



**Information  
to the Condensed  
Consolidated Report  
of the ENERGA  
Group**

**for 3 quarters of 2015**

Gdańsk, 16 November 2015

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# 1. SUMMARY OF Q3 2015



**ENERGA GROUP AFTER Q3 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 499 m**  
EBITDA

**PLN 168 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



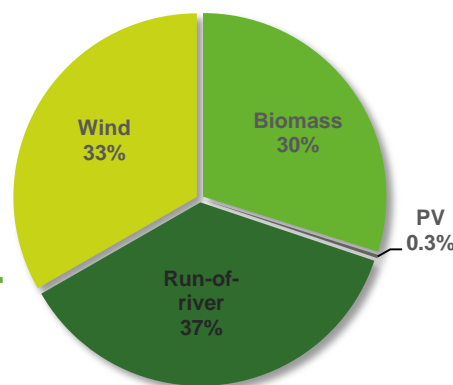
**8.4 thous.**  
employees



- Pumped-storage power plant
- CHP
- Photovoltaic farm
- System power plant
- Big hydro power plant
- Wind farm
- Headquarter ENERGA SA
- Electricity distribution area
- Electricity sales area

**RENEWABLE ENERGY SOURCES**

Installed capacity  
**556 MWe**



**ENERGA SA AT THE WSE**

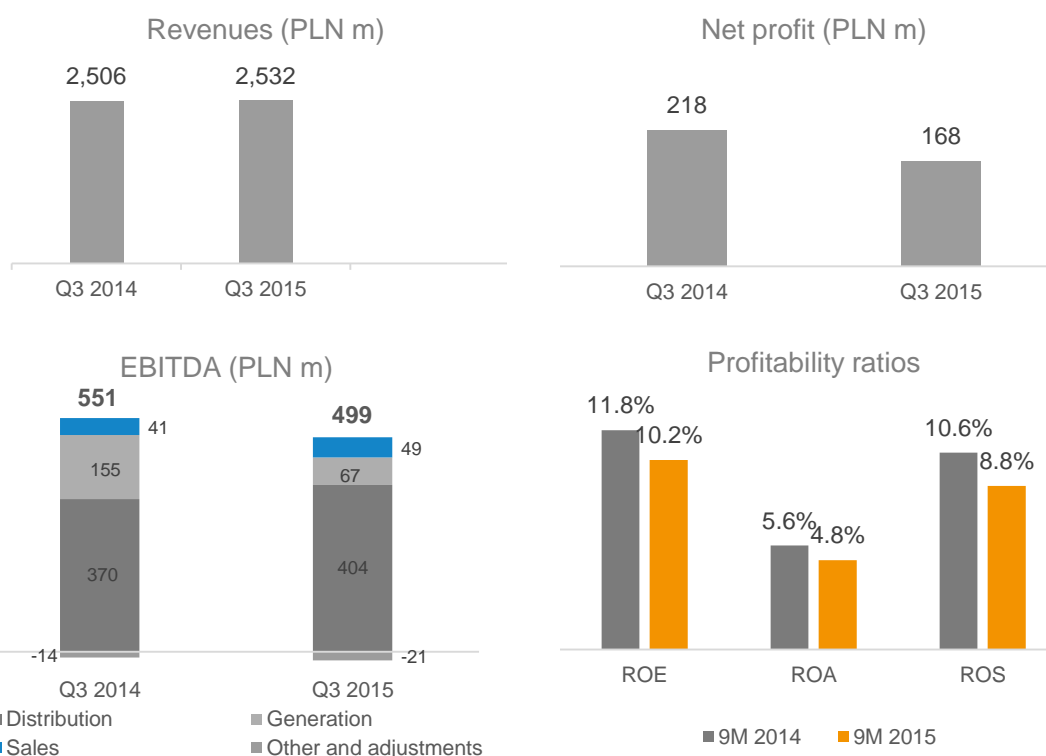
Market capitalization: PLN 6.98 bn\*  
Dividend of PLN 596 m, or PLN 1.44 per share. Dividend date set at 7 May and dividend payment date at 21 May 2015.  
Indices: WIG20, WIG30, MSCI Poland, WIG Energia, WIG, WIGdiv, FTSE All World, RESPECT Index.

\* According to the closing share price on 30 September 2015

OPERATIONAL  
DATA

	Q3 2014	Q3 2015
Volume of electricity supplied (GWh)	5,179	5,349
Gross electricity produced (GWh)	1,271	914
- incl. RES (GWh)	430	334
Electricity sold (GWh)	6,281	5,813

CONSOLIDATED  
FINANCIAL  
HIGHLIGHTS



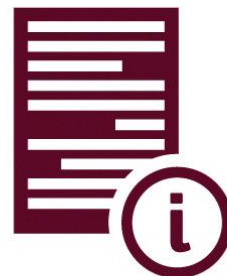
INVESTMENTS

### Investment projects in the ENERGA Group

In Q3 2015, the ENERGA Group executed investment projects worth PLN 378 m, of which almost **PLN 270 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.

As a result of these capital expenditures, in Q3 of this year **11.1 thousand new clients** were connected, **1,164 thousand km** of medium and low voltage lines were built and modernized and **188 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 supplementary capital: PLN 54,281,976.13 (8.3% of the net profit). 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 for Financial Matters, |
| Jolanta Szydłowska | – | Vice-President of the Management Board for Corporate Matters. |

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

#### Changes in the ENERGA SA Supervisory Board

On 29 July 2015 the Company received a resignation of Mr. Marian Gawrylczyk from his membership in the Company's Supervisory Board, effective as of 28 July 2015. This information was published by ENERGA SA in its current report no. 12/2015 of 29 July of the current year.

On 1 October, the State Treasury Minister presented a representation dismissing Mr. Jakub Żołyński from the Supervisory Board and appointing Mr. Waldemar Kamrat to the Company's Supervisory Board. This information was published in current reports nos. 14/2015 and 15/2015 of 1 October of this year.

On 9 November 2015 ENERGA SA received a resignation of Mr. Bogusław Nadolnik from his membership in the Company's Supervisory Board, effective as of the date of filing resignation (Current Report No. 19/2015).

On 12 November the State Treasury Minister presented a representations appointing Mr. Bogdan Skalski to the Company's Supervisory Board and pointing to Ms. Paula Ziemięcka-Księżak to hold the position of the Chairman of the Supervisory Board of the Company (Current Report No. 20/2015).

### **Changes in the ENERGA SA Management Board**

On 6 October, the ENERGA SA Supervisory Board adopted a resolution to delegate a Supervisory Board Member, Mr. Waldemar Kamrat, to temporarily discharge functions of the Company's Management Board Member responsible for coordinating the work on ENERGA Group's strategy and investments for a period of 3 months of the delegation date.

Mr. Waldemar Kamrat serves as the Vice-President of the Management Board for Strategy and Investments. This information was published on 6 October of this year in current reports nos. 16/2015 and 17/2015 of 7 October of this year.

At the same time, the ENERGA SA Supervisory Board initiated the procedure of recruitment for the position of Vice-President of the Management Board for Strategy and Investments

### **First negawatts acquired for PSE**

The ENERGA Group has used demand response 9 times to maintain the stability of the electrical power system. Enspirion, an ENERGA Group company, reduced electricity consumption by some of the clients upon request from Polskie Sieci Energetyczne (PSE).

The Stimulated Demand Reduction was executed by Enspirion under 132 negawatt agreements concluded with PSE this year and in the previous year. The reduction in demand had the nature of an intervention. Enspirion reduced 132 MW of demand for capacity in a 4-hour band, delivering on the contracted volume and confirming effectiveness of the Stimulated Demand Reduction process. At present, Stimulated Demand Reduction has no significant effect on the Group's results. Demand response management will contribute to the stability of the electrical power system, in which the importance of unstable RES generators continues to increase.

### **Other**

Additional details are provided in note 22 to the Consolidated financial statements: *Other information significantly affecting the assessment of assets, financial position and the financial result of the Group.*

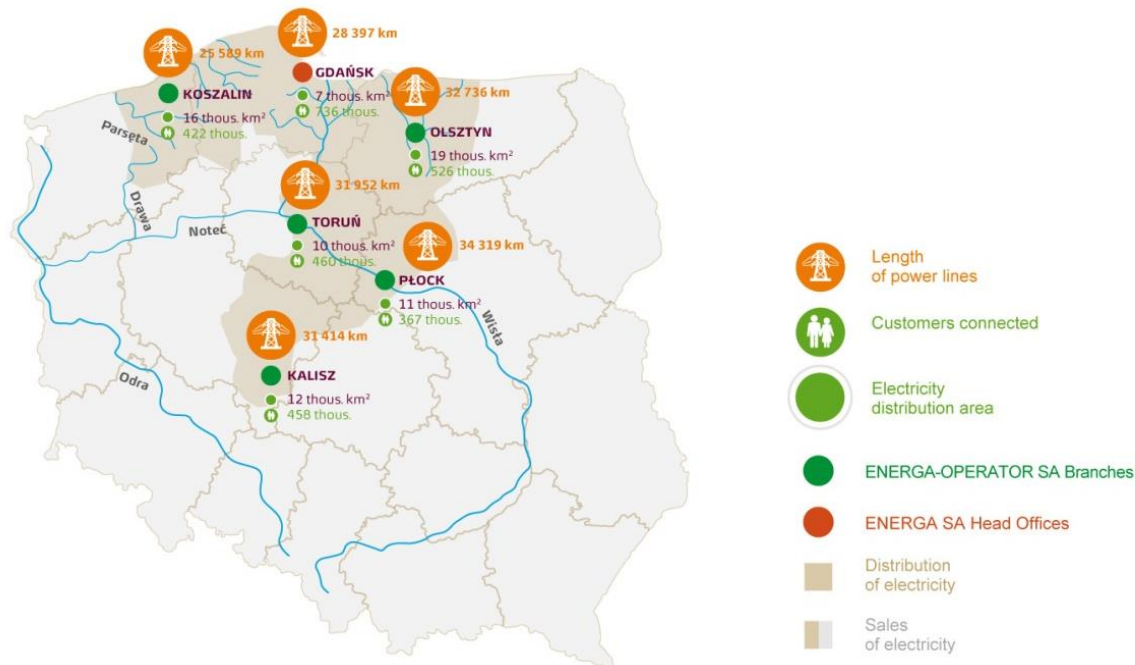
## **2.2. Activities of the ENERGA Group**

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

**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 181 thousand are TPA customers. A breakdown of ENERGA-

OPERATOR SA's customer by energy group is presented in the *Key operational data* section. The distribution grid consists of power lines with a total length of over 184 thousand km (as at 30 June of this year) and covers almost 75 thousand km<sup>2</sup>, i.e. about 24% of the country's landmass. ENERGA-OPERATOR SA acts as the Segment Leader.

Figure 1: Electricity distribution area served by ENERGA-OPERATOR SA

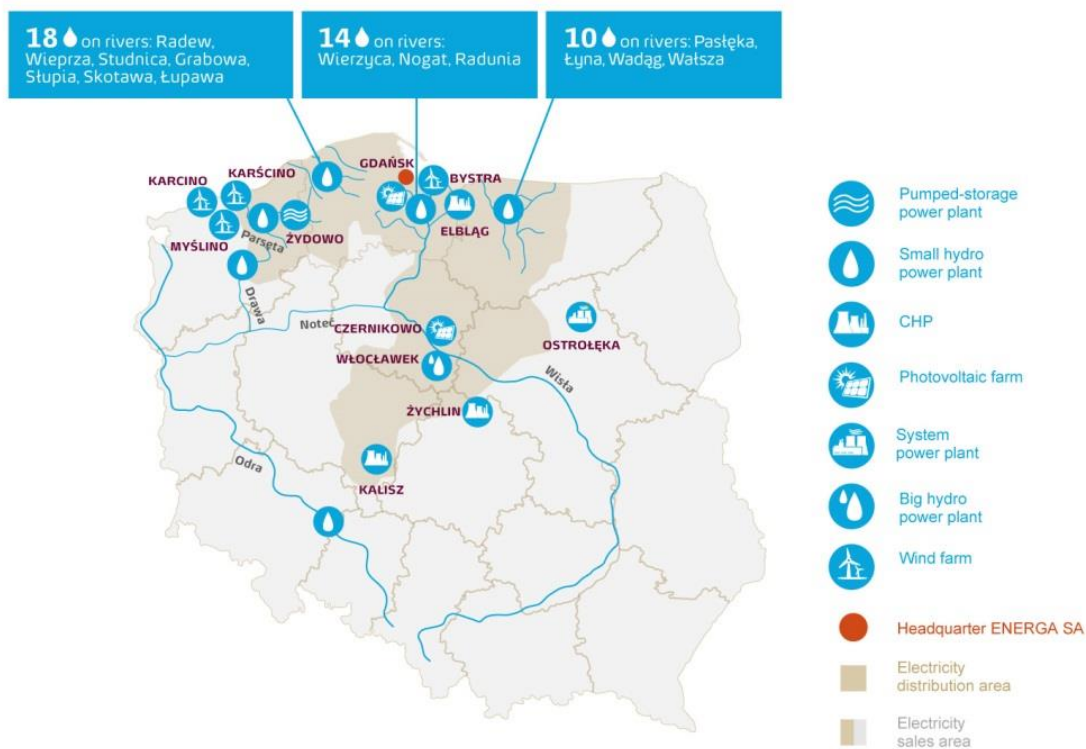


The **Generation Segment** consists of four business lines: The Ostrołęka Power Plant, Hydro, Wind and Other (including co-generation, i.e. CHP). At the end of Q3, the total installed capacity in the Group's power plants was approximately 1.4 GW.

In Q3 2015, the Group's gross production was 0.9 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 Q3 2015, 63% of the Group's gross electricity production originated from hard coal, 18% from biomass, 10% from hydro and 9% from wind. The Segment Leader is ENERGA Wytwarzanie SA.



Figure 2: 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 Q3 of this year, the Group had 0.56 GW installed capacity in renewable energy sources, in which the Group's gross electricity production reached 334 GWh.

The **Sales Segment** sells electricity as a separate product and in packages with other utilities and services to all types of customers from industry to big, medium-sized and small businesses to households. The leader in this Segment is ENERGA-OBRÓT SA. The biggest share in terms of volume goes to industrial customers, while households are the most numerous group of customers. At the end of Q3 2015, the ENERGA Group supplied 2.9 million customers, out of which 2.6 million were G tariff customers. Natural gas was sold to nearly 600 business customers.

Figure 3: Structure of ENERGA-OBRÓT's end buyers by customer type



The Sales Segment is focused on increasing efficiency of its sales activity and continues to grow its sales network, which included the following as at 30 September 2015:

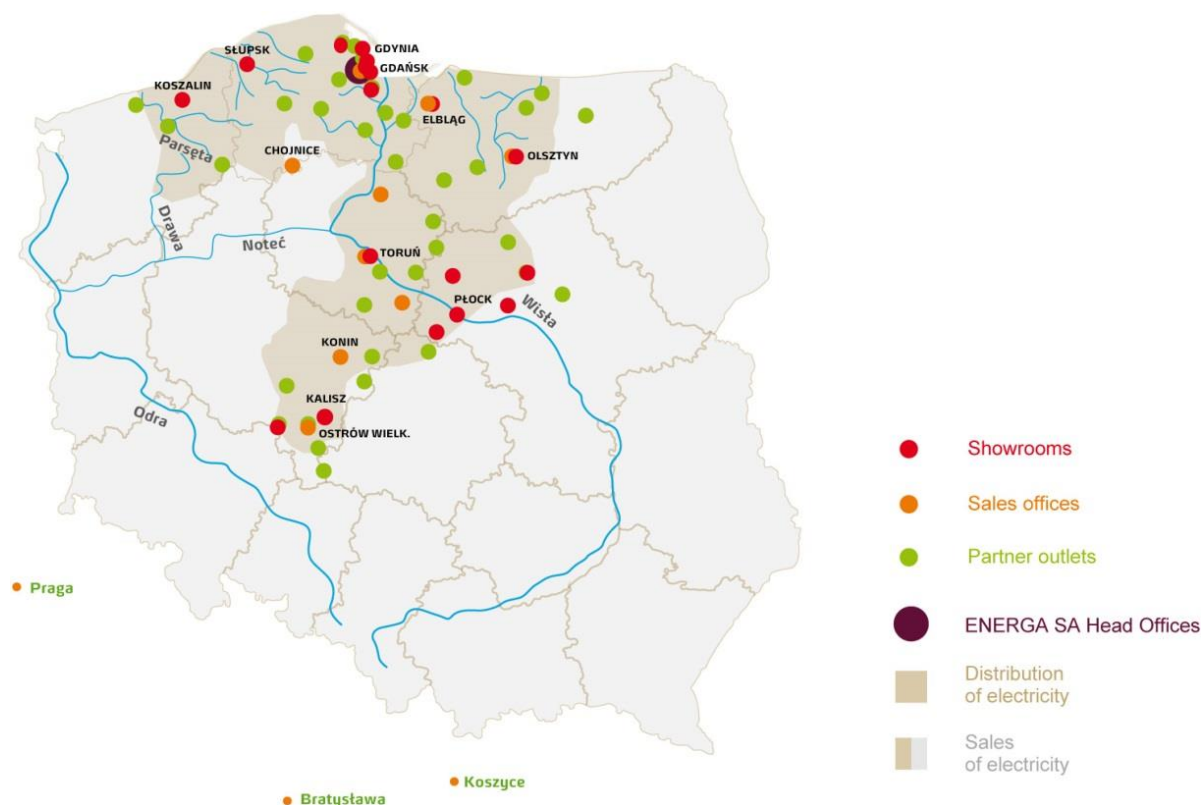
- 9 showrooms in cities with the largest concentration of ENERGA-OBRÓT customers;
- 9 sales points (retail islands) in shopping centers in selected cities of Poland;
- 42 partner outlets located in the operating area of the DSO ENERGA-OPERATOR;
- 568 certified salesmen focused on selling ENERGA's offering to clients throughout Poland;
- 409 telephone salesmen who became the key element of the Segment's entire sales network.

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, complaints), while the matters related to enforcement and settlement of electricity bills are handled by telephone and electronic Customer Service Center (BOK).

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.

Therefore, projects are being conducted to increase the appeal and expand the existing functionalities in these channels, including development of the on-line service channel, development of the contact centre or launch of the SMS balance service.

Figure 4: Location of ENERGA-OBRÓT SA's Showrooms and Partner Outlets



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

As at 30 September 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, while the Others segment is managed directly by ENERGA SA. The simplified structure of the ENERGA Group at the end of Q3 2015 is shown in the table below.

Figure 5: Composition of the ENERGA Group as at 30 September 2015

## STRUCTURE OF THE ENERGA CAPITAL GROUP

AS AT 30 SEPTEMBER 2015

 Direct subsidiary  
of ENERGA SA

 Indirect subsidiary  
of ENERGA SA

### ENERGA SA



All of the parent's subsidiaries are consolidated.

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) and 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 a decision was made to close the Project and thus end all the activities leading to the integration of those 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. was reduced from PLN 6,330,000 to PLN 137,500, i.e. by PLN 6,192,500.

In Q3 of this year, there were no new changes in the Group's structure.

## 2.4. Implementation of the investment program

During 3 quarters of 2015, the ENERGA Group executed investment projects worth PLN 996.8 m, of which PLN 719.2 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, the 26 MW Parsówek Wind Farm is under construction. The second half of October saw the completion of the Czernikowo photovoltaic plant (4 MW). Preparatory work is conducted in relation to the 30 MW Przykona Wind Farm project (the FID-ready stage is to be achieved by the end of 2015). Work related to the achievement of compliance of the Ostrołęka Power Plant with environmental requirements constitutes an important part of the Segment's capital expenditures.

Table 1: Implementation status of the investment program on 30 September 2015 and as at the date of preparing this Information

Description of the project	Location	Capital expenditures (PLN m)	Execution stage
<b>GENERATION SEGMENT</b>			
Construction of a heat source for the city of Ostrołęka. The installation was launched in April	Ostrołęka	34.0	Completed
Construction of a NOx emission reduction installation at the power plant. Construction work is in progress	Ostrołęka	32.2	In progress
Modernization of electrostatic precipitators for boilers at the Ostrołęka Power Plant B. Installation work is in progress	Ostrołęka	18.2	In progress
Overhaul of the power plant unit	Ostrołęka	15.9	In progress
Improvement of resource management. The capacity of the unit will increase along with the efficiency of generation	Ostrołęka	13.6	In progress

Construction of a 26 MWe wind farm. Construction work is in progress	Parsówek, Zachodniopomorskie Voivodship	29.7	In progress
Construction of a 20 MWe wind farm	Myślino, Zachodniopomorskie Voivodship	8.0	Completed
Construction of a photovoltaic power plant with the capacity of approx. 4 MWe under the Smart Toruń project.	Czernikowo Kujawsko-Pomorskie Voivodship	11.8	Completed
Preparation of a project to build a combined cycle power plant in Grudziądz and Gdańsk with the capacity of approx. 500 MWe.	Grudziądz, Gdańsk	12.3	In preparation
Modernization of CHP sources	Elbląg	10.8	In progress
Other projects and adjustments		58.7	

#### DISTRIBUTION SEGMENT

Grid development related to connection of new customers.	Distribution areas	272.5	In progress continuously
Grid development and modernization related to connection of RES plants.	Distribution areas	22.8	In progress continuously
Distribution grid modernization to improve reliability of supply.	Distribution areas	256.6	In progress continuously
Smart meters and other elements implementing the smart grid concept, including AMI.	Distribution areas	97.6	In progress continuously
Other capital expenditures.	Distribution areas and Distribution Segment companies	69.7	In progress continuously

## 2.5. Research and development

The key research and development projects executed in the Energa Group included: Energa Living Lab, e-mobility and the Pilot ORC Cogeneration Unit.

### Energa Living Lab

The essence of the Energa Living Lab project implemented by Enspirion is to demonstrate the effectiveness and to popularize demand response tools, using the formula of tests in a live laboratory consisting of 300 households in Gdynia. The project is co-financed by the European Commission (50%) and the National Fund for Environmental Protection and Water Management (45%) within the LIFE+ Instrument. The project has been nominated to Eurosymbol 2015 awards (category: innovation) and to the Polish Innovation Award (Polska Nagroda Innowacyjności).

### eMobility

Construction of the pilot chain of electric car charging stations has been completed within the framework of the eMobility project conducted by the ENERGA Group to gather information on and examine the use of electric cars by Gdańsk, Gdynia and Sopot residents. There are five publicly available electric car charging stations run by the ENERGA Group in the Tri-City. The analytical work and behavioral studies of the users are conducted.

## Pilot ORC Cogeneration Unit

In Q3 2015, ENERGA SA continued to implement the project involving the construction of a Pilot Cogeneration Unit with an ORS Turbine and a biomass boiler located in the heating plant in Żychlin and owned by ENERGA Kogeneracja Sp. z o.o. Pursuant to the agreement of 28 October 2013, ENERGA contracted the design and execution of the Pilot Cogeneration Unit to a consortium of two companies: ENERGA Serwis Sp. z o.o. and SUGIMAT Sociedad Limitada with its registered office in Spain. Currently, the biomass unit and the ORC turbine are undergoing tests. The commissioning of a 1.2 MW power unit in Żychlin (as part of the project) is planned for Q4 of this year. This task has been carried out under a research project agreement executed in 2009 by a consortium consisting of: ENERGA SA, the Szewalski Institute of Fluid-Flow Machinery of the Polish Academy of Sciences in Gdańsk and the National Centre for Research and Development in Warsaw.

## 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* to 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, ENERGA purchased bonds issued by Group companies during the 3 quarters of 2015. 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 September 2015.

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

No.	Company name	Nominal value of subscribed bonds (PLN 000s)
1.	ENERGA-OPERATOR SA	3,592,658
2.	ENERGA Wytwarzanie SA	1,193,000
3.	ENERGA Kogeneracja Sp. z o.o.	71,559
4.	ENERGA Elektrownie Ostrołęka SA	144,000
5.	ENERGA-OBROT SA	180,000
	<b>Total</b>	<b>5,181,217</b>

## Guarantees and sureties given

Table 3: Information on sureties and guarantees extended by ENERGA SA as at 30 September 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 September 2015 (PLN 000s)	Purpose of the amounts
1	2012-11-15	2024-12-31	ENERGA Finance AB	bondholders	surety agreement <sup>/1</sup>	5,298,250	2,096,908	Eurobond issue program under the EMTN program
2	2011-11-08	2016-10-31	ENERGA-OPERATOR Logistyka Sp. z o.o.	PKO BP SA	surety - agreement to extend a guarantee	483	483	bank guarantee
3	2012-03-19	2017-03-29	ENERGA Elektrownie Ostrołęka SA	PKO BP SA	surety - agreement to extend a guarantee	200	200	bank guarantee
4	2012-12-17	2017-09-30	ENERGA Invest SA	PKO BP SA	surety - agreement to extend a guarantee	3,500	3,172	bank guarantee
5	2015-04-03	2019-05-02	ENERGA Invest SA	PKO BP SA	surety - agreement to extend a guarantee	89,408	89,392	bank guarantee
6	2013-04-22	2017-09-19	ENERGA Wytwarzanie SA	PKO BP SA	surety - 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	surety - agreement to extend a guarantee	6,300	6,254	bank guarantee
8	2014-01-14	2017-12-12	ENERGA Wytwarzanie SA	PKO BP SA	surety - agreement to extend a guarantee	218	0	bank guarantee
9	2014-03-20	2018-04-24	ENERGA Wytwarzanie SA	PKO BP SA	surety - agreement to extend a guarantee	1,049	852	bank guarantee
10	2014-05-15	2017-10-28	ENERGA Informatyka i Technologie Sp. z o.o.	PKO BP SA	surety - 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	7,066	Loan
12	2015-01-30	2019-02-10	ENERGA Serwis Sp. z o.o.	PKO BP SA	surety - agreement to extend a guarantee	3,000	378	bank guarantee



13	2015- 03-20	2019- 01-05	ENERGETYKA KALISKA- USŁUGI TECHNICZNE Sp. z o.o.	PKO BP SA	surety - agreement to extend a guarantee	5,000	1,496	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 Specjalistyczn ego Sp. z o.o.	PKO BP SA	surety - agreement to extend a guarantee	3,250	39	bank guarantee
<b>Total</b>						<b>5,333,606</b>	<b>2,105,913</b>	

\* 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. Term of the limit: by 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 9 months ended 30 September 2015.

## 2.7. Risk management

### Finance area

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.

In connection with implementation of hedge accounting, the ENERGA Group also identifies 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 RAB, which is included in the tariffs of ENERGA-OPERATOR SA. Low interest rates result in a lower return on RAB and an increase in actuarial provisions.

### **Foreign exchange risk**

In the financial 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 SA, 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 September 2015, ENERGA Group companies were parties to 5,597 court proceedings. Group companies acted as plaintiffs in 3,888 cases with the aggregated value of the disputed matters of approx. PLN 164 m. Group companies acted as defendants in 1,680 cases with the aggregated value of the disputed matters of approx. PLN 397 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 12.3 m in 2,086 cases. There were 2,582 pending court cases and the value of the disputed matters in such pending cases was PLN 294,558 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 63.3 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 September 2015 was about PLN 115 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 SA, 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 but the Company expects that the plaintiff may file a cassation appeal. On 21 September 2015, in the case of Ergo Energa Sp. z o.o. against ENERGA-OBRÓT SA, the Court deferred the hearing of the case until 10 November 2015.

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 SA 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 plaintiff filed a cassation appeal; the judgment in the case handed by the Appellate Court is effective but if the appeal is accepted, the Supreme Court may change the judgment or remand the case to be re-examined. Out-of-court negotiations are conducted between the parties; the initial results indicate that the cassation appeal may be withdrawn by the plaintiff. 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**

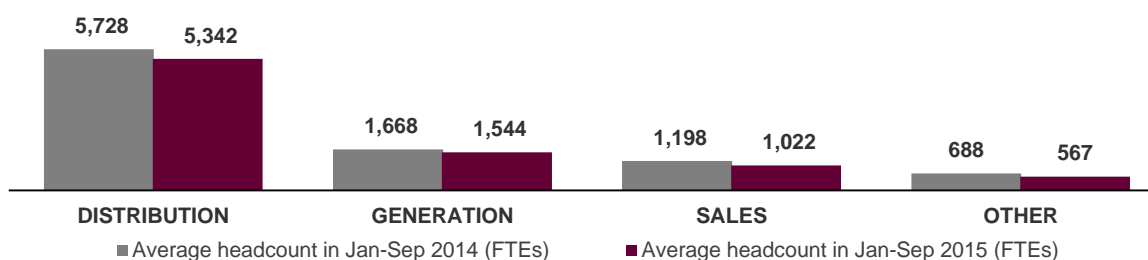
### **Headcount in the ENERGA Group**

As at 30 September 2015, total headcount in the ENERGA Group was 8,434, compared to 8,921 at the end of Q3 of the previous year.

In the third quarter of the year, the headcount fell by 36 persons (i.e. by 0.4%). The largest decline occurred in the Distribution Segment, mainly under individual departure programs initiated by employees.

The average headcount (FTEs) in the ENERGA Group in the January-September 2015 period was 8,475 FTEs, compared to 9,282 FTEs in the corresponding period of the previous year. The chart below presents the average headcount by segment.

Figure 6: Average headcount in the ENERGA Group, 1 January to 30 September 2014 and 2015



## 2.10. Collective disputes

Table 4: Collective disputes in the Group

### Disputes ended with an agreement in the 9 months of 2015 and as at the date of preparing this Information

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 ended on 4 February of this year by signing an Agreement.

On 29 January of this year, 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 of this year.

By 30 September 2015, sixteen Group Employers, including ENERGA OBRÓT SA, ENERGA Kogeneracja Sp. z o.o and most of the employers in the Distribution Segment, including ENERGA-OPERATOR SA, ended the collective disputed launched by the trade unions in the first half of 2015 by entering into collective bargaining agreements, in respect to all the demands reported by the Employers to the National Labour Inspectorate.

### 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.

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 7 September, ENERGA SA and the Trade Unions operating in ENERGA SA, following the negotiations, entered into a Collective Bargaining Agreement with regard to an increase of salaries paid by the employer. The agreement ended the collective dispute conducted with the trade unions in the part concerning salary demands. The dispute is continued with respect to the demand to guarantee rights to all the employees at a level no lower than laid down in the industry's collective bargaining agreement.

The employers 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.

On 15 August 2015, the employers, ENERGA Centrum Usług Wspólnych Sp. z o.o. and ENERGA Informatyka i Technologie Sp. z o.o. signed the discrepancy report and thus ended the negotiation stage of the collective disputes launched by Trade Unions operating in their companies on 12 June of this year. The disputes are currently at the mediation stage.

The employer ENERGA-OPERATOR Techniczna Obsługa Odbiorców Sp. z o.o. is a party to a collective dispute launched by the action by the Trade Unions. The collective demands of 29 April of this year include assurance that the procedures guaranteeing OHS standard would be unified for all the entities providing services to the Employer regardless of the legal basis under which they are provided and were implemented solely in consultation with the relevant OHS services and the trade unions and that one-sided changes in this area, which serve the single purpose of cost optimization and marginalization of OHS, are abandoned. The dispute has been reported by the Employer to the Regional Labour Inspectorate.

The employers ENERGA-OPERATOR SA Eksploatacja Płock Sp. z o.o. and ENERGA-OPERATOR SA Eksploatacja Elbląg Sp. z o.o. are parties to a pending dispute launched by the action by the trade unions. 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,

On 21 July 2015, the employers concluded a Collective Agreement with the trade unions ending the collective dispute in the part concerning the increase in salaries. Since the employers have reported all the demands submitted by the trade unions to the Regional Labour Inspectorate, the dispute is continued in respect to the remaining demands.

# Analysis of the financial situation and assets



## 3. ANALYSIS OF THE FINANCIAL STANDING AND ASSETS

### 3.1. Rules for preparing the interim condensed consolidated financial statements

The Condensed Interim Consolidated Financial Statements of the ENERGA SA Group for the nine-month period ended 30 September 2015 were prepared:

- in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union;
- on 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 interim condensed consolidated financial statements are presented in Note 7 to the condensed interim consolidated financial statements of the ENERGA SA Group consistent with IAS 34 for the 9 months ended 30 September 2015.

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

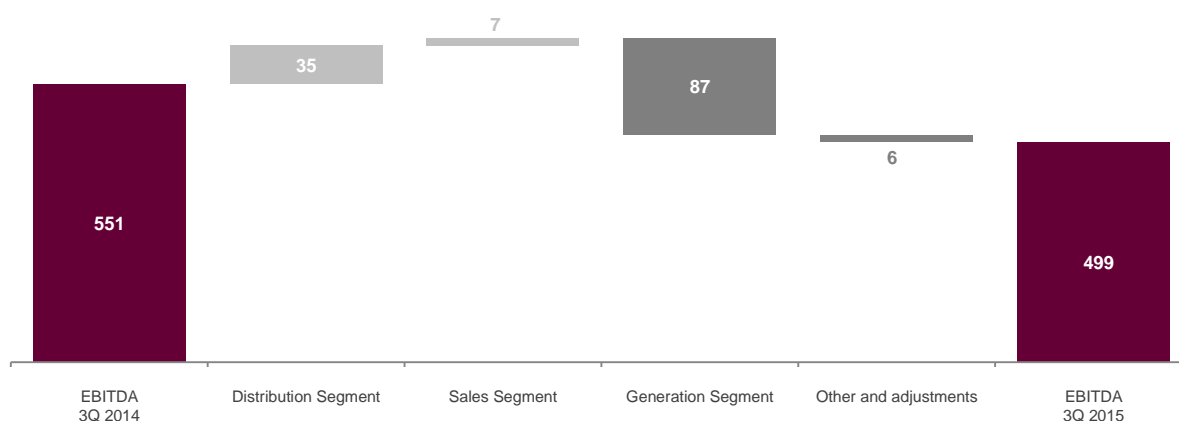
Table 5: Consolidated statement of profit or loss

PLN 000s	Q3 2014	Q3 2015	Change	Change (%)
<b>Sales revenues</b>	<b>2,505,776</b>	<b>2,531,832</b>	<b>26,056</b>	<b>1%</b>
Cost of sales	(2,049,815)	(2,086,255)	(36,440)	-2%
<b>Gross profit on sales</b>	<b>455,961</b>	<b>445,577</b>	<b>(10,384)</b>	<b>-2%</b>
Other operating income	47,553	16,601	(30,952)	-65%
Selling and distribution expenses	(75,123)	(82,134)	(7,011)	-9%
General and administrative expenses	(79,948)	(80,102)	(154)	0%
Other operating expenses	(14,300)	(27,975)	(13,675)	-96%
<b>Operating profit</b>	<b>334,143</b>	<b>271,967</b>	<b>(62,176)</b>	<b>-19%</b>
Result on financial activity	(52,204)	(59,156)	(6,952)	-13%
Share of profit (loss) of associates	-	-	-	0%
<b>Profit before tax</b>	<b>281,939</b>	<b>212,811</b>	<b>(69,128)</b>	<b>-25%</b>
Income tax	(64,353)	(44,494)	19,859	31%
Discontinued operations and non-current assets classified as held for sale	681	-	(681)	-100%
<b>Net profit for the period</b>	<b>218,267</b>	<b>168,317</b>	<b>(49,950)</b>	<b>-23%</b>
<b>EBITDA</b>	<b>551,173</b>	<b>499,369</b>	<b>(51,804)</b>	<b>-9%</b>



PLN 000s	9 months of 2014	9 months of 2015	Change	Change (%)
<b>Sales revenues</b>	<b>7,792,282</b>	<b>7,956,922</b>	<b>164,640</b>	<b>2%</b>
Cost of sales	(6,182,148)	(6,411,720)	(229,572)	-4%
<b>Gross profit on sales</b>	<b>1,610,134</b>	<b>1,545,202</b>	<b>(64,932)</b>	<b>-4%</b>
Other operating income	112,068	60,764	(51,304)	-46%
Selling and distribution expenses	(196,949)	(237,534)	(40,585)	-21%
General and administrative expenses	(256,911)	(245,960)	10,951	4%
Other operating expenses	(76,525)	(85,675)	(9,150)	-12%
<b>Operating profit</b>	<b>1,191,817</b>	<b>1,036,797</b>	<b>(155,020)</b>	<b>-13%</b>
Result on financial activity	(151,991)	(166,852)	(14,861)	-10%
Share of profit (loss) of associates	(157)	-	157	100%
<b>Profit before tax</b>	<b>1,039,669</b>	<b>869,945</b>	<b>(169,724)</b>	<b>-16%</b>
Income tax	(212,460)	(166,988)	45,472	21%
Discontinued operations and non-current assets classified as held for sale	(2,466)	-	2,466	100%
<b>Net profit for the period</b>	<b>824,743</b>	<b>702,957</b>	<b>(121,786)</b>	<b>-15%</b>
<b>EBITDA</b>	<b>1,832,482</b>	<b>1,714,989</b>	<b>(117,493)</b>	<b>-6%</b>

Figure 7: EBITDA bridge, by segment (PLN m)



In Q3 2015 the Group's sales revenues amounted to PLN 2,532 m and were at a similar level to the same period last year. There was a substantial decline in revenues in the Generation Segment (-29%, i.e. PLN 123 m). The 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 125 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. The event that partially offset the above was the reversal of the impairment of the property rights inventory to the higher market price of 29 September 2015 as compared to the price at mid-year 2015.

The Generation Segment's diminished revenues were partially offset by higher sales in the Distribution Segment by 9%, i.e. PLN 85 m - the increase in the average distribution rate (by 2%) and the higher volume of distributed electricity (by over 3%) exerted a positive influence.

In Q3 of the current year, the Group's EBITDA was PLN 499 m, down by 9% compared to the same period of the previous year. The negative change in the EBITDA of the Generation Segment by PLN 87 m (57%) yoy was the primary contributor to this decline. Positive contributors to EBITDA included primarily the Distribution Segment (contribution increased by PLN 35 m or 9% yoy) and the Sales Segment (where contribution increased by PLN 7 m or 18% yoy).

The Distribution Segment contributed the most to the Group's EBITDA in Q3 2015 (81%), while the Generation Segment accounted for 13% and the Sales Segment accounted for 10% (the aggregation of percentages must also include the Other and Adjustments item).

The operating profit in Q3 of this year fell by 19% or PLN 62 m compared to Q3 of the previous year. In addition to the factors described above in the analysis of revenues, the yoy decline in EBIT was driven also by higher network losses in the Distribution Segment, partially offset by the lower unit cost of fuel consumption in the Generation Segment. In Q3 2014, there was a significant non-recurring event in the Sales Segment, i.e. restructuring provisions for one of the Segment's companies were reversed, which increased the operating profit by PLN 17 m. Absence of similar occurrences in Q3 2015 had a negative effect on the yoy EBIT change.

The Group's net result in Q3 2015 was PLN 168 m, down 23% from Q3 2014.

The Group's EBITDA results are presented below adjusted for the impact of non-recurring events, by Segments, in Q3 2015 and in the same period of the previous year and 9 months of 2015 and 9 months of 2014.

The impact of non-recurring events in Q3 2015 and 2014 was not significant. The most significant change (PLN 15 m) affected the surplus of headcount restructuring income/expenses. The item "Surplus of headcount restructuring (income)/expenses" presents the impact of reversal of actuarial provisions, change in the balance of headcount restructuring provisions and payment of severance awards not covered by that provision.

Table 6: EBITDA adjusted for material non-recurring events

9 months of 2015 (PLN 000s)	Distribution	Sales	Generation	Other and adjustments	All operations
<b>EBITDA</b>	<b>1,337,923</b>	<b>115,690</b>	<b>294,664</b>	<b>(33,288)</b>	<b>1,714,989</b>
Impairment losses on property, plant and equipment and intangible assets	(19)	-	11,369	-	11,350
Surplus of headcount restructuring (income)/expenses	5,863	(3,177)	(3,866)	(143)	(1,323)
Gains from bargain purchases arising from the acquisition of related companies	-	-	-	-	-
Recognition / (reversal) of additional provision for CO <sub>2</sub> emissions pertaining to free allowances that were not received	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>1,343,767</b>	<b>112,513</b>	<b>302,167</b>	<b>(33,431)</b>	<b>1,725,016</b>
	-	-	-	-	-

9 months of 2014 (PLN 000s)	Distribution	Sales	Generation	Other and adjustments	All operations
<b>EBITDA</b>	<b>1,163,339</b>	<b>148,558</b>	<b>528,104</b>	<b>(7,519)</b>	<b>1,832,482</b>
Impairment losses on property, plant and equipment and intangible assets	-	-	10,449	632	11,081
Surplus of headcount restructuring (income)/expenses	5,825	(26,615)	5,588	5,123	(10,079)
Gains from bargain purchases arising from the acquisition of related companies	-	-	-	(943)	(943)
Recognition / (reversal) of additional provision for CO <sub>2</sub> emissions pertaining to free allowances that were not received	-	-	(35,800)	-	(35,800)
<b>Adjusted EBITDA</b>	<b>1,169,164</b>	<b>121,943</b>	<b>508,341</b>	<b>(2,707)</b>	<b>1,796,741</b>

Q3 2015 (PLN 000s)	Distribution	Sales	Generation	Other and adjustments	All operations
<b>EBITDA</b>	<b>404,302</b>	<b>48,709</b>	<b>67,147</b>	<b>(20,789)</b>	<b>499,369</b>
Impairment losses on property, plant and equipment and intangible assets	-	-	(3)	-	(3)
Surplus of headcount restructuring (income)/expenses	(464)	(26)	(2,877)	(36)	(3,403)
Gains from bargain purchases arising from the acquisition of related companies	-	-	-	-	-
Recognition / (reversal) of additional provision for CO <sub>2</sub> emissions pertaining to free allowances that were not received	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>403,838</b>	<b>48,683</b>	<b>64,267</b>	<b>(20,825)</b>	<b>495,963</b>

Q3 2014 (PLN 000s)	Distribution	Sales	Generation	Other and adjustments	All operations
<b>EBITDA</b>	<b>369,565</b>	<b>41,380</b>	<b>154,614</b>	<b>(14,386)</b>	<b>551,173</b>
Impairment losses on property, plant and equipment and intangible assets	-	-	(45)	(1,141)	(1,186)
Surplus of headcount restructuring (income)/expenses	(1,414)	(16,624)	(3,491)	3,536	(17,993)
Gains from bargain purchases arising from the acquisition of related companies	-	-	-	(943)	(943)
Recognition / (reversal) of additional provision for CO <sub>2</sub> emissions pertaining to free allowances that were not received	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>368,151</b>	<b>24,756</b>	<b>151,078</b>	<b>(12,934)</b>	<b>531,051</b>

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 September 2015	Change	Change (%)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	12,315,221	12,622,581	307,360	2%
Investment property	40,408	41,612	1,204	3%
Intangible assets	393,079	374,275	(18,804)	-5%
Goodwill	143,058	143,058	-	0%
Deferred tax assets	245,591	287,055	41,464	17%
Derivative financial instruments	28,662	57,003	28,341	99%
Other non-current financial assets	20,327	19,642	(685)	-3%
Other non-current assets	55,110	78,467	23,357	42%
	<b>13,241,456</b>	<b>13,623,693</b>	<b>382,237</b>	<b>3%</b>
<b>Current assets</b>				
Inventories	295,741	668,976	373,235	>100%
Current tax receivables	76,090	7,259	(68,831)	-90%
Trade receivables	1,550,754	1,614,653	63,899	4%
Investments in the financial assets portfolio	763,760	530,304	(233,456)	-31%
Interest and shares	-	262	262	100%
Deposits	42	3,000	2,958	>100%
Other current financial assets	22,364	51,379	29,015	130%
Cash and cash equivalents	1,931,638	1,558,985	(372,653)	-19%
Other current assets	208,201	238,421	30,220	15%
Assets classified as held for sale	26,632	-	(26,632)	-100%
	<b>4,875,222</b>	<b>4,673,239</b>	<b>(201,983)</b>	<b>-4%</b>
<b>TOTAL ASSETS</b>	<b>18,116,678</b>	<b>18,296,932</b>	<b>180,254</b>	<b>1%</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	4,521,613	4,521,613	-	0%
Exchange differences resulting from conversion of a foreign entity	417	(145)	(562)	>-100%
Reserve capital	447,192	447,192	-	0%
Supplementary capital	606,472	660,754	54,282	9%
Cash flow hedge reserve	(16,932)	17,089	34,021	>100%
Retained earnings	2,956,946	3,009,894	52,948	2%
<b>Equity attributable to equity holders of the Parent Company</b>	<b>8,515,708</b>	<b>8,656,397</b>	<b>140,689</b>	<b>2%</b>

<b>Non-controlling interest</b>	<b>37,851</b>	<b>43,698</b>	<b>5,847</b>	<b>15%</b>
	<b>8,553,559</b>	<b>8,700,095</b>	<b>146,536</b>	<b>2%</b>
<b>Non-current liabilities</b>				
Loans and borrowings	2,389,554	2,516,955	127,401	5%
Bonds issued	3,116,835	3,105,065	(11,770)	0%
Non-current provisions	631,716	639,160	7,444	1%
Deferred tax liabilities	553,387	572,859	19,472	4%
Deferred income and non-current grants	525,824	525,848	24	0%
Derivative financial instruments	22,748	12,645	(10,103)	-44%
Other non-current financial liabilities	8,539	6,943	(1,596)	-19%
Other non-current liabilities	1,186	14	(1,172)	-99%
	<b>7,249,789</b>	<b>7,379,489</b>	<b>129,700</b>	<b>2%</b>
<b>Current liabilities</b>				
Trade liabilities	869,106	681,864	(187,242)	-22%
Current loans and borrowings	170,568	249,213	78,645	46%
Bonds issued	71,540	56,497	(15,043)	-21%
Current income tax liability	50,432	29,938	(20,494)	-41%
Deferred income and government grants	36,965	38,651	1,686	5%
Accruals	120,594	90,962	(29,632)	-25%
Short-term provisions	373,995	671,863	297,868	80%
Other financial liabilities	228,910	109,200	(119,710)	-52%
Other current liabilities	362,314	289,160	(73,154)	-20%
Liabilities related to assets classified as held for sale	28,906	-	(28,906)	-100%
	<b>2,313,330</b>	<b>2,217,348</b>	<b>(95,982)</b>	<b>-4%</b>
<b>Total liabilities</b>	<b>9,563,119</b>	<b>9,596,837</b>	<b>33,718</b>	<b>0%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,116,678</b>	<b>18,296,932</b>	<b>180,254</b>	<b>1%</b>

As at 30 September 2015, the ENERGA Group's total assets were PLN 18,297 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 307 m mostly concerned capital expenditures less amortization and depreciation: 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). In current assets the most significant changes concern the following items in particular: inventories (up PLN 373 m, chiefly certificates of origin of energy from RES), investments in the financial assets portfolio

(down by PLN 233 m); this item presents participation units in the ENERGA Trading fund) and cash (down by PLN 373 m).

At the liabilities side, a significant change occurred in loan and borrowing liabilities, which went up by PLN 206 m (8%) 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 305 m, i.e. 30%) as a result of the recognition of a provision for obligatory redemption of certificates.

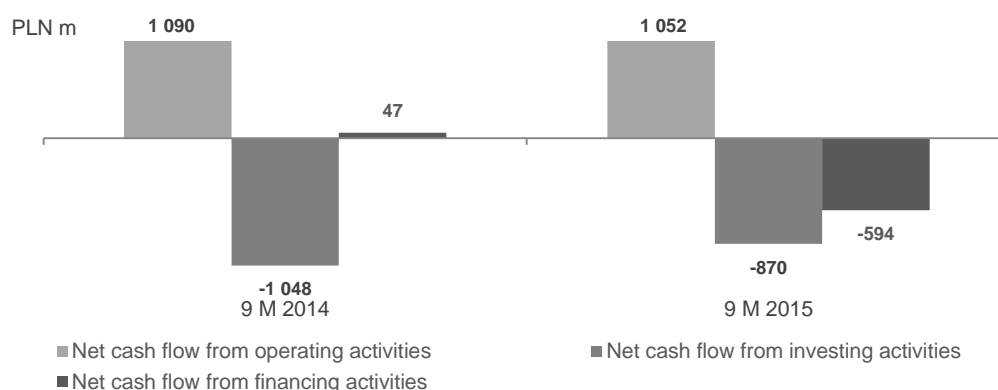
Also in the liabilities area, in the period under analysis, other financial liabilities decreased (PLN 121 m, or 51%), mainly due to repayment of liabilities for the acquisition of property, plant and equipment and intangible assets) and trade liabilities (PLN 187 m, i.e. 22%).

The ENERGA Group's equity as at 30 September 2015 was PLN 8,700 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 increased by PLN 34 m. As at 30 September 2015, equity covered 47.5% of the Group's assets.

Table 8: Consolidated statement of cash flows

PLN 000s	9 months of 2014	9 months of 2015	Change	Change (%)
Net cash flow from operating activities	1,090,201	1,051,968	(38,233)	-4%
Net cash flow from investing activities	(1,048,317)	(870,348)	177,969	17%
Net cash flow from financing activities	46,994	(594,018)	(641,012)	>-100%
Net increase / (decrease) in cash	88,878	(412,398)	(501,276)	>-100%
Cash and cash equivalents at the end of the period	1,872,342	1,498,423	(373,919)	-20%

Figure 8: Group's cash flows for 9 months of 2015 and 2014 (PLN m)



As at 30 September 2015, the balance of the Group's cash was PLN 1,498 m and was PLN 374 m (or 20%) less than the cash balance one year earlier.

The total net cash flows from the Group's operating, investing and financing activities in 3 quarters 2015 were negative at PLN 412 m, compared to the positive cash flows of PLN 89 m in the same period of the previous year.

Cash flow from operating activities decreased by PLN 38 m (4%) compared to the previous year. The increase in cash flows from operating activities compared to 3 quarters of 2014 was driven mainly by a decline in pre-tax profit, which was partially offset by changes in working capital coupled with a simultaneous increase in amortization and depreciation expenses and in net interest.

Net cash flows from investing activities in 3 quarters of 2015 surged up by PLN 178 m (17%), which was mostly caused by higher net cash flows related to investing assets in participation units in the ENERGA Trading 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 594 m, or PLN 641 m less than in 3 quarters of 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, the dividend paid out in 2015 was PLN 182 m higher 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 September 2015
<b>ASSETS</b>		
Non-current assets	73.1%	74.5%
Current assets	26.9%	25.5%
<b>TOTAL ASSETS</b>	100.0%	100.0%
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to equity holders of the Parent Company	47.0%	47.3%
Non-controlling interest	0.2%	0.2%
<b>Total equity</b>	47.2%	47.5%
Non-current liabilities	40.0%	40.3%
Current liabilities	12.8%	12.1%
<b>Total liabilities</b>	52.8%	52.5%
<b>TOTAL EQUITY AND LIABILITIES</b>	100.0%	100.0%

Figure 9: Asset and liability structure

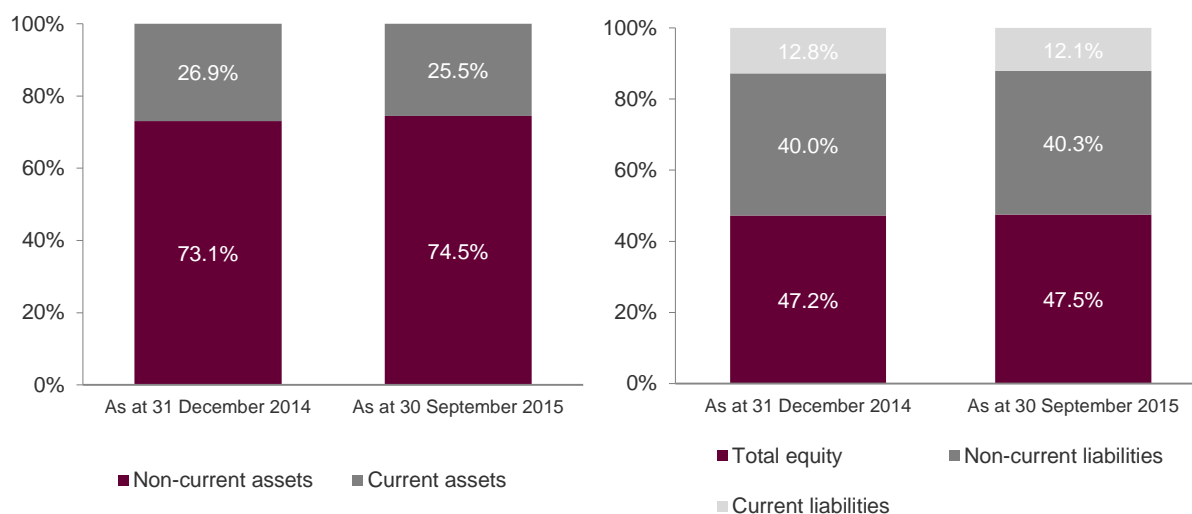


Table 10: Financial ratios of the ENERGA Group

Ratio	Definition	9 months of 2014	9 months of 2015
<b>Profitability</b>			
EBITDA margin	operating result + amortization and depreciation / sales revenues	23.5%	21.6%
return on equity (ROE)	net profit for the period* / equity at the end of the period	11.8%	10.2%
return on sales (ROS)	net profit for the period / sales revenues	10.6%	8.8%
return on assets (ROA)	net profit for the period* / total assets at the end of the period	5.6%	4.8%

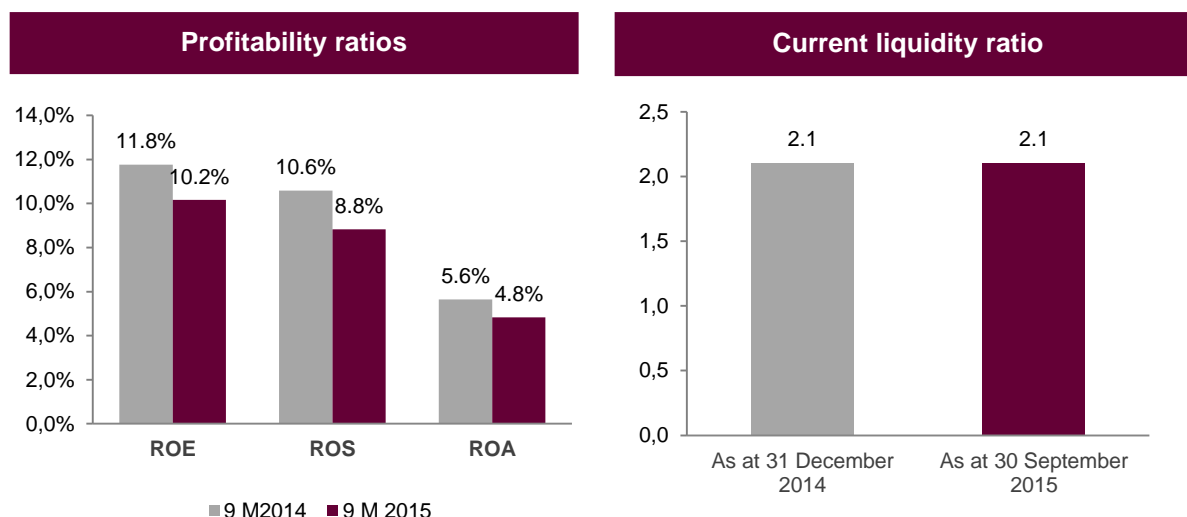
\* net profit for the last 12 months

Ratio	Definition	Balance as at 31 December 2014	Balance as at 30 September 2015
<b>Liquidity</b>			
current liquidity ratio	current assets / current liabilities	2.1	2.1
<b>Indebtedness</b>			
financial liabilities (PLN m)	sum of liabilities under loans and borrowings and under long- and short-term debt securities	5,748	5,928
net financial liabilities (PLN m)	financial liabilities - cash and cash equivalents	3,817	4,369
net debt / EBITDA ratio	net financial liabilities / EBITDA*	1.7	2.0

\*EBITDA for the last 12 months



Figure 10: Profitability and current liquidity ratios



In relation to 2014 the ENERGA Group recorded worse return on equity and return on assets ratios for the past 12 months. Simultaneously with an increase in the value of assets and capital, the net annualized result was 10% less than the corresponding period of the previous year. Return on sales shows a similar trend.

The liquidity ratio is on a safe level, similar to the level as at 31 December 2014.

Financial liabilities increased (3%) compared to the end of year 2014. The higher level of the net debt to EBITDA ratio in 9 months of this year in relation to the end of last year was attributable to the change of net financial liabilities (up by 14%) and a decline of the Group's results for the past 12 months (by 5%).

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

Information in this respect is presented in section 'Granted guarantees and sureties' in this Information 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	Q3 2014	Q3 2015	Change	Change (%)	9 months of 2014	9 months of 2015	Change	Change (%)
Tariff Group A (HV)	1,116	1,210	94	8%	3,114	3,287	173	6%
Tariff Group B (MV)	1,808	1,892	83	5%	5,313	5,564	251	5%
Tariff Group C (LV)	1,028	1,031	2	0%	3,135	3,167	31	1%
Tariff Group G (LV)	1,226	1,216	(9)	-1%	3,943	4,017	73	2%
<b>Total distribution of energy</b>	<b>5,179</b>	<b>5,349</b>	<b>170</b>	<b>3%</b>	<b>15,505</b>	<b>16,034</b>	<b>529</b>	<b>3%</b>

\* Billed sales

In Q3 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 almost 2%). Increase in the volume of the distribution services was associated with the observed economic recovery (tariffs A and B). The positive effect of the transition from six-monthly readings to bi-monthly readings for tariffs G and C1 recorded in Q1 2015 was offset in Q3 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		
Q3 2014	57.3	11.2	68.5	1.0	0.1	1.1
<b>Q3 2015</b>	107.4	11.2	118.6	1.1	0.1	1.2
Change	50.1	(0.0)	50.1	0.1	(0.0)	0.1
Change (%)	87%	0%	73%	13%	-15%	11%
9 months of 2014	173.0	45.6	218.6	2.5	0.3	2.8
<b>9 months of 2015</b>	227.9	37.0	264.8	2.8	0.3	3.1
Change	54.9	(8.6)	46.2	0.3	(0.0)	0.3
Change (%)	32%	-19%	21%	12%	-11%	10%

In Q3 2015, ENERGA-OPERATOR SA achieved SAIDI and SAIFI at 118.6 min./cust. and 1.2 interruptions, respectively. The deterioration of both these indices compared to Q3 2014 is a result of mass failures caused by the unfavorable weather conditions in July of this year.

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

Tariff groups ENERGA-OPERATOR	As at 30 September		Change	Change (%)
	2014	2015		
Tariff Group A	72	83	11	15%
Tariff Group B	6,441	6,670	229	4%
Tariff Group C	301,908	297,438	(4,470)	-1%
Tariff Group G	2,648,977	2,665,064	16,087	1%
<b>TOTAL</b>	<b>2,957,398</b>	<b>2,969,255</b>	<b>11,857</b>	<b>0%</b>

*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 connection voltage.*

Due to the specific nature of the distribution activity, the number of ENERGA-OPERATOR SA's customers at the end of Q3 2015 is similar to the last year's figures.

Table 14: Gross production of electricity in the ENERGA Group

Gross electricity produced (GWh)	Q3 2014	Q3 2015	Change	Change (%)	9 months of 2014	9 months of 2015	Change	Change (%)
Power plants - coal-fired	817	554	(263)	-32%	2,279	1,742	(538)	-24%
Power plants - biomass co-fired	168	158	(10)	-6%	485	463	(22)	-4%

CHP plants - coal-fired	19	18	(2)	-9%	112	92	(20)	-18%
CHP plants - biomass-fired	10	9	(1)	-9%	10	18	8	80%
Power plants - hydro	194	84	(110)	-57%	670	546	(123)	-18%
Pumped-storage plant	5	9	4	77%	26	22	(4)	-14%
Power plants - wind	58	80	22	38%	225	286	60	27%
Power plants - photovoltaics	-	3	3	100%	-	4	4	100%
<b>Total electricity production</b>	<b>1,271</b>	<b>914</b>	<b>(357)</b>	<b>-28%</b>	<b>3,807</b>	<b>3,172</b>	<b>(635)</b>	<b>-17%</b>
<i>incl. RES</i>	<i>430</i>	<i>334</i>	<i>(96)</i>	<i>-22%</i>	<i>1,390</i>	<i>1,317</i>	<i>(73)</i>	<i>-5%</i>

In Q3 2015, ENERGA Group's generation companies produced approx. 357 GWh (28%) 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 (263 GWh), which was caused, among others, by the general overhaul of one unit of the must run power plant (which lasted for the entire 3rd quarter of the year) and PSE's lower demand for must run operation. Additionally, lower electricity production was observed in run of the river hydro power plants (by 110 GWh), mainly due to the record poor hydrologic conditions caused by an extremely warm and dry summer in the current calendar year. 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 Myślino (11 GWh) and better wind conditions.

Table 15: Production of heat

Gross heat production in TJ	Q3 2014	Q3 2015	Change	Change (%)	9 months of 2014	9 months of 2015	Change	Change (%)
ENERGA Kogeneracja Sp. z o.o.*	230	233	3	1%	1,491	1,516	25	2%
ENERGA Elektrownie Ostrołęka S.A.	182	185	3	2%	1,014	976	(38)	-4%
Ciepło Kaliskie Sp. z o.o.	-	-	-	0%	30	172	142	>100%
<b>Total gross heat production</b>	<b>412</b>	<b>418</b>	<b>6</b>	<b>2%</b>	<b>2,534</b>	<b>2,663</b>	<b>129</b>	<b>5%</b>

\* including EC Kalisz

In Q3 2015, heat production increased slightly by approx. 6TJ (2%) which was driven mainly by the increasing demand on the local markets recorded by two main companies: Energa Kogeneracja and ENERGA Elektrownie Ostrołęka. Additionally, as was the case in the previous year, Ciepło Kaliskie did not produce heat in the summer due to the nature of its work.

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

Consumption of fuel	Q3 2014	Q3 2015	Change	Change (%)	9 months of 2014	9 months of 2015	Change	Change (%)
Coal								
Quantity (thous. tons)	392	267	(125)	-32%	1,184	895	(289)	-24%
Cost (PLN m)	99	66	(34)	-34%	305	221	(84)	-27%
Biomass								
Quantity (thous. tons)	116	106	(10)	-9%	325	312	(13)	-4%

Cost (PLN m)	48	42	(6)	-12%	130	125	(5)	-4%
<b>Total fuel consumption (PLN m)</b>	<b>147</b>	<b>108</b>	<b>(40)</b>	<b>-27%</b>	<b>435</b>	<b>347</b>	<b>(88)</b>	<b>-20%</b>

\* including the cost of transportation

In Q3 2015, the generators from the ENERGA Group consumed approx. 125 thousand tons (32%) of black coal less than the year before. This was due to a 29% drop in the production of electricity and heat from this fuel. The consumption of biomass in the analyzed period fell by approx. 10 thous. tons (9%), driven by lower production of electricity and heat by 1%.

The change in consumption volumes of the individual fuels was accompanied by a decrease in average unit cost (PLN/MWh) of electricity and heat production (by 7% for coal and 11% for biomass). This was the effect of, among others, a decrease in the purchase price for raw material.

Table 17: Sales of electricity by the Sales Segment

Sales of electricity by the Sales Segment in GWh	Q3 2014	Q3 2015	Change	Change (%)	9 months of 2014	9 months of 2015	Change	Change (%)
Retail electricity sales	3,960	4,036	77	2%	12,087	12,344	257	2%
Electricity sales on the wholesale market, of which:	2,322	1,777	(544)	-23%	7,199	6,467	(732)	-10%
<i>Electricity sales to the balancing market</i>	99	72	(27)	-28%	308	184	(124)	-40%
<i>Electricity sales to ENERGA-OPERATOR to cover network losses and for own consumption</i>	315	-	(315)	-100%	1,037	(16)*	(1,053)	>-100%
<i>Other wholesale</i>	1,908	1,706	(202)	-11%	5,854	6,299	445	8%
<b>Total electricity sales</b>	<b>6,281</b>	<b>5,813</b>	<b>(468)</b>	<b>-7%</b>	<b>19,286</b>	<b>18,811</b>	<b>(476)</b>	<b>-2%</b>

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

In Q3 2015, the total volume of electricity sold by the Segment fell by approximately 7% (468 GWh) when compared to Q3 2014. The decrease of the sales volume occurred in the wholesale market (544 GWh) whereas in the retail market it increased by 77 GWh.

In retail sales, increases in volumes sold to business clients, to Slovak market clients and to households were recorded. Volume growth among business customers resulted from a higher number of clients (i.e. the number of Electricity Offtake Points has increased) and a higher average electricity consumption by such clients, which resulted from an increase in energy consumption in Poland (according to PSE's data, consumption in Poland increased by 2.3% yoy in Q3 2015). In terms of volume, sales to households (tariff G) in Q3 2015 accounted for 31% of sales billed to end users by ENERGA-OBRÓT SA (also 31% in Q3 2014).

In the analyzed period, electricity sales fell in the wholesale market (by about 23%). This was mainly a result of ENERGA-OPERATOR SA changing the entity selling electricity to cover network losses in 2015.

### 3.6. Financial results by operating segments

Table 18: EBITDA of the ENERGA Group, by Segment

EBITDA (PLN 000s)	9 months of 2014	9 months of 2015	Change	Change (%)
DISTRIBUTION	1,163,339	1,337,923	174,584	15%

GENERATION	528,104	294,664	(233,440)	-44%
SALES	148,558	115,690	(32,868)	-22%
OTHER and consolidation exclusions and adjustments	(7,519)	(33,288)	(25,769)	>-100%
<b>Total EBITDA</b>	<b>1,832,482</b>	<b>1,714,989</b>	<b>(117,493)</b>	<b>-6%</b>

EBITDA (PLN 000s)	Q3 2014	Q3 2015	Change	Change (%)
DISTRIBUTION	369,565	404,302	34,737	9%
GENERATION	154,614	67,147	(87,467)	-57%
SALES	41,380	48,709	7,329	18%
OTHER and consolidation exclusions and adjustments	(14,386)	(20,789)	(6,403)	-45%
<b>Total EBITDA</b>	<b>551,173</b>	<b>499,369</b>	<b>(51,804)</b>	<b>-9%</b>

## Distribution Segment

Figure 11: Results of the ENERGA Group's Distribution Segment (PLN m)

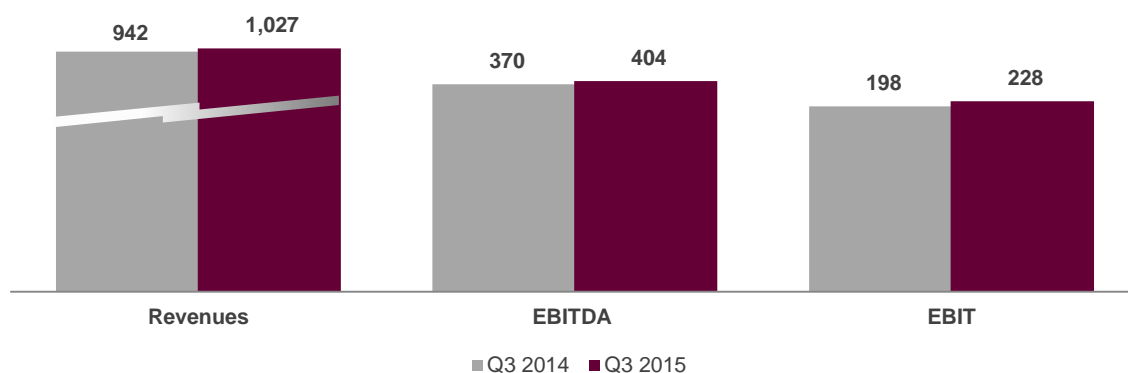


Table 19: Results of the Distribution Segment

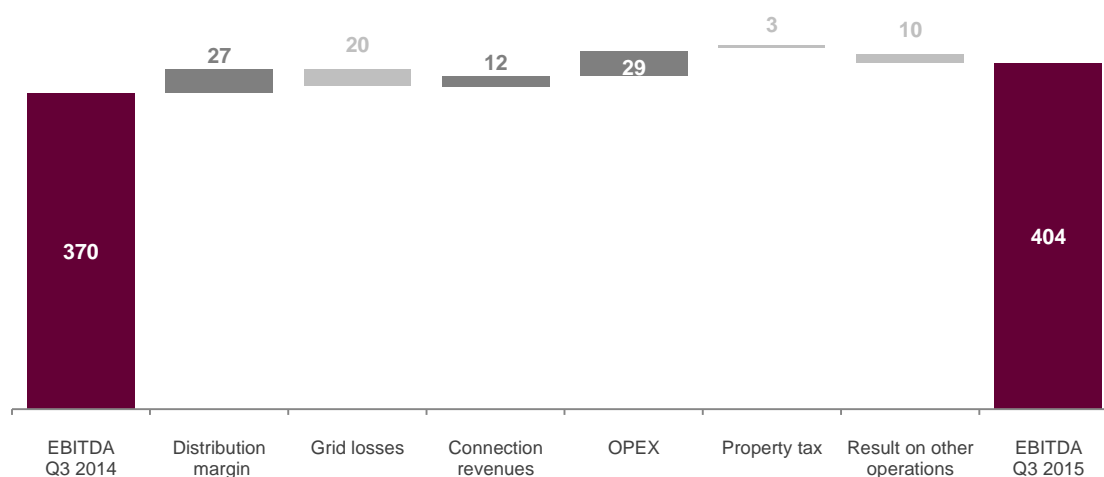
PLN 000s	Q3 2014	Q3 2015	Change	Change (%)
Revenues	941,968	1,027,441	85,473	9%
<b>EBITDA</b>	<b>369,565</b>	<b>404,302</b>	<b>34,737</b>	<b>9%</b>
amortization and depreciation	171,750	176,641	4,891	3%
EBIT	197,815	227,661	29,846	15%
Net profit	130,010	155,572	25,562	20%
CAPEX	196,904	269,973	73,069	37%

PLN 000s	9 months of 2014	9 months of 2015	Change	Change (%)
Revenues	2,925,925	3,137,214	211,289	7%

<b>EBITDA</b>	<b>1,163,339</b>	<b>1,337,923</b>	<b>174,584</b>	<b>15%</b>
amortization and depreciation	516,562	528,972	12,410	2%
<b>EBIT</b>	<b>646,777</b>	<b>808,951</b>	<b>162,174</b>	<b>25%</b>
Net profit	441,099	563,689	122,590	28%
CAPEX	515,258	719,230	203,972	40%

PLN 000s	Balance as at 31 December 2014	Balance as at 30 September 2015	Change	Change (%)
Cash	839,964	552,043	(287,921)	-34%
Financial debt	3,474,170	3,504,036	29,866	1%
Headcount at the end of the period (people)	5,435	5,280	(155)	-3%

Figure 12: EBITDA Bridge of the Distribution Segment



In Q3 2015, the Distribution Segment contributed about 81% to ENERGA Group's EBITDA (67% in the comparative period).

In Q3 of this year, sales revenues of the Distribution Segment were 9% 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 almost 2%). In Q3 2015, revenues from connection fees were PLN 23 m, which is PLN 12 m more than in the same quarter of 2014 (the effect of connecting a larger number of wind farms and substations for Pendolino trains).

EBITDA grew by over 9% yoy to PLN 404 m, while EBIT increased by nearly PLN 30 m (i.e. 15% yoy). Important contributors to the operating result of PLN 228 m included: an increase in the distribution margin by PLN 8 m including network losses (it was primarily the effect of economic recovery in tariffs A and B and the positive effect of switching from 6-month readings to 3-month readings for Tariffs G and C1 recorded in Q1 2015, which was offset in Q3 of this year) and a PLN 29 m decline in operating expenses - OPEX (caused by delays in incurrance of the costs associated with operation of the grid).

Net profit in Q3 2015 was higher than in the same quarter the year before by nearly PLN 26 m. The balance of financing activity was maintained at a level similar to last year's.

Capital expenditures of the Distribution Segment, at PLN 270 m, were PLN 73 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 30 m. At the end of March 2015, ENERGA-OPERATOR SA issued long-term bonds in the amount of PLN 200 m. The 34% 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 318 m from the end of December 2014.

At the end of Q3 2015, the headcount in the Distribution Segment was 5,280 persons.

### Generation Segment

Figure 13: Results of the ENERGA Group's Generation Segment (PLN m)

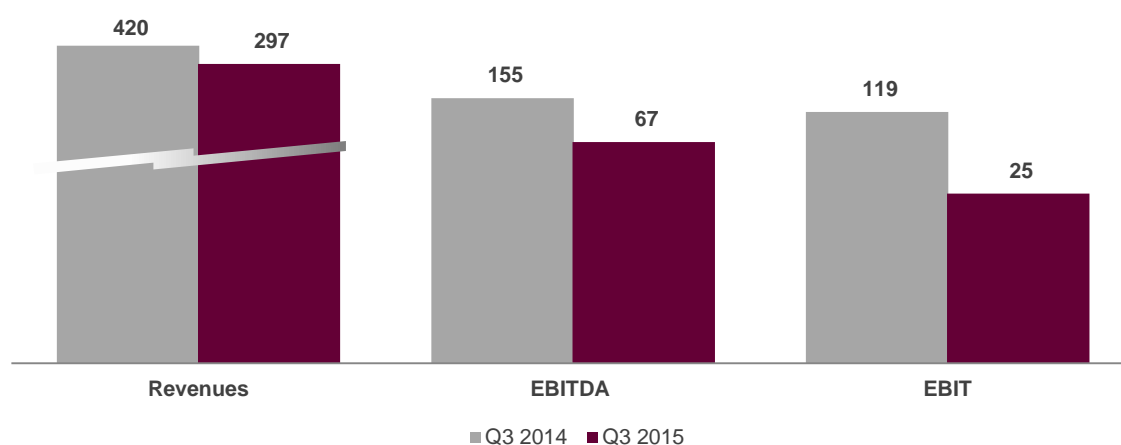


Table 20: Results of the ENERGA Group's Generation Segment

PLN 000s	Q3 2014	Q3 2015	Change	Change (%)
Revenues	419,821	296,961	(122,860)	-29%
<b>EBITDA</b>	<b>154,614</b>	<b>67,147</b>	<b>(87,467)</b>	<b>-57%</b>
amortization and depreciation	35,204	41,963	6,759	19%
EBIT	119,410	25,184	(94,226)	-79%
Net profit	82,023	4,873	(77,150)	-94%
CAPEX	121,453	87,511	(33,942)	-28%

PLN 000s	9 months of 2014	9 months of 2015	Change	Change (%)
Revenues	1,319,564	1,052,308	(267,256)	-20%
<b>EBITDA</b>	<b>528,104</b>	<b>294,664</b>	<b>(233,440)</b>	<b>-44%</b>
amortization and depreciation	103,174	121,074	17,900	17%

EBIT	424,930	173,590	(251,340)	-59%
Net profit	298,933	98,042	(200,891)	-67%
CAPEX	192,369	245,210	52,841	27%

PLN 000s	Balance as at 31 December 2014	Balance as at 30 September 2015	Change	Change (%)
Cash	350,273	223,622	(126,651)	-36%
Financial debt	1,473,868	1,459,803	(14,065)	-1%
Headcount at the end of the period (people)	1,558	1,543	(15)	-1%

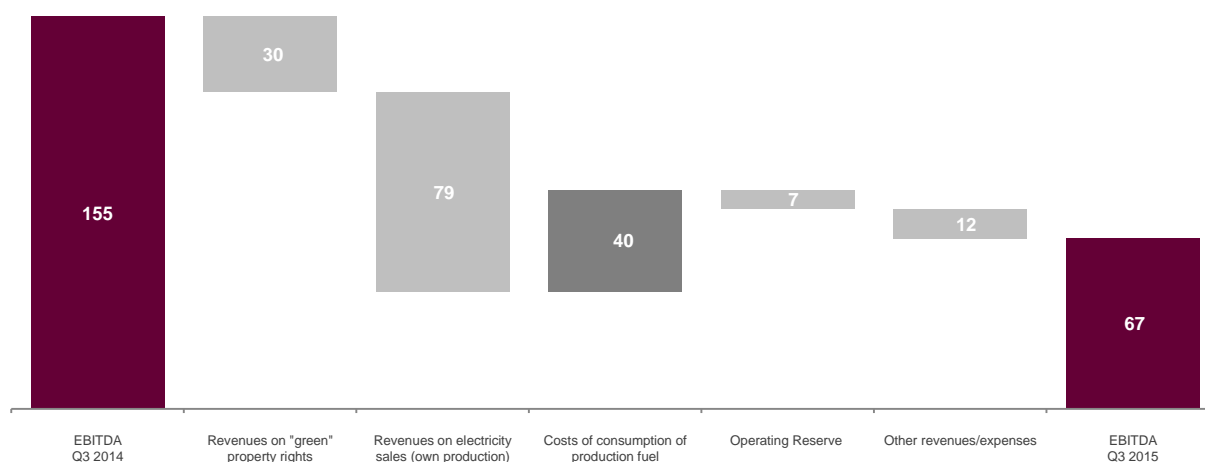
The table below presents a breakdown of EBITDA of the Generation Segment by business lines. This table includes individual data plus the management cost charge for managing the Generation Segment, elimination of transaction concluded between individual business lines and consolidation adjustments.

The data presented for Q3 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)	Q3 2014	Q3 2015	Change	Change (%)	9 months of 2014	9 months of 2015	Change	Change (%)
Hydro	55,519	19,074	(36,445)	-66%	229,344	128,163	(101,181)	-44%
Wind	10,188	15,469	5,281	52%	60,152	45,453	(14,699)	-24%
Ostrołęka Power Plant	73,900	41,299	(32,601)	-44%	225,756	115,863	(109,892)	-49%
Other and adjustments	15,008	(8,695)	(23,703)	>-100%	12,852	5,184	(7,667)	-60%
<b>Total Generation</b>	<b>154,614</b>	<b>67,147</b>	<b>(87,467)</b>	<b>-57%</b>	<b>528,104</b>	<b>294,664</b>	<b>(233,440)</b>	<b>-44%</b>

Figure 14: EBITDA Bridge of the Generation Segment (PLN m)



The Generation Segment's contribution to the Group's total EBITDA was 13% in Q3 of the current year (28% in the same period of the previous year). EBITDA fell by PLN 87 m, which



was caused mainly by worse market conditions, record low hydrological conditions and lower demand for must run production.

In Q3, the prices for property rights maintained the low levels, which were below the last years' (average quarterly price was now 109.8 PLN/MWh compared to 178.6 PLN/MWh in the previous year) and below the Q2 of this year (average price of 120.3 PLN/MWh). However the price recorded at the end of Q3 of this year was higher than at the end of Q2 of this year, which allowed for a partial reversal of the revaluation allowance for the inventory of property rights.

Another factor, which affected sales revenues in the Generation Segment in Q3 of this year was a significant drop in the electricity generation volume from coal caused by the planned renovation and repair work (general overhaul of one unit in Ostrołęka, which took the entire 3rd quarter of 2015) and PSE's reduced demand for must run production. At the same time, due to the hydrological conditions at historically low levels, the generation of hydro electricity fell, in particular in the Włocławek hydro power plant.

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. At the same time, 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 slightly in Q3 yoy.

The costs of consumption of key fuels (including transportation) in the Generation Segment in Q3 fell by 27%, or PLN 40 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 (7%) and biomass (11%), which was due to lower purchase prices of the materials (the ratio of unit consumption cost to total production of electricity and heat in MWh).

The costs of purchasing emission allowances by the Segment were similar to the yoy levels in the analyzed period, since the decline in electricity production from coal in the Segment, which forms grounds for agreeing upon an obligation to purchase emission rights, was largely offset by the hike in market prices for the allowances.

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 Grid Operator. In Q3 of this year, revenue on this service earned by the Ostrołęka Power Plant was much lower (52%, or PLN 7 m) than in the corresponding period of the previous year, due to the general overhaul of one of the power units and lower market prices for this service.

The net profit earned by the Generation Segment in Q3 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 Q3 2015 were PLN 34 m lower. Last year, capital expenditures were made for new RES installations, including construction of the Myślino wind farm and the PV Delta photovoltaic farm; settlement was also made for construction of the BB20 biomass unit. In the current year, the Segment incurred expenditures for construction of the Parsówek wind farm, construction of the Czernikowo photovoltaic farm and significant capital expenditures for the Ostrołęka Power Plant line due to the work

performed on the general overhaul of one of the units and adaptation of the power plant to the stricter environmental requirements.

## Hydro

Table 22: Results of the Hydro business line

PLN 000s	Q3 2014	Q3 2015	Change	Change (%)	9 months of 2014	9 months of 2015	Change	Change (%)
Revenues	81,102	40,808	(40,294)	-50%	303,035	194,874	(108,161)	-36%
<b>EBITDA</b>	<b>55,519</b>	<b>19,074</b>	<b>(36,445)</b>	<b>-66%</b>	<b>229,344</b>	<b>128,163</b>	<b>(101,181)</b>	<b>-44%</b>
EBIT	48,359	11,280	(37,079)	-77%	208,586	105,572	(103,014)	-49%
CAPEX	6,218	6,041	(176)	-3%	19,161	11,807	(7,354)	-38%

Contribution of the Hydro business line to the Generation Segment's total EBITDA in Q3 2015 was 28%. EBITDA generated by this line fell by PLN 36 m yoy, which reduced the Segment's results significantly.

This was mainly the effect of a material drop in electricity production volume, especially in the Włocławek hydro power plant, due to the hydrological conditions at historically low levels caused by warm and dry summer. Additionally, electricity was sold at lower prices (official prices quoted by the President of ERO).

The decline in electricity production contributed directly to the lower number of green property rights received in the current period. At the same time, the significant decline in the market prices for green certificates, as compared to the corresponding period of the previous year, was largely offset by the reversal of the revaluation of the property rights inventory held by the business line (at the end of Q2) up to the higher market price as at 29 September 2015.

Capital expenditures in Q3 2015 were similar to the corresponding period of 2014 and were associated with modernization works.

## Wind

Table 23: Results of the Wind business line

PLN 000s	Q3 2014	Q3 2015	Change	Change (%)	9 months of 2014	9 months of 2015	Change	Change (%)
Revenues	20,129	23,664	3,536	18%	92,343	76,349	(15,994)	-17%
<b>EBITDA</b>	<b>10,188</b>	<b>15,469</b>	<b>5,281</b>	<b>52%</b>	<b>60,152</b>	<b>45,453</b>	<b>(14,699)</b>	<b>-24%</b>
EBIT	417	4,071	3,654	>100%	30,592	12,920	(17,673)	-58%
CAPEX	55,014	686	(54,328)	-99%	57,336	9,400	(47,936)	-84%

Contribution of the Wind business line to the Generation Segment's total EBITDA in Q3 2015 was 23% (vs. 7% in the same period of the previous year).

The higher yoy performance of the discussed business line in Q3 was caused by higher production of electricity, including additional production from the new Myśliń wind farm (11 GWh) and better wind conditions in the current period. Additionally, electricity was sold at lower prices (sales at official prices quoted by the President of ERO).

The increase in electricity production contributed directly to the higher number of green property rights received. As it is the case in the Hydro business line, the significant decline in the market prices for green property rights was largely offset by the reversal of the revaluation of the property rights inventory held by the business line (at the end of Q2) up to the higher market price as at 29 September 2015.

The yoy difference in capital expenditures in Q3 resulted primarily from last year's high expenditures towards construction of the new 20 MW Myślino wind farm (commissioned at the beginning of 2015). In the current period, capital expenditures towards wind farms in construction are recognized in the Other and Adjustments business line.

### Ostrołęka Power Plant

Table 24: Results of the Ostrołęka Power Plant business line

PLN 000s	Q3 2014	Q3 2015	Change	Change (%)	9 months of 2014	9 months of 2015	Change	Change (%)
Revenues	291,905	207,305	(84,600)	-29%	815,960	654,817	(161,144)	-20%
<b>EBITDA</b>	<b>73,900</b>	<b>41,299</b>	<b>(32,601)</b>	<b>-44%</b>	<b>225,756</b>	<b>115,863</b>	<b>(109,892)</b>	<b>-49%</b>
EBIT	61,352	27,286	(34,066)	-56%	188,271	76,837	(111,435)	-59%
CAPEX	20,519	37,125	16,605	81%	33,208	113,077	79,869	>100%

Contribution of the Ostrołęka Power Plant business line to the Generation Segment's total EBITDA in Q3 2015 was 62%. EBITDA in the reporting period was much lower (by PLN 33 m) than in the previous year.

This was driven mainly by the declining volume of electricity and heat production from coal, which fell by 265 GWh due to the general overhaul of one of the units in Ostrołęka, which took the entire third quarter of 2015 and a lower demand for must run 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 comparable to the price in the corresponding period of the previous year) despite the significant declines in SPOT rates yoy (the prices in the Ostrołęka Power Plant are affected by a significant percentage of must run operation)

The performance of the business line was also affected by a decline in market prices for green property rights.

Since the beginning of 2014, the Ostrołęka Power Plant has provided an additional system service to PSE named the Operating Reserve. In Q3 of this year, revenue on this service was much lower (52%, or PLN 7 m) than in the corresponding period of the previous year.

At the same time, a PLN 39 m drop in fuel consumption costs was observed, driven by lower production of energy from coal, combined with a 7% decline in the unit cost of coal consumption (the ratio to total production of electricity and heat in MWh) and a slightly lower production from biomass, with a 13% decline in the unit cost of biomass consumption due to lower purchase prices for the fuel.

The costs of purchasing emission allowances by the business line were similar to the yoy levels in the analyzed period, since the decline in electricity production from coal in the business line, which forms grounds for calculating the obligation to purchase emission rights, was largely offset by the hike in market prices for the allowances.

Capital expenditures in Q3 2015 were PLN 17 m higher. The key drivers included, among others, settlement of construction of the new heat source for the city of Ostrołęka, the need to adapt the power plant to the more stringent environmental requirements (for the coming years), the general overhaul of a power unit already mentioned above and the work aimed at improving efficiency and increasing the maximum capacity of one of the plant's units.

### Other and adjustments

Table 25: Results of the Other and adjustments business line

PLN 000s	Q3 2014	Q3 2015	Change	Change (%)	9 months of 2014	9 months of 2015	Change	Change (%)
Revenues	26,685	25,183	(1,502)	-6%	108,225	126,269	18,043	17%
<b>EBITDA</b>	<b>15,008</b>	<b>(8,695)</b>	<b>(23,703)</b>	<b>&gt;-100%</b>	<b>12,852</b>	<b>5,184</b>	<b>(7,667)</b>	<b>-60%</b>
EBIT	9,282	(17,452)	(26,735)	>-100%	(2,520)	(21,738)	(19,219)	>-100%
CAPEX	39,702	43,660	3,957	10%	82,664	110,926	28,262	34%

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.

The improved performance of this business line in 2014 was influenced materially by the partial settlement of the BB20 unit construction project by ENERGA Kogeneracja and recognition of additional revenue of about PLN 10 m. Additionally, in Q3 the maintenance companies performed more work for the Group's power plants and CHP plants, which caused greater exclusions in this business line.

The capital expenditures in the Other and adjustments line item include, among others, capital expenditures in the CHP area, capital expenditures made by the special purpose vehicles of the Generation Segment, including the wind farm construction projects executed in the ENERGA Group. The Q3 2015 performance was driven mainly by the recognition of capital expenditures for the construction of the Parsówek wind farm (PLN 28 m) and capital expenditures for the modernization of heat sources and lines.

## Sales Segment

Figure 15: Results of the ENERGA Group's Sales Segment (PLN m)

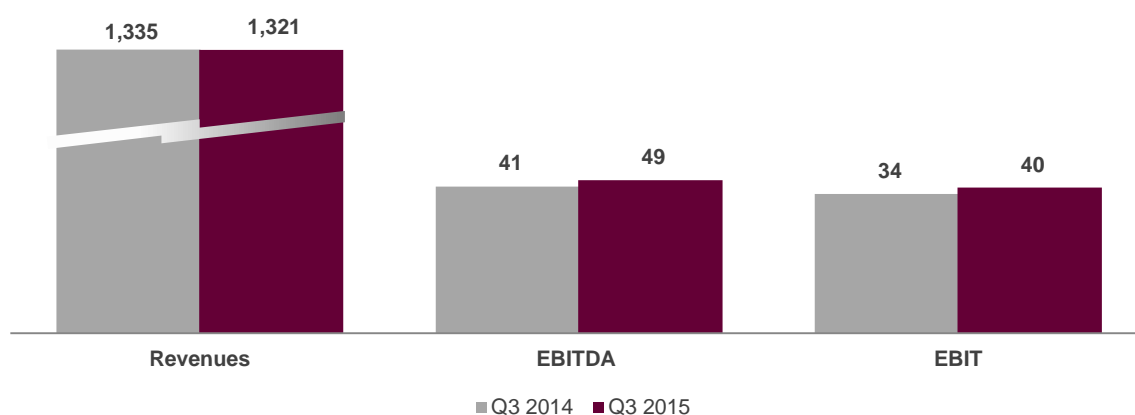


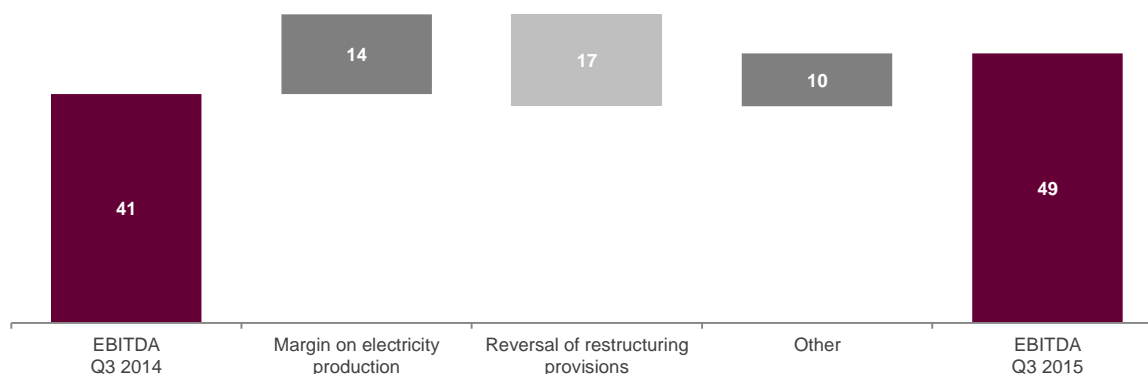
Table 26: Results of the ENERGA Group's Sales Segment

PLN 000s	Q3 2014	Q3 2015	Change	Change (%)
Revenues	1,335,292	1,321,165	(14,127)	-1%
<b>EBITDA</b>	<b>41,380</b>	<b>48,709</b>	<b>7,329</b>	<b>18%</b>
amortization and depreciation	7,268	8,569	1,301	18%
EBIT	34,112	40,140	6,028	18%
Net profit	32,606	34,732	2,126	7%
CAPEX	8,020	14,260	6,240	78%

PLN 000s	9 months of 2014	9 months of 2015	Change	Change (%)
Revenues	4,187,558	4,196,987	9,429	0%
<b>EBITDA</b>	<b>148,558</b>	<b>115,690</b>	<b>(32,868)</b>	<b>-22%</b>
amortization and depreciation	21,966	24,967	3,001	14%
EBIT	126,592	90,723	(35,869)	-28%
Net profit	121,490	84,147	(37,343)	-31%
CAPEX	20,654	39,491	18,837	91%

PLN 000s	Balance as at 31 December 2014	Balance as at 30 September 2015	Change	Change (%)
Cash	321,489	35,084	(286,405)	-89%
Financial debt	51,173	227,277	176,104	>100%
Headcount at the end of the period (people)	982	1,043	61	6%

Figure 16: EBITDA Bridge of the Sales Segment (PLN m)



In Q3 2015, the Sales Segment earned EBITDA of PLN 49 m, that is roughly 10% of the ENERGA Group's EBITDA, compared to PLN 41 m in Q3 2014 (in that period, the Segment's contribution to the Group's EBITDA was about 8%).

The Sales Segment's revenues in Q3 2015 were slightly lower (by about 1%) yoy, reaching PLN 1,321 m. The lower revenues were driven mainly by the lower revenues on electricity sales on the wholesale market (sales volume down by about 23% with comparable selling prices). Revenues on sales of electricity to end buyers increased in Q3 2015 by about 4% yoy due to higher sales volume (up by about 2%) and an increase of average selling prices (also by about 2%).

The increasing margin on electricity sales in Q3 2015 vs. Q3 2014 (by PLN 14 m) was also affected by the advantageous circumstances in which average unit electricity selling prices to end users increased by 2% yoy, while the average electricity unit purchase price with property rights grew by 1% yoy. The increase in average electricity purchase cost on the balancing market was an effect of higher electricity prices on the market. In Q3 2015, the obligatory purchase of electricity under the "offtaker of last resort" mechanism did not affect the Segment's performance as significantly as it did in two previous quarters, because of the increase in SPOT market electricity prices; their relation to the fixed price announced by the President of the Energy Regulatory Office (price for RES energy) is of key importance on the "offtaker of last resort" effect. In Q3 of this year, the relatively small but still negative effect of this obligation on the Segment's performance was similar as in Q3 2014. The yoy decline in unit property rights redemption cost was driven by the lower unit cost of green property rights due to much lower purchase prices of those certificates (because of the lower market prices). The higher unit price for yellow property rights yoy was driven by an increase of the % redemption obligation effective from 2015 (from 3.9% to 4.9%) and an increase in the substitution fee for these certificates, also effective from 2015.

There was a non-recurring event that significantly affected the EBITDA change yoy. In Q3 2014, restructuring provisions for one of the Segment's companies were reversed, which increased the operating profit by PLN 17 m. Absence of similar occurrences in Q3 of this year had a negative effect on the yoy change in EBITDA.

The balance of the Segment's cash decreased significantly and, as at 30 September 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.

### 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 Information, 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.

<p style="text-align: center;"><b>PLN 414 m</b></p> <p style="text-align: center;">Dividend from standalone profit in <b>2013</b></p>	<p style="text-align: center;"><b>PLN 596 m</b></p> <p style="text-align: center;">Dividend from standalone profit in <b>2014</b></p>
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### 3.10. Tax Group

The Tax Group named PGK ENERGA 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 17: ENERGA Group performance drivers in the next quarter

<b>Decision of the ERO President to reduce the return on equity by 5% in 2015</b>	<b>Change of structure of distributed energy vs. structure agreed in the tariff</b>	<b>Deferral of OPEX in the Distribution Segment until Q4 2015</b>
<b>Prices of property rights, in particular certificates of origin of RES</b>	<b>General overhaul of one power unit in ENERGA Elektrownie Ostrołęka in July-October 2015</b>	<b>Rate actually obtained for the operating reserve</b>
<b>Must run production level at ENERGA Elektrownie Ostrołęka</b>	<b>Effect of the offtaker of last resort function and balancing of RES sources</b>	<b>Weather and hydrometeorological conditions</b>
<b>Yield of treasury bonds</b>		





# Environment



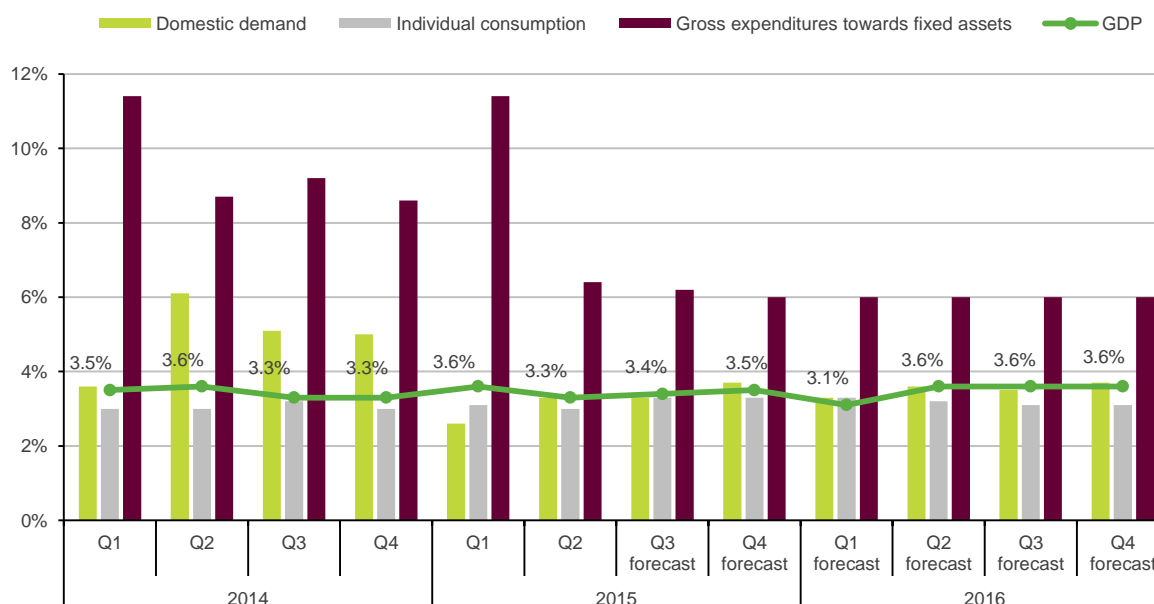
## 4. ENVIRONMENT

### 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 tentative estimation of the Main Statistical Office (GUS) in Q2 2015, gross domestic product (GDP) not equalized for seasonal differences increased in real terms by 3.3% compared to the corresponding period of the previous year. Based on the outcome of the Macroeconomic Questionnaire carried out by the National Bank of Poland in September, it may be concluded that the economic growth rate in Q3 and Q4 of 2015 will be slightly lower than in the beginning of the year. The central forecast assumes that, in annual terms, GDP growth in 2015-2017 will remain at a fixed level of about 3.5%.

Figure 18: Annual changes in GDP, domestic demand, individual consumption and expenditures



Source: GUS and forecasts by Bank Zachodni WBK

PMI levels for the Polish industry were disappointing in Q3. A material decrease on a month-on-month basis, was recorded in August: by 3.4 points down to 51.1 points. In September it dropped even more, to 50.9 points, which is a sign of deteriorating entrepreneur sentiments.

In connection with the high temperatures and the hydrological situation, in August Polskie Sieci Elektroenergetyczne introduced restrictions in electricity supply and consumption across Poland. This however did not have an adverse effect on the industrial production growth rate in constant prices which, in the area of generation and supply of electricity, gas, steam and hot water was 1% higher in that period than one year before.

Thanks to the good conditions in the labor market and decreasing prices, the domestic demand has remained the main engine of growth for the Polish GDP. In the period from January to September, the average employment in the enterprise sector increased by 1.1% p.a. The registered unemployment rate has been decreasing month on month. In September, the unemployed registered in labour offices constituted 9.7% of civil professionally active population, which is 1.8 percentage points less than in the corresponding period of the

previous year. The number of the newly registered unemployed decreased by 6.3% as compared to September 2014 and a high percentage of available employment offers may suggest emergence of a wage pressure.

Regarding the consumer price index, a 1.1% decrease was recorded during the three quarters of 2015 compared to the corresponding period of the previous year. This was due mainly to a decrease of prices of raw materials in the global markets. Bank Millennium analysts note that in the upcoming months we may expect the deflation to decelerate and the CPI inflation rate may increase gradually, among others driven by an increase in food prices. In November/December the inflation rate should be above zero again, and further growth is expected next year.

Given the economic prospects of Poland and the expected price growth in the upcoming months, the Monetary Policy Council decided in October not to modify the interest rates, but it specified external risks which may affect the monetary policy of the central banks.

Despite the fact that the increase in economic activity remains moderate in the world, the positive signals from the Euro zone and from the United States are counterbalanced by concerns regarding the prospects of growth in the emerging markets. The economic downturn in China and the recession in Russia and Brazil increase the uncertainty in the global economy.

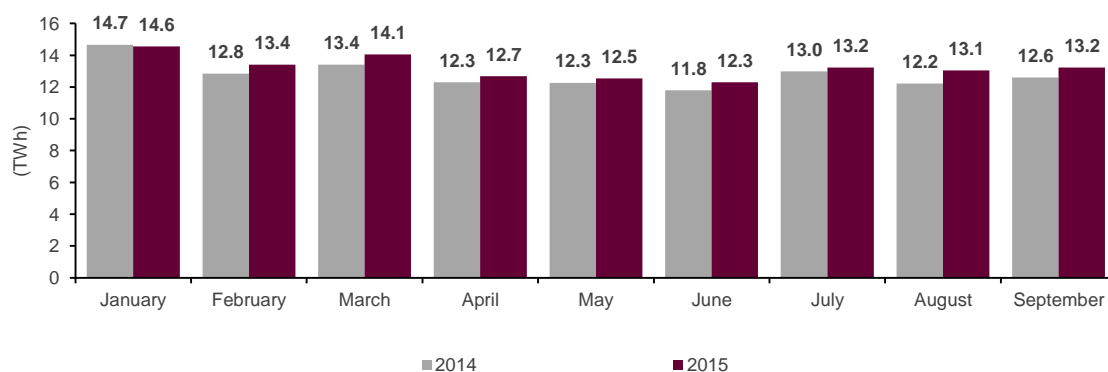
## 4.2. Electricity market in Poland

The situation in 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") in Q3 2015, reached 39.5 TWh, or 1.7 TWh more than in the corresponding period of the previous year (37.8 TWh). The biggest increase in electricity production compared to the corresponding period of 2014 occurred in August (by 6.75%) and the smallest in July (by 1.93%).

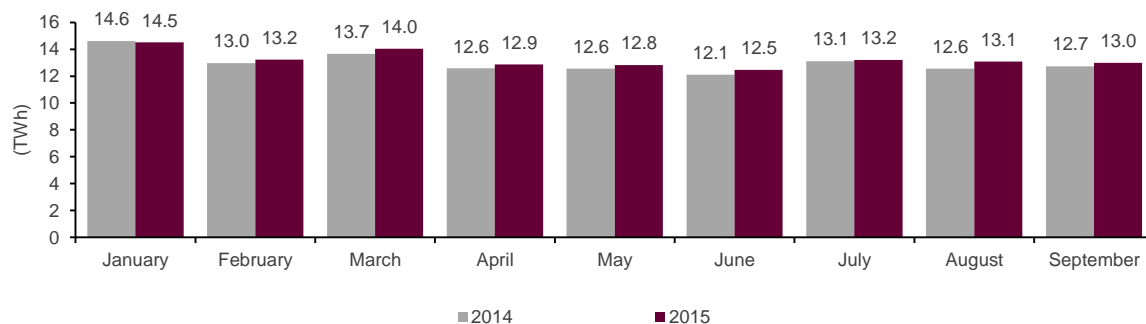
Figure 19: Production of electricity in Poland after Q3 2015 (TWh)



Source: PSE

Domestic consumption of electricity in Poland in Q3 2015 was 39.3 TWh, which was 0.9 TWh more than in the same period of the previous year (38.4 TWh). The highest increase in electricity consumption, i.e. by 4.15%, occurred in August, while the smallest in July, by 0.66%.

Figure 20: Consumption of electricity in Poland after Q3 2015 (TWh)

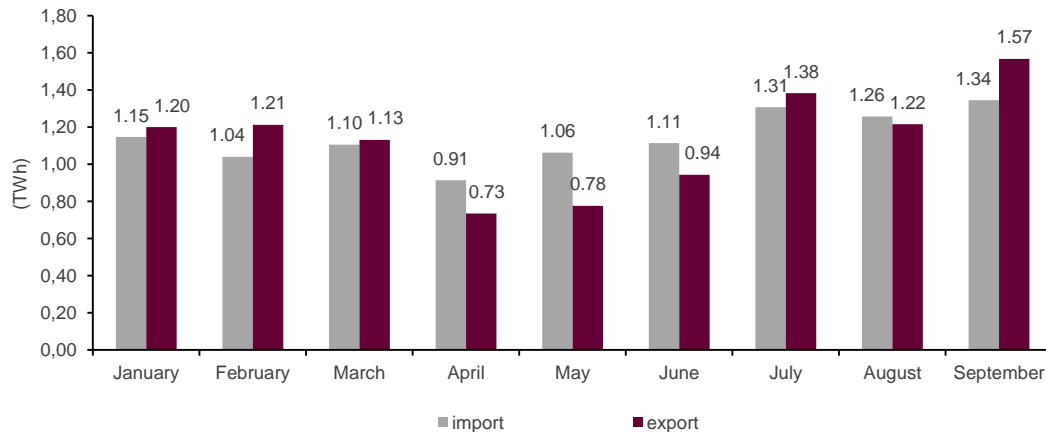


Source: PSE

### Poland's inter-system exchange

In the period of July-September 2015, energy exports were 0.3 TWh higher than imports. This indicates the last year's trend, when Poland became net importer of electricity, has been slowing down. Only in August electricity imports were higher than exports, among others due to high domestic demand for electricity and reduction of available capacity.

Figure 21: Monthly volumes of intersystem exchange in Poland after Q3 2015 (TWh)

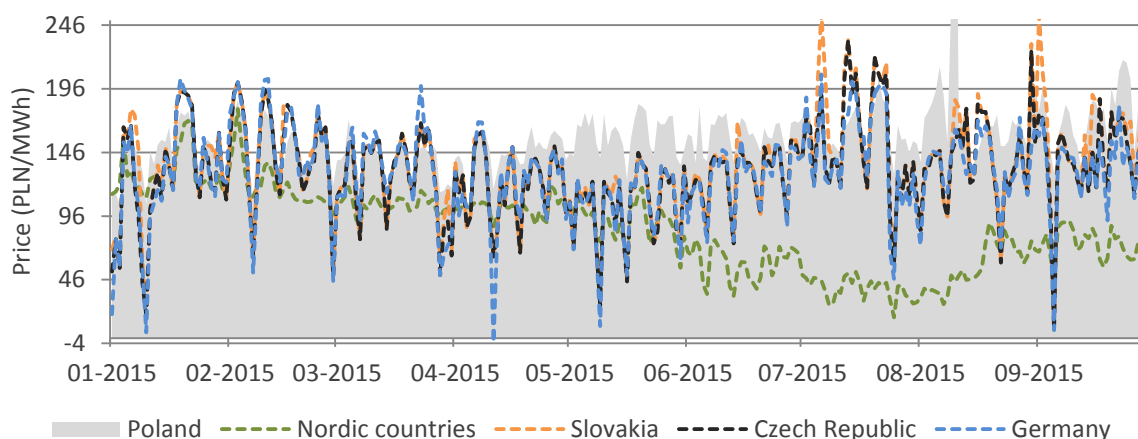


Source: PSE

### 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 Q3 2015, average prices in Poland were generally higher than they were in the neighboring countries. The largest difference in prices was recorded in July and August between the Polish and Nordic SPOT markets. Compared to the German market, electricity prices in Poland were higher by the average of 35 PLN/MWh and the highest difference was recorded in August.

Figure 22: Electricity prices on the SPOT market in Poland and in neighboring countries after Q3 2015

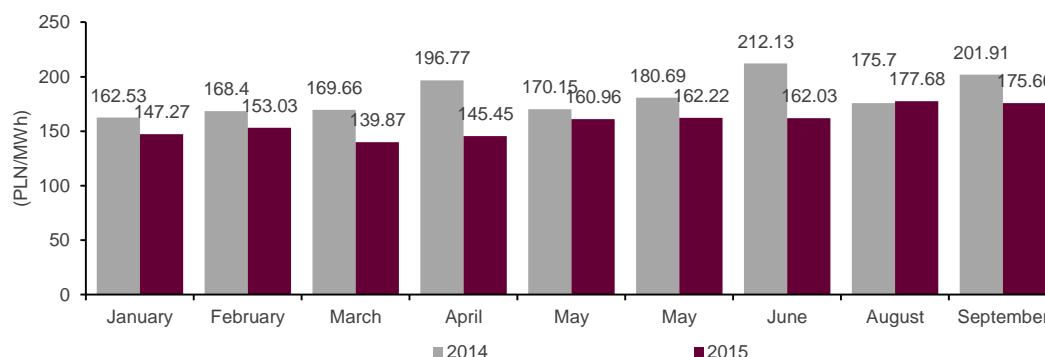


Source: Bloomberg

### Electricity Day-Ahead Market (DAM) in Poland

Average prices on the DAM market at the end of Q3 2015 were generally about 15 PLN/MWh lower than those in Q3 2014. In July and September, the difference in prices was 40 PLN/MWh and 20.5 PLN/MWh, respectively. However in August the prices were 6.5 PLN/MWh higher than in the previous year. The decline in prices on the wholesale market affected the results posted by generating companies of the ENERGA Group, but it also contributed to the cheaper electricity purchases by the Sales Segment.

Figure 23: Electricity prices on the Day-Ahead Market (DAM) after Q3 2015



Source: TGE

In Q3, the prices on the day-ahead market were higher than in H1 of this year. This was an effect of an increase in unplanned reductions in generating capacity associated, among others, with high temperatures and low water levels in rivers, combined with the high domestic demand for electricity. In August, the average price per MWh on the DAM was PLN 177.68 and was the highest since the beginning of 2015.

### Electricity forward market in Poland

In Q3 2015 the electricity forward market followed a downward trend, as a result of which the prices fell to under 160 PLN/MWh. This has fully offset the upward movement from the previous year.

Figure 24: Price of forward contracts – base with delivery in 2016, quoted after Q3 2015

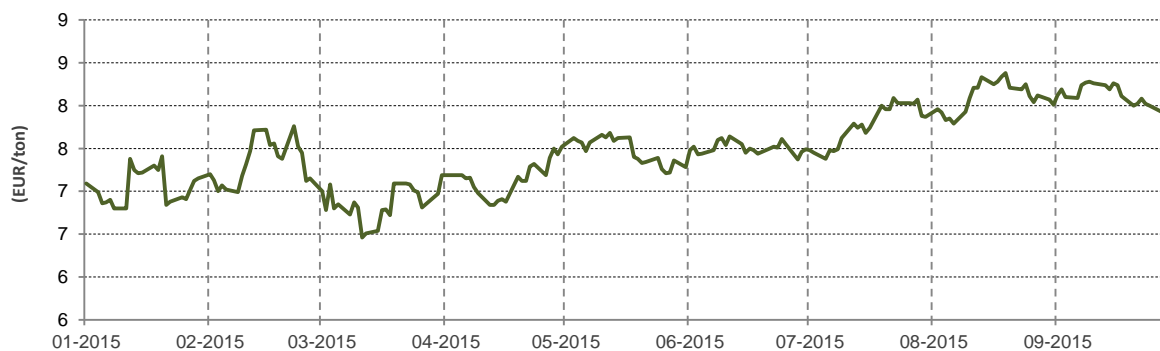


Source: TGE

### Emission allowance market

Since the beginning of 2014, the CO<sub>2</sub> rights market has followed an upward trend driven by the ambitious EU targets adopted to reduce CO<sub>2</sub> emissions by 2030 and a decision to introduce an MSR mechanism starting in 2019. In Q3 2015, the prices stabilized at 7.5-8.5 EUR/ton.

Figure 25: Prices of EUA emission allowances (DEC 2015) after Q3 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)	Wartość Indeksu			Obligation percentage (%)	Substitution fee (PLN)
	Q1 2015 (PLN/MWh)	Q2 2015 (PLN/MWh)	Q3 2015 (PLN/MWh)		
OZEX_A_POLPX (PMOZE_A-green)	147.6	120.3	109.8	14.0*	300.03*
KMETX (PMMET - 2014 - violet)	61.8	62.0	61.4	1.3*	63.26*
KGMX_POLPX (PMGM-2014- yellow)	107.3	109.3	117.2	4.9*	121.63*

KECX (PMEC-2014 - red)	10.7	10.8	10.6	23.2*	11.0*
EFX (PMEF - white)***	968.5	943.5	959.9	1.5	1000.0

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

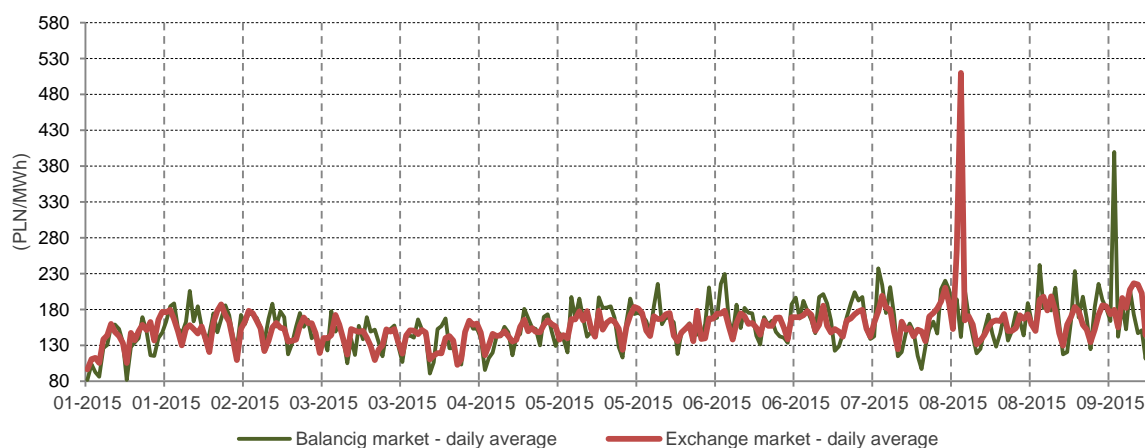
\*\* obligation % calculated in relation to sales revenues, substitution fee in PLN/toe

From the standpoint of the Group's generation structure (high percentage of RES production) the quotations of green property rights are the most important. In Q3 2015, the average level of PM OZE prices in session transactions was 109.8 PLN/MWh. The main reason for the low prices as compared to the substitution fee is the surplus supply of RES certificates.

### Balancing Market

In Q3 2015, electricity prices on the balancing market were similar to day-ahead market prices. The maximum was recorded on 19 September 2015 when the daily average price on the Balancing Market was 399.68 PLN/MWh. The average price level on the balancing market in Q3 2015 was 169.61 PLN/MWh and was 25.50 PLN/MWh lower than in the corresponding period of the previous year.

Figure 26: Statement of prices on the balancing market and SPOT market (Exchange) after Q3 2015

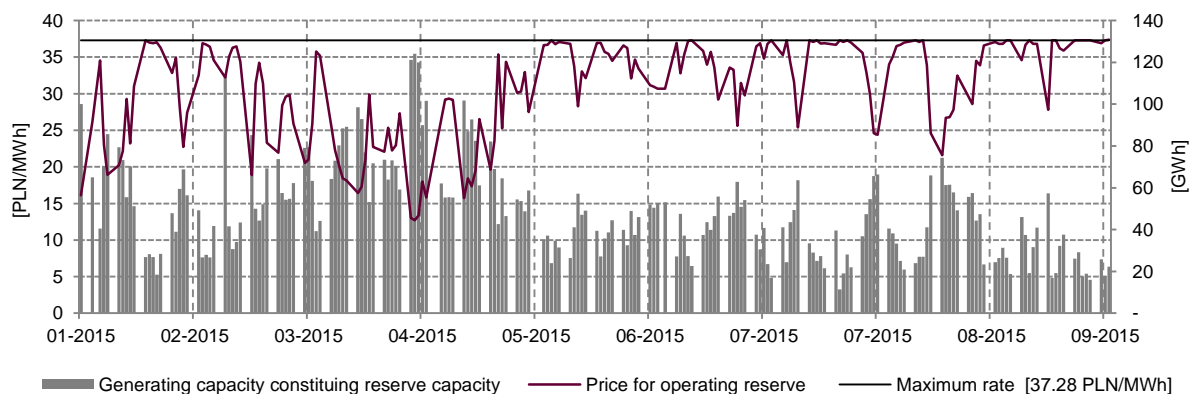


Source: TGE, PSE

### Operating reserve

In 2015, the operating reserve service is continued, while its governing rules changed slightly. The reference price was increased to 37.28 PLN/MWh. An hourly budget has been introduced for the operating reserve, which prevents an overrun of the planned costs of the operating reserve service during the year. In Q3 2015, the average fee for the operating reserve service was 34.48 PLN/MWh, which was 2.05 PLN less than in the corresponding period of the previous year.

Figure 27: Statement of prices and generating capacity constituting the operating reserve after Q3 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"> <li>(1) limitation of risks and excessive costs for "offtaker of last resort" (in the ENERGA Group it is ENERGA-OBRÓT)</li> <li>(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)</li> <li>(3) new type of support for modernized RES installations</li> <li>(4) support for dedicated biomass co-burning installations</li> </ul>	<ul style="list-style-type: none"> <li>(1) loss of support for hydro power plants &gt; 5 MW and limitation of support for biomass co-burning</li> <li>(2) support for new Group products depending on conditions on RES auctions (reference price)</li> <li>(3) uncertainty regarding the full launch of the system by the adopted deadline, i.e. today, only the Renewable Energy Settlements Operator company has been established, which has to operate as of 1 January 2016. Otherwise, companies performing the duties of "obligated sellers", i.e. trading companies, will be obligated to purchase energy from RES generators at the auction price and will be exposed to losses)</li> <li>(4) risk associated with an unplanned amendment of the act in Q4 2015 will increase uncertainty about the future wording of the regulations right before the auction system is launched. Additionally, such an amendment may bring about many unplanned changes in the act</li> <li>(5) Interpretation of certain provisions of the act by the President of ERO</li> </ul>
Amendment of the Water Law Act	Implementation of the requirements of the Water Framework Directive (WFD) in respect to the principles of water management	<ul style="list-style-type: none"> <li>(1) rationalization and stimulation of investments in the area of water management in Poland</li> </ul>	<ul style="list-style-type: none"> <li>(1) abandonment of exemptions from water fees for power facilities</li> <li>(2) unknown level of fees for business use of water for energy production and rates for handing over land covered by water for use, will generate important costs for hydro power plant owners</li> <li>(3) uncertainty regarding the full launch of the system by the assumed deadline (1 January 2016) when the Minister of the Economy announced a change in the approach in the implementation of the WFD</li> </ul>
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"> <li>(1) improvement of the efficiency of DSO companies</li> <li>(2) reduction of electricity consumption in Poland</li> </ul>	<ul style="list-style-type: none"> <li>(1) inconsistency of the bill's assumptions with the experience of the industry</li> <li>(2) too ambitious implementation timetable;</li> <li>(3) centralization and transfer of a database to a third party (Metering)</li> </ul>



Legal act	Purpose of changes	Opportunities	Risks
			Information Operator) will make it much more difficult to take advantage of the potential of smart metering for changing the grid towards the smart grid.
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	(1) expediting execution of new DSO grid investments (2) regulation of the "historical arrangements" regarding the land on which transmission corridors are located	(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	(1) possibility of obtaining additional funds for execution of efficiency investments in the Group	(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	(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

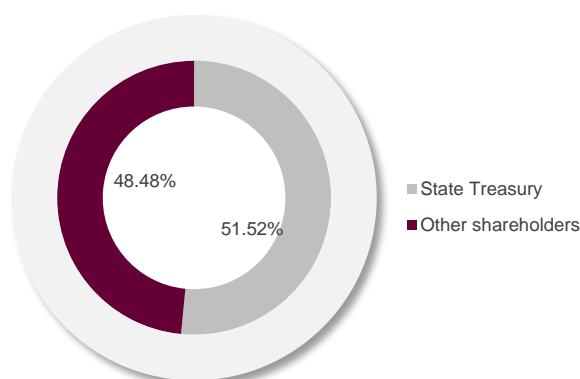
\* One preferred share entitles its holder to 2 votes at the General Meeting. These shares are owned by the State Treasury.

Table 31: Shareholding structure of ENERGA as at 30 June 2015 and the date of preparing this Information

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 28: Shareholding structure of ENERGA as at 30 June 2015 and the date of preparing this Information



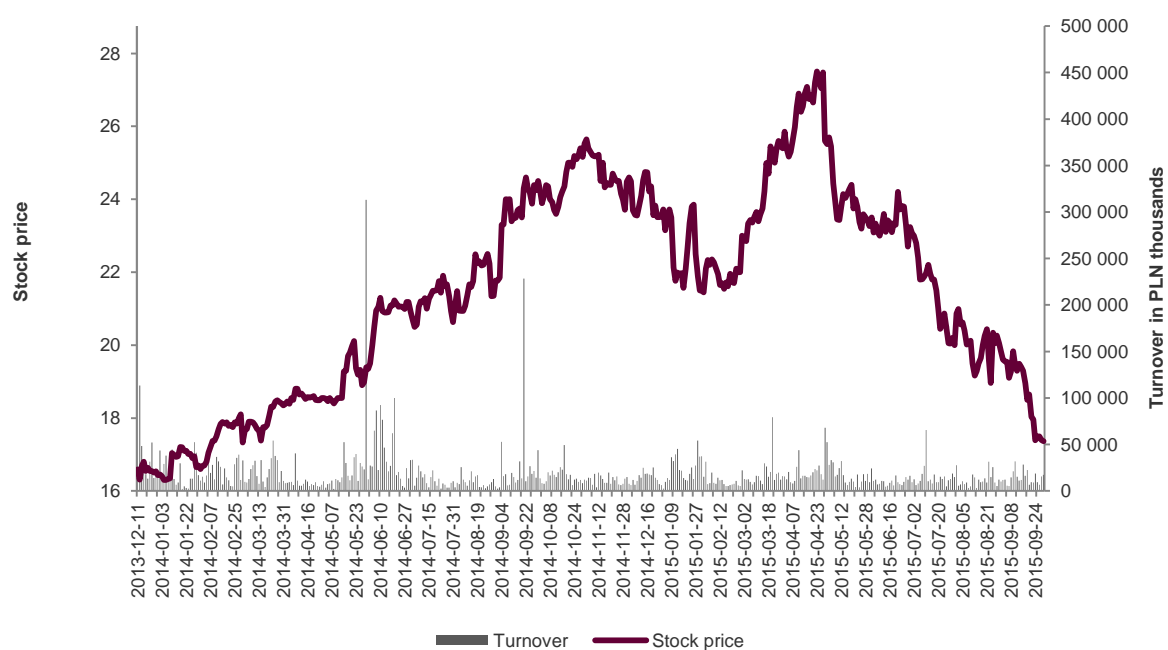
## 5.2. Company stock prices on the Warsaw Stock Exchange

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

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114
Stock price at the end of the period	16.86
Capitalization at the end of the period	PLN 6,981 m
Minimum at closing in 9M	PLN 16.86
Maximum at closing in 9M	PLN 27.00
Minimum in 9M	PLN 16.40
Maximum in 9M	PLN 27.70
Average trading value	PLN 15,946 thous.
Average trading volume	721,714 shares
Average number of trades	1,794 trades

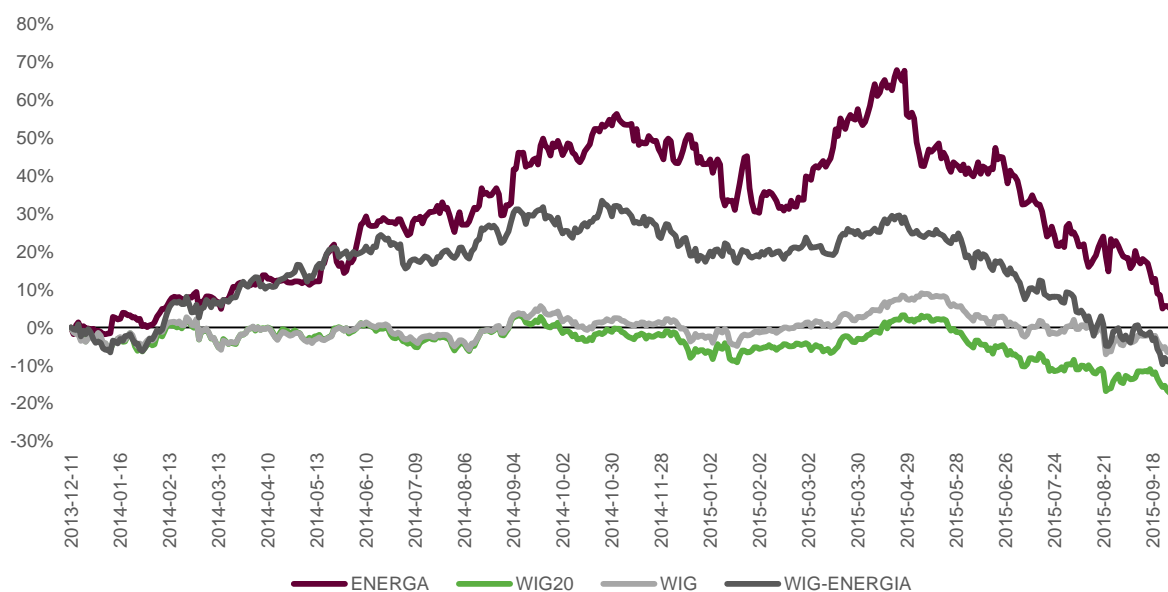
Source: Proprietary material based on data from [www.gpwinfostrefa.pl](http://www.gpwinfostrefa.pl)

Figure 29: ENERGA SA stock price, in the period from IPO (i.e. 11 December 2013) to 30 September 2015



Source: Proprietary material based on data from [gpwinfostrefa.pl](http://gpwinfostrefa.pl)

Figure 30: Changes in ENERGA stock prices in comparison with changes in WIG, WIG20 and WIG-ENERGIA indices



Source: Proprietary material based on data from [gpwinfstrefa.pl](http://gpwinfstrefa.pl)

As at 30 September 2015, the Company comprised 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. 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%.

**WIG30**

**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 characterised 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. Recommendations for the Company's stock

<p><b>18</b> Analyst recommendations in 3 quarters of 2015</p>	<p><b>13 Buy</b> recommendations  <b>3 Hold</b> recommendations  <b>1 Neutral</b> recommendation  <b>1 Reduce</b> recommendation</p>
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A list of the recommendations can be found at the Company's Investor Relations website.

### 5.4. Shares held by executive and supervisory personnel

As at 30 September 2015 and as at the date of preparing this Information, no member of ENERGA SA's Supervisory Board and no member of ENERGA SA's Management board held shares in the Company or shares in the Company's affiliates.

Gdańsk, 16 November 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

Waldemar Kamrat  
Vice-President of the ENERGA SA Management Board for Strategy and Investments

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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
CO <sub>2</sub>	Carbon dioxide
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
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 electrical power 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) costs) adjusted by depreciation (posted to the 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
ENERGA SA, ENERGA	Parent company in the ENERGA Capital Group
ENERGA Capital Group, ENERGA Group, Group	Capital Group dealing with the distribution, sales and generation of electricity and heat. It also conducts activity related to street lighting, design, procurement of materials, grid-related services, specialized transport, hotel and IT services
EMTN	Program to issue Euro Medium Term Notes
EUA	European Union Allowance; Emission allowances
EUR	Euro, currency used in countries belonging to the European Union's Eurozone
ERO	Energy Regulatory Office
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 electrical energy 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
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.

ORM	Operating reserve
TSO, Transmission System Operator	Utility dealing with the transmission of gaseous fuels or electricity, 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 power systems
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
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
yoy	Year on year
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
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
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.)
RAB	Regulatory Asset Base