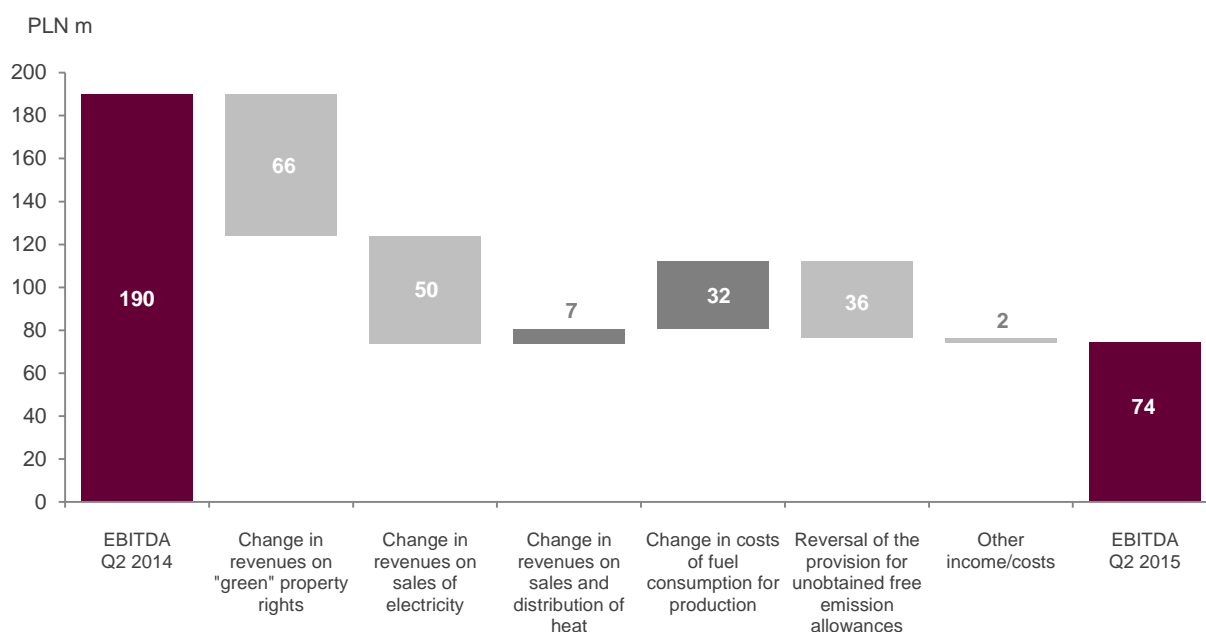
Table 20: Results of the ENERGA Group's Generation Segment

PLN 000s	Q2 2014	Q2 2015	Change	Change (%)
Revenues	437,597	313,060	(124,537)	-28%
EBITDA	189,664	74,305	(115,359)	-61%
amortization and depreciation	34,377	40,674	6,297	18%
EBIT	155,287	33,631	(121,656)	-78%
Net profit	116,556	14,023	(102,533)	-88%
CAPEX	45,510	84,519	39,009	86%

PLN 000s	H1 2014	H1 2015	Change	Change (%)
Revenues	899,743	755,347	(144,396)	-16%
EBITDA	373,490	227,517	(145,973)	-39%
amortization and depreciation	67,970	79,111	11,141	16%
EBIT	305,520	148,406	(157,114)	-51%
Net profit	216,910	93,169	(123,741)	-57%
CAPEX	70,916	157,699	86,783	>100%

PLN 000s	Balance as at 31 December 2014	Balance as at 30 June 2015	Change	Change (%)
Cash	350,273	214,253	(136,020)	-39%
Financial debt	1,473,868	1,397,248	(76,620)	-5%
Headcount at the end of the period (people)	1,558	1,539	(19)	-1%

Figure 15: EBITDA Bridge of the Generation Segment



The table below presents a breakdown of EBITDA of the Generation Segment by business lines. This table includes individual data plus the management cost charge for managing the Generation Segment, elimination of transaction concluded between individual business lines and consolidation adjustments.

The data presented for Q2 2014 may be slightly different than the presented historical data, because the methodology for allocating Segment results to individual business lines changed slightly in the beginning of this year.

Table 21: EBITDA of the Generation Segment, by business line

EBITDA (PLN 000s)	Q2 2014	Q2 2015	Change	Change (%)	H1 2014	H1 2015	Change	Change (%)
Hydro	73,975	42,039	(31,936)	-43%	173,826	109,089	(64,737)	-37%
Wind	18,134	8,429	(9,705)	-54%	49,964	29,984	(19,979)	-40%
Ostrołęka Power Plant	104,528	30,583	(73,945)	-71%	151,856	74,565	(77,292)	-51%
Other and adjustments	(6,973)	(6,746)	228	-3%	(2,156)	13,880	16,036	>100%
Total Generation	189,664	74,305	(115,359)	-61%	373,490	227,517	(145,973)	-39%

The Generation Segment's contribution to the Group's total EBITDA was 14% in Q2 of the current year (30% in the same period of the previous year). EBITDA fell by PLN 115 m, which was caused mainly by worse market conditions.

The market conditions causing lower sales revenues in the Generation Segment in Q2 2015 included mainly the significant decline in the prices of "green" property rights. As a result in Q2 of this year, the Segment restated its inventories of property rights to the market price of 30 June 2015 (restatement by PLN 29 m). On the other hand, in the current quarter there was no positive event, which occurred in Q2 2014 when the inventories of 2013 property rights were sold at prices higher than those on the production date. Another adverse factor for the Segment was the lower volume of electricity produced from coal. The main reason for the decrease was lower demand for operation of the Ostrołęka Power Plant for the Transmission System Operator.

Compared to the corresponding period of the previous year, the official electricity sales price announced by the President of ERO also fell (which is particularly important for the Hydro and Wind business lines). In 2014, this price was 181.55 PLN/MWh, while the current price is 163.58 PLN/MWh. Also, the Ostrołęka Power Plant business line, as a result of must run production, earned prices similar to last year's (despite a decline in SPOT market prices), as a result of which the average electricity sales price of the entire Segment fell by 4% in Q2 yoy, while the official price set by the ERO President fell by 10%

The costs of consumption of key fuels (including transportation) in the Generation Segment in Q2 fell by 23%, or PLN 33 m yoy. The drop in fuel consumption costs was driven by lower production of energy from coal, combined with the lower unit cost of coal (by 12%) (for the total production of electricity and heat in MWh) and of biomass (by 2%), which was due to lower purchase prices of the materials and a better efficiency of electricity and heat production, among others following the production launch of the new heat source for Ostrołęka.

As of the beginning of 2014, operating reserve was added to the catalog of system services provided to PSE, increasing significantly revenues of the Generation Segment from services provided to the Transmission System Operator. In Q2 of this year, revenue on this service was 9% lower than in the corresponding period of the previous year.

In addition to the above market factors driving the yoy performance of the Generation Segment in Q2, we should also note the non-recurring events, such as: an impairment allowance of PLN 4 m recognized for capital expenditures for wind farm investment projects in Q2 2014 and a corresponding allowance of PLN 11.4 m in Q2 of the current year. Additionally, in Q2 2014, the Group reversed a provision for unobtained free emission allowances (the provision was recognized in the costs of 2013, because by 31 December 2013, no free CO₂ allowances arising from the published allocation had been credited to the accounts of the Group's companies and no pertinent regulations were adopted under which the such allowances could be transferred). The effect of this provision was estimated at PLN 35.8 m in Q2 of the previous year.

The net profit earned by the Generation Segment in Q2 2015 was affected by the costs of servicing financial debt incurred among others to purchase the wind farms in 2013.

Capital expenditures in the Segment in Q2 2015 were PLN 39 m higher. The main reason for this was the capital expenditures incurred by the Ostrołęka Power Plant business line relating to the settlement of construction of the new heat source for the city of Ostrołęka and the need to adapt the power plant to the more stringent environmental requirements (for the coming years) in particular expenditures made towards a NOx reduction installation and modernization of electrostatic precipitators. The Q2 2015 performance was also affected by the recognition of the PLN 21.9 m right to the ENERGA logo in capital expenditures.

Hydro

Table 22: Results of the Hydro business line

PLN 000s	Q2 2014	Q2 2015	Change	Change (%)	H1 2014	H1 2015	Change	Change (%)
Revenues	96,983	62,488	(34,495)	-36%	221,933	154,066	(67,867)	-31%
EBITDA	73,975	42,039	(31,936)	-43%	173,826	109,089	(64,737)	-37%
EBIT	66,744	34,323	(32,422)	-49%	160,227	94,292	(65,935)	-41%
CAPEX	7,891	2,332	(5,558)	-70%	12,944	5,766	(7,177)	-55%

Contribution of the Hydro business line to the Generation Segment's total EBITDA in Q2 2015 was 57%. EBITDA generated by this line fell by PLN 32 m yoy in and consequently deteriorated significantly the segment's results.

This was mainly due to the price of "green" property rights which caused a significant decrease in revenues on this account. Additionally, electricity was sold at lower prices (official prices quoted by the President of ERO) with lower production volumes.

Capital expenditures in Q2 2015 were PLN 6 m lower than in the corresponding period of 2014. This was mainly driven by the capital expenditures made in Q2 of the previous year for the hydro power plant in Włocławek and the Rościno hydro power plant.

Wind

Table 23: Results of the Wind business line

PLN 000s	Q2 2014	Q2 2015	Change	Change (%)	H1 2014	H1 2015	Change	Change (%)
Revenues	22,871	18,820	(4,051)	-18%	72,215	52,685	(19,530)	-27%

EBITDA	18,134	8,429	(9,705)	-54%	49,964	29,984	(19,979)	-40%
EBIT	8,126	(2,564)	(10,690)	>-100%	30,176	8,849	(21,326)	-71%
CAPEX	2,323	(127)	(2,450)	>-100%	2,323	8,714	6,391	>100%

Contribution of the Wind business line to the Generation Segment's total EBITDA in Q2 2015 was 11% (PLN 10 m less than in the corresponding period of the previous year).

The lower yoy performance of the business line in Q2 was caused, similarly as in the case of the Hydro business line, by the price of "green" property rights and a lower official price of the ERO president. These negative market factors were partially offset by higher production of energy from the wind farms, among others as a result of additional production from the new Myślino wind farm.

Ostrołęka Power Plant

Table 24: Results of the Ostrołęka Power Plant business line

PLN 000s	Q2 2014	Q2 2015	Change	Change (%)	H1 2014	H1 2015	Change	Change (%)
Revenues	283,361	199,166	(84,195)	-30%	524,055	447,511	(76,544)	-15%
EBITDA	104,528	30,583	(73,945)	-71%	151,856	74,565	(77,292)	-51%
EBIT	92,094	17,996	(74,098)	-80%	126,920	49,551	(77,369)	-61%
CAPEX	8,463	34,489	26,026	>100%	12,688	75,952	63,264	>100%

Contribution of the Ostrołęka Power Plant business line to the Generation Segment's total EBITDA in Q2 2015 was 41%. EBITDA in the reporting period was much lower (by PLN 74 m) than in the previous year.

This was driven mainly by the declining volume of electricity production from coal, which fell by 205 GWh due to lower demand for operation requested by the Transmission System Operator. The positive fact was that the average selling price of electricity was maintained (in this quarter it was similar to the price in the corresponding period of the previous year).

Moreover, the performance of the business line was also affected by the lower prices of "green" property rights and absence of a positive event from Q2 2014 when the inventories of 2013 property rights were sold at prices higher than those on the production date.

In addition to the above market drivers of the yoy business line performance in Q2, certain non-recurring events should be noted, such as the reversal of the provision for unobtained free emission allowances in Q2 2014 (the provision was recognized in the costs of 2013, because by 31 December 2013 no free CO₂ allowances arising from the published allocation had been credited to the company's account and no pertinent regulations were adopted under which the such allowances could be transferred). The amount of such a provision for the Ostrołęka Power Plant business line was PLN 32 m.

Capital expenditures in Q2 2015 were PLN 26 m higher. The main reason for this was the capital expenditures for the new heat source for the city of Ostrołęka and the need to adapt the power plant to the more stringent environmental requirements (for the coming

years) in particular expenditures made towards a NOx reduction installation and modernization of electrostatic precipitators.

Other and adjustments

Table 25: Results of the Other and adjustments business line

PLN 000s	Q2 2014	Q2 2015	Change	Change (%)	H1 2014	H1 2015	Change	Change (%)
Revenues	34,382	32,586	(1,796)	-5%	81,540	101,086	19,545	24%
EBITDA	(6,973)	(6,746)	228	3%	(2,156)	13,880	16,036	>100%
EBIT	(11,676)	(16,124)	(4,447)	-38%	(11,802)	(4,286)	7,516	64%
CAPEX	26,833	47,825	20,991	78%	42,961	67,266	24,305	57%

The Other category comprises the Generation Segment's CHP assets, Czernikowo PV plant, companies providing services to the Generation Segment and special purpose vehicles executing investment projects in the area of construction of new generation sources in the ENERGA Group. Elimination of mutual transactions between business lines are also recognized here.

Additional factors affecting the Other and adjustments business line's Q2 yoy performance was non-recurring events, i.e. an impairment allowance of PLN 11.4 m for capital expenditures in wind farm investment projects recognized in the previous year and a similar allowance of PLN 11.4 m in this year. In Q2 of the previous year, PLN 4.4 m of the costs of voluntary departure programs was incurred in ENERGA Serwis (Segment's maintenance and repair services) and in ENERGA Wytwarzanie (Segment Leader) for auxiliary activity in the amount of PLN 3.2 m.

The capital expenditures in the Other and adjustments line item comprise additionally capital expenditures made by the special purpose vehicles of the Generation Segment, including the wind farm construction projects executed in the ENERGA Group (currently in the preparation phase). The Q2 2015 performance was affected mainly by the recognition in capital expenditures of the rights to the ENERGA logo, expenditures incurred in the Elektrownia CCGT Grudziądz company and construction of the Czernikowo PV plant.

Sales Segment

Figure 16: Results of the ENERGA Group's Sales Segment (PLN m)

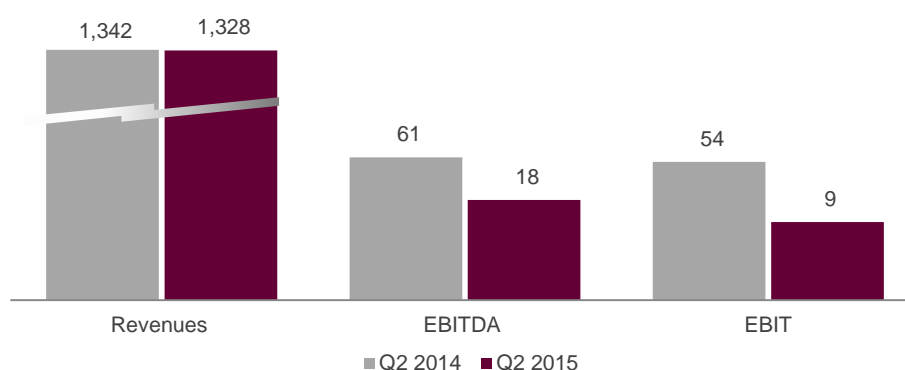


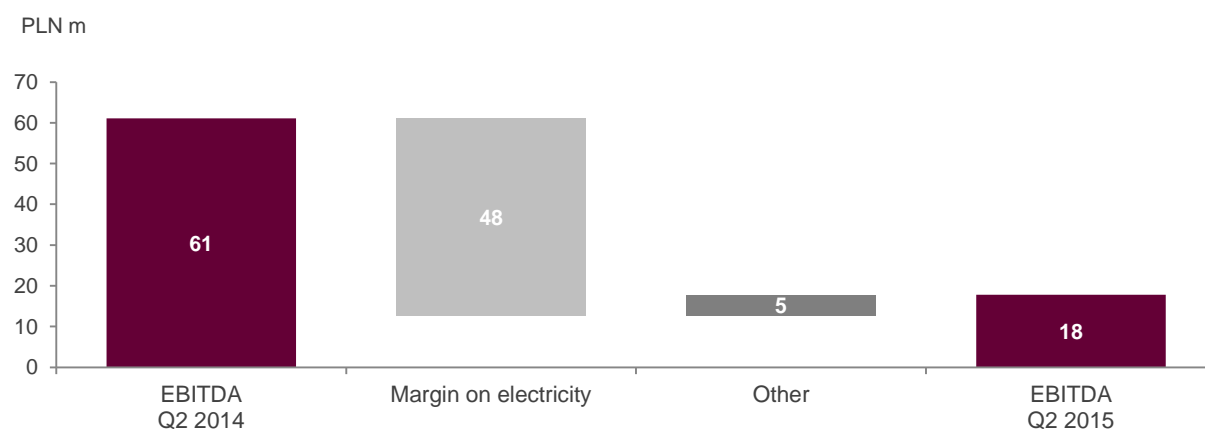
Table 26: Results of the ENERGA Group's Sales Segment

PLN 000s	Q2 2014	Q2 2015	Change	Change (%)
Revenues	1,342,438	1,327,980	(14,458)	-1%
EBITDA	61,059	17,797	(43,262)	-71%
amortization and depreciation	7,347	8,337	990	13%
EBIT	53,712	9,460	(44,252)	-82%
Net profit	52,167	12,772	(39,395)	-76%
CAPEX	7,039	20,218	13,179	>100%

PLN 000s	H1 2014	H1 2015	Change	Change (%)
Revenues	2,852,266	2,875,822	23,556	1%
EBITDA	107,178	66,981	(40,197)	-38%
amortization and depreciation	14,698	16,398	1,700	12%
EBIT	92,480	50,583	(41,897)	-45%
Net profit	88,884	49,415	(39,469)	-44%
CAPEX	12,634	25,231	12,597	100%

PLN 000s	Balance as at 31 December 2014	Balance as at 30 June 2015	Change	Change (%)
Cash	321,489	35,146	(286,343)	-89%
Financial debt	51,173	130,308	79,135	>100%
Headcount at the end of the period (people)	982	1,027	45	5%

Figure 17: EBITDA Bridge of the Sales Segment



In Q2 2015, the Sales Segment earned EBITDA of PLN 18 m, that is roughly 3% of the ENERGA Group's EBITDA, compared to PLN 61 m in Q2 2014 (Segment's contribution to the Group's EBITDA was roughly 10%).

The Sales Segment's revenues in Q2 2015 were slightly higher yoy (by about 1%) than in the previous year, reaching PLN 1,328 m. The lower revenues resulted mainly from the lower revenues on electricity sales on the wholesale market (sales volume down by about 3% and average selling prices down by roughly 2%) and lower revenues on sales of property rights. Revenues on sales of electricity to end buyers increased in Q2 2015 by about 5% yoy due to higher sales volume (up by about 5%) and a slight increase (by about 0.4%) of average selling prices.

The declining margin on electricity sales in Q2 2015 vs. Q2 2014 (by PLN 48 m) was also affected by the disadvantageous circumstances in which average electricity unit purchase price with property rights (5% yoy growth) increased faster than the average unit electricity selling prices to end users (0.4% yoy). The increase of average electricity purchase costs was driven by an increase in market prices and an increase of the adverse impact on performance of the mandatory purchase of electricity from renewable sources as part of the "offtaker of last resort" function and balancing of those sources, which in Q2 of this year was much higher than in the previous year (higher volumes purchased as the "offtaker of last resort" and worse relationship between market prices to ERO President's prices). The higher unit price of property rights redemptions yoy was driven by the costs of yellow and red property rights, the redemption of which was mandatory in 2 months of Q2 2014 only (it was introduced as of 30 April 2014), an increase of the % redemption obligation for yellow property rights effective from 2015 (from 3.9% to 4.9%) and an increase in the substitution fee for these certificates, also effective from 2015. The unit cost of green property rights was lower than in the previous year, with the obligation increasing by 1 percentage point due to lower purchase prices of those certificates (lower market prices); however the decline in the average green certificate purchasing price by the Segment was lower than the decline in market prices, because of the performance of long-term contracts in which the price formula is stated in reference to the substitution fee.

In an increasingly competitive market environment, it was not possible to transfer a significant portion of the increasing variable costs to electricity purchasers.

The balance of the Segment's cash decreased significantly and, as at 30 June 2015, it was PLN 35 m (a reduction of PLN 286 m, compared to 31 December 2014). This is an effect of an increase in inventories of property rights and repayment of current liabilities (including fulfillment of the property rights redemption obligation) and payment of a dividend by ENERGA-OBRÓT SA to ENERGA SA.

On 1 July 2015, the President of the Energy Regulatory Office approved the ENERGA-OBRÓT SA's electricity tariff for tariff group G customers valid till 31 December 2015, with rates unchanged vs. 2014.

3.7. Projected financial results

The Management Board of ENERGA SA has not published projections of individual or consolidated financial results for the financial year 2015.

3.8. Ratings

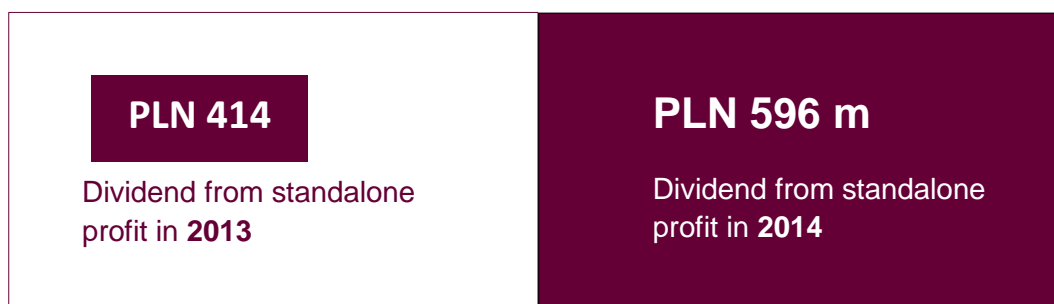
In the period covered by this Management Board Report, there were no events that would change the rating awarded to the Company by rating agencies.

Table 27: Current ratings of ENERGA

	Moody's	Fitch
Company's long-term rating	Baa1	BBB
Rating outlook	Stable	Stable
Rating date	23 December 2011	19 January 2012
Last change of rating		12 October 2012
Last confirmation of rating	17 December 2014	7 October 2014

3.9. Dividend

On 29 April 2015, the Annual General Meeting of the parent company adopted a resolution to allocate PLN 596,257 thousand to a dividend payment to the Company's shareholders, which is PLN 1.44 per share. The dividend date was set at 7 May 2015 and the dividend was paid out on 21 May 2015.



3.10. Tax Group

In H1 2015, the Tax Group named PGK ENERGA was established, which includes 17 ENERGA Group companies, including the 3 largest ones. The agreement was registered by the Head of the Pomorski Tax Authority on 27 January 2015, with the operation commencement date on 1 May of this year. The Tax Group was established for 3 fiscal years, that is until 31 December 2017. Income tax will be calculated on income earned in the fiscal year equal to the surplus of aggregated income of all companies comprising the group over their aggregate losses. ENERGA SA was selected as the company representing PGK ENERGA in respect to the duties arising from the Corporate Income Tax Act and the Tax Ordinance. The main goal of the Tax Group is to ensure that all of its companies settle their income together, which will make it easier to settle the possible fiscal losses, reduce the risk of transfer prices between companies and reduce related documentation and together apply for individual interpretation of tax regulations.

3.11. ENERGA Group performance drivers in the next quarter and later

In the opinion of the ENERGA SA Management Board, the following factors will drive the results and operations of the Company and the ENERGA Group in the perspective of at least the next quarter:

Figure 18: ENERGA Group performance drivers in the next quarter and later

Decision of the ERO President to reduce the return on equity by 5% in 2015	Change of structure of distributed energy vs. structure agreed in the tariff	Deferral of OPEX in the Distribution Segment until H2 2015
Prices of property rights, in particular certificates of origin of RES	General overhaul of one power unit in ENERGA Elektrownie Ostrołęka in Aug-Oct 2015	Rate actually obtained for the operating reserve
Must run production level at ENERGA Elektrownie Ostrołęka	Effect of the offtaker of last resort function and balancing of RES sources	Increasing competition on the market of electricity sellers
Yield of treasury bonds	Outcomes of pending lawsuits	Weather and hydrometeorological conditions

3.12. Information about the audit firm auditing the financial statements

The entity authorized to audit the Financial Statements of ENERGA SA and the ENERGA Group is PricewaterhouseCoopers Spółka z ograniczoną odpowiedzialnością ("PwC").

The agreement between ENERGA and PwC was concluded on 13 February 2015. The object of the agreement is to review and audit the Company's financial statements and the consolidated financial statements for H1 2015 and 2015.

Environment



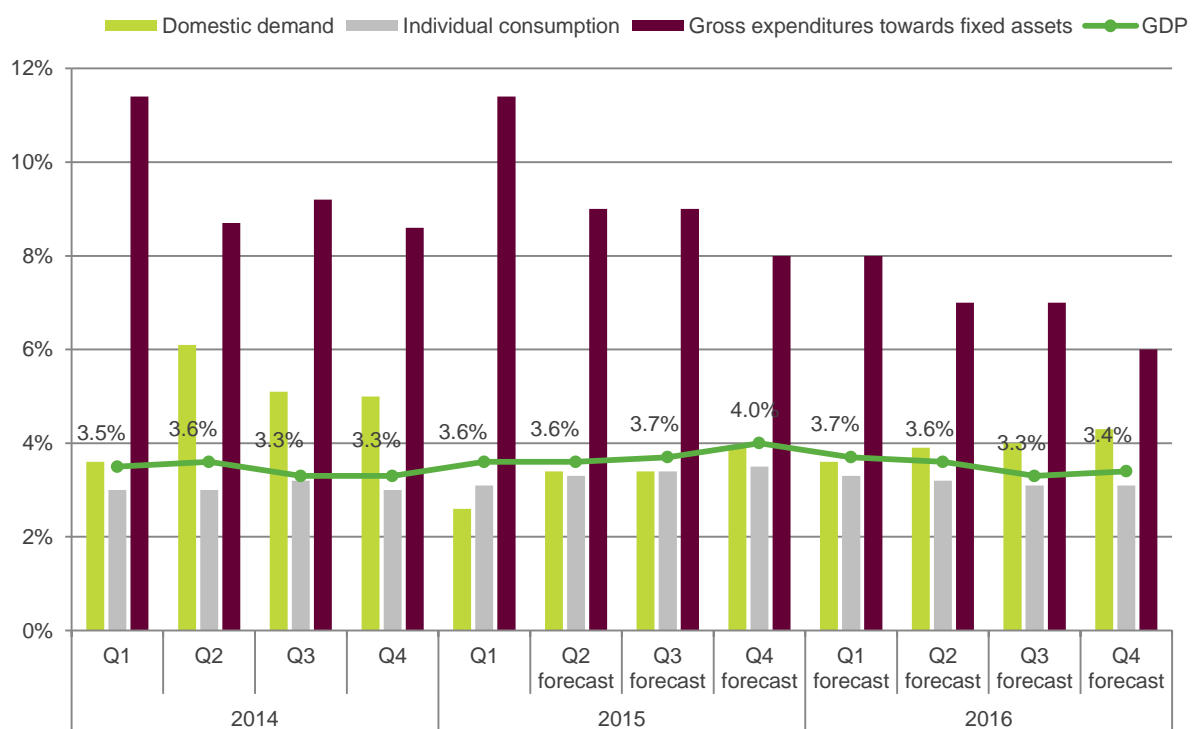
4. ENVIRONMENT

4.1. Macroeconomic situation

The domestic market is the main operating market of ENERGA Group companies and therefore variations in business conditions measured by GDP change rates, inflation or unemployment rates translate to electricity and heat prices and shape demand for products supplied by Group companies.

According to the Main Statistical Office (GUS) in Q1 2015, gross domestic product (GDP) not equalized for seasonal differences increased in real terms by 3.6% compared to the corresponding period of the previous year. According to the projection published in July by the National Bank of Poland, the economic growth rate in successive quarters will remain at a similar, stable level based on domestic demand and an increasing consumption and capital expenditures. The forecast assumes an increase in GDP growth at 3.8% in 2015, 3.7% in 2016 and 3.6% in 2017.

Figure 19: Annual changes in GDP, domestic demand, individual consumption and expenditures



Source: GUS and forecasts by Bank Zachodni WBK

In June 2015, the PMI index for the Polish industrial sector was 54.3 points and, after four months of declines, recorded a significant improvement. The result exceeded the 50 point threshold by a significant margin and it confirms economic growth forecasts in the following months.

In the period from January to June 2015, industrial production sold was 4.6% higher compared to the same period in the previous year. An increase was recorded in industrial processing (+5.6 y/y) and in mining and extraction (+3.1% y/y). A decline in industrial

production sold, compared with the January-June 2014 period, occurred in generation and supply of electricity, gas, steam and hot water (-4.4%).

Macroeconomic data received in Q2 indicated that the growth of retail sales in the period of January to June 2015 increased when compared to the corresponding period of the previous year by 3.9% (in increased by 5.3% in 2014). The growth in consumer demand was supported by optimistic consumer sentiments and the continuing improvement of the labor market.

Consumer sentiments in respect to current and future changes, e.g. of the financial situation of households or the general economic situation in Poland, improved significantly in Q2, reaching the highest levels since 2008. The current consumer confidence index reached 11.2 (an increase of 3 percentage points compared to Q1 of this year) while the forward-looking consumer confidence index was -13.8, up by 4.7 percentage points from the previous quarter.

Even though the decrease in unemployment has slowed down in recent months, the state of the labor market remains good. In May, the unemployed registered in labour offices constituted 10.8% of civil professionally active population, which is 1.7 percentage points less than in the corresponding period of the previous year. The declining unemployment rate is accompanied by the growing likelihood of finding work with a relatively low probability of losing it. The salary growth rate in the corporate sector slowed down in May to 3.2% y/y from 3.7% y/y in April, mainly due to the negative effect of business days. The falling unemployment, increasing employment income and improvement in consumer confidence are all good pre-conditions for further growth of private consumption.

The prices of consumer goods and services in June 2015 remained generally flat from the previous month. They were still 0.8% lower than in June 2014. The negative inflation rate increases the purchasing power of consumers and low NBP interest rates make it easier to use credit to finance consumption. Low prices of energy resources, in particular crude oil, have had a positive effect on the income of households in real terms, further contributing to the increase in consumption.

Corporate capital expenditures are supported by the expected maintenance of the current good financial condition, which allows companies to finance capital expenditures with own funds and, as is the case with consumption, low interest rates. The falling energy prices reduce operating costs of companies, which has a positive effect on their business activities. NBP has noted that the current usage of production capacity, which is relatively high for this phase of the economic cycle, will encourage the companies to quickly increase expenditures towards fixed assets and, even though this growth will decline in subsequent quarters, it will remain at a rate higher than GDP growth.

Poland's main trading partners also experience economic rejuvenation when compared to the previous year. In the Euro zone, economic growth is moderate but accelerating. According to Coface's forecasts, Euroland will post a 1.5% economic growth in 2015, driven mainly by the German economy, which is important for Poland in light of our trading cooperation. The key risk currently is Greece announcing insolvency and leaving the Euro zone.

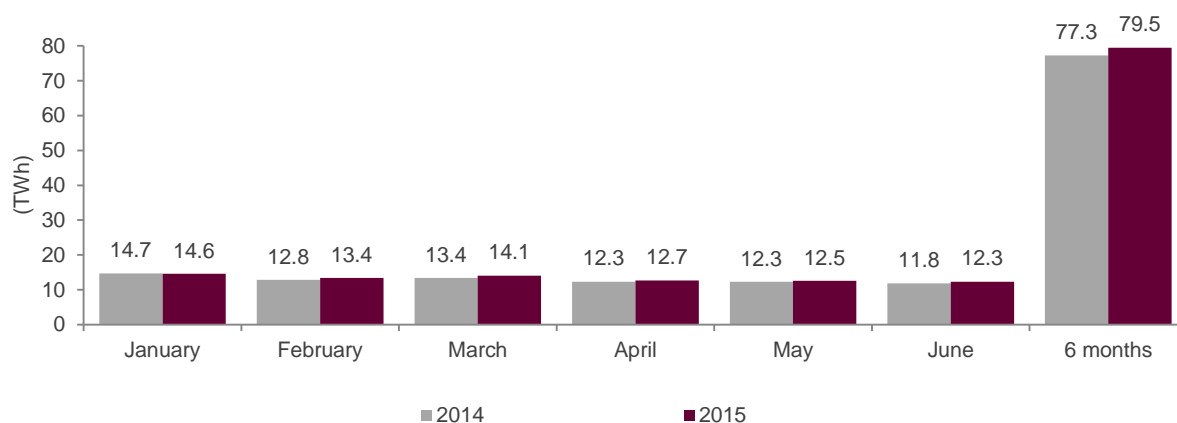
4.2. Electricity market in Poland

The situation on the market environment is really important for the Group's financial performance. Accordingly, one should mention in particular the prices of electricity, property rights, emission allowances and fees for the operating reserve.

Domestic production and consumption of electricity

Production of electricity in Poland, according to the data published by Polskie Sieci Energetyczne ("PSE") after H1 2015, was 2.94% higher than in the corresponding period of the previous year. The biggest increase in electricity production compared to the corresponding period of 2014 occurred in March (by 4.82%) and the biggest decrease occurred in January (by 0.68%).

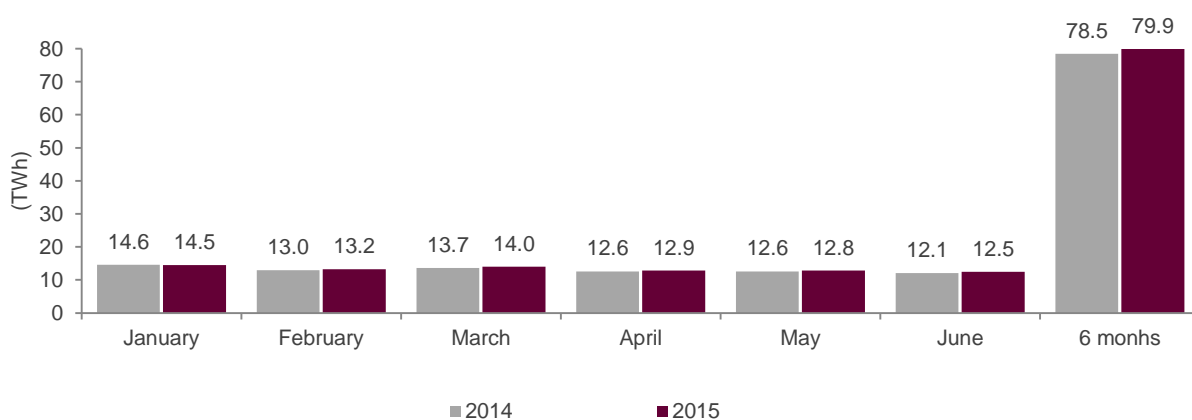
Figure 20: Production of electricity in Poland in H1 2015 (TWh)



Source: PSE

Domestic consumption of electricity in Poland in the period of January-June 2015 was 1.82% higher than in the same period of the previous year. The highest increase in electricity consumption, i.e. by 2.94%, occurred in March, while the biggest decline in January, by 0.67%.

Figure 21: Consumption of electricity in Poland in H1 2015 (TWh)

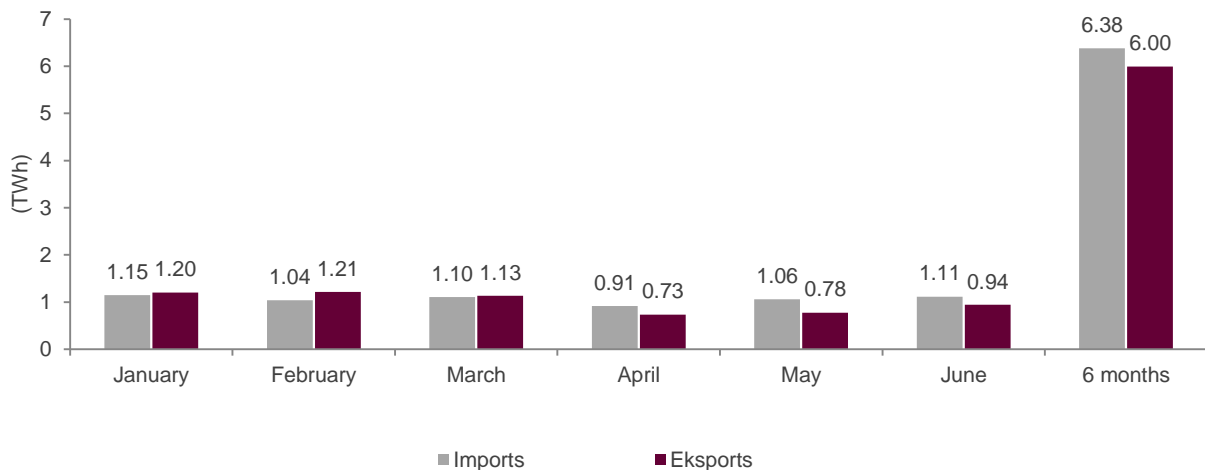


Source: PSE

Poland's inter-system exchange

In H1 2015, in the period from January to March, exports were 7.67% higher than imports, while in the period from April to June, electricity imports to Poland exceeded exports (by 25.94%). Ultimately, over the entire H1 this year, the volume of electricity imports exceeded electricity exports from Poland by 6.4%. This indicates that the tendency from the corresponding period of the previous year, when imports were 21.22% higher than exports, was maintained.

Figure 22: Monthly volumes of intersystem exchange in Poland in H1 2015 (TWh)

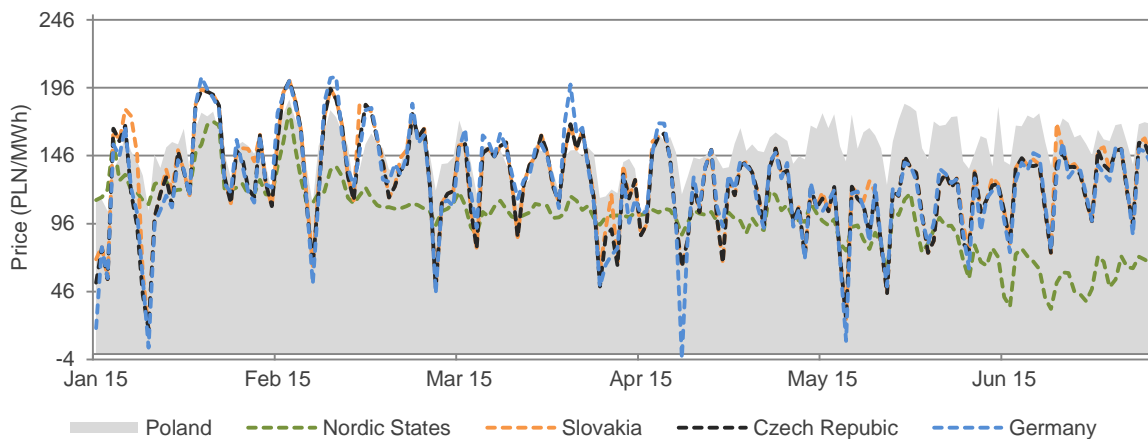


Source: PSE

Energy prices in neighboring countries

In order to compare energy prices in Poland to those in the neighboring countries, SPOT market prices were used as reference products. In each month of H1 2015, prices in Poland were generally higher than they were in the neighboring countries. The largest difference in prices was recorded in May and June between the Polish and Nordic SPOT markets. The difference vs. the German market reached the maximum in May, when the average level of BASE contract prices was over 55 PLN/MWh lower than in Poland.

Figure 23: Electricity prices on the SPOT market in Poland and in neighboring countries in H1 2015

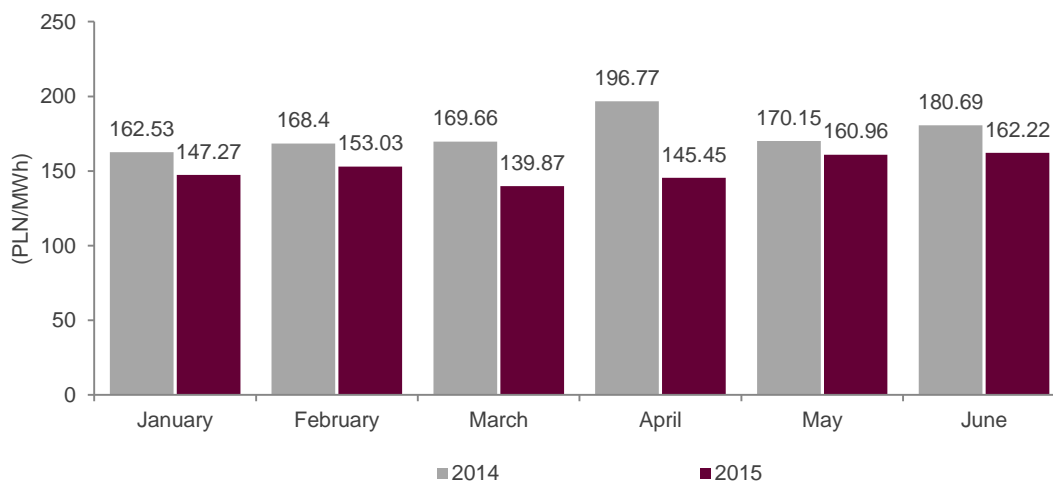


Source: Bloomberg

Electricity Day-Ahead Market (DAM) in Poland

Average prices on the DAM market in H1 2015 were much lower than the prices in the first six months of 2014. The difference in prices was increasing in the period from January to April. In January, the difference vs. the previous year was about 15 PLN/MWh, while in April it increased to almost 51 PLN/MWh. In the last month of H1 2015, the difference was about 18.5 PLN/MWh. Variability of prices on the DAM does not significantly influence on the results of the ENERGA Group in H1 this year.

Figure 24: Energy prices in the Day-Ahead Market (DAM) in H1 2015



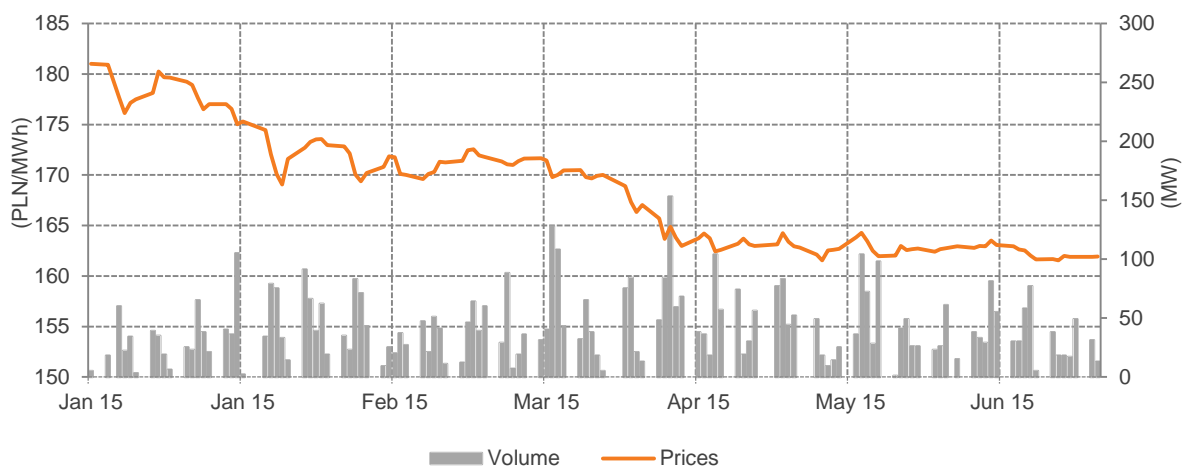
Source: TGE

One of the reasons for the low level of prices in H1 was high production in wind power plants and low prices on neighboring markets.

Electricity forward market in Poland

In H1 2015 the prices of electricity with a delivery date in 2016 followed a downward trend, as a result of which the prices fell from over 180 PLN/MWh to under 165 PLN/MWh. This has fully offset the upward movement from the previous year. The decline is a result of the approaching market prices to the SPOT market prices.

Figure 25: Price of forward contracts - base with delivery in 2016, quoted in H1 2015

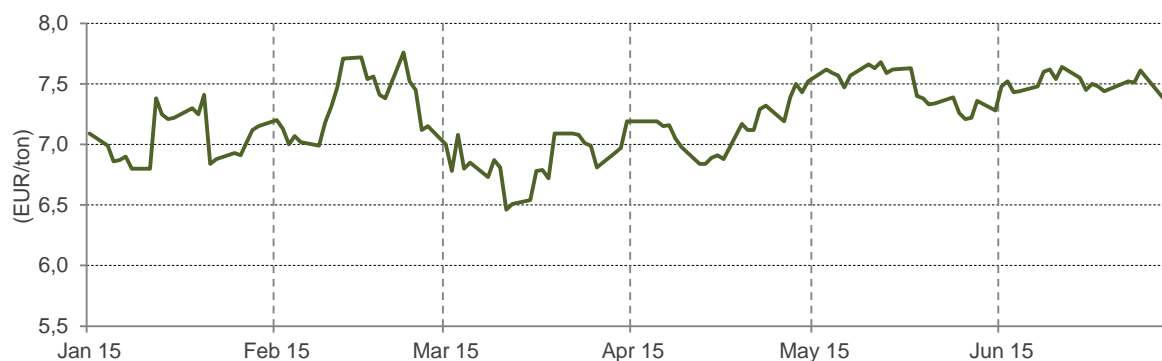


Source: TGE

Emission allowance market

The CO₂ emission allowance market in H1 2015 was highly volatile. The main reasons for the volatility was the fact that the market was waiting for a decision of the European Parliament Committee on the Environment in the matter of the SRM (Stabilization Reform Mechanism) and uncertainty on the markets related to the situation in Greece. From the beginning of the year, the prices fluctuated from 6.46 to 7.76 EUR/t.

Figure 26: Prices of EUA emission allowances (DEC 2015) in H1 2015



Source: Bloomberg

Property rights market

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

Table 28: Average levels of property rights indices listed on the Polish Power Exchange

Index (type of certificate)	Index value		Obligation percentage (%)	Substitution fee (PLN)
	Q1 2015 (PLN/MWh)	Q2 2015 (PLN/MWh)		
OZEX_A_POLPX (PMOZE_A-green)	174.6	156.8	14.0**	300.0**
KMETX (PMMET - 2014 - purple)	61.7	61.9	1.1*	63.3*
KGMX_POLPX (PMGM-2014- yellow)	106.5	106.5	3.9*	110.0*
KECX (PMEC-2014 - red)	10.6	10.6	23.2*	11.0*
EFX (PMEF - white)***	940.4	945.0	1.5	1000.0

* value of the substitution fee and redemption obligation in 2014

** value of the substitution fee and redemption obligation in 2015

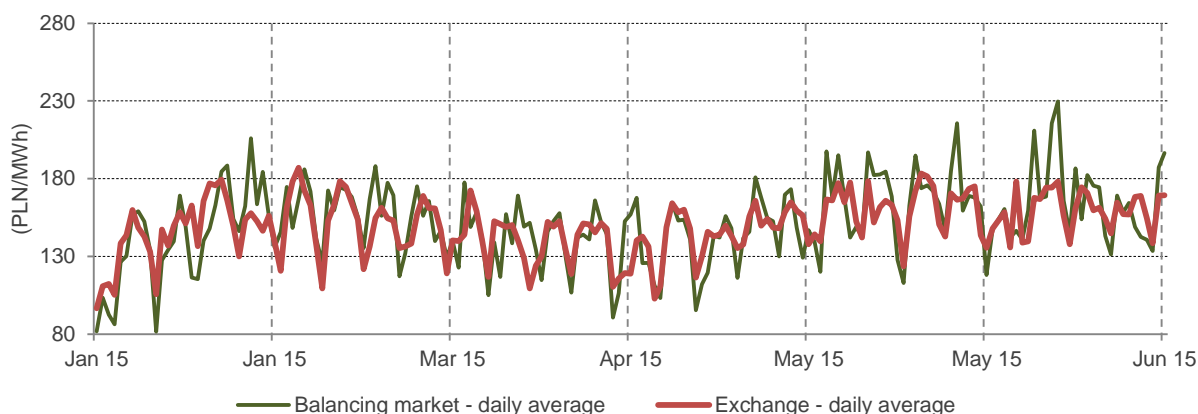
*** obligation % calculated in relation to sales revenues, substitution fee in PLN/toe

From the standpoint of the Group's generation structure (high RES production) the quotations of green property rights were the most important. In H1 2015, a significant drop in prices of green property rights in session listings was observed; the prices fluctuated from 160.51 PLN /MWh in the beginning of the year to 106.51 PLN/MWh at the end of June. The main cause of this situation is the oversupply of RES certificates on the market. The prices for other certificates of origin remained at a stable level

Balancing market

In H1 2015, electricity prices on the balancing market were similar to day-ahead market prices. Larger differences arose only in the second half of January and in late May/early June. Hourly prices on the balancing market were between 511.00 PLN/MWh and 71.21 PLN/MWh. The maximum price was recorded on 12 June 2015. Compared with H1 2014, when the average daily prices often exceeded the level of 200 PLN/MWh, the market was relatively stable (more significant price changes occurred in May and in early June). The average price level on the balancing market was 151.84 PLN/MWh and was 21.52 PLN/MWh lower than in the corresponding period of the previous year.

Figure 27: Statement of prices on the balancing market and SPOT market (Exchange) in H1 2015

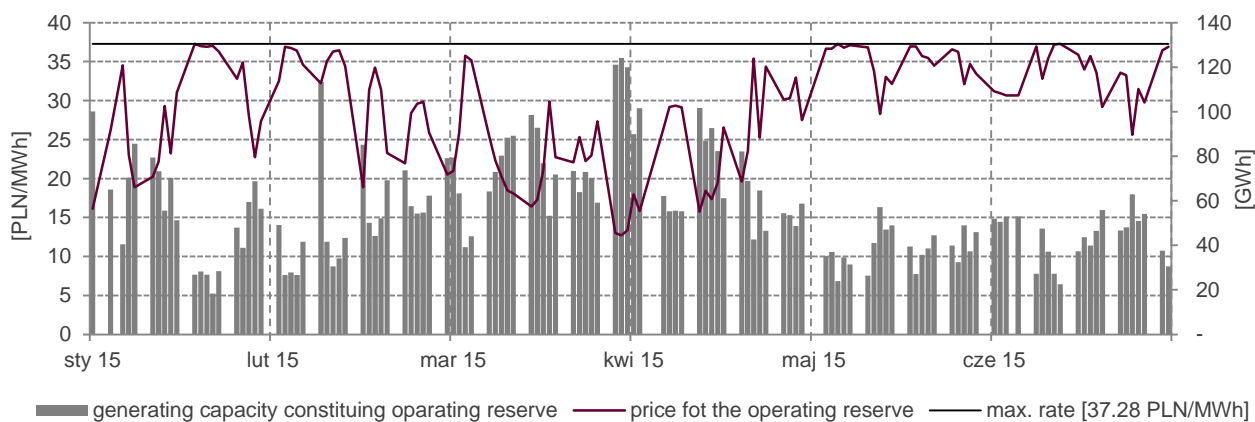


Source: TGE, PSE

Operating reserve

In 2015, the operating reserve service is continued, while its governing rules changed slightly. The current reference price is 37.28 PLN/MWh. An hourly budget has also been introduced for the operating reserve, which prevents an overrun of the planned costs of the operating reserve service during the year. In H1 2015, the average fee for the operating reserve service was 29.16 PLN/MWh, which was 5.18 PLN/MWh less than in the corresponding period of the previous year.

Figure 28: Prices and generating capacity constituting operating reserve in H1 2015



Source: PSE

4.3. Regulatory environment

Table 29: List of legal acts affecting the performance of the ENERGA Group

Legal act	Purpose of changes	Opportunities	Risks
RES act	Reform of the RES support system	<ul style="list-style-type: none"> (1) limitation of risks and excessive costs for "offtaker of last resort" (in the ENERGA Group it is ENERGA-OBRÓT) (2) setting the rules regulating support for RES installations - introduction of an auction system (reduced investment uncertainty - opportunity to develop RES investments in the ENERGA Group) (3) new type of support for modernized RES installations (4) support for dedicated biomass co-burning installations 	<ul style="list-style-type: none"> (1) loss of support for hydro power plants > 5 MW and limitation of support for biomass co-burning; (2) support for new Group products depending on conditions on RES auctions (reference price) (3) uncertainty regarding the full launch of the system by the adopted deadline (the Renewable Energy Settlements OPERATOR has to operate as of 1 January 2016, otherwise companies performing the duties of so-called obligated sellers - trading companies obligated to purchase energy from RES generators at the auction price - will be exposed to losses)
Amendment of the Water Law	Implementation of the requirements of the Water Framework Directive in respect to the principles of water management	<ul style="list-style-type: none"> (1) rationalization and stimulation of investments in the area of water management in Poland 	<ul style="list-style-type: none"> (1) abandonment of exemptions from water fees for power facilities (2) unknown level of new fees for business use of water for energy production purposes (3) uncertainty regarding the full launch of the system by the assumed deadline (1 January 2016)
Assumptions of the bill of the act on the so-called smart metering	Specification of the rules of implementation of smart metering in Poland	<ul style="list-style-type: none"> (1) improvement of the efficiency of DSO companies (2) reduction of electricity consumption in Poland 	<ul style="list-style-type: none"> (1) inconsistency of the bill's assumptions with the experience of the industry (2) too ambitious implementation timetable
Bill of the act on the so-called transmission corridors	Introduction of a legal mechanism facilitating execution of investments in construction and modernization of power grids in Poland	<ul style="list-style-type: none"> (1) expediting execution of new DSO grid investments (2) regulation of the "historical arrangements" regarding the land on which transmission corridors are located 	<ul style="list-style-type: none"> (1) defective mechanism of the expropriation procedure (2) delay in implementation of the provisions of the act
Amendment of the energy efficiency act	Implementation of the requirements of the EED Directive	<ul style="list-style-type: none"> (1) possibility of obtaining additional funds for execution of efficiency investments in the Group 	<ul style="list-style-type: none"> (1) absence of the new act will result in expiration of the existing system on 1 April 2016, hindering improvement of energy efficiency in the economy (2) the proposed rules of the substitution fee may generate risk of financial losses if there is insufficient volume of white certificates on the market
Amendment of the Energy Law	Implementation of the REMIT regulation	<ul style="list-style-type: none"> (1) prevention of unauthorized manipulation and speculation in electricity market transactions 	none

Shares and shareholding structure



5. SHARES AND SHAREHOLDING STRUCTURE

5.1. ENERGA's shareholding structure

Table 30: Issuer's shares by series and types

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

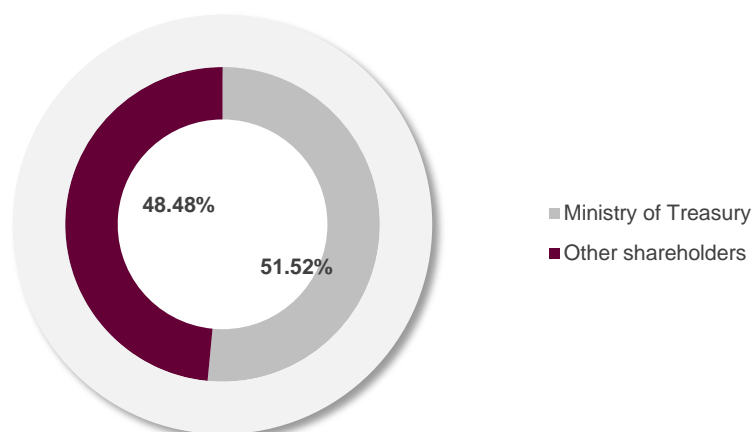
* One preferred share entitles its holder to 2 votes at the General Meeting. *These shares are owned by the State Treasury.*

Table 31: Shareholding structure of ENERGA as at 31 March 2015 and the date of preparing this Management Board Report

Shareholder's name	Company's shareholding structure			
	Shares	(%)	Votes	(%)
State Treasury*	213,326,317	51.52	358,254,317	64.09
Others	200,740,797	48.48	200,740,797	35.91
Total	414,067,114	100.00	558,995,114	100.00

* *The State Treasury holds 144,928,000 series BB registered shares preferred in terms of voting at the General Meeting in such a way that one share entitles the holder to 2 votes at the General Meeting.*

Figure 29: Shareholding structure of ENERGA as at 31 March 2015 and the date of preparing this Management Board Report



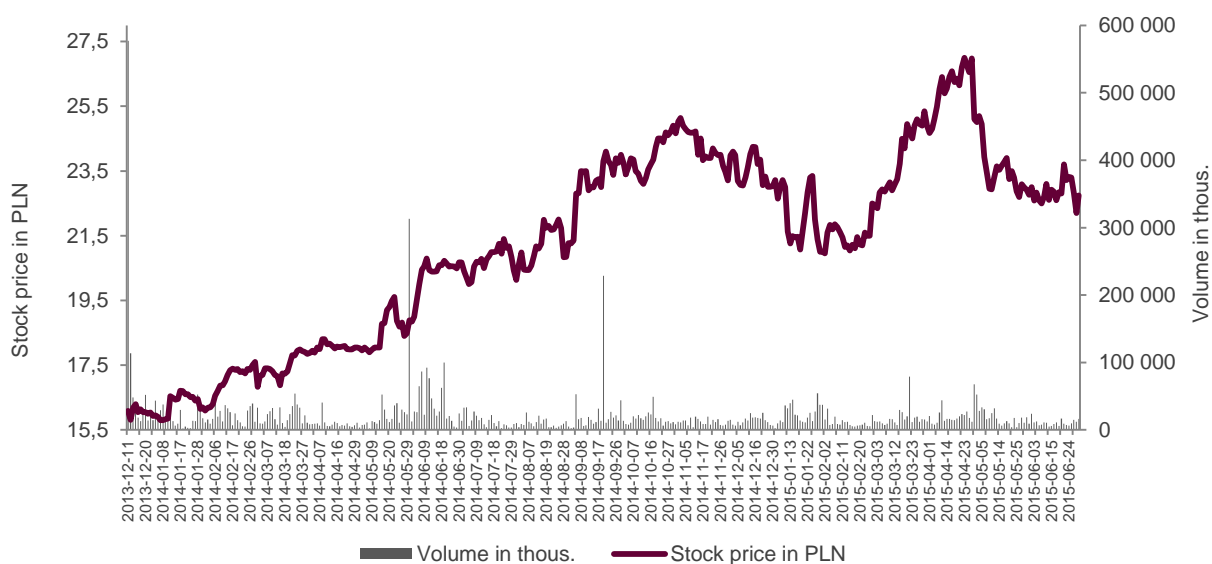
5.2. Company stock prices on the Warsaw Stock Exchange

Table 32: Data for ENERGA shares as at 30 June 2015

Data	Amount
Issue price	PLN 17.00
Number of shares	414,067,114
Stock price at the end of the period	PLN 22.74
Capitalization at the end of the period	PLN 9,415.9 m
Minimum at closing in H1	PLN 20.95
Maximum at closing in H1	PLN 27.00
H1 minimum	PLN 20.53
H1 maximum	PLN 27.70
Average trading value	PLN 17,125
Average trading volume	731,587
Average number of trades	1,954

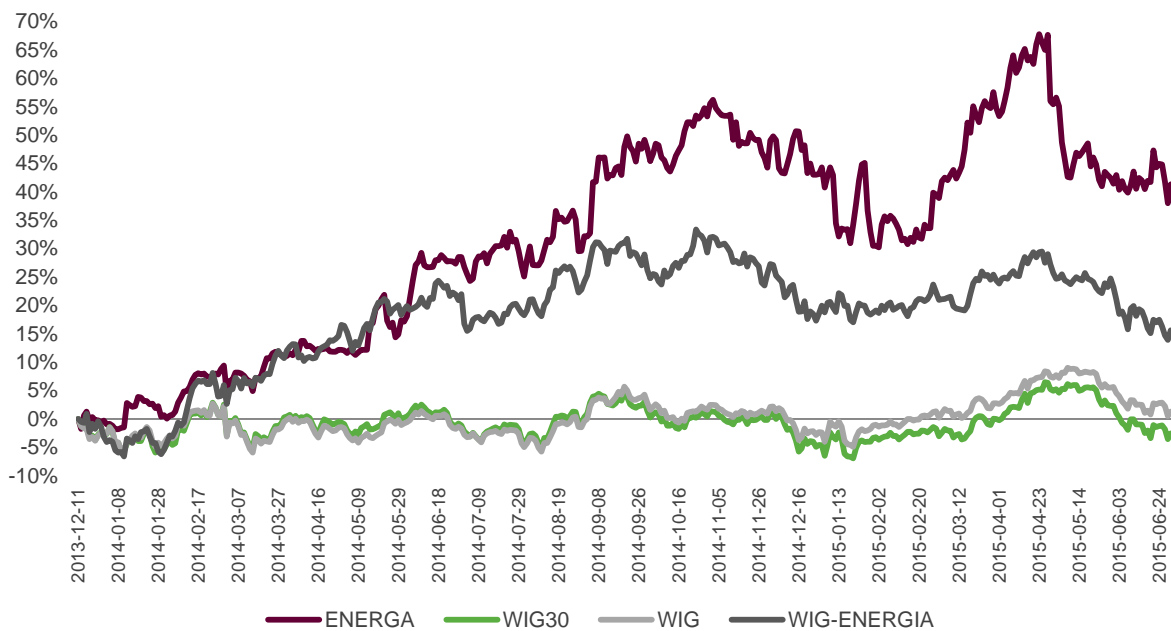
Source: Proprietary material based on data from www.gpwinfostrefa.pl

Figure 30: ENERGA SA stock price, in the period from IPO (i.e. 11 December 2013) to 30 June 2015



Source: Proprietary material based on data from gpwinfostrefa.pl

Figure 31: Changes in ENERGA stock prices in comparison with changes in WIG, WIG20 and WIG-ENERGIA indices



Source: Proprietary material based on data from gpwinfostrafa.pl

As at 30 June 2015, the Company was included in the following stock market indices:

WIG - an index comprised of all companies listed on the Main Market of the Warsaw Stock Exchange, which meet the base criteria for participation in the indices. The Company's share in the index was 1.57%.

WIG

WIG20 - is a price index (meaning that only prices of concluded transactions are taken into account in its calculation) grouping 20 largest and most liquid companies from WSE's Main Market. ENERGA SA's share in the index is: 2.29%.

WIG20

WIG30 - price index launched on 23 September 2013, comprising (30) companies with the highest position in the ranking determined on the basis of the data after the last session of January, April, July and October.

WIG30

The ranking is calculated on the basis of the trading volume for the past 12 months and the value of shares in free float as at the ranking date. ENERGA SA's share in the index is: 2.14%.

WIG-Energia - a sectoral index, which is comprised of companies which participate in the WIG index and are at the same time categorized as "power sector" companies with ENERGA's share in the index of 15.50%.

WIGenergia

WIGdiv - index calculated since 2010, comprising up to 30 companies which in the index ranking were in a position not lower than 150 and are characterized by the highest dividend rate at the end of November each year and over the past 5 financial years paid out dividends at least 3 times. ENERGA SA's share in the index - 4.11%.

WIGdiv

WIG-Poland - an index comprised only of shares of domestic companies listed on the Main Market of WSE, which meet the base criteria for participation in the indices. ENERGA SA's share in the index - 1.57%.

WIGPoland

RESPECT Index - index bringing together companies with the highest corporate social responsibility standards. It has existed on WSE since 2009 and is the only index of this type in Central European countries. ENERGA SA's share in the index: 4.46%.

RESPECT Index

FTSE All World - international index, comprised of shares of medium and large companies from the FTSE Global Equity Index Series. It is calculated for mature and emerging markets and forms the basis for investment products such as e.g. derivatives and the tracking passive fund portfolios. In addition to MSCI-Poland, this index is also an important measure for foreign funds investing in Polish equities. ENERGA SA's share in the index: 0.01%.



MSCI-Poland - an index which is an important factor for foreign funds investing in Polish equities. Equities of a company may be eligible for the index if they have the required market capitalization and adequate liquidity. ENERGA SA's share in the index was 2.11%.



MSCI Global Sustainability Indexes - is one of the indices calculated by MSCI ESG Research. The index has been developed for investors seeking companies with a profile focused on sustainable development.



5.3. Investor relations in ENERGA SA

In H1 2015, the Investor Relations Department executed tasks aimed at ensuring effective of communication in the capital market, among others:

Online publication of the 2014 annual report

Continuation of the **“Every action counts - get involved”** program targeted at **individual investors** and update of the website dedicated to this investor group

85 one-to-one meetings with institutional investors as part of **investor conferences** or **non-deal roadshows**

11 current reports

2 interim reports

2 financial results conferences **transmitted online**

Constant communication with analysts issuing **recommendations on utilities sector companies**

ENERGA is one of the strategic partners of the fourth edition of the national campaign entitled **“Civic Shareholdership Program. Invest Knowingly”** executed by the Ministry of State Treasury

Workshops for participants of the **4th edition of the Lesław Paga Foundation Energy Academy** conducted by a representative of the ENERGA SA Investor Relations Department

In its activity, ENERGA SA's Investor Relations Department uses a bilingual website, updated on an ongoing basis to include key information about the Company in the form of, among other things, quarterly results presentations or factual summaries, the so-called factsheets. Market participants may familiarize themselves with the rules applied by the Company in investor relations - the website includes the [Information policy](#).

ENERGA SA took part in important investor events in H1 2015.



ENERGA cooperated with the Ministry of Treasury in the Civic Shareholding program by organizing the first edition of "Stock Investing is Women's Business". The idea of the event is to increase not only the knowledge on investing on the stock market, but also self-confidence of enterprising Polish women. For that purpose, trainings have been organized in five major Polish cities with the participation of the women capital market specialists. During the trainings and the workshops, the participants had the opportunity to acquire knowledge on the capital market and to expand information on the possibilities of business development and investing savings on the stock market. The trainings have received patronage of the Prime Minister Ewa Kopacz and were a great success among the ladies - the workshops were attended by over 400 persons.



On 10-11 June of this year, the 7th Investor Relations Congress organized by the Polish Association of Listed Companies (SEG) was held in Ossa. Like each year, the congress was an opportunity to meet representatives of listed companies responsible for the investor and media relations. Creating a communication advantage will be this year's theme. On the first day, the discussion was related to, among others, the measurement of effectiveness of investor relations and the expectations of domestic and foreign investors. The lecture was delivered by Joanna Pydo, Investor Relations Director of Energa SA, and Wojciech Iwaniuk, CEO of InnerCorp.



The Wall Street conference is one of the largest meetings organized for individual investors and one of the largest events focusing on the capital market in Poland. This year, over 100 stock market companies presented themselves in Karpacz. ENERGA was the key partner of the conference. Andrzej Tersa, the President of the Management Board of ENERGA SA took part in the discussion panel entitled "Driving forces of the Polish Stock Exchange, or opinions of management boards of WIG30 companies about prospects for economic growth". During the entire event, investors were able to learn about the Company and talk to its representatives at ENERGA's stand.



Energa participated in the program to promote the Polish capital market. "Development Capital" is a cycle of 16 regional meetings devoted to the financing of growth of companies and self-governments using EU funds, with support from the capital market and other forms of co-funding. The project is organized by the Warsaw Stock Exchange in cooperation with Voivodship Marshals, KDPW, Bank PKO BP, BGK and PIR. During the conference held in Gdańsk, ENERGA was represented by Jolanta Szydłowska, the Executive Vice-President for Corporate Matters, who took part in a discussion on the effective usage of capital market instruments to finance capital expenditures.

5.4. Recommendations for the Company's stock

9 Analyst recommendations in H1 2015	5 Buy recommendations 3 Hold recommendations 1 Neutral recommendation
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A list of the recommendations can be found at [IR website](#).

5.5. Shares held by executive and supervisory personnel

As at 30 June 2015, the persons discharging executive and supervisory functions in the Company held the following number of shares in the Company and shares in Company's related entities:

No member of ENERGA SA's Supervisory Board held shares in the Company as at 30 June 2015 and as at the date of preparing this Management Board Report.

As at the date of preparing this Management Board Report, no Member of ENERGA SA's Management Board of the 4th term of office held shares in the Company or in related entities.

Table 33: Number of Company shares and shares in related entities held by executive personnel

No.	Full name	ENERGA shares		Shares in entities related to ENERGA	
		Number of shares	Par value in PLN	Number of shares	Par value in PLN
as at the date of preparing this Management Board Report					
1.	Andrzej Tersa	-	-	-	-
2.	Seweryn Kędra	-	-	-	-
3.	Jolanta Szydłowska	-	-	-	-

5.6. Prizes and distinctions received by the ENERGA Group in H1 2015

Table 34: Prizes received in H1 2015

H1 2015
27 May 2015 ENERGA Group received the CSR Golden Leaf in this year's ranking run by the Polityka weekly. The prize is awarded to the largest companies operating in Poland in recognition of their contribution to sustainable economic and social development.
21 April 2015 ENERGA-OBRÓT received the Certificate of Reliable Energy Seller which is awarded by the Association of Energy Trading to companies embracing good sales practices.
20 April 2015 ENERGA SA selected as the winner of the "Bulls and Bears" competition organized by the Parkiet Stock Exchange Newspaper in the category of companies from the mWIG40 index, which is comprised of 40 medium-sized companies listed on the WSE that have the highest liquidity.
30 March 2015 Certificate of compliance with the ISO 22301:2012 standard issued for the development of a Business Continuity System by Lloyds Register Quality Assurance to ENERGA-OPERATORSA.

Management Board's representations

The ENERGA SA Management Board hereby represents that:

a) according to the best knowledge, the interim consolidated and individual financial statements and the comparative data were prepared in line with the accounting principles, and reflect, truly, reliably, and clearly, the asset and financial position of ENERGA SA and the ENERGA Group and its financial result. The Management Board Report on the activity of the ENERGA Group contains a true presentation of developments, achievements, and situation of the Capital Group, including a description of key risks and threats;

b) PricewaterhouseCoopers Sp. z o.o., an entity authorized to audit the financial statements, which reviewed the condensed interim consolidated financial statements of the ENERGA Group and the interim individual financial statements of ENERGA SA for H1 2015, was selected in accordance with the applicable regulations of law. That entity as well as the statutory auditors who reviewed the aforementioned financial statements satisfied the conditions for issuing unbiased and independent reports on the review of the interim condensed financial statements as required by the binding regulations and professional norms.

Gdańsk, 11 August 2015

Signatures of ENERGA SA Management Board Members

Andrzej Tersa
President of the ENERGA SA Management Board

Seweryn Kędra
Vice-President of the ENERGA SA Management Board for Financial Matters

Jolanta Szydłowska
Vice-President of the ENERGA SA Management Board for Corporate Matters

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Glossary of terms and abbreviations

BASE	Contract for the supply of 1MWh during every hour of the day
Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and remnants of agricultural and forestry production, the industry processing their products, and also a portion of other biodegradable waste, and especially agricultural raw materials
CAPEX	Capital expenditures
Certificate of origin from co-generation	Document issued by the ERO President pursuant to art. 9l of the Energy Law confirming the generation of electricity in highly-efficient cogeneration generated in: (i) a cogeneration unit fired with gaseous fuels or with the total installed electrical capacity at source being under 1 MW (known as a yellow certificate), (ii) a cogeneration unit fired with methane released and drained in the course of underground mining activity in hard coal mines that are active, that are being shut down or that have been shut down or with gas obtained by processing biomass (known as a purple certificate), or (iii) some other cogeneration unit (known as a red certificate)
Certificate of origin from renewable energy sources, green certificate	Document issued by the ERO President pursuant to art. 9e of the Energy Law confirming the generation of electricity in a renewable energy source (known as a green certificate)
CIRS, CCIRS	Currency Interest Rate Swap, Cross-Currency Interest Rate Swap; Currency Interest Rate Swap transactions, as part of which payments will be made in two different currencies (CIRS) or more currencies (CCIRS) on the basis of variable interest rates for the set period of time and in the set frequency
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 may be deemed to be energy generated in a renewable energy source
Cogeneration, CHP	Technological process of simultaneous production of heat and electrical or mechanical energy in the course of the very same technological process
CO ₂	Carbon dioxide
DSO, Distribution System Operator	Utility dealing with the distribution of gaseous fuels or electricity, responsible for grid operation in the gaseous distribution system or in the electricity distribution system, the current and long-term operational safety of this system, the operation, maintenance, refurbishment and required expansion of the distribution grid, including connections with other gaseous systems or other electricity systems
EIB	European Investment Bank
EBITDA	ENERGA SA defines and calculates EBITDA as operating profit /(loss) (calculated as the net profit /(loss) on continuing operations for the financial period/year, adjusted by (i) income tax, (ii) the share of profit of the associate, (iii) financial income and (iv) financial costs) adjusted by depreciation (posted to profit and loss account). EBITDA has not been defined by IFRS and it should not be treated as an alternative for measures and categories consistent with IFRS. In addition, EBITDA does not have a single definition. The method of calculating EBITDA by other companies may significantly differ from the method in which ENERGA SA calculates it. As a result, EBITDA presented herein cannot be compared to EBITDA presented by other companies.
EBIT	Earnings before interest and taxes; Operating profit
EMTN	Program to issue Euro Medium Term Notes
ENERGA SA, ENERGA	Parent company in the ENERGA Group
ENERGA Capital Group, ENERGA Group, Group	Capital Group distributing, selling and generating electricity and heat energy. It also conducts activity related to street lighting, design, procurement of materials, grid-related services, specialized transport, hotel and IT services
ERO	Energy Regulatory Office
EUA	European Union Allowance; Emission allowances
EUR	Euro, currency used in countries belonging to the European Union's Eurozone
GDP	Gross Domestic Product
GUS	Główny Urząd Statystyczny (Central Statistical Office)
GW	Gigawatt, unit of power in the International System of Units, 1 GW = 109 W
GWe	Gigawatt of electrical power
GWh	Gigawatt hour
IRM	Stimulated Demand Reduction
IRS (Interest Rate Swap)	An interest rate swap agreement between two parties, under which the parties pay interest on the contractual nominal amount calculated according to a different interest rate.

KRS	National Court Register
kWh	Kilowatt hour, unit of electricity generated or used by equipment with 1 kW of power in an hour; 1 kWh = 3,600,000 J = 3.6 MJ
MW	Unit of power in the International System of Units, 1 MW = 106 W
MWe	Megawatt of electrical power
MWh	Megawatt hour
NBP	National Bank of Poland, central bank in Poland
NIB	Nordic Investment Bank
ORM	Operating reserve mechanism
OZEX_A	Volume-weighted average price using all transactions pertaining to the PMOZE_A contract on an exchange session
PLN	Polish zloty, national currency
PMI	Industrial economic activity index computed by Markit in cooperation with HSBC
PMOZE_A	Property rights to certificates of origin for electricity generated in RES whose period of generation, as specified in the certificate of origin, commenced after 1 March 2009
Polish Power Exchange, TGE	Polish Power Exchange S.A., a mercantile exchange on which commodities admitted to be traded on the exchange are traded, i.e. electricity, liquid and gaseous fuels, mine gas, pollution emission limits and property rights ensuing from certificates of origin whose price is directly or indirectly dependent on the price of electricity, liquid or gaseous fuels and the quantity of pollution emissions
Property rights	Negotiable rights constituting a commodity arising from certificates of origin for energy generated from renewable energy sources and 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 file number KRS 0000197596; company designated by ERO President decision No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 to be the electrical power transmission system operator in the Republic of Poland for the period from 1 January 2008 until 1 July 2014
Renewable Energy Sources, RES	Sources converting the energy of the wind, solar radiation, geothermal energy, waves, currents and marine tides, run of rivers and energy obtained from biomass, garbage dump biogas as well as biogas ensuing from waste removal or treatment processes or the degeneration of stored plant and animal remains to generate electricity.
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SFIO	Specialized Open-end Mutual Funds
SPOT	Day-Ahead Market (DAM) - energy market operating in the "day ahead" time interval (DA) providing for energy supply on day D
Tariff G	Tariff group for individual customers - households
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
Transmission System Operator, TSO	Utility dealing with the transmission of gaseous fuels or electrical energy, responsible for grid operation in the gaseous transmission system or in the electrical energy transmission system, the current and long-term operational safety of this system, the operation, maintenance, refurbishment and required expansion of the transmission grid, including connections with other gaseous systems or other electrical energy systems
TWh	Terawatt hour, a multiple unit of electricity in the International System of Units. 1 TWh is 109 kWh
UOKiK	Office of Competition and Consumer Protection
WACC	Weighted average cost of capital
WIBOR Warsaw Interbank Offered Rate	Warsaw Interbank Offered Rate
WF	Wind farm
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
WRA	Weighted Risk Assets
y/y	Year to year