



**Taken business decisions  
enhance Enea CG's competitiveness**

Q2, H1 2015

## Agenda

### Energy market and key operating data



Enea CG's financial results in Q2 and H1 2015



Final settlement of Long-term Agreements



Termination of the agreement with LW Bogdanka



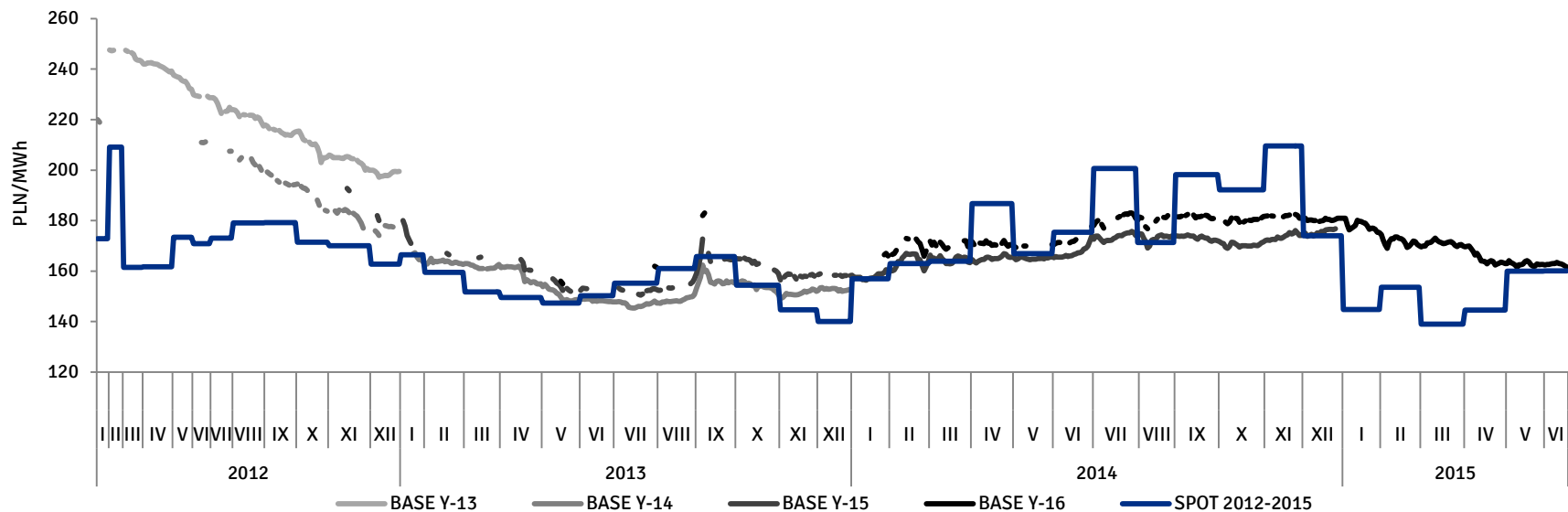
Realised activities and investments



**Enea Group adjusts its operations  
to the conditions on the energy market**

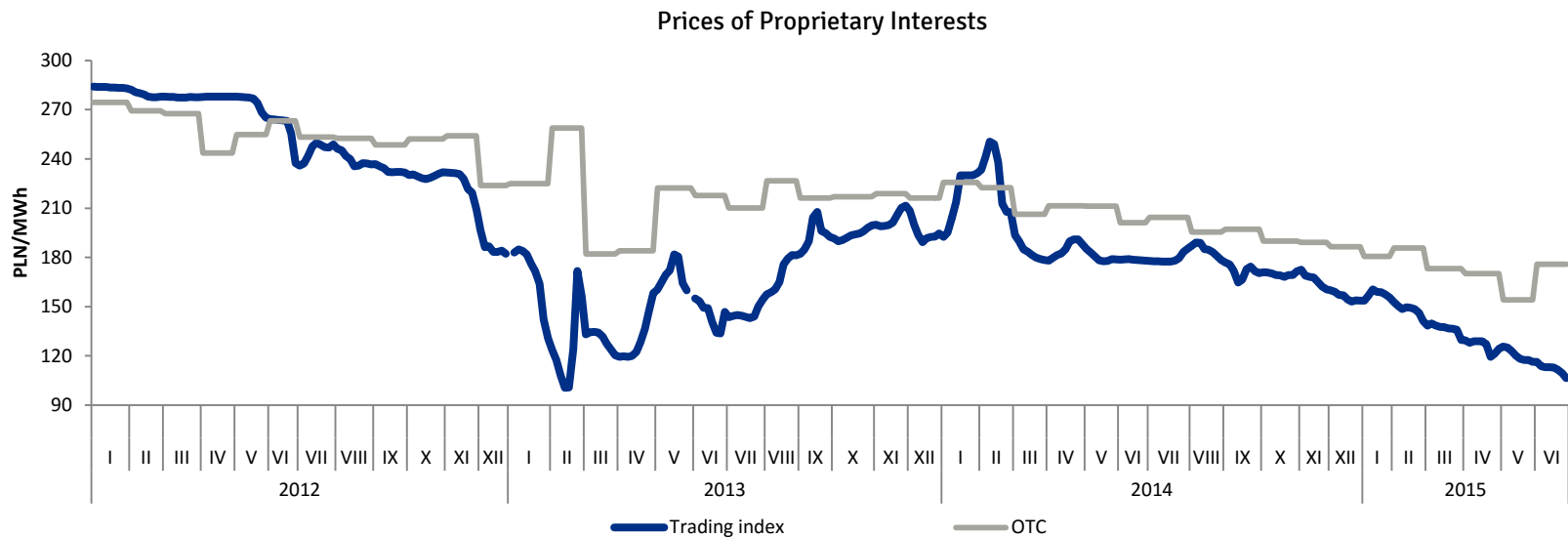
## In H1 2015, both on the forward and spot markets, significant price drops were reported

BASE Y-13, BASE Y-14, BASE Y-15, BASE Y-16 prices and SPOT prices



- Lower average price of baseload in H1 2015 by 10.9% yoy
- SPOT market was affected by:
  - relatively high level of power available for OTS
  - high level of wind generation
  - mild winter
  - high level of forward market participants' contracting
- Baseload price for 2016 dropped from 181 PLN/MWh at the beginning of January to 161.91 PLN/MWh at the end of June
- Decreases in electricity prices stemmed from:
  - oversupply of fuel coal
  - planned increases in capacity in wind power plants
  - planned growth in possibilities of importing energy to Poland in conjunction with low energy prices on foreign markets

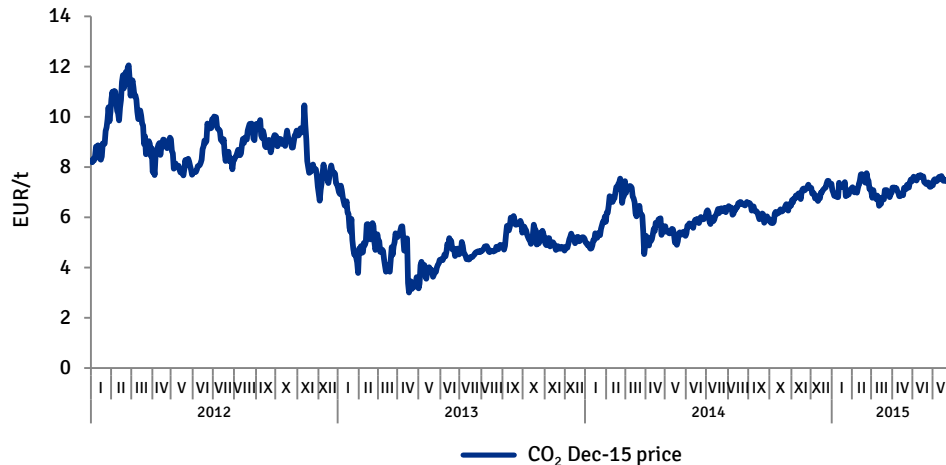
## Proprietary interests' prices in H1 2015 were in a downward trend



- The changes in the prices of PMOZE\_A in H1 2015 were affected mainly by:
  - legislative works over the RES act
  - growing oversupply of allowances in the register
    - after the realisation of the obligation for 2014 the oversupply, deducting Q1 2015's production, amounted to 9.6 TWh
- as at the end of June 2015, the number of unredeemed interests in the register amounted to ca. 19 TWh
- In H1 2015 the average weighted value of the index dropped by 19.4% amounting to 136.39 PLN/MWh

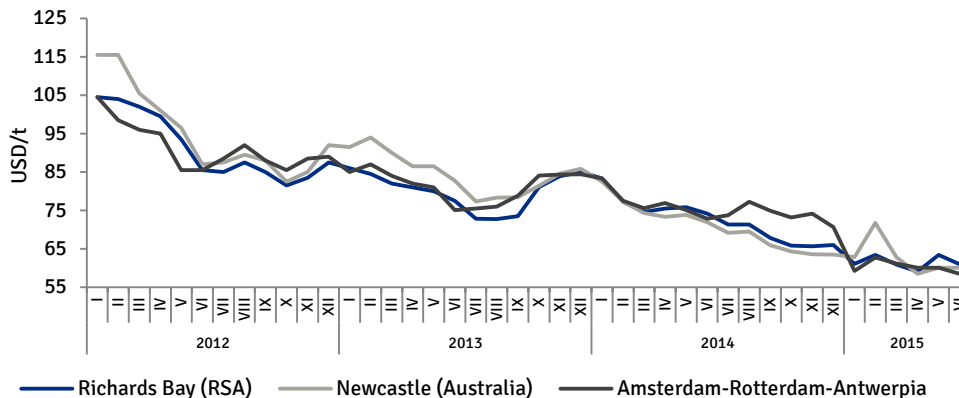
## Global coal prices are still on very low levels

EUA price



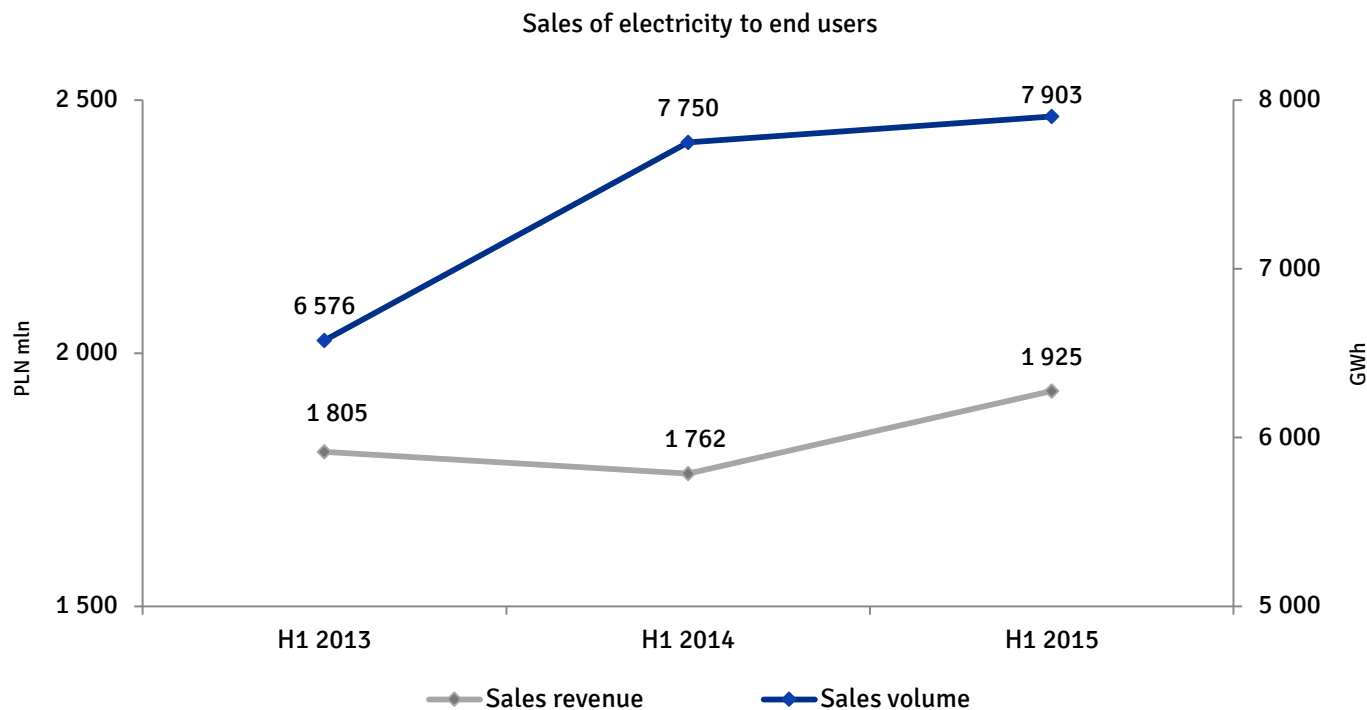
- The emission allowance market was affected by:
  - fundamental factors - a significant oversupply of allowances on the market
  - activities performed on the European Union's political scene, mainly as regards the market stabilisation reserve (MSR)
- EUA allowance price on the forward market with delivery in December 2015 grew by 5.2% during H1 2015

Monthly indices of coal prices (globalCOAL)



- Coal price fluctuations on foreign markets oscillated around 60 USD/t
- Prices reported at the end of H1 2015:
  - Amsterdam-Rotterdam-Antwerp: 58.55 USD/t
  - Richards Bay: 61.00 USD/t
  - Newcastle: 60.10 USD/t

## In H1 2015, we increased revenue from sales of energy to end users by over 9%



Higher volumes of sales by 153 GWh and higher average selling price of electricity resulted in the fact that in H1 2015 revenue from sales of energy to end users grew by PLN 163 mln, which is by over 9%.

## Enea Group increased energy production from conventional sources

[GWh]	Q2 2014	Q2 2015	Change	H1 2014	H1 2015	Change
Total generation of energy, including:	2 972	3 330	12.0% ✓	6 114	6 293	+2.9% ✓
Conventional generation	2 718	3 103	14.2% ✓	5 584	5 795	+3.8% ✓
RES generation	254	227	-10.6%	530	498	-6.0%



Generation from RES - low flows in rivers resulting from unfavourable hydrological conditions in H1 2015



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**The financial growth dynamics were affected  
by the effect of the high Q2 2014 base**

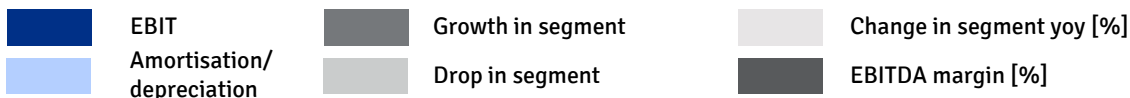
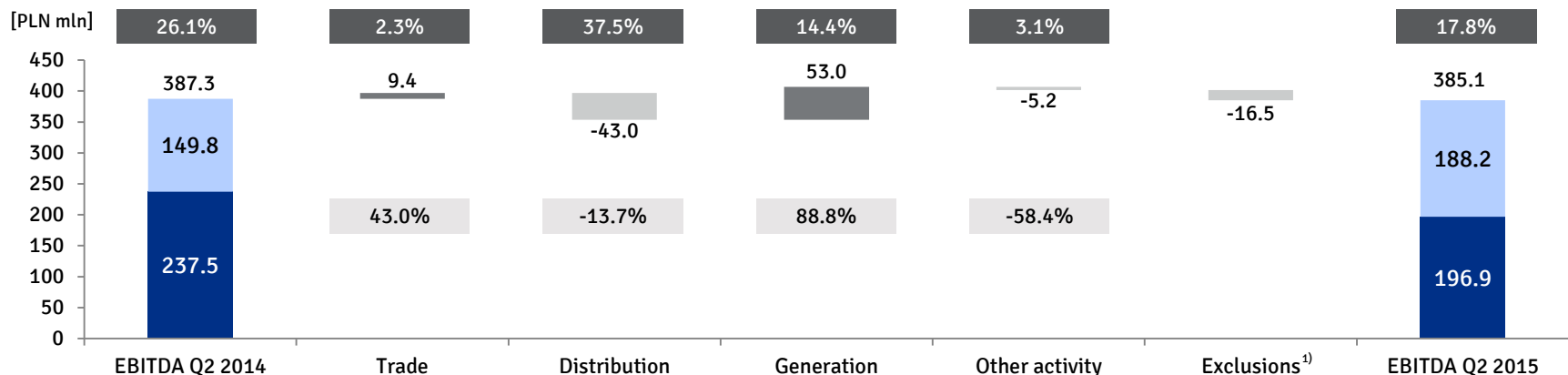
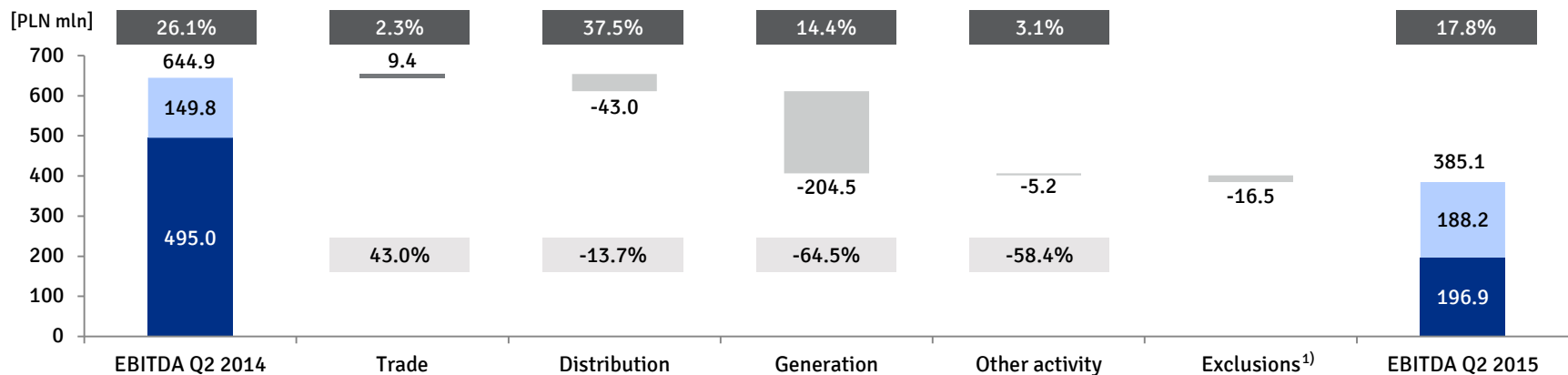
## The comparison of yoy results is affected the most by the recognition in June 2014 of revenue from Long-term Agreements in the amount of PLN 258 mln

[PLN mln]	Q2 2014	Q2 2014 - excluding LTA	Q2 2015	Change	Change - excluding LTA
Net sales revenue	2 466.5	2 209.0	2 165.8	-12.2%	-2.0%
EBITDA	644.9	387.3	385.1	-40.3%	-0.6%
Net profit	417.9	209.3	152.9	- 63.4%	-27.0%
Net debt/EBITDA	-0.2	-0.2	0.8	1.0	1.0

[PLN mln]	H1 2014	H1 2014 -excluding LTA	H1 2015	Change	Change - excluding LTA
Net sales revenue	4 840.2	4 582.7	4 612.2	-4.7%	+0.6% ✓
EBITDA	1 109.2	851.7	894.1	-19.4%	+5.0% ✓
Net profit	629.6	421.0	418.3	-33.6%	-0.6%
Net debt/EBITDA	-0.2	-0.2	0.8	1.0	1.0

## After exclusion of PLN 258 mln revenue from Long-term Agreements the greatest growth in EBITDA in Q2 2015 was reported by Enea Group in the segment of generation



1) Includes undistributed expenses of the whole Group and exclusions

## After exclusion of PLN 258 mln revenue from Long-term Agreements the greatest growth in EBITDA in Q2 2015 was reported by Enea Group in the segment of generation

[PLN mln]	Q2 2014	Q2 2015	Change
Trade	21.8	31.2	43.0%

### Segment of trade

Increase of EBITDA by PLN 9.4 mln (43.0%)

- higher average selling price by 7.8% ✓
- result on gaseous fuel ✓
- lower volumes of sales by 114 GWh
- higher average purchase price of energy by 4.7%
- higher costs of ecological obligations by PLN 8 mln

[PLN mln]	Q2 2014	Q2 2015	Change
Distribution	313.7	270.8	-13.7%

### Segment of distribution

Drop of EBITDA by PLN 43.0 mln (-13.7%)

- higher revenue from the sale of distribution services to end users by 24 mln PLN ✓
- employment optimisation ✓
- recognition in 2014 of a reserve discount for transmission corridors in the amount of PLN 26 mln
- higher costs of transmission services by PLN 18 mln
- lower revenue from grid connection fees by PLN 14 mln

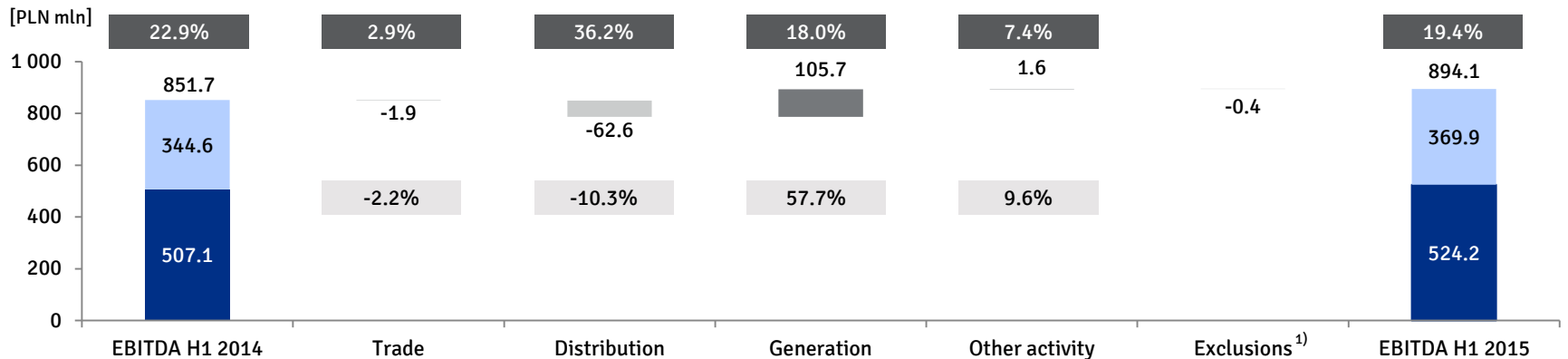
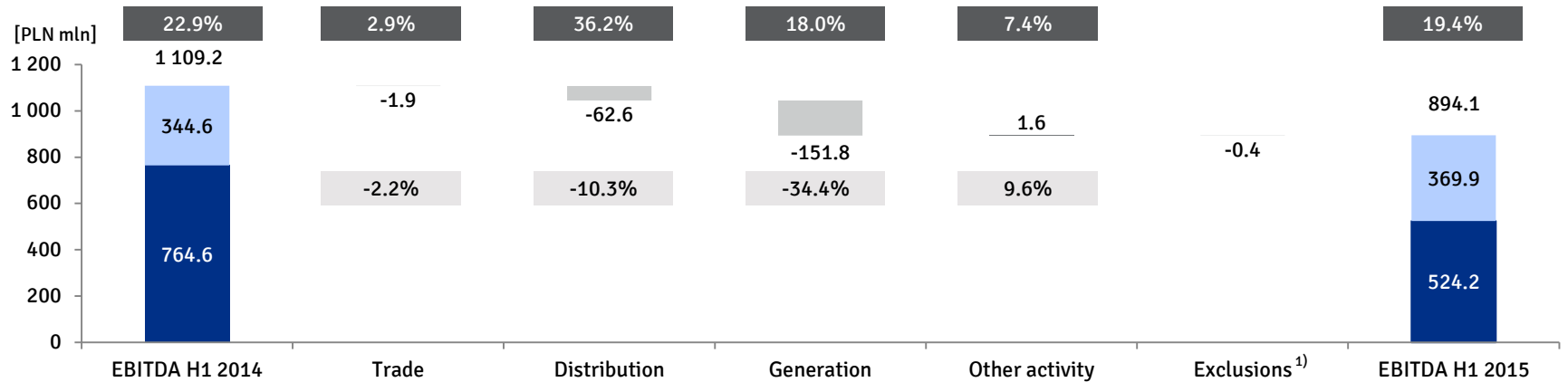
[PLN mln]	Q2 2014	Q2 2015	Change
Generation	317.2	112.7	-64.5%
<i>excluding Long-term Agreements</i>	59.7	112.7	88.8%

### Segment of generation

EBITDA lower by PLN 204.5 mln (-64.5%) - excluding Long-term Agreements a growth by PLN 53.0 mln (88.8%)

- higher margin on generation (by PLN 32 mln), trade and the Balancing Market (by PLN 12 mln) ✓
- higher revenue from sales of heat by PLN 10 mln ✓

## After deduction from the results of H1 2015 of revenue from Long-term Agreements, Enea Group's EBITDA grew by PLN 43 mln in H1 2015



EBIT  
 Amortisation/depreciation  
 Growth in segment  
 Drop in segment  
 Change in segment yoy [%]  
 EBITDA margin [%]

1) Includes undistributed expenses of the whole Group and exclusions

## After deduction from the results of H1 2015 of revenue from Long-term Agreements, Enea Group's EBITDA grew by PLN 43 mln in H1 2015

[PLN mln]	H1 2014	H1 2015	Change
Trade	82.9	81.1	-2.2%

### Segment of trade

Drop of EBITDA by PLN 1.9 mln (-2.2%)

- higher average selling price by 7.1% ✓
- higher volumes of sales by 153 GWh ✓
- result on gaseous fuel ✓
- higher average purchase price of energy by 8.0%
- higher costs of ecological obligations by PLN 60 mln

[PLN mln]	H1 2014	H1 2015	Change
Distribution	606.2	543.6	-10.3%

### Segment of distribution

Drop of EBITDA by PLN 62.6 mln (-10.3%)

- higher revenue from the sale of distribution services to end users by 66 mln PLN ✓
- employment optimisation ✓
- higher costs of transmission services by PLN 34 mln
- recognition in 2014 of the final settlement of electricity purchases for coverage of the book-tax difference for 2013 in PLN 33 mln (one-off)
- recognition in 2014 of a reserve discount for transmission corridors in the amount of PLN 26 mln
- lower revenue from grid connection fees by PLN 20 mln

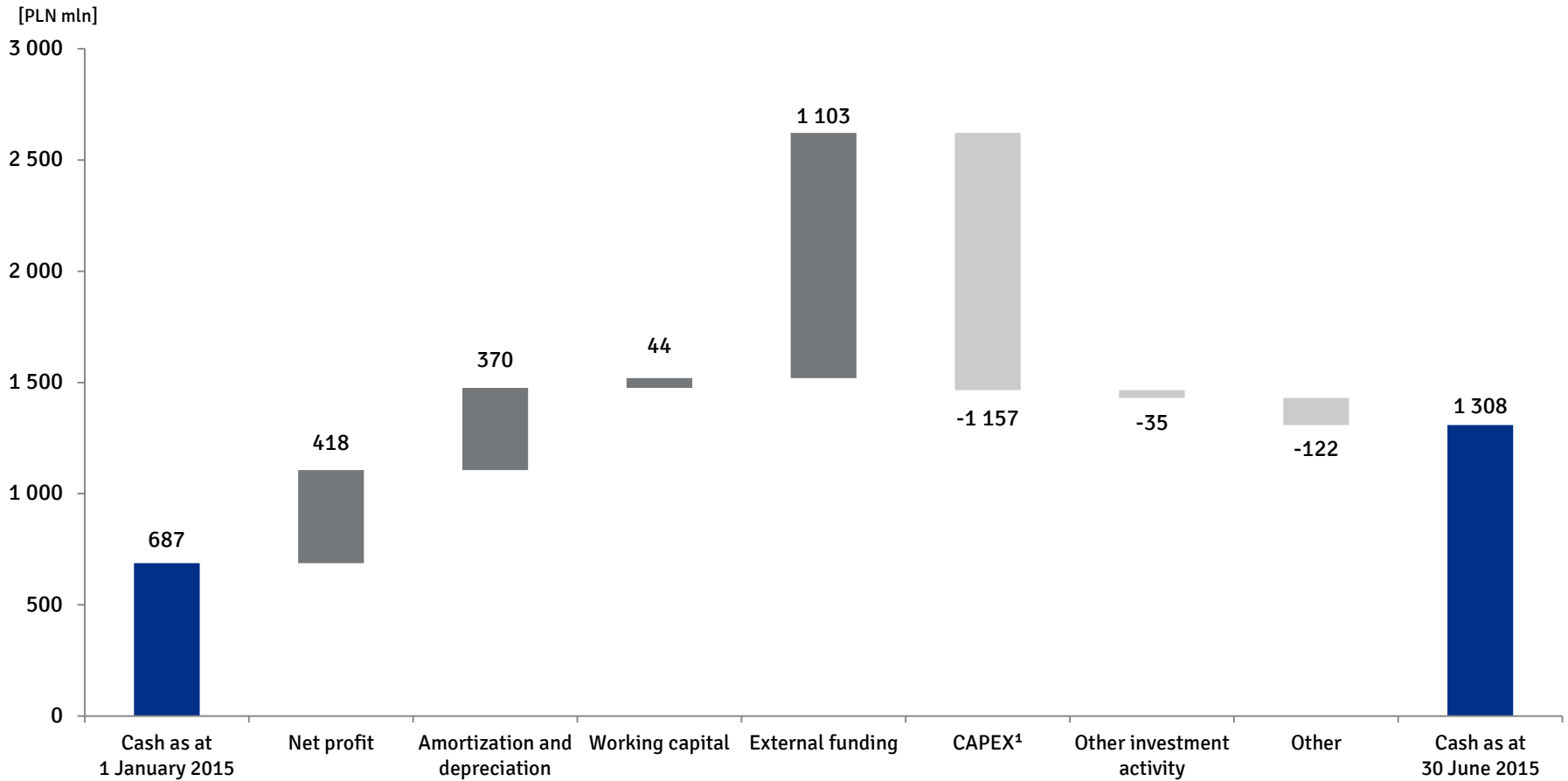
[PLN mln]	H1 2014	H1 2015	Change
Generation	440.9	289.1	-34.4%
<i>excluding Long-term Agreements</i>	183.4	289.1	57.7%

### Segment of generation

EBITDA lower by PLN 151.7 mln (-34.4%) - excluding Long-term Agreements a growth by PLN 105.7 mln (57.7%)

- higher margin on generation (by PLN 51 mln), trade and the Balancing Market (by PLN 32 mln) ✓

## 2015 is the period of the highest capital expenditures for Enea Group



1) Acquisition of property, plant and equipment and intangible assets of Enea CG in H1 2015



## Implementation of the fixed costs optimisation programme brings indicative results to the Group

[PLN mln]	2014	H1 2015	Total
Generation	133	86	219
Distribution	102	68	170
Other	17	4	21
<b>Total</b>	<b>252</b>	<b>158</b>	<b>410</b> ✓



Activities undertaken in 2014-2016 will enable to reduce costs by ca. PLN 500 mln

## We undertake challenges put ahead of us by the market and we are developing our competitive advantages



The greatest impact on the comparison of Enea Group's results in the reporting periods has a one-off event, namely recognition in June 2014 of revenue from Long-term Agreements in the amount of PLN 258 mln



CAPEX expenditures totalling to PLN 1.1 billion in H1 2015 with a low value of net debt/EBITDA ratio on the level of 0.8



Implementation of the fixed costs optimisation programme  
- PLN 410 mln savings in the period of 2014 - H1 2015

**Enea Group invests in obtaining the highest possible standards of generation, distribution and Customer Service**

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**Final settlement of Long-term Agreements**



Termination of the agreement with LW Bogdanka



Realised activities and investments



## We obtained additional funds for investments as a result of the final settlement of Long-term Agreements

Reaching an agreement with the President of ERO relating to the settlement of the final Adjustment of the support programme:



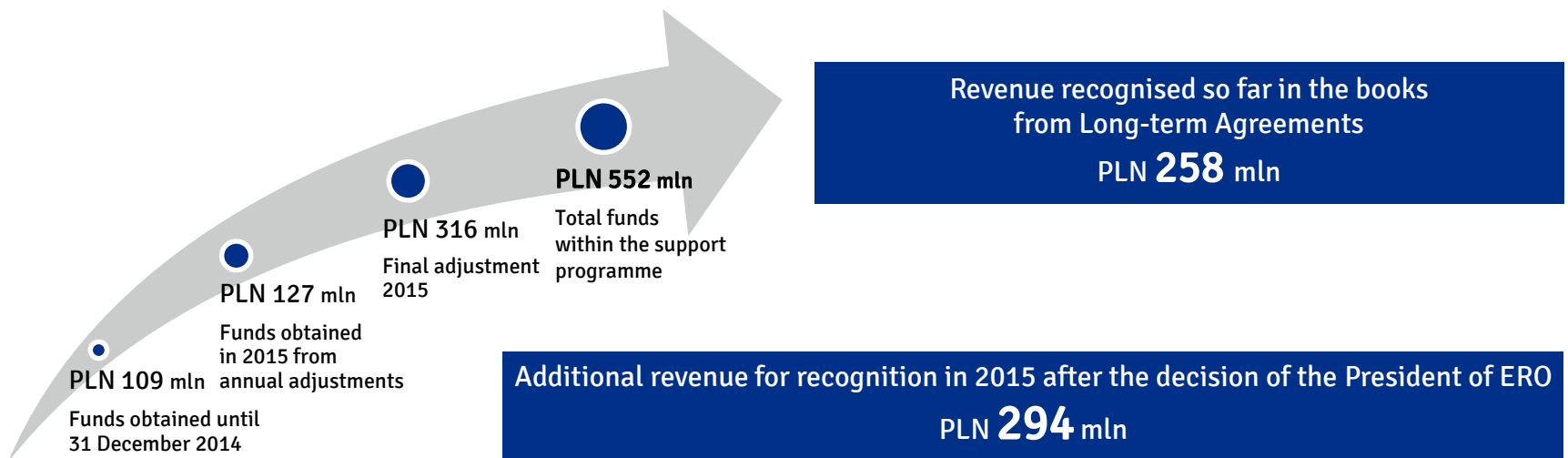
End of multiannual litigations as a result of the compromise with the President of ERO



Obtaining the whole receivables already in 2015

### Litigation relating to Long-term Agreements

- 6 cases which were in progress from 2008
- Approximately 5-6 years - the average duration of a litigation from the date of issuing the decision of the President of ERO



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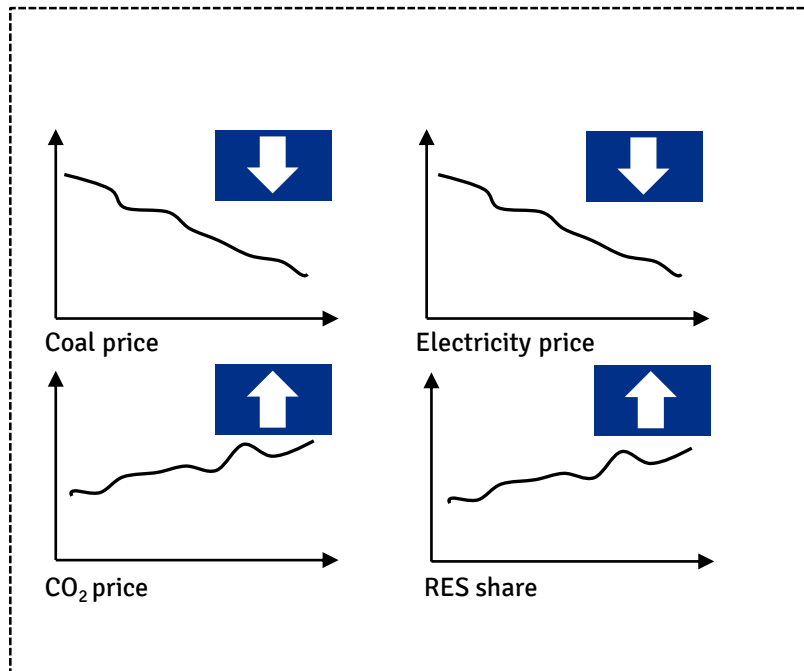


Realised activities and investments



## Enea should be and is able to guarantee coal supplies under advantageous conditions

Drop in electricity prices stems mainly from lower coal prices and greater share of RES



Energy

- We notice a difficult perspective for coal based energy sector (decarbonising - higher prices of allowances for emissions of CO<sub>2</sub>)
- Falling electricity prices for 2016



**MARGIN DEGRADATION ON GENERATION**

Mining sector

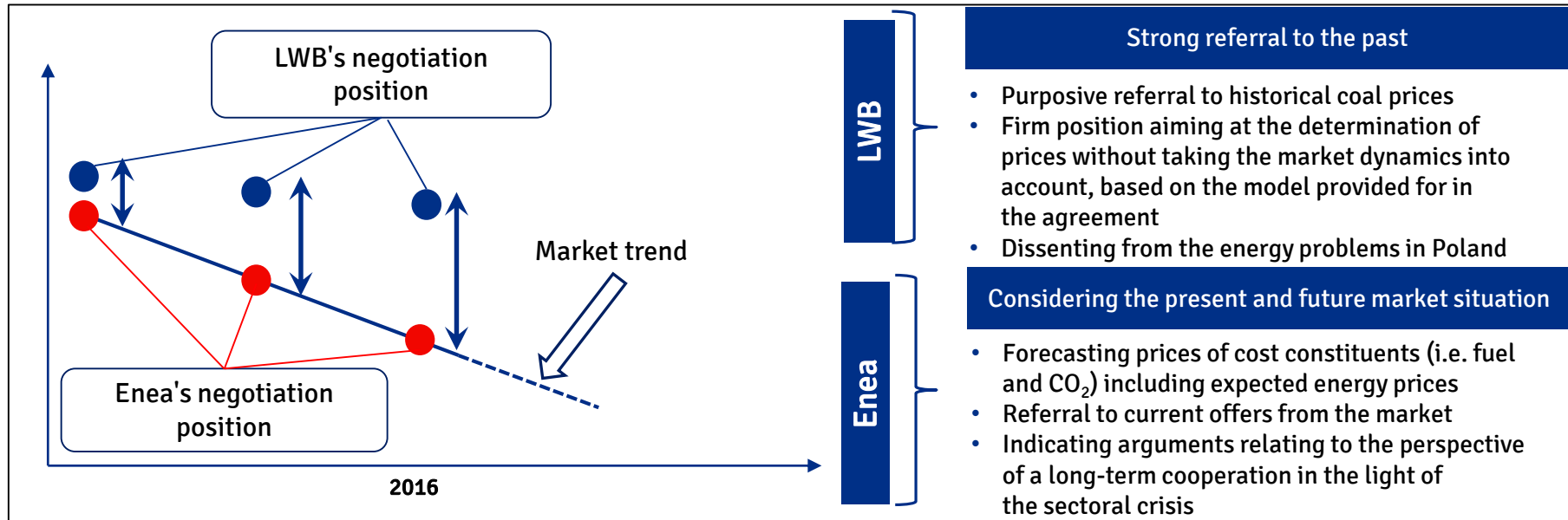
- We observe a drop in fuel coal prices in the world and in Poland
- Oversupply of coal - maintenance / growth
- New extraction capacity in the perspective of 3-4 years



**NEED TO SEARCH FOR CHEAP COAL SUPPLIES**

Searching for cheap coal supplies is a precondition for satisfying the requirements of the competitive electricity market

## Contractual terms and the uncompromising position of LWB do not give chances for obtaining market prices and conditions of coal supplies



**Lack of LWB's elasticity**

**Prices**

**The other terms of the agreement:  
(supplies regulation, logistics, delivery schedule)**

**Necessity of terminating the agreement by Enea**

## Long-term termination of the agreement will enhance the Group's competitiveness and contribute to guaranteeing coal supplies to Enea under advantageous terms

### Termination

- On 21 August 2015 - **termination notice** at 2 years' notice period
- The subject of the agreement was fuel coal supplies from LWB to Enea Wytwarzanie from 4 March 2010 to 31 December 2025
- The basis for terminating was lack of agreement between the parties as regards coal prices for 2016
- All, multi-stage contractual requirements were satisfied, which allowed **the both parties to terminate the agreement**
- After **several months of negotiations the term** which enabled the both parties to terminate the agreement **expired**
- The Management Boards of the both companies **perfectly know the conditions** which had to be satisfied in order to terminate the agreement

### Notice period

- **The period of notice** commenced on 1 January 2016
- The agreement will be **terminated on 1 January 2018**
- During that time, deliveries will **be realised based on the agreement**
- The value of supplies unrealised due to the termination is around PLN 5.5 billion


### Coal supplies subject to advantageous terms

- Termination of the agreement will contribute to the **long-term enhancement in the competitiveness** of the whole Group
- We will search for **new ways of guaranteeing coal supplies** at optimum prices




**The reason for Enea's decision is the agreement which does not reflect the market actual conditions**

**We are aware of the role and benefits flowing from the mutual long-term cooperation**



**We expect that LWB will take into account that the problems of the mining sector in Poland relate to it more than the power engineering sector**



**We do not rule out the agreement restructuring but it must take into account the market situation: present and future**

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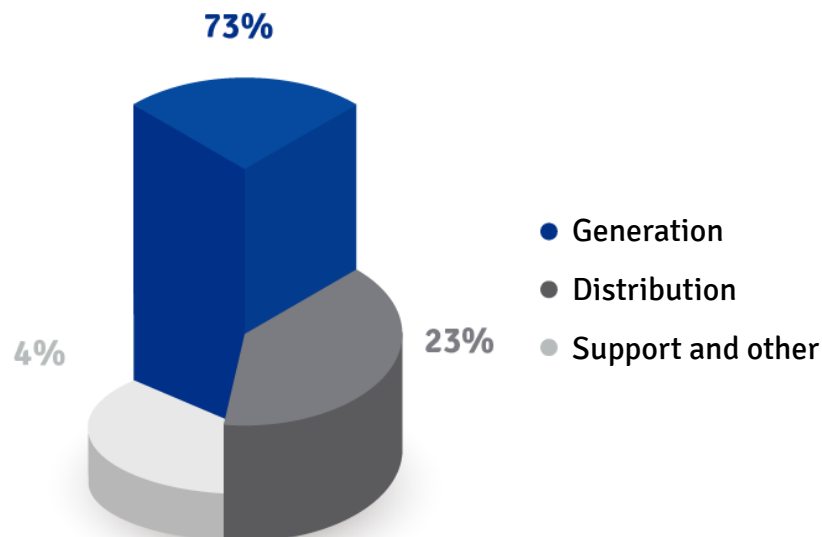


**Realised activities and investments**



## In 2015 we incur the greatest capital expenditures

### Capital expenditures in H1 2015



Capital expenditures [PLN mln]	H1 2014	H1 2015	Change	2014	2015 Plan
Generation	736.0	821.3	11.6%	1 832	2 509
<i>Unit 11</i>	<i>585.1</i>	<i>633.6</i>	<i>8.3%</i>	<i>1 096</i>	<i>1 587</i>
<i>RES</i>	<i>3.3</i>	<i>10.1</i>	<i>206.1%</i>	<i>13</i>	<i>418</i>
Distribution	240.4	257.6	7.2%	826	899
Support and other	27.5	43.8	59.3%	91	150
<b>TOTAL</b>	<b>1 003.9</b>	<b>1 122.7</b>	<b>11.8%</b>	<b>2 749</b>	<b>3 558</b>

## Our investments is caring for the natural environment



Launching of IV IOS in 2015 will allow for desulphurisation of 100% of flue gases developed in all 200 MW units in Kozenice Power Plant



Reduction of SO<sub>2</sub> emissions in flue gases to the level below 200 mg/Nm<sup>3</sup>, already before the entry into force of IED Directive



Waste created as a result of the operation of the installation is commercial gypsum applied in the construction sector



Completion of the installation of heat recovery from the flue gases of K6 boiler in Białystok Heat and Power Plant - will allow, without additional fuel, produce additional heat and use it for usable purposes



Reduction in the coal consumption is reduction of CO<sub>2</sub> emissions to the atmosphere - ca. 20 thou. tonnes annually



## We have a positive impact on our surroundings



Cogeneration unit in MEC Piła - the most modern source of heat in Poland



A new combined heat and power plant is a reply to the increasing demand for heat in the city



In winter, the new object will support the work of the whole heating system, and in summer, it will guarantee supplies of hot usable water to the citizens



The new combined heat and power plant grants the reduction of the volume of combusted coal and emission of harmful substances (dusts, sulphur oxides and CO<sub>2</sub>) to the atmosphere – avoided CO<sub>2</sub> emission of 60 thou.. tonnes/year, reduction of the consumed coal by a total of 13 thou. tonnes/year



Realised undertakings have a positive impact on human health and comfort of citizens' life

## More ecological energy in Enea Wytwarzanie

### Development of renewable sources of energy



Conclusion of a conditional purchase agreement relating to the special purpose vehicle realising the investment of 36 MW wind farm:

- 💡 planned start-up until the end of 2015
- 💡 planned takeover after a formal commissioning of the investment to exploitation



Construction of Baczyna 14.1 MW wind farm



Planned extension of 50 MW Bardy wind farm with additional 10 MW





Signing of a letter of intent with Tauron Polska Energia relating to the common development of renewable energy sources, in particular wind farms

Due to the planned investments and acquisitions until 2020 we want to e.g. increase our generating capacities within RES to the level of ca. 500 MW



## We realise in a timely fashion the investment which will guarantee supplies of a cheap and ecological energy from bituminous coal

- 
 The project progress is currently 64%
- 
 Currently, the installation is in progress of the generator, steam condenser, feed water pumps and assembly of the casing of the main building (engine room and boiler house)

**Unit 11's generator - weight: 490 t, length: 14.5 m, diameter: over 4 m**



Parameter	Market average	Unit 11
Net efficiency	34.1%	45.6%
Availability	86.7%	> 92%
Annual exploitation time	~5 948 h	8 000 h
NO <sub>x</sub> emission <sup>1)</sup>	500 mg/Nm <sup>3</sup>	≤ 100 mg/Nm <sup>3</sup>
SO <sub>2</sub> emission <sup>1)</sup>	400 - 800 mg/Nm <sup>3</sup>	≤ 100 mg/Nm <sup>3</sup>
CO <sub>2</sub> emissions	900 kg/MWh	<730 kg/MWh

1) Pursuant to the IED Directive's requirements, NO<sub>x</sub> and SO<sub>2</sub> emission ≤ 200mg/Nm<sup>3</sup>

## Reliable distribution network increases the comfort of our Customers



In 2015 we modernise and extend 2.1 thou. km overhead and cable lines on all voltage levels



Realising the investment of a key importance to our operation:

- we will reconstruct 105 km of high voltage lines of a key meaning
- we will construct one new HV line and 3 new switching stations and will comprehensively modernise 3 switching stations



We improve the connection processes, pursuing to shorten the time of the connection of both individual Customers and business entities



In 2015 we plan to connect ca. 15 thou. Customers

- We increase the reliability of energy supplies and the quality of power supply to our Customers
- We enable the business development in the north-western Poland





## We are investing in the construction and development of modern communication channels and Customer Service

Transfer of contacts with Customers to remote communication channels is a reply to their needs, and the Client may optimise costs



e-CSC is open 24 hours, 7 days a week, 365 days a year



e-CSC enables e.g.:

- 💡 current view of invoices, balance and payment terms
- 💡 access to e-invoice
- 💡 invoice payment
- 💡 purchasing codes to prepaid meters
- 💡 ordering text notices
- 💡 filing complaints and enquiry on any other matter



PEKAO SA without commission



direct debit



e-CSC



e-invoices

From 1 July e-CSC is available for Szczecin area. Currently, works are in progress over the implementation of the e-CSC function in Bydgoszcz and Gorzów Wielkopolski. In fall, e-CSC will be available for Poznań and Zielona Góra area.

## We change so that to take care for the world of our Customers the best we can



We provide attractive products to our Customers with a package of additional benefits

Individual Customers				
ENERGY+ Health	ENERGY+ Savings	ENERGY+ Peace of Mind	ENERGY+ Fixed Price	ENERGY+ Safe House

Business Customers				
ENERGY+ Fixed Price	ENERGY+ Always Cheaper	ENEA INDEX DIMINISHING OPTION	ENERGY+ Professional	Dual Fuel

### Dedicated platform for promoting new products and services [energiaplus.pl](http://energiaplus.pl)

-  ENERGY+ Power of Prizes
-  ENERGY+ Power of Excitements
-  ENERGY+ Active Life





## **Taken business decisions enhance Enea CG's competitiveness**

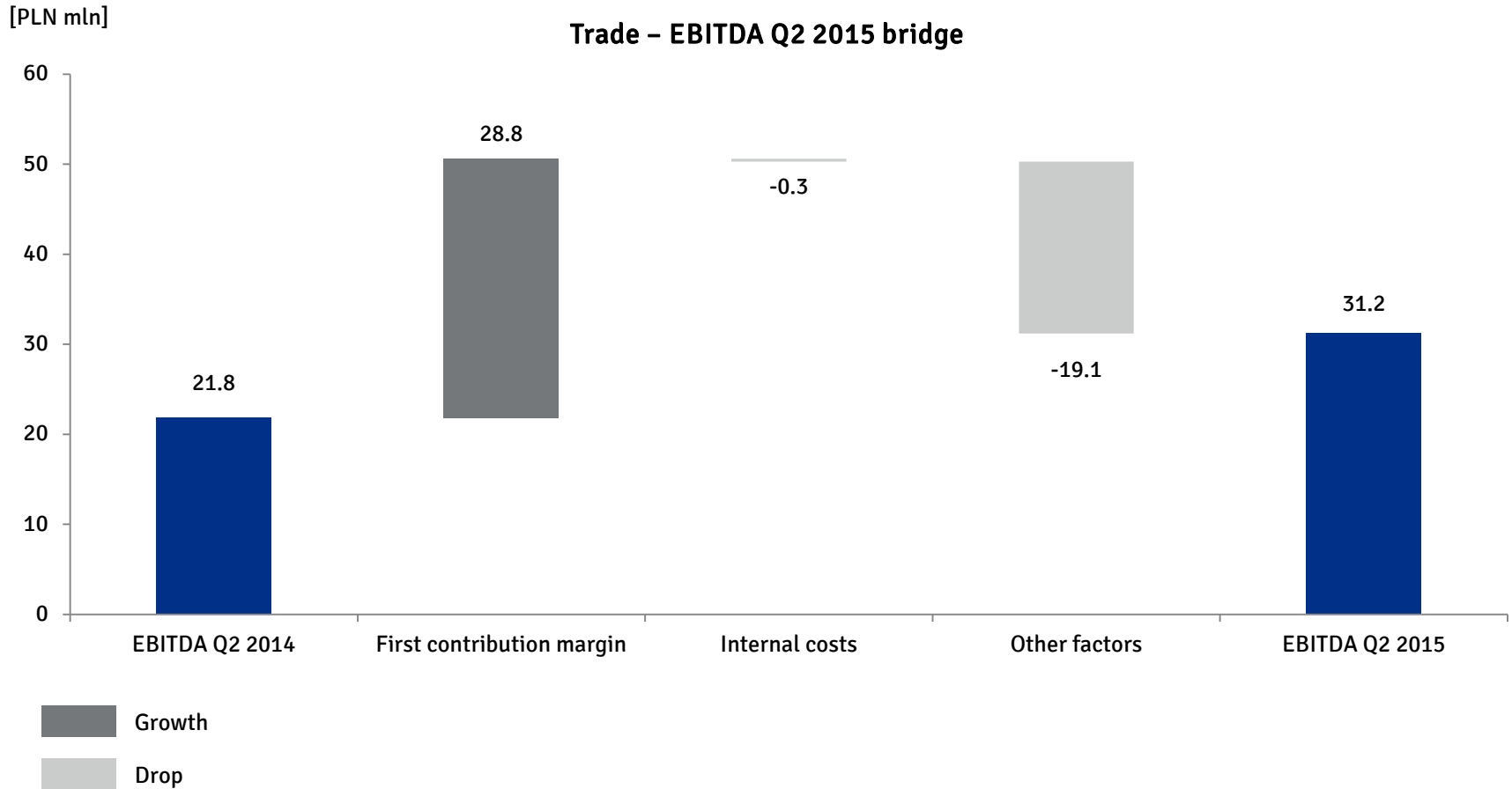
Q2, H1 2015

IR contact: [gielada@enea.pl](mailto:gielada@enea.pl)

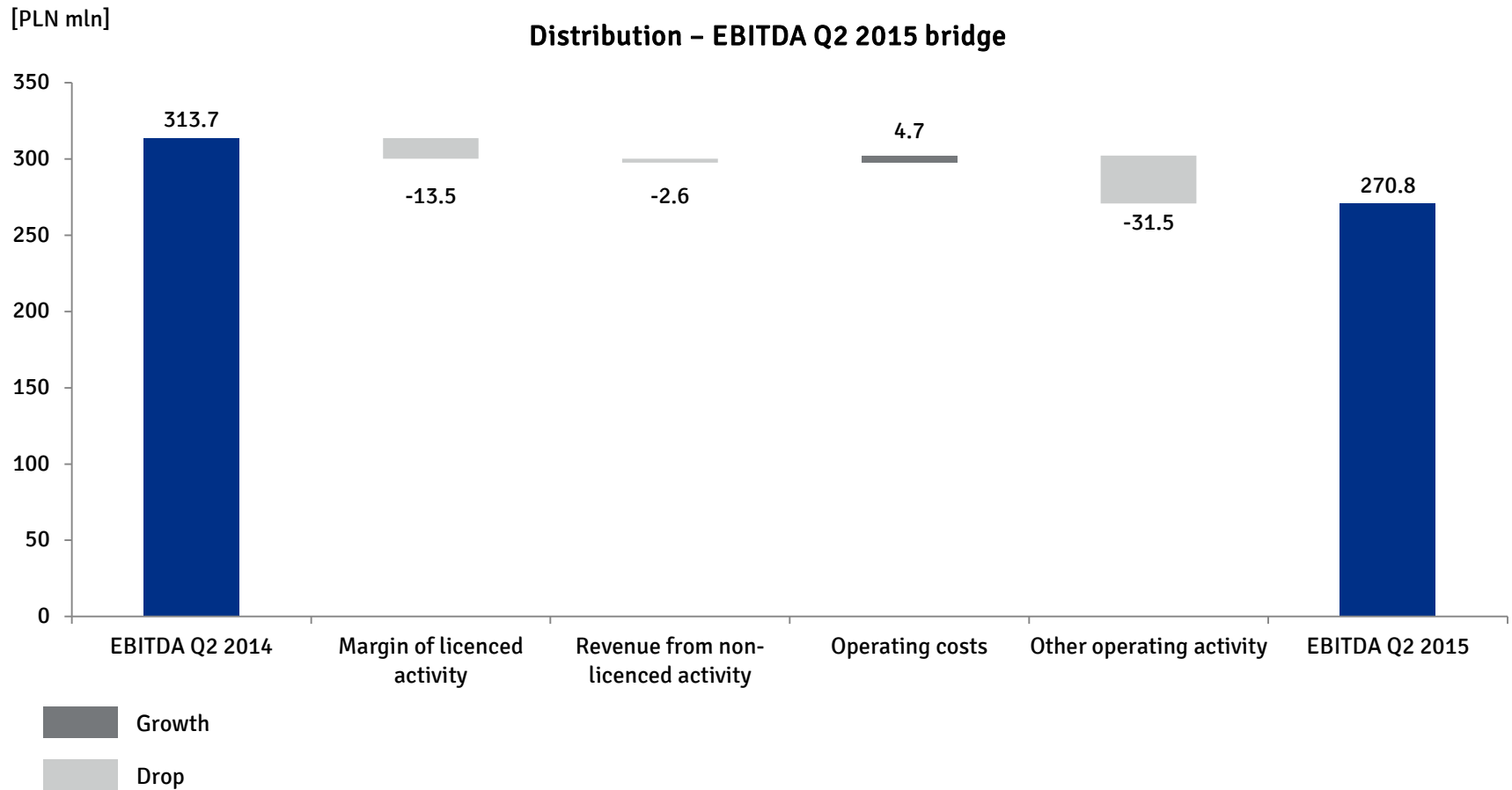


**Additional information**

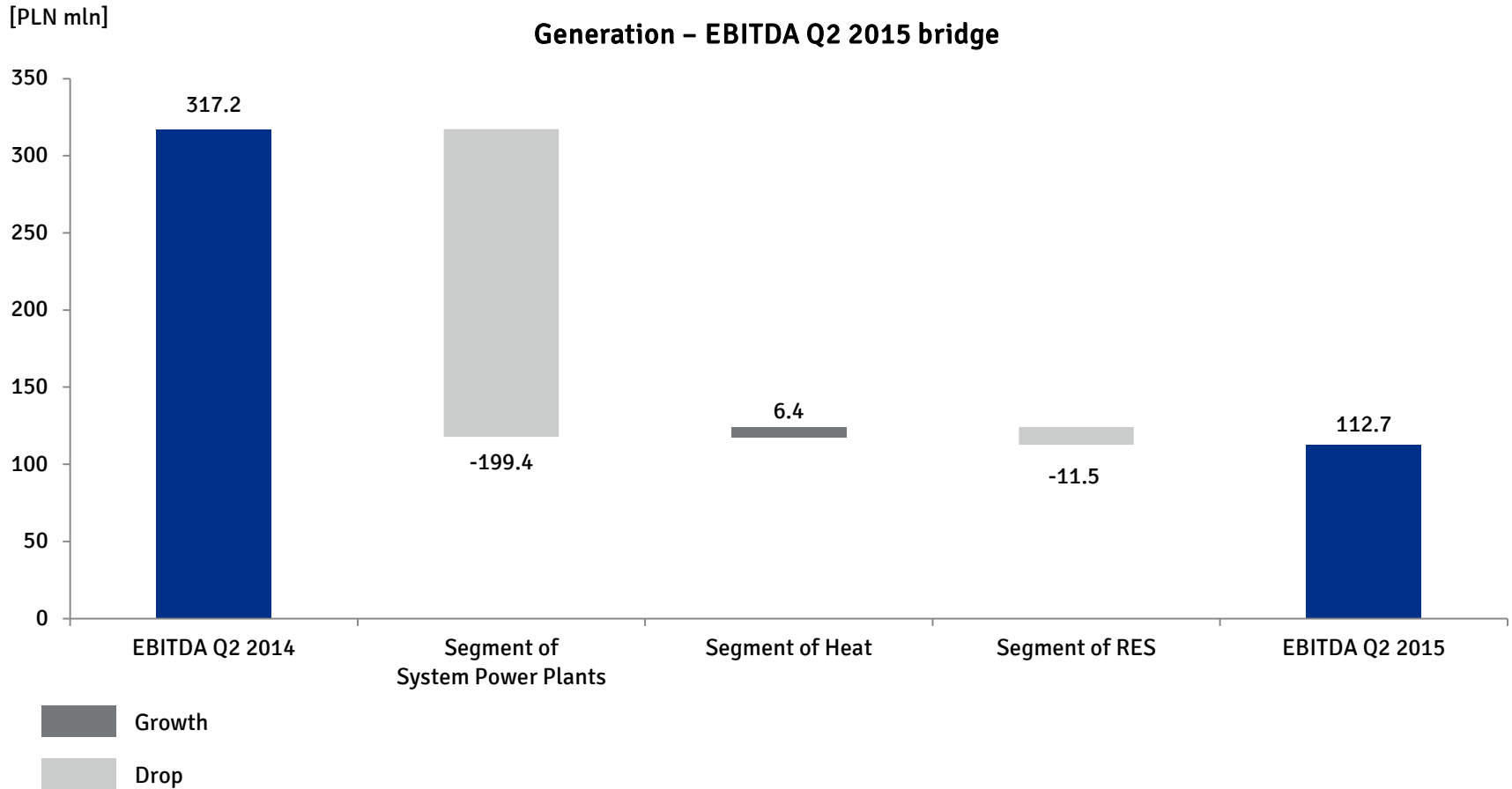
## Attachment 1 – An express growth in first contribution margin improved the results of the segment of trade in Q2 2015



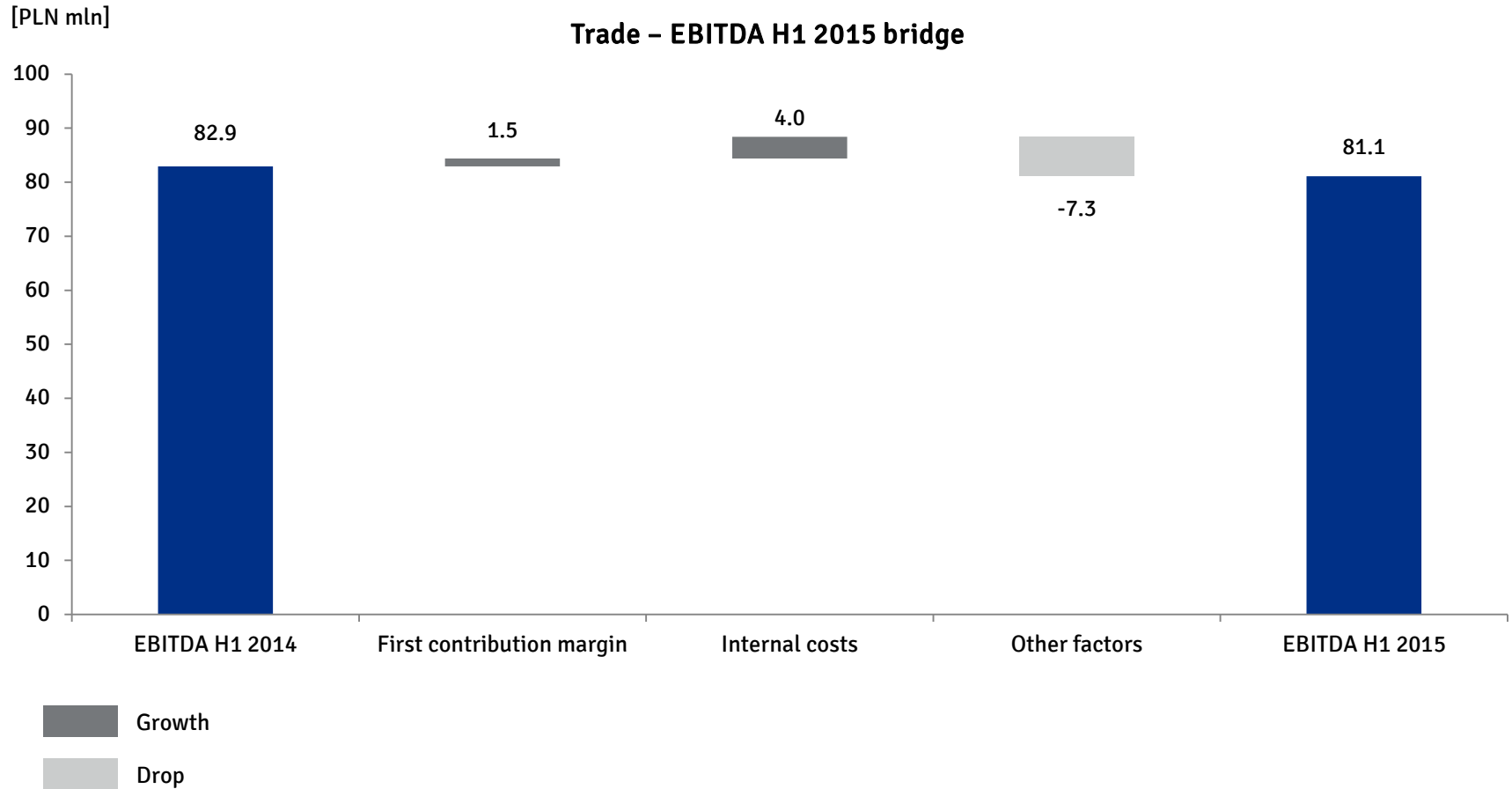
## Attachment 2 - Higher costs of purchasing transmission services and lower revenue from grid connection fees contributed to a drop in margin from licensed operations in the segment of distribution in Q2 2015



**Attachment 3 - After clearing the result of the segment of generation in Q2 2015 by the impact of revenue from Long-term Agreements, a growth in EBITDA was reported by almost 58% yoy**

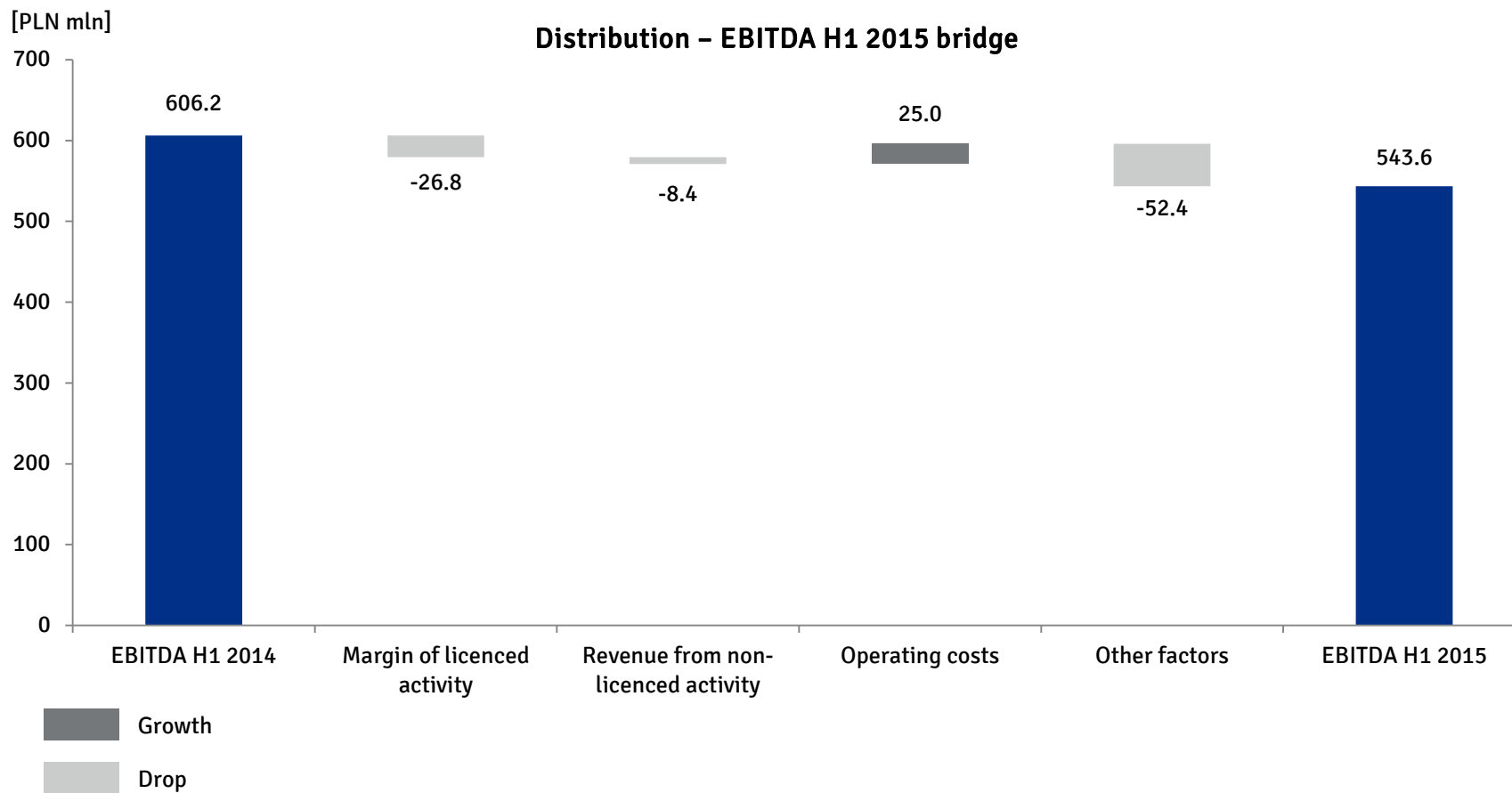


## Attachment 4 - In the results of H1 2015 of the segment of trade an effect of a weaker Q1 2015 yoy





**Attachment 5 - Recognition of the final settlement of electricity purchases for covering the book-tax difference for 2013 (one-off) and recognition of a reserve discount for transmission corridors contributed to the growth in the base of H1 2014 by PLN 59 mln**



## Attachment 6 - Higher EBITDA adjusted with revenue from Long-term Agreements was affected by a significant growth of margin on generation, trade and Balancing Market

