



**Takeover of Połaniec Power Plant is part of Enea Group's
development strategy implementation**

Agenda



Takeover of Połaniec Power Plant

Enea Group after the transaction

Social responsibility

Enea CG has been consequently implementing the development strategy



Enea CG will be ...

... due to the takeover of Połaniec Power Plant



Highly specialised

- Enea Group will be joined by a team holding long experience in the efficient management of the sixth-largest generation assets in Poland



Affecting the environment

- Takeover of the biggest green unit in Poland (230 MW)



Efficiently using market opportunities

- Effective acquisition, abrupt growth in the generation and market capacities of the Group and value for Enea's shareholders



Reliable

- Contribution in the Polish energy security

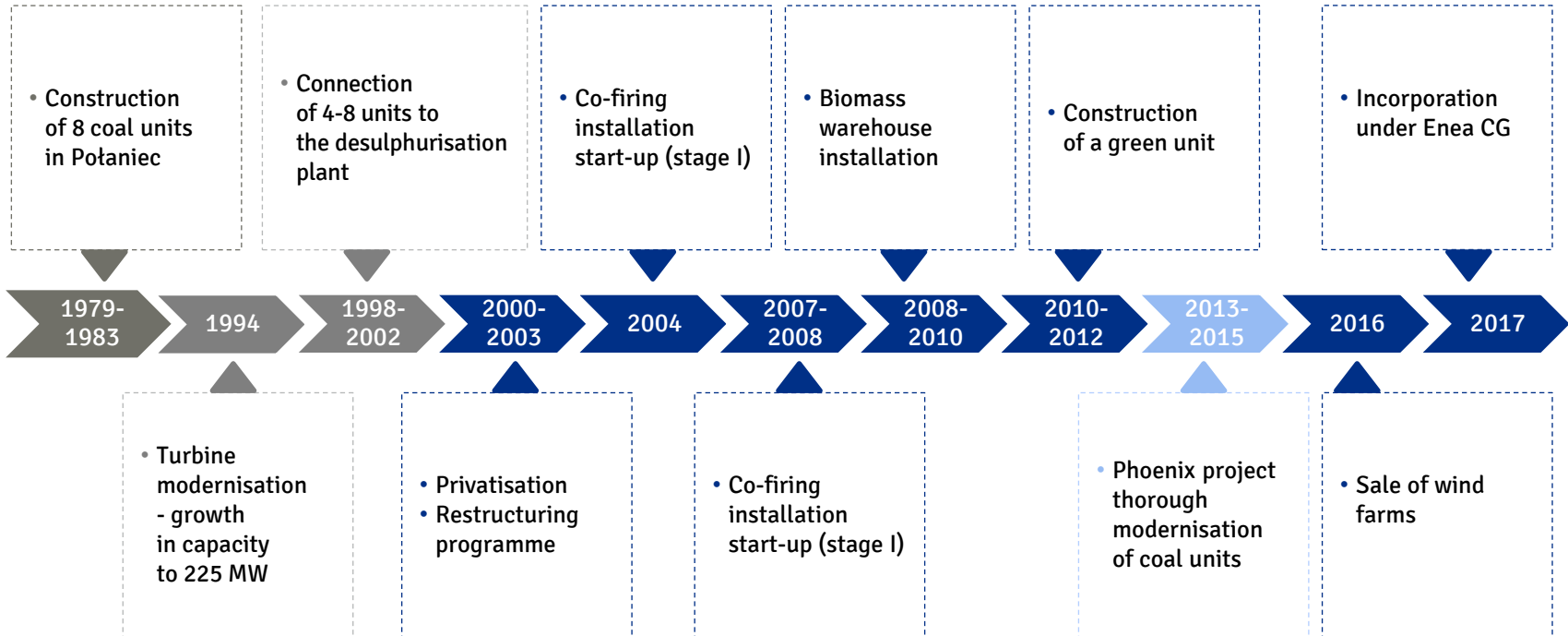
The takeover of Połaniec Power Plant is in line with four out of six priority development directions of Enea Group until 2030

Połaniec Power Plant in numbers (2016)



Coal-fired units	Gross installed capacity	Coal consumption	CO ₂ emission
	1.7 GW	3.9 Mt	7.7 Mt
Green unit	Gross installed capacity	Biomass consumption green unit / co-firing	Production of green certificates
	0.2 GW	1.3 / 0.4 Mt	1.9 TWh
Total	Total gross capacity / net production		Plots under additional projects (Łęczna / Bogdanka)
	1.9 GW / 10.2 TWh		26 ha

Połaniec Power Plant is modern and optimised generation assets



Modern power plant constructed in early 80s., after thorough modernisations

Połaniec Power Plant has been thoroughly and consistently modernised in recent years



	Units after modernisation Units 2, 3, 4, 6 and 7	Partially modernised unit Unit 5	Unit under derogation Unit 1
Date of construction / modernisation	1980-1983 / 2013-2014	1981	1979 / 2012
Scheduled life-time	2034 / 2035	2035	2020
Gross installed capacity	~240 MW	225 MW	225 MW
Net installed capacity	~223 MW	204 MW	209 MW
Annual coal consumption		3.9 Mt	
Annual biomass consumption for co-firing		0.36 mln tonnes	
Net efficiency in 2016	Averagely ~ 37.7%	35.6%	34.5%
Net production in 2016		8.15 TWh (coal) / 0.58 TWh (co-firing)	
Hours of work in 2016	Averagely ~7,500	~6,500	~2,300

High availability and utilisation of production capacity

Połaniec Power Plant has the largest in Poland green unit



Green unit

Date of construction / modernisation	2012
Scheduled life-time	2042
Gross installed capacity	230 MW
Gross generating capacity	225 MW
Net generating capacity	208 MW
Annual biomass consumption	1.34 mln t
Net efficiency in 2016	37.5%
Net production in 2016	1.52 TWh
Hours of work in 2016	~7,900

Benefits of holding the unit

- 25% share in the green energy market derived from biomass due to 0.2 GW unit
- the unit commissioned in 2012 scheduled for 30 years of operation
- must-run unit
- 1,658 GWh allocated certificates (2016)

The green unit joins the benefits of generating green electricity and stable operation in PPS

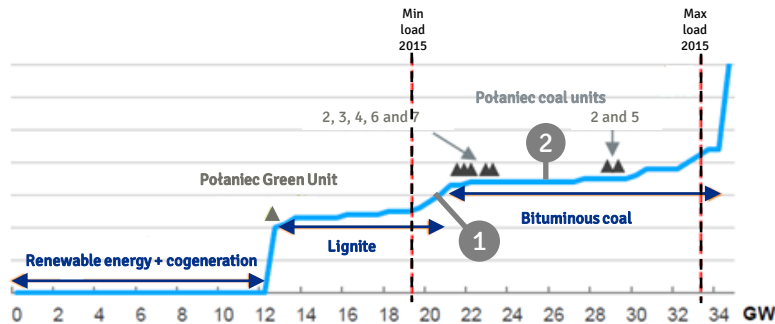
A very good position of modernised units in *merit order*



High efficiency of units due to capital expenditures (Phoenix project) during 2013-2015

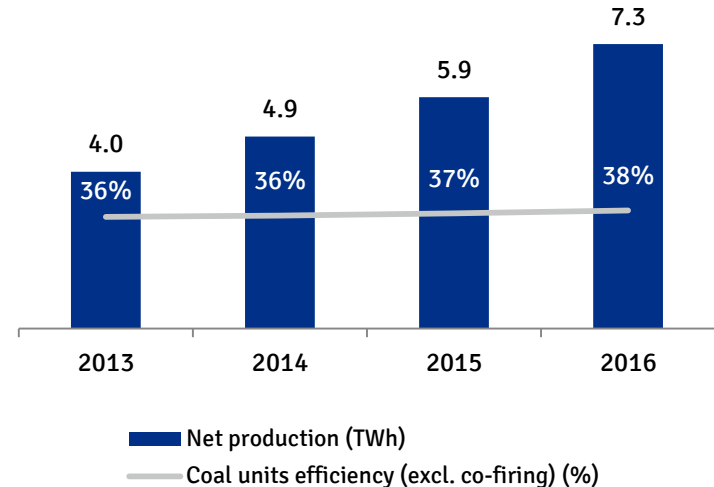
- A favourable position in *merit order* confirmed with the regular growth in energy generation in 2013-2016
- Phoenix programme has significantly improved the efficiency and reduced the failure rate of modernised units, which in turn resulted in their shift in *merit order* and growth in energy generation and efficiency

Impact of Phoenix programme on the units position in *merit order*



- ① Kozenice - 500 MW units
- ② Kozenice - 200 MW units

Net energy generation of units 2-7 excluding unit 1 and 5 (TWh) and efficiency of these coal units



During 2012-2016 ca. PLN 1.5 billion was spent on modernisations



Results of units modernisation (Phoenix project)

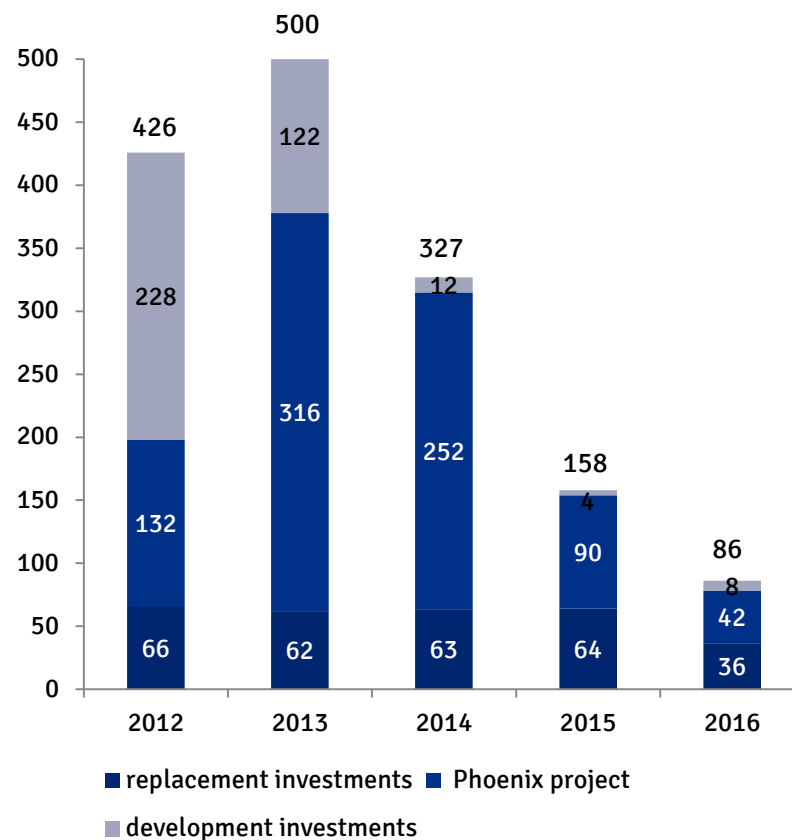
- modernisation of five units (excluding 1 and 5)
- extension of the units life by ca. 20 years
- increase in capacity from 225 MW to ca. 240 MW per unit
- increase in efficiency and reduction in unit failure rate
- adjustment of units to IED directive requirements
- the programme did not cover unit 5 and 1 (under derogation until 2020-21)

	Unit	2013	2016
Gross power rating	GW	1.8	1.9
Net production	TWh	7.1	8.7
Average operation of coal units (excluding unit 1 and 5)	h	5.150 ²⁾	7.500
Coal consumption	mln tonnes	2.7	3.9
CO ₂ emission	mln tonnes	5.6	7.7
Coal unit efficiency	%	35.3%	37.5%

Source: ENGIE, number of hours of unit operation in relation to the sum of hours annually

1) according to IFRS 2) commencement of the investment, first shut-downs of units for modernisation

Capital expenditures in 2012-2016



Financial data of ENGIE Energia Polska



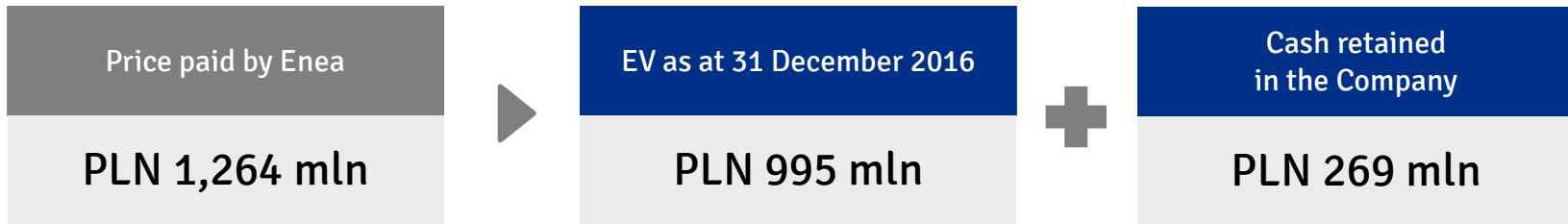
PLN mln acc. to PSR (Polish accounting standards)	2016 ¹⁾
Sales revenue	2 472
<i>sale of electricity</i>	2 217
<i>sale of green certificates</i>	92
<i>sale of CO₂ emission allowances</i>	73
EBITDA	359
EBIT	269
Operating cash flow	745



A very well operating organisation generating a significant level of EBITDA and positive cash flows

1) Results adjusted with a potential impairment write-off

The Power Plant was acquired with working capital and cash



Working capital ¹⁾ of EEP as at 31 December 2016: ~PLN 600 mln

EEP's taken over inventory includes e.g.:

Coal	Biomass	Green certificates
PLN 95 mln	PLN 19 mln	PLN 48 mln

Połaniec Power Plant was taken over with no financial liabilities

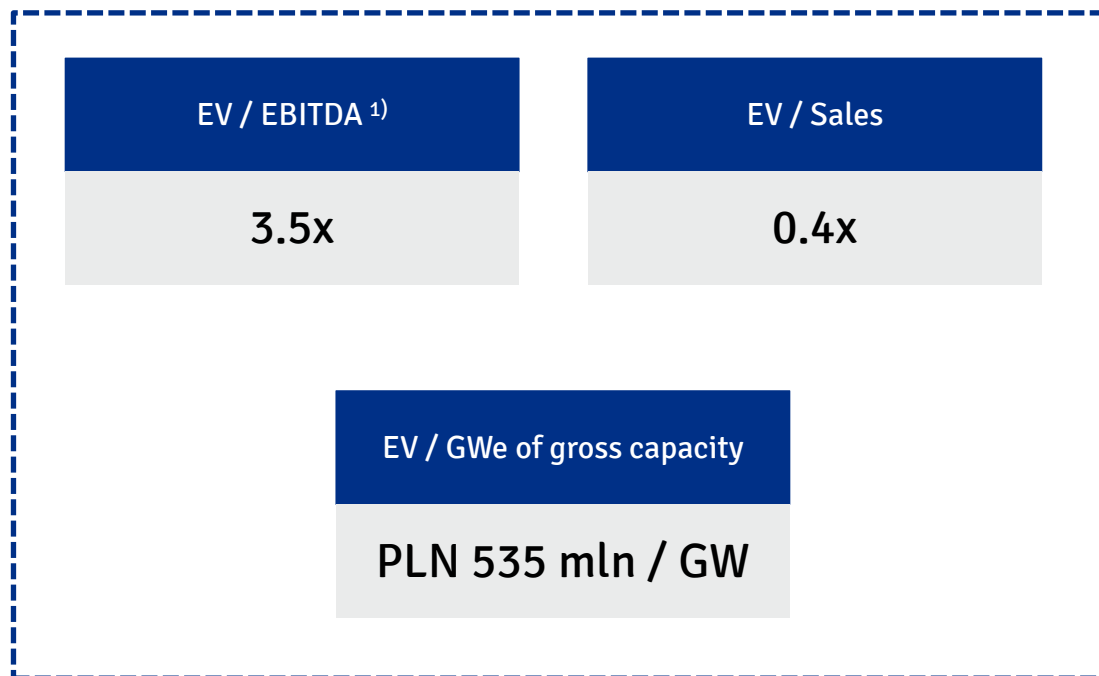
¹⁾ Current assets adjusted with PLN 113 mln loan repaid to ENGIE, minus short-term liabilities (excluding loans)

Transaction closed at very attractive multiples



EV
as at 31 December 2016
PLN 995 mln

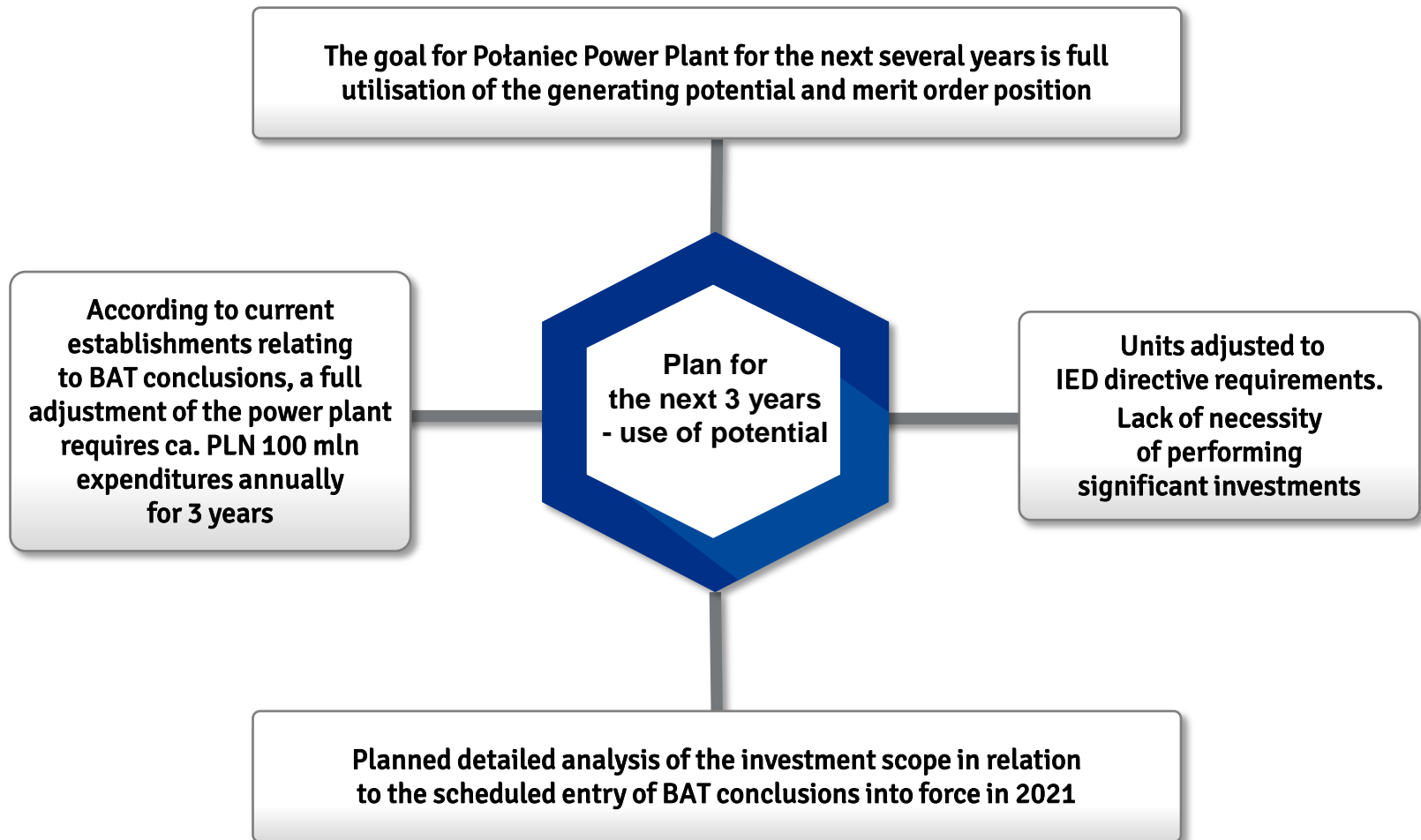
EBITDA 2016
excluding sale of CO₂
emission allowances
PLN 286 mln



Level of transaction multiples suggests the takeover attractiveness

1) EBITDA 2016 adjusted with NAP revenue

Połaniec Power Plant operation perspective



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Takeover of Połaniec Power Plant

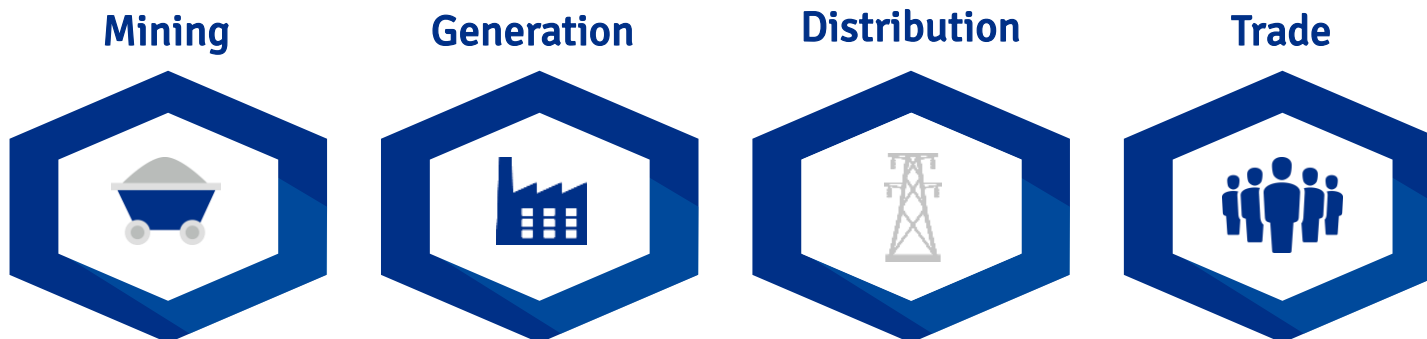


Enea Group after the transaction



Social responsibility

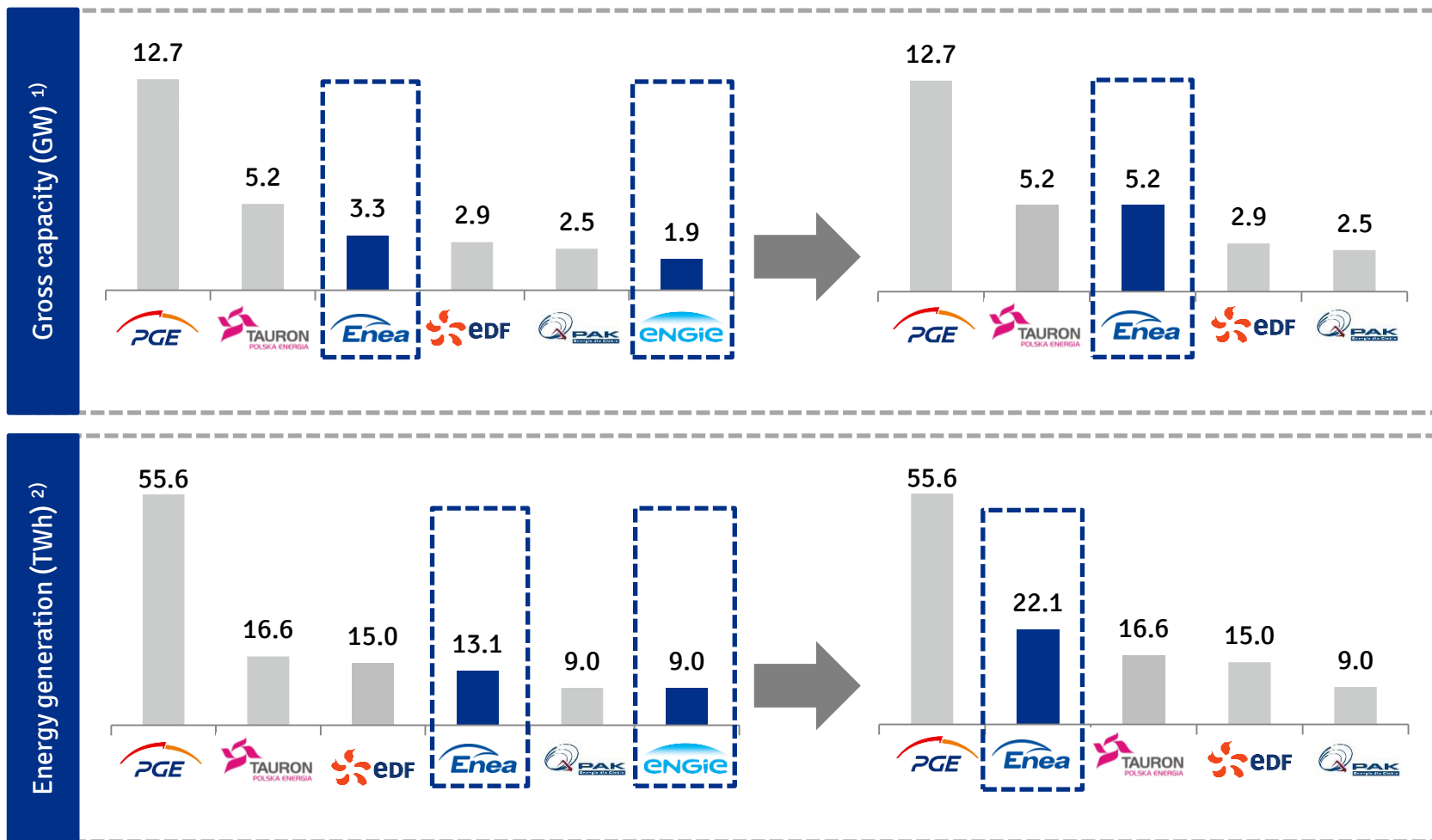
Enea Group after acquisition - integrated entity as regards mining and generation



	Mining	Generation	Distribution	Trade
Enea CG 2016	EBITDA 2016	EBITDA 2016	EBITDA 2016	EBITDA 2016
	PLN 612 mln ¹⁾	PLN 517 mln	PLN 1,111 mln	PLN 154 mln
	Net production of coal	Net production of electricity	Sale of distribution services	Sale of electricity and gas - retail
	9 Mt	13.6 TWh	18.7 TWh	18.0 TWh
PPP	Demand of Połaniec Power Plant 3.9 Mt	EBITDA PLN 286 mln ²⁾ Net electricity production 10.2 TWh		

1) The difference in recognising EBITDA of LW Bogdanka CG ("LWB") and Enea CG's area of mining results from the method of recognising amortisation and depreciation, presentation adjustments and adjustments resulting from the settlement of LWB's takeover by Enea SA
 2) Excluding sales of free CO₂ emission allowances

Enea Group after the transaction (based on data for 2015)



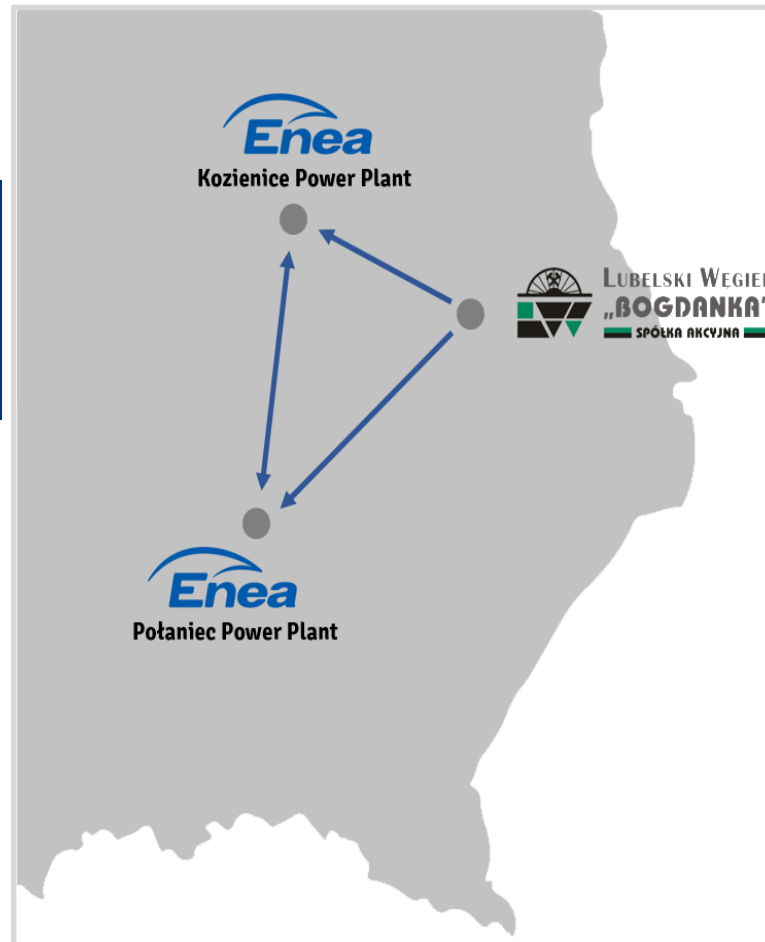
1) Tauron acc. to estimates including the construction in Tychy, 2) Net production. EDF data acc. to estimates

Effective management of the area of mining and generation will bring numerous synergies beneficial for the Group



Cooperation of trading and portfolio management (15% of the domestic production)

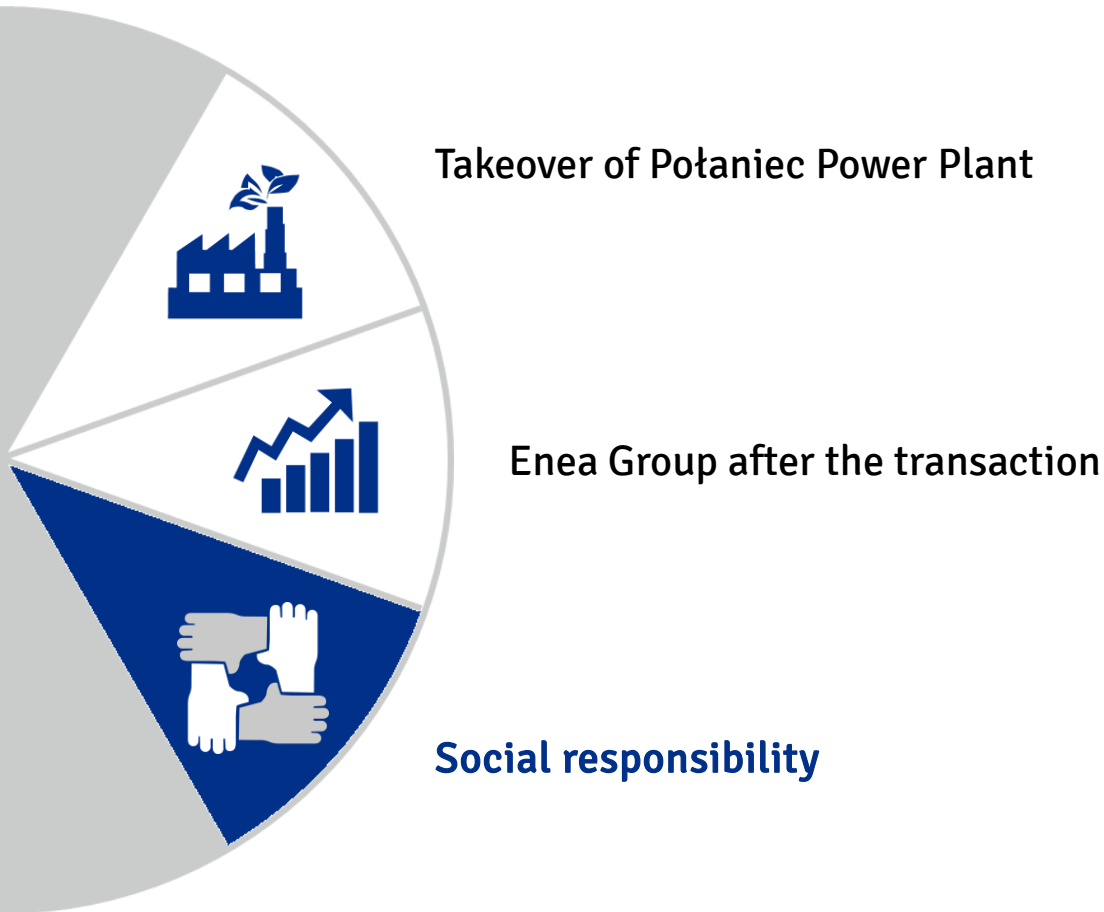
Coordination of biomass acquisition for EEP Połaniec and Białystok Heat and Power Plant



Improvement of coal transport logistics and production in LWB

Potential for exchange *know-how* as regards repairs, service, operation

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Incorporation of Połaniec Power Plant under Enea Group will bring positive effects for the regional community

Safety

- Strengthening of the position of one of the most important employers in the region

Growth

- Possibility of Employee development in a dynamically developing raw material and energy Group and application of good practices

Commitment

- Participation of Enea Group in social and cultural undertakings in the region - Enea will be a partner for the local community

Responsibility

- Activities in favour of local communities

Future

- Investment in Połaniec guarantees operation continuity of a system power plant being important for Poland

We actively join the reality surrounding us. We support local communities, port and culture



Opera on the Castle in Szczecin



The Grand Theatre of Poznań



Iron Man Gdynia



Enea PTPS Piła



Enea's Spring Break



Eagle and Cross
- Murowana Goślina



Górnik Łęczna
- Lubelszczyzna



Enea's Sparkling Light

We are a key partner of institutions and cultural events,
we support Polish sportsmen