

Transkrypcja sesji Q&A Energa wyniki za 2019 rok

Marcin Chanke, Investor Relations Office: We already have some questions. First: what will be the impact of the pandemic on the results of Energa Group in 2020?

Marek Kasicki, Vice-President of the Management Board for Finance (CFO), Energa SA: As we have said here, of course, we are constantly monitoring the impact of the pandemic on the volumes and our receivables. As of the first quarter, we have already recognized a decrease in sales volumes and also in energy distribution at the level of PLN 27 million. We have talked about it when we presented the estimated results for the first quarter. We are aware of the fact that the pandemic will obviously have an impact on the situation, on the economy and consequently on our revenues and parameters. This is due to lower energy demand, as well as lower generation from conventional sources, including mainly Ostrołęka B, operating in the forced mode. However, in the end it is difficult to estimate what exactly this impact will be, so we are also monitoring it on a regular basis and here I think that we will communicate about it and perhaps have more precise information at subsequent conferences. Thank you.

Marcin Chanke, Investor Relations Office: Next question: how many proceedings concerning CPA contracts ended favorably for Energa, and how many did not?

Marek Kasicki, Vice-President of the Management Board for Finance (CFO), Energa SA: The company has reached settlements in eight proceedings, or in eight cases. These settlements ended all disputes over these CPA contracts. The total capacity pertaining to the concluded settlements represents 59% of the installed capacity of all respondent wind farms. So far, two proceedings have ended with final judgements dismissing our actions. The company intends to appeal in cassation against those judgements. Seven further cases are in second instance proceedings, three cases were resolved before the arbitration tribunal, our actions were dismissed, and the company filed 3 complaints to have those arbitration awards overturned.

Marcin Chanke, Investor Relations Office: Now we have a question: will the energy storage facility next to the Bystra wind farm be able to participate in the capacity market?

CEO, Energa OZE???: Generally, energy storage facilities can participate in the capacity market. Of course, today it is an R&D project implemented jointly with the Japanese company Hitachi. Therefore, today it is not registered with the capacity market, but in general this type of facilities can participate in the capacity market.

Marcin Chanke, Investor Relations Office: Thank you very much, next question. What is the scale of late payments for the sales and distribution of electricity related to the statutory prohibition of debt collection suspensions and conducting debt collection activities?

Marek Kasicki, Vice-President of the Management Board for Finance (CFO), Energa SA: Obviously, Energa Group follows the provisions of the (Crisis Shield) Act from this March, the situation is dynamic and so are the reactions of customers. Of course, we monitor on an ongoing basis the timeliness of payments. However, we will be able to sum up the full scale of the impact only after removal of these restrictions. At the moment, we are in correspondence with clients,

aimed to encourage them to settle payments, at least partially and not to accumulate it for the post-epidemic period. This regards accumulation of debts or payments.

Marcin Chanke, Investor Relations Office: Next question about Ostrołęka C. How does Energa Group assess the possibility of switching the type of fuel used in Ostrołęka C to gas in connection with the statement of PKN Orlen? Two days ago, PKN Orlen CEO Obajtek said that there will be a change of type of fuel used to gas and the project will not be operational until 2024. Is it the final decision?

Dominik Wadecki, Vice-President of the Management Board for Operations (COO), Energa SA: Ladies and Gentlemen, as you know, the sponsors of the project, i.e. Energa and Enea, are currently conducting technical and technological analyses. Of course, these include, among others, the fuel-related issues. What's more, organizational and legal issues are being analyzed, as well as the economic aspects and issues related to project financing. Also, when undertaking these analyses, we obviously take into account PKN Orlen's declared readiness to participate in the project in the gas formula. Data is still being processed, and we will inform you about the effects of these analyses and their results soon.

Marcin Chanke, Investor Relations Office: Thank you very much, next question. What further steps will Energa take regarding the loss of all value by Elektrownia Ostrołęka Sp. z o. o.? Will the SPV be liquidated and the plant's construction taken over directly by the sponsors of the project?

Marek Kasicki, Vice-President of the Management Board for Finance (CFO), Energa SA: If I may answer this question, at least at the beginning. Impairment losses recognized on the shares in Elektrownia Ostrołęka Sp. z o. o. are of non-cash nature and reflect the situation as of the end of December 2019. We are now conducting analyses that are to give us the answer as to the further direction of the plant's development and this element really determines the scale of arrangements of the existing infrastructure at the construction site and the level of possible impairment loss write-down. So the work is ongoing and any relevant statements will appear after the completion of analyses in these areas.

Marcin Chanke, Investor Relations Office: Thank you, next question. What actions has Energa Group undertaken to counteract the financial and economic effects of coronavirus?

Marek Kasicki, Vice-President of the Management Board for Finance (CFO), Energa SA: Of course, we have been monitoring all business processes related to production and distribution of energy. All of the recommendations of the Ministry of Health and the Chief Sanitary Inspectorate regarding key personnel have been implemented. Maintaining the critical and basic infrastructure of our companies is obviously a priority for our Group. All the time we have also been trying to mitigate the effects of coronavirus, especially after the recovery of the economy following its unfreezing as well as later after the gradual extinction of the pandemic. We are well aware of the risks associated with lower energy consumption or payment backlogs, but here we would not prejudge any specific actions. We have been monitoring the situation and planning remedying actions.

Dominik Wadecki, Vice-President of the Management Board for Operations (COO), Energa SA: In the operational dimension, business continuity has been maintained. In fact, today, while

complying with all precautionary measures, we are trying to return to the so-called normality and normal operations. All investment works in the area of distribution are being carried out. Here, our actions have even been accelerating, so it can be said that despite of the difficult situation, we are trying to ensure operational continuity of our business, and as for the occurrence of COVID cases in Energa Group, we have not noted any significant threats. There were isolated cases that had been previously diagnosed. We took appropriate and compliant actions related to quarantine and isolation or prevention in this area, so it has not significantly affected our operational activity.

Marcin Chanke, Investor Relations Office: Thank you, next question. You have improved your reliability indices, i.e. SAIDI and SAIFI, in the area of distribution. Do you expect any further improvements in 2020 and in the following years?

Marek Kasicki, Vice-President of the Management Board for Finance (CFO), Energa SA: Of course I will answer this question positively and affirmatively. Here, our entire CAPEX program is geared towards improving the quality of the grid. And we can already see the effects. Further activities in the form of ongoing grid automation and rollout of the next stages of SMART GRID will allow us to continue to improve these indices. We have also been developing live line working technologies for several years, and we have achieved good results, it also means that power outages (service disruptions) are getting shorter because we are able to remove faster any grid failures, without switching off the power supply. Also, we confirm here that this trend will be maintained and so will our leading position.

Marcin Chanke, Investor Relations Office: Will there be any dividend payment in 2020?

Marek Kasicki, Vice-President of the Management Board for Finance (CFO), Energa SA: Ladies and Gentlemen, the Management Board's recommendation to the General Meeting is to cover the net loss posted by the company recorded in 2019 from supplementary capital, and we also did not recommend to the General Meeting any dividend payment for 2019.

Marcin Chanke, Investor Relations Office: There is a question about PGG. Will PKN Orlen decide to sell Energa's shares in Polska Grupa Górnicza due to the impairment of the company's assets and its recent announcement of a request for state aid regarding the pandemic? How do you assess the current situation in the company and the government's anti-crisis proposals, and there is also another question: what would you expect from the government strategy for mining aimed to turn the company around?

Marek Kasicki, Vice-President of the Management Board for Finance (CFO), Energa SA: Maybe I will start with the financial part, the impairment loss write-down on PGG shares was, of course, caused by external factors, which neither Energa Group nor PGG had any influence on. Of course, we constantly monitor PGG's operations as a shareholder, also in the context of the current economic situation related to the pandemic. These premises, i.e. decreasing consumption, but also rising mining costs, affected the financial model of PGG and, as a consequence, the level of write-downs. At the moment, of course, we are talking about specific scenarios with our strategic main shareholder. We will announce new directions soon. For the time being, we are not prejudging what impact it will have on our participation in the entities, but now we do not foresee any additional involvement at this stage.

Dominik Wadecki, Vice-President of the Management Board for Operations (COO), Energa SA:

In addition, I would like to say that the market environment, as well as regulatory and climate conditions, and the change of the main shareholder of Energa Group mentioned before, determine the review of planned activities. We are currently at the stage of review and analysis of our strategy. We will continue to work in the area of distribution, including grid development, connecting new customers, but also with meeting the challenges related to handling RES located in the north of the country. And in the area of generation, as declared and indicated by our main shareholder, we will direct our actions towards zero or low carbon emission assets. These are our main directions of activities. We will communicate any new projects, their implementation, structures, of course, after decisions have been made.

Marcin Chanke, Investor Relations Office: Thank you, we have two more minutes and the question is: will ERO change the model of energy return on investment in distribution?

Director Krzysztof Okoński: Ladies and gentlemen, at the moment we are talking with the Energy Regulatory Office about the change of this model. I think changes are going in the right direction. We are already almost on the final straight, I would like not to inform you yet what changes will be made. However, they are in line with the postulates of all operators. I think that some of our problems that we have recently had will be dealt with and we will be able to be more stable in our financial results and less vulnerable to events beyond our control.

Marcin Chanke, Investor Relations Office: Thank you so much, our time is up, so we will be finishing now. However, there are a few questions left that we will answer by email or phone.

Marek Kasicki, Vice-President of the Management Board for Finance (CFO), Energa SA: Thank you very much for joining us remotely. Please take the opportunity to ask any additional questions in the bilateral formula. We will answer all your queries, thank you again and see you on our next earnings call.