



**2017 - The Year of Dynamic Growth for Enea Group**

## Year 2017 – stronger market position in generation and mining areas



**Połaniec Power Plant:** completion of the acquisition and consolidation process



**Unit No. 11:** the launch of the largest and most modern power unit in Poland

- ✓ Increasing the Group's share in the domestic electricity generation by **19%**
- ✓ Increasing the Group's installed power capacity from **3.3 GW** to **6.2 GW**



**„Ostrów” deposit:** obtaining a licence for coal extraction

- ✓ Extending the lifespan of the Bogdanka mine from **25** to **50 years**
- ✓ **391 million tonnes** of extraction potential in 3 concession areas

## Year 2017 – reliability of supplies and customer satisfaction



Consistent implementation of the CAPEX programme for grid infrastructure development. Over **PLN 1bn** annually, including approx. **PLN 180m** of EU subsidies



Expansion, automation and **modernisation** of stations and power grids

- ✓ **Improvement** of connection processes
- ✓ Reduction of the negative **environmental impact** of the electrical power equipment used



New **products** and improved effectiveness of customer service

- ✓ **Improved** customer satisfaction
- ✓ Modern Customer Service Centres, the Contact Centre platform

## Better financial results of Enea Group

	2016		2017
REVENUES	PLN 11,256m	▲ +1%	PLN 11,406m
EBITDA	PLN 2,328m	▲ +15%	PLN 2,684m
EBIT	PLN 1,119m	▲ +33%	PLN 1,488m
NET PROFIT	PLN 849m	▲ +37%	PLN 1,165m

## Better operational results of Enea Group

	2016		2017
TOTAL GENERATION OF ELECTRICITY	13,567 GWh	▲ +55%	20,973 GWh
SALE OF DISTRIBUTION SERVICES	18,741 GWh	▲ +3%	19,259 GWh
RETAIL SALE OF ELECTRICITY AND GASEOUS FUEL	17,989 GWh	▲ +5%	18,916 GWh
COAL PRODUCTION	9.04m tonnes	▲ +0,1%	9.05m tonnes

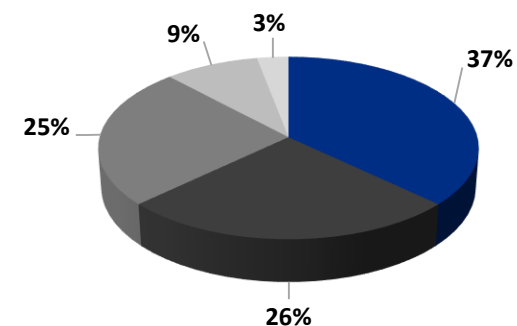
## We create shareholder value through investment

Capital expenditure [PLN m]	2016	2017	Plan for 2018
Generation	1,390.2	1,094.7	596.0
Distribution	920.4	1,022.3	966.6
Mining	307.7	373.4 <sup>1)</sup>	496.0
Support and other	118.7	139.7	360.8
<b>TOTAL Plan implementation</b>	<b>2,737.0</b>	<b>2,630.1</b>	<b>2,419.4</b>
Equity investments <sup>2)</sup>	5.0	1,556.8	-
<b>TOTAL Enea Group's expenditure</b>	<b>2,742.0</b>	<b>4,186.9</b>	-

1) The amount excludes PLN 0.4m expenditures incurred in Q1-Q3 2017 by subsidiaries of LW Bogdanka SA

2) Not included in Enea Group's Material and Financial Plan

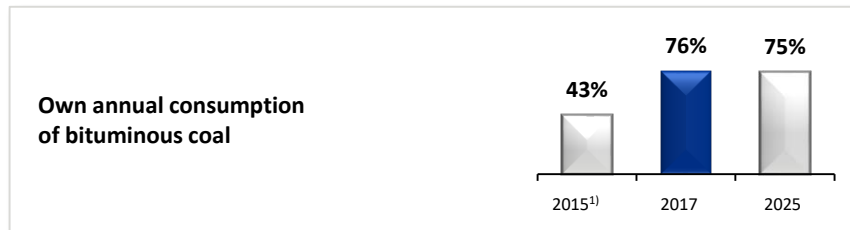
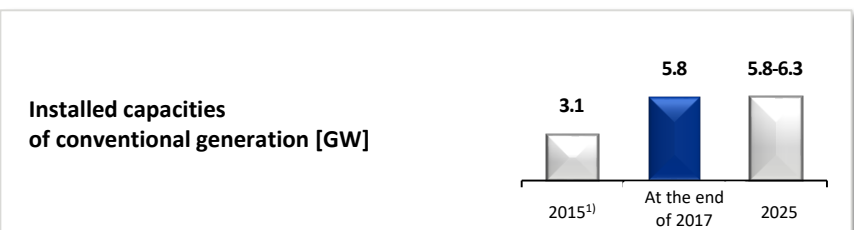
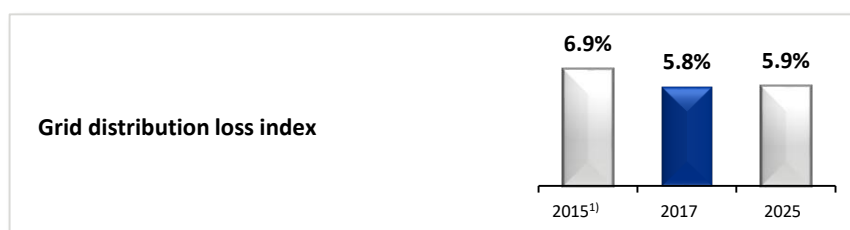
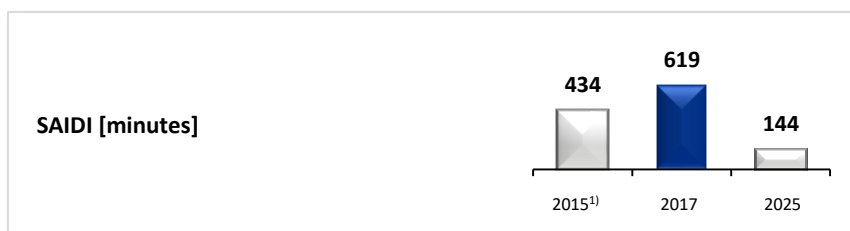
### Capital expenditure in 2017



- Equity investments <sup>2)</sup>
- Generation
- Distribution
- Mining
- Support and other

**PLN 278 million**  
pro-environmental  
investment  
in 2017

## Consistent achievement of goals defined in our strategy



<sup>1)</sup> Reference year



## Coal market, energy market, operational data

Financial results of Enea Group in Q4 2017 and 2017

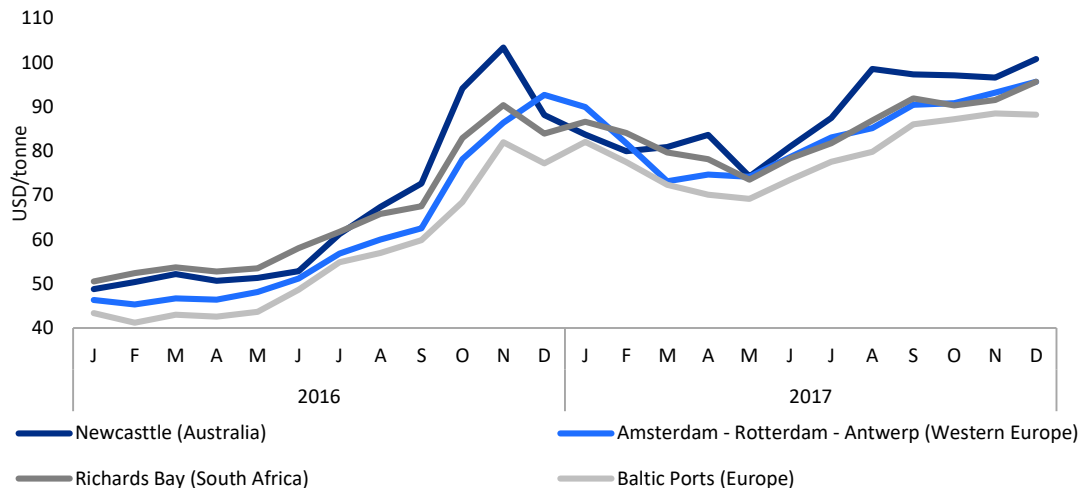
Financial results of LW Bogdanka Group in Q4 2017 and 2017

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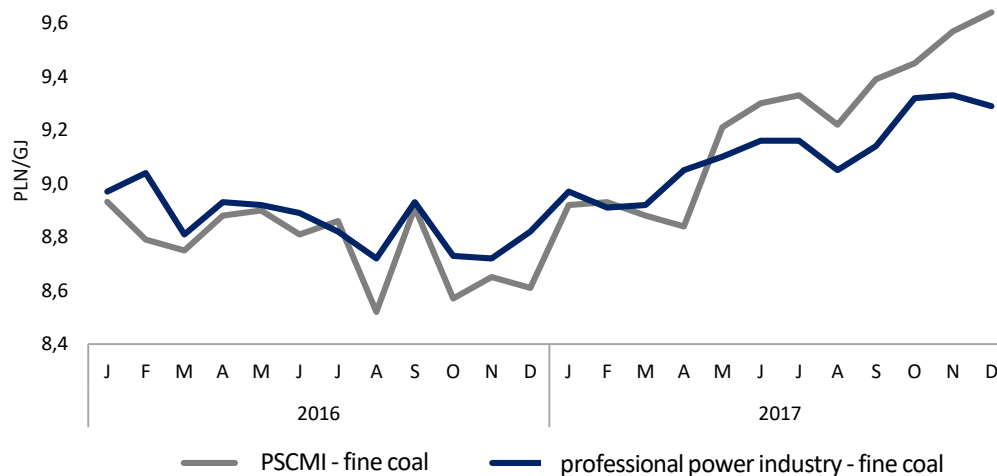


## Market prices of coal rose in 2017



### Average price in 2017

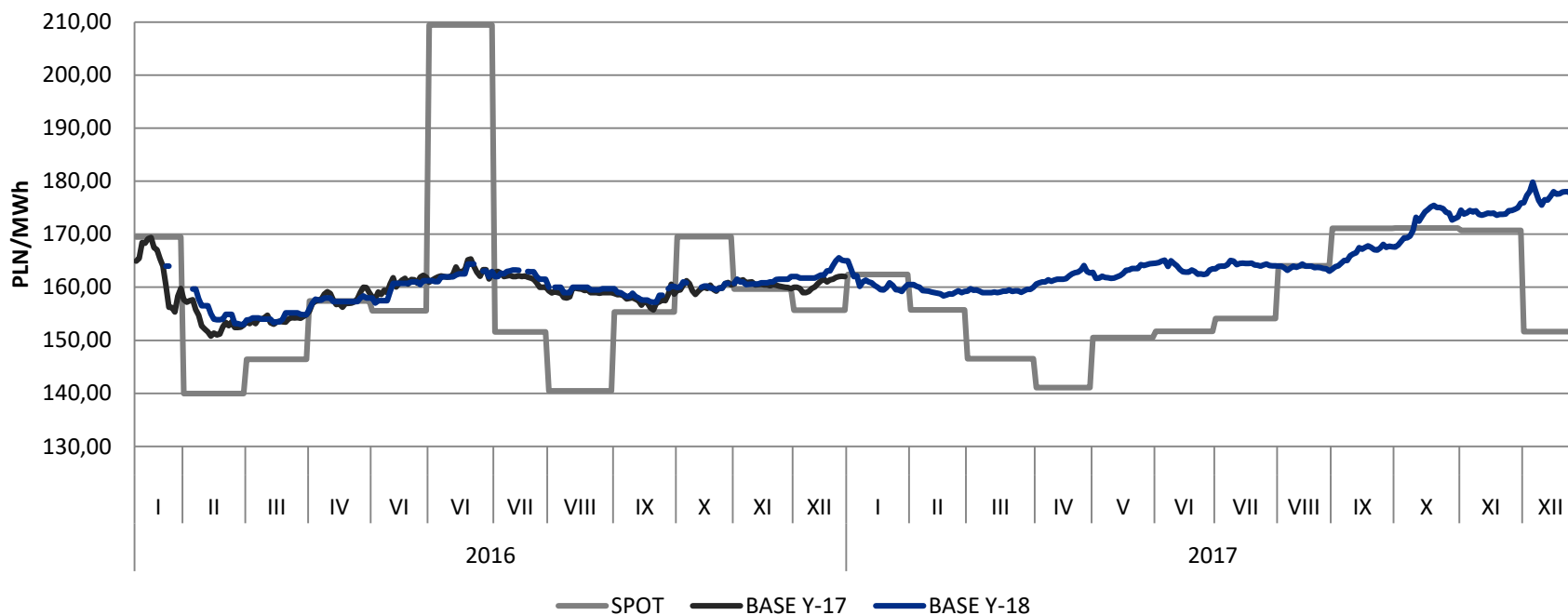
- Amsterdam - Rotterdam - Antwerp: 84.33 USD/t
- Richards Bay: 84.89 USD/t
- Newcastle: 88.46 USD/t
- Baltic Ports: 79.36 USD/t



In 2017, the average price of fine energy coal for the professional power industry increased by 2.9% y/y

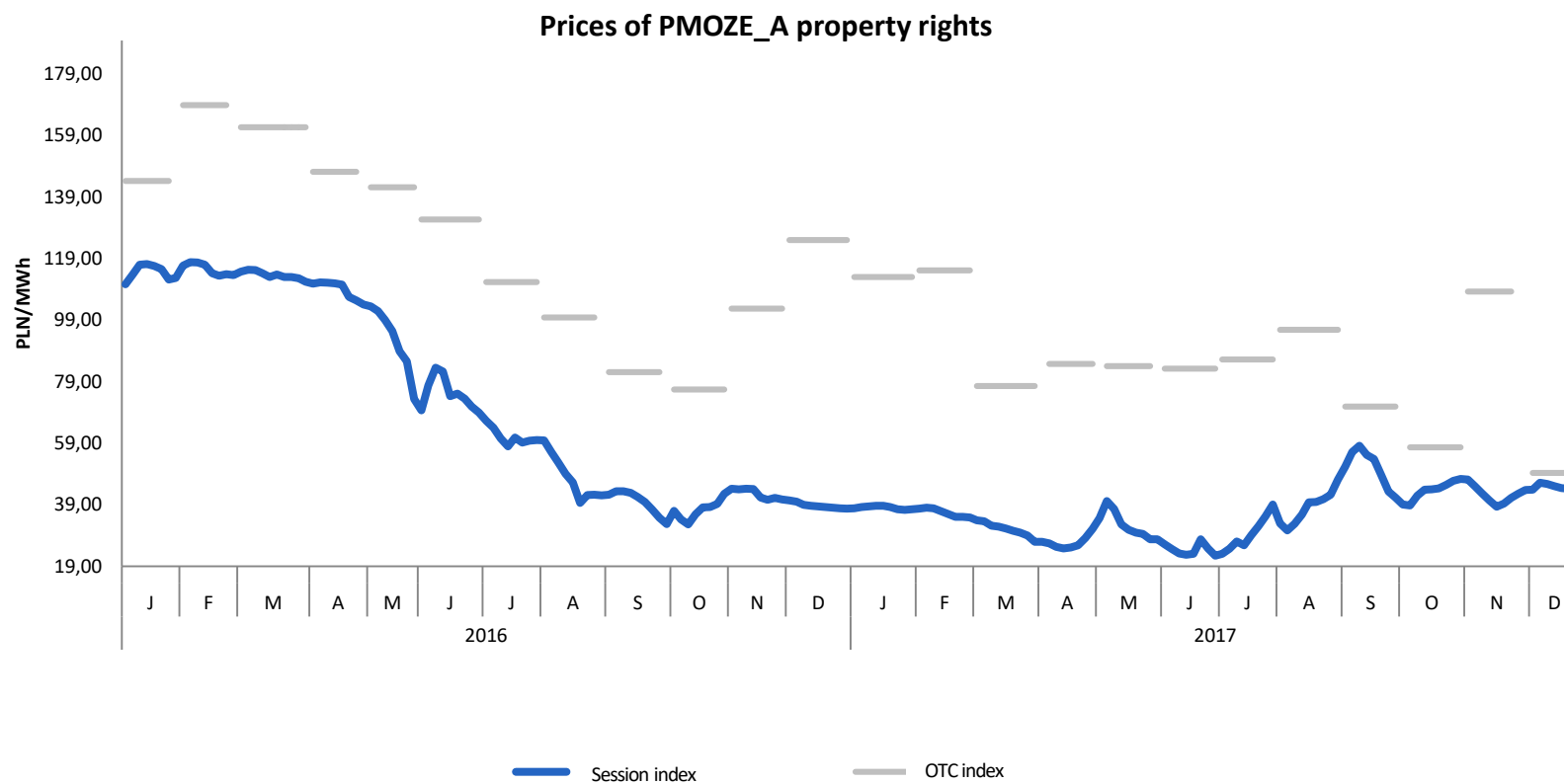
## Electricity prices y/y on the forward market were growing in 2017

BASE Y prices vs. SPOT prices



- In 2017, the average price on the SPOT market decreased by 1.0% y/y, to 151.64 PLN/MWh
- On the forward market, the average price of energy – baseload for 2018 rose by 4.0%, to 177.65 PLN/MWh

## Prices of property rights remained low throughout 2017



- During Q1-Q4 2017, the average weighted value of the session index dropped by 2.2%, as compared to Q4 2016, to 45.29 PLN/MWh
- The index for the OTC market in the same period was more than twice the session index and reached an average of 82.69 PLN/MWh

## Prices of CO<sub>2</sub> emission allowances were in an upward trend from Q3 2016



- At the end of Q4 2017, the price of EUA allowances on the forward market rose by 20.4%, to 7.39 EUR/t as compared to the beginning of 2017

## Elektrownia Połaniec and Unit No. 11 – increased volume of generated energy

Operational data Enea Group (GWh)	2016	2017	% change	Q4 2016	Q4 2017	% change
Total generation of electricity, including:	13,567	20,973	54.6%	3,401	5,795	70.4%
<i>Unit No. 11     In Kozenice Power Plant</i>	0	884	-	0	810	-
<i>Enea Elektrownia Połaniec<sup>1)</sup></i>	0	7,374	-	0	2,197	-
Sale of electricity (GWh)	16,802	24,526	46.0%	4,207	6,850	62.8%

- Enea Elektrownia Połaniec and the launch of Unit No. 11 strengthened the Group's market position in the generation area

<sup>1)</sup> Part of Enea Group since 14 March 2017

## The sales volumes of electricity and distribution services grew in 2017

Sales figures Enea Group	2016	2017	% change	Q4 2016	Q4 2017	% change
Sale of electricity and gaseous fuel to retail customers (GWh)	17,989	18,916	5.2%	4,693	4,877	3.9%
Sale of distribution services to end users (GWh)	18,741	19,259	2.8%	4,817	4,937	2.5%

- Higher volume of electricity sold, especially to business customers

## LW Bogdanka's net coal production and sales remained unchanged at the 2016 level

Operational data LW Bogdanka	2016	2017	% change	Q4 2016	Q4 2017	% change
Net production (‘000 tonnes)	9,038	9,050	0.1%	2,356	2,338	-0.8%
Coal sales (‘000 tonnes)	9,141	9,151	0.1%	2,402	2,453	2.1%
Closing stocks (‘000 tonnes)	125	24	-80.8%	125	24	-80.8%
Heading excavations (km)	25.5	30.7	20.4%	7.1	8.3	16.9%



Coal market, energy market, operational data

**Financial results of Enea Group in Q4 2017 and 2017**

Financial results of LW Bogdanka Group in Q4 2017 and 2017

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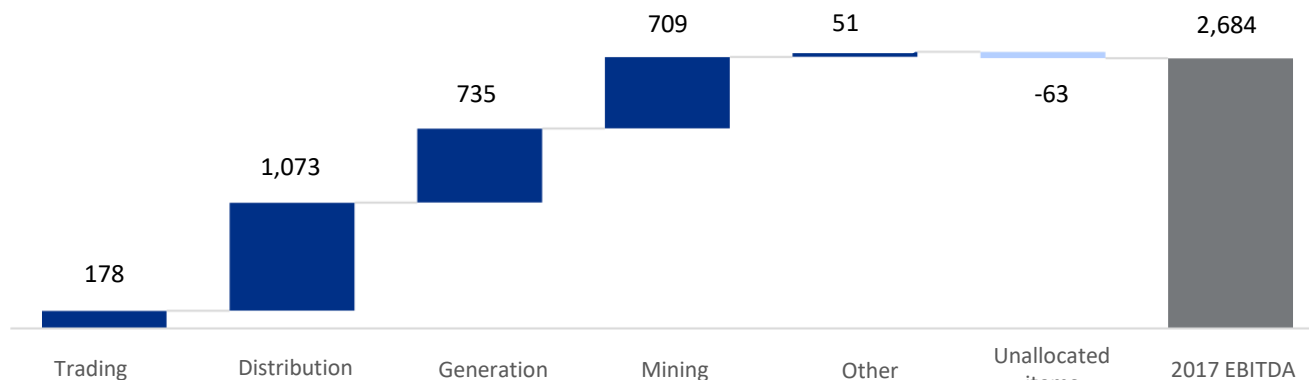
Additional information



## Enea Group recorded higher revenues and profits across the board

Results of Enea Group [PLN m]	2016	2017	% change	Q4 2016	Q4 2017	% change
Net sales revenue	11,256	11,406	1.3%	2,952	3,043	3.1%
EBITDA	2,328	2,684	15.3%	499	736	47.5%
EBIT	1,119	1,488	32.9%	170	418	145.6%
Net profit	849	1,165	37.2%	128	327	154.9%
Net profit attributable to shareholders of the parent company	784	1,070	36.4%	109	285	162.3%

## Larger share of the Distribution Area in Enea Group's 2017 EBITDA



<b>2017 [PLN m]</b>	<b>177.8</b>	<b>1,073.4</b>	<b>735.3</b>	<b>709.0</b>	<b>51.3</b>	<b>-63.2</b>	<b>2,683.6</b>
<b>Share in 2017 EBITDA</b>	6.6%	40.0%	27.4%	26.4%	1.9%	-2.4%	100.0%
<b>EBITDA margin</b>	<b>3.0%</b>	<b>32.7%</b>	<b>16.1%</b>	<b>39.8%</b>	<b>8.7%</b>	<b>-</b>	<b>23.5%</b>
<b>Change [PLN m]</b>	23.8	-38.0	217.8	97.2	23.8	31.1	355.7
<b>Change [%]</b>	15.4%	-3.4%	42.1%	15.9%	86.4%	33.0%	15.3%

### Mining



- (+) Higher sales volume of coal in 2017 by 10 thousand tonnes at a lower price
- (+) A decrease in the unit cost – the release of a provision for coal allowance, improvement of cost effectiveness with a slightly growing volume of coal sold
- (-) Lower result on other operating activities by almost PLN 18 million (in 2016, i. a. a provision for compensation for Budimex was released)

### Generation



- (+) Positive impact on 2017 EBITDA of Enea Elektrownia Połaniec in the amount of PLN 176 million <sup>1)</sup>
- (+) Higher revenue from Ancillary Services by almost PLN 25 million
- (-) A decrease in the margin on the trading and on the Balancing Market by almost PLN 65 million
- (-) A decrease in the margin on generation by PLN 55 million

<sup>1)</sup> Consolidation with Enea Group as of 14 March 2017

### Distribution



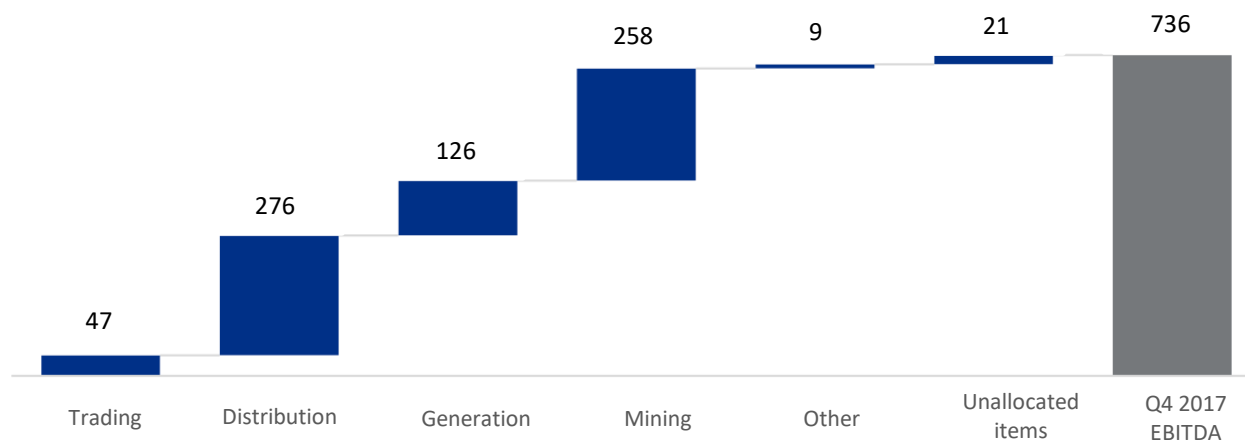
- (+) Higher revenue from the sale of distribution services to end users by PLN 222 million
- (-) Higher purchase costs of transmission services by PLN 203 million
- (-) Higher costs of third-party services by PLN 25 million

### Trading



- (+) A decrease in the average purchase price of energy by 1.6%
- (+) An increase in the volume of energy sales by 7.3%
- (-) A decrease in the average sale price of energy by 4.5%
- (+) Lower costs of environmental responsibilities by 39.9%
- (-) Higher provisions for potential claims

## Distribution Area with the largest share in Q4 2017 EBITDA



<b>Q4 2017 [PLN m]</b>	<b>46.8</b>	<b>275.5</b>	<b>125.8</b>	<b>257.9</b>	<b>9.3</b>	<b>21.0</b>	<b>736.3</b>
<b>Share in Q4 2017 EBITDA</b>	6.4%	37.4%	17.1%	35.0%	1.3%	2.9%	100.0%
<b>EBITDA margin</b>	2.6%	32.3%	10.5%	54.5%	5.5%	-	24.2%
<b>Change [PLN m]</b>	10.5	21.7	73.4	83.2	14.1	34.2	237.1
<b>Change [%]</b>	28.9%	8.5%	140.1%	47.6%	290.6%	259.9%	47.5%

### Mining



(+) Higher sales volume of coal by 51 thousand tonnes at a lower price  
 (+) A decrease in the unit cost – release of a coal allowance provision for pensioners and retirement coal allowance for current employees  
 (-) A decrease in revenues from sales of other products and services – logistics and customs services for exported coal and lease of fixed assets

### Generation



(+) Positive impact on 2017 EBITDA of Enea Elektrownia Połaniec in the amount of PLN 39 million  
 (+) Higher revenue from Ancillary Services by over PLN 10 million  
 (-) A decrease in the margin on generation by PLN 56 million  
 (-) A decrease in the margin on the trading and on the Balancing Market by PLN 18.5 million

### Distribution



(+) Higher revenue from the sale of distribution services to end users by PLN 53 million  
 (-) Higher purchase costs of transmission services by PLN 43 million  
 (+) Lower other operating costs by PLN 14 million

### Trading



(+) A decrease in the average purchase price of energy by 1.5%  
 (+) An increase in the volume of energy sales by 6.4%  
 (-) A decrease in the average sale price of energy by 4.3%  
 (+) Lower costs of environmental responsibilities by 12.4 %



Coal market, energy market, operational data

Financial results of Enea Group in Q4 2017 and 2017

**Financial results of LW Bogdanka Group in Q4 2017 and 2017**

Summary

Additional information

## Stable net sales revenue in 2017

Financial results of LW Bogdanka Group [PLN m]	2016	2017	% change	Q4 2016	Q4 2017	% change
Net sales revenue	1,786	1,780	-0.3%	472	473	0.3%
EBIT	237	847	257.5%	82	655	695.7%
<i>EBIT excluding one-offs</i>	237	236	-0.3%	82	44	-46.0%
EBITDA	607	709	16.9%	174	256	47.1%
<i>EBITDA excluding one-offs</i>	607	594	-2.1%	174	141	-18.8%
Net profit	182	668	267.0%	62	524	747.9%
<i>Net profit excluding one-offs</i>	182	173	-4.9%	62	29	-52.4%
CAPEX	308	373	21.3%	95	119	24.5%

## 2017 EBITDA rose by PLN 102 million – release of a provision for coal allowances and improvement of cost efficiency



1) Joint impact on revenues and costs

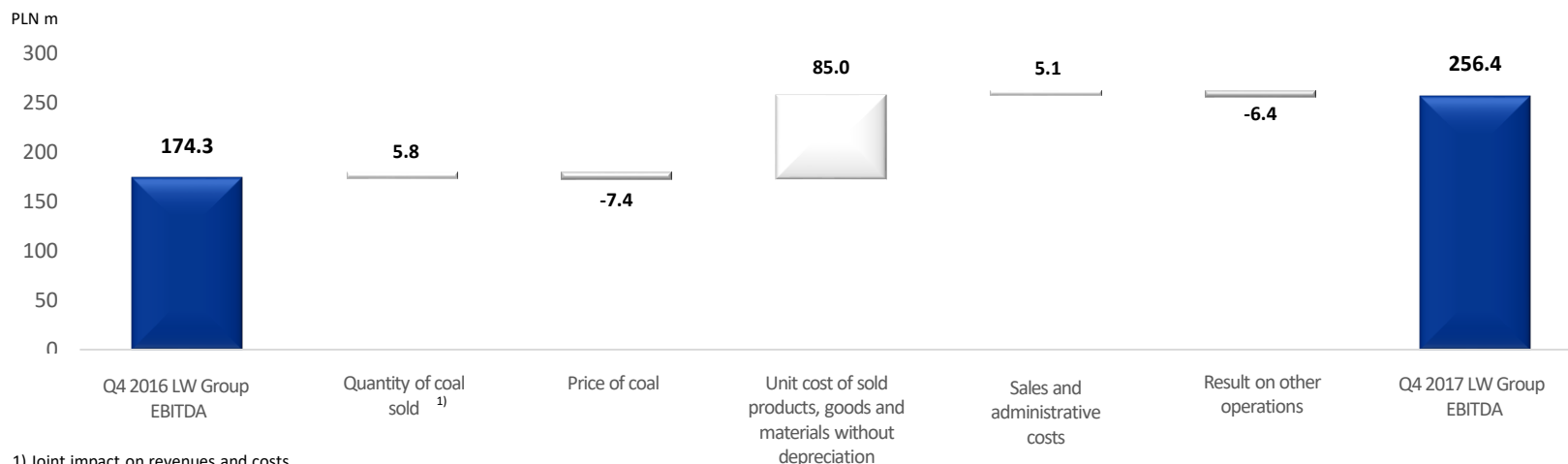
(+) EBITDA: PLN +102.4 million (+16.9%)

(+) an increase in revenues from coal sales: higher volume of sales (+10 thousand tonnes) at a lower price

(+) a decrease in the unit cost of products, goods and materials sold without depreciation – release of a coal allowance provision for pensioners and the retirement coal allowance for current employees, improvement of cost effectiveness with a slightly growing volume of coal sold

(-) lower result on other operating activities: in 2016, a provision for compensation for Budimex was released as favourable judgment of the Court of Appeal and higher compensation was received, in 2017, there was a decrease in revenues from sales of logistics and customs services for exported coal

# Q4 2017 EBITDA grew by PLN 82 million – release of a provision for coal allowances



1) Joint impact on revenues and costs

- (+) EBITDA: PLN +82.1 million (+47.1%)
- (+) an increase in revenues from coal sales: higher sales volume (+51,000 tonnes) at a lower price
- (+) a decrease in the unit cost of products, goods and materials sold without depreciation – release of a coal allowance provision for pensioners and the retirement coal allowance for current employees
- (+) lower administrative and sales costs: – release of a coal allowance provision for pensioners and the retirement coal allowance for current employees
- (-) a decrease in result on operating activities – lower revenues from sales of logistics and customs services for exported coal



Coal market, energy market, operational data

Financial results of Enea Group in Q4 2017 and 2017

Financial results of LW Bogdanka Group in Q4 2017 and 2017

## **Summary**

Additional information



## Operational and financial summary of 2017

- ✓ Sales revenue: **PLN 11.4bn** • EBITDA: **PLN 2.7bn** • Net profit: **PLN 1.2bn**
- ✓ CAPEX: **PLN 4.2bn** • Net debt/EBITDA: **2.1**
- ✓ Stronger position on the wholesale market – **24.5 TWh** of electricity sold
- ✓ Larger share in the electricity generation market in Poland – **19%**
- ✓ Increase in installed power capacity from **3.3 GW** to **6.2 GW**
- ✓ The lifespan of the **Bogdanka** mine extended from **25** to **50** years
- ✓ **391m tonnes** of extraction potential in 3 concession areas

## In 2018 and beyond...



Effective expansion of Enea Group's potential in line with the adopted strategy

Directing Enea Group's potential to implementation of innovative projects and development of creative business lines, i.e. clean coal technologies like IGCC, distributed polygeneration including RDF and RES – also hybrid, prosumer installations, Internet of Things services, electromobility

Improving further the quality and efficiency of electricity use through innovative system services for energy storage

Improving energy security and reliability of electricity supplies

Efficient acquisition and utilisation of EU subsidies, including for Enea Group's R&D projects



**2017 - The Year of Dynamic Growth for Enea Group**

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## Annex No. 1 – Last year’s most important event was the launch of Unit No. 11, the largest generation asset of Enea Group

### Investor

Enea Wytwarzanie Sp. z o.o.

### Contractor

The consortium of companies:

Mitsubishi Hitachi Power Systems Europe GmbH (Leader of the consortium)

Polimex – Mostostal S.A.

### Contract value (net)

PLN 5.1 billion

### Execution time:

**63 months**

Starting date:

**21 September 2012**

Completion date:

**19 December 2017**

## Annex No. 2 – Operational parameters of Unit No. 11

**After the launch of Unit No. 11, Enea Group has strengthened its position as the second-largest energy producer in Poland, with total installed power capacity of 6.2 GW**

- Planned lifetime of generation installations - **30 years** or **250,000 working hours**
- In normal operation, the unit burns **100 kg** of coal per second
- CO<sub>2</sub> emissions – **0.730 Mg/MWh**
- Coal consumption – **0.340 Mg/MWh**
- Power production planned for 2018 – **5.9 TWh**
- Gross target power generation from Unit No. 11 – **approx. 7 TWh per annum**



## Annex No. 3 – Results of the Generation Area’s segments

[PLN m]	Generation, including:								
	System Power Plants			Heat			RES		
	Q4 2016	Q4 2017	Change	Q4 2016	Q4 2017	Change	Q4 2016	Q4 2017	Change
Sales revenue	699	<b>983</b>	284	135	<b>138</b>	3	21	<b>79</b>	58
EBIT	79	<b>16</b>	-63	40	<b>26</b>	-14	-181	-	181
EBITDA	123	<b>80</b>	-43	54	<b>39</b>	-15	-125	<b>7</b>	132
CAPEX	424	<b>448</b>	24	26	<b>19</b>	-7	1	<b>3</b>	2

[PLN m]	Generation, including:								
	System Power Plants			Heat			RES		
	2016	2017	Change	2016	2017	Change	2016	2017	Change
Sales revenue	2,817	<b>3,810</b>	993	433	<b>456</b>	23	65	<b>317</b>	252
EBIT	326	<b>289</b>	-37	86	<b>102</b>	16	-234	<b>38</b>	272
EBITDA	496	<b>515</b>	19	138	<b>154</b>	16	-117	<b>67</b>	184
CAPEX	1,304	<b>1,007</b>	-297	80	<b>83</b>	3	6	<b>4</b>	-2