



Q1 2018: Stable Growth of ENEA Group



ENEA Group's **EBITDA increased by 5%** - growth was recorded mainly in the Trading, Distribution and Generation Areas



A **significant growth in electricity generation of almost 70%**, i.e. up by 2.6 TWh YoY



An **11% increase in sales of electricity and gas to retail customers**, i.e. up by 0.6 TWh YoY



Results of the Mining Area affected by one-off events and geological conditions

Key milestones across ENEA Group



Launch of Unit No. 11 for commercial operation

Completed comprehensive upgrade of Unit No. 10

Concerted focus on innovation and electromobility

Continued development of the product range – ENEA Eco supporting fight with smog and SMART HOME

Commissioning of the strategic power station in Kostrzyn-upon-Odra

Extension of the partnership cooperation project with vocational and technical schools

Improved operating results of ENEA Group



	Q1 2017		Q1 2018
GROSS GENERATION OF ELECTRICITY	3,756 GWh	▲ +69%	6,335 GWh
SALE OF DISTRIBUTION SERVICES	4,975 GWh	▲ +4%	5,182 GWh
RETAIL SALE OF ELECTRICITY AND GASEOUS FUEL	5,023 GWh	▲ +11%	5,597 GWh
NET COAL PRODUCTION	2.4 m tonnes	▼ - 13%	2.1 m tonnes

	Q1 2017		Q1 2018
NET SALES REVENUE	PLN 2,710 million	▲ +10%	PLN 2,989 million
EBITDA	PLN 666 million	▲ +5%	PLN 702 million
EBIT	PLN 383 million	▼ -11%	PLN 339 million
NET PROFIT	PLN 321 million	▼ -21%	PLN 254 million



Coal market, energy market, operating data

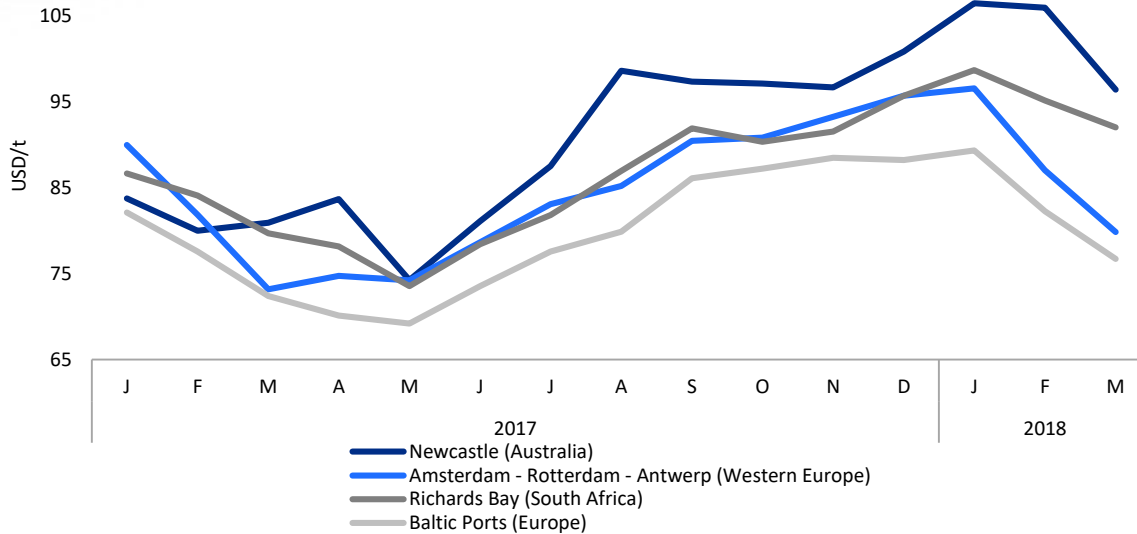
Financial results of ENEA Group in Q1 2018

Financial results of LW Bogdanka Group in Q1 2018

Summary

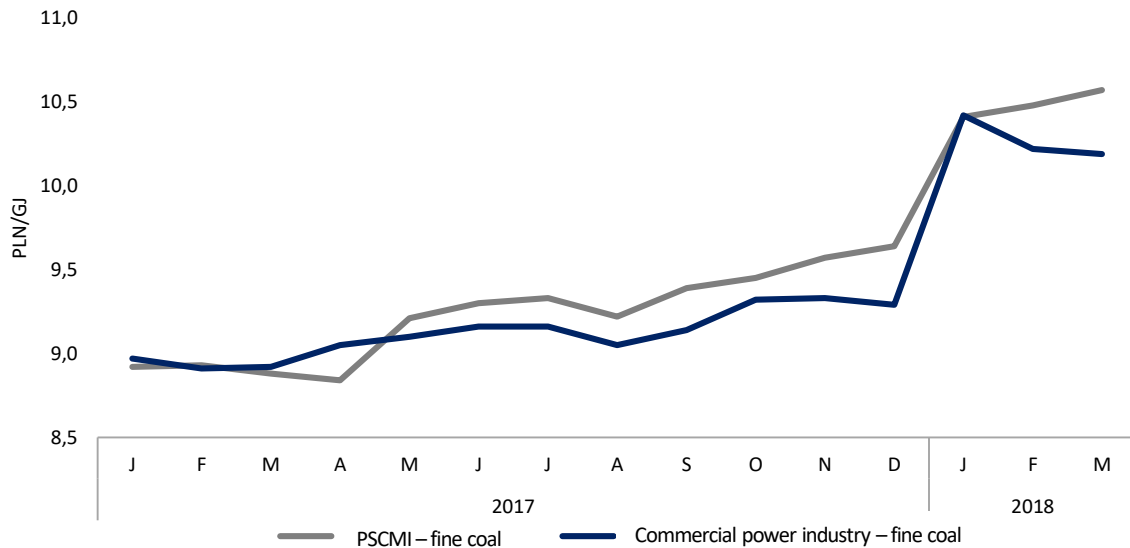
Additional information

In Q1 2018, coal prices on global markets were higher than in Q1 2017



Average prices in Q1 2018

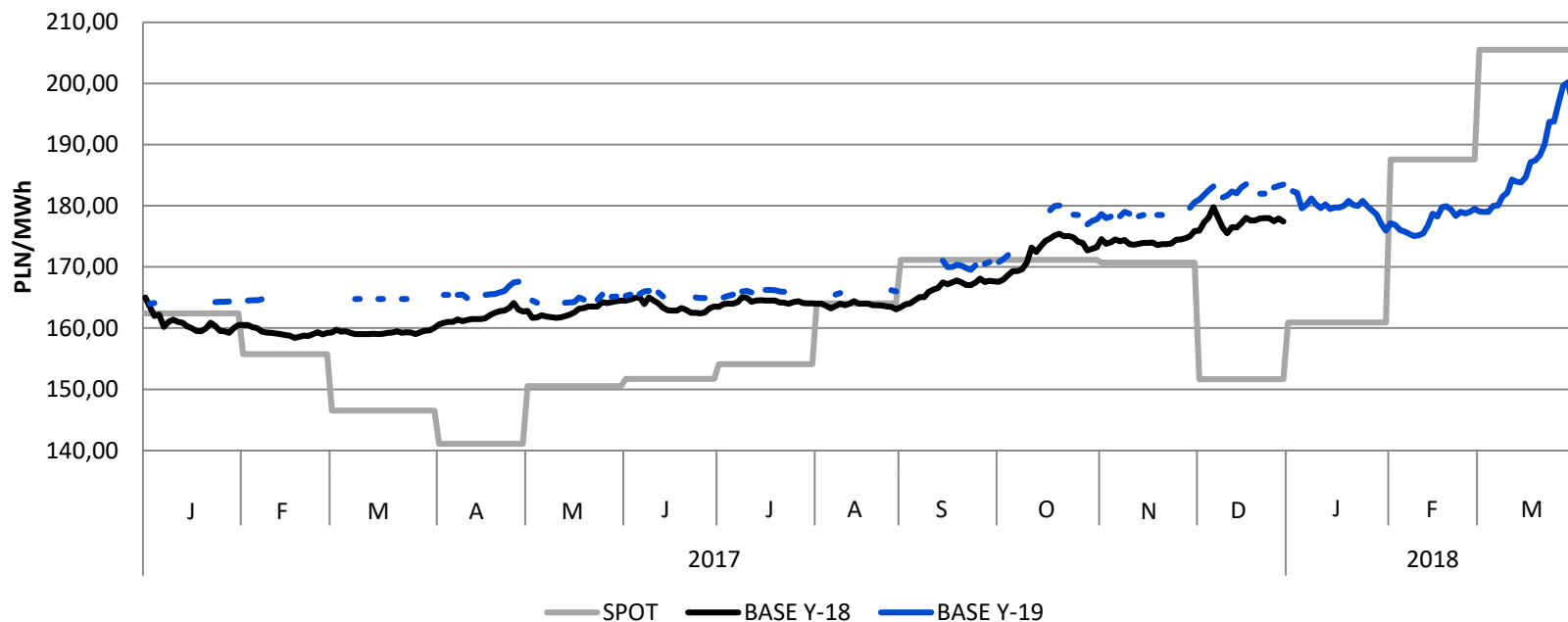
- Amsterdam - Rotterdam - Antwerp: 86.09 USD/t
- Richards Bay: 95.26 USD/t
- Newcastle: 102.92 USD/t
- Baltic Ports: 82.75 USD/t



In Q1 2018, the average price of fine coal for commercial power industry rose by **15.2%** in relation to Q1 2017

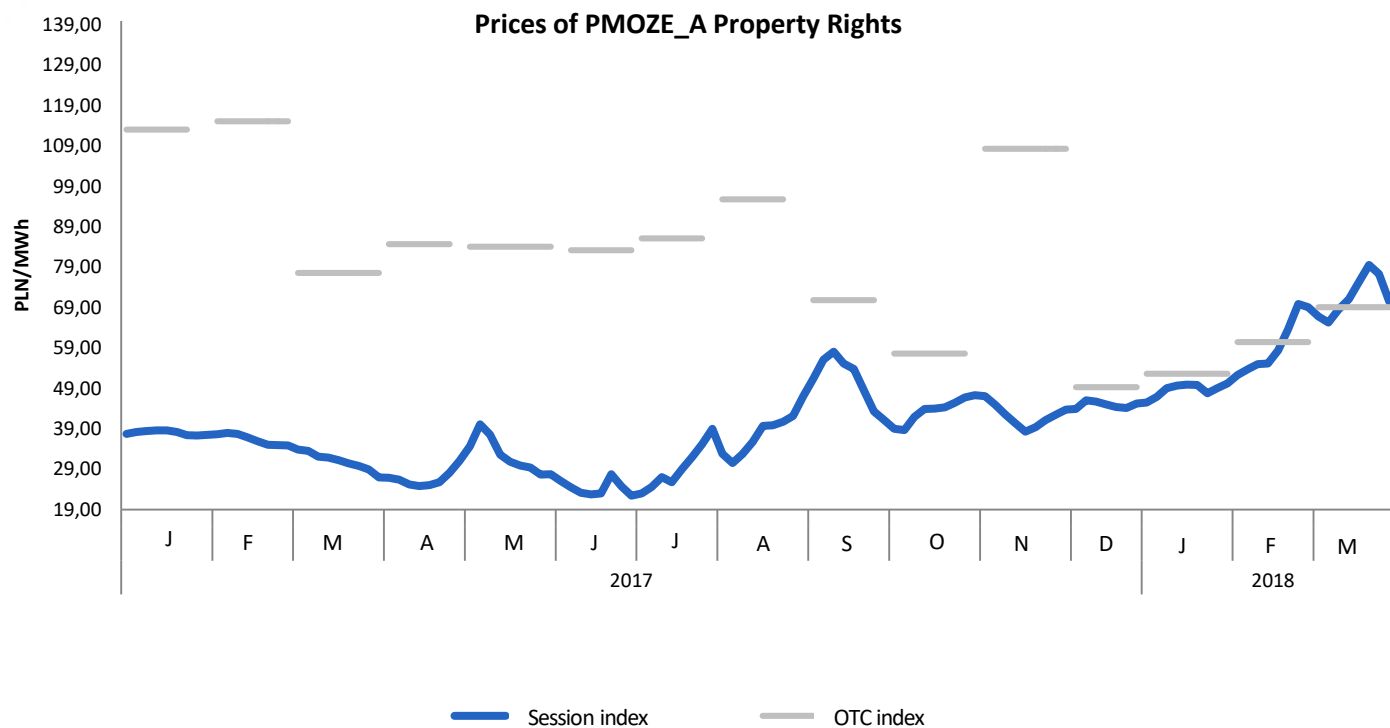
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BASE Y prices vs. SPOT prices



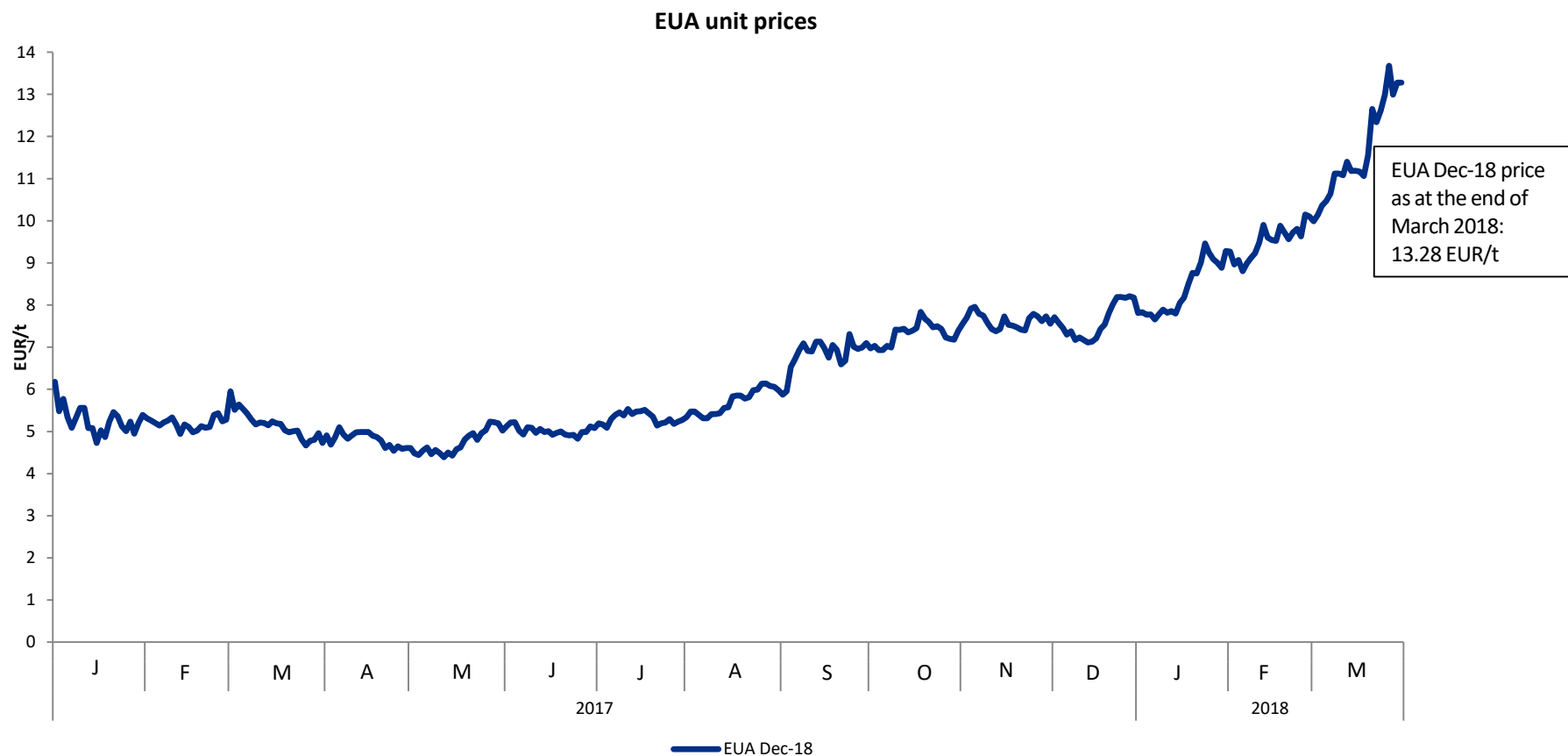
- As compared to Q1 2017, the average price on the SPOT market was higher by 18% in Q1 2018 and stood at 184.56 PLN/MWh
- In Q1 2018, the average price of energy on the forward market - baseload for 2019 grew by 3.3% to 185.46 PLN/MWh in relation to Q4 2017

The upward trend in prices of property rights continued in Q1 2018



- In Q1 2018, the average weighted value of the session index rose by 45% on Q4 2017 – to 69.12 PLN/MWh
- The index for the OTCS market in the same period remained on the same level as the session index and reached an average of 60.67 PLN/MWh

Prices of CO₂ emission allowances are at their highest level since 2011



A significant growth in the volume of electricity generation

Operating data of ENEA Group (GWh)	Q1 2017	Q1 2018	% change
Total generation of electricity, including:	3,756	6,335	68.7%
<i>Kozienice Power Plant</i>	3,462	4,131	19.3%
<i>Połaniec Power Plant ¹⁾</i>	2,049	2,204	7.6%
<i>Including in ENEA Group</i>	294	2,204	650%

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

¹⁾ In ENEA Group since 14 March 2017

We recorded an increase in the sales volumes to retail customers and end users



Sales figures of ENEA Group	Q1 2017	Q1 2018	% change
Sale of electricity and gaseous fuel to retail customers (GWh)	5,023	5,597	11.4%
Sale of distribution services to end users (GWh)	4,975	5,182	4.2%

- In Q1 2018, there was a considerable rise in the total volume of sale of electricity and gaseous fuel to retail customers by 574 GWh as well as of distribution services to end users by 207 GWh year-on-year

Factors of geological and hydrogeological nature determine the production and sale of commercial coal

Operating data of LW Bogdanka	Q1 2017	Q1 2018	% change
Net production ['000 tonnes]	2,422	2,095	-13.5%
Coal sales ['000 tonnes]	2,389	1,967	-17.7%
Closing stocks ['000 tonnes]	158	152	-3.8%
Headway excavations [km]	8.1	9.0	11.1%



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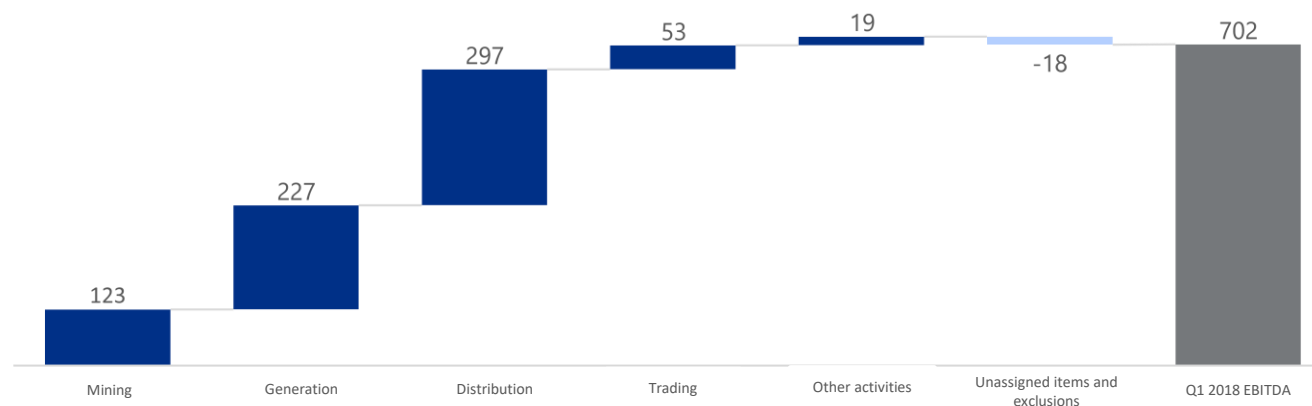
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Results of ENEA Group [PLN m]	Q1 2017	Q1 2018	% change
Net sales revenue	2,710	2,989	10.3%
EBITDA	666	702	5.4%
EBIT	383	339	-11.4%
Net profit	321	254	-20.9%
Net profit attributable to shareholders of the parent company	295	241	-18.3%

Significant growth of Distribution and Generation EBITDA



Q1 2018 EBITDA [PLN m]	123.3	227.2	297.5	53.3	19.1	-18.2	702.1
Share in Q1 2018 EBITDA	17.6%	32.4%	42.4%	7.6%	2.7%	-2.6%	100.0%
EBITDA margin	30.9%	13.8%	42.2%	3.7%	13.6%	-	23.5%
Change [PLN m]	-55	25	35.1	2.5	13	15.2	35.7
Change [%]	-30.8%	12.3%	13.4%	4.9%	214.6%	45.4%	5.4%

Mining



(-) A lower coal sales volume (down by 422,000 t), at a higher price
 (+) 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 of PLN 28.7 million
 (-) A decrease in revenues from other products and services

Generation



(+) Higher revenues from Regulatory System Services by PLN 2.4 million
 (+) A higher generation margin by PLN 13.6 million
 (+) Higher margin on trading and on Balancing Market by PLN 4.5 million
 (-) Higher overheads by PLN 16.0 million
 (+) A positive impact of ENEA Elektrownia Połaniec on EBITDA of PLN 23.6 million

Distribution



(+) A higher volume of distribution services sold – up by PLN 23 million
 (+) A higher result on other operating activities by PLN 26 million
 (-) Higher costs by PLN 10 million, mainly third party services and property tax

** Lower revenues from sales of distribution services – result of implementation of IFRS 15*

Trading

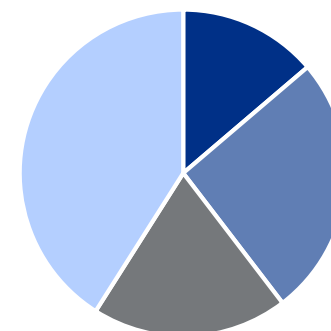


(-) Higher average purchase price of energy by 1.6%
 (+) Higher volume of energy sales by 12.2%
 (-) Lower average sale price of energy by 1.5%
 (-) Higher costs of ecological obligations by 30.1%
 (+) Lower provisions for claims under terminated contracts on RES property rights by PLN 16.8 million

We implement our investment projects in accordance with the plan

CAPEX [PLN m]	Q1 2017	Q1 2018	Status of plan implementation	Plan for 2018
Generation	244.6	60.2	10.1%	596.0
Distribution	150.0	113.0	11.7%	966.6
Mining	65.4	84.8	17.1%	496.0
Support and other	34.3	179.4	49.7%	360.8
TOTAL Plan implementation	494.3	437.4	18.1%	2,419.4
Equity investments ¹⁾	1,347.1	0	-	-
TOTAL ENEA Group's CAPEX	1,841.4	437.4	-	-

Capital expenditure in Q1 2018



- 14% Generation
- 26% Distribution
- 19% Mining
- 41% Support and other

PLN 31 million
of pro-environmental investment
in Q1 2018

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



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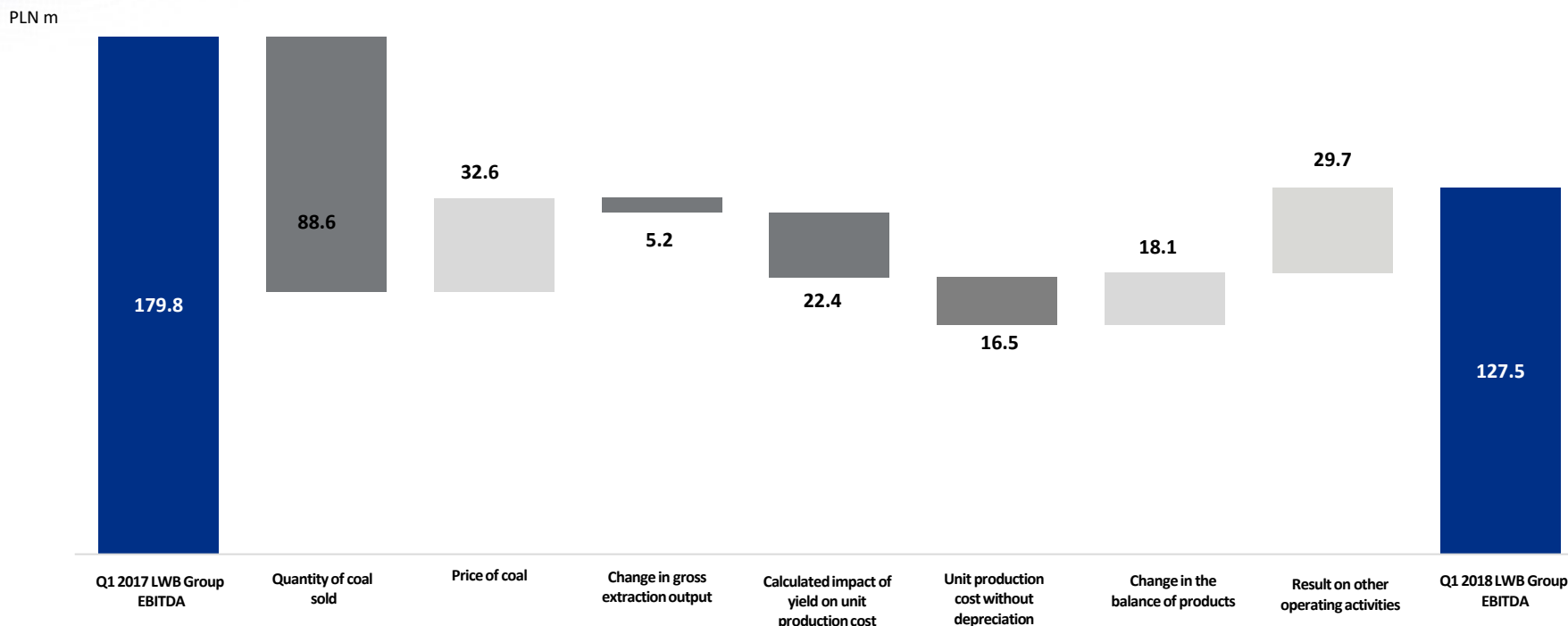
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Q1 2018 sales revenue was affected by lower coal production

Financial results of LW Bogdanka Group [PLN m]	Q1 2017	Q1 2018	Change
Net sales revenue	465	399	-14.2%
EBIT	90	29	-67.8%
<i>EBIT excluding one-offs</i>	90	0	-100.0%
EBITDA	180	127	-29.4%
<i>EBITDA excluding one-offs</i>	180	99	-45.0%
Net profit	68	23	-66.2%
<i>Net profit excluding one-offs</i>	68	-2	-102.9%
CAPEX	66	85	28.8%

Decrease in Q1 2018 EBITDA – production and sales under pressure of mining and geological difficulties, higher price of coal and higher result on other activities



Q1 2018

- ✓ A decrease in EBITDA by PLN 52.3 million (down by 29.1%)
- ✓ A decrease in revenues from coal sales of PLN 56 million: sales volume lower by 17.7% (-422,000 t), at a higher price for GJ
- ✓ Higher costs due to higher gross extraction output (PLN -5.2 million)
- ✓ An increase in the unit production cost without depreciation due to lower yield (lower production at higher extraction output) (an estimated impact of PLN -22.4 million) and an increase (PLN -16.5 million) in nominal costs of:
 - third party services – first of all the cost of work on Saturdays and Sundays,
 - materials – higher gross extraction output, geological and hydro-technological issues – the need to secure walls and the continuity of extraction, more preparatory works required
 - higher salaries (salary raise paid, 3 instalments of additional incentive bonus and an increase in average employment)
- ✓ A change in the stocks (capitalisation of costs in the amount of PLN 18.1 million)
- ✓ A higher result on other operating activities: mainly, settlement of the arrangement concluded between LW Bogdanka S.A. and the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras – a positive impact on EBITDA of PLN 28.7 million



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2018 trends in comparison to 2017

Area	2018 trend	Key drivers
Mining	Under review	<ul style="list-style-type: none"> (+) Coal price stabilisation (+) Drilling of new heading excavations (-) Higher fixed costs (wages and raw materials) (-) Renovation of railway routes (-) Geological difficulties in Q1 2018
Generation	Under review	<ul style="list-style-type: none"> (+) Increased generation of electricity (-) Potentially lower limit of free CO₂ (-) Higher price of CO₂ and coal, and higher transportation costs (-) Higher fixed costs (mainly due to the launch of Unit No. 11)
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)
Trading	Under review	<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 1st contribution margin in the trading area (-) Increased costs of environmental obligations, including increased obligation base and significantly increased prices of „green“ RES Property Rights

- ✓ Revenue: **PLN 2.99bn** • EBITDA: **PLN 702m** • Net profit: **PLN 254m**
- ✓ CAPEX: **PLN 437m** • Net debt/EBITDA: **2.0**
- ✓ **5.6 TWh** - sale of electricity and gas to retail customers
- ✓ Growth in electricity generation of almost **70%**, i.e. **up by 2.6 TWh YoY**
- ✓ **Temporary geological difficulties** in the Mining Area



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Results of the Generation Area's segments



[PLN m]	Generation, including:								
	System Power Plants			Heat			RES		
	Q1 2017	Q1 2018	Change	Q1 2017	Q1 2018	Change	Q1 2017	Q1 2018	Change
Sales revenue	710	1,397	687	153	174	21	28	80	52
EBIT	81	22	-59	56	51	-5	-2	11	13
EBITDA	129	144	15	69	64	-5	5	19	14
CAPEX	220	53	-167	25	7	-18	0	1	1



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