



**We pursue a growth in efficiency in all the links
of the company's chain of values**

Q1 2016

Agenda



Energy and fuel market, key operating data



Enea CG's financial results in Q1 2016



LW Bogdanka CG's financial and operating results in Q1 2016



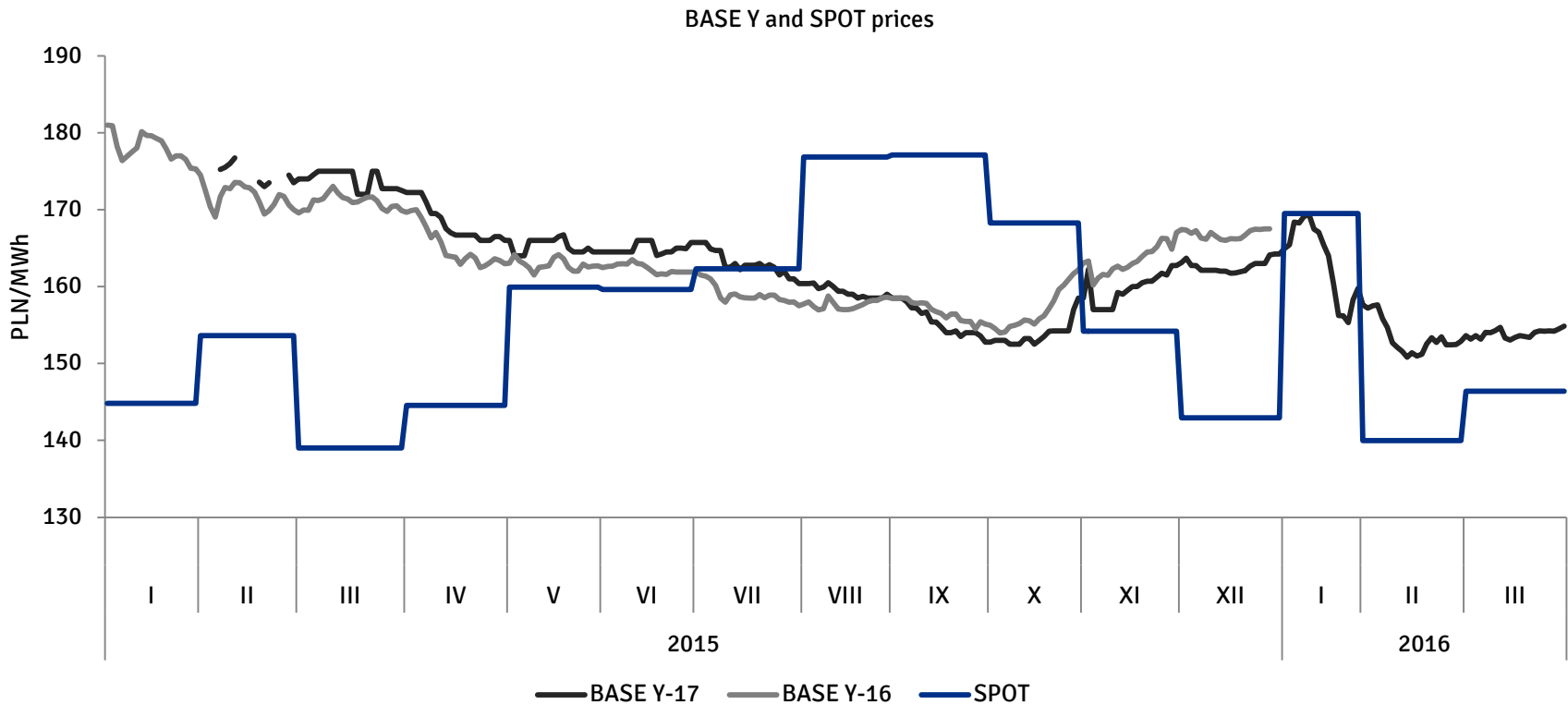
Enea CG's investments and initiatives in Q1 2016





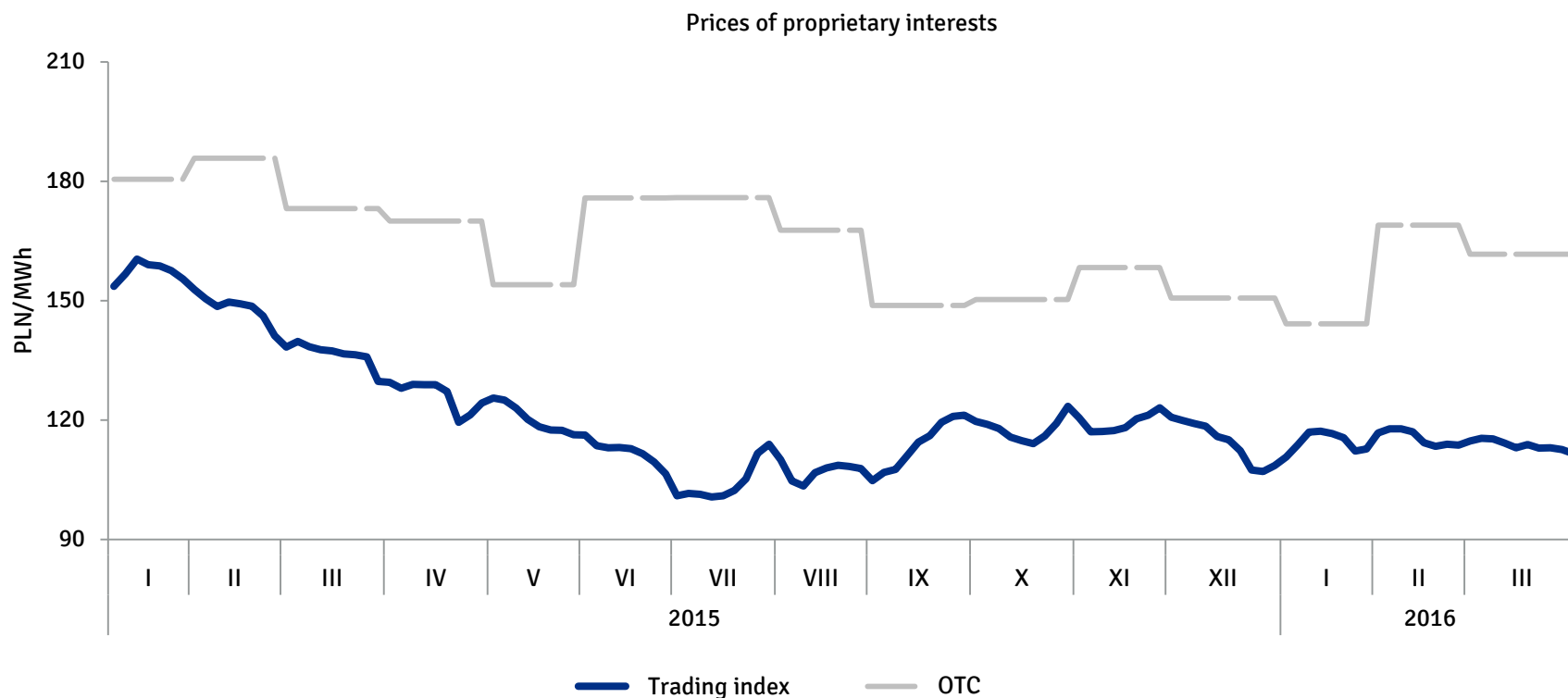
**Market and regulatory factors affect
the Group's development perspectives**

In Q1 2016 energy prices were reported to grow on the SPOT market, while on the forward market the downward trend was still observed



- Growth in the average price of baseload on SPOT market in Q1 2016 by 4.6% yoy to 152.30 PLN/MWh
- Drop in energy prices on forward market - price of baseload for 2017 dropped by 6.2% yoy to 154.75 PLN/MWh in Q1 2016

In Q1 2016 prices of proprietary interests dropped slightly in relation to Q4 2015

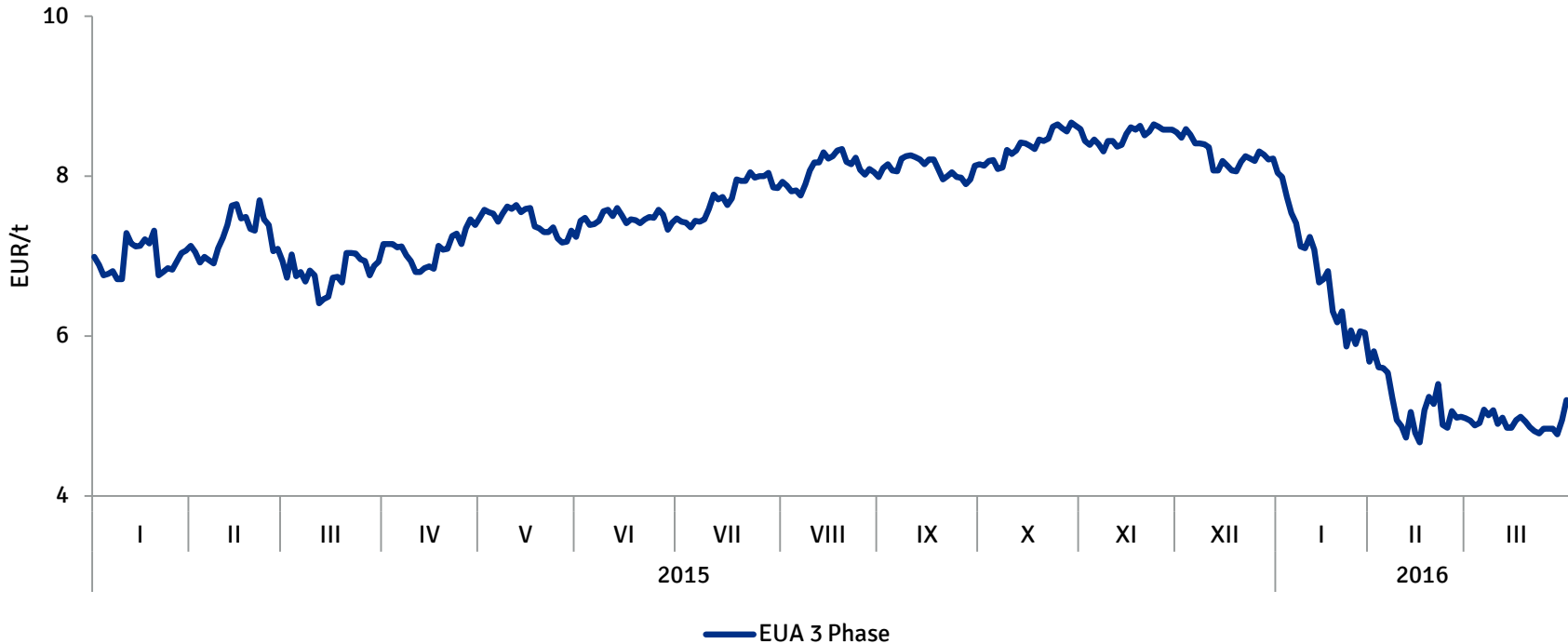


- In Q1 2016 the weighted average value of the session index dropped by 2.7% in relation to Q4 2015 to 114.49 PLN/MWh
- OTC market index was in the same period by 40% higher than the session index and amounted to 160.16 PLN/MWh on average

In Q1 2016 there was a considerable price reduction on the market of allowances for emissions of CO₂

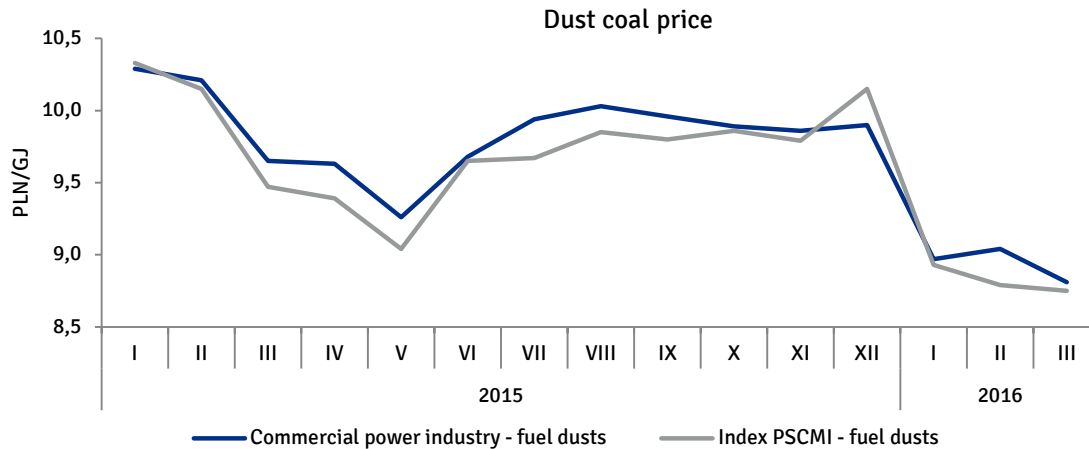


Prices of CO₂ Dec-16

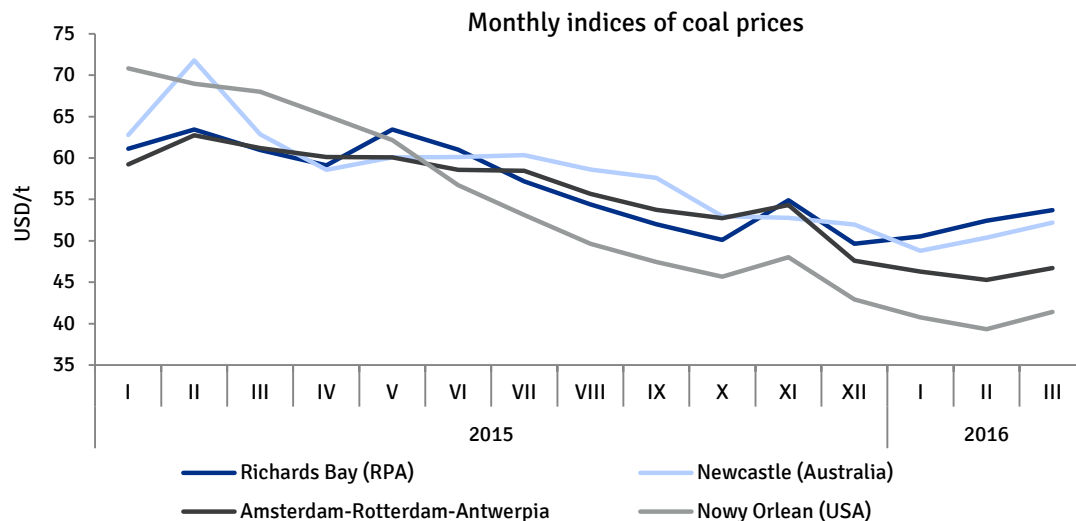


EUA price on the forward market for EUA Dec-16 during Q1 2016 dropped by 35.6% to 5.22 EUR/t

In Q1 2016 prices of coal maintained on a low level in Poland and in the world



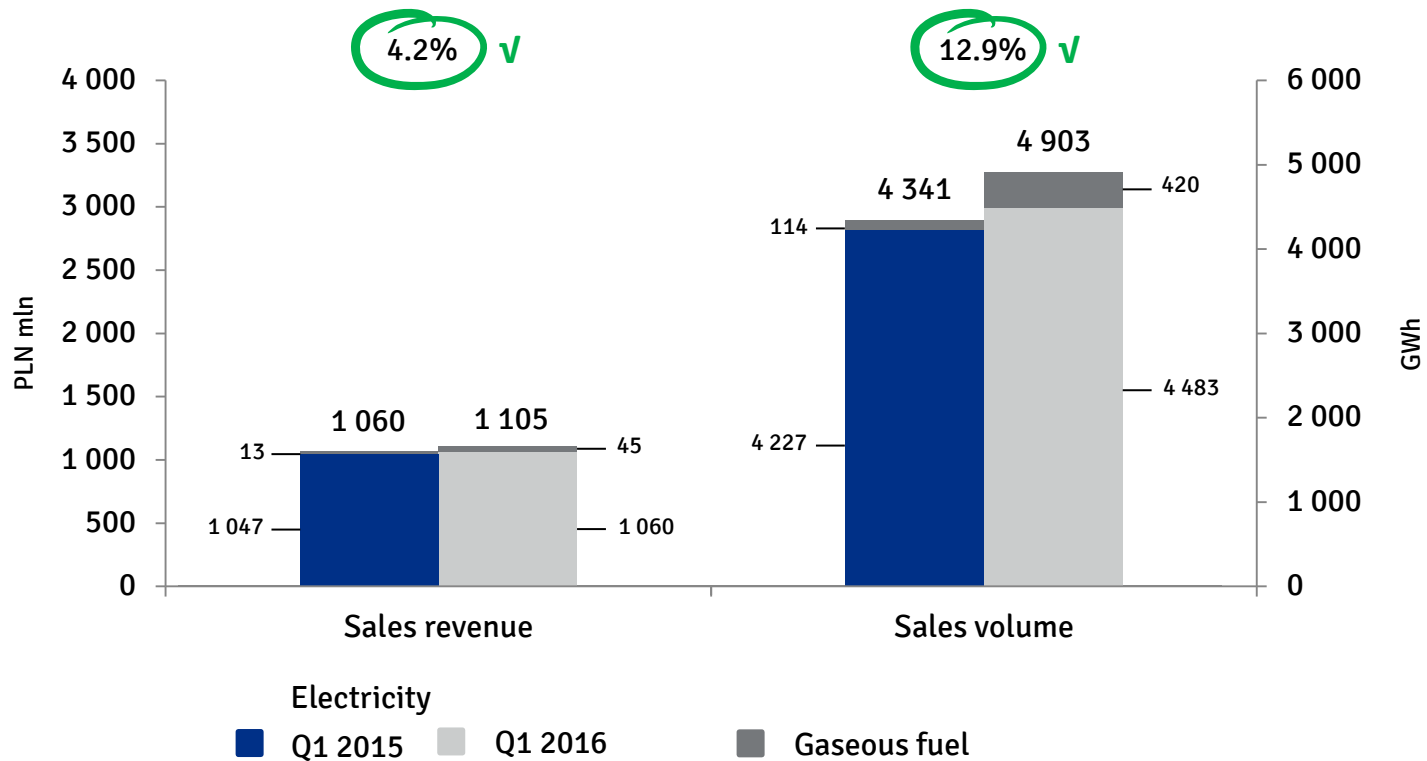
The quarterly average price of fuel dusts for the commercial power industry dropped by ca. 10.9% yoy in Q1 2016



Average price in Q1 2016:

- Amsterdam - Rotterdam - Antwerp: 46.10 USD/t
- Richards Bay: 52.22 USD/t
- Newcastle: 50.46 USD/t
- New Orleans: 40.50 USD/t

In Q1 2016 we reported a growth in the sale volumes of electricity and gaseous fuel by 13%



Sales of electricity and gaseous fuel to retail customers in Q1 2016:

- sales revenue greater by PLN 45 mln yoy
- sales volumes greater by 562 GWh yoy

Enea Group produced more energy from conventional sources in Q1 2016



| [GWh] | Q1 2015 | Q1 2016 | Change |
|--|---------|---------|---------|
| Total generation of energy, including: | 2 963 | 3 351 | 13.1% ✓ |
| Conventional generation | 2 692 | 3 198 | 18.8% ✓ |
| RES generation | 271 | 153 | -43.5% |

Decrease in RES generation:

- cessation of production from biomass co-firing due to low prices of RES certificates of origin
- hydrological drought since 2014
- phasing out production in Gorzestaw biogas plant

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Building synergies and realisation of optimisation tasks brings indicative financial effects

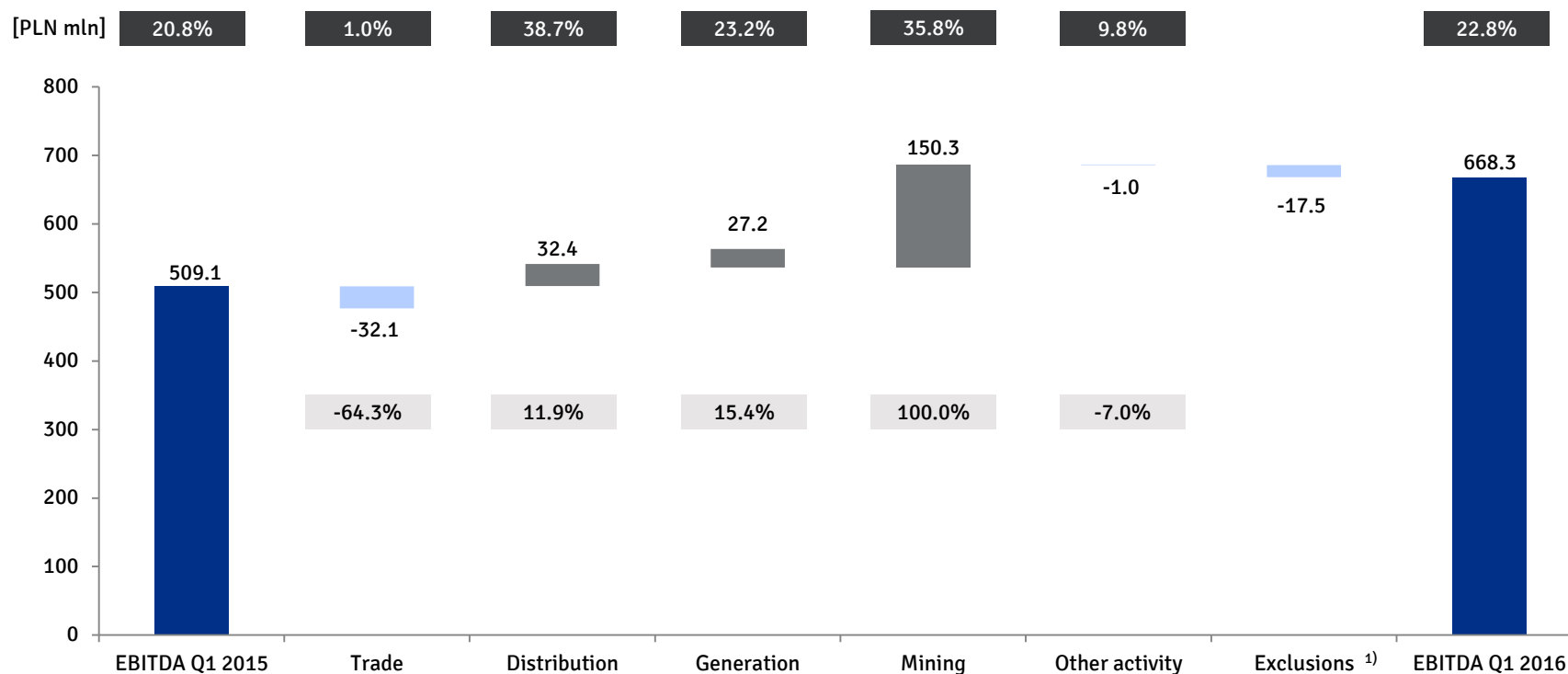
In Q1 2016 we reported very good financial results



| [PLN mln] | Q1 2015 | Q1 2016 | Change |
|---------------------------------|---------|---------|---------|
| Net sales revenue | 2 446.4 | 2 936.8 | 20.0% ✓ |
| EBIT | 327.3 | 388.6 | 18.7% ✓ |
| EBITDA | 509.1 | 668.3 | 31.3% ✓ |
| Net profit | 265.3 | 290.4 | 9.4% ✓ |
| Net debt / EBITDA ¹⁾ | 0.7 | 1.8 | 1.1 |

1) Debt = long-term and short-term: credits, loans and debt securities + financial lease liabilities

Enea CG's business model, despite pressure within the trade area, allows to generate good financial results



EBITDA

EBITDA growth in area

EBITDA drop in area

Change of EBITDA in area yoy [%]

EBITDA margin [%]

¹⁾ Include undistributed expenses of the whole Group and exclusions

In Q1 2016 the highest EBITDA was reported in the area of distribution



| [PLN mln] | Q1 2015 | Q1 2016 | Change |
|-----------|---------|---------|--------|
| Trade | 49.9 | 17.8 | -64.3% |

Area of trade

Drop of EBITDA by PLN 32.1 mln (-64.3%)

- growth in sale volumes by 6.0% ✓
- lower average selling price of energy by 4.5%
- lower average purchase price of energy by 2.4%
- higher costs of ecological obligations by 10.2%

| [PLN mln] | Q1 2015 | Q1 2016 | Change |
|--------------|---------|---------|--------|
| Distribution | 272.8 | 305.1 | 11.9% |

Area of distribution

Increase of EBITDA by PLN 32.4 mln (11.9%)

- higher revenue from the sale of distribution services to end users by PLN 6 mln ✓
- higher revenue from grid connection fees by PLN 4 mln ✓
- optimisation of costs of outsourced services and costs of employee benefits PLN 17 mln ✓
- higher revenue from agreements on removal of collisions and shifting energy equipment to assets PLN 14 mln ✓
- higher costs of purchase of transmission services by PLN 6 mln

| [PLN mln] | Q1 2015 | Q1 2016 | Change |
|------------|---------|---------|--------|
| Generation | 176.4 | 203.6 | 15.4% |

Area of generation

Increase of EBITDA by PLN 27.2 mln (15.4%)

- higher margin on generation by PLN 29 mln ✓
- higher revenue from sales of electricity and heat in the area of heat by PLN 17 mln ✓
- lower margin on trade and the Balancing Market by PLN 9 mln
- drop in revenue from sales of certificates of origin and electricity in the segment of RES by PLN 7 mln


| [PLN mln] | Q1 2015 | Q1 2016 | Change |
|-----------|---------|---------|--------|
| Mining | - | 150.3 | 100.0% |

Area of Mining

- growth in mining volumes - production in Q1 2016 on all Saturdays ✓
- growth in the volume of coal sold in Q1 2016 by over 12% yoy ✓
- growth in revenue from sale of goods and materials ✓
- drop in price in Q1 2016 by over 10% yoy

We have been intensively working on the Group's cost and organisational efficiency



| [PLN mln] | Q1 2016 | 2016 Plan |
|--------------|-----------|--|
| Generation | 32 | 154 |
| Distribution | 47 | 175 |
| Mining | 6 | 29 |
| Other | 1 | 4 |
| Total | 86 | 362  |

- Business process optimisation
- Using the resources inside the Group
- Outsourced services rationalisation



In Q1 2016 we improved financial results on all key levels of the profit and loss statement



- The first full quarter of LW Bogdanka CG's results consolidation
- Good financial results of the area of mining, generation and distribution in a demanding market environment
- CAPEX expenditures totalling to PLN 381 billion in Q1 2016 with a safe value of net debt/EBITDA ratio on the level of 1.8
- Fixed costs optimisation programme implementation - PLN 86 mln savings in Q1 2016
- Focusing on the use of the Group's internal potential and strengthening its competitive position



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**LW Bogdanka CG implements
the assumed plan of mining and sales**

In Q1 2016 the volume of mining in LW Bogdanka complied with the adopted schedule of production and was significantly higher than in Q1 2015

| ['000 tonnes] | Q1 2015 | Q1 2016 | Change |
|----------------|-------------------|---------|-----------|
| Gross output | 2 974 | 3 733 | 25.5% ✓ |
| Net production | 1 990 | 2 335 | 17.3% ✓ |
| Yield | 66.9% | 62.6% | -4.3 p.p. |
| Sale of coal | 1 946 | 2 184 | 12.2% ✓ |
| Closing stocks | 350 ¹⁾ | 380 | 8.6% |

1) The level of stock presented as at 31 March 2015 included the coal deposit (33 thou. tonnes) realised for one of coal recipients. The deposit was fully accounted for by the Parent (supplied to recipients) until the end of 2015.

Using the economies of scale translated into an improvement in LW Bogdanka CG's results in Q1 2016



| [PLN mln] | Q1 2015 | Q1 2016 | Change |
|---------------------------------|---------|---------|---------|
| Net sales revenue | 428.3 | 420.6 | -1.8% |
| EBIT | 48.2 | 78.9 | 63.8% ✓ |
| EBITDA | 144.4 | 173.3 | 20.0% ✓ |
| Net profit | 32.7 | 54.4 | 66.6% ✓ |
| Net debt / EBITDA ¹⁾ | 0.67 | 0.52 | -0.15 ✓ |

1) Debt = long-term liabilities due to bond issue + long-term credits and loans + short-term credits and loans

In Q1 2016 nominal costs of LW Bogdanka CG dropped with a concurrent growth in sales of coal

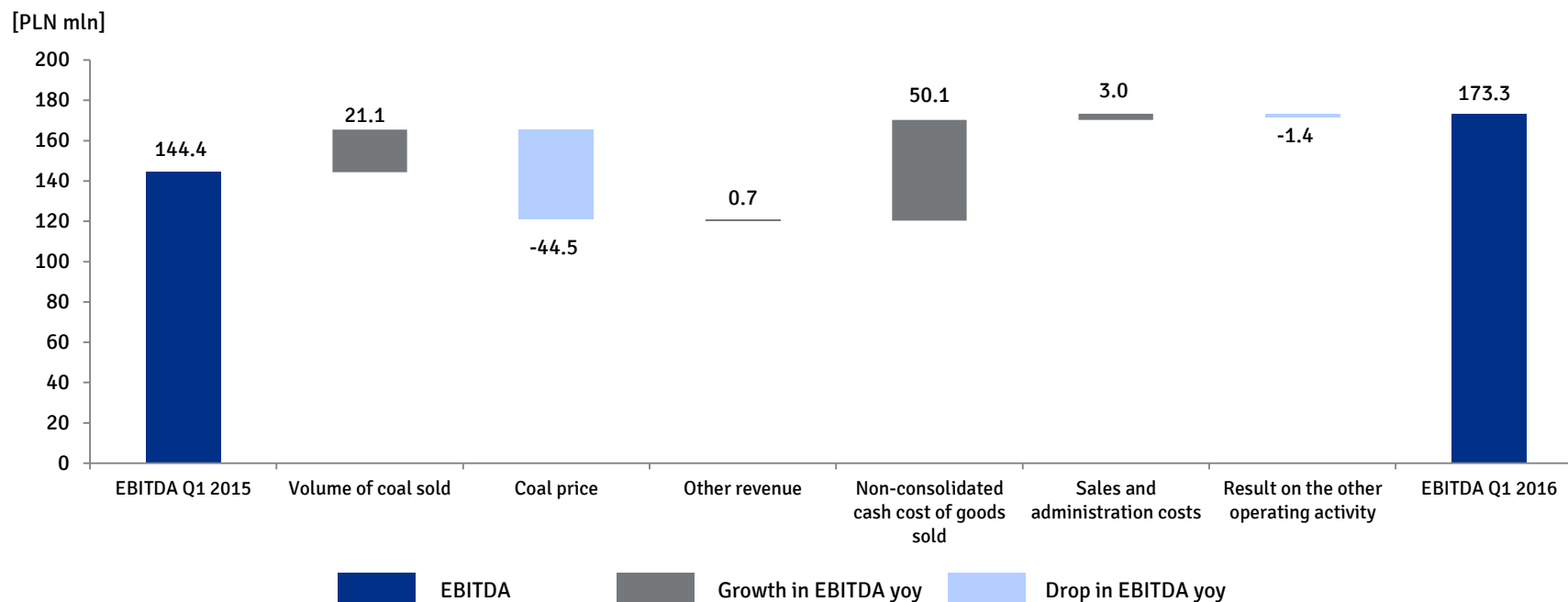


| [PLN mln] | Q1 2015 | Q1 2016 | Change |
|----------------|---------|---------|--------|
| LW Bogdanka CG | 144.4 | 173.3 | 20.0% |

Q1 2016

Increase of EBITDA by PLN 28.9 mln (20.0%)

- growth in volumes by 12.2% ✓
- drop in the unit cash cost of sold products, goods and materials ✓
- higher other costs (from sales of scrap) ✓
- Lower selling costs and administration costs (lower provisions e.g. for gratuity, allowances, severance pays) ✓
- drop in the price of sold coal by 10.5%
- negative result on the other operating activity (lower contractual penalties obtained, higher damages paid and granted subsidies)



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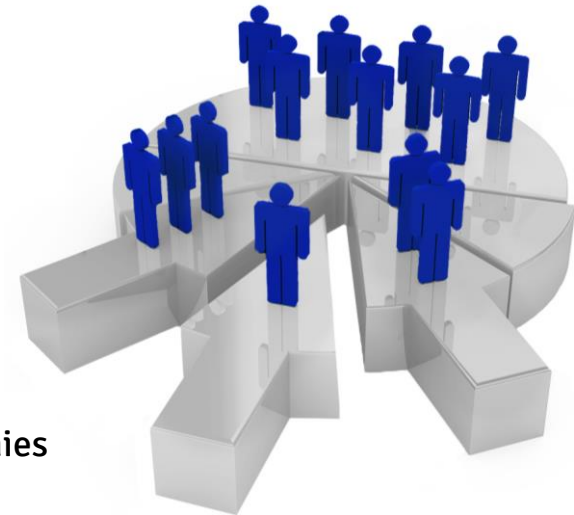


**Our goal is an optimum use
of each business area's potential**

We are competing with efficiency based on economic calculation



- Safety - “180 days without accident programme”
- Better working conditions and efficiency - construction of a central conditioning of Bogdanka field
- Investments within environmental protection e.g. extension of the object of extractive waste treatment
- Continuation of the process of obtaining new licences:
 - obtaining geological information relating to Ostrów deposit
 - application for a new licence for mining in K-6 and K-7 area of Cyców deposit
- Adjusting the production levels to sales conditions
- Rationalisation of costs directly related to production
- Appropriate employment structure – employees vs. third companies
- Capital expenditures optimisation



The investment's distinctive feature is the most modern, innovative and ecological solutions



Unit No. 11 - works realised in Q1 2016

- Assembly of the boiler house's main structure
- Assembly of the machine room's housing
- Assembly of a stator and rotor of the generator
- Assembly of cooling water pumps
- Assembly of start-up boilers
- Assembly of unit, tap and reserve transformers
- Assembly of electrostatic precipitator's supporting structure
- Reinforced concrete structures of ash tanks
- Reinforced concrete structure of gypsum store



of the progress
of the new unit's
construction

Successful tests: water and pressure test
of the boiler on the new unit's construction site



Our basic duty is guaranteeing the continuity of electricity supplies



- Realisation, as an Operator of the Distribution System, of duties within the development and maintenance of the power grid compliant the Energy Law:
 - Maintenance of the capacity of the equipment of power installations and power grid to guarantee uninterrupted and reliable supplies of energy, satisfying the quality requirements in force
 - Guaranteeing energy distribution services to all the customers based on an equal treatment



The implemented investments will affect the reduction of the grid exploitation costs

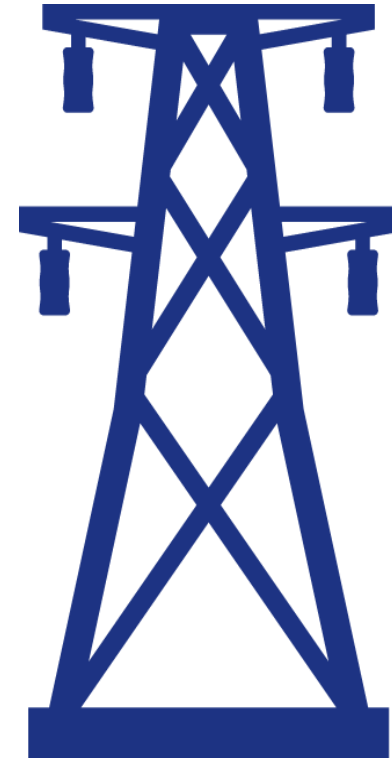
- Implementation of the Grid Information System - increasing the efficiency of grid assets management
 - access to full and updated knowledge on grid assets
 - exploitation costs optimisation
 - better efficiency of investment and maintenance processes
- Development of the concept of smart grids (AMI) - improvement of the grid management processes, in particular those connected with the area of metering information
- Scope of smart grid solutions implementation:
 - modernisation of MV/LV station (balancing meters installation)
 - AMI application implementation
 - pilot implementation of metering infrastructure



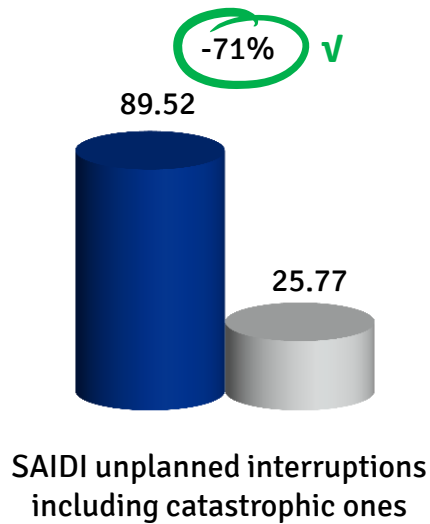
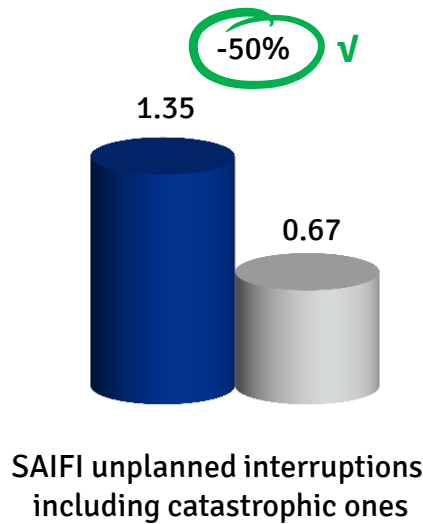
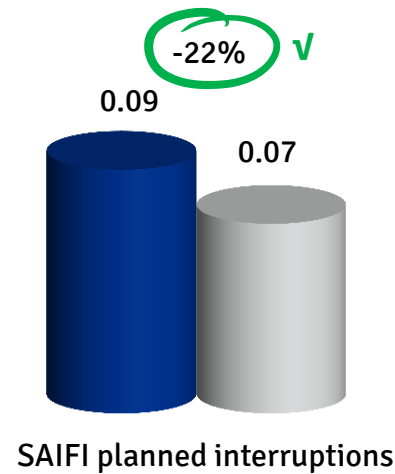
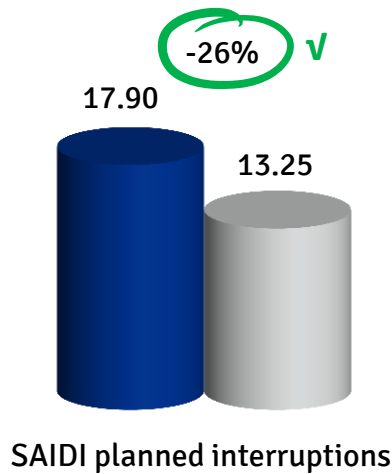
We are strengthening the security of electricity supplies in north-western Poland



- Extension and modernisation of the power infrastructure - increasing the energy security of north-western Poland and possibilities of connecting new objects to the grid, e.g.:
 - construction of Odra - Chlebowo and Łobez - Resko – Gryfice high voltage lines - increasing the energy security of Szczecin region and reliability of power supply for our Customers in this area
- Realisation of a long-term programme of medium-voltage network modernisation and automation:
 - permanent shortening of the duration and frequency of interruptions in energy supplies (quality regulation in force as of 1 January 2016)
 - improvement of grid exploitation processes and work organisation



In Q1 2016 we improved SAIDI and SAIFI ratios significantly



■ Q1 2016
■ Q1 2015



We are improving the methods of portfolio management and securing the position on the wholesale market of energy and fuels



- Implementation of the strategy of managing the portfolio of proprietary interests resulting from certificates of origin for electricity generated in RES
- Natural gas trade development on OTC market
- Development of the methodology of assessing and estimating the risk of electricity price increases and decreases during the offer-making period and securing the offer on the wholesale market
- Foreign energy and gas market analysis
- Continuing as the Market Animator on PPE



Our goal is to successively increase the level of Customer satisfaction



- Extending the product portfolio for households with a new offer titled ENERGY+ Expert
- Completion of a migration process of Customer data to the central billing system
- Development of modern communication channels - launching eCSC for all Customers
- Sales channels diversification - on-line sale of products
- Customer Service Centre network development and optimisation
- Supporting the Customer service via development of mini competence centres
- Development of analytical tools supporting sales





Good results despite
a demanding environment



Stable financial standing



Bulding an investment
potential for the future



**Works over the strategy
indicating new
development directions**





**We pursue a growth in efficiency in all the links
of the company's chain of values**

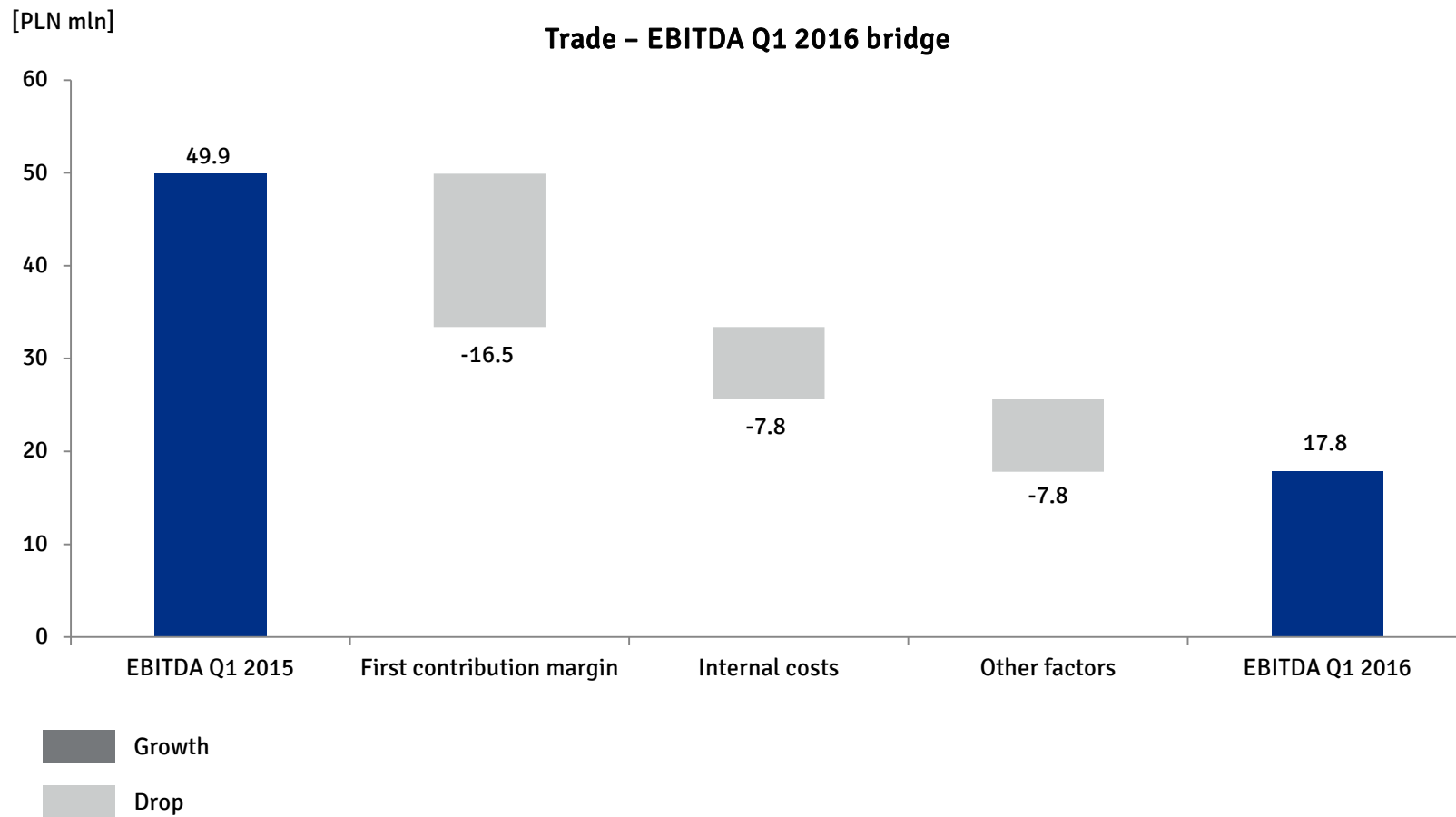
Q1 2016

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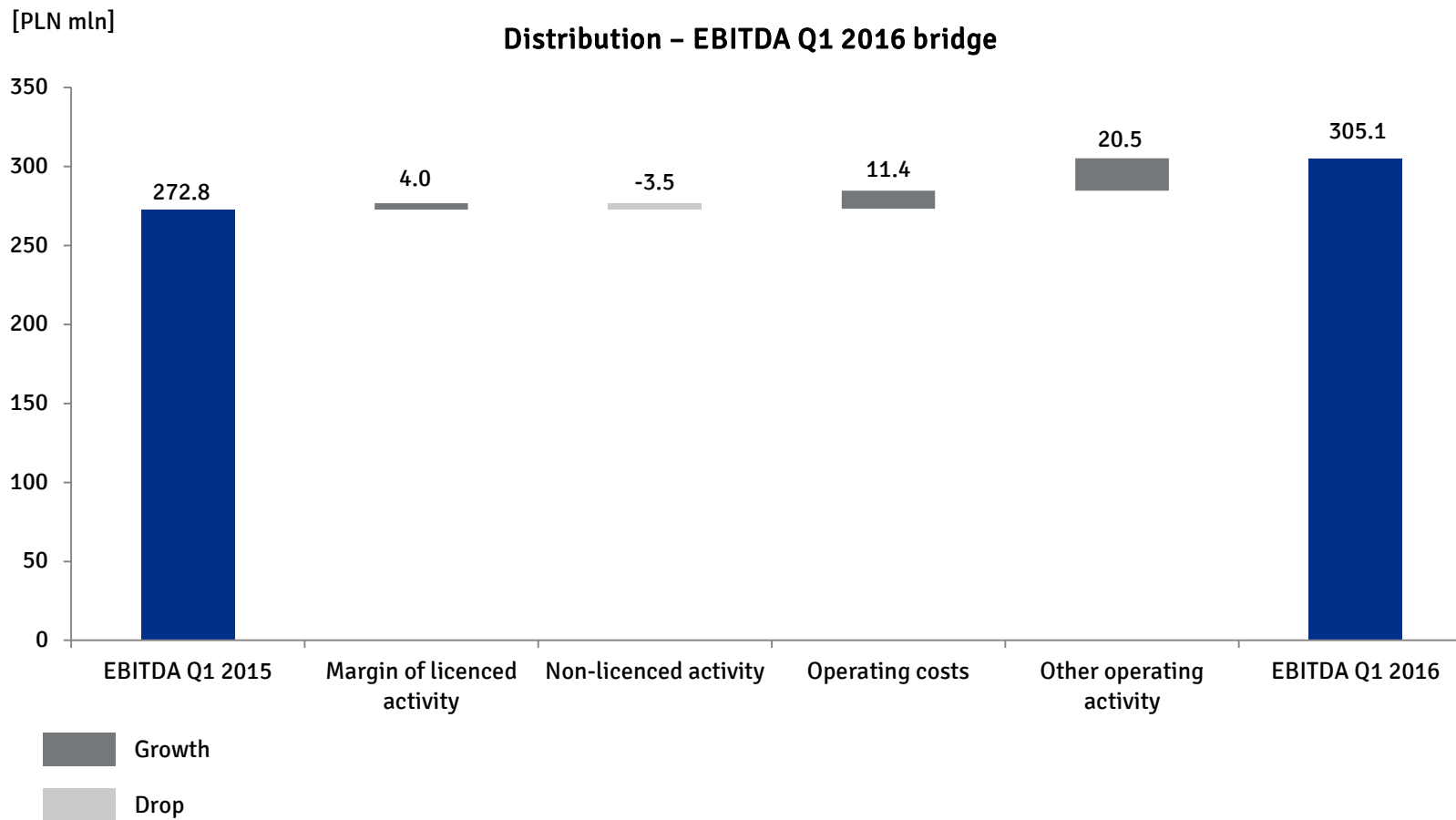


Additional information

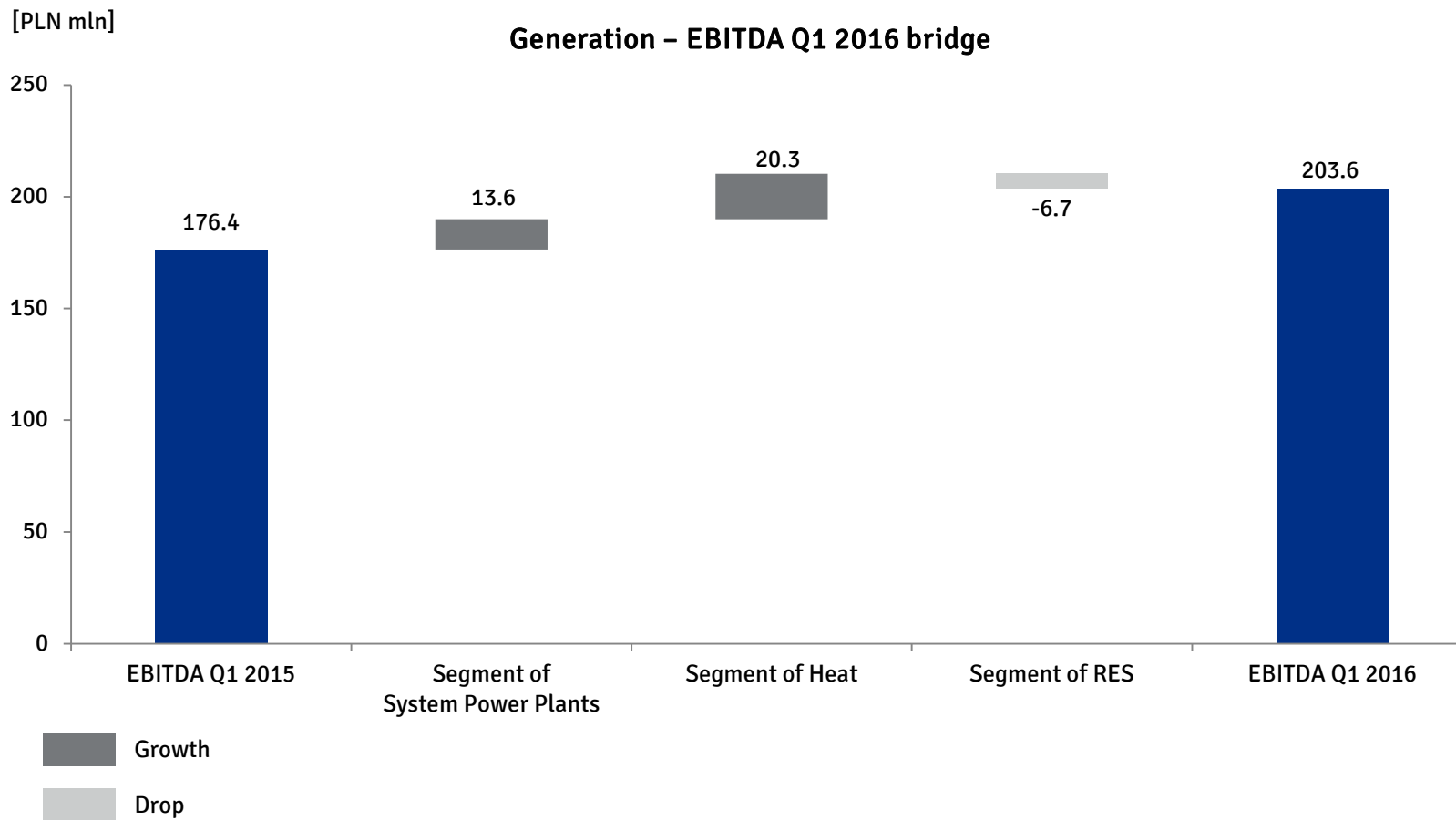
Attachment 1 – Lower first contribution margin and growth in turnover costs charged the area of trade’s EBITDA in Q1 2016



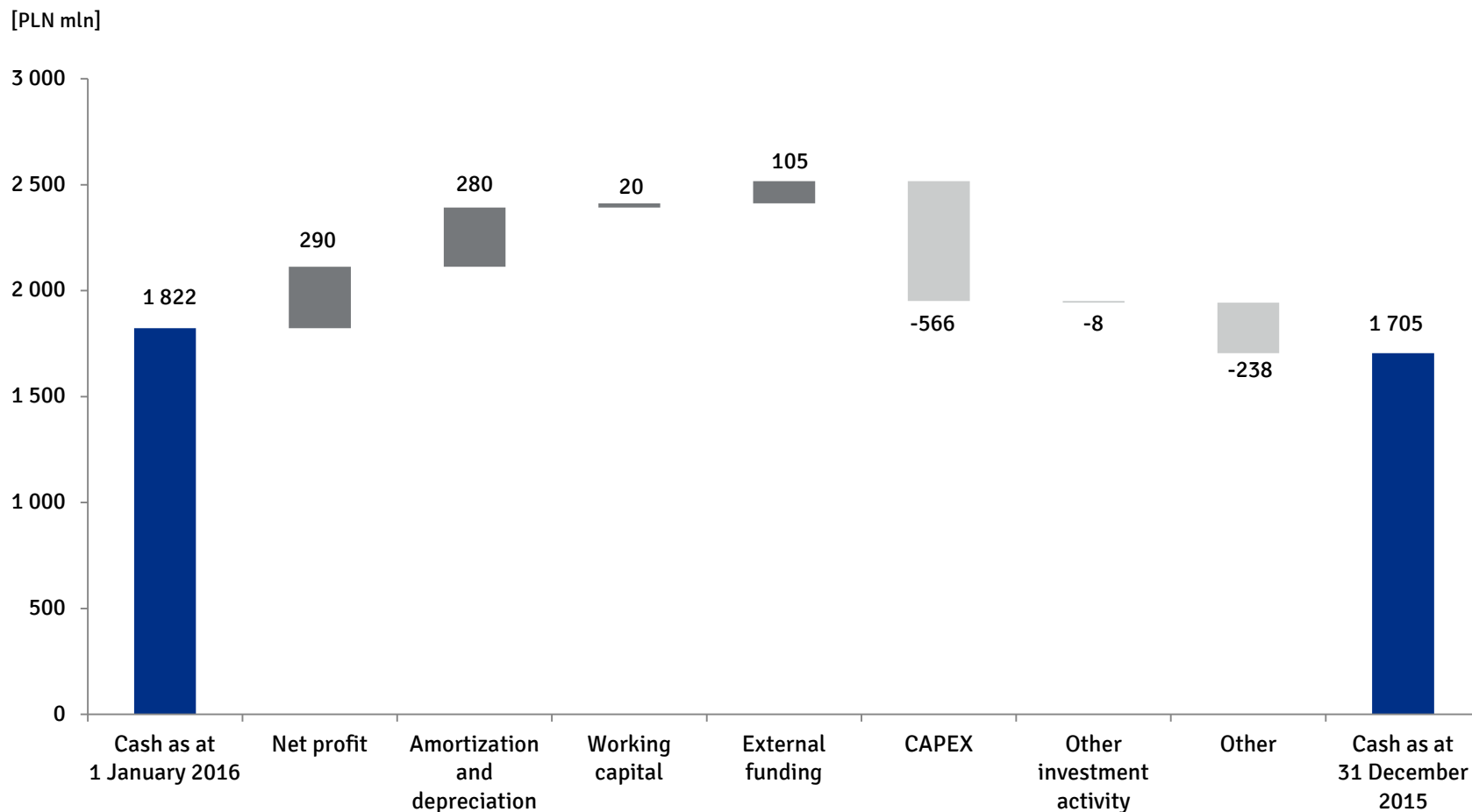
Attachment 2 - Lower operational costs and result on the other distribution activity affected a growth in the area of distribution in Q1 2016



Attachment 3 - In Q1 2016 the segment of system power plants and segment of heat positively contributed to the area of generation's EBITDA result



Attachment 4 - The Group's financial standing allows for an effective management of its growth



1) Acquisition of tangible and intangible assets and acquisition of subsidiaries adjusted with obtained cash