

Warsaw, 23 March 2015

**EuroRating credit rating agency assigned to Energa S.A.
credit rating at BBB with stable outlook**

RATING ACTION

Warsaw, 23 March 2015 – EuroRating credit rating agency assigned to the company Energa S.A. (Gdansk, Poland) credit rating at the level of BBB. Rating outlook was determined as stable.

RATING RATIONALE

The credit rating assigned to the company was influenced, among others, by one of the top positions in the electricity distribution market in Poland as well as relatively high participation of renewable energy sources in Energa group's joint power generation capacity. The activity focused on the regulated energy distribution market influences the stability of sales revenues and financial results of the company.

Nevertheless, EuroRating draws attention to the increase of foreign capital share in liabilities structure, that has been noted in the last years. It has been related with relatively high investments executed by the company and resulting in a temporary decrease in values of generated free cash flows. Simultaneously, it was accompanied with high dividends payments to shareholders.

Whereas, the agency considers as favourable factors the fact that the company has continuously maintained high liquidity and the fact that Energa does not currently have significant investment needs related with the necessity to renew power generation capacity as other big Polish energy companies do. It means that Energy group shall have significantly higher capacity to generate free cash flows in the following years, which shall have a positive impact on the company's financial flexibility.

According to EuroRating, a crucial uncertainty factor for Energa in the medium term comprises in the consolidation of the power sector in Poland planned by the government and involving merging companies controlled by the state and, possibly, integration into the their structures of coal mines. A possible merger with other entity from the industry could mean a significant change for Energa with regard to the business model and financial parameters – including, in particular, the structure of financing, liquidity and planned capital expenditures.

RATING OUTLOOK

The stable outlook assigned to the rating means, that according to current estimates of EuroRating credit rating agency, the rating for Energa S.A. should most probably remain unchanged in the horizon of the next 12 months.

RATING SENSITIVITY

In the long term, the credit rating for the company could be positively influenced by: an increase in equity share in the structure of liabilities, an increase in values of generated financial results and free cash flows, as well as maintenance of high and safe financial liquidity.

The rating could be adversely influenced by: higher than currently planned capital expenditures and an increase in the level of indebtedness, possible worsening of financial results and cash flows as well as potential merger with other power company characterised with a lower level of financial credibility.

ADDITIONAL INFORMATION NOTE

EuroRating assigned a credit rating to the company Energa S.A. within a credit rating assessment of the Polish companies included in the WIG20 stock index, conducted by the agency since 2007. These ratings are unsolicited, assigned on the agency's own initiative, and analytical process is based on publicly available information

EuroRating is officially registered by the European Securities and Markets Authority (ESMA) as a credit rating agency entitled to assign credit ratings in the territory of whole European Union (pursuant to the Regulation of the European Parliament and of the Council No. 1060/2009 on credit rating agencies) and is under direct supervision by ESMA. Credit ratings issued by EuroRating are valid throughout the European Union and can be used for regulatory purposes under EU legislation and are entirely equal to credit ratings issued by other credit rating agencies recognized by ESMA, without territorial or any other limitations.

REGULATORY DISCLOSURES

Credit ratings assigned by EuroRating credit rating agency to Polish companies included in the WIG20 stock index are unsolicited ratings. They are assigned on the agency's own initiative and the analytical process is based on public information (marked "ip") without participation of the rated entities or related third parties in the rating process.

The information on the assigned credit rating was presented to the rated entity in advance. The rating was assigned without changes resulting from that disclosure.

EuroRating considers the scope and quality of available information about the rated entity as sufficient to assign a reliable credit rating.

The presented credit rating constitutes a rating for the issuer – it is a general assessment of the financial credibility of the rated entity and it concerns credit risk of its unsecured and unsubordinated financial liabilities.

The date of the first publication of the credit rating for the rated entity and full rating history are published on EuroRating credit rating agency's Internet website (www.EuroRating.com) in the section "Credit ratings", under a relevant tab concerning rated entity.

EuroRating undertakes all necessary measures aimed at ensuring that obtained information used in the rating process is of proper quality and that it comes from sources deemed by the agency as reliable. Nevertheless, EuroRating does not have a possibility to verify or to confirm in each case the correctness and authenticity of obtained information used in the rating process.

In compliance with the "Conflicts of interest policy" binding in EuroRating credit rating agency, the agency has not provided and does not provide any paid additional services to the rated entity or any third parties related with it.

Description of rating methodology used by EuroRating is presented on the agency's Internet website (www.EuroRating.com), in the section "Credit ratings" – "Methodology".

Rating definitions and rating scale used by EuroRating are published on the agency's Internet website (www.EuroRating.com), in the section "Credit ratings" – "Rating scale".

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