

# Financial results of Energa Group in 2019 and estimated selected data for Q1 2020



**@EnergaSA**

**#Energa4Q19**

29 May 2020



# Energa Group in Q4 2019 and in 2019

Increase in EBITDA and RES production of electricity

## Energa Group results

	(2019 vs. 2018)	(Q4'19 vs. Q4'18)
<b>EBITDA</b>	+9%	+2%
	+3% <sup>1</sup>	-11% <sup>1</sup>
<b>Net profit</b>	<-100%	<-100%
	-43% <sup>2</sup>	<-100% <sup>2</sup>
<b>Production of electricity</b>	-8%	-23%
	+15% incl. RES	+33% incl. RES
<b>Distribution of electricity</b>	-2%	0%

<sup>1</sup> Adjusted by one-offs

<sup>2</sup> Adjusted by impairment losses

<sup>3</sup> Average prices in the period

Source of market data: Polski Rynek Węgla, Towarowa Gielda Energii (Polish Coal Market, Power Commodity Exchange)

## Market conditions

	(2019 vs. 2018)	(Q4'19 vs. Q4'18)
<b>Hard coal prices<sup>3</sup></b>	+10%	+8%
<b>Green certificates prices<sup>3</sup></b>	+33%	-3%
<b>Emission allowances prices<sup>3</sup></b>	+59%	+25%
<b>SPOT energy prices<sup>3</sup></b>	+3%	-14%
<b>Domestic production of electricity</b>	-4%	-7%
<b>Domestic consumption of electricity</b>	-1%	-2%

# Distribution Business Line

## Significant improvement of SAIDI and SAIFI indicators



In 2019 alone, nearly 18,000 RES microgeneration installations with a total capacity of over 122 MW were connected. At the end of 2019 the volume of micro-installations exceeded 28,000 with a total capacity of more than 195 MW, an increase by 284% and 276% YoY, respectively (*in Q4 2019, 7.3 ths of RES microgeneration installations with capacity of 47.35 MW were connected*).



Significant improvement of SAIDI and SAIFI indicators on all voltages YoY, 127 minutes per customer (+16% YoY) and 2.02 outage per customer (+6% YoY), respectively and thus strengthening the leadership position in the area of power supply reliability by Energa Operator.



Investment expenditures in the amount of PLN 1,334 m (i.e. -2.5% YoY); increase in expenditures on the HV network development and new customers' connections.



Construction of more than twice as much cable network as part of investments implemented in the areas of forests and tree stands, i.e. 127.8 km, an increase by 227% YoY.



In 2019 the volume of electricity delivered stood at 22,155 GWh and was slightly lower YoY (i.e. -1.7%); an increase in volume of G tariff by 54.5 GWh, i.e. +1.0% YoY.

# Generation Business Line

## The largest share in RES production among Polish energy companies



- ✓ The largest share in generation of green energy among the Polish companies in its manufacturing mix - 38% in 2019.
- ✓ Przykona Wind Farm (31 MW) – planned completion date of the investment is Q2 2020.



- ✓ Preparation to implementation of one of the biggest PV projects in Poland - PV GRYF, i.e. photovoltaic farm in the commune of Przykona - the project has obtained a building permit.
- ✓ Submitting an application concerning support for implementation of the first project - photovoltaic panels on the water, under the „Support for Innovations Promoting a Resource-Efficient and Low-Carbon Economy” program (of the National Fund for Environmental Protection and Water Management (NFOŚiGW)).



Submission of 3 applications for permission to build artificial islands for offshore wind farms. Start of work on a research and development project related to the development of a 12 MW turbine demonstrator (the project is after consultation with the Ministry of National Defense and Ministry of Maritime Economy and Inland Navigation (MGMiŻŚ)).



Completion of the modernization of the power section of EW Gałąźnia Mała with a capacity of 4.25 MW in September 2019. The investment value stood at PLN 4.5 m. The project was aimed at improvement of operation and production efficiency, and increase of the volume of ecologically clean energy produced by the Energa Group.



Further works on the construction of the IOS II at the Ostrołęka B Power Plant. Realization in line with schedule.

# Sales Business Line

## Further development of product offer



Number of electricity connections (PPE) at the end of 2019 exceeded the record level of 3.08 m, which means an increase of 25 ths in 2019.



Signing of over 650 contracts for the implementation of services from the new product portfolio of energy-related products dedicated to business clients.

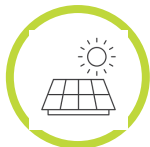


Establishing cooperation with strategic business partners translating into high quality services offered by Energa Obrót.



Another year with an increase in sales of offers with additional products and services:

- by around 14% YoY for individual clients,
- By around 27% YoY in SOHO customer segment.

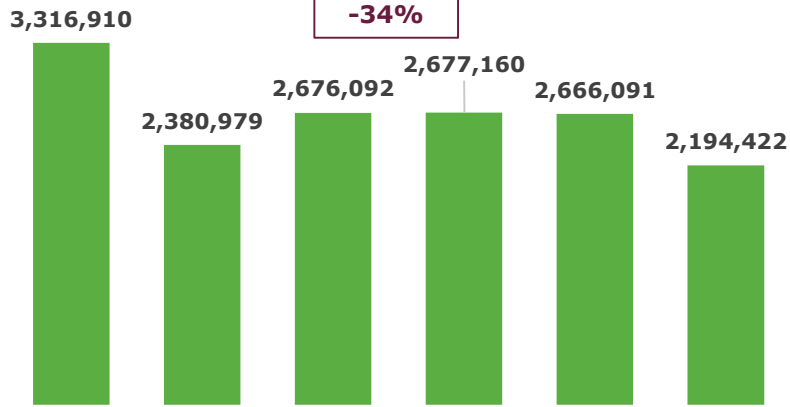


Sale of solar panels with a total installed capacity of about 1.3 MW to own customer base.

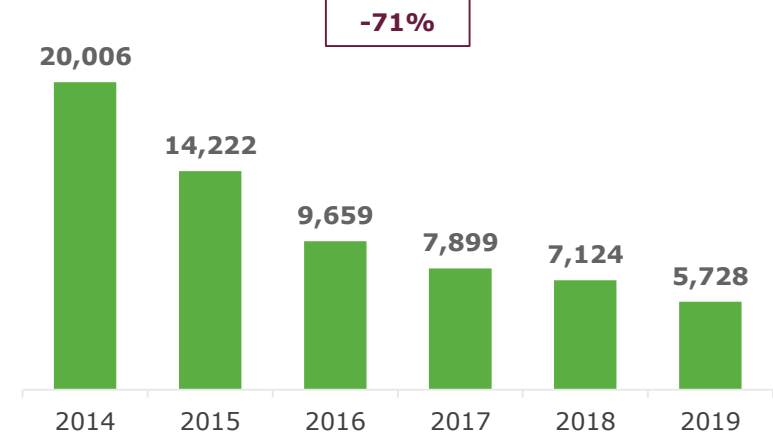
# Environment friendly company

Constant reduction of negative impact on the environment

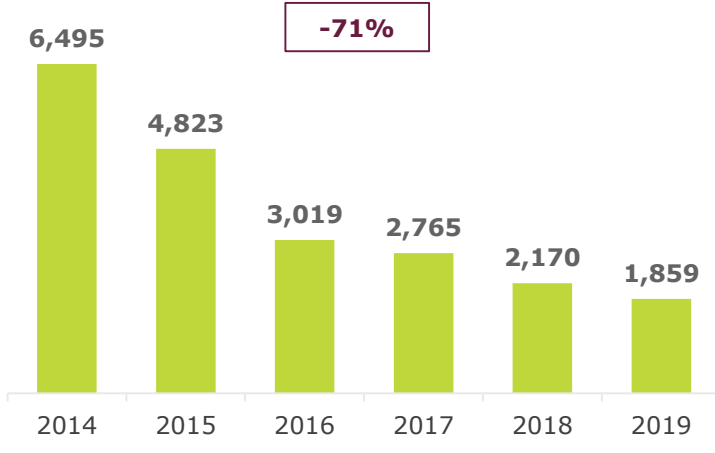
### Greenhouse gas emission (Mg CO<sub>2</sub>)



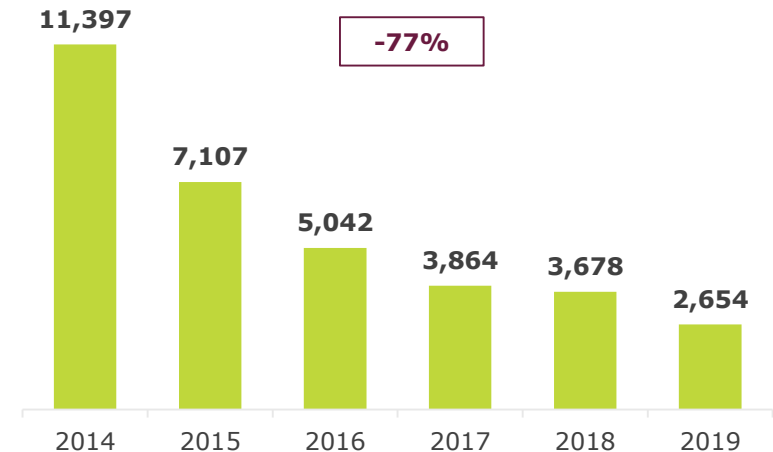
### NO<sub>x</sub>, SO<sub>x</sub> and other emissions (Mg)



### NO<sub>x</sub> emission (Mg)

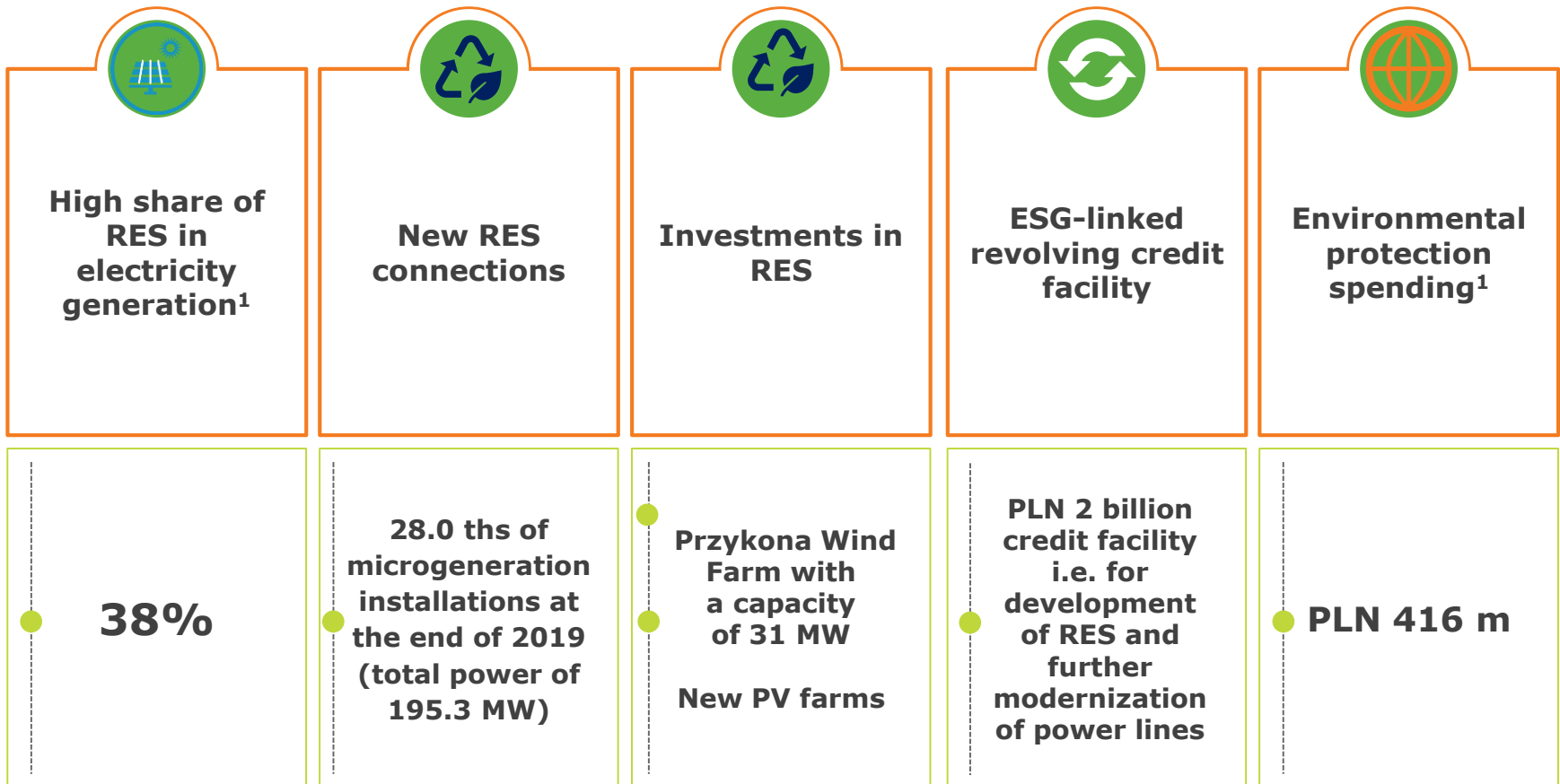


### SO<sub>x</sub> emission (Mg)



# Environmental protection and social responsibility

## Development with respect for the environment



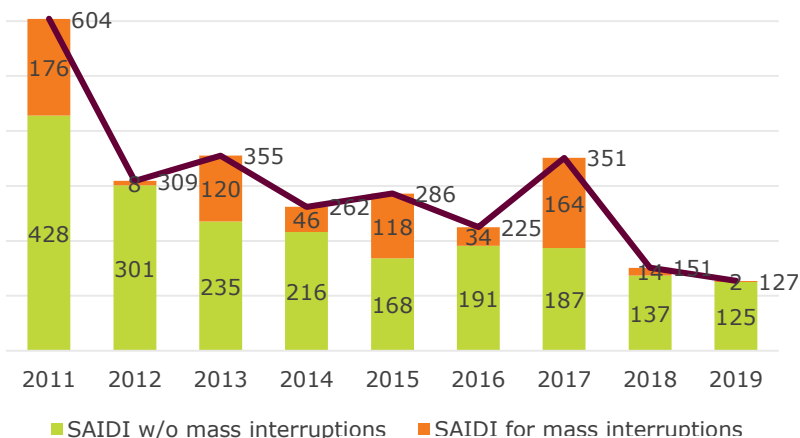
<sup>1</sup> Data for 2019.

# SMART Grid project

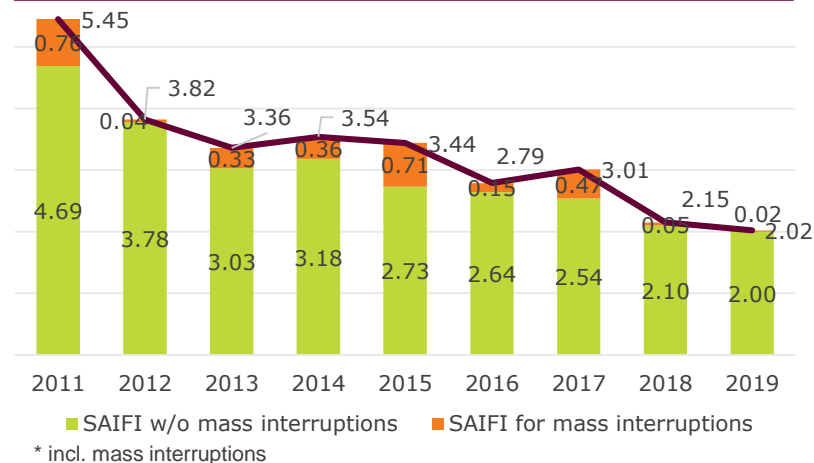
Constant improvement of reliable indices

## 2011-2019

### SAIDI HV\*



### SAIFI HV\*



## 2020-2022

**Smart Grid  
MV grid automation**

- largest project of this type in Poland, 85% co-financed by the UE

The project, co-financed by the EU under the Infrastructure and Environment Operational Program Project, is aimed at ensuring the stability and flexibility of the distribution system by implementing intelligent power grid solutions.

- ✓ Purchase and installation of 1,180 overhead load switches on medium-voltage lines, 1,148 indoor switchgears along with remote-control sets and over 2,000 TETRA telecommunications modems is continued.
- ✓ As part of the project, the SCADA power network traffic control system will be developed with a fault location module, which will shorten the duration of electricity supply interruptions.
- ✓ A part of the project is the construction of an energy storage facility, dedicated to stabilize the operation system of the 4 MW PV farm in Czernikowo.

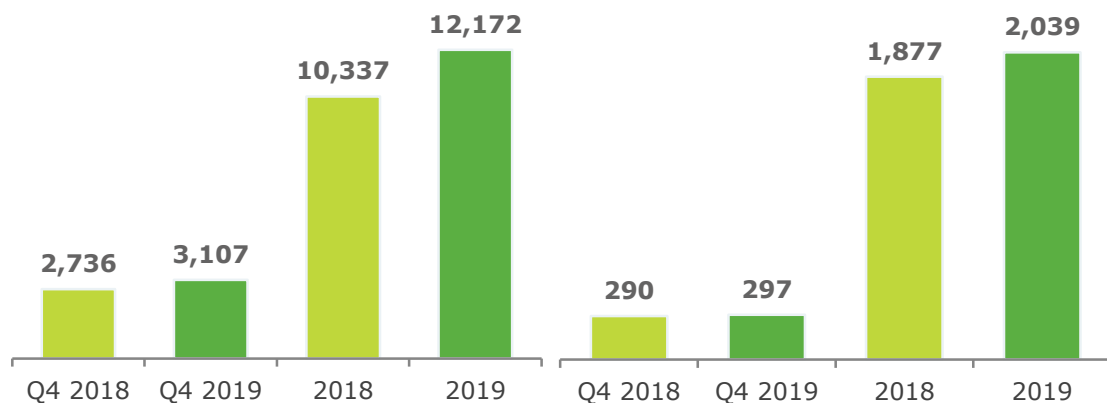


# Energa Group in 2019

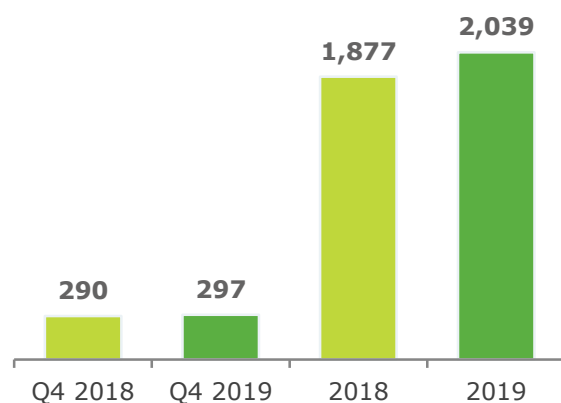
## Financial results summary

- Revenues higher by 18% YoY, mainly as a result of energy prices increase on the market, which was reflected in revenues of the Sales and the Generation Business Lines.
- Increase in EBITDA by 9% YoY (EBIDTA adjusted by one-off events by 3%).
- The Group results for 2019 include the impact of the Energy Prices Act in 2019.
- Decrease of net profit due to loss of recoverable amount of property, plant and equipment and shares held.

### Revenues (PLN m)

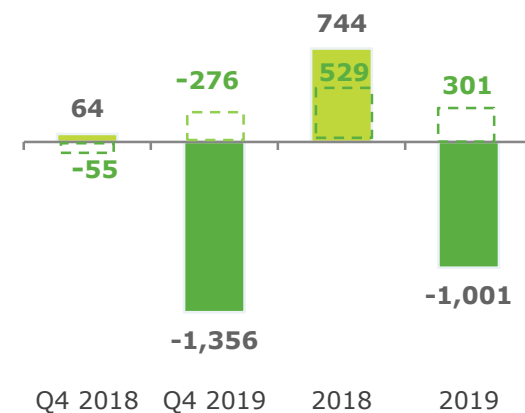


### EBITDA (PLN m)



### Net profit (PLN m)

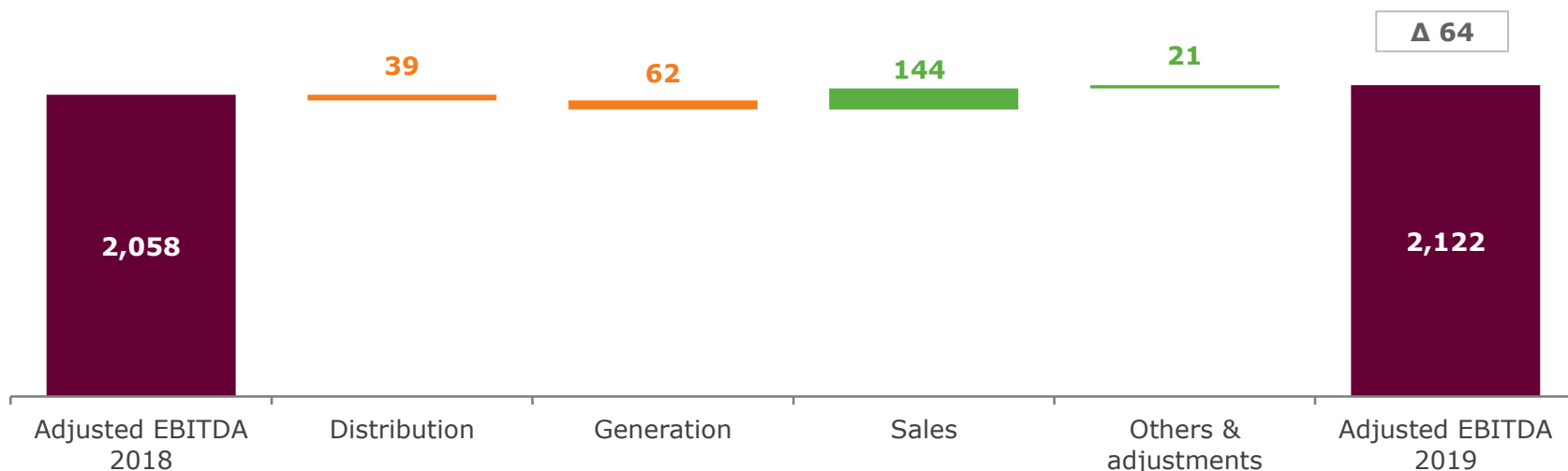
□ - Net profit before impairment losses\*



\* In 2019 the result includes the revaluation of investment in Elektrownia Ostrołęka sp. z o.o. to 0 and PGG to PLN 199 m, and impairment losses in the Group's non-current assets.

# Adjusted EBITDA of Energa Group

## Adjusted EBITDA Bridge in 2019 (PLN m)



### Adjustments in 2019:

- Actuarial reserves – PLN 46 m (impact on all Business Lines).
- Disputes with wind farms - PLN 48 m (Sales).
- Provision for onerous contracts – PLN 11 m (Sales).

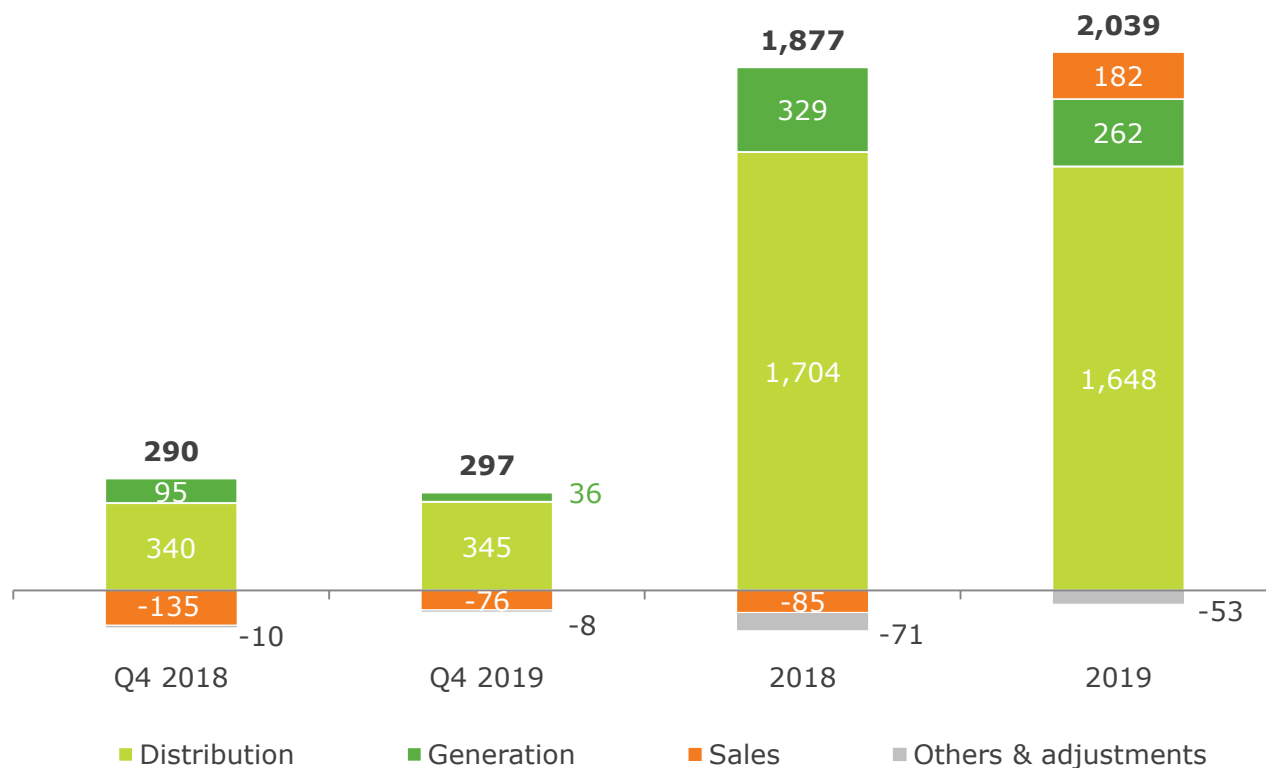
### Adjustment in 2018:

- Actuarial reserves – PLN 19 m (impact on all Business Lines).
- Provision for onerous contracts – PLN 136 m (Sales).
- CPA agreements – penalties awarded – PLN 26 m (Sales).

# EBITDA structure of Energa Group

## Leading share of the Distribution Business Line

### EBITDA by Business Lines (PLN m)



# Results of the Distribution Business Line

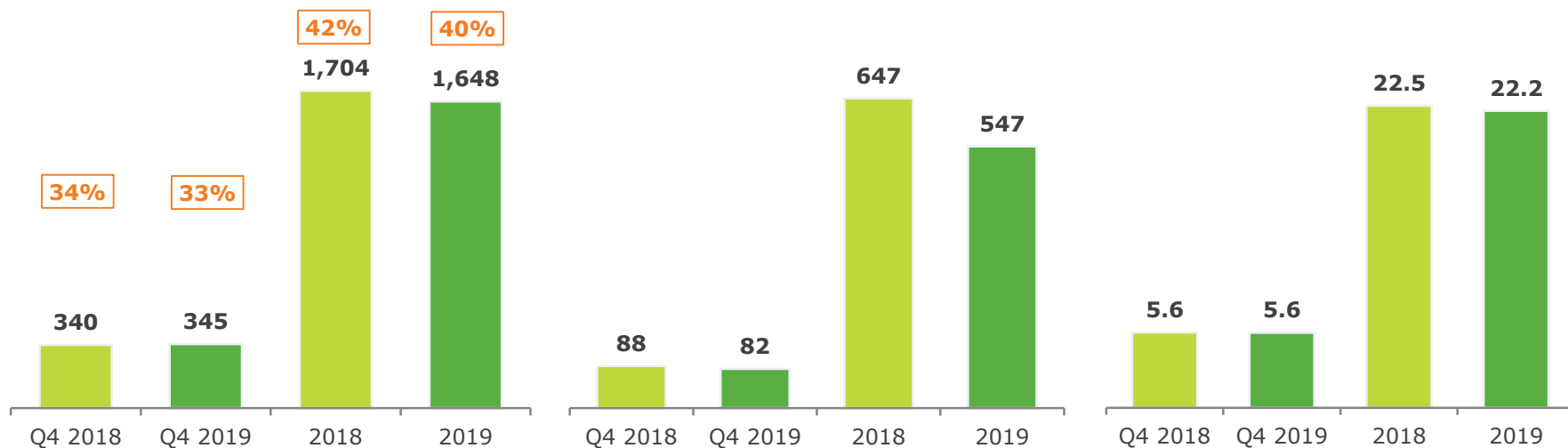
Slightly lower volume of distribution of electricity

## EBITDA (PLN m)

## Net profit (PLN m)

## Distribution of electricity (TWh)

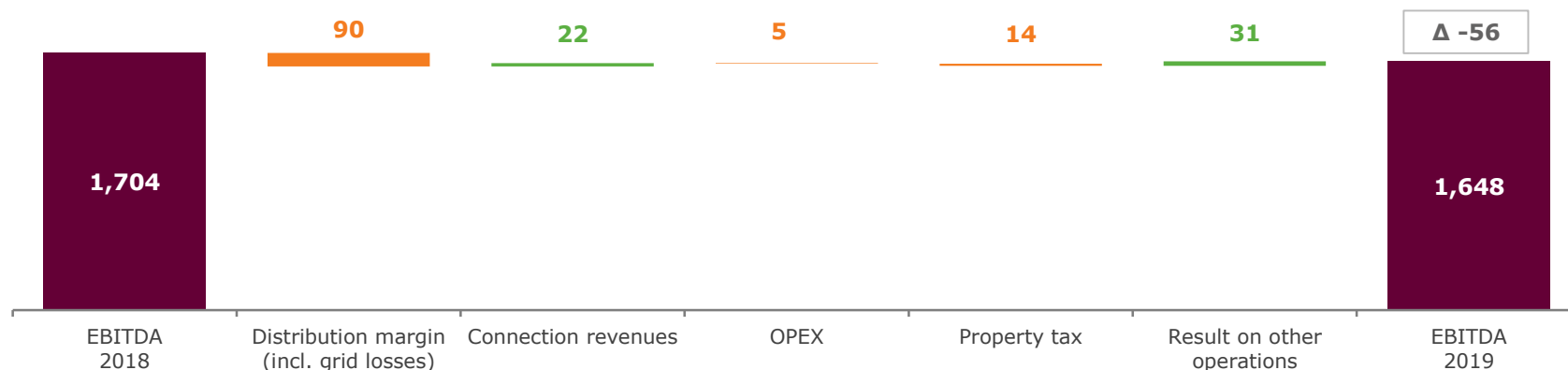
□ EBITDA margin



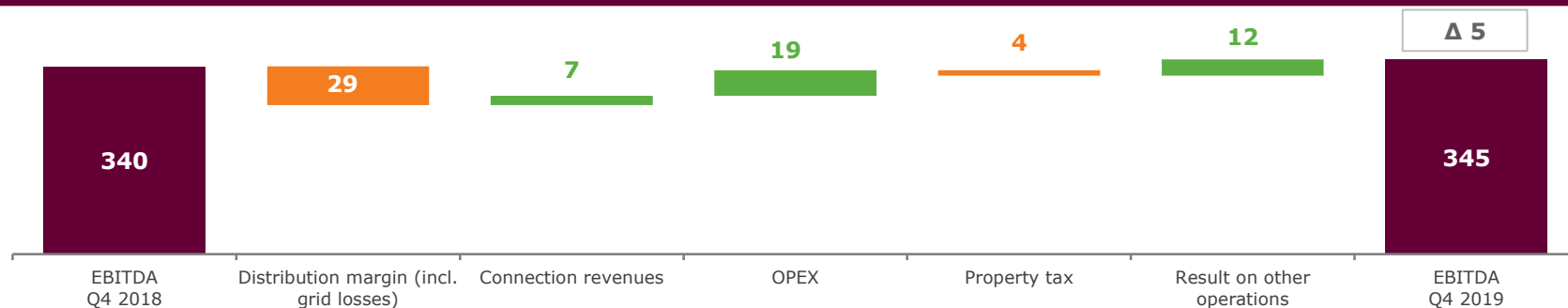
# EBITDA of the Distribution Business Line

High base of 2018

## EBITDA Bridge of the Distribution Business Line in 2019 (PLN m)



## EBITDA Bridge of the Distribution Business Line in Q4 2019 (PLN m)



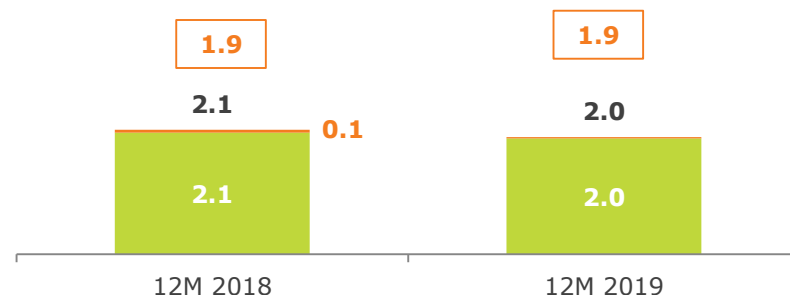
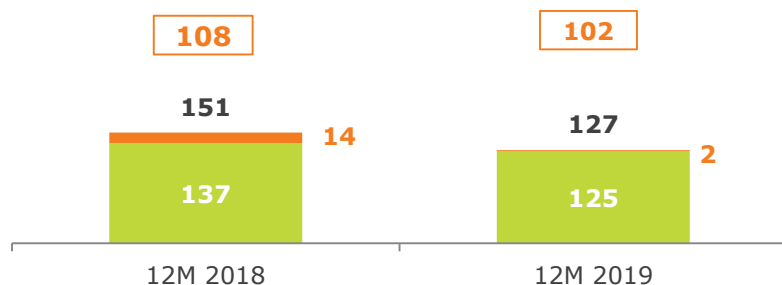
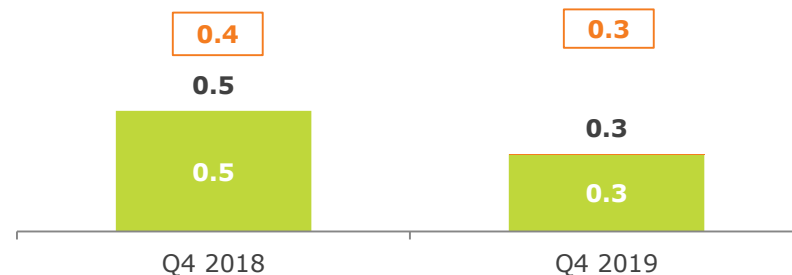
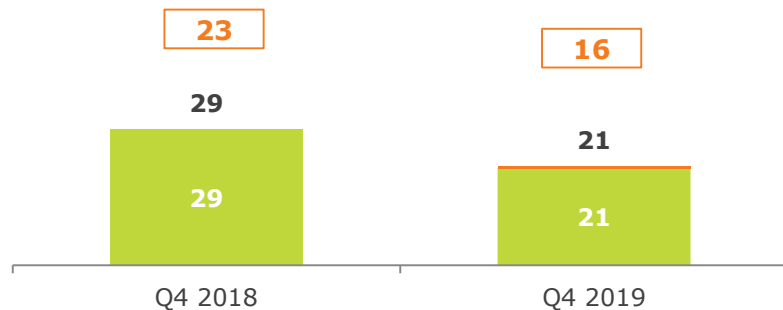
- Lower distribution margin in Q4 2019 and 2019 as an effect of cost of grid losses increase due to a high increase of electricity market prices YoY not fully covered by Energy Regulatory Office (URE) in regulated revenue.
- In 2018 the margin was positively affected by a change in the method of estimating unbilled sales following the introduction of reports from the new billing system.
- Lower distribution margin in 2019 also an effect of introducing a new tariff for 2019 from April 2019.
- OPEX costs in Q4 2019 were lower YoY due to application of IFRS 16 to charges for the foundation of devices in a road lane.

# Reliability indices

## Improvement of SAIDI and SAIFI QoQ and YoY

**SAIDI** (minutes per customers)

**SAIFI** (interruptions per customers)



■ mass interruptions SAIFI (interruptions per customer)

□ - SAIDI/SAIFI without mass interruptions (HV and MV)

# Results of the Sales Business Line

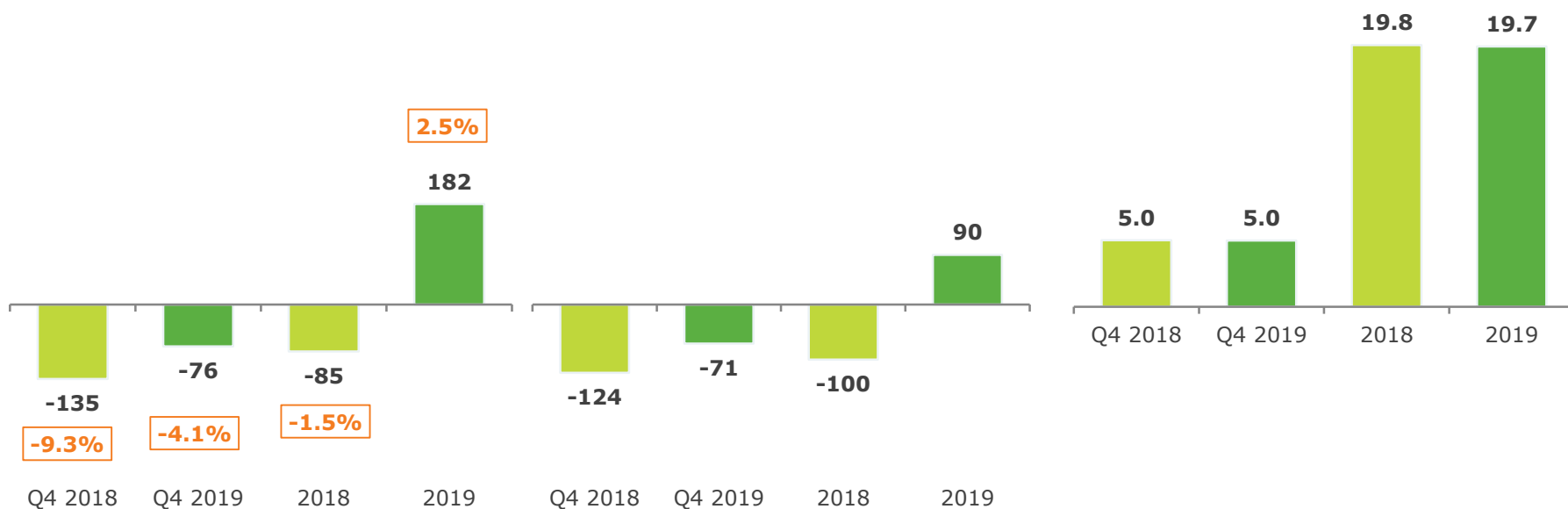
Low base of 2018 and lower variable costs

## EBITDA (PLN m)

## Net profit (PLN m)

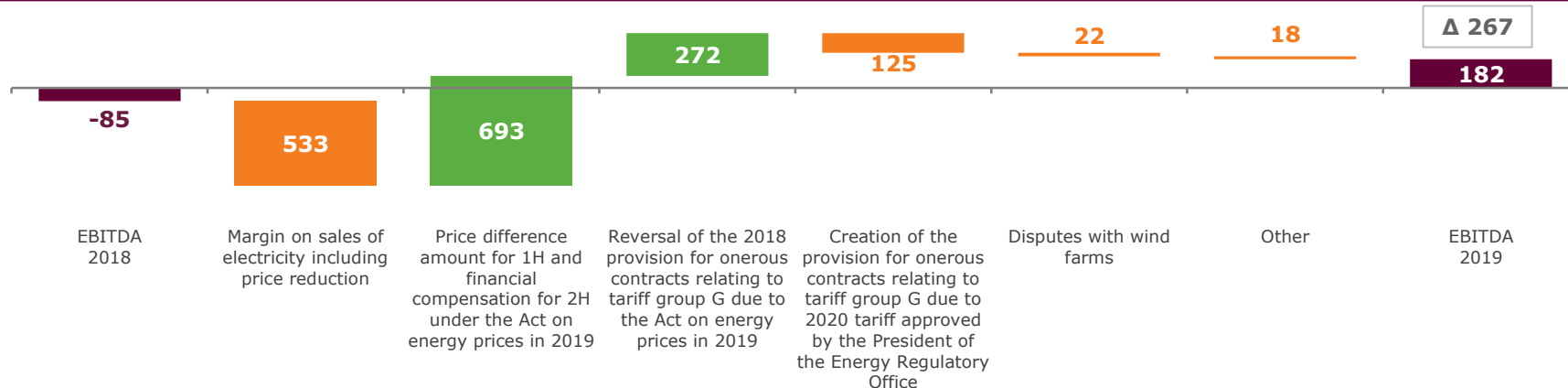
## Retail sale of electricity (TWh)

□ - EBITDA margin

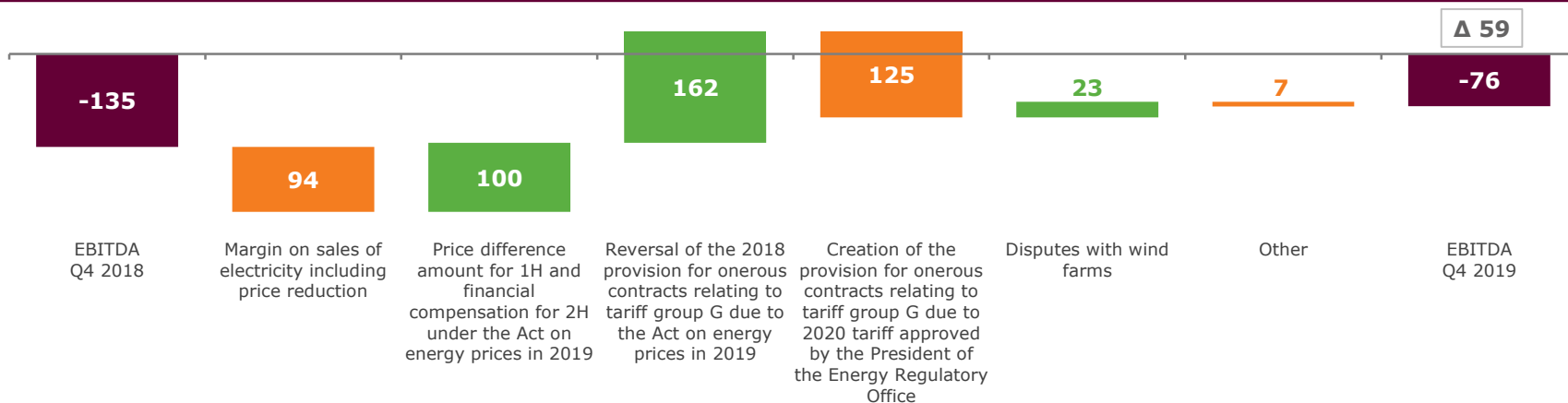


# EBITDA of the Sales Business Line

## EBITDA Bridge of the Sales Business Line in 2019 (PLN m)



## EBITDA Bridge of the Sales Business Line in Q4 2019 (PLN m)



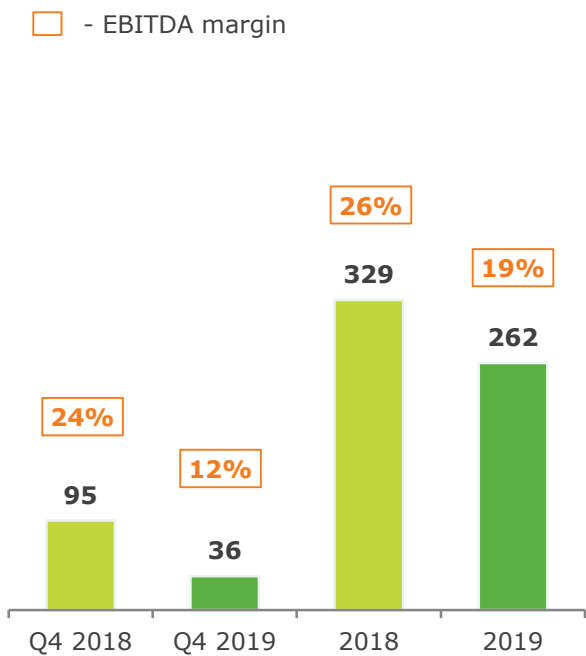
- Recognition of the impact of the Energy Prices Act in 2019 – revenues from the amount of the price difference for H1 2019 and revenues from financial compensation for H2 2019 in the total amount of PLN 693 m, which neutralized the negative effect of electricity sales to end customers at reduced prices.
- Lower costs of redemption of property rights and excise duties.
- Creation of a provision for onerous contracts regarding the „G” tariff in connection with the tariff of the President of the Energy Regulatory Office for 2020 and a provision for disputes regarding the validity of long-term contracts for purchases of green property rights (CPA contracts).



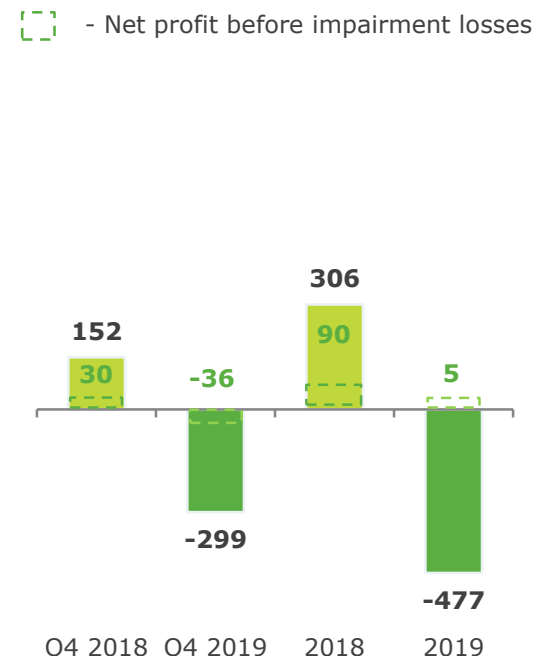
# Results of the Generation Business Line

Results impacted by impairment losses

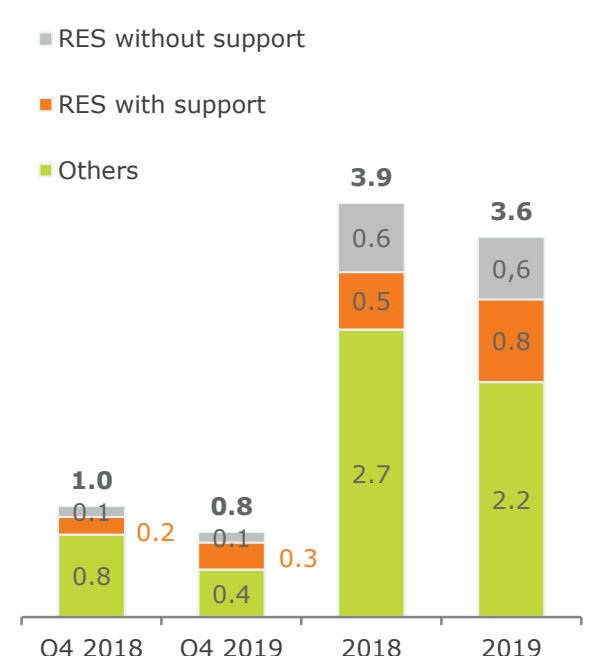
## EBITDA (PLN m)



## Net profit (PLN m)



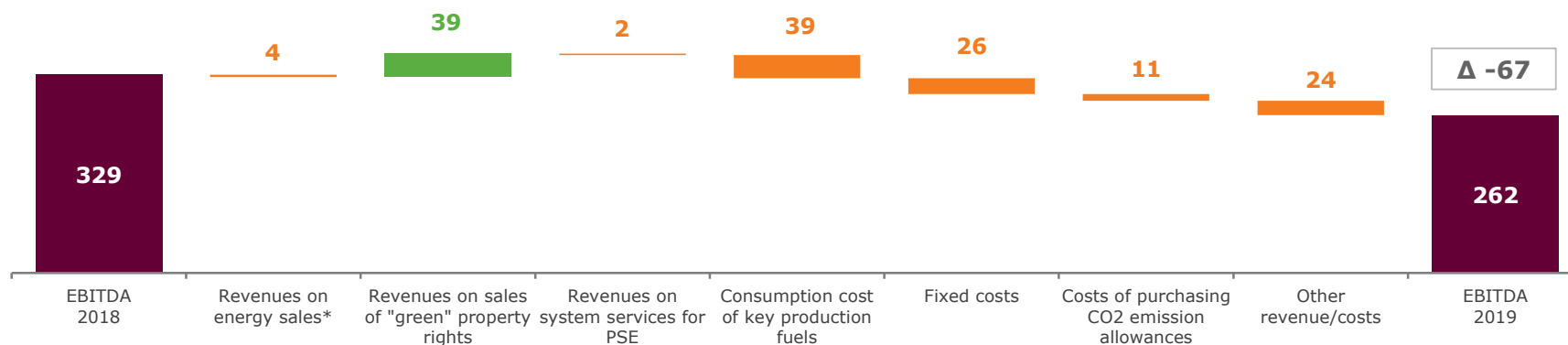
## Gross production of electricity (TWh)



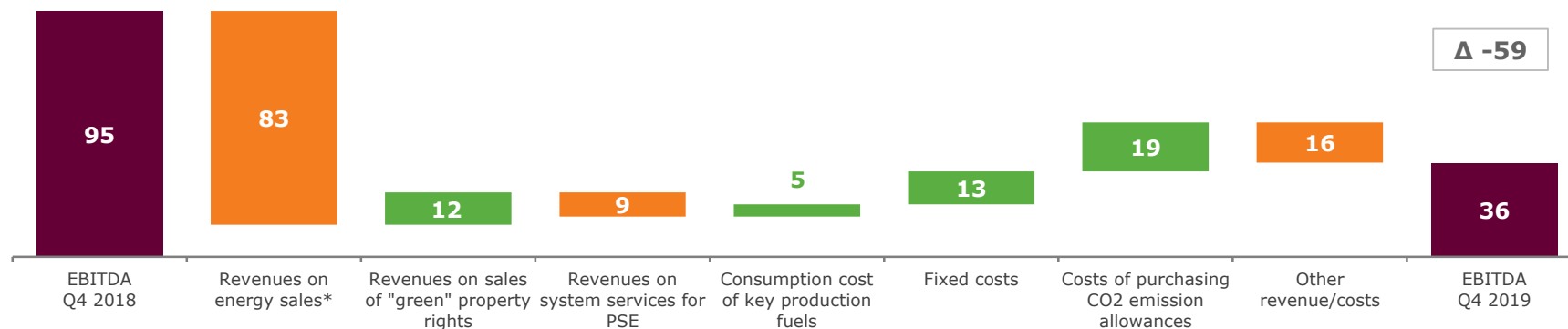
# EBITDA of the Generation Business Line

RES area main trigger for a positive result

## EBITDA Bridge of the Generation Business Line in 2019 (PLN m)



## EBITDA Bridge of the Generation Business Line in Q4 2019 (PLN m)



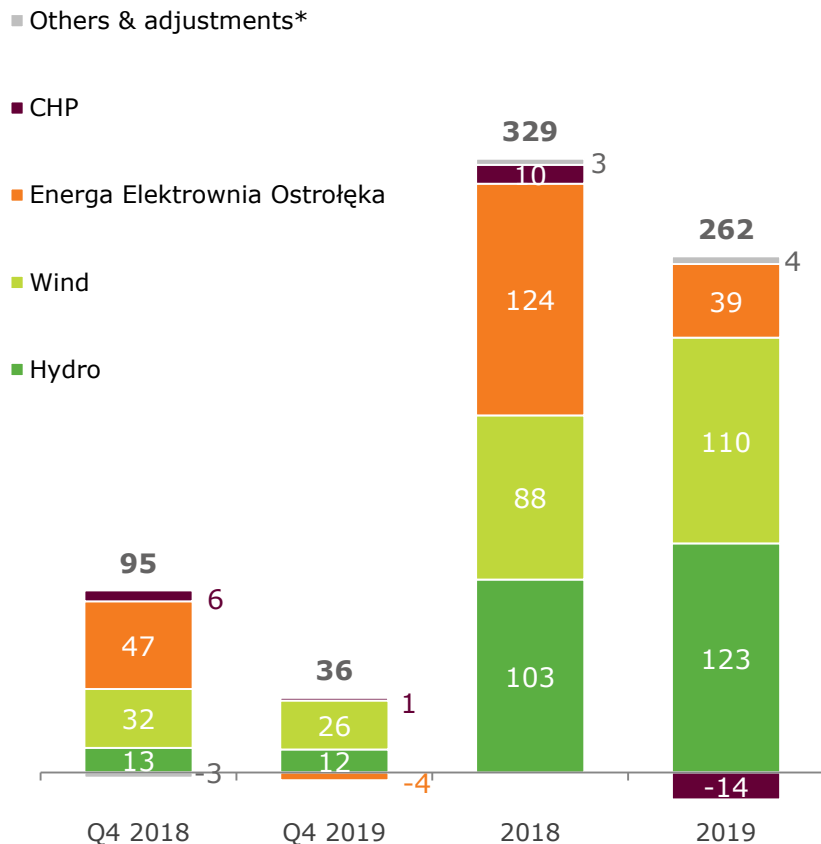
\*includes net electricity trading (revenue less cost)

- Higher RES energy production.
- Lower volume of energy production in the power plant in Ostrołęka.
- Increase in unit cost of coal, biomass and emission allowances.
- Higher fixed costs on an annual basis.

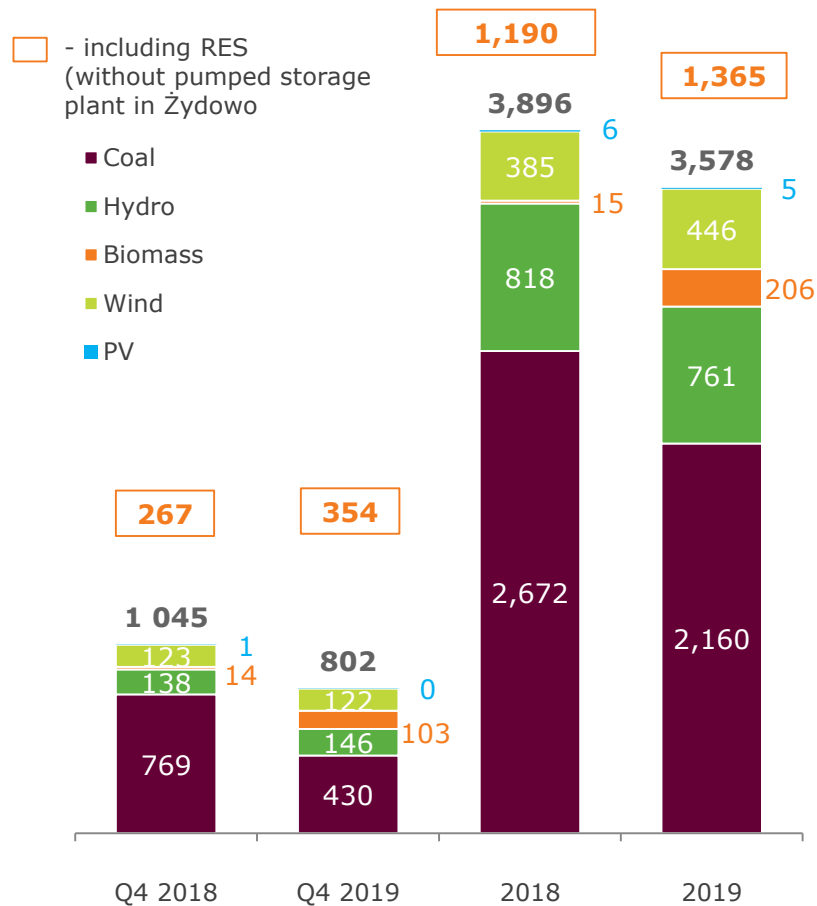
# Production by main types of sources

## Further increase of RES production

### EBITDA of the Generation Business Line by Power Division (PLN m)



### Gross electricity production by fuel (GWh)



\* The "Other & adjustments" category comprises a company providing services to the Generation Business Line and elimination of transactions between business lines.

# Capital expenditures

The Energa Group's total capital expenditures in **Q4 2019** were **PLN 466 m**.

Major investments in the **Distribution Business Line:**

1. **PLN 146 m** - grid development to facilitate connection of new customers
2. **PLN 49 m** - network expansion related to flows in the HV network and connection of electricity sources
3. **PLN 118 m** - distribution network modernization to improve reliability of supply
4. **PLN 2 m** - other expenditures for innovative grid technologies and solutions (Smart Grid)

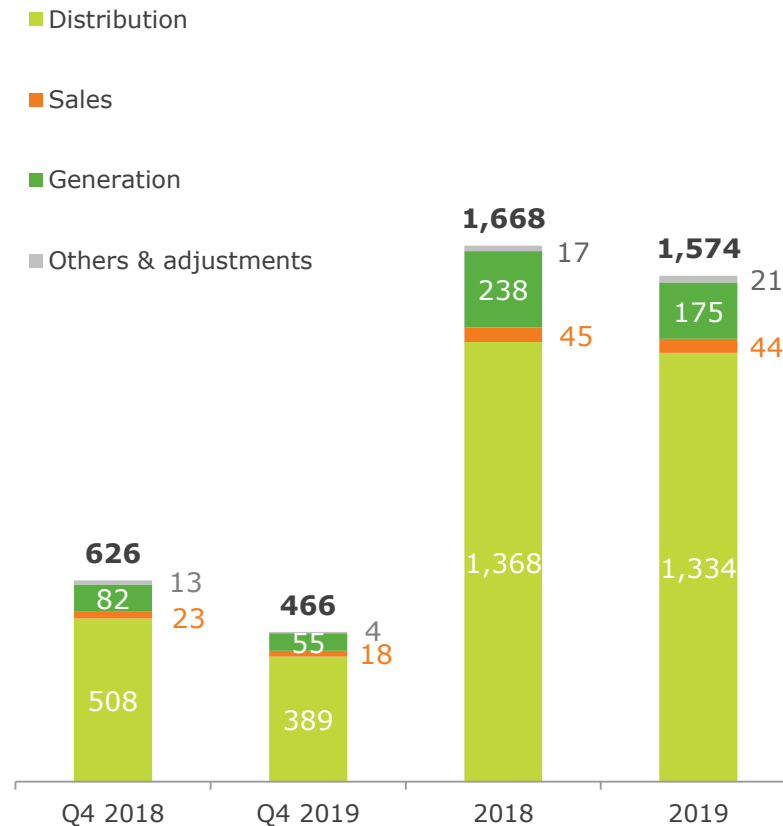
*contributed to:*

- a. **17 ths** – new customer connections
- b. **1,166 km** – built and modernized HV, MV and LV lines
- c. **85 MW** – new RES connections to network

Major investment in the **Generation Business Line:**

1. **PLN 30 m** - construction of IOS II at the Ostrołęka B Power Plant

PLN m

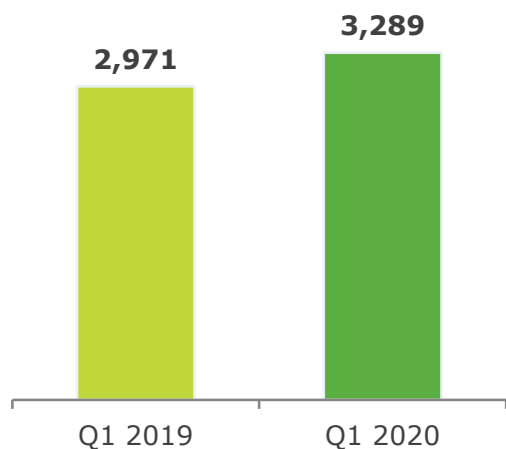


# Energa Group in Q1 2020

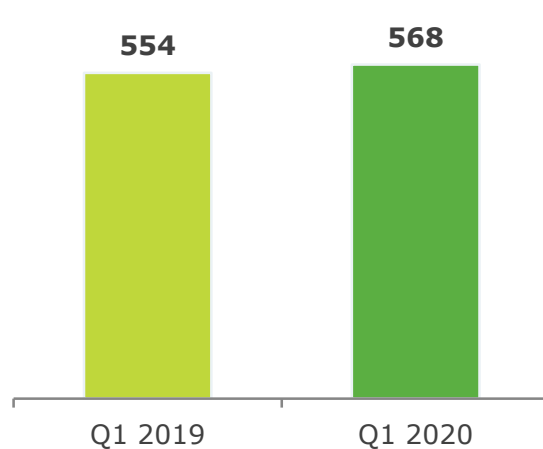
## Summary of estimated financial results

- Higher revenues by 11% YoY, mainly as a result of increase in revenues of the Sales Business Line.
- This is an effect of higher electricity sales prices to end users, which was caused by the lack of recognition of compensation in Q1 2019 (the low base effect), as well as an increase in the unit cost of purchasing electricity and property rights y/y.
- Increase of EBITDA by 3% YoY.
- The Group's results include the impact of COVID-19. Total impact on the Group's EBITDA was estimated at ca. PLN 27 million.

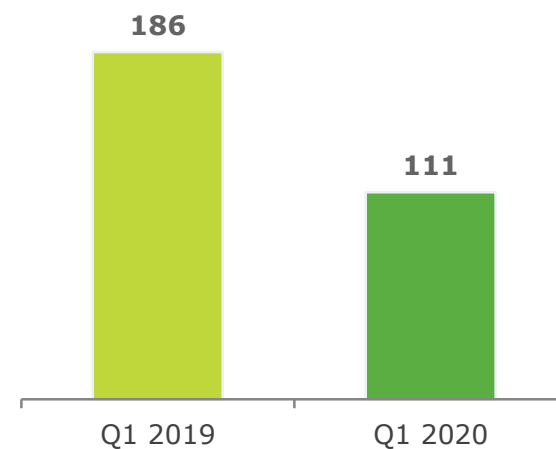
### Revenues (PLN m)



### EBITDA (PLN m)



### Net profit (PLN m)



# Selected estimated data of Energa Group for Q1 2020

## 2020

	Q1 2019	Q1 2020	Change	Change (%)
<b>Selected financial results (PLN m)</b>				
EBITDA Grupy, w tym:	554	<b>568</b>	+14	+3%
- EBITDA of the Distribution Business Line	548	<b>493</b>	-55	-10%
- EBITDA of the Generation Business Line	118	<b>69</b>	-49	-42%
- EBITDA of the Sales Business Line	-95	<b>34</b>	+129	>+100%
CAPEX	369	<b>331</b>	-38	-10%
<b>Selected operational data (GWh)</b>				
Distribution of electricity	5,811	<b>5,694</b>	-117	-2%
Gross production of electricity	1,025	<b>801</b>	-224	-22%
Sales of electricity	4,968	<b>4,922</b>	-46	-1%

- Distribution Business Line: A key factor which adversely affected this Line's performance was a lower distribution margin including grid losses. This was mainly due to the unfavorable valuation of the non-invoiced estimate of grid losses, despite an increase in the invoiced profit margin. Overheads were also higher year-on-year. The increase was mainly driven by the rising cost of employee benefit expenses and some external services (e.g. renovation work, collector's services), related, among other things, to an increase in the minimum wages and salaries. The lower balance from other activities was due in part to higher real property tax costs.
- Generation Business Line: the performance was subdued mainly by factors related to revenues (including decreased sales revenues of electricity and system services of the Ostrołęka power plant, as well as lower production volumes from hydroelectric power plants). As a consequence of reduced output from conventional sources, the cost associated with the consumption of fuel for production purposes and with the purchase of emission allowances was reduced.
- Sales Business Lines: The higher Q1 2020 result, compared to the same period of the previous year, was significantly influenced by the low comparative base. The Q1 2019 result (EBITDA of PLN -95 million) was low as revenue was lost due to the application of the Act on Energy Prices in 2019. In the absence of an executive regulation to the Act, the Sales Business Line charged lower rates to a vast majority of customers, without accounting for the compensation due under the Act. The estimated loss of the Business Line's revenue due to this was approximately PLN 209 million in the first quarter of 2019. In Q1 2020, a new tariff for households was effective, whose negative effect on the results for this quarter was largely neutralized by using part of a specific provision created at the end of 2019.

# Outlook for 2020 strongly impacted by market and regulatory factors

## DISTRIBUTION

- Increase of RAB to PLN 13.0 bn in the 2020 tariff.
- Decrease of WACC YoY (from 6.015% to 5.507%).
- Due to the pandemic, the risk of not realizing the distribution volume assumed in the 2020 tariff.
- Increase in the cost of employee benefits and external services, among others under the influence of an increase in the minimum wage by PLN 350 (to PLN 2,600), as well as an increase in employment in connection with the need close competence and generation gaps.

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## RES

- Risk of deterioration of hydrometeorological conditions (due to the expected drought in the country).
- Launching additional production from the new Przykona Wind Farm – an increase of revenues.

## Power Plant in Ostrołęka

- Decline demand of Electricity Transmission System Operator in Poland (PSE) for the energy forcefully produced by assets in Ostrołęka.
- Lower sales prices of electricity and energy-related products.

## SALES

- The level of the household tariff for 2020 approved by the President of the Energy Regulatory Office.
- Decrease in the volume of retail sales due to the epidemic situation in Poland and the need for sales with a loss of excess energy on the market.

# Financial Results of Energa Group for 2019



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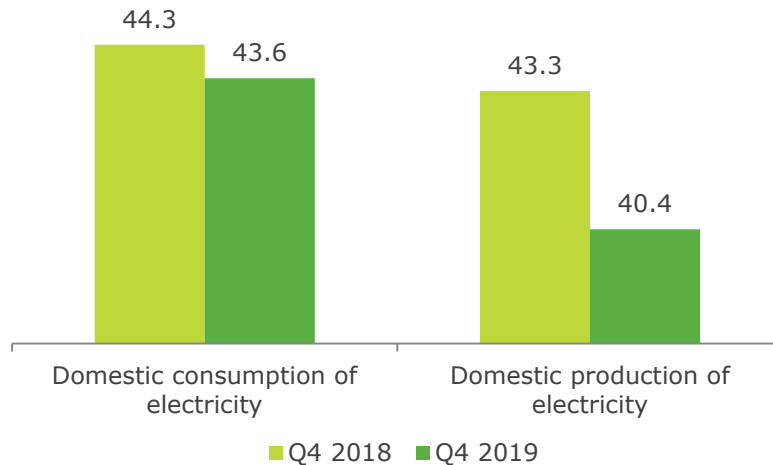
**#Energa4Q19**



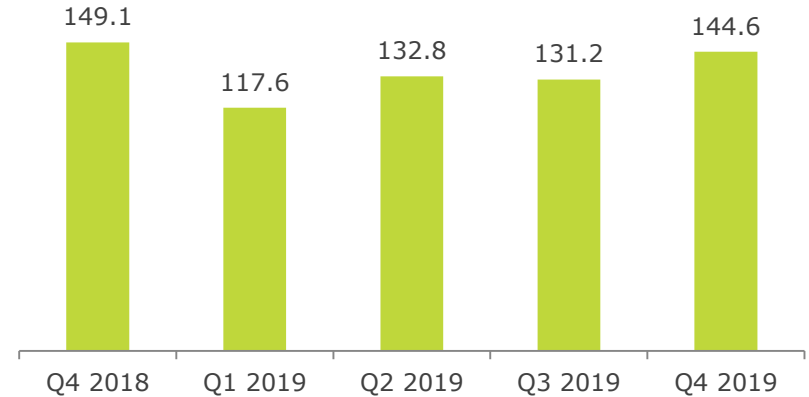
# Additional information

# Market data

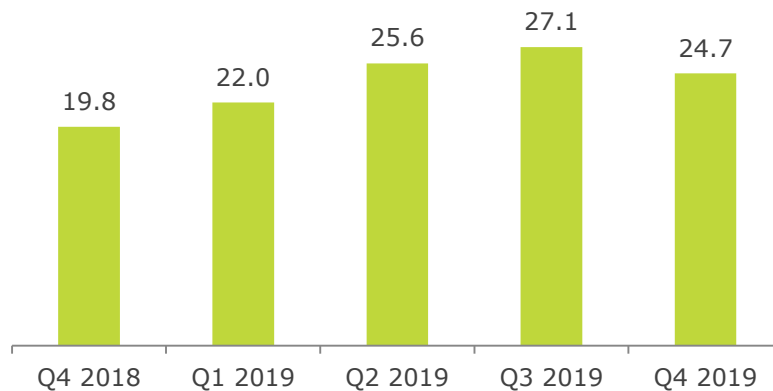
## Domestic consumption and production of electricity (TWh)



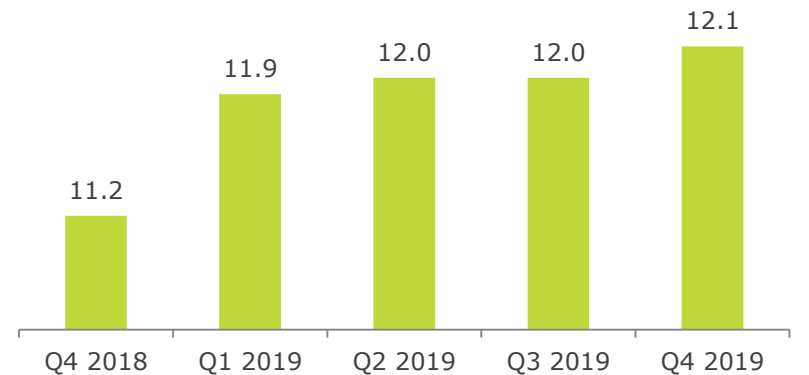
## Green certificates prices (PMOZE\_A PLN/MWh)



## Prices of emission allowances (EUR/ton)

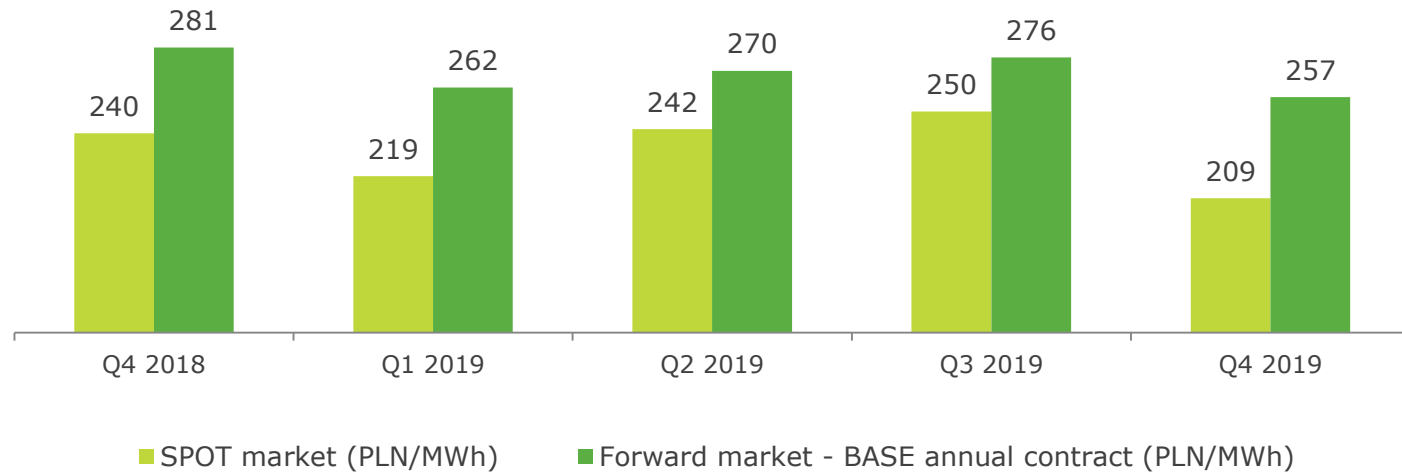


## Coal sales prices (PSCMI PLN/GJ)











# High level of energy prices in 2019

## Prices of energy in the SPOT and forward market



The dynamic increase of prices of emission allowances and coal directly influenced on the SPOT and forward market.

# Key investment projects – work progress



Project	Capacity (MW)	Project CAPEX (PLN m)	Capital expenditures (PLN m)	Work progress (%)	Planned completion
Construction of IOS II at the Ostrołęka B Power Plant		216	136		2020
Przykona Wind Farm construction	31	155	125		2020
Energy storage facility at the Bystra Wind Farm	6	12	7.2		2020
Gas-fired power plant – Grudziądz construction	600	1,670	48.2		2024-2025
Gas-fired power plant - Gdańsk construction	~456	1,352	26.5		2025-2026
Smart Grid		212	59		2022
Ostrołęka C Power Plant construction*	1,000	6,000	912**		2023
Investment program in CHP area	70 MWe	350	-		2025

As at 31 December 2019




\* the project implemented by the special purpose vehicle Elektrownia Ostrołęka Sp. z o.o. (in which Energa SA holds 50% shares), whose expenditures are not consolidated in the statement of Energa Group.

\*\* total value of the recapitalization of Elektrownia Ostrołęka Sp. z o.o. by Energa SA and Enea S.A. (total price of shares acquisition).



# Key investment projects (1/3)

Project	Capacity (MW)	Work progress
 <p><b>Budowa Instalacji Odsiarczania Spalin (IOS II) w Ostrołęce</b></p>	<p>n/a</p>	<ul style="list-style-type: none"> <li>✓ The project concerns the adaptation of technological equipment of ENERGA Elektrownie Ostrołęka SA (EEO SA) to the requirements of Directive 2010/75 / EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control, the so-called IED Directive). The completion of the project will allow Elektrownia Ostrołęka B to achieve the abovementioned Directive on sulfur dioxide (SO<sub>2</sub>) emissions in flue gas below 200 mg / Nm<sup>3</sup> downstream of the emitter, effective from 1 January 2016.</li> <li>✓ Currently, the advancement of the construction of the installation together with the deliveries of devices is about 84%. In 2019, the General Contractor completed all milestones in accordance with the schedule.</li> <li>✓ In 2020, site and commissioning works for the new installation will continue.</li> <li>✓ The planned completion date of the investment is Q3 2020.</li> </ul>
 <p><b>Przykona Wind Farm</b></p>	<p>31</p>	<ul style="list-style-type: none"> <li>✓ The farm is being built in the reclaimed areas of the coal mine in Przykona. It will include 9 wind energy generators. Each will have a 3.45 MW V-126 turbine.</li> <li>✓ Completion of the construction works (roads, foundations, RSN Przykona and Żuki buildings) and the MV power output line (11km).</li> <li>✓ Installation of all 9 wind energy generation has been completed.</li> <li>✓ Works to launch equipment in the RSNs (cabinets and switchgears) and preparation of voltage supply are under way.</li> <li>✓ Planned operational tests took place in Q1 2020, a coronavirus epidemic caused a slowdown in work and delays in the implementation of major tasks /milestones. It is expected that the completion of works will be in accordance with the adopted assumptions. The planned completion date of the investment is Q2 2020.</li> <li>✓ As part of the RES auction, FW Przykona contracted the sale of 1,245,000 MWh in 2020-2035 (including mid-year support in 2020 and 2035).</li> </ul>

## Key investment projects (2/3)

Project	Capacity (MW)	Work in progress
 <p><b>Energy storage facility in Bystra</b></p>	<p><b>6</b></p>	<ul style="list-style-type: none"> <li>✓ The last phase of construction of a hybrid electricity storage facility at a wind farm in Bystra with a target capacity of 6 MW and a capacity of 27 MWh (the largest facility of this type in Poland and one of the largest in the world).</li> <li>✓ Currently, electrical devices and installations are being assembled along with the necessary electrical measurements.</li> <li>✓ Due to the pandemic announced by WHO and the closing of borders in Poland, the Japanese company left the construction site. Due to COVID-19, the project schedule will be extended.</li> </ul>
 <p><b>Gas-steam power plant – Grudziądz</b></p>	<p><b>about 600</b></p>	<ul style="list-style-type: none"> <li>✓ The project concerns the construction of a new gas-steam power plant and aims to increase the value of Energa Group by building a modern energy infrastructure in a way that allows the development of its generating base for the needs of providing capacity services and electricity sales.</li> <li>✓ Design works were carried out and key administrative decisions were obtained to achieve the project's readiness for implementation.</li> <li>✓ Works related to the selection of the General Contractor are ongoing (EPC&amp;LTSA tender).</li> <li>✓ Analyzes aiming at developing a target project implementation model are under way.</li> <li>✓ The project is scheduled to participate in the Power Market auction in 2020 for the deliveries in 2025. According to the Act on the Power Market, the project was submitted for general certification on 3 January 2020 and obtained an entry into the Power Market Register.</li> </ul>
 <p><b>Gas-steam power plant – Gdańsk</b></p>	<p><b>456 (up to 600)</b></p>	<ul style="list-style-type: none"> <li>✓ The second project regarding the construction of a new gas-steam power plant.</li> <li>✓ Design works aimed at completing key administrative decisions to achieve project implementation readiness are continued.</li> <li>✓ Analyzes aiming at developing a target project implementation model are under way.</li> </ul>

# Key investment projects (3/3)

Project	Capacity (MW)	Work in progress				
 <p><b>Ostrołęka „C” Project</b></p>	<p><b>about 1,000</b></p>	<ul style="list-style-type: none"> <li>✓ On 13 February 2020, Energa and Enea signed an Agreement regarding further activities in the Ostrołęka C Project, resulting in suspension of financing the Project.</li> <li>✓ On 14 February 2020 Elektrownia Ostrołęka sp. z o.o. had instructed the general contractor under the Contract for construction of Ostrołęka C Power Plant and the contractor under the Agreement on reconstruction of the railway to suspend performance of all works under the contracts.</li> <li>✓ Currently, technical, technological, economic and organizational parameters of the Project are being analyzed.</li> <li>✓ On 19 May 2020, PKN ORLEN, the main shareholder of Energa, declared its preliminary readiness for direct financial involvement into the Project, only if technological assumptions for the Investment were changed to gas-based technology, being one of the considered scenarios of conducted analysis.</li> </ul>				
 <p><b>Investment program in CHP area</b></p>	<p><b>na</b></p>	<ul style="list-style-type: none"> <li>✓ Carrying out restructuring activities within the CHP area in Energa Group, as a result of which profitability will be restored and will generate positive cash flow, also for the potential sale of selected CHP assets. The investment program assumes maintaining position on the heat markets in Elbląg and Kalisz.</li> </ul> <table border="1" data-bbox="761 919 1850 991"> <thead> <tr> <th data-bbox="981 939 1089 968">Elbląg:</th> <th data-bbox="1530 939 1638 968">Kalisz:</th> </tr> </thead> <tbody> <tr> <td data-bbox="780 1005 1290 1228"> <ul style="list-style-type: none"> <li>✓ Investment in Mobile Heating Installation.</li> <li>✓ Investment in the Reserve and Peak Boiler Room – KRS.</li> <li>✓ TG1 optimization.</li> <li>✓ Migration of OP-130 boiler due to MCP Directive.</li> <li>✓ Investment in 5xSG10 gas engines.</li> </ul> </td> <td data-bbox="1398 1005 1843 1228"> <ul style="list-style-type: none"> <li>✓ Investment in the Reserve and Peak Boiler Room KRS2x20.</li> <li>✓ Investment in 2xSG10 gas engines.</li> <li>✓ Investment in the Reserve and Peak Boiler Room KRS 1x10.</li> <li>✓ Modernization of Water Treatment Plant.</li> </ul> </td> </tr> </tbody> </table>	Elbląg:	Kalisz:	<ul style="list-style-type: none"> <li>✓ Investment in Mobile Heating Installation.</li> <li>✓ Investment in the Reserve and Peak Boiler Room – KRS.</li> <li>✓ TG1 optimization.</li> <li>✓ Migration of OP-130 boiler due to MCP Directive.</li> <li>✓ Investment in 5xSG10 gas engines.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Investment in the Reserve and Peak Boiler Room KRS2x20.</li> <li>✓ Investment in 2xSG10 gas engines.</li> <li>✓ Investment in the Reserve and Peak Boiler Room KRS 1x10.</li> <li>✓ Modernization of Water Treatment Plant.</li> </ul>
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# Energa Group's key assets

## Distribution

1. 190 ths km of power lines
2. 22.2 TWh – electricity delivered in 2019 (5.6 TWh in Q4 2019)
3. Geographical coverage of 75 ths km<sup>2</sup>

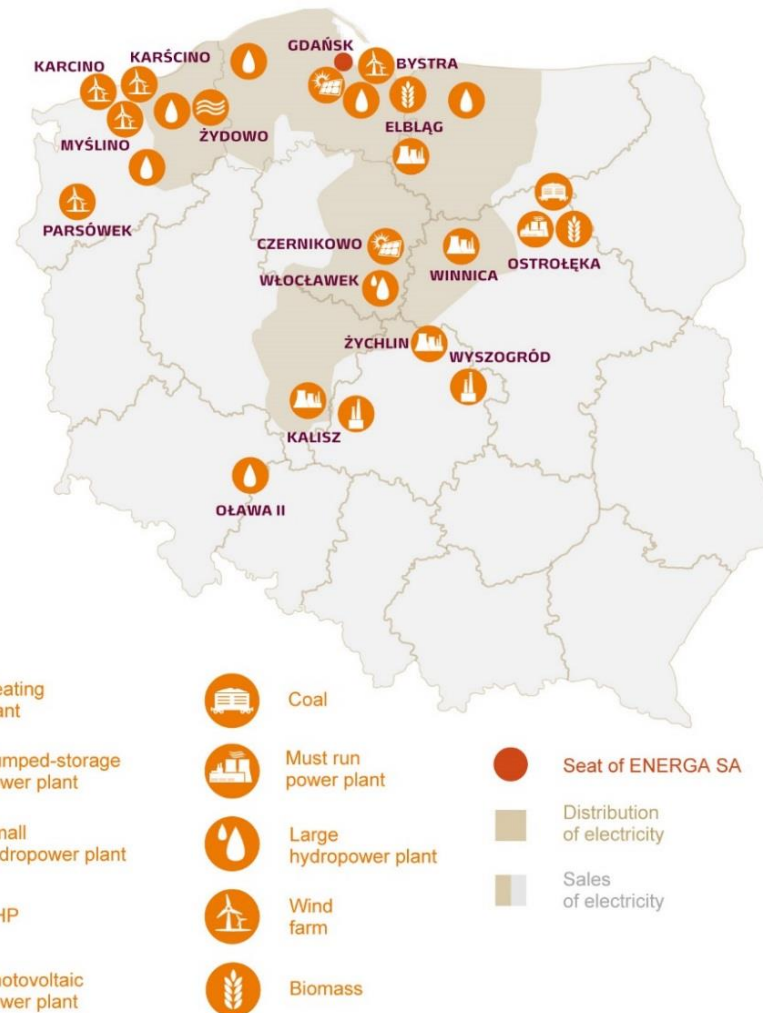
## Generation\*

1. Hydro power plants
  - a) Włocławek (162 MW)
  - b) Smaller generation entities (40 MW)
  - c) Pumped storage plant in Żydowo (157 MW)
2. 5 wind farms (total capacity of 211 MW, including Karścino – 90 MW)
3. PV farm near Gdańsk (1.6 MWe) and in Czernikowo near Toruń (3,8 MWe)
4. System power plant in Ostrołęka B (690 MWe, 220 MWt)
5. Other CHP plants (82 MWe, 441 MWt)

## Sales

1. 3.08 million of customers
2. 19.7 TWh – retail sale in 2019 (5.0 TWh in Q4 2019)

\* Installed capacity





# Generation assets

## Hydro

### Key parameters

- 727 hydropower plants operating in Poland, of which **46 are managed by Energa OZE**.
- **Installed capacity of hydro power plants managed by Energa OZE reached 359 MW.**

### Włocławek

- Year of construction: 1970
- Installed capacity: 162 MW
- Average production: 735 GWh per year (2016-2018)

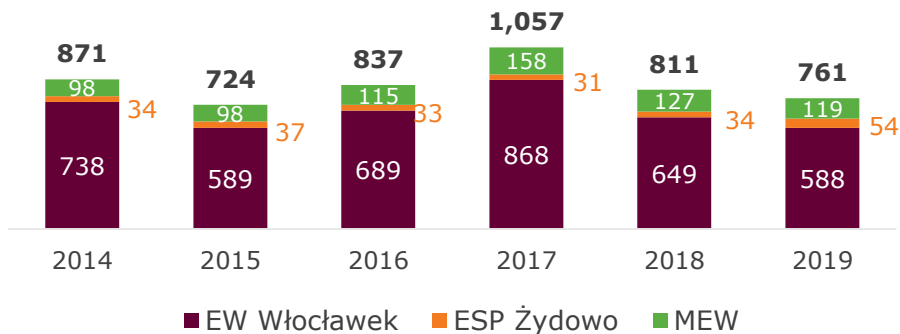
### Pumped-storage plant in Żydowo

- Reservoirs: Kwiecko and Kamienno lakes
- Year of construction: 1971
- Installed capacity: 157 MW
- Usable capacity: 3.3 cubic meter

### Small hydro power plants

- 43 hydro power plants in northern Poland
- 1 hydro power plant on the Odra River (southwestern Poland)
- Installed capacity: from 0.1 MW to 5 MW
- Total installed capacity: 40 MW
- Average production: 134 GWh per year (2016-2018)

### Gross electricity production - hydro (GWh)



# Generation assets

## Wind

### Key parameters

- **Production capacity: 211 MW**

### Wind farm Bystra

- Installed capacity: 24 MW
- Average production: 40 GWh/year

### Wind farm Karcino

- Installed capacity: 51 MW
- Average production: 120 GWh/year
- Reducing CO<sub>2</sub> emission by 105 ths tons per year

### Wind farm Karścino

- Installed capacity: 90 MW
- Average production: 170 GWh/year

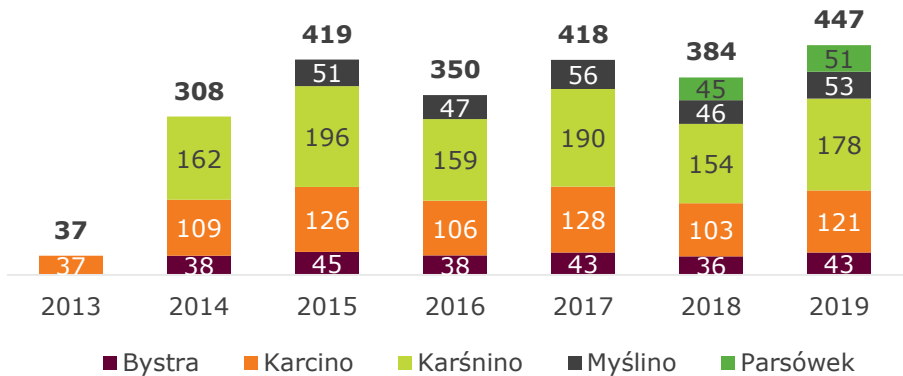
### Wind farm Myślino

- Installed capacity: 20 MW
- Average production: 40 GWh/year

### Wind farm Parsówek

- Installed capacity: 26 MW
- Average production: 50 GWh/year

### Gross electricity production - wind (GWh)



# Generation assets

## PV

### Key parameters

- **Production capacity: 5.41 MW**

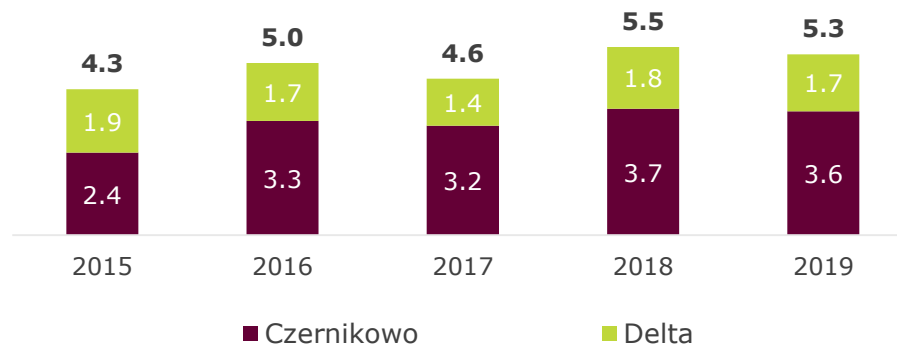
### Czernikowo photovoltaic power plant

- Nearly 16,000 panels, each with a capacity of 240 W, which occupy the area of 22.5 ths m<sup>2</sup>
- Start year: 2015
- Installed capacity: 3.77 MW
- Estimated production: 3,500 MWh, which covers needs of ca 1.6 ths households
- Reducing CO<sub>2</sub> emission by ca 3.1 ths tons per year

### Delta photovoltaic farm

- 6, 300 panels, each with a capacity of 240 W, combined into 286 sets. Each set contains 22 photovoltaic modules connected in series with a total generating capacity of one set of 5,720 Wp
- Start year: 2014
- Installed capacity: 1.63 MW
- Estimated production covers needs of ca 700 households

### Gross electricity production – PV (GWh)



# Summary of Q4 2019

PLN m	Distribution			Sales			Generation		
	Q4 2018	Q4 2019	Change (%)	Q4 2018	Q4 2019	Change (%)	Q4 2018	Q4 2019	Change (%)
Revenues	1,008	1,056	5%	1,455	1,864	28%	394	309	-22%
<b>EBITDA</b>	<b>340</b>	<b>345</b>	<b>1%</b>	<b>-135</b>	<b>-76</b>	<b>44%</b>	<b>95</b>	<b>36</b>	<b>-62%</b>
<i>EBITDA margin</i>	<i>33.7%</i>	<i>32.7%</i>	<i>Δ -1.1 pp.</i>	<i>-9.3%</i>	<i>-4.1%</i>	<i>Δ 5.2 pp.</i>	<i>24.1%</i>	<i>11.7%</i>	<i>Δ -12.4 pp.</i>
EBIT	145	119	-18%	-147	-89	39%	201	-234	<-100%
<b>Net profit/loss</b>	<b>88</b>	<b>82</b>	<b>-7%</b>	<b>-124</b>	<b>-71</b>	<b>43%</b>	<b>152</b>	<b>-299</b>	<b>&lt;-100%</b>
<i>Net profit/loss margin</i>	<i>8.7%</i>	<i>7.8%</i>	<i>Δ -1.0 pp.</i>	<i>-8.5%</i>	<i>-3.8%</i>	<i>Δ 4.7 pp.</i>	<i>38.6%</i>	<i>-96.8%</i>	<i>Δ -135.4 pp.</i>
CAPEX	508	389	-23%	23	18	-22%	82	55	-33%

PLN m	Generation Business Line, including:											
	Hydro			Wind			Energa Elektrownia Ostrołęka			CHP		
	Q4 2018	Q4 2019	Change (%)	Q4 2018	Q4 2019	Change (%)	Q4 2018	Q4 2019	Change (%)	Q4 2018	Q4 2019	Change (%)
Revenues	38	44	15%	46	43	-6%	245	155	-37%	56	63	14%
<b>EBITDA</b>	<b>13</b>	<b>12</b>	<b>-7%</b>	<b>32</b>	<b>26</b>	<b>-17%</b>	<b>47</b>	<b>-4</b>	<b>&lt;-100%</b>	<b>6</b>	<b>1</b>	<b>-75%</b>
<i>EBITDA margin</i>	<i>34.2%</i>	<i>27.3%</i>	<i>Δ -6.9 pp.</i>	<i>69.6%</i>	<i>60.5%</i>	<i>Δ -9.1 pp.</i>	<i>19.2%</i>	<i>-2.6%</i>	<i>Δ -21.8 pp.</i>	<i>10.7%</i>	<i>1.6%</i>	<i>Δ -9.1 pp.</i>
EBIT	6	4	-30%	159	10	-94%	35	-181	<-100%	-2	-85	<-100%
CAPEX	3	4	17%	9	7	-22%	61	32	-48%	16	4	-72%

# Summary of 2019

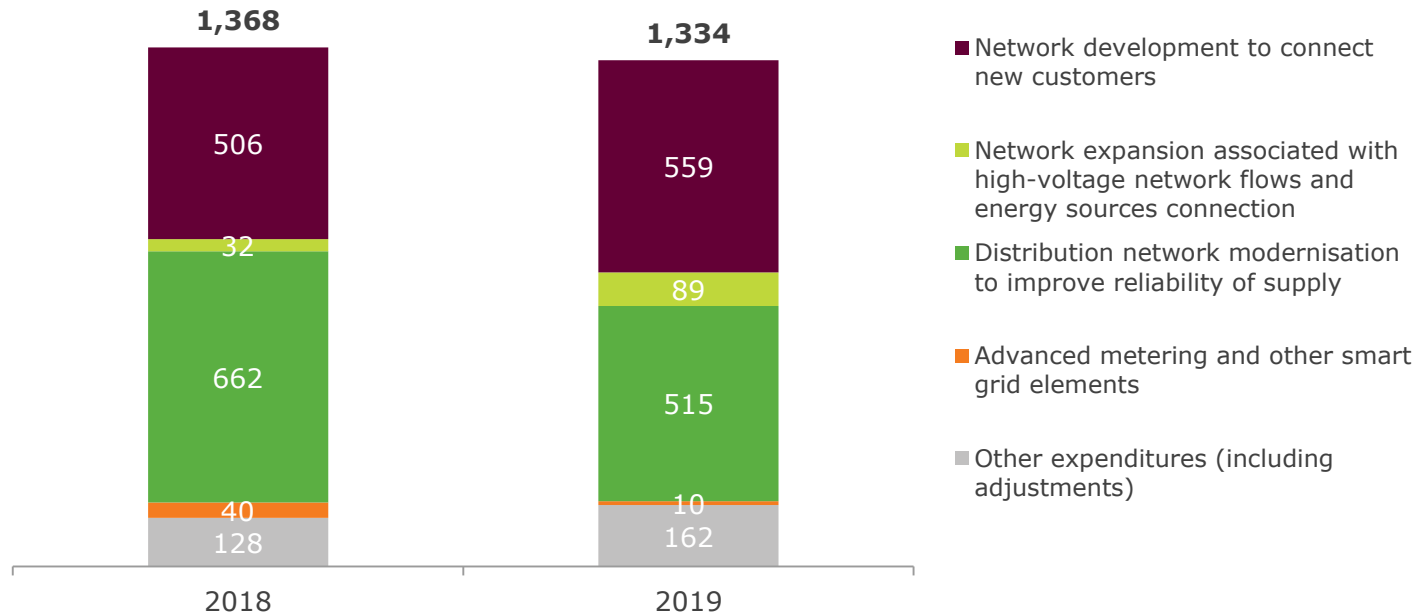
PLN m	Distribution			Sales			Generation		
	2018	2019	Change (%)	2018	2019	Change (%)	2018	2019	Change (%)
Revenues	4,028	4,113	2%	5,529	7,246	31%	1,256	1,356	8%
<b>EBITDA</b>	<b>1,704</b>	<b>1 648</b>	<b>-3%</b>	<b>-85</b>	<b>182</b>	<b>&gt;100%</b>	<b>329</b>	<b>262</b>	<b>-20%</b>
<i>EBITDA margin</i>	<i>42.3%</i>	<i>40.1%</i>	<i>Δ -2.2 pp.</i>	<i>-1.5%</i>	<i>2.5%</i>	<i>Δ 4.0 pp.</i>	<i>26.2%</i>	<i>19.3%</i>	<i>Δ -6.9 pp.</i>
EBIT	944	809	-14%	-127	131	>100%	430	-410	<-100%
<b>Net profit/loss</b>	<b>647</b>	<b>547</b>	<b>-15%</b>	<b>-100</b>	<b>90</b>	<b>&gt;100%</b>	<b>306</b>	<b>-477</b>	<b>&lt;-100%</b>
<i>Net profit/loss margin</i>	<i>16.1%</i>	<i>13.3%</i>	<i>Δ -2.8 pp.</i>	<i>-1.8%</i>	<i>1.2%</i>	<i>Δ 3.1 pp.</i>	<i>24.4%</i>	<i>-35.2%</i>	<i>Δ -59.5 pp.</i>
CAPEX	1,368	1,334	-2%	45	44	-2%	238	175	-26%

PLN m	Generation Business Line, including:											
	Hydro			Wind			Energa Elektrownia Ostrołęka			CHP		
	2018	2019	Zmiana (%)	2018	2019	Zmiana (%)	2018	2019	Zmiana (%)	2018	2019	Zmiana (%)
Revenues	193	226	17%	122	154	26%	746	762	2%	163	198	22%
<b>EBITDA</b>	<b>103</b>	<b>123</b>	<b>19%</b>	<b>88</b>	<b>110</b>	<b>25%</b>	<b>124</b>	<b>39</b>	<b>-68%</b>	<b>10</b>	<b>-14</b>	<b>&lt;-100%</b>
<i>EBITDA margin</i>	<i>53.4%</i>	<i>54.4%</i>	<i>Δ 1.1 pp.</i>	<i>72.1%</i>	<i>71.4%</i>	<i>Δ -0.7 pp.</i>	<i>16.6%</i>	<i>5.1%</i>	<i>Δ -11.5 pp.</i>	<i>6.1%</i>	<i>-7.1%</i>	<i>Δ -13.2 pp.</i>
EBIT	72	90	25%	305	69	-77%	64	-450	<-100%	-22	-126	<-100%
CAPEX	11	16	39%	9	21	>100%	168	109	-35%	47	14	-71%

## Structure of cost by nature of Energa Group

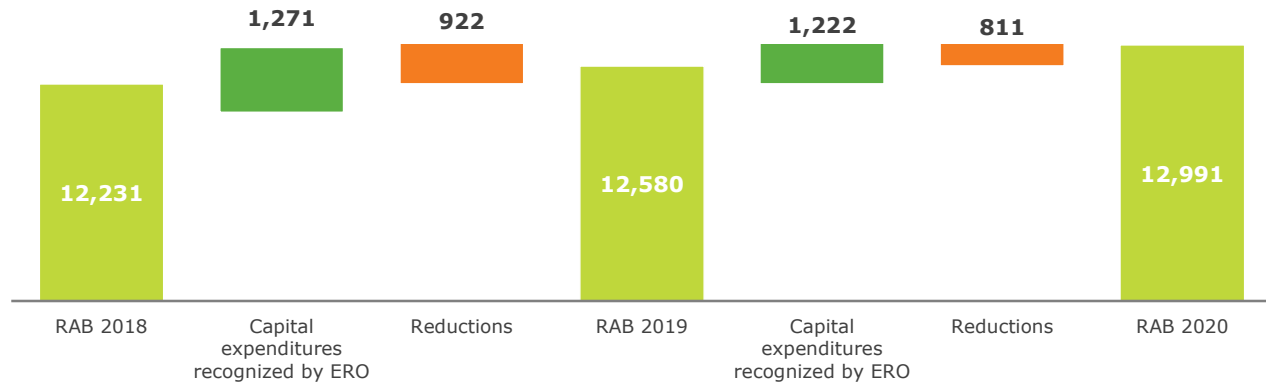
PLN m	Q4 2018	Q4 2019	2018	2019
Depreciation of property, plant and equipment, intangible assets and investment property	249	283	967	1,079
Materials and energy used	305	280	772	881
incl. fuel used for balance difference	88	130	226	305
incl. fuel used (with transport)	112	107	368	407
External services	391	395	1,342	1,391
incl. transmission and transit fees	187	208	755	807
Taxes and fees	142	112	529	543
Employee benefits expenses	308	323	1,063	1,190
Impairment	-136	239	-208	533
Other expenses	-92	-37	-114	-135
Value of merchandise and raw materials	1,210	1,620	4,642	6,192
<b>Total operating expenses</b>	<b>2,377</b>	<b>3,215</b>	<b>8,993</b>	<b>11,674</b>

# Structure of CAPEX in Distribution Business Line (PLN m)



# Regulatory asset base

RAB



Return on RAB

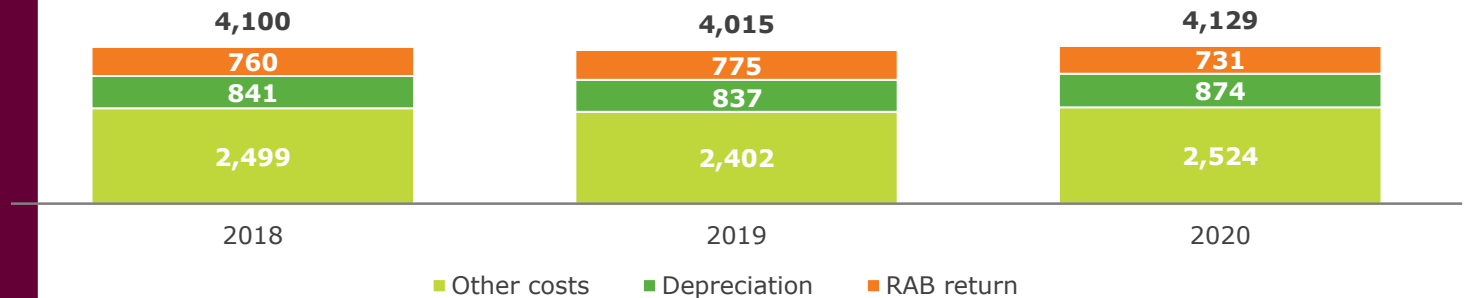
„standard“

included in tariff

Effective return on RAB

	2017	2018	2019
WCC	6.02%	6.02%	5.51%
Risk free rate	3.26%	3.26%	2.80%
Q (Quality coefficient)	1.00	1.00	1.00
WR (Regulatory coefficient)	1.01	1.00	1.00
Return on capital based on RAB	752	775	731
Allowed return on capital	760	775	731
Effective return on RAB	6.21%	6.16%	5.63%

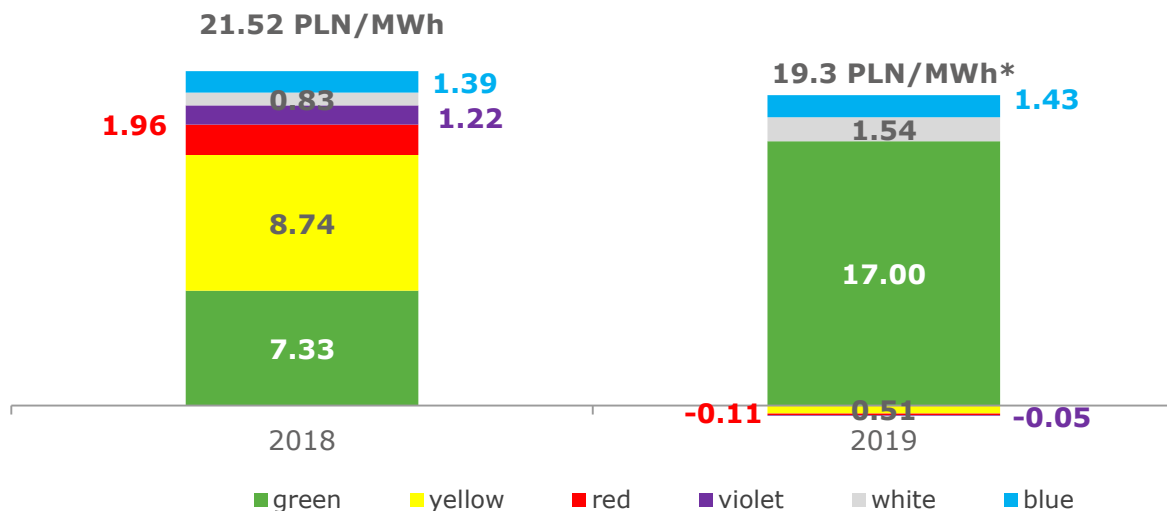
Regulated revenue





# Key operating data of the Sales Business Line

## Cost of property rights redemption per 1 MW and its structure\*



	Q4 2018	Q4 2019	Change (%)	2018	2019	Change (%)
Electricity sales by Sales Business Line (GWh)	6,204	6,125	-1%	23,769	24,188	2%
<i>incl. retail sales</i>	5,027	5,013	0%	19,777	19,681	0%
Average purchase price of electricity w/o certificates of origin (PLN/MWh)	200.8	255.5	27%	188.6	250.9	33%
Average purchase price of electricity w/ certificates of origin (PLN/MWh)	204.8	272.0	33%	205.9	266.1	29%
1 <sup>st</sup> degree variable margin**	6.1%	5.5%	Δ -0.6 pp.	5.5%	6.6%	Δ 1.1 pp.

\* from 2019, there is no obligation to redemption of yellow, red and purple certificates. Negative values result from 2018 final settlement.

\*\* the 1<sup>st</sup> degree variable margin calculated as the product of the result and revenues from the sale of electricity.

# Key operating data of the Generation Business Line

Consumption of fuels	Q4 2018	Q4 2019	Change	Change (%)	2018	2019	Change	Change (%)
<b>Coal</b>								
Quantity (ths ton)	371.7	223.7	-148.0	-40%	1,296.9	1,058.7	-238.2	-18%
Cost* (PLN m)	104.1	69.5	-34.6	-33%	356.8	318.6	-38.3	-11%
Cost per unit (PLN/ton)	280.2	310.8	30.6	11%	275.1	300.9	25.8	9%
Cost per unit (PLN/MWh)**	93.1	92.0	-1.0	-1%	95.3	101.5	6.2	6%
<b>Biomass</b>								
Quantity (ths ton)	12.3	66.8	54.5	>100%	13.2	148.3	135.1	>100%
Cost* (PLN m)	6.4	36.3	29.9	>100%	6.7	83.8	77.0	>100%
Cost per unit (PLN/ton)	522.4	543.8	21.4	4%	509.1	564.7	55.6	11%
Cost per unit (PLN/MWh)**	239.4	297.0	57.6	24%	234.6	286.5	52.0	22%

\* including cost of transport

\*\* in relation to the total production of electricity and heat

CO <sub>2</sub> emission allowances	Q4 2018	Q4 2019	2018	2019
<b>CO<sub>2</sub> emission allowances (ths tons CO<sub>2</sub>), incl.:</b>	<b>763</b>	<b>467</b>	<b>2 640</b>	<b>2,174</b>
The amount of free CO <sub>2</sub> emission allowances	171	135	667	506
Volume of emission allowances purchased	593	332	1,974	1 668
<b>Cost of CO<sub>2</sub> purchase (PLN m)</b>	<b>54.6</b>	<b>35.6</b>	<b>164.2</b>	<b>175.4</b>

# Key operating data of Energa Elektrownie Ostrołęka

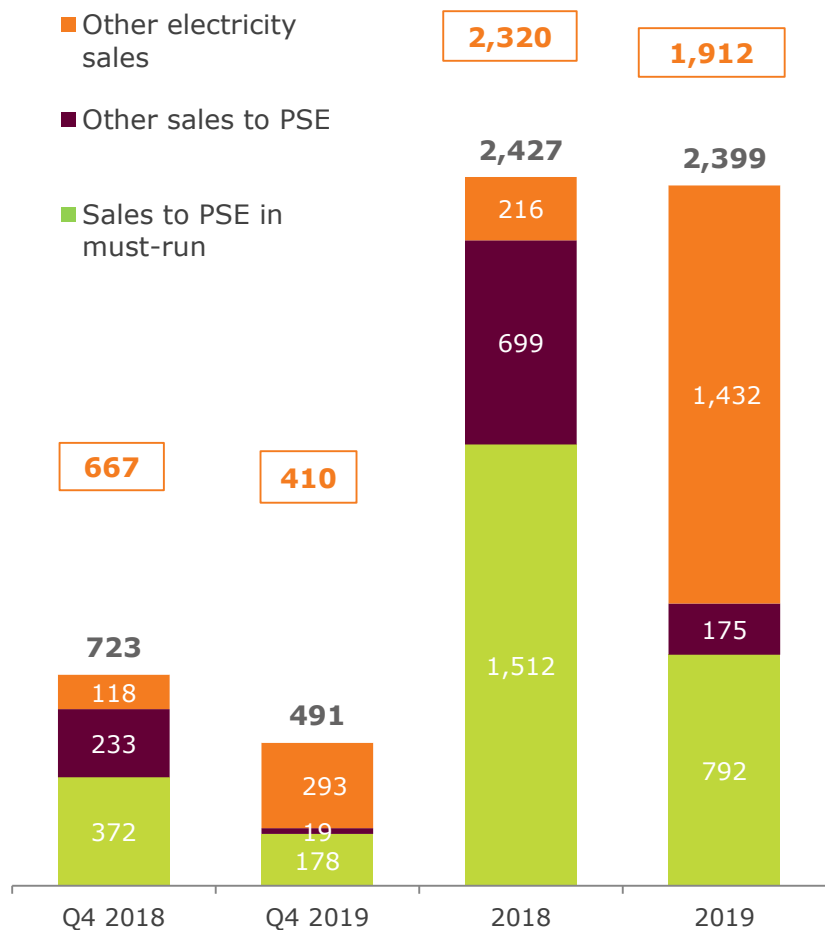
## Sales structure (GWh)

□ - Own net production

■ Other electricity sales

■ Other sales to PSE

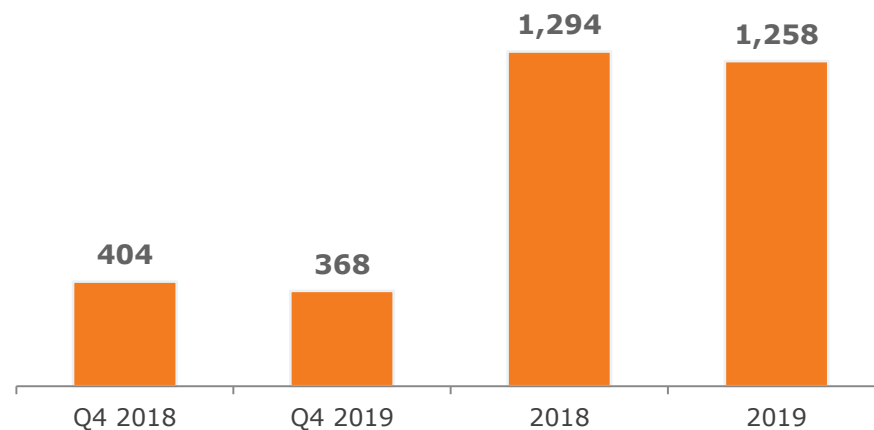
■ Sales to PSE in must-run



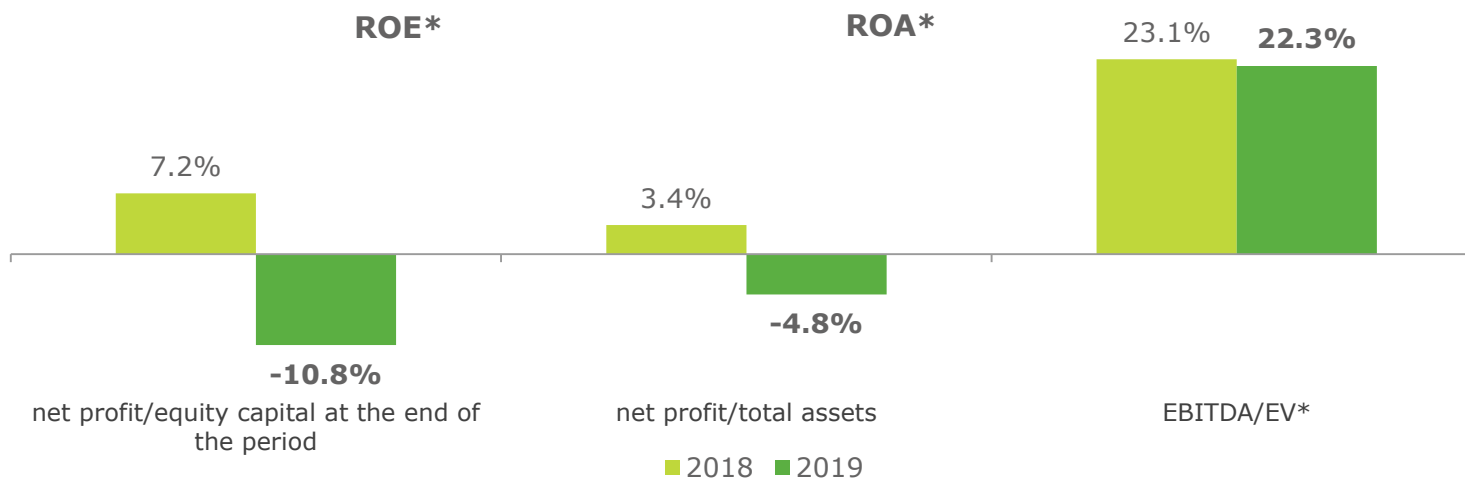
## Fuels consumption volumes and costs in 2019

	unit	coal	biomass
Total consumption	(ths ton)	907.5	33.9
Consumption cost per unit	(PLN/ton)	297.1	528.6
Total fuel cost	(PLN m)	269.6	17.9

## Gross heat production (TJ)

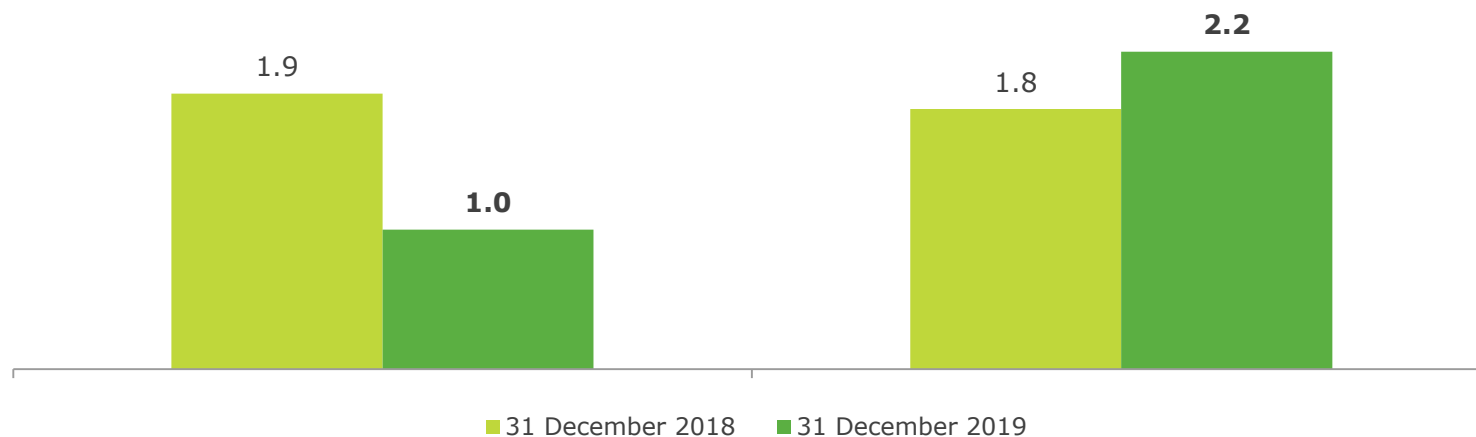


# Profitability and liquidity ratios



## Current ratio

## Net debt\*\*/EBITDA

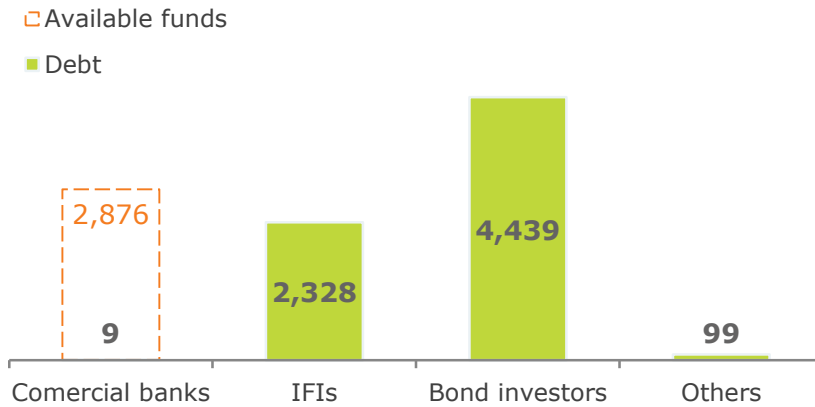


- market value + net debt.
- \*\* the value of net financial liabilities included in the calculation of the net debt / EBITDA ratio takes into account key elements defined in the financing agreements; data for 2018 has been restated.

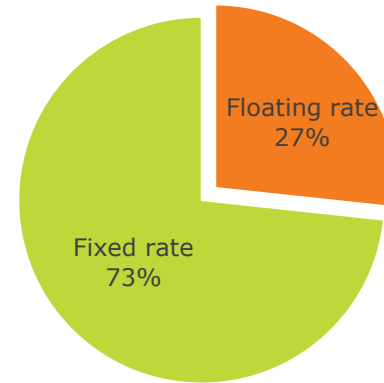
# Energa Group's structure of financing

As of end of 2019

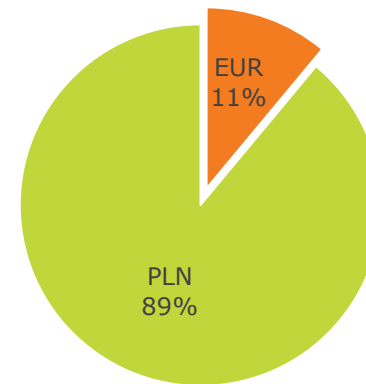
## Debt utilisation (PLN m)



## Interest rate convention of the debt utilisation

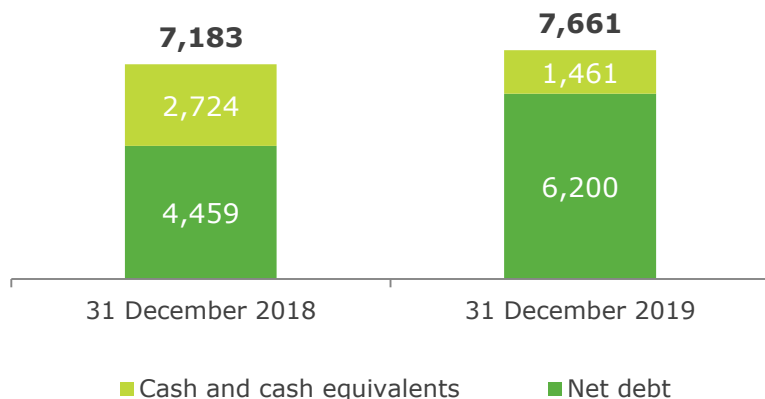


## Currency of the debt utilisation

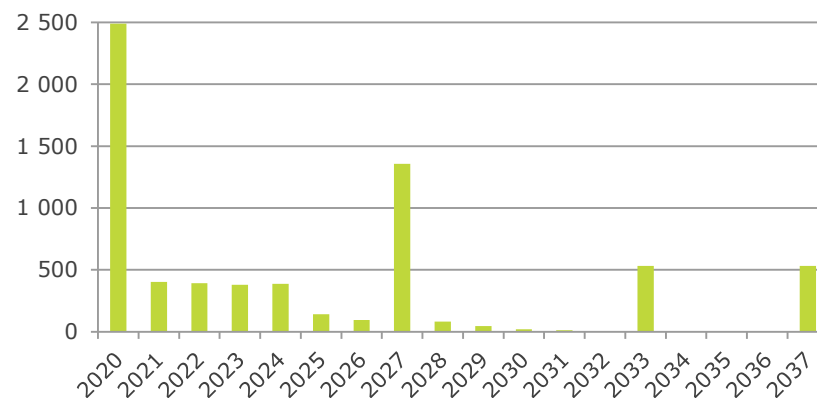


# Financial security

## Debt (PLN m)



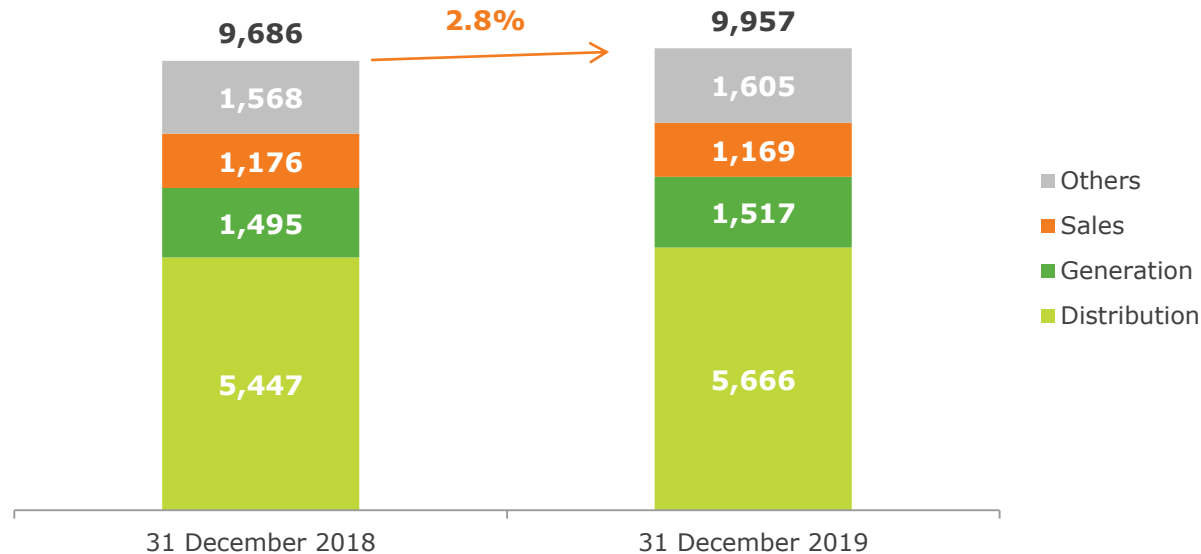
## Debt maturities (PLN m)



Selected programs / contracts for financing	Issue value	Maturity/Final maturity
Eurobond issues	EUR 500 m	03.2020
	EUR 300 m	03.2027
Hybrid bonds issues	EUR 125 m	09.2033
	EUR 125 m	09.2037
Agreement with the European Investment Bank (EIB)	PLN 1,000 m	09.2031
Agreement with the Bank for Reconstruction and Development (EBRD)	PLN 800 m	12.2024
Agreement with a consortium of banks (ESG-linked)	PLN 2,000 m	09.2024

# Employment in Energa Group

## Headcount at the end of the period



### Key employment growth drivers:

- Measures to close competence and generation gaps affecting electricians, engineers and technical staff in Distribution and Generation Business Lines.
- Development of competences within the Group in the field of MV and HV power lines design services and GPZ stations for the Distribution Business Line and generation sources for the Generation Business Line by Energa Invest Sp. z o.o., which is part of the Other Business Line.
- Launch by the company within the Business Line Other new IT services supporting the implementation of business goals in the Group companies.

# Investor Relations

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## Contact details

### Marcin Chanke

Tel.: (+48) 58 778 84 42  
[marcin.Chanke@energa.pl](mailto:marcin.Chanke@energa.pl)

### Monika Zaręba

Tel.: (+48) 58 527 97 39  
[monika.zareba@energa.pl](mailto:monika.zareba@energa.pl)

### Karolina Rorbach-Nagel

Tel.: (+48) 58 778 84 77  
[karolina.rorbach-nagel3@energa.pl](mailto:karolina.rorbach-nagel3@energa.pl)

