

We consistently implement  
the goals included in the strategy

Q2, H1 2014

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# Agenda

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Energy market and key operating data

ENEA CG's results in Q2 and H2 2014

Key projects implemented in H1 2014

New power unit in Kozenice

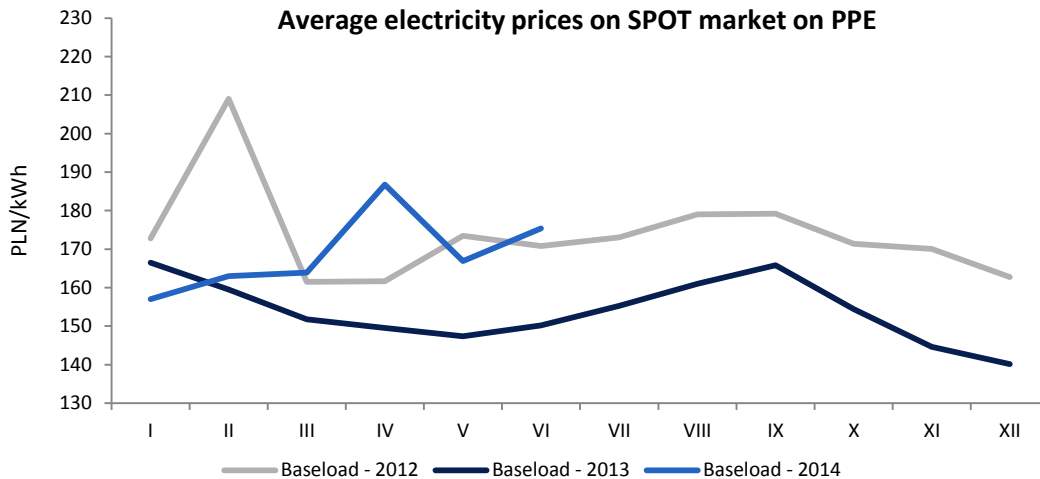
**Grzegorz Kinelski**

Vice-President of the Board for Commercial Affairs

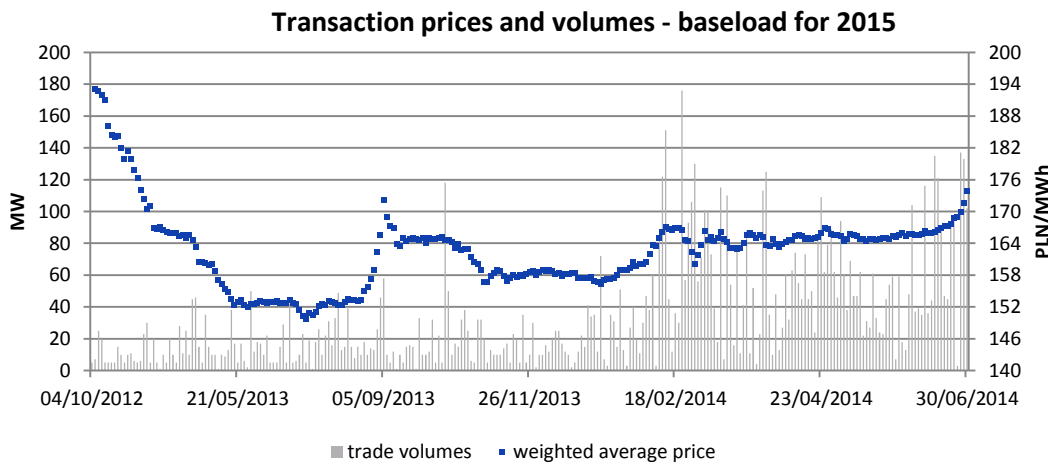
**ENEA CG is monitoring the market  
situation on a continuous basis**



# In H1 2014 we observed growths in prices on the energy market



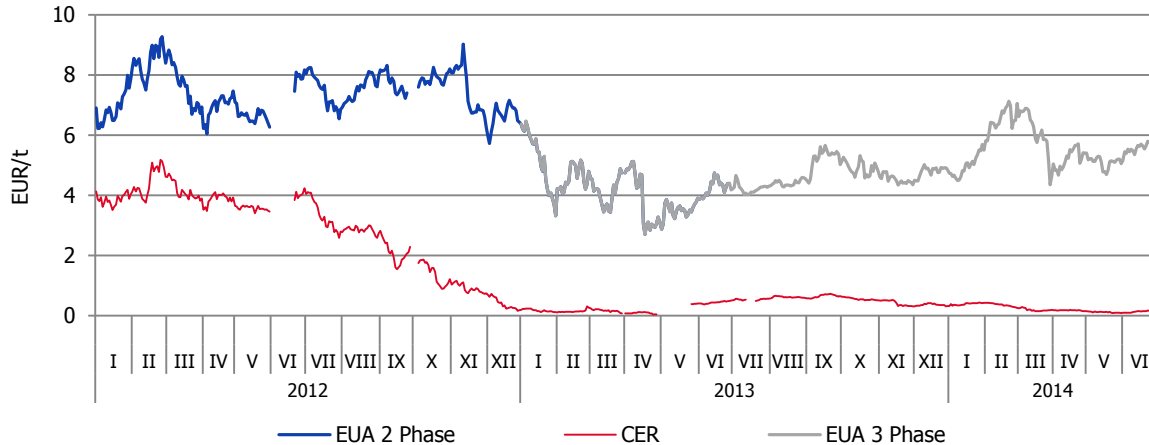
- Higher average price of baseload by 9.5% yoy
- SPOT market was affected by: energy generation from wind sources, situation on the European carbon market, changes in the methods of settlements for the operating power reserve and higher volume of losses in the generating capacity



- In H1 2014 prices of energy on the futures market were characterised with the increasing sideways trend supported by the prices from the European carbon market and price levels from the SPOT market of electricity
- Explicit strengthening of quotations in the second half of June

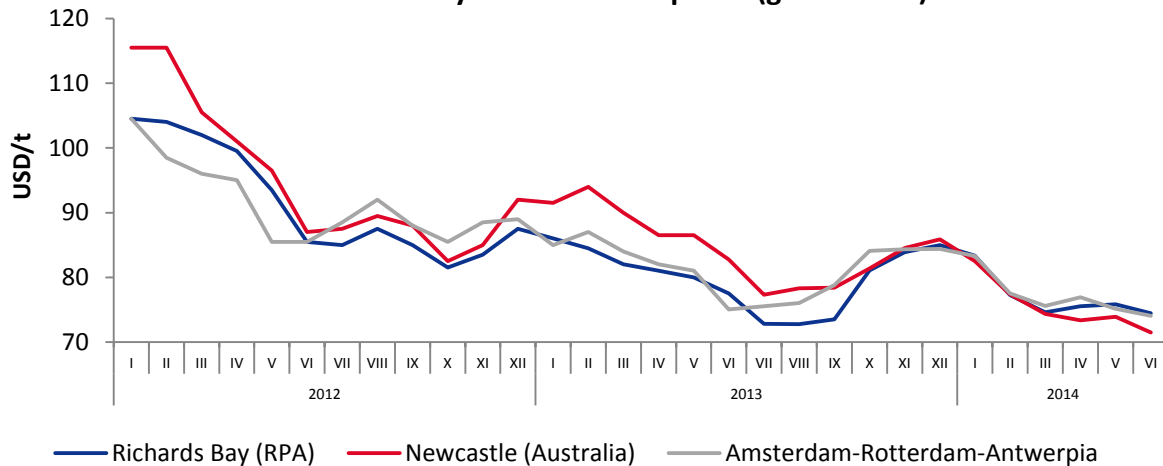
# In H1 2014 prices of coal maintained on a low level

**EUA and CER quotations - closing prices on SPOT market**



- The market of allowances for emissions of CO<sub>2</sub> was strongly dependant on political decisions in EU
- Great surplus of EUA in EU ETS

**Monthly indices of coal prices (globalCOAL)**



- Low prices of coal on foreign markets
- Prices of coal in Q2 2014 were maintained on the level reached as a result of drops in Q1 2014, comparable to prices from the period of June to August 2013

## Higher energy production in ENEA CG

| [GWh]                                  | Q2 2013 | Q2 2014 | Change % | H1 2013 | H1 2014 | Change % |
|--|---------|---------|----------|---------|---------|----------|
| Total generation of energy, including: | 2 938,6 | 2 972.6 | 1.2% ✓   | 5 977.7 | 6 114.2 | 2.3% ✓   |
| Conventional generation                | 2 734.6 | 2 718.5 | -0.6%    | 5 537.1 | 5 584.5 | 0.9% ✓   |
| Generation from RES                    | 204.0   | 254.1   | 24.6% ✓  | 440.6   | 529.7   | 20.2% ✓  |



ENEA CG in H1 2014 increased energy production both from conventional sources and RES

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**Dalida Gepfert**

Vice-President of the Board for Financial Affairs

**ENEA CG generated  
good results in H1 2014**

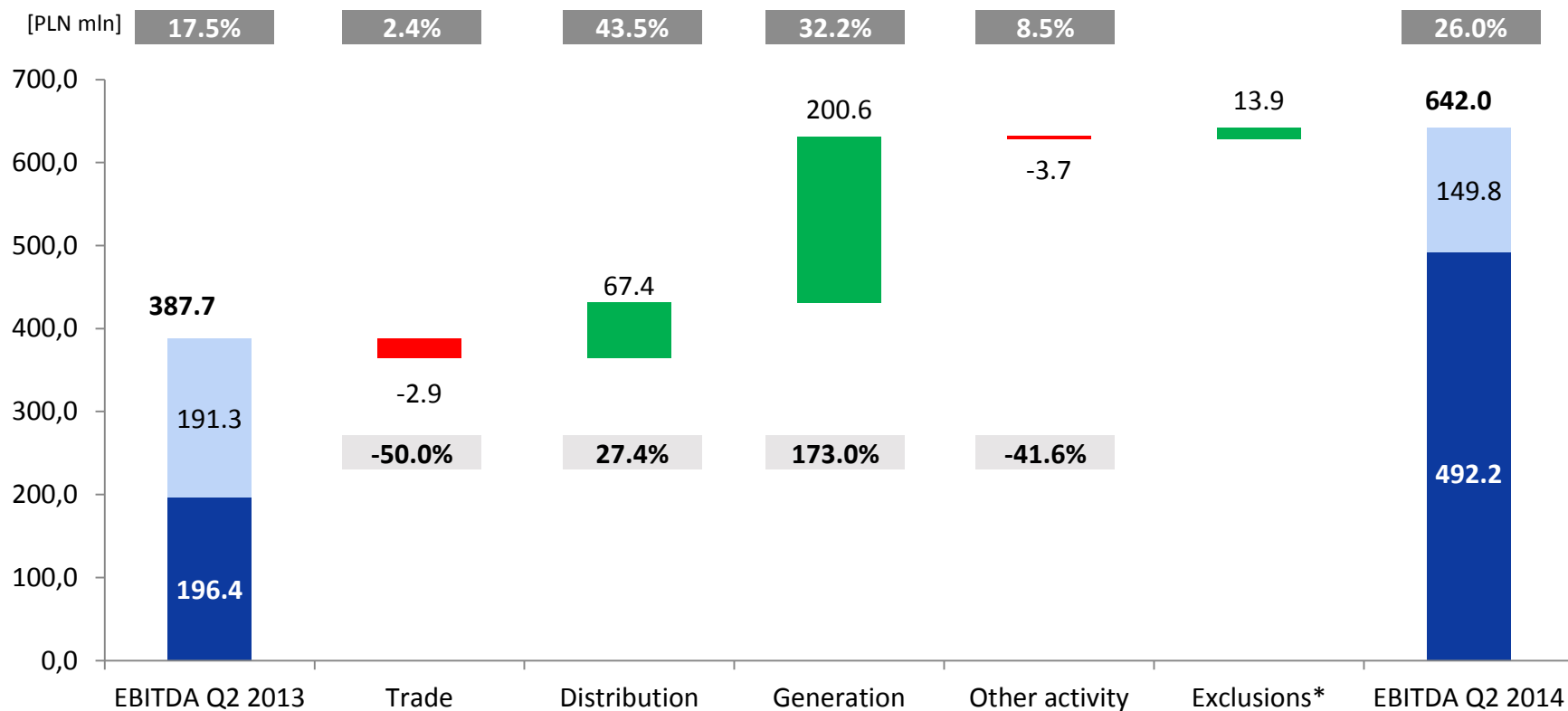




## Financial results of ENEA CG above market expectations

| [PLN mln]          | Q2 2013 | Q2 2014 | Change % | H1 2013 | H1 2014 | Change % |   |
|--------------------|---------|---------|----------|---------|---------|----------|---|
| Net sales revenues | 2 215.3 | 2 466.5 | 11.3%    | 4 595.6 | 4 840.2 | 5.3%     | ✓ |
| EBITDA             | 387.7   | 642.0   | 65.6%    | 937.6   | 1 103,5 | 17.7%    | ✓ |
| Net profit         | 158.0   | 415.6   | 163.1%   | 454.8   | 624.9   | 37.4%    | ✓ |
| Net debt/EBITDA    | -0.9    | -0.2    | 0.7      | -0.9    | -0.2    | 0.7      |   |

# EBITDA in Q2 2014 demonstrates better results yoy in the segment of generation and distribution



■ EBIT      ■ Growth in segment      ■ Change in segment yoy [%]      \* Includes undistributed expenses of the whole Group and exclusions  
■ Amortisation/depreciation      ■ Drop in segment      ■ EBITDA margin [%]

## EBITDA in Q2 2014 demonstrates better results yoy in the segment of generation and distribution

| [PLN mln] | Q2 2013 | Q2 2014 | Change % |
|-----------|---------|---------|----------|
| Trade     | 47.8    | 23.9    | -50.0%   |

### Segment of trade

Drop of EBITDA by PLN 23.9 mln (-50.0%)

- lower average purchase price of energy by 12.4% ✓
- higher volumes of sales by 630 GWh ✓
- lower average selling price by 17.3%

| [PLN mln]    | Q2 2013 | Q2 2014 | Change % |
|--------------|---------|---------|----------|
| Distribution | 245.7   | 313.1   | 27.4%    |

### Segment of distribution

Higher EBITDA by PLN 67.4 mln (27.4%) ✓

- lower average price and lower volumes of electricity purchases for covering book-tax difference ✓
- lower provisions relating to grid assets ✓

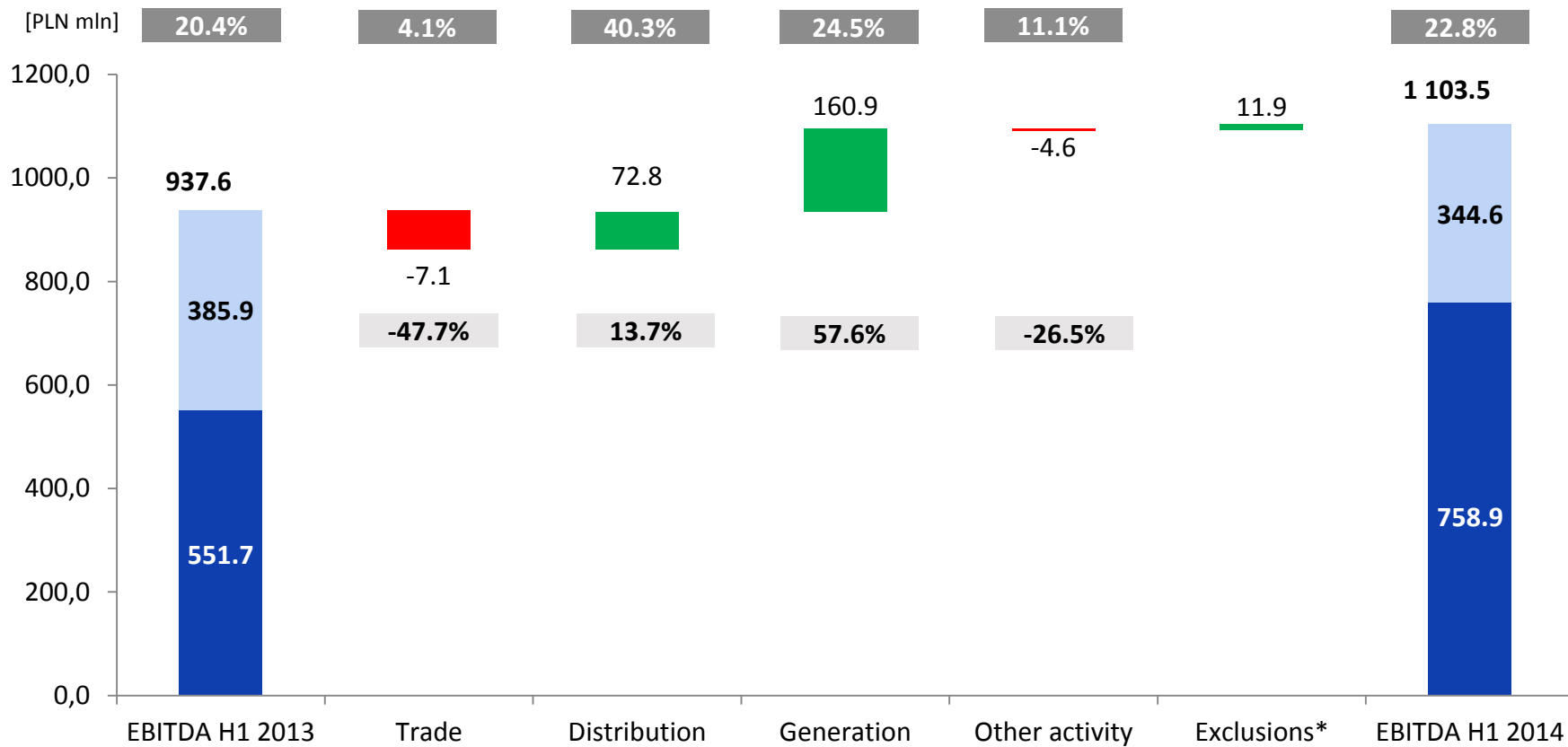
| [PLN mln]  | Q2 2013 | Q2 2014 | Change % |
|------------|---------|---------|----------|
| Generation | 116.0   | 316.6   | 173.0%   |

### Segment of generation

Higher EBITDA by PLN 200.6 mln (173.0%) ✓

- higher revenues from compensation for recovery of stranded costs by PLN 258 mln ✓
- lower margin on generation of electricity by PLN 18 mln
- loss of EBITDA due to failure of unit No. 9 by PLN 18 mln

# In H1 2014 ENEA CG improved EBITDA result by 18%



■ EBIT      ■ Growth in segment      ■ Change in segment yoy [%]      \* Includes undistributed expenses of the whole Group and exclusions  
■ Amortisation/ depreciation      ■ Drop in segment      ■ EBITDA margin [%]

## In H1 2014 ENEA CG improved EBITDA result by 18%

| [PLN mln] | H1 2013 | H1 2014 | Change % |
|-----------|---------|---------|----------|
| Trade     | 157.4   | 82.3    | -47.7%   |

### Segment of trade

Drop of EBITDA by PLN 75.1 mln (-47.7%)

- lower average purchase price of energy by 11.4% ✓
- higher sale volumes by 1,174 GWh ✓
- entry into force of the cogeneration obligation - inflow in the amount of PLN 16 mln

| [PLN mln]    | H1 2013 | H1 2014 | Change % |
|--------------|---------|---------|----------|
| Distribution | 532.9   | 605.7   | 13.7%    |

### Segment of distribution

Increase of EBITDA by PLN 72.8 mln (13.7%) ✓

- lower average price and lower volumes of electricity purchases for covering book-tax difference ✓
- lower provisions relating to grid assets ✓

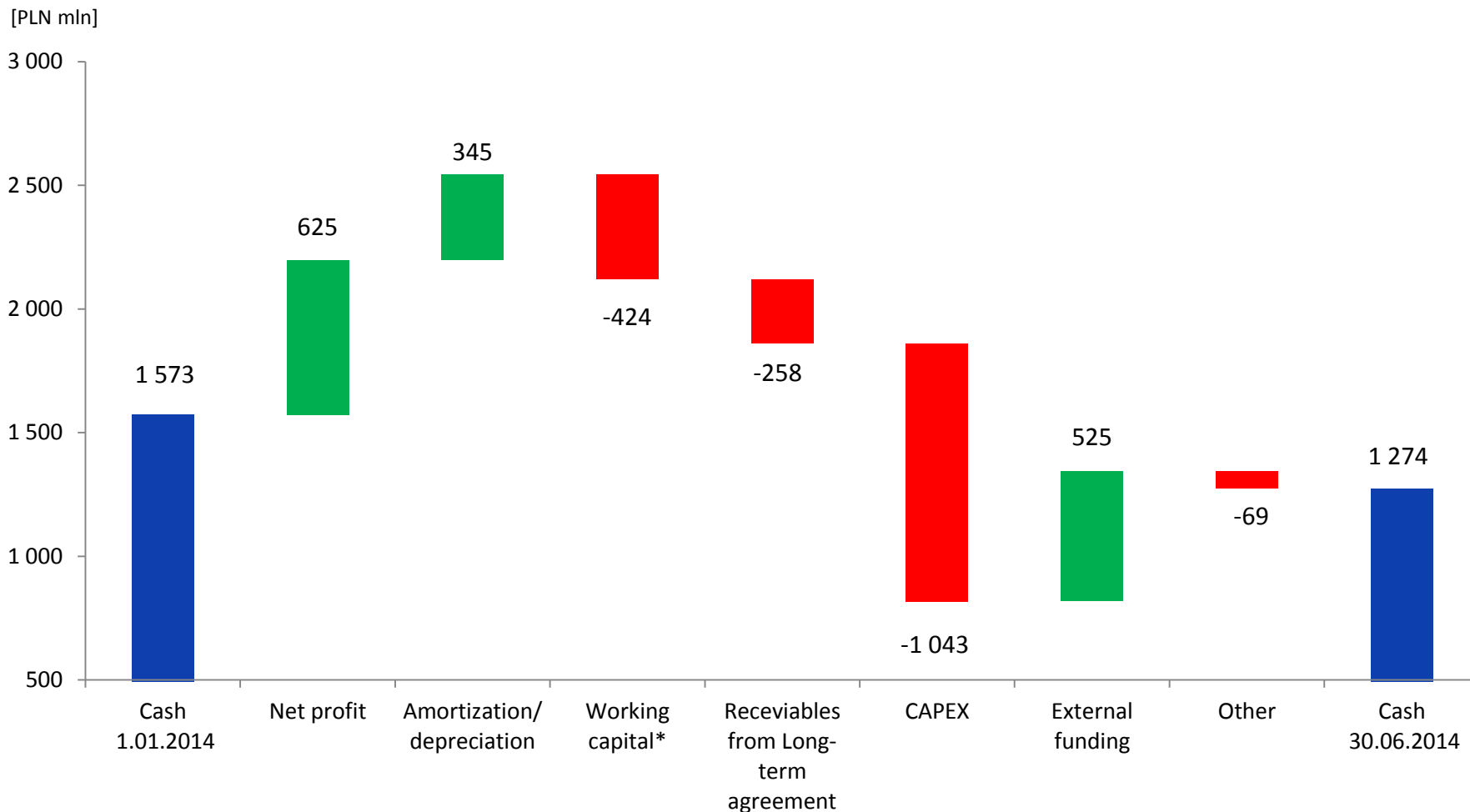
| [PLN mln]  | H1 2013 | H1 2014 | Change % |
|------------|---------|---------|----------|
| Generation | 279.4   | 440.3   | 57.6%    |

### Segment of generation

Higher EBITDA by PLN 160.9 mln (57.6%) ✓

- higher revenues from compensation for recovery of stranded costs by PLN 258 mln ✓
- lower margin on generation of electricity by PLN 83 mln
- loss of EBITDA due to failure of unit No. 9 by PLN 23 mln

# Cash balance of the Group as at the end of June 2014 amounted to PLN 1.3 bln



\* excluding the receivables from compensation for covering stranded costs (Long-term Agreements)

## Cost regime and optimum use of the resources allowed ENEA CG to generate good financial results

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Financial results of ENEA CG are above market expectations



In Q2 revenues were recognised from Long-term Agreements which added to the result of the segment of generation



Intense development of ENEA CG - CAPEX in H1 2014 higher by PLN 186 mln with a favourable value of net debt/EBITDA ratio -0.2



PLN 75 mln cost savings after H1 2014



ENEA CG implements the projects anticipated in the corporate strategy consistently and in a timely fashion

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Krzysztof Zamasz

President of the Board

**We efficiently implement the projects  
specified in the strategy**



# Generation: The main task of ENEA Wytwarzanie is building a competitive generating portfolio

| Generation   | 2014 |    | 2015 | 2016-2017 | 2018 | 2019-2020 |
|--|------|----|------|-----------|------|-----------|
|  | H1   | H2 |      |           |      |           |
| 1. Purchase of a block of shares of MPEC Sp. z o.o. in Białystok   | ✓    |    |      |           |      |           |
| 2. Exclusiveness in negotiations for the purchase of a block of shares of ECO S.A. till 15 September 2014                | ✓    | →  |      |           |      |           |
| 3. Construction of a 1,075 MW unit   | ✓    | →  | →    |           |      |           |
| 4. RES development: participation in acquisition processes and own projects  | ✓    | →  | →    | →         |      |           |
| 5. Replacement modernisation of generating equipment   | ✓    | →  | →    | →         | →    |           |
| 6. Realisation of the environment investments and other modernisation investments  | ✓    | →  | →    | →         |      |           |
| 7. Implementation of projects relating to a better efficiency and optimum use of the organisational potential in ENEA CG | ✓    | →  |      |           |      |           |

**Segment of Heat:**  
Purchase of a block of shares of MPEC Białystok

**Segment of System Power Plants:**  
35% progress of works on the construction of 1,075 MW unit

# Distribution: ENEA Operator prepares for the introduction of the quality tariff in 2016

| Distribution   | 2014 |    | 2015 | 2016 | 2017-2018 | 2019-2020 |
|--|------|----|------|------|-----------|-----------|
|  | H1   | H2 |      |      |           |           |
| 1. Better condition of the power grid - investments in its development and modernisation (better reliability ratios)   | ✓    |    | →    |      |           |           |
| 2. Better Customer service, especially within connecting to the grid (shorter time of issuing connection conditions and shorter time of realisation of connection agreements)  | ✓    |    | →    |      |           |           |
| 3. Cooperation with the President of ERO and other operators of distribution systems within the preparation of companies to the introduction of the quality tariff   | ✓    |    | →    |      |           |           |
| 4. Intensification of activities within smart grid and smart metering (preparation of the AMI application test in 3 localisations and preparation to the commencement of the balancing meters installation)  | ✓    |    | →    |      |           |           |
| 5. Operating costs optimisation  | ✓    |    | →    |      |           |           |
| 6. Closer cooperation with ENEA CG companies: ENEA Centrum and companies comprising the distribution area: ENERGOBUD and ENERGOMIAR - transfer to ENEA Centrum of some functions from within IT, Finance and Accounting and part of the Customer service | ✓    |    | →    |      |           |           |

**PLN 3 bln - investments in the extension and modernisation of the grid during 2011-2013**  
**PLN 4.2 bln - investments during 2014-2019**  
**Shorter time for issuing connection conditions from 30 to 15 days**

# Trade: We focus on building long-term relations with Customers

## Trade

2014

H1

1. 63,689 - the number of new Customers who trusted ENEA in H1 2014
2. Higher sales of electricity in the segment of strategic Customers by 1 TWh
3. Development of sales in the whole of Poland - introduction of a Poland wide sales structure
4. Launching sales realised by Contact Centre
5. Introduction of a dual-fuel offer
6. "Energy with an account" - development of a common offer with Getin Bank for individual Clients
7. Launching new products: Fixed price, Strike the raise, Always cheaper +

✓

✓

✓

✓

✓

✓

✓

Higher sales of  
electricity by 1.82 TWh

## SSC: 60% functions were centralised in SSC in H1 2014

| SSC  | 2014 |    | 2015 |
|--|------|----|------|
|  | H1   | H2 |      |
| 1. Completion of the construction of the Mass Communication Centre - centralisation of the area of printing and delivery of mass communications                                | ✓    |    |      |
| 2. Extension of the scope of issues which customers may realise remotely through the Contact Centre and increasing the number of matters realised on first contact (FCR ratio) | ✓    | →  |      |
| 3. Finalisation of activities within the development of SAP business concept in ENEA CG  | ✓    | →  | →    |
| 4. Completion of the concept stage for a new billing system - conclusion of the implementation agreement   | ✓    | →  | →    |
| 5. Start-up of design works within the centralisation of the subsequent 3 functions: Human Resources, Logistics and Legal Area   | ✓    | →  | →    |

The works were completed relating to the centralisation of 3 functions:  
**Finance and Accounting**  
**Customer Service**  
**IT**

## After H1 cost reduction in ENEA CG amounted to PLN 75 mln

| <i>Cost savings [PLN mln]</i> | H1 2014   | Prognosis of initiative<br>realisation in 2014 |
|-------------------------------|-----------|--|
| 1. Generation                 | 56        | 137  |
| 2. Distribution               | 13        | 39   |
| 3. Sales                      | 3         | 5  |
| 4. SSC                        | 1         | 5  |
| 5. Other companies            | 2         | 3  |
| <b>TOTAL</b>                  | <b>75</b> | <b>189</b>                                     |

Undertaken activities  
will enable to reduce  
costs by ca. PLN 500 mln  
by 2016

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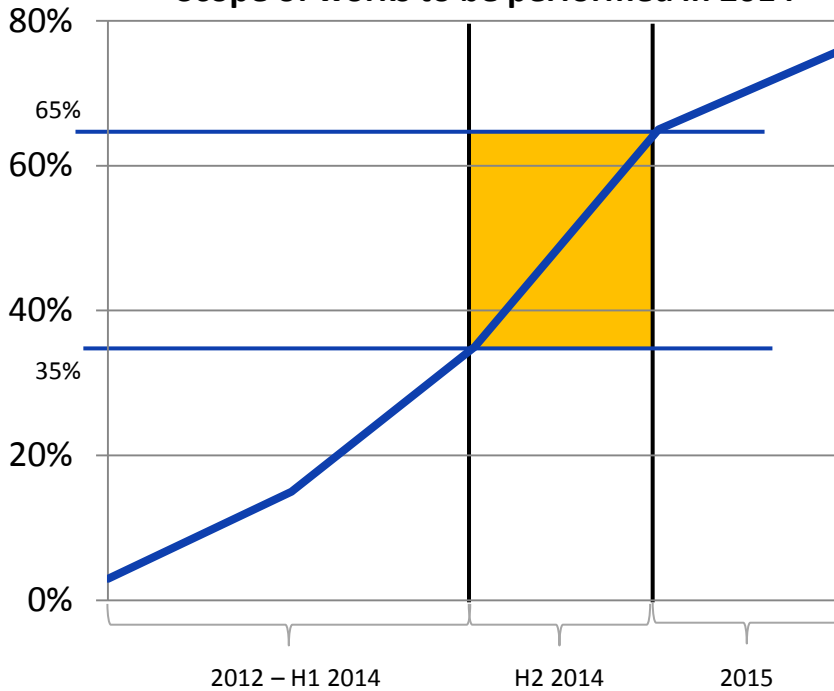
**Construction of unit No. 11  
is on the schedule**





# In H1 2014 ENEA CG implemented actions relating to the construction of 1,075 MW unit

Scope of works to be performed in 2014



- Performance of the lower foundation slab with poles of the load bearing structure of the turbine set
- Performance of a reinforced concrete structure of the cooling tower jacket to the level of 40 m
- Concreting the upper foundation slab of the boiler house
- Performance of a steel load bearing structure of the boiler to the level of 44 m
- Completion of reinforced concrete works of communication pylons
- Completion of concreting the cooling water piping along the engine room building



We consistently implement  
the goals included in the strategy

Q2, H1 2014

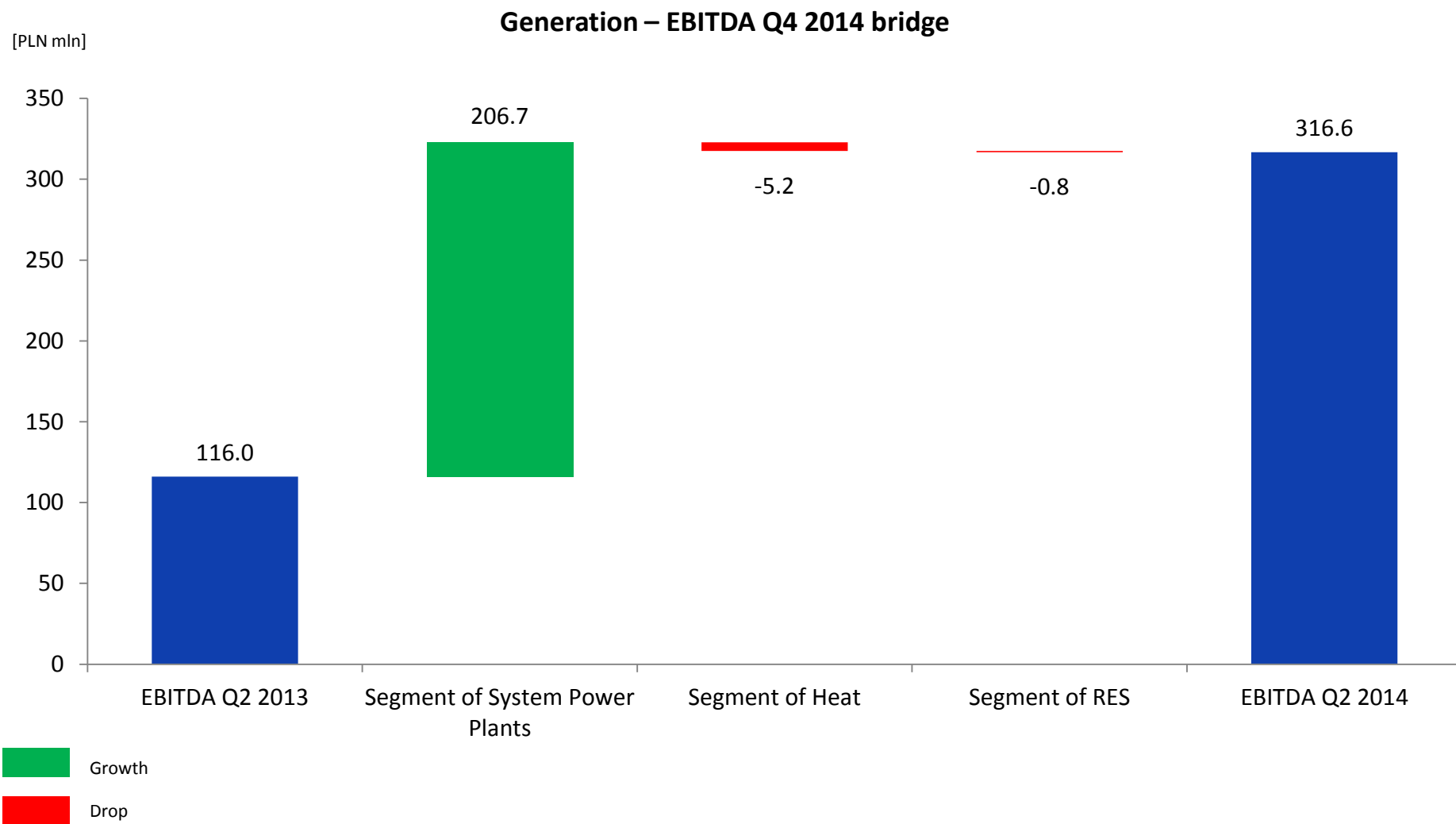
[gielada@enea.pl](mailto:gielada@enea.pl)



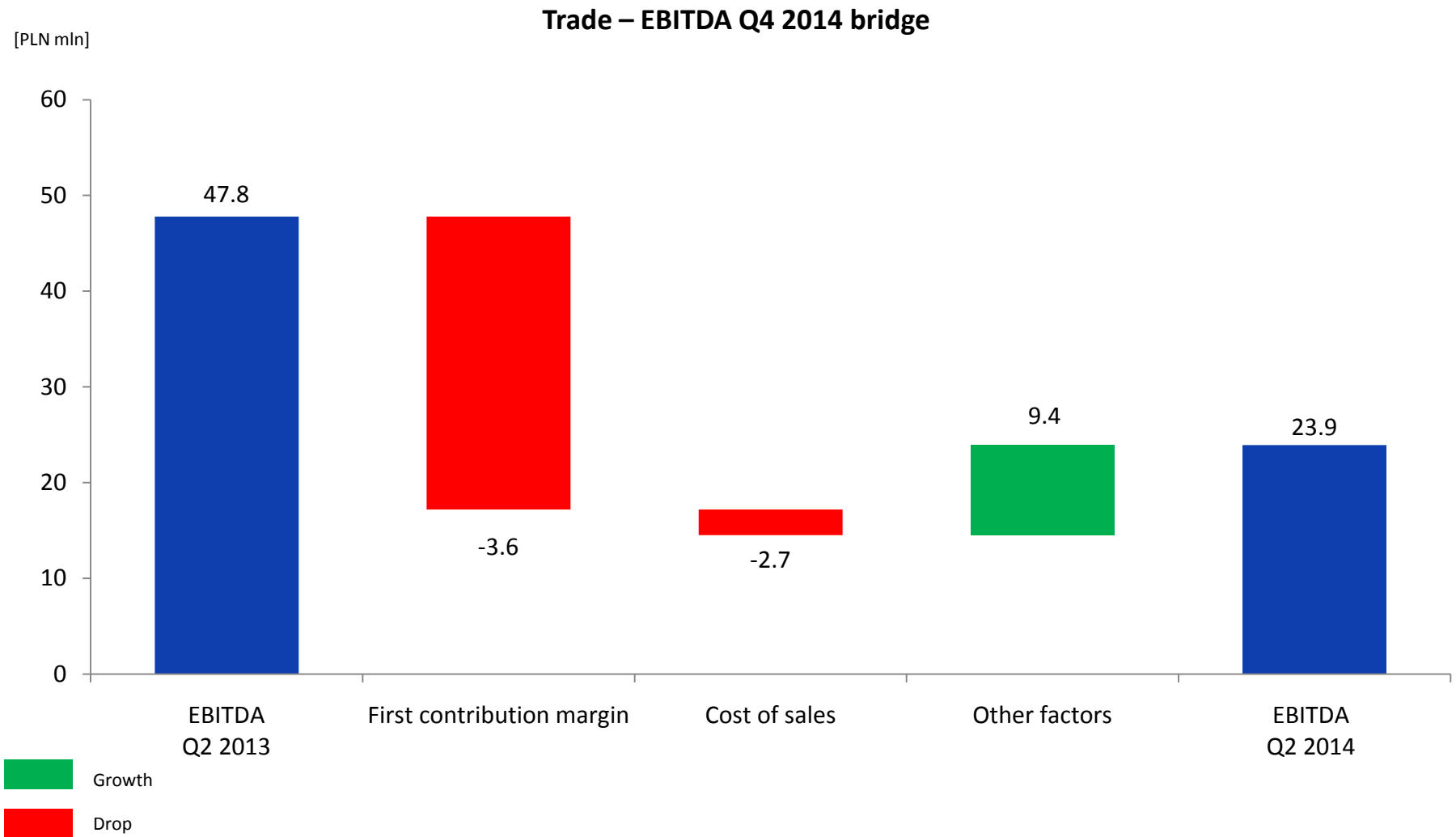
**Additional information**



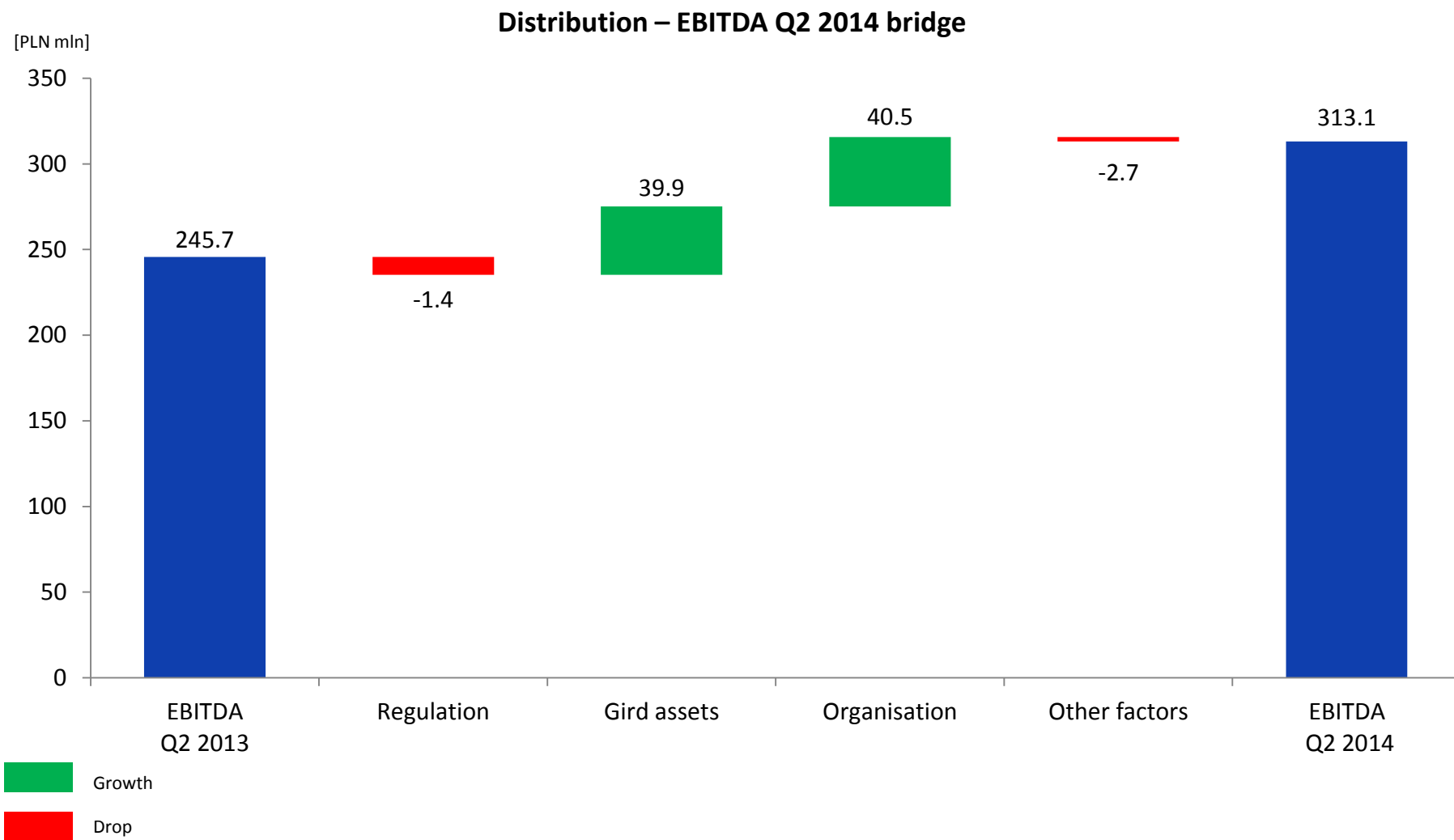
# Attachment 1 – Higher EBITDA in the segment of generation results from the recognition in Q2 2014 of revenues from compensation for recovery of stranded costs



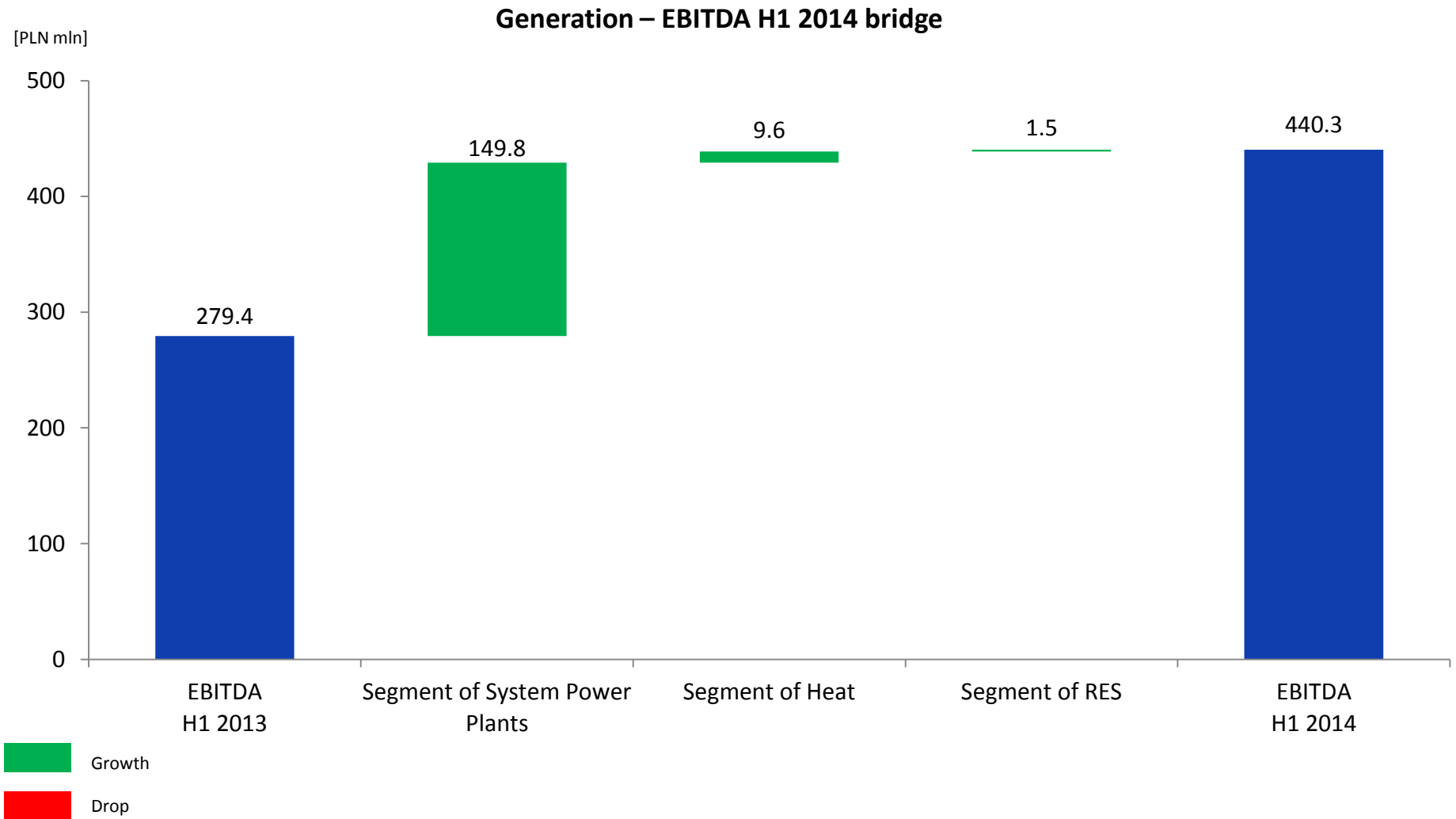
## Attachment 2 – Lower first contribution margin impaired the results of the segment of trade in Q2 2014



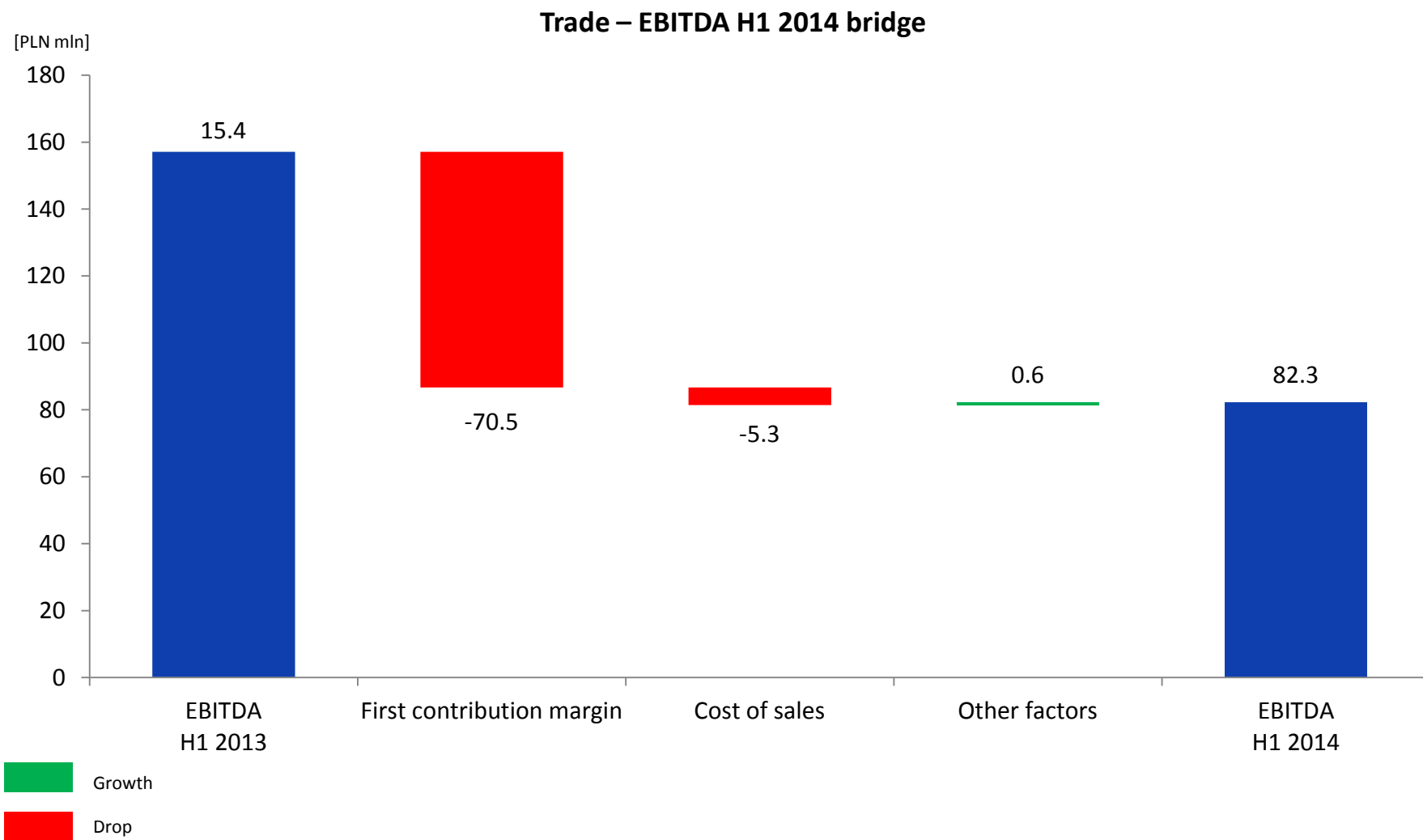
## Attachment 3 - In Q2 2014 in the segment of distribution lower costs were reported of establishment of provisions relating to the grid assets and employee benefit provisions



# Attachment 4 - Recognition in H1 2014 revenues from compensation for recovery of stranded costs impacted the growth of EBITDA in the segment of generation



## Attachment 5 – Lower first contribution margin charged the results of the segment of trade in H1 2014





# Attachment 6 - In H1 2014 in the segment of distribution lower costs of energy purchases were reported for covering the book-tax difference and costs of establishment of reserves

