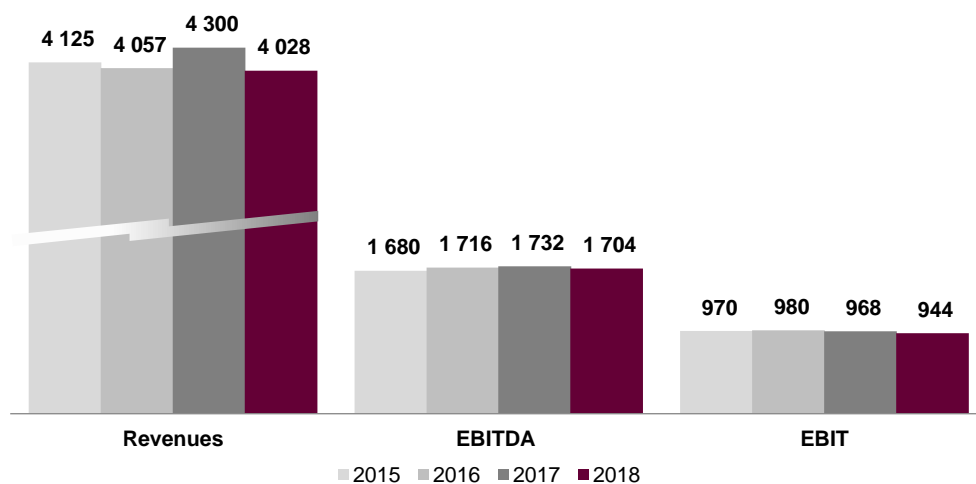


Distribution Business Line

Results of the Distribution Business Line of the Energa Group (m PLN)

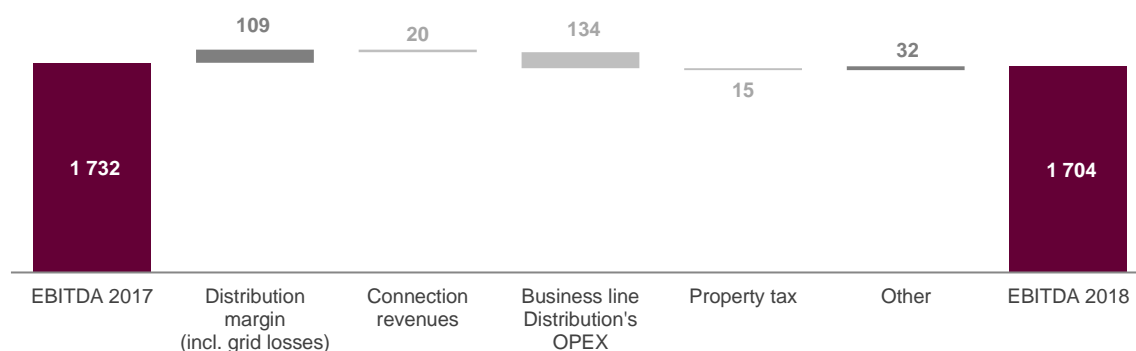


Results of the Distribution Business Line

PLN m	2015	2016	2017	2018	Change 2018/2017	Change 2018/2017 (%)
Revenue	4,125	4,057	4,300	4,028	(272)	-6%
EBITDA	1,680	1,716	1,732	1,704	(28)	-2%
amortisation and depreciation	710	736	764	760	(4)	-1%
impairment losses on non-financial non-current assets	-	-	-	-	-	0%
EBIT	970	980	968	944	(24)	-2%
Net result	664	705	685	647	(38)	-6%
CAPEX	1,124	1,265	1,251	1,368	117	9%

PLN m	Q4 2017	Q4 2018	Change	Change (%)
Revenue	1,097	1,008	(89)	-8%
EBITDA	387	340	(47)	-12%
amortisation and depreciation	190	195	5	3%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	197	145	(52)	-26%
Net result	137	88	(49)	-36%
CAPEX	574	508	(66)	-11%

EBITDA bridge of the Distribution Business Line (m PLN)



Throughout 2018, the Distribution Business Line generated almost 91% of the EBITDA for the Energa Group (vs. 80% in 2017).

The sales revenue of the Distribution Business Line in 2018 was PLN 4,028 m vs. PLN 4,300 m in 2017. This was mainly the effect of a change in the presentation of the costs of the transitional charge. Starting from Q1 2018, sales revenues were adjusted for the transitional charge which had been previously presented under expenses (without affecting the distribution margin). Further, the level of revenue was also driven by a higher volume of distributed electricity (by 2%).

EBITDA remained at a similar level year on year, amounting to PLN 1,704 m. An increase in the distribution margin (taking into account grid losses of PLN 109 m) had a significant impact on the net operating result of PLN 944 m. This was mainly the effect of higher volumes in the high-margin groups G and B. On the other hand, OPEX went up, mainly in three areas. With respect to employee benefits, the increase was driven mostly by a change in actuarial reserves (as compared to the low base in 2017, when material actuarial provisions were reversed), and additionally by employment growth due to measures taken to address the skills gap. Furthermore, the cost of right of way and debt provisions increased due to the full application of IFRS 9. The balance of other operating activities was also higher, mostly as a result of the absence of any material accidental losses, which did occur in 2017.

The net profit in 2018 was PLN 647 m vs. PLN 685 m, and the change is mainly attributable to EBIT.

The capital expenditure of the Distribution Business Line was PLN 1,368 m, which means an increase by PLN 117 m year on year.

EBITDA in Q4 2018 reached PLN 340 m and was driven mostly by OPEX, which went up by PLN 62 m yoy (an effect of increased costs of employee benefits and right of way, as explained above).