

We consequently build ENEA CG's  
market position

Q3 2013

**Krzysztof Zamasz**

**CEO**

**Dalida Gepfert**

**CFO**



Krzysztof Zamasz

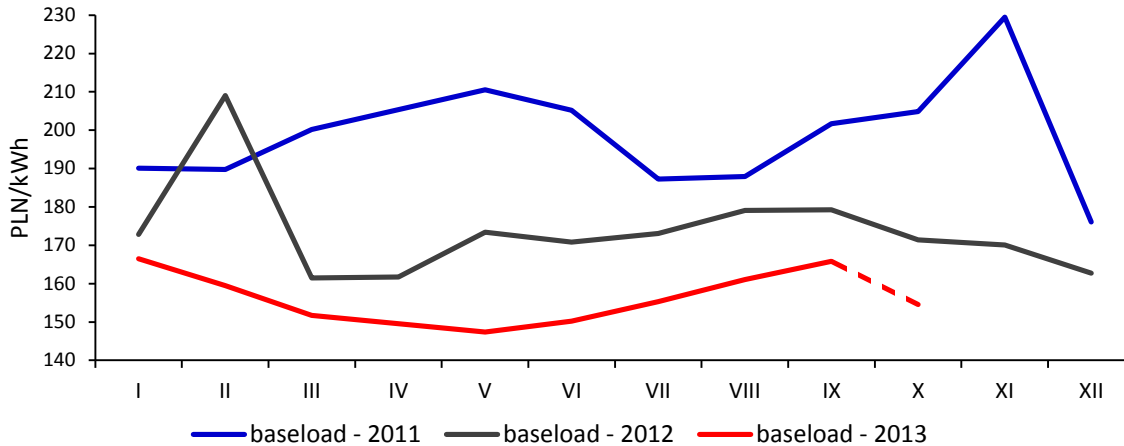
CEO

Current trends on the energy market  
are a challenge for the sector and ENEA CG



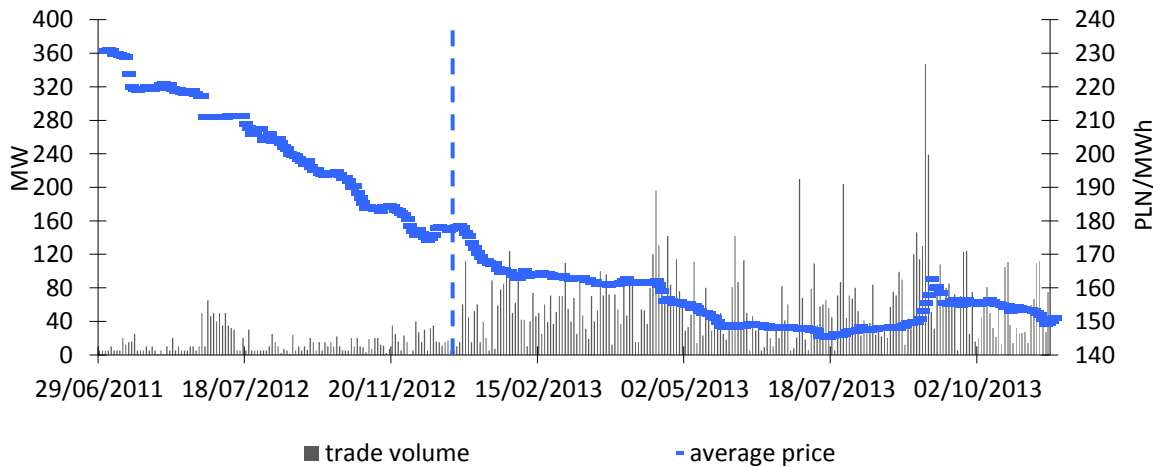
# Still low prices of energy determine the directions of actions in the energy sector

Average electricity prices on SPOT market on PPE



- Drop after Q1-Q3 2013 of average price of baseload yoy by 10.9%
- Gradual growth in energy prices from May 2013. Return of the price levels of baseload in September to the level from January

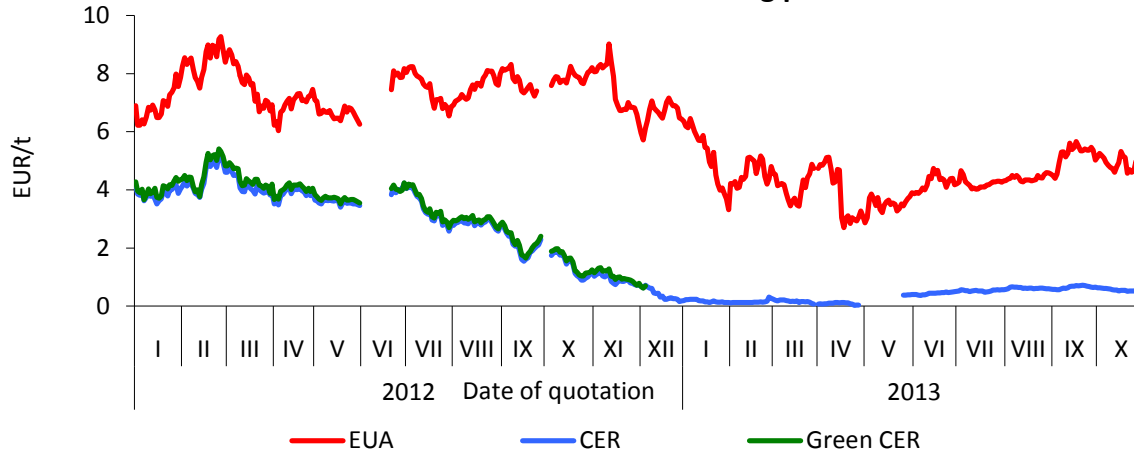
Prices and transaction volumes - baseload for 2014



- Achieving the lowest prices in July during Q1-Q3 2013
- After short growths the side trend

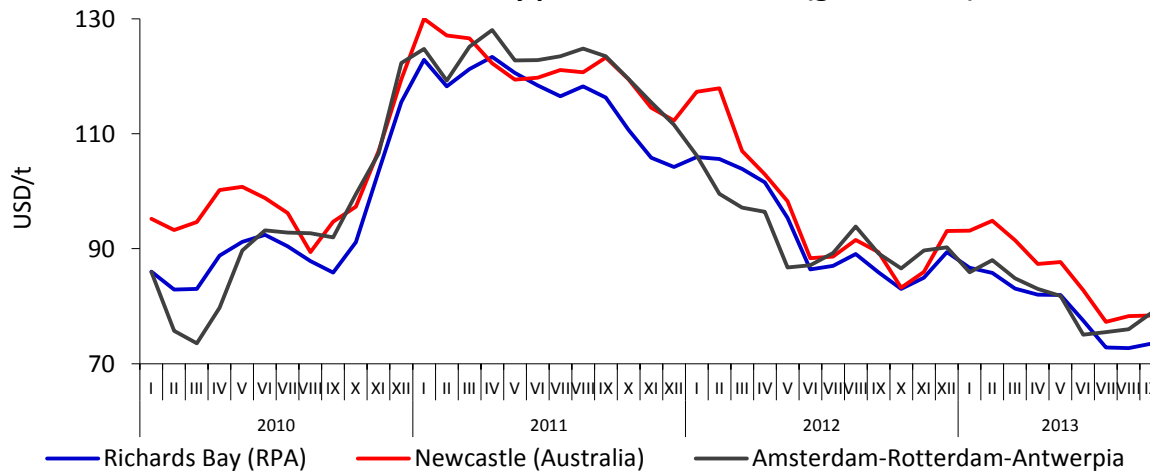
# Small changes in prices of allowances for emissions of CO<sub>2</sub> and prices of coal need not mean a reverse trend

Quotation of EUA and CER units - closing prices on SPOT market



- Low prices of allowances for emissions of CO<sub>2</sub>
- Great surplus of EUA in EU ETS
- EUA price fluctuations dependant on the attitudes on the market, expectations relating to backloading and political decisions of EU member states

Monthly price indices of coal (globalCOAL)



- Low prices of coal on external markets
- Drop in coal prices to the level from the beginning of 2010

## Higher energy production in ENEA CG

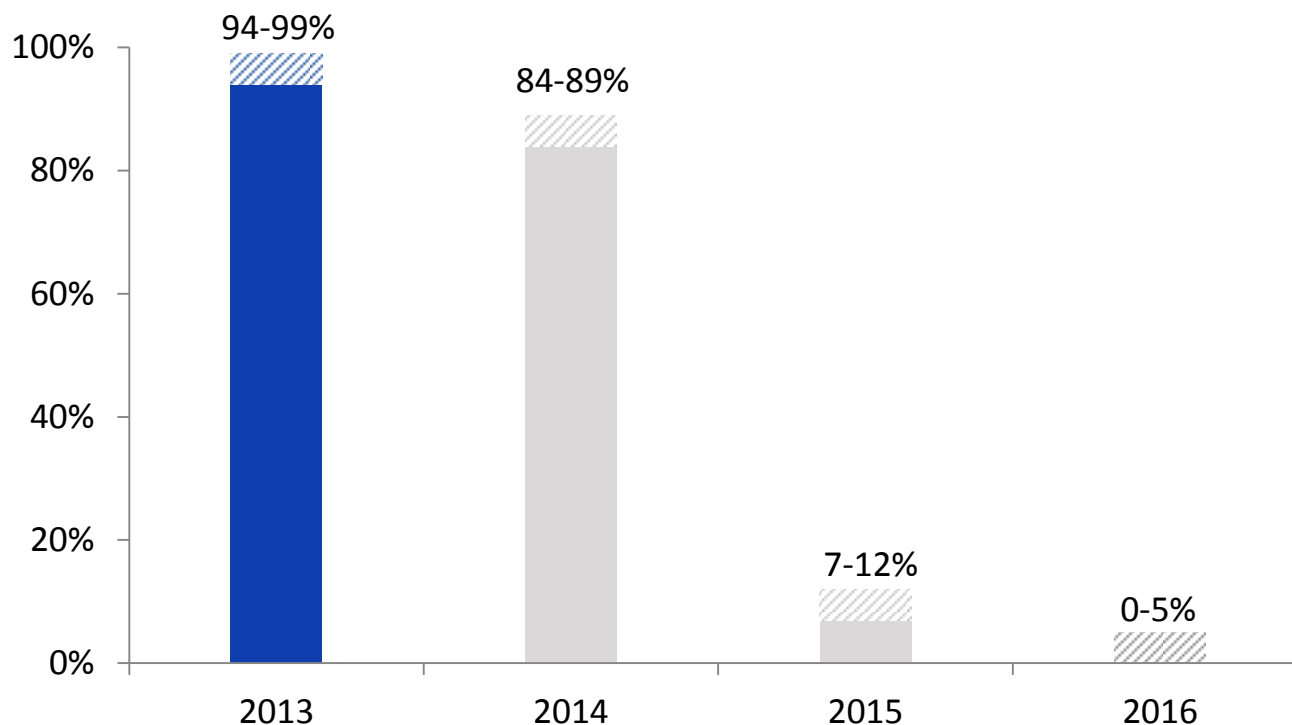
[GWh]	Q3 2012	Q3 2013	Change	Q1-Q3 2012	Q1-Q3 2013	Change	
Total energy generation, including:	2 940	3 011	2.4%	8 380	8 988	7.3%	✓
Conventional generation	2 722	2 784	2.3%	7 727	8 321	7.7%	✓
Production from RES	219	227	3.9%	653	668	2.2%	✓



ENEA CG increased production from conventional sources and from RES in Q3 and after 9 months of 2013

## Significant part of volumes on generation was hedged

% of hedged electricity



	2013	2014	2015	2016
Hedging prices	180 - 190 PLN/MWh	155 - 165 PLN/MWh	160 - 170 PLN/MWh	160 - 170 PLN/MWh

Dalida Gepfert

CFO

**ENEA CG generates  
good financial results**



## Financial results of ENEA CG in Q3 2013 are better than market expectations

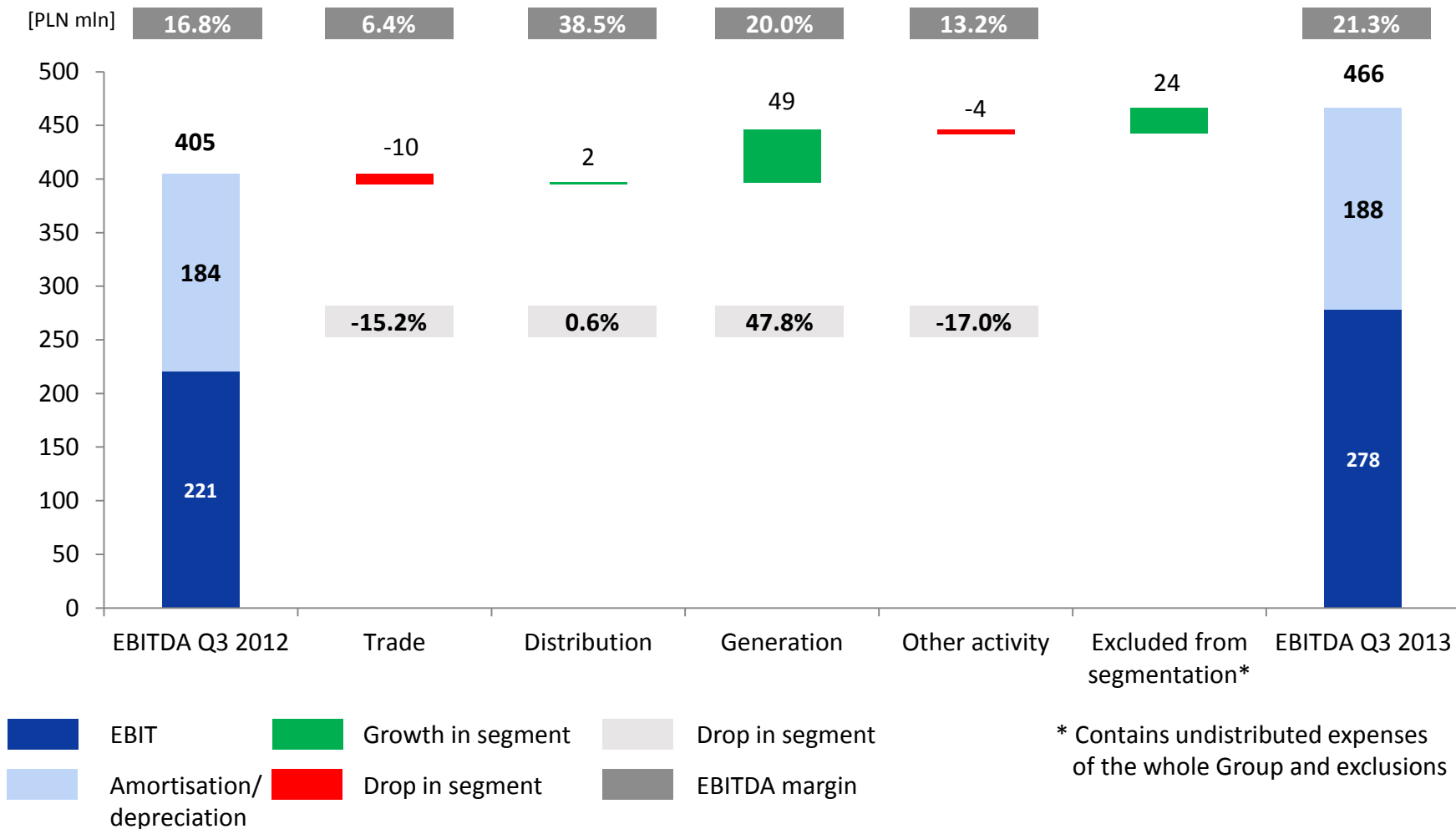
[PLN mln]	Q3 2012	Q3 2013	Change	Q1-Q3 2012	Q1-Q3 2013	Change
Net sales revenues	2 405.3	2 191.6	-8.9%	7 427.1	6 787.2	-8.6%
EBIT	405.2	466.3	15.1%	1 268.9	1 400.5	10.4%
EBITDA	187.7	214.7	14.4%	609.7	666.8	9.4%
Net profit	-1.3	-0.6	-	-1.3	-0.6	-



Two-digit growth in EBITDA in Q3 2013



# EBITDA in Q3 2013 demonstrates better results yoy in the segment of generation and distribution



## EBITDA in Q3 2013 demonstrates better results yoy in the segment of generation and distribution

[PLN mln]	Q3 2012	Q3 2013	Change
Trade	64.1	54.3	-15.2%

[PLN mln]	Q3 2012	Q3 2013	Change
Distribution	261.7	263.3	0.6%

[PLN mln]	Q3 2012	Q3 2013	Change
Generation	102.0	150.7	47.8%

[PLN mln]	Q3 2012	Q3 2013	Change
Other activity	20.9	17.4	-17.0%

### Segment of trade

Lower EBITDA by PLN 10 mln (15.2%)

- Change in the method of measuring proprietary interests in 2012

### Segment of distribution

Result on similar level yoy ✓

### Segment of generation

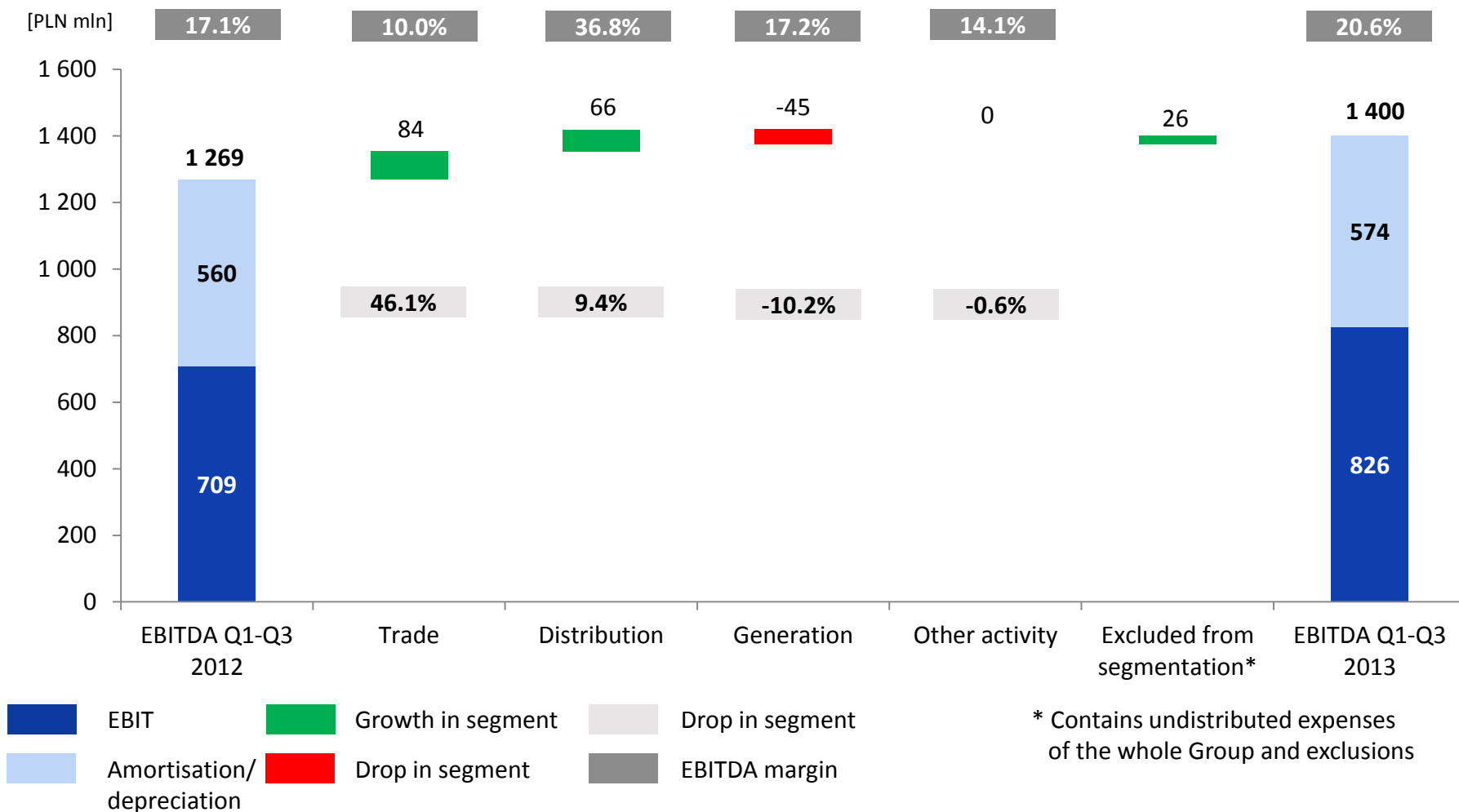
Higher EBITDA by PLN 49 mln (47.8%) ✓

- Adjustment of revenues on stranded costs in Q3 2012
- Lower overheads ✓
- Growth of result on the other operating activity ✓

### Other activity

Drop of EBITDA by PLN 4 mln (17%)

# Change of EBITDA in Q1-Q3 2013 in segments of trade and distribution contributed to the growth of EBITDA yoy by over 10%



## Change of EBITDA in Q1-Q3 2013 in segments of trade and distribution contributed to the growth of EBITDA yoy by over 10%

[PLN mln]	Q1-Q3 2012	Q1-Q3 2013	Change
Trade	183.1	267.4	46.1%

[PLN mln]	Q1-Q3 2012	Q1-Q3 2013	Change
Distribution	709.2	775.6	9.4%

[PLN mln]	Q1-Q3 2012	Q1-Q3 2013	Change
Generation	439.7	394.7	-10.2%

[PLN mln]	Q1-Q3 2012	Q1-Q3 2013	Change
Other activity	57.1	56.8	-0.6%

### Segment of trade

Growth of EBITDA by PLN 84 mln (46.1%) ✓

- Growth of first contribution margin on trade activity resulting from lower average purchase price by 7.3% ✓

### Segment of distribution

Growth of EBITDA by PLN 66 mln (9.4%) ✓

- Growth of revenues on distribution by PLN 13 mln (0.6%) ✓
- Lower segment costs by PLN 53 mln (3.2%) ✓

### Segment of generation

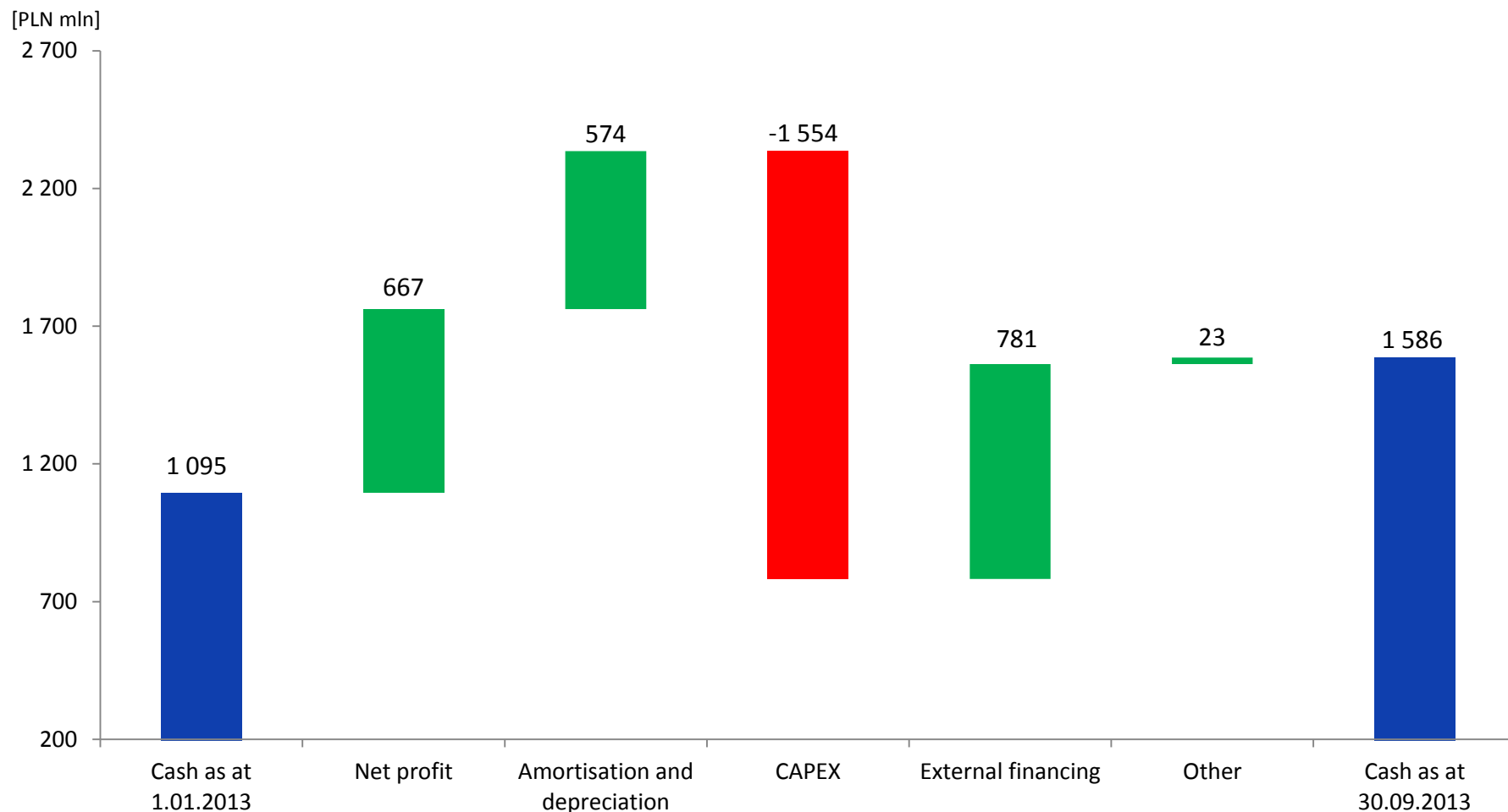
Drop of EBITDA by PLN 45 mln (10.2%) ✓

- Decrease in market prices of energy by ca. 10%
- Decrease in market prices of certificates of origin by ca. 40%
- Lower allocation of allowances for emissions of CO<sub>2</sub>

### Other activity

Result on a similar level yoy ✓

## Maintained stable cash flow enables constant access to financing sources



## Financial standing confirms good position of ENEA CG on the electricity market in Poland

---



Financial results of ENEA CG in Q3 2013 are better than market expectations



Cash flow from operating activities is stable



ENEA received a licence for trade in gaseous fuels



ENEA shares listed on WIG30 index



Corporate Strategy of ENEA Capital Group for 2014-2020 was adopted for realisation

Krzysztof Zamasz

CEO

**Adopted strategy is a direction to enhancing  
the strength of the Capital Group**

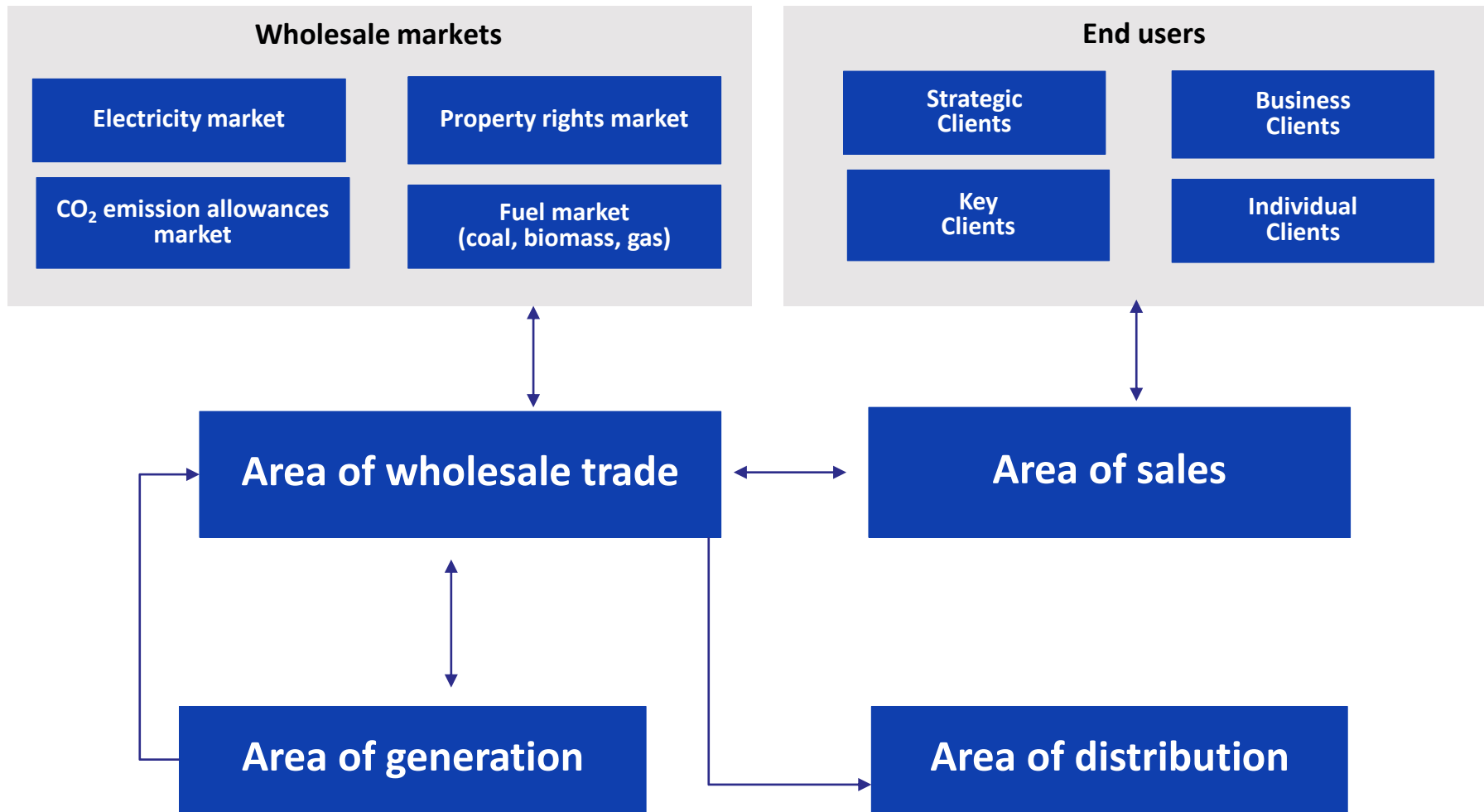


# Taking key conclusions from strategic analyses into account the final scenario of ENEA CG development was detailed





# Target business model of ENEA CG anticipates integration of operations on the power market



## New system power plants - the first ones will win

**Presently, coal-based power generation has stronger foundations for investing reliability**



No perspectives for a radical growth in prices of allowances for emissions of CO<sub>2</sub> and lack of certainty as to any change of the present relation of gas and hard coal prices

**Decision on the development of new system units determined by future regulations**



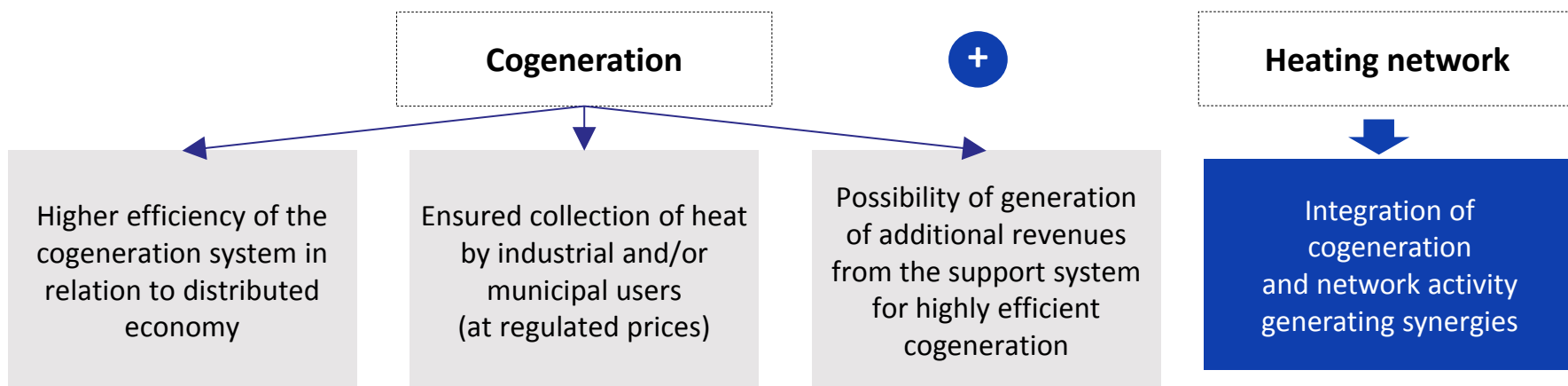
Potential implementation of the support model for conventional generating sources (e.g. capacity market) will be important for making decisions on engagement in the development of new generation sources.

**Reduction in plans within the construction of new power units in Poland**



Pace of growth of the demand for energy and withdrawing existing capacities slower than anticipated resulted on the reduction of investment plans (21.5 GW in 2008 vs. 13.9 GW in 2013)

# Cogeneration sources allow numerous advantages to be generated



Necessity of diversification of the generation portfolio

Necessity to secure the needs within proprietary interests for the sales portfolio in the integrated group

No certainty as to the shape of the support system for RES in the future

**RES development constitutes an important investing direction for vertically integrated groups when the regulation conditions allow the risk to be significantly reduced when forecasting returns on such an investment**

# Higher competition and number of TPA clients determines trade activities

## Market tendencies

**Growing number of Customers changing the seller**

**Higher number of competitors on the market and a risk of new ones occurring**

**Offering new products and services besides electricity**

## Market player activities

Possessing possibly the lowest costs of customer service with an acceptable level of quality

Extension of the product and service offer

Widening the sales network

# Better efficiency, quality of service and implementation of *smart* solutions constitute key challenges for distribution system operators

## Challenges for national Distribution System Operators (OSD)

Quality tariff

Intelligent meters / intelligent networks

While the direction of OSD investment in the enhancement of quality indicators is natural, the development of intelligent meters / intelligent networks is strongly determined by the ERO policy

# The final development scenario was cascaded into the growth scenarios for the following business areas

## Generation

- Possessing generating capacities at least on the present level.
- Development (including acquisitions) of RES, cogeneration sources and heating networks.
- Decision on subsequent investments in system sources.

## Wholesale trading

- Development of wholesale trade.
- Increasing efficiency.
- New operation directions (prop-trading)

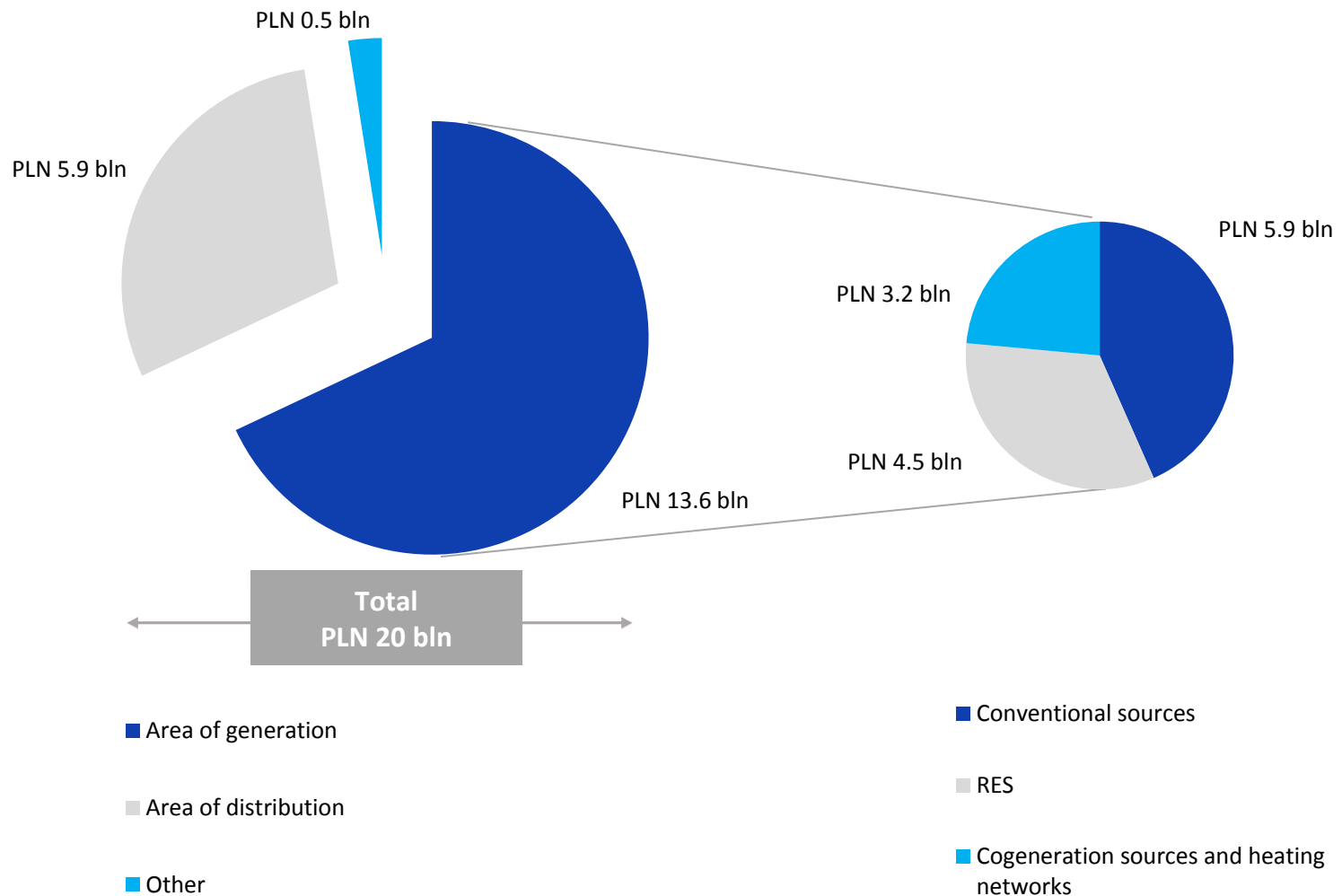
## Sales

- Obtaining new customers on the territory of the whole country.
- Margin growth through:
  - Widening of the product and service offer adapted to customer expectations,
  - Optimisation of customer service costs,
  - Building an optimum sales network.

## Distribution

- Investments and activities directed at the improvement of network operation SAISI and SAIFI indices.
- Smart grid development.

# Capital expenditures in 2014-2020 will amount to PLN 20 bln



# Strategic goals of ENEA CG were set within four perspectives

**Financial perspective**

**Higher value for shareholders**

**Customer perspective**

**Building long lasting customer relations**

Effective offering of products/services and servicing adapted to Customer expectations

**Internal processes perspective**

**Growth in profitable areas**

Building a competitive generating portfolio

Allocation of means in distribution supporting an optimum use of resources

Higher margin on product sales

**Better efficiency**

Efficient service of internal and external customer

Cost optimisation

Concentration on core operations

Elimination of "white spots" in Group management

**Intellectual capital perspective**

**Optimum use of the organisation potential**

Group integration

Building the organisational culture concentrated on internal and external customer needs and development of necessary competences

Management and remunerating by objectives



# Group integration and Customer confidence set development directions

## ENEA CG's mission

**Enhancing the Group's value through building customer confidence**

## ENEA CG's vision

**Fully integrated energy group building its competitive advantage through elastic responding to the market needs and efficient resources management**

We consequently build ENEA CG's market position

Q3 2013

[giolda@enea.pl](mailto:giolda@enea.pl)

