ENEA Group's Q3 2018 results

on target

23 November 2018

ENEA Group's position remains stable amid volatile energy market in Q1-Q3 2018

EBITDA on target in year-on-year terms

Growth in electricity generation of 4.8 TWh, i.e. up by 31% year-on-year

Growth in net coal production in the Mining Area of 1.6% year-on-year

Results of the Trading Area **under pressure** from dynamic market developments (in particular, as regards green obligations and CO_2)

CAPEX in excess of PLN 1,450 million,

including **PLN 78 million** for pro-environmental investment

ENEA Group highlights in Q3 2018

- **ENEA's** long-term **ratings affirmed** by Fitch at 'BBB'
- ENEA and LW Bogdanka's **debut** in **FTSE Russell**'s index at LSE
- **Commissioning of the 110kV high-voltage line** Leszno Gronowo-Śrem in Greater Poland – expenditure of over PLN 56 million
- Successful certification of Ostrołęka C project for the main auction
- **Extending ENEA's patronage to further vocational education and technical schools** under the cooperation project

Improved operating data of ENEA Group

	Q3 2017	Q3 2018	Change	Q1-Q3 2017	Q1-Q3 2018	Change
NET GENERATION OF ELECTRICITY [GWh]	5,841	7,147	▲ 22.4%	15,178	19,940	▲ 31.4%
SALE OF DISTRIBUTION SERVICES [GWh]	4,668	4,888	▲ 4.7%	14,322	14,935	▲ 4.3%
RETAIL SALE OF ELECTRICITY AND GASEOUS FUEL [GWh]	4,530	5,207	▲ 14.9%	14,039	15,862	▲ 13.0%
NET COAL PRODUCTION [million tonnes]	2.15	2.30	▲ 7.0%	6.71	6.82	▲ 1.6%

ENEA Group's financial results

	Q3 2017	Q3 2018	Change	Q1-Q3 2017	Q1-Q3 2018	Change
NET SALES REVENUE *	2,794	3,345	▲ 19.7%	8,362	9,384	▲ 12.2%
EBITDA (PLN million)	589	669	▲ 13.6%	1,947	1,973	▲ 1.3%
EBIT (PLN million)	288	287	▼ -0.3%	1,070	920	▼ -14.0%
Net profit (PLN million)	214	158	▼ -26.2%	838	620	▼ -26.0%

* *from 1 January 2018, change of the standard – IFRS 15*

Coal market, energy market, operating data

Support from the capacity market

Objective: to ensure security of electricity supply in the future

Tools: investment incentives for construction of new modern generation units and modernisation of existing ones, also taking into account environmental protection

Auction 15 November 2018

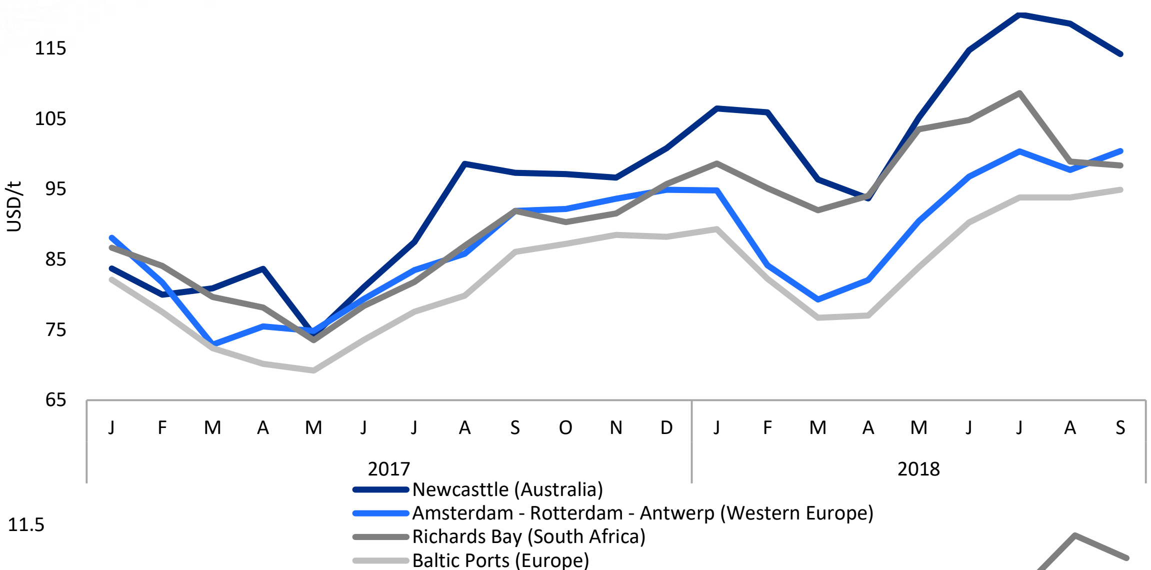
Auction 5 December 2018

Auction 21 December 2018

Estimated revenues (preliminary results of the main auction for the year 2021 announced by PSE)

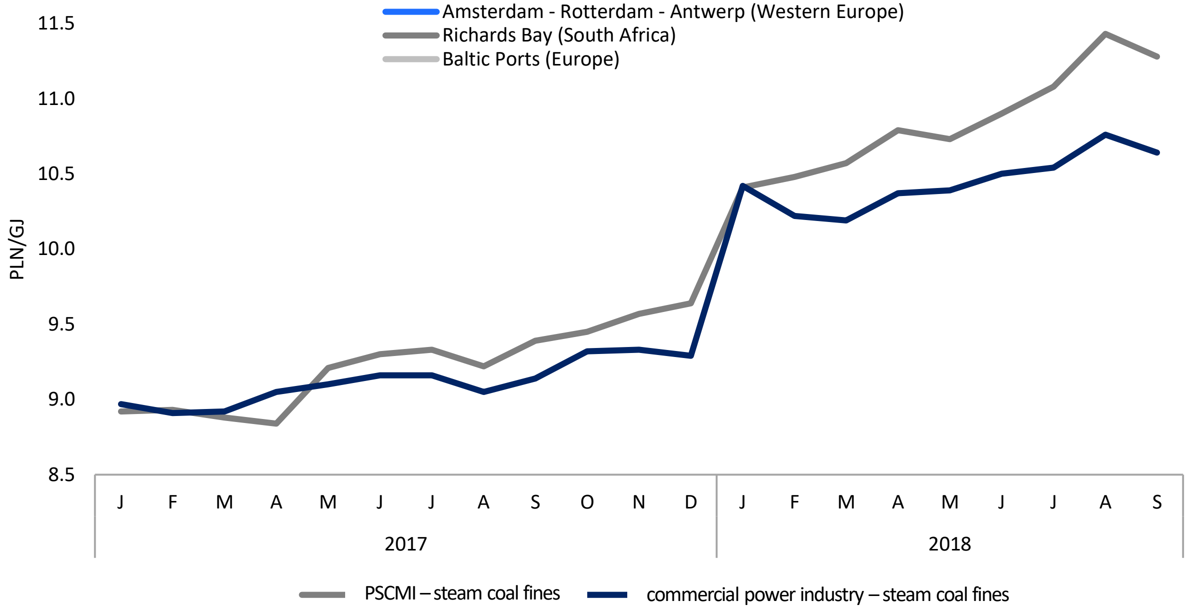
contract period/PLN million	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
under a 15-year contract (new)	220	220	220	220	220	220	220	220	220	220	220	220	220	220	220
under a 5-year contract (modernised)	651	651	651	651	651										
under a 1-year contract (existing)	9														

Coal prices remained high in Q3 2018



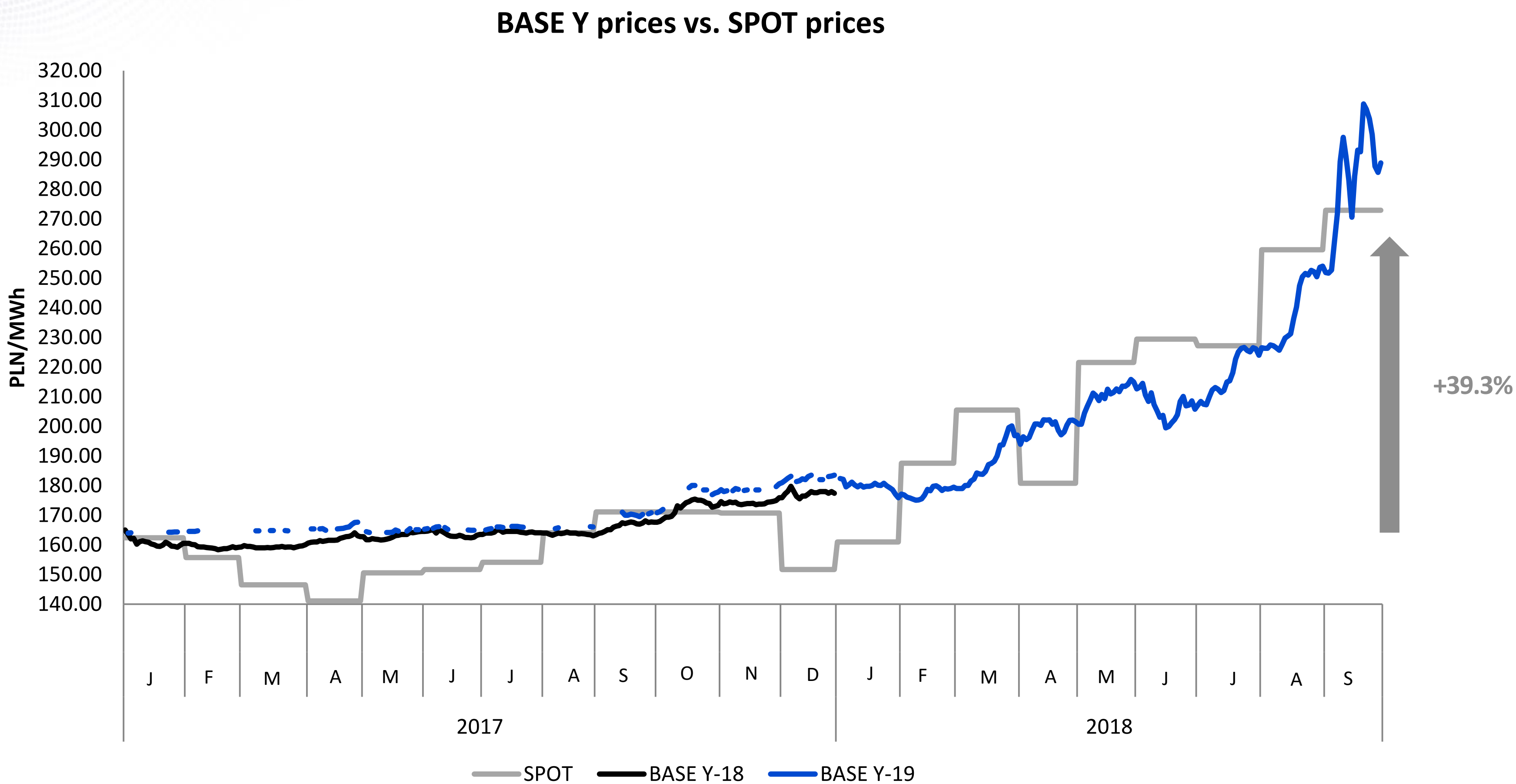
Average prices in Q1-Q3 2018

- Amsterdam - Rotterdam - Antwerp: 91.78 USD/t
- Richards Bay: 99.34 USD/t
- Newcastle: 108.32 USD/t
- Baltic Ports: 86.88 USD/t



In Q1-Q3 2018, the average price of steam coal fines for commercial power industry rose by 15.5% on Q1-Q3 2017

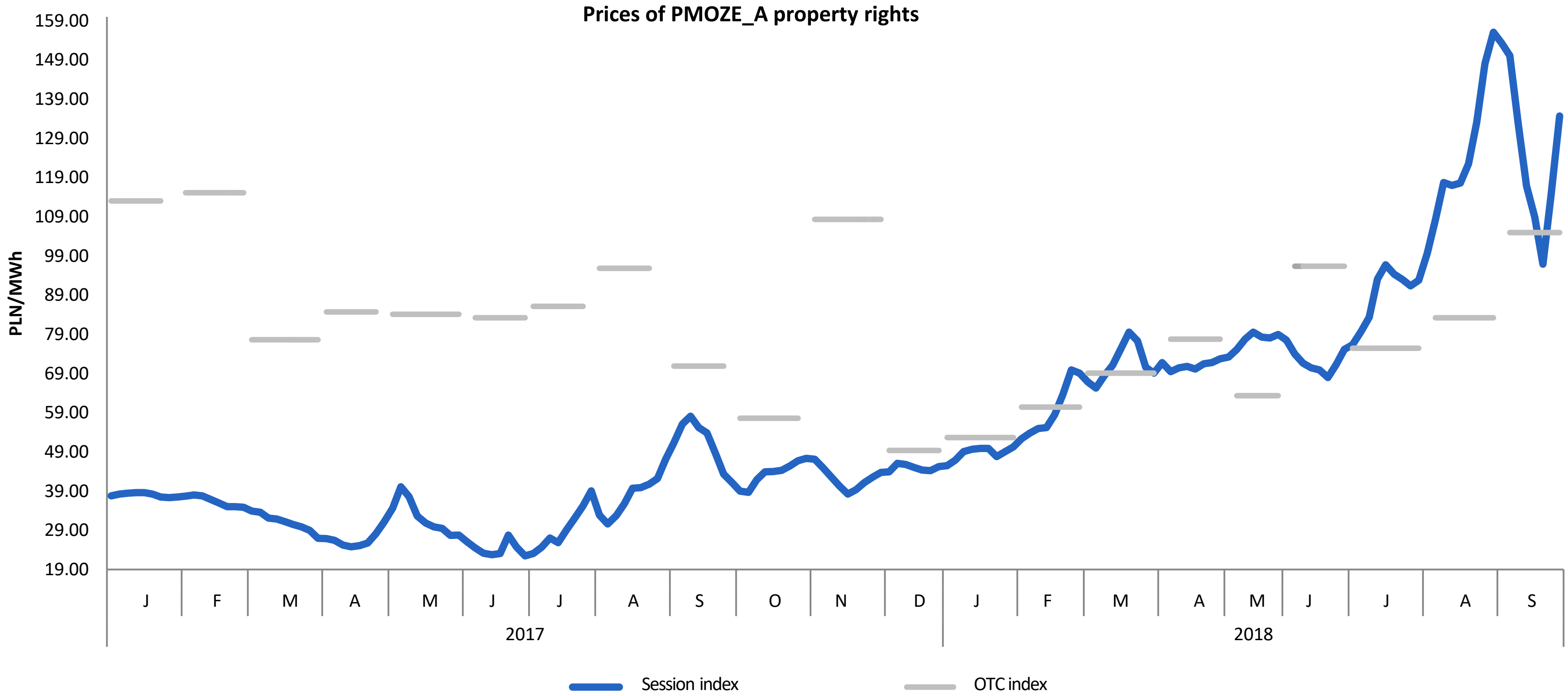
Increases in the energy price on the forward and SPOT markets



In Q1-Q3 2018, the average price on the SPOT market was higher by 39.3% as compared to the corresponding period of 2017 and stood at 216.34 PLN/MWh

The average price of energy on the forward market for BASE Y-19 grew by 30.1% in Q1-Q3 2018 (reaching 288.90 PLN/MWh at the end of September 2018) in relation to prices for BASE Y-18 for the same period. The weighted average price for BASE Y-19 between January-September 2018 was 224.09 PLN/MWh

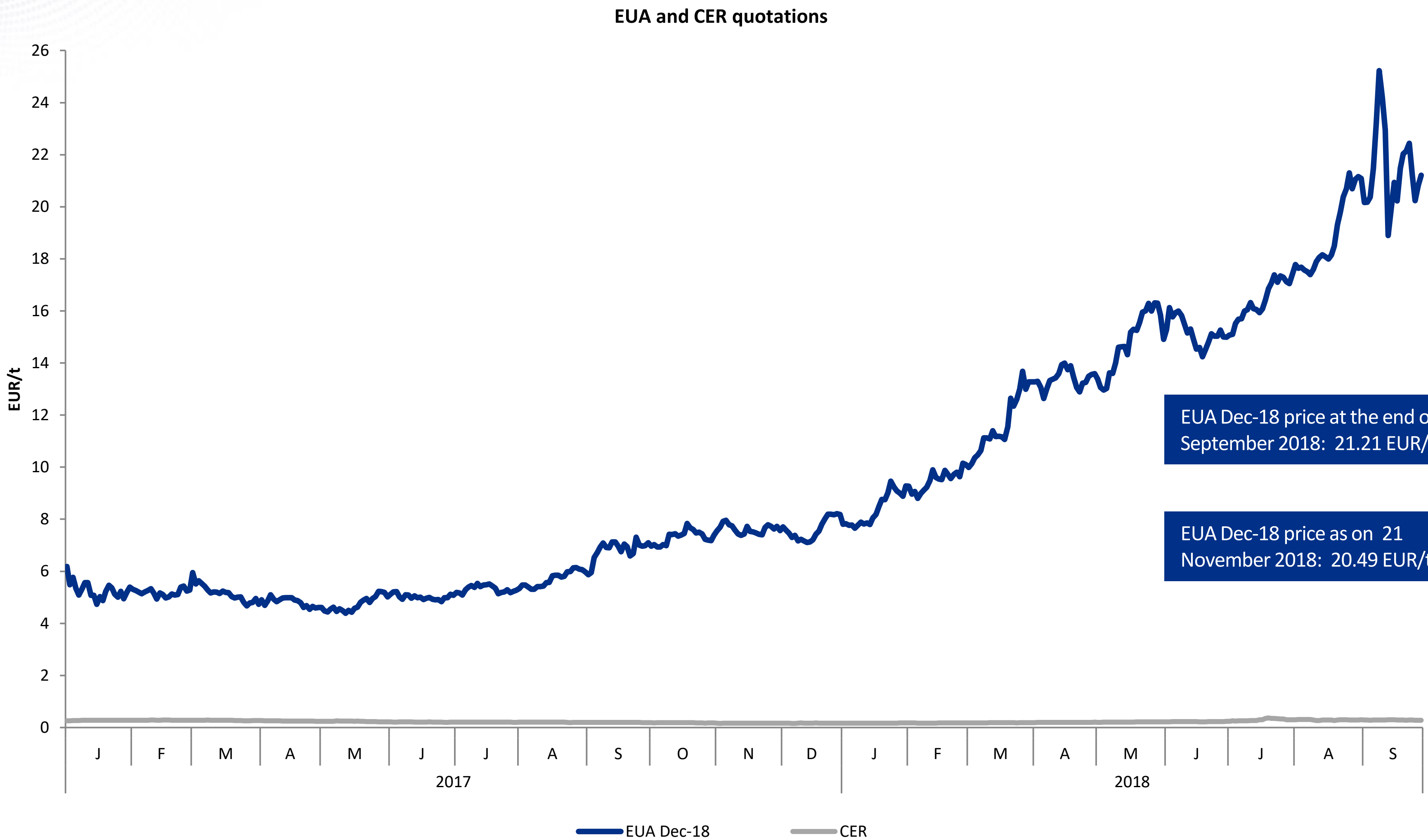
Upward trend in prices of property rights



In Q1-Q3 2018, the weighted average value of the session index increased by 101.8% on Q4 2017, to 134.73 PLN/MWh at the end of September

The OTC index for green property rights at the end of September reached 106.88 PLN/MWh

Record high prices of CO_2 emission allowances



EUA Dec-18 price at the end of September 2018: 21.21 EUR/t

EUA Dec-18 price as on 21 November 2018: 20.49 EUR/t

As at the end of September 2018, an increase of 41.5% in prices of CO_2 emission allowances was recorded as compared to the end of June this year

Growth in the volume of electricity generated

Operating data of ENEA Group [GWh]	Q3 2017	Q3 2018	Change	Q1-Q3 2017	Q1-Q3 2018	Change
Total net generation of electricity	5,841	7,147	▲ 22.4%	15,178	19,940	▲ 31.4%
including:						
Kozienice Power Plant	3,356	4,379	▲ 30.5%	10,001	12,380	▲ 23.8%
Połaniec Power Plant [1)]	2,485	2,769	▲ 11.4%	6,932	7,560	▲ 9.1%
including in ENEA Group	2,485	2,769	▲ 11.4%	5,177	7,560	▲ 46.0%

[1)] *In ENEA Group since 14 March 2017*

Consolidation of ENEA Elektrownia Połaniec and commissioning of Unit No. 11 at Kozienice Power Plant contributed to the growth of total electricity generation

Increase in the sales volumes of energy and distribution services

Sales figures of ENEA Group [GWh]	Q3 2017	Q3 2018	Change	Q1-Q3 2017	Q1-Q3 2018	Change
Sales of electricity and gaseous fuel to retail customers	4,530	5,207	▲ 14.9%	14,039	15,862	▲ 13.0%
Sales of distribution services to end users	4,668	4,888	▲ 4.7%	14,322	14,935	▲ 4.3%

In Q3 2018 and in Q1-Q3 2018, there was a significant increase in the total sales volume of electricity and gaseous fuel to retail customers by 677 GWh and 1,823 GWh respectively, as well as of distribution services to end customers by 220 GWh and 613 GWh respectively, compared to the corresponding periods of the previous year

Production, coal sales and preparatory works on the rise

Operating data of LW Bogdanka	Q3 2017	Q3 2018	Change	Q1-Q3 2017	Q1-Q3 2018	Change
Net production ['000 tonnes]	2,154	2,301	▲ 6.8%	6,712	6,820	▲ 1.6%
Coal sales ['000 tonnes]	2,036	2,447	▲ 20.2%	6,698	6,788	▲ 1.3%
Closing stocks ['000 tonnes]	140	57	▼ -59.3%	140	57	▼ -59.3%
Excavation works [km]	7.5	8.9	▲ 18.7%	22.5	28.6	▲ 27.1%

Following the geological and hydrological events that took place in Q1 2018, LW Bogdanka stabilised its production level in the subsequent quarters and is therefore right on track to achieve its annual extraction target of at least 9 million tonnes

Coal market, energy market, operating data

ENEA Group’s financial results in Q3 2018

Financial results of LW Bogdanka Group in Q3 2018

Summary

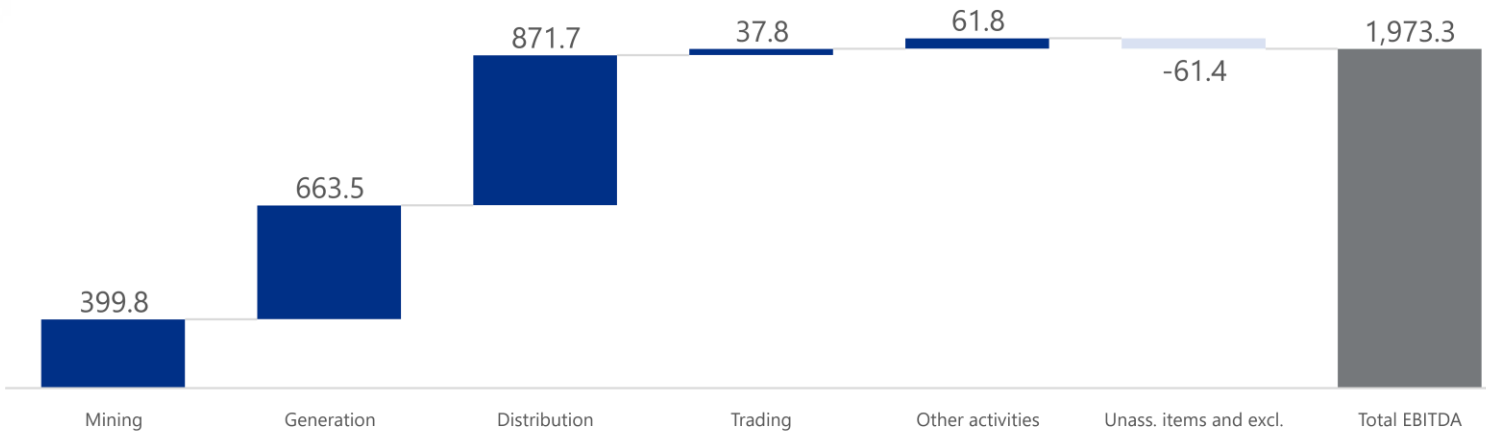
Additional information

Net result under pressure from market dynamics

Financial results of ENEA Group [PLN m]	Q3 2017	Q3 2018	Change	Q1-Q3 2017	Q1-3 2018	Change
Net sales revenue*	2,794	3,345	▲ 19.7%	8,362	9,384	▲ 12.2%
EBITDA	589	669	▲ 13.6%	1,947	1,973	▲ 1.3%
EBIT	288	287	▼ -0.3%	1,070	920	▼ -14.0%
Net profit	214	158	▼ -26.2%	838	620	▼ -26.0%
Net profit attributable to shareholders of the parent company	204	153	▼ -25.0%	786	584	▼ -25.7%
Net debt / EBITDA	2.1	1.7	▼ -19.0%	2.1	1.7	▼ -19.0%

** from 1 January 2018, change of the standard – IFRS 15*

Distribution stabilises the Group's EBITDA



	Mining	Generation	Distribution	Trading	Other activities	Unass. items and excl.	Total EBITDA
Q1-Q3 2018 EBITDA [PLN m]	**399.8**	**663.5**	**871.7**	**37.8**	**61.8**	**-61.4**	**1,973.3**
Share in Q1-Q3 2018 EBITDA	20.3%	33.6%	44.2%	1.9%	3.1%	-3.1%	100.0%
EBITDA margin	29.9%	12.5%	42.9%	0.6%	14.0%	-	21.0%
Change [PLN m]	-51.3	53.9	73.9	-93.2	19.8	22.8	26.0
Change [%]	-11.4%	8.8%	9.3%	-71.1%	47.1%	-	1.3%

Mining

(+)	Higher revenues from sales of coal – higher sales volume at a higher price
(+)	Higher result on other operating activities: mainly, settlement of the arrangement concluded with the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras – a positive impact on EBITDA in the amount of PLN 28.7 million
(-)	Higher production costs – higher extraction output by 1,104 thousand tonnes and larger scope of excavation works

Generation

(+)	higher generation margin by PLN 164.4 million
(+)	ENEA Elektrownia Połaniec's positive impact on EBITDA (PLN +46.2 million)
(+)	Higher volume of generated electricity
(-)	Higher fixed costs by PLN 50.3 million in the System Power Plants Segment
(-)	Lower margin on trading and on Balancing Market by PLN 84.6 million

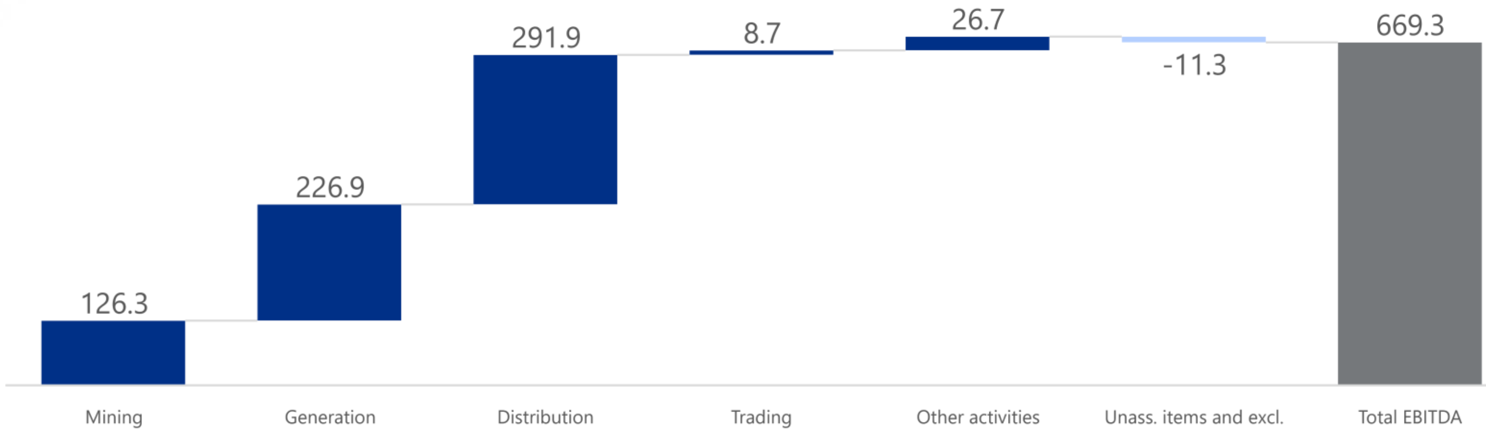
Distribution

(+)	Higher margin from licenced activities by PLN 55 million – lower revenues from sales of distribution services to end users and lower costs of purchasing transmission services *(IFRS 15)*
(+)	Higher result on other operating activities by PLN 56 million
(+)	Higher sales volume of distribution services to end users
(-)	Higher operating expenses by PLN 38 million, mainly on third-party services and property tax

Trading

(+)	Higher volume of energy sales by 14%
(+)	Lower provision for potential claims under terminated contracts on RES property rights by PLN 52.4 million
(-)	Higher costs of environmental obligations by 48.7%
(-)	Higher average price of purchasing energy by 6.5%

Significant contribution of the areas of Distribution and Generation to EBITDA



Q3 2018 EBITDA [PLN m]	126.3	226.9	291.9	8.7	26.7	-11.3	669.3
Share in 3Q 2018 EBITDA	18.9%	33.9%	43.6%	1.3%	4.0%	-1.7%	100.0%
EBITDA margin	26.3%	11.9%	44.2%	0.4%	17.1%	-	20.0%
Change [PLN m]	-3.5	44.2	10.9	-17.2	7.7	-37.9	80.5
Change [%]	-2.7%	24.5%	3.9%	-66.4%	40.5%	-	13.7%

Mining

(+)	Higher revenues from coal sales – higher sales volume at a higher price
(-)	Higher production costs – higher extraction output by 276 thousand tonnes and larger scope of preparatory works
(-)	Lower stock value by PLN 44.2 million

Generation

(+)	Higher generation margin by PLN 127.5 million
(+)	Higher EBITDA in the RES Segment by PLN 31.6 million
(+)	Higher volume of electricity generation
(-)	Higher fixed costs by PLN 11.7 million
(-)	Lower margin on trading and on Balancing Market by PLN 90.1 million
(-)	Lower revenues from Regulatory System Services by PLN 4.7 million

Distribution

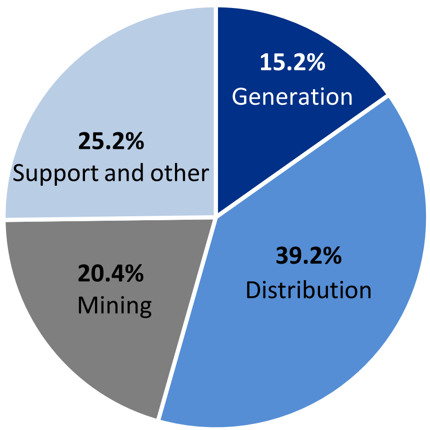
(+)	Higher result on other operating activities by PLN 13.4 million
(+)	Higher margin from licenced activities by PLN 8.6 million - lower revenues from sales of distribution services to end users and lower costs of purchasing transmission services *(IFRS 15)*
(+)	Higher sales volume of distribution services to end users
(-)	Higher operating expenses by PLN 11 million

Trading

(+)	Higher average price of selling energy by 3.3%
(+)	Higher volume of energy sales by 16.1%
(+)	Lower provision for potential claims under terminated contracts on RES property rights by PLN 19.6 million
(-)	Higher costs of environmental obligations by 55.6%
(-)	Higher average price of purchasing energy by 11.3%

The largest capital expenditures in the Distribution Area

CAPEX [PLN m]	Q1-Q3 2017	Q1-Q3 2018	Status of plan implementation	Plan for 2018
Generation	624.6	221.3	37.1%	596.0
Distribution	593.0	570.3	59.0%	966.6
Mining	254.4	296.0	59.7%	496.0
Support and Other	94.1	367.2	101.8%	360.8
TOTAL Plan implementation	**1,566.1**	**1,454.8**	**60.1%**	**2,419.4**
Equity investments 1)	1,556.8	0.0	-	-
TOTAL ENEA Group's CAPEX	**3,122.9**	**1,454.8**	-	-



[1)] *Not included in ENEA Group's Material and Financial Plan*

Lower CAPEX mainly in the Generation Area results from completion of the construction project of Unit No. 11 in 2017

Higher CAPEX in the Support and Other Area results from execution of an annex to the investment agreement and increased outlays on Ostrołęka C project

PLN 78 million for pro-environmental investment in Q1-Q3 2018

Ostrołęka C project – current status

The project is being carried out by the special purpose vehicle (SPV) **Elektrownia Ostrołęka Sp. z o.o.** pursuant to the Investment Agreement of 8 December 2018 entered into by and between ENEA S.A., Energa S.A. and the SPV.

The Consortium of **GE Power Sp. z o.o.** and **Alstom Power Systems S.A.S.** has been selected as the General Contractor for the project.

12 July 2018

Execution of the Agreement with the General Contractor for the unit's construction

4 September 2018

Memorandum of Understanding signed between ENEA, Energa, SPV and FIZAN Energia

24 September 2018

ENEA's EGM on expressing qualified consent to commence the construction works

12 October 2018

A conditional certificate obtained for the project to participate in the capacity auction

21 December 2018

Participation in the main auction for the delivery period from 2023

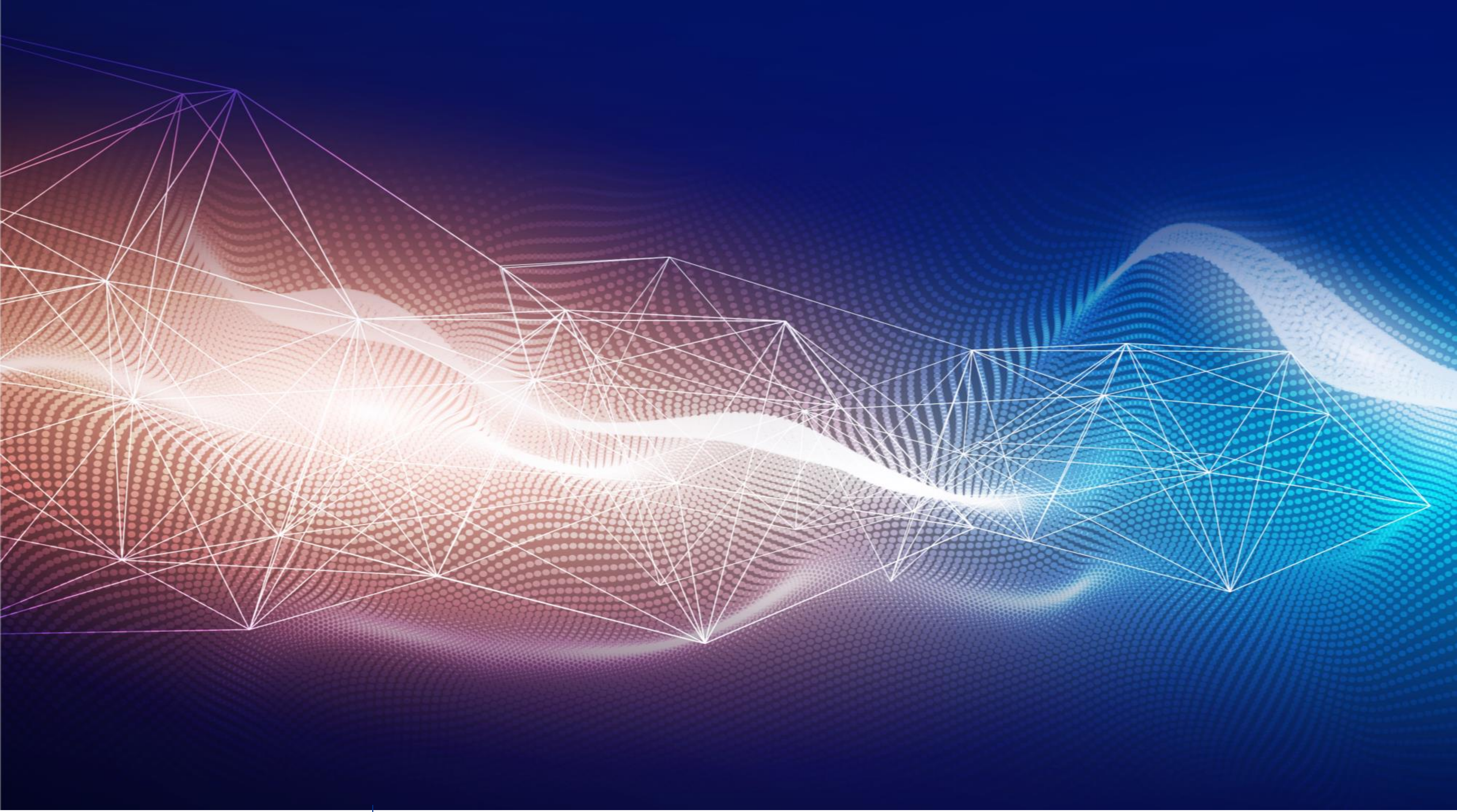
Upgrades and planned overhauls of generation units

Enea Wytwarzanie

- **Unit 4** (228 MW) – **November 2018**
- **Unit 5** (228 MW) – **November/December 2018**
- **Unit 9** (560 MW) – **May 2018 – June 2019**
- **Unit 10** (560 MW) – **October – December 2018**

Enea Połaniec

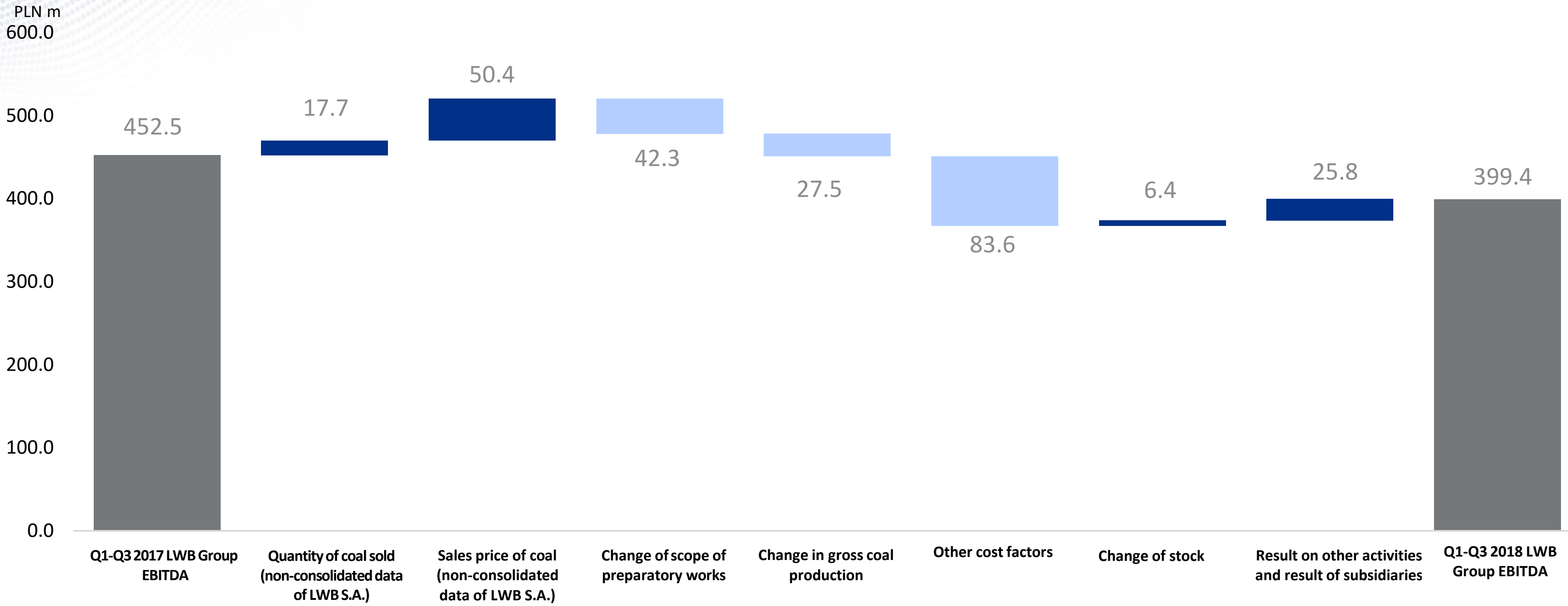
- **Unit 5** (225 MW) – **July – December 2019**
- **Unit 6** (242 MW) – **February/March 2019**
- **Green Unit** (225 MW) – **May – June 2019**



Financial results of LW Bogdanka Group

Financial results of LW Bogdanka Group [PLN m]	Q3 2017	Q3 2018	Change	Q1-Q3 2017	Q1-Q3 2018	Change
Net sales revenue	405	480	18.5%	1,307	1,336	2.2%
EBITDA	134	121	-9.7%	453	399	-11.9%
EBIT	44	15	-65.9%	192	93	-51.6%
Net profit	32	10	-68.8%	144	76	-47.2%

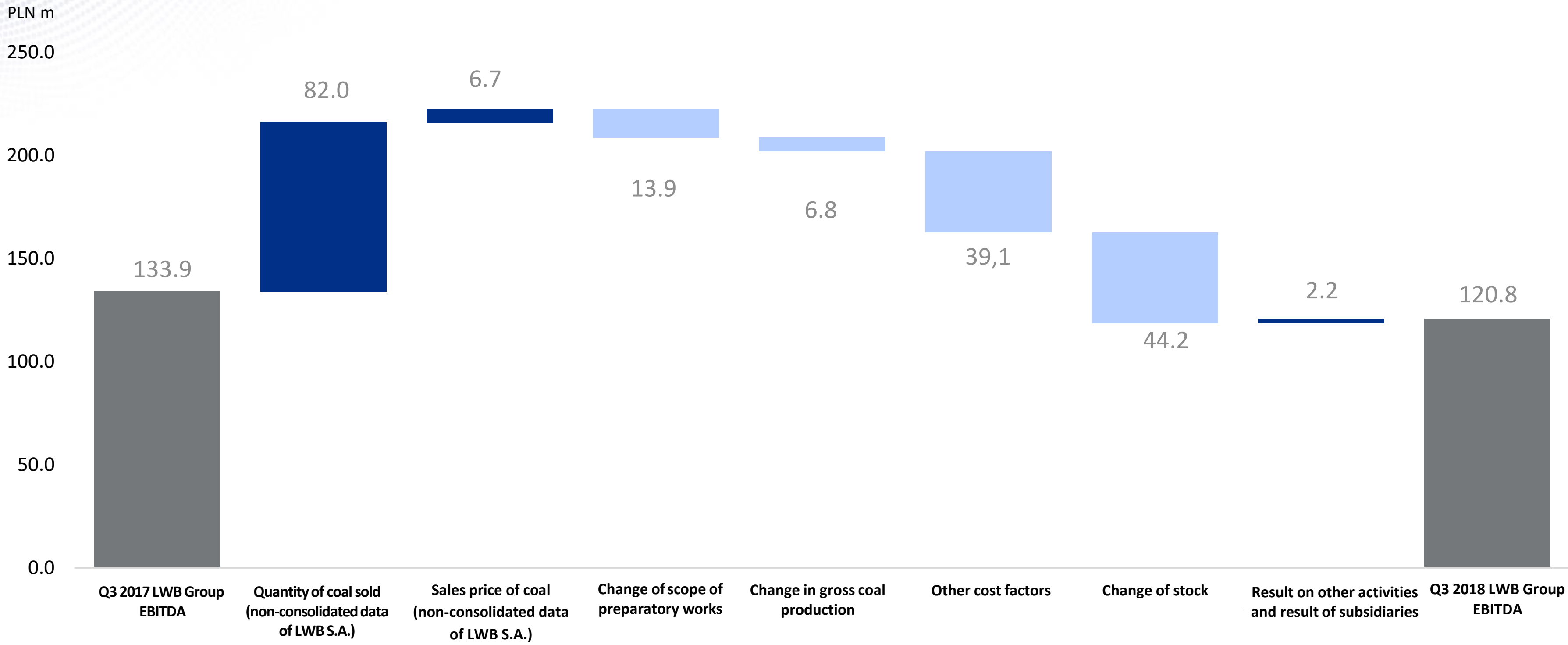
EBITDA in Q1-Q3 2018 vs. Q1-Q3 2017



Q1-Q3 2018 EBITDA change factors:

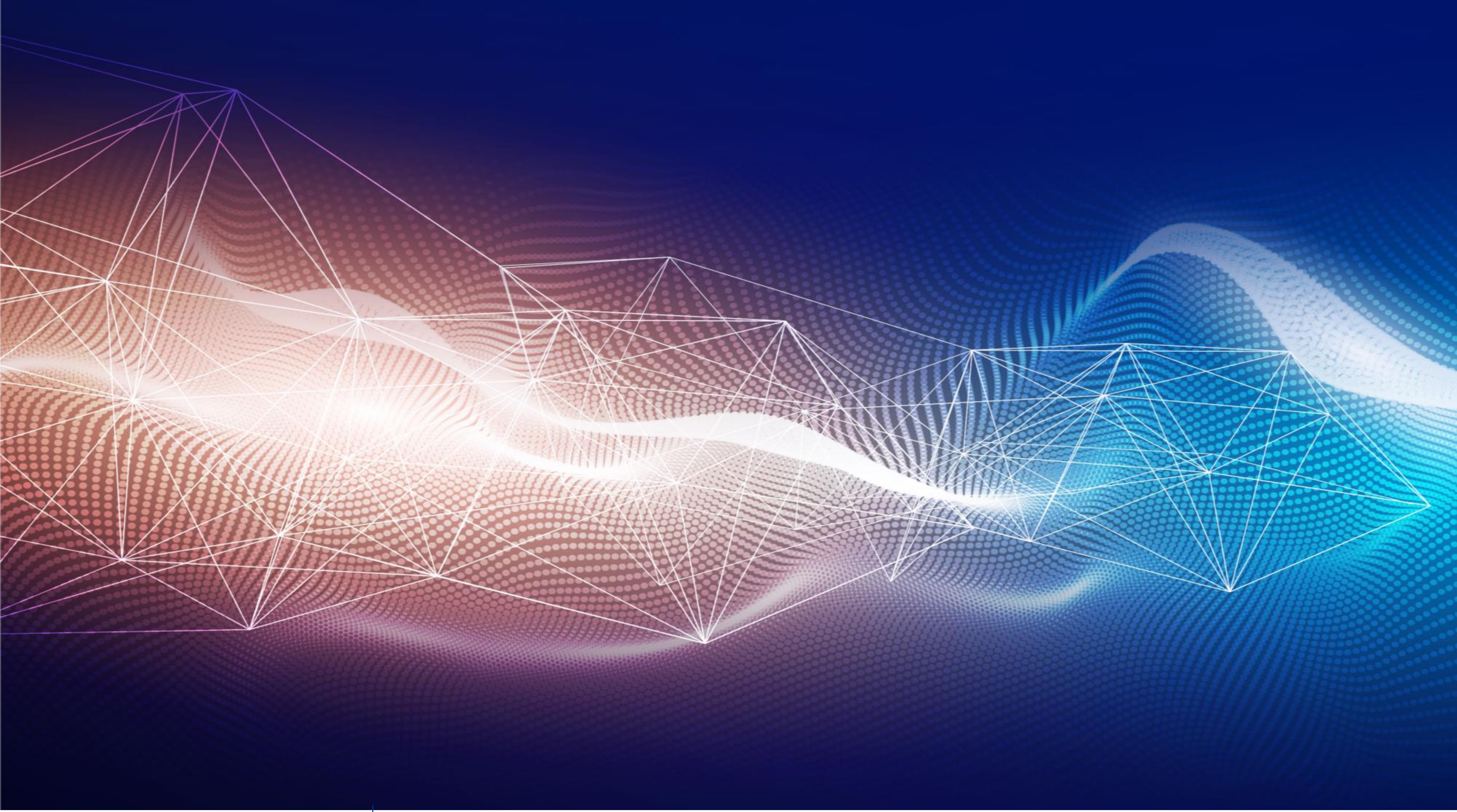
(+)	Higher sales volume +90,000 t (+1.3%), at a higher price
(-)	Larger scope of preparatory works (+6.1 km)
(-)	Higher extraction output by 1.1 million tonnes (+10.8%)
(-)	Higher costs of third-party services (drilling and mining services, stone transportation and loading services, weekend and holiday services, higher rates for the services)
(-)	Higher costs of employee benefits (higher average employment by 132 employees, pay rises paid)
(-)	Higher costs of materials and energy
(+)	Stock value: in 2018, an increase of about PLN 8.0 million; in 2017, an increase of PLN 1.6. million
(+)	Result on other operating activities PLN +28.7 million – settlement of the arrangement entered into by and between LW Bogdanka S.A. and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras

EBITDA in Q3 2018 vs. Q1-Q3 2017



Q3 2018 EBITDA change factors:

(+)	Higher sales volume +411,000 tonnes (+20.2%), at a higher price
(-)	Larger scope of preparatory works (+1.4 km)
(-)	Higher extraction output by 276 thousand tonnes (+8.0%)
(-)	Higher costs of employee benefits (higher average employment by 150 employees, pay rises paid)
(-)	Higher costs of materials and energy
(-)	Higher costs of taxes and levies
(-)	Stock value: in Q3 2017, an increase of about PLN 18.3 million; in Q3 2018, a decrease of PLN 25.9 million



Coal market, energy market, operating data

ENEA Group's financial results in Q3 2018

Financial results of LW Bogdanka Group in Q3 2018

Summary

Additional information

2018 vs. 2017 trends

Area	2018 trend	Key drivers
Mining	Under pressure	(+) Coal price stabilisation (+) Construction of new heading excavations (-) Higher fixed costs (wages and raw materials) (-) Renovation of railway routes (-) Geological difficulties in Q1 2018
Generation	Under pressure	(+) Higher volume of electricity generation (-) Modernisation shutdowns of Units Nos. 9 and 10 at Kozienice Power Plant (-) Lower volume of free CO_2 emission allowances (-) Higher coal price and higher transportation costs (-) Increase in CO_2 prices to historically high levels (-) Higher fixed costs
Distribution	Stable	(+) Increased sales volumes of distribution services (+) Asset management optimisation (+) Works on the improvement of service quality (reduction in SAIDI and SAIFI) (-) Possible postponement of the implementation of investment tasks settled under the National Investment Plan
Trading	Under pressure	(+) Development of sale channels and product range (+) Greater sales volumes of electricity and gaseous fuel to retail users (-) Growing erosion of the first contribution margin in the Trading Area (-) Increase in the costs of environmental obligations (-) Valuation of CO_2 contracts to market price levels at historically high prices

Summary of Q1-Q3 2018

Revenue: **PLN 9.38 bn** • EBITDA: **PLN 1.97 bn** • Net profit: **PLN 620 m**

CAPEX: **PLN 1,455 m** • Net debt / EBITDA: **1.7**

Sale of electricity and gas to retail customers: **15.9 TWh**

Growth in electricity generation of 4.8 TWh, i.e. up by 31% year-on-year

Stabilisation of the production level in the Mining Area

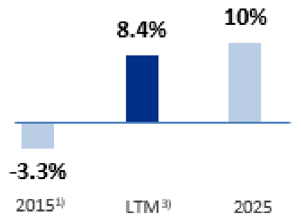
Results of the Generation Area’s segments

[PLN m]	Generation, including:								
	System Power Plants			Heat			RES		
	Q1-Q3 2017	Q1-Q3 2018	Change	Q1-Q3 2017	Q1-Q3 2018	Change	Q1-Q3 2017	Q1-Q3 2018	Change
Sales revenue	2,827	4,622	1,795	318	327	9	238	373	135
EBIT	273	124	(149)	76	42	(34)	38	142	104
EBITDA	435	467	32	115	82	(33)	60	114	54
CAPEX	559	184	(375)	64	35	(29)	1	2	1

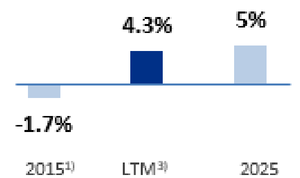
[PLN m]	Generation, including:								
	System Power Plants			Heat			RES		
	Q3 2017	Q3 2018	Change	Q3 2017	Q3 2018	Change	Q3 2017	Q3 2018	Change
Sales revenue	1,059	1,675	616	71	73	2	104	168	64
EBIT	85	51	(34)	(6)	(12)	(6)	25	56	31
EBITDA	142	161	19	8	2	(6)	33	64	31
CAPEX	264	79	(185)	31	16	(15)	1	1	-

Status of implementation of ENEA Group's Development Strategy

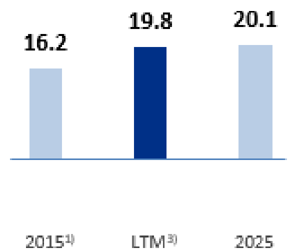
Return on equity (ROE)



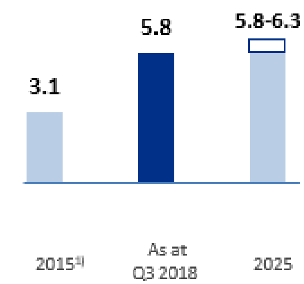
Return on assets (ROA)



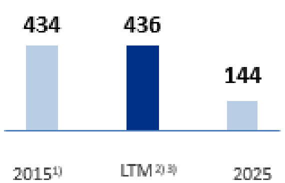
Sales of electricity to end users [TWh]



Installed conventional generation capacities [GW]



SAIDI [minutes]



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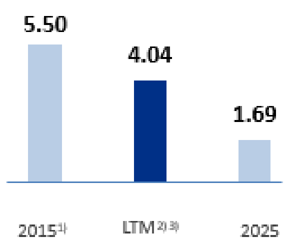
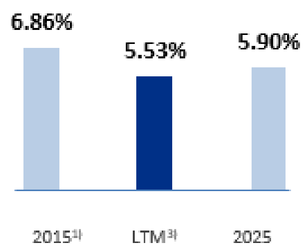
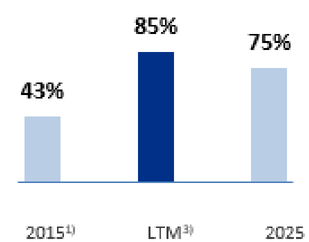


Grid distribution losses index



Own annual consumption of bituminous coal



[1)] Reference year

[2)] Higher ratios as a result of weather phenomena

[3)] LTM (Last Twelve Months) covering the period from Q4 2017 to Q3 2018

ENEA Group's Q3 2018 results
on target

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23 November 2018