



**Stable results for ENEA Group in H1 2018
despite high volatility on the energy market**



EBITDA generated by ENEA Group in H1 2018 reached PLN 1.3bn and is in line with the plan in YoY terms



37% more electricity was generated – 12.8 TWh in total, up by 3.5 TWh YoY



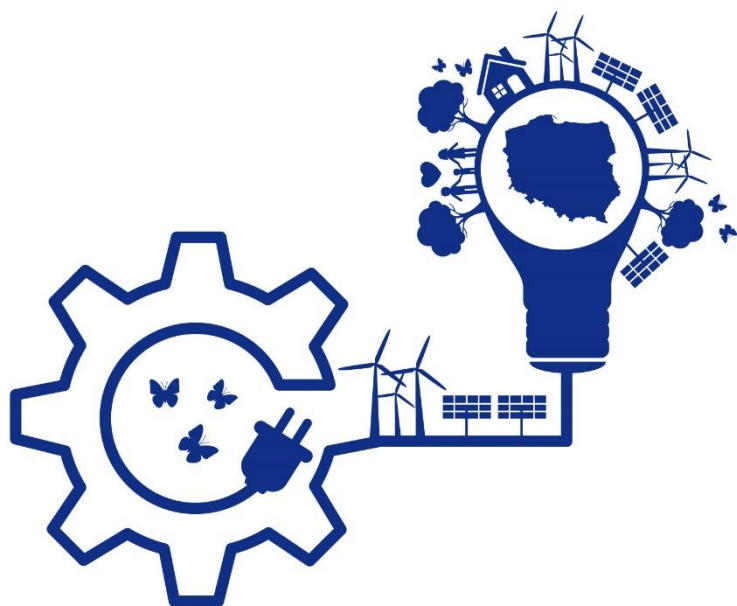
Growth of volumes of electricity and gas sales to retail customers of 12%, i.e. by 1.1 TWh YoY



Results of the Trading Area **affected** by the dynamic situation in the energy market (in particular, as regards environmental obligations and CO₂)



More than PLN 800 million for CAPEX in H1 2018, including **PLN 60 million** for pro-environmental investment



Warranty inspection of Unit No. 11 in Kozenice Power Plant

Completion of the comprehensive upgrade of Unit No. 10

Postponement of the upgrade of Unit No. 9

Submitting an application for mining licences from K6 and K7 deposits by LW Bogdanka

Further actions taken for the development of electromobility – i.a. the „e-VAN” Programme

Q2 2018/Q2 2017

H1 2018/H1 2017

**NET GENERATION
OF ELECTRICITY**

6,458 GWh ▲ **15.7%** 5,581 GWh

12,793 GWh ▲ **37.0%** 9,337 GWh

**SALE OF DISTRIBUTION
SERVICES**

4,865 GWh ▲ **4.0%** 4,679 GWh

10,047 GWh ▲ **4.1%** 9,654 GWh

**RETAIL SALE OF
ELECTRICITY AND
GASEOUS FUEL**

5,058 GWh ▲ **12.8%** 4,486 GWh

10,655 GWh ▲ **12.1%** 9,509 GWh

NET COAL PRODUCTION

2.42 million
tonnes ▲ **13.5%** 2.14 million
tonnes

4.52 million
tonnes ▼ **-0.9%** 4.56 million
tonnes

ENEA Group's financial results in Q2 and H1 2018



Q2 2018/Q2 2017

H1 2018/H1 2017

NET SALES REVENUE

PLN 3,051
million*

▲ 6.7%

PLN 2,859
million

PLN 6,040
million*

▲ 8.5%

PLN 5,568
million

EBITDA

PLN 602
million

▼ -13.0%

PLN 692
million

PLN 1,304
million

▼ -4.0%

PLN 1,358
million

EBIT

PLN 294
million

▼ -26.3%

PLN 399
million

PLN 633
million

▼ -19.1%

PLN 782
million

NET PROFIT

PLN 208
million

▼ -31.4%

PLN 303
million

PLN 462
million

▼ -26.0%

PLN 624
million

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



Coal market, energy market, operating data

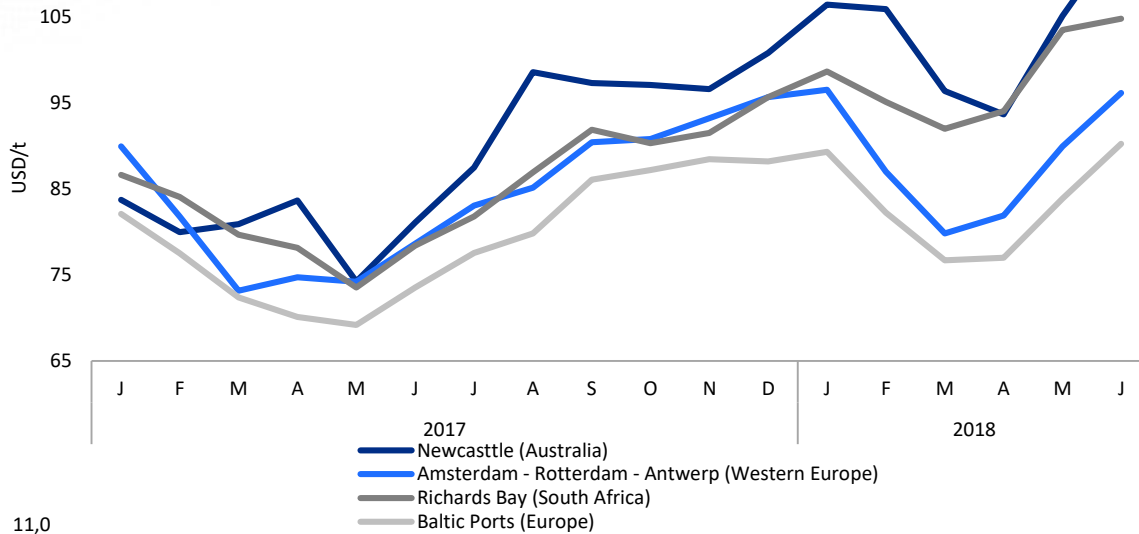
ENEA Group's financial results in H1 2018

Financial results of LW Bogdanka Group in H1 2018

Summary

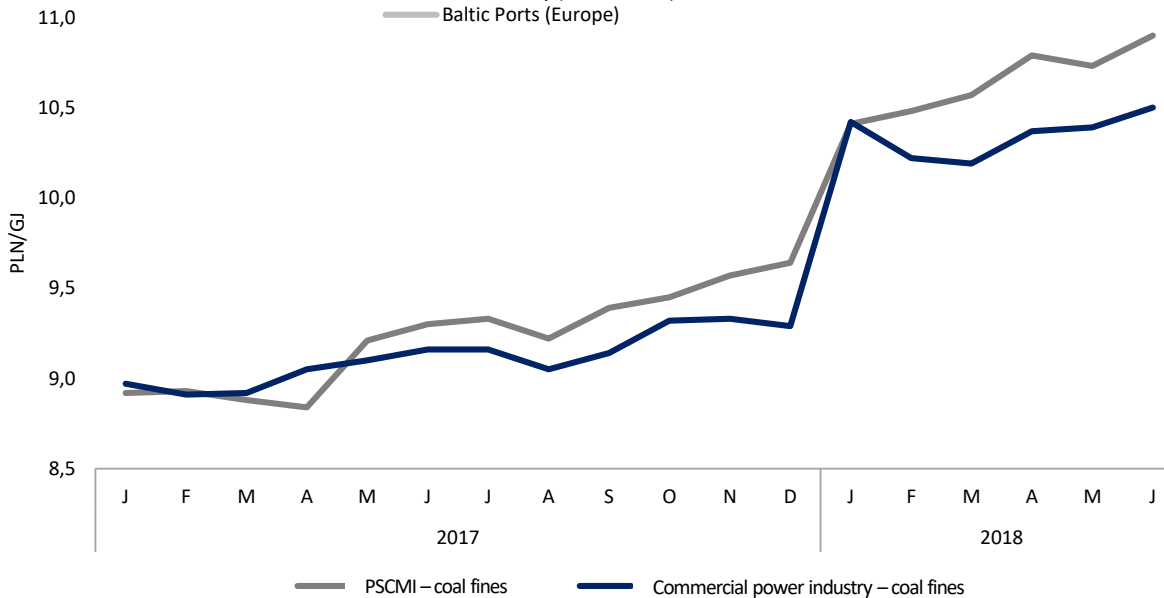
Additional information

In Q2 2018, the market prices of coal were in an upward trend



Average prices in H1 2018

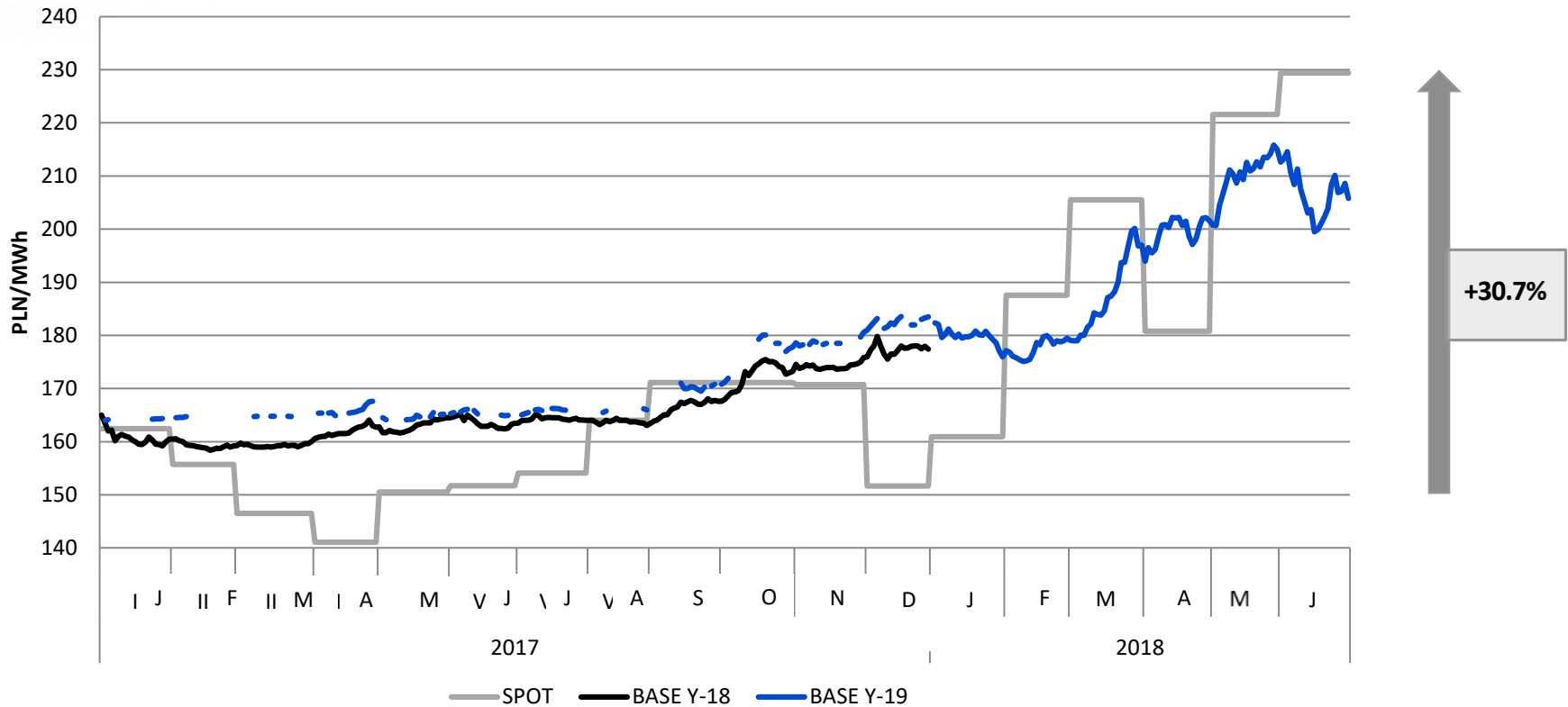
- Amsterdam - Rotterdam - Antwerp: 87.92 USD/t
- Richards Bay: 98.02 USD/t
- Newcastle: 103.72 USD/t
- Baltic Ports: 83.23 USD/t



In H1 2018, the average price of steam coal fines for commercial power industry rose by 14.8% in relation to H1 2017

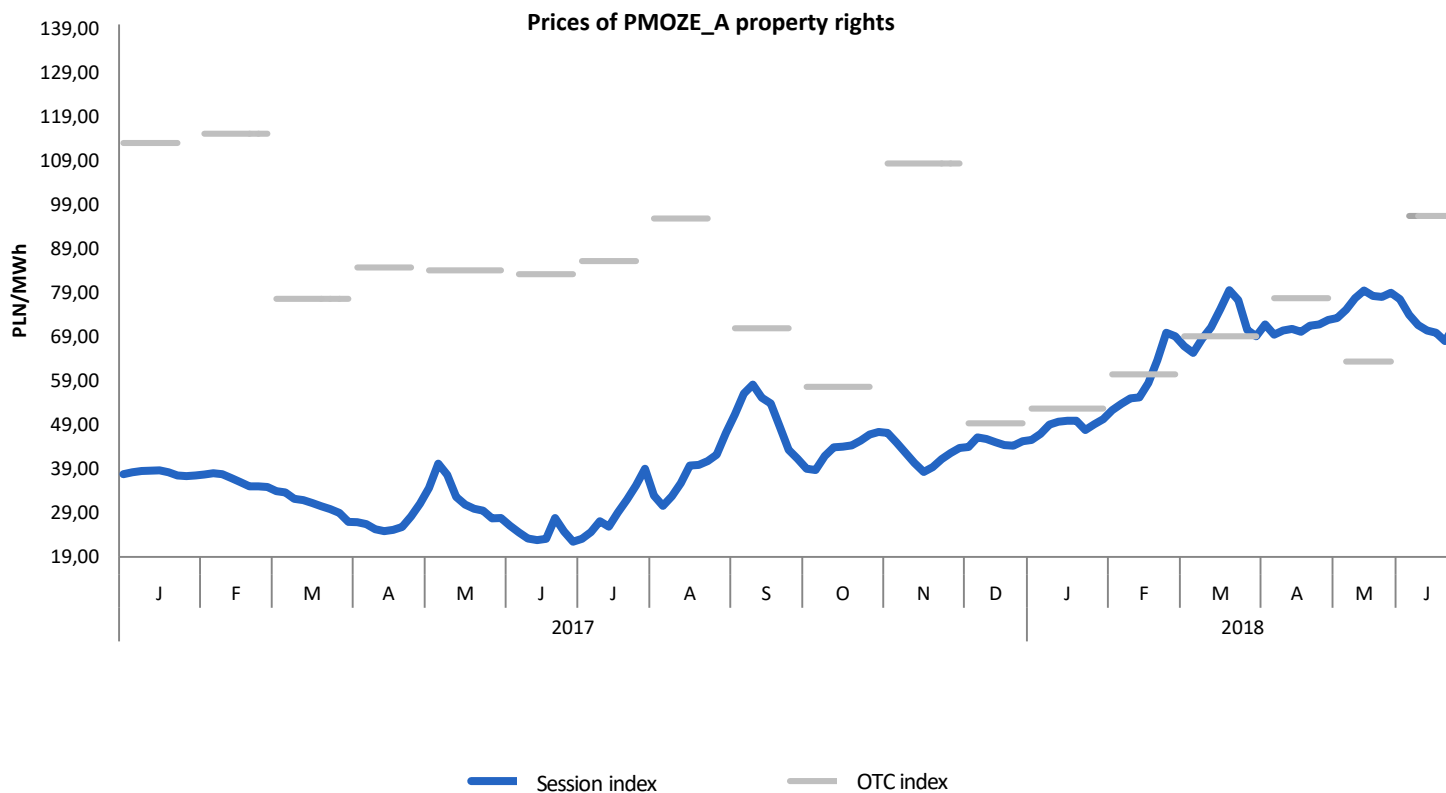
Increases in the energy price on the forward and SPOT markets

BASE Y prices vs. SPOT prices



- As compared to H1 2017, the average price on the SPOT market in H1 2018 was higher by 30.7% and stood at 197.71 PLN/MWh
- The average price of energy on the forward market for BASE Y-19 grew by 16.5% (to 206.90 PLN/MWh) in relation to prices for BASE Y-18 at the end of quotations

The upward trend in prices of property rights continued in H1 2018



- In H1 2018, the average weighted value of the session index rose by 60% on H2 2017 – to 68.89 PLN/MWh
- The OTC index in the same period remained on the similar level as the session index and reached an average of 69.18 PLN/MWh

Prices of CO₂ emission allowances reached the record highest levels



- On 10 September 2018, an increase of 68.3% in CO₂ emission prices was recorded as compared to the end of June.

Growth in the volume of electricity generated YoY



Operating data of ENEA Group (GWh)	Q2 2017	Q2 2018	Change	H1 2017	H1 2018	Change
Total net generation of electricity, including:	5,581	6,458	15.7%	9,337	12,793	37.0%
<i>Kozienice Power Plant</i>	3,183	3,870	21.6%	6,645	8,001	20.4%
<i>Połaniec Power Plant ¹⁾</i>	2,398	2,587	7.9%	4,447	4,792	7.8%
<i>including in ENEA Group</i>	2,398	2,587	7.9%	2,692	4,792	78.0%

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

¹⁾ In ENEA Group since 14 March 2017

Rise in the sales volumes of energy and distribution services

Sales figures of ENEA Group	Q2 2017	Q2 2018	Change	H1 2017	H1 2018	Change
Sale of electricity and gaseous fuel to retail customers (GWh)	4,486	5,058	12.8%	9,509	10,655	12.1%
Sale of distribution services to end users (GWh)	4,679	4,865	4.0%	9,654	10,047	4.1%

- In Q2 2018, like in the entire H1 2018, there was a considerable rise in the total volume of sale of electricity and gaseous fuel to retail customers as well as of distribution services to end users compared to the corresponding periods of the previous year

Production at a similar level to the previous year, a significant increase in preparatory works in H1 2018

Operating data of LW Bogdanka	Q2 2017	Q2 2018	Change	H1 2017	H1 2018	Change
Net production ['000 tonnes]	2,136	2,424	13.5%	4,558	4,519	-0.9%
Coal sales ['000 tonnes]	2,273	2,374	4.4%	4,662	4,341	-6.9%
Closing stocks ['000 tonnes]	21	202	-	21	202	-
Excavation works [km]	6.9	10.8	56.5%	15,0	19,7	31.3%



Coal market, energy market, operating data

ENEA Group's financial results in H1 2018

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Summary

Additional information

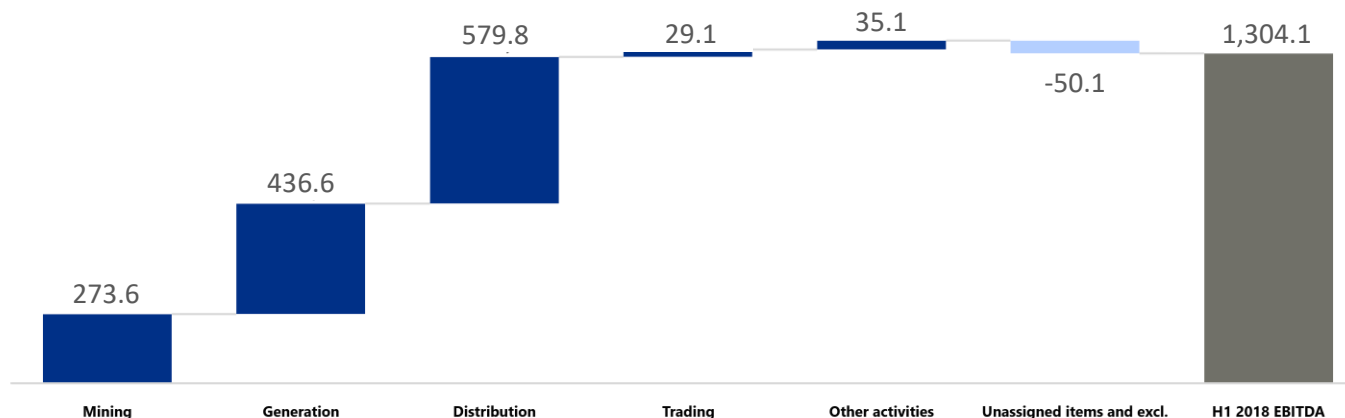
ENEA Group's EBITDA under the pressure of dynamic market developments and one-off events



Results of ENEA Group [PLN m]	Q2 2017	Q2 2018	Change	H1 2017	H1 2018	Change
Net sales revenue	2,859	3,051*	6.7%	5,568	6,040*	8.5%
EBITDA	692	602	-13.0%	1,358	1,304	-4.0%
EBIT	399	294	-26.3%	782	633	-19.1%
Net profit	303	208	-31.4%	624	462	-26.0%
Net profit attributable to shareholders of the parent company	286	190	-33.6%	581	431	-25.8%

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

Distribution area with the largest contribution to the Group's EBITDA in H1 2018



H1 2018 EBITDA [PLN m]	273.6	436.6	579.8	29.1	35.1	-50.1	1,304.1
Share in H1 2018 EBITDA	21%	33.5%	44.5%	2.2%	2.7%	-3.8%	100.0%
EBITDA margin	32.0%	12.9%	42.3%	0.7%	12.3%	-	21.6%
Change [PLN m]	-47.6	9.3	63.0	-76.0	12.0	-15.1	-54.3
Change [%]	-14.8%	2.2%	12.2%	-72.3%	51.9%	-	-4.0%

Mining



(-) decrease in revenues from coal sales - lower sales volume not compensated by a higher price
 (-) production cost increase - 828,000 tonnes higher extraction output and greater scope of excavation works
 (+) a higher result on other operating activities: mainly settlement of the arrangement with the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras - a positive impact on EBITDA in the amount of PLN 28.7 million

Generation



(+) higher margin in ENEA Wytwarzanie by PLN 61.0 million
 (-) higher fixed costs by PLN 35.5 million
 (-) lower margin on trade and on Balancing Market by PLN 16.2 million
 (-) lower revenues from heat sales by PLN 3.0 million
 (-) lower revenues from Regulatory System Services by PLN 1.7 million
 (+) positive impact of ENEA Elektrownia Polaniec on EBITDA in the amount of PLN 21.3 million

Distribution



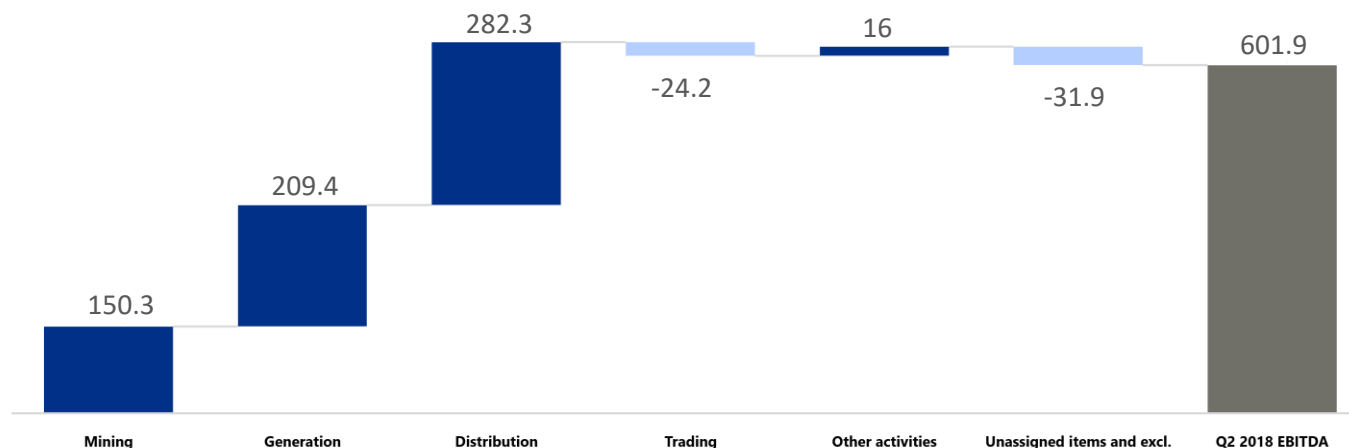
(+) higher margin on licenced operations by PLN 47 million - lower revenue from sales of distribution services to end users and lower costs of purchase of transmission services (*the effect of IFRS 15 implementation*)
 (+) a higher result on other operating activities by PLN 43 million
 (-) higher operating costs by PLN 27 million, mainly of third-party services and property tax

Trading



(-) higher costs of environmental obligations by 45.3%
 (-) lower average energy selling price by 1.1%
 (-) higher average purchase price of energy by 4.1%
 (+) growth in energy sales volume by 13.0%
 (+) lower provision for potential claims under terminated contracts on RES property rights by PLN 32.8 million

Growth in EBITDA in the Distribution and Generation areas in Q2 2018



Q2 2018 EBITDA [PLN m]	150.3	209.4	282.3	-24.2	16.0	-31.9	601.9
Share in Q2 2018 EBITDA	25.0%	34.8%	46.9%	-4.0%	2.7%	-5.3%	100.0%
EBITDA margin	32.9%	12.0%	42.4%	-1.2%	11.0%	-	19.7%
Change [PLN m]	7.3	-15.6	27.9	-78.4	-1.0	-30.2	-90.1
Change [%]	5.1%	-6.9%	11.0%	-	-5.9%	-	-13.0%

Mining



(+) increase in revenues from coal sales by PLN 20.1 million: higher volume sales at a higher price
 (+) increase in revenues from sales of goods and materials by PLN 1.3 million – higher sale of steel scrap from the redevelopment of excavations
 (-) 766,000 tonnes higher extraction output (+24.5%) – production cost increase

Generation



(+) higher margin on generation from conventional sources by PLN 58 million
 (+) higher EBITDA in the RES Segment by PLN 9 million
 (-) higher fixed costs in the System Power Plants Segment by PLN 15.2 million
 (-) lower margin on trade and on Balancing Market by PLN 41.5 million
 (-) lower revenues from Regulatory System Services by PLN 8.1 million
 (-) lower revenues from heat sales by PLN 9.4 million

Distribution



(+) higher margin on licenced operations by PLN 27.1 million - lower revenue from sales of distribution services to end users and lower costs of purchase of transmission services (the effect of IFRS 15 implementation)
 (+) a higher result on other operating activities by PLN 17.4 million
 (-) higher operating costs by PLN 16.5 million

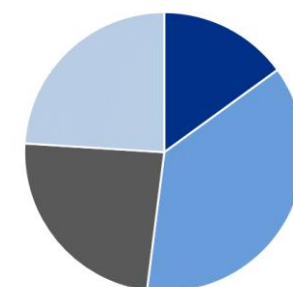
Trading



(-) higher costs of environmental obligations by 64.3%
 (-) lower average energy selling price by 0.7%
 (-) higher average purchase price of energy by 6.8%
 (+) higher volume of energy sales by 13.8%
 (+) lower provision for potential claims under terminated contracts on RES property rights by PLN 16.0 million

Distribution Area with the largest capital expenditures in H1 2018

CAPEX [PLN m]	H1 2017	H1 2018	Plan implementation	Plan for 2018
Generation	329.0	125.8	21.1%	596.0
Distribution	343.6	300.9	31.1%	966.6
Mining	139.6	199.5	40.2%	496.0
Support and other	25.2	27.2	17.5%	155.5
Equity investments	51.7	171.1	83.3%	205.3
TOTAL Plan implementation	888.5	824.4	34.1%	2,419.4
Equity investments ¹⁾	1,556.6	-	-	-
TOTAL ENEA Group's CAPEX	2,445.1	824.4	-	-



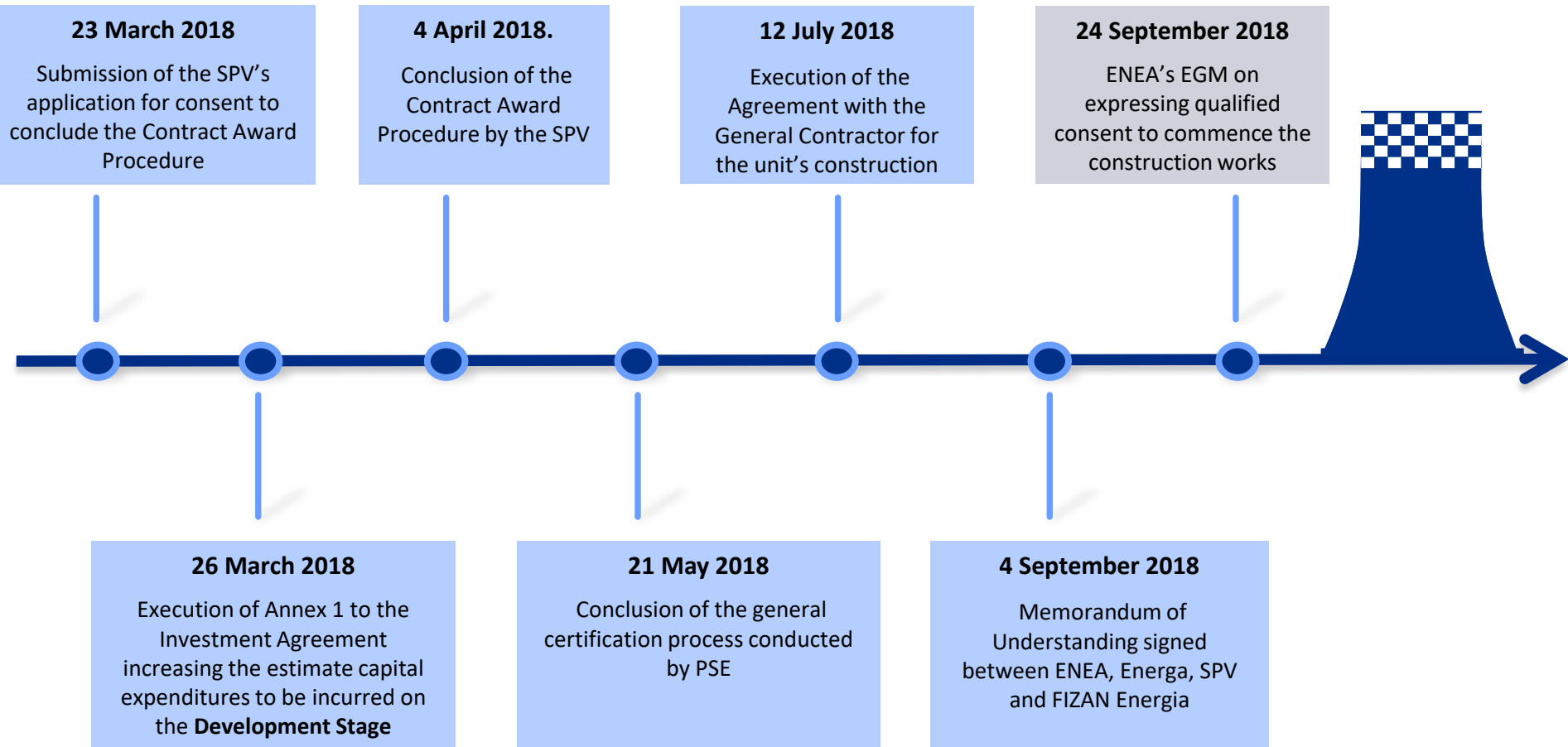
- 15% Generation
- 37% Distribution
- 24% Mining
- 24% Support and other

PLN 60 million
for pro-environmental
investment
in H1 2018

- Lower CAPEX mainly in the Generation Area, i.a. due to the acquisition of Połaniec Power Plant in Q1 2017 and the construction project of Unit No. 11 implemented and completed in 2017

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

Ostrołęka C project – current status





Coal market, energy market, operating data

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Financial results of LW Bogdanka Group in H1 2018

Summary

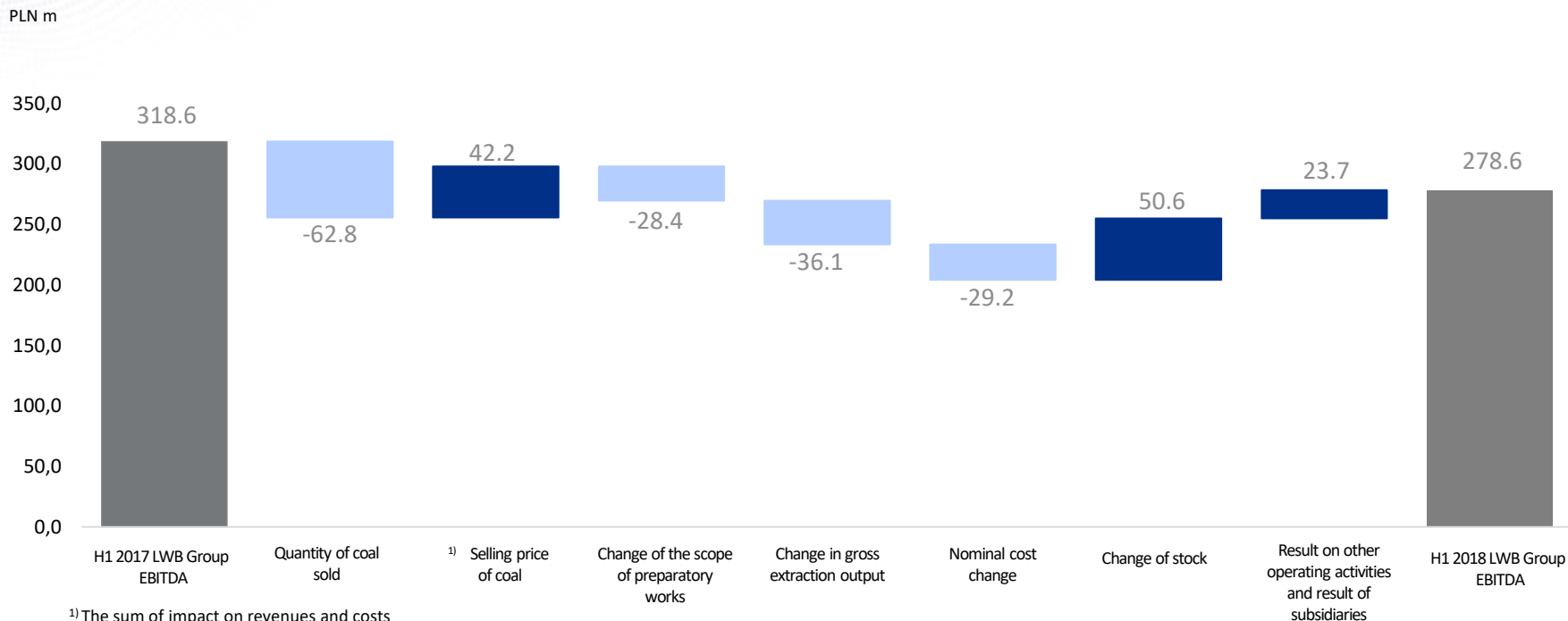
Additional information

Sales revenues in H1 2018 were affected by lower sales volumes at a higher price



Financial results of LW Bogdanka Group [PLN m]	Q2 2017	Q2 2018	Change	H1 2017	H1 2018	Change
Net sales revenue	436.9	457.3	4.7%	902.1	856.0	-5.1%
EBIT	57.7	49.5	-14.2%	147.5	78.0	-47.1%
EBITDA	138.8	151.1	8.9%	318.6	278.6	-12.6%
Net profit	43.9	43.2	-1.6%	112.1	66.4	-40.8%

Lower EBITDA in H1 2018 vs. H1 2017



H1 2018

(-) decrease in revenues from coal sales: lower sales volume -321,000 tonnes (-6.9%), at a higher price and higher coal adjustment from preparation works

(-) increase of revenue adjustments due to the value of excavated coal - greater scope of preparatory works (+4.7 km) together with a higher coal price

(-) 828,000 higher extraction output (+12.3%) – production cost increase

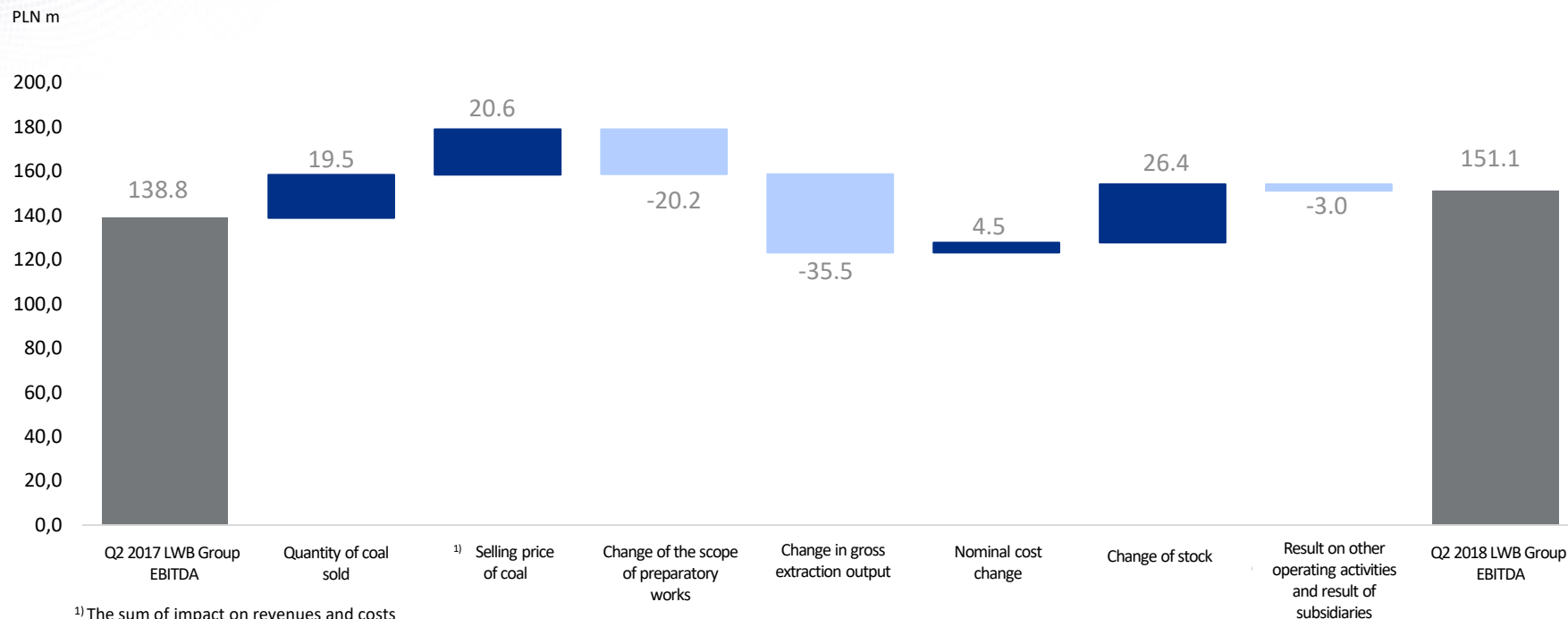
(-) increase in nominal production cost (without depreciation):

- increase in costs of third party services (mainly due to the cost of work on Saturdays and Sundays and drilling),
- increase in salaries' cost (salaries raise paid, with additional bonuses and higher average employment rate by about 110 people).

(+) in H1 2018 an increase in stocks of about PLN 33.9 million (decrease in costs), in H1 2017 a decrease in stocks of about PLN 16.7 million (increase in costs)

(+) a higher result on other operating activities: mainly settlement of the arrangement entered into by the Company 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 EBITDA in Q2 2018 vs. Q2 2017



Q2 2018

- (+) increase in revenues from coal sales: higher volume sales (+4.4%, i.e. +101,000 tonnes), with a higher price (+4.5%) and a higher coal adjustment from preparatory works
- (-) increase of revenue adjustments due to the value of excavated coal - greater scope of preparatory works (+3.8 km) at a higher price of coal
- (-) 766,000 higher extraction output (+24.5%) – production cost increase
- (+) in Q2 2018 an increase in stocks by PLN 7.0 million (decrease in costs), in Q2 2017 a decrease in stocks by PLN 19.4 million (increase in costs)



Coal market, energy market, operating data

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Additional information

Area	2018 trend	Key drivers
Mining	Under pressure	<ul style="list-style-type: none"> (+) 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	<ul style="list-style-type: none"> (+) Higher volume of electricity generation (-) Modernisation shutdowns of Units Nos. 9 and 10 at Kozenice Power Plant (-) Lower volume of free CO₂ emission allowances (-) Higher coal price and higher transportation costs (-) Increase in CO₂ prices to historically high levels (-) Higher fixed costs
Distribution	Stable	<ul style="list-style-type: none"> (+) 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	<ul style="list-style-type: none"> (+) 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 CO₂ contracts to market price levels at record high prices

- ✓ Revenue: **PLN 6bn** • EBITDA: **PLN 1.3bn** • Net profit: **PLN 462m**
- ✓ CAPEX: **PLN 824m** • Net debt/EBITDA: **1.8**
- ✓ Sale of electricity and gas to retail customers: **10.7 TWh**
- ✓ Growth in electricity generation of 37%, i.e. **up by 3.5 TWh YoY**
- ✓ **Stabilisation** of the extraction level despite difficulties at the beginning of the year



Coal market, energy market, operating data

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[Additional information](#)

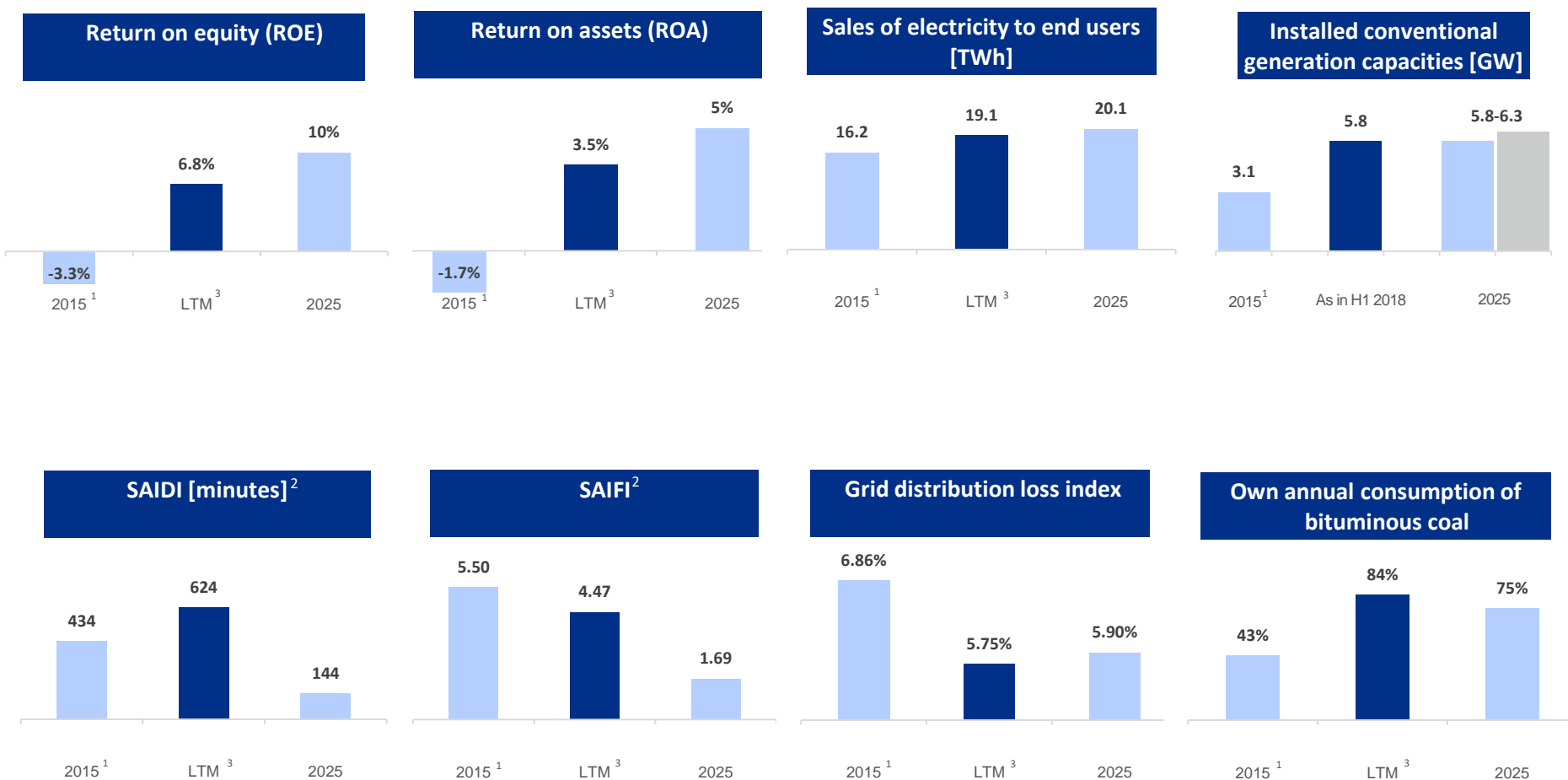
Results of the Generation Area's segments



[PLN m]	Generation, including:								
	System Power Plants			Heat			RES		
	H1 2017	H1 2018	Change	H1 2017	H1 2018	Change	H1 2017	H1 2018	Change
Sales revenue	1,768	2,947	1,179	247	254	7	134	205	71
EBIT	188	73	(115)	82	54	(28)	13	86	73
EBITDA	293	306	13	107	80	(27)	27	50	23
CAPEX	296	105	(191)	33	19	(14)	0	1	1

[PLN m]	Generation, including:								
	System Power Plants			Heat			RES		
	Q2 2017	Q2 2018	Change	Q2 2017	Q2 2018	Change	Q2 2017	Q2 2018	Change
Sales revenue	1,058	1,550	492	94	80	(14)	106	125	19
EBIT	107	51	(56)	26	3	(23)	15	75	60
EBITDA	164	162	(2)	38	16	(22)	22	31	9
CAPEX	76	52	(24)	8	12	4	-	1	1

ENEA Group's Development Strategy until 2030 – status of implementation



¹) Reference year

²) Higher ratios as a result of weather phenomena of an unprecedented strength

³) LTM (Last Twelve Months) covering the period H2 2017 – H1 2018



**Stable results for ENEA Group in H1 2018
despite high volatility on the energy market**

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