



21 March 2016

# Zespół Elektrowni „Pątnów-Adamów-Konin” S.A.

## 2015 results



# ZE PAK Group – 2015 Summary



Key operational and financial data	2015	y/y change
Sale of electricity:	14,9 <sup>(1)</sup> TWh	+10,5%
• electricity from own production:	9,8 <sup>(1)</sup> TWh	-2,9%
• electricity from resale:	5,1 TWh	+50,2%
ZE PAK share in whole electricity production in Poland:	6,8 %	
Achieved average electricity sale price:	177,15 PLN/MWh	+5,6%
Sale revenues:	2 948 m PLN	+10,0%
EBITDA:	494 m PLN	-2,6%
Impairment write-downs:	1 930 <sup>(2)</sup> m PLN	
Net result:	-1 880 m PLN	
Net result without impairment write-downs:	50 <sup>(2)</sup> m PLN	
Capex:	418 m PLN	-39,9%
Indebtnes:	1 337 m PLN	+7,1%
Cash:	460 <sup>(3)</sup> m PLN	+2,1%
Net debt / EBITDA:	1,77 x	+12,9%

<sup>(1)</sup> Including sale within the commissioning of units 1 and 2 in El. Pątnów I.

<sup>(2)</sup> Impairment write-downs of fixed assets and write-downs on deferred tax income.

<sup>(3)</sup> Cash and cash equivalents and other short-term financial assets.

# ZE PAK Group – 4Q 2015 Summary



Key operational and financial data	4Q 2015	y/y change
Sale of electricity:	3,9 <sup>(1)</sup> TWh	+15,4%
• electricity from own production:	2,6 <sup>(1)</sup> TWh	+12,8%
• electricity from resale:	1,3 <sup>(1)</sup> TWh	+21,1%
ZE PAK share in whole electricity production in Poland:	6,8 %	
Achieved average electricity sale price:	179,05 PLN/MWh	+3,9%
Sale revenues:	693 m PLN	-2,2%
EBITDA:	156 m PLN	+33,1%
Impairment write-downs:	1 930 <sup>(2)</sup> m PLN	
Net result:	-1 901 m PLN	
Net result without impairment write-downs:	29 <sup>(2)</sup> m PLN	
Capex:	75 m PLN	-57,1%
Indebtnes:	1 337 m PLN	+7,1%
Cash:	460 <sup>(3)</sup> m PLN	+2,1%
Net debt / EBITDA:	1,77 x	+12,9%

<sup>(1)</sup> Including sale within the commissioning of units 1 and 2 in El. Pątnów I.

<sup>(2)</sup> Impairment write-downs of fixed assets and write-downs on deferred tax income.

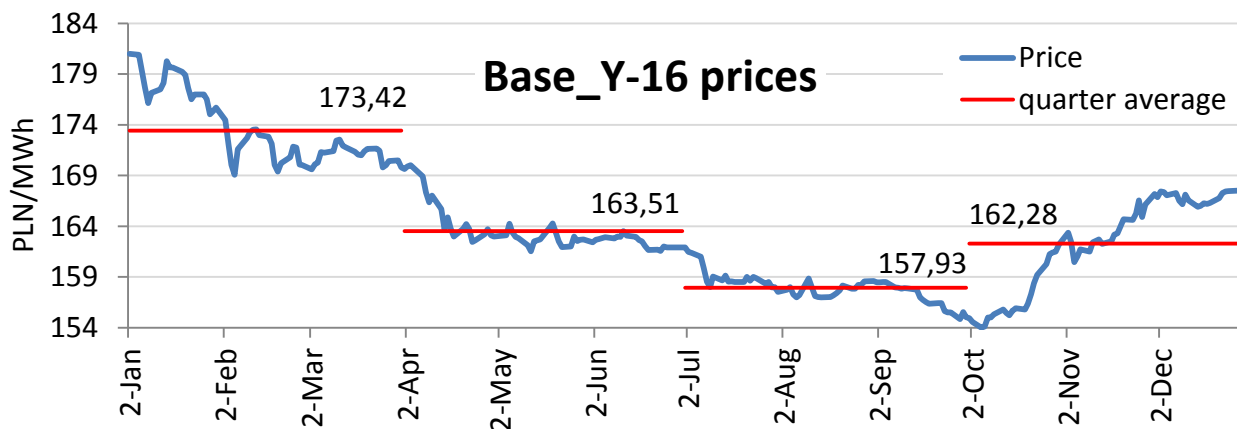
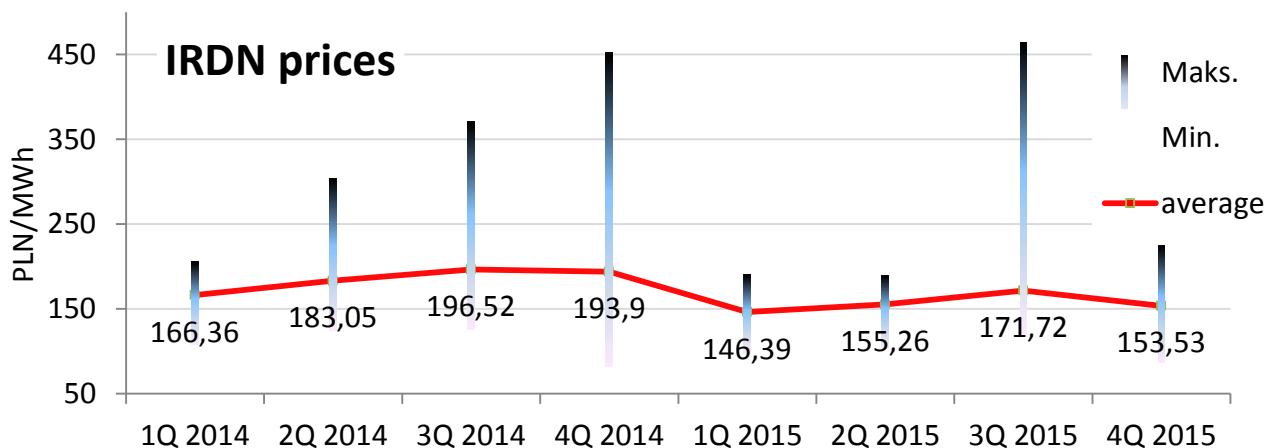
<sup>(3)</sup> Cash and cash equivalents and other short-term financial assets.

# SELECTED ELECTRICITY MARKET DATA

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# Electricity prices



Decrease of weighted average annual electricity price (Day ahead index on TGE) by 28,11 PLN, ie. 15,2%.

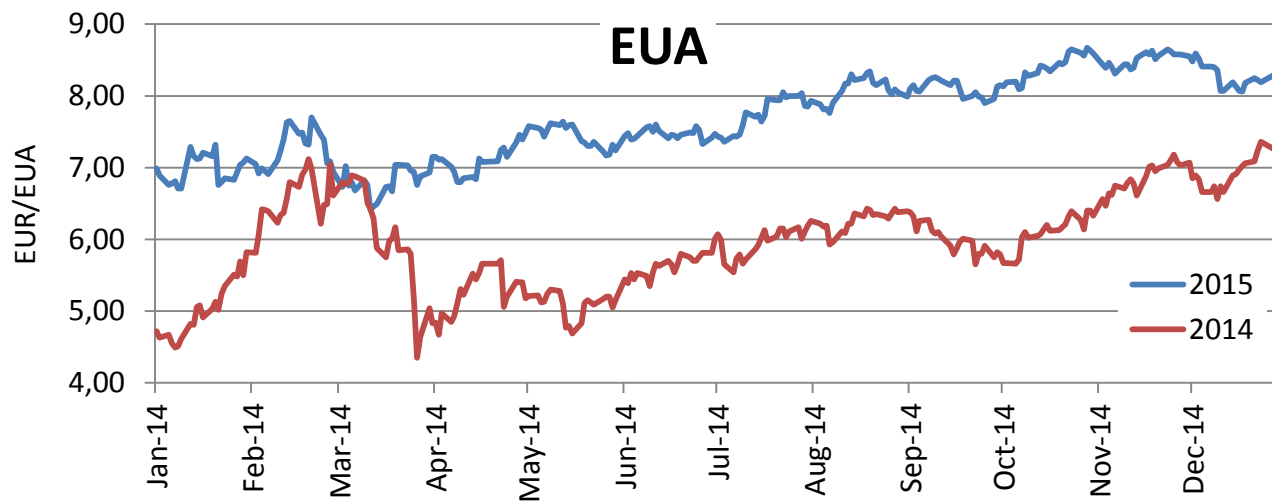
Introduction of 20 power degree in August 2015 due to heat wave and drought -> increase of prices in 3Q 2015.

Significant increase of wind power generation (good wind conditions and increase in new power capacities by 35% y/y) to about 6,2% of total (gross) electricity production in Poland.

Decrease of hard coal prices on world markets and aggressive sale policy of KW in Poland -> increase of competitiveness of electricity producers from hard coal.

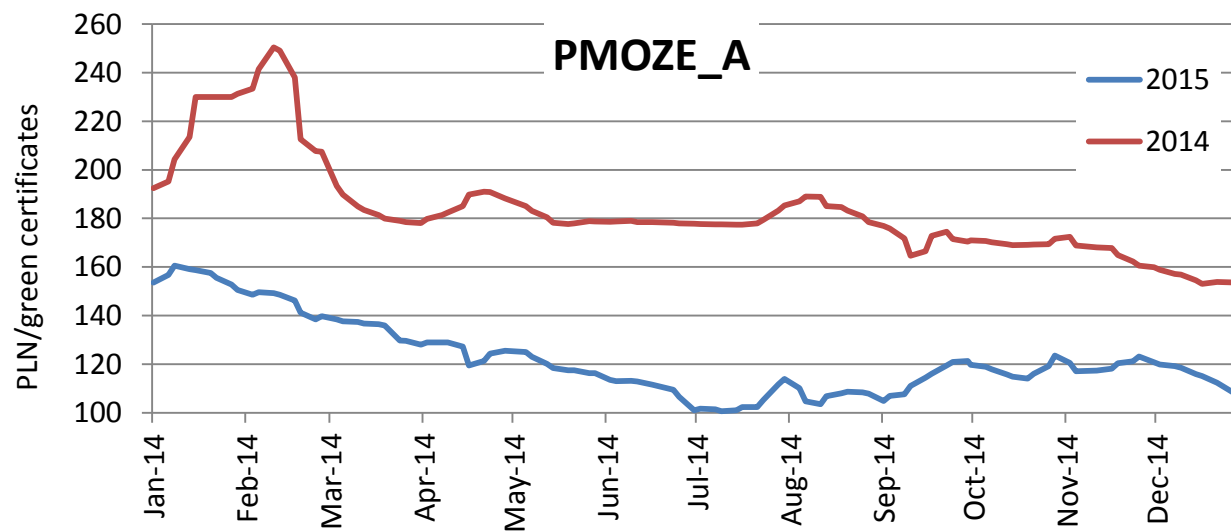
Different trends on IRDN market and base load for 2016. IRDN – increase in 1-3Q, decrease in 4Q. Base Y-16 opposite.

# EUA and green certificates prices



Increase by nearly 29% of average price of CO<sub>2</sub> emission allowance (EUA) in 2015 in compared to 2014.

EUA prices in 2015 under pressure of propositions and final decisions concerning MSR (Market Stability Reserve).



Decrease by nearly 34% of average weighted price of green certificates in 2015 in compared to 2014.

Resistant oversupply of green certificates of origin.

# OPERATIONAL DATA

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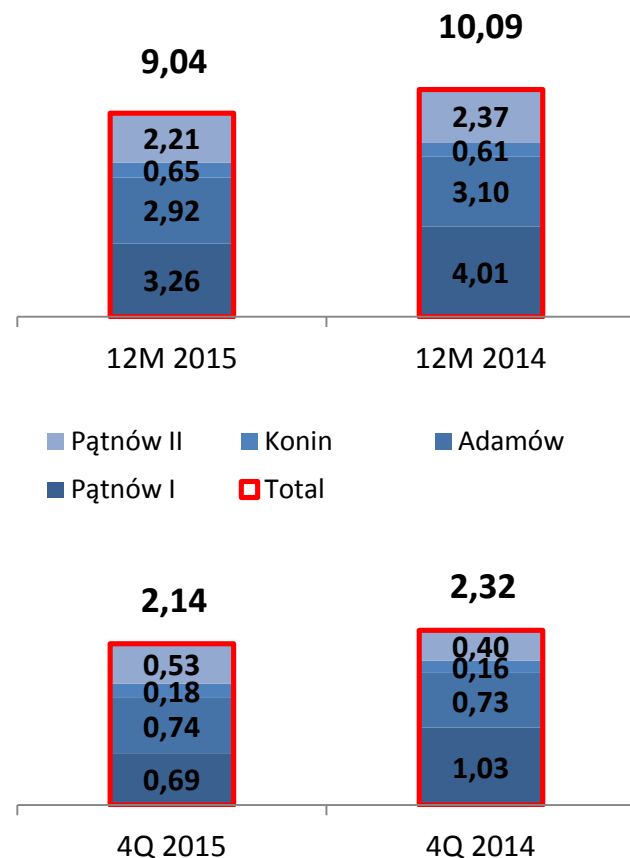


# Net production and sale of electricity

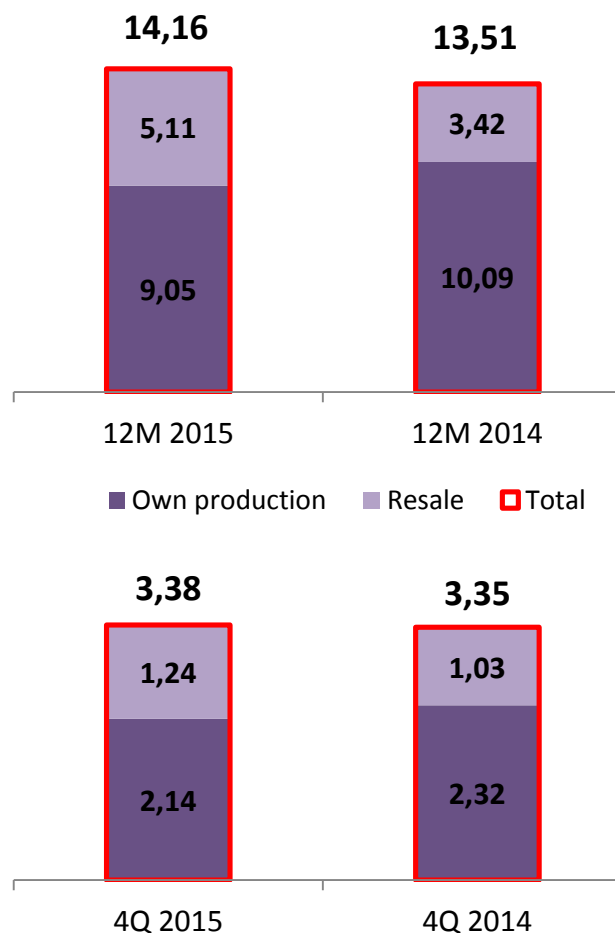
[TWh]



## NET PRODUCTION



## SALE



Presented production in 2015 excludes 0,75 TWh, and sale 0,77 TWh of electricity produced (sold) by units 1 and 2 in Pątnów during commissioning period

Including commissioning period production the decrease of electricity production in 2015 was 2,9% y/y and affected Pątnów II and Adamów.

Increase in sale form „resale”, generated mainly by PAK-Volt.

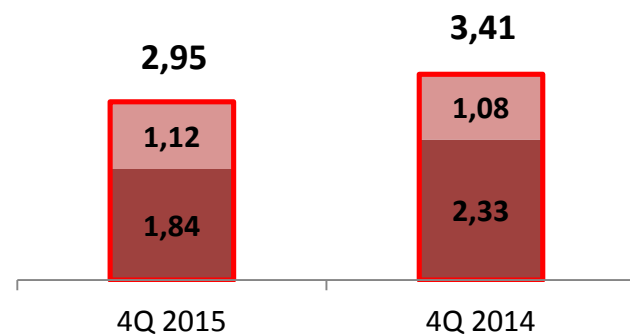
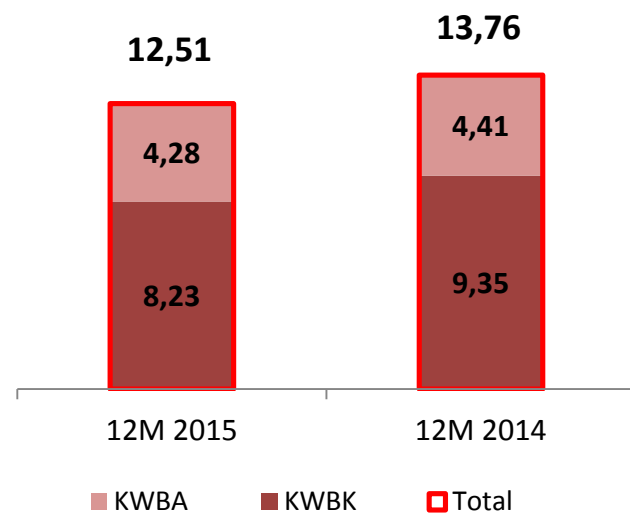


# Lignite consumption and CO<sub>2</sub> emission

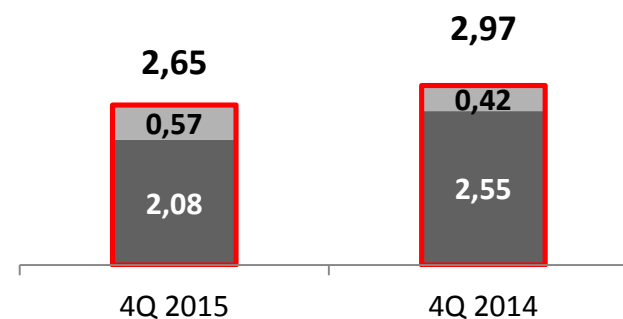
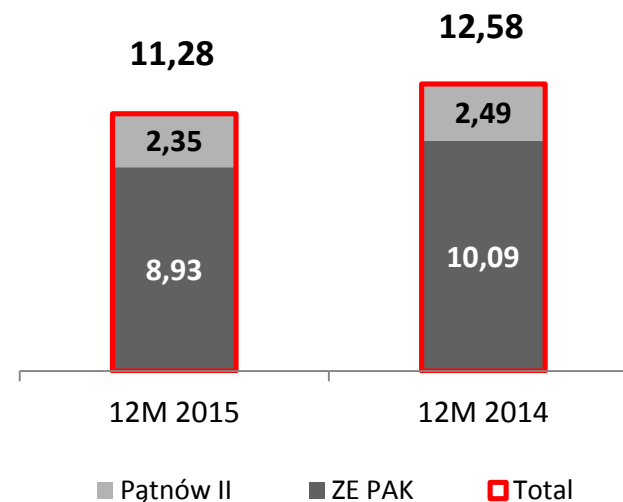
[m tonnes]



## LIGNITE CONSUMPTION



## CO<sub>2</sub>



Data concerning lignite consumption and CO<sub>2</sub> emission in 2015 excludes consumption and emission needed in „commissioning period, i.e. 1,1 m tonnes of lignite and 0,98 m tonnes of CO<sub>2</sub> emission.

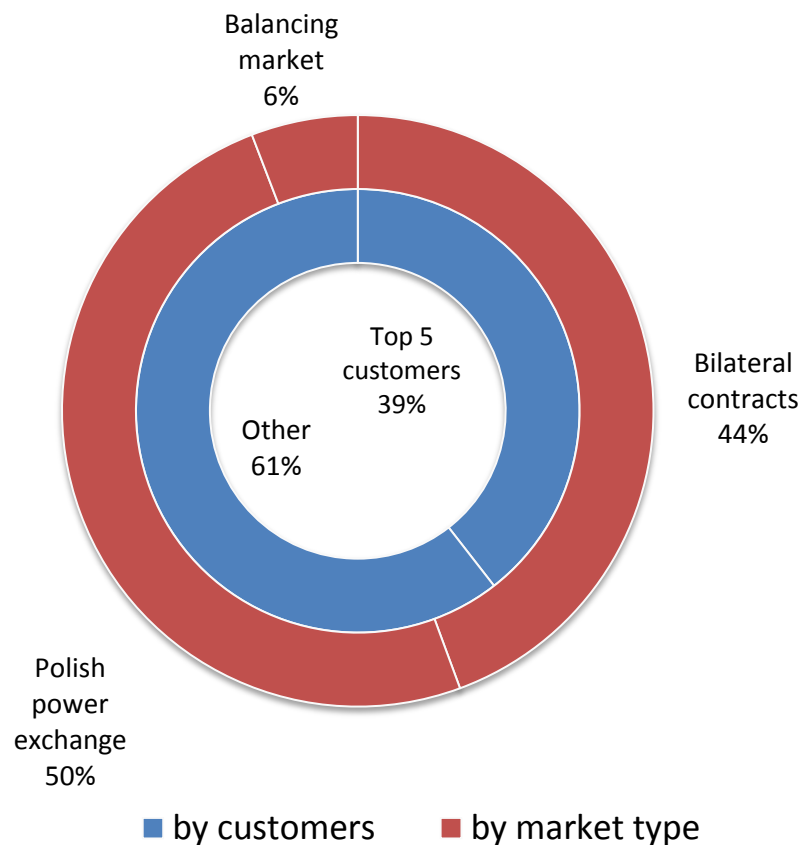
Including commissioning production the lignite consumption decreased by 1,1% and CO<sub>2</sub> emission decreased by 1,7%.

Group in 2015 used 0,45 m tonnes of free CO<sub>2</sub> emission allowances, in the year before the use of free allowances was 4,24 m tonnes.

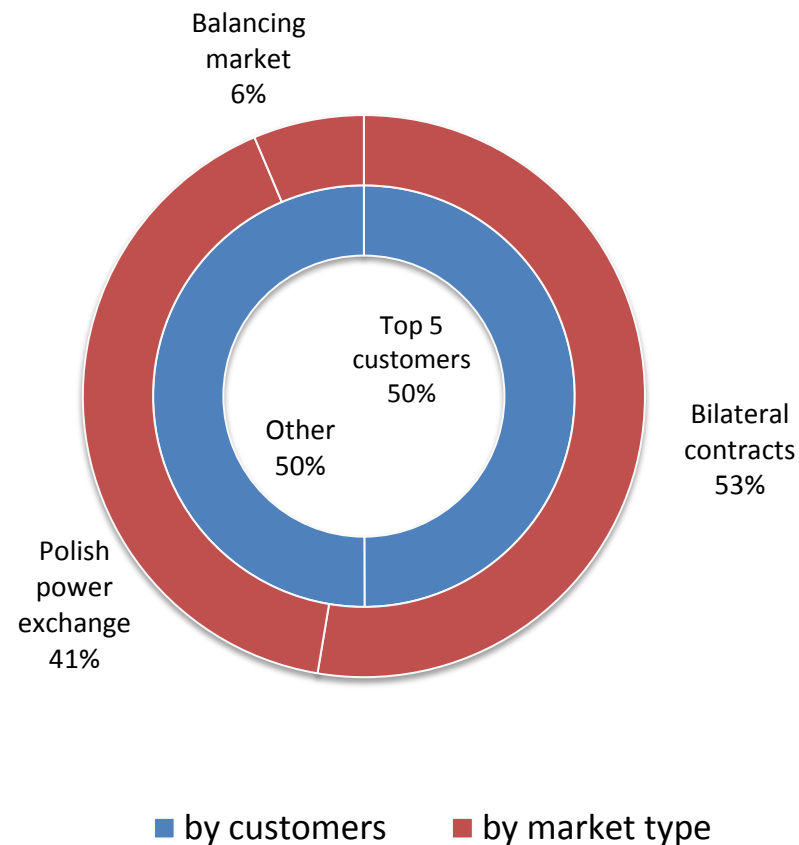
# Sale of electricity breakdown

by customers (internal ring) and by the market type (external ring)

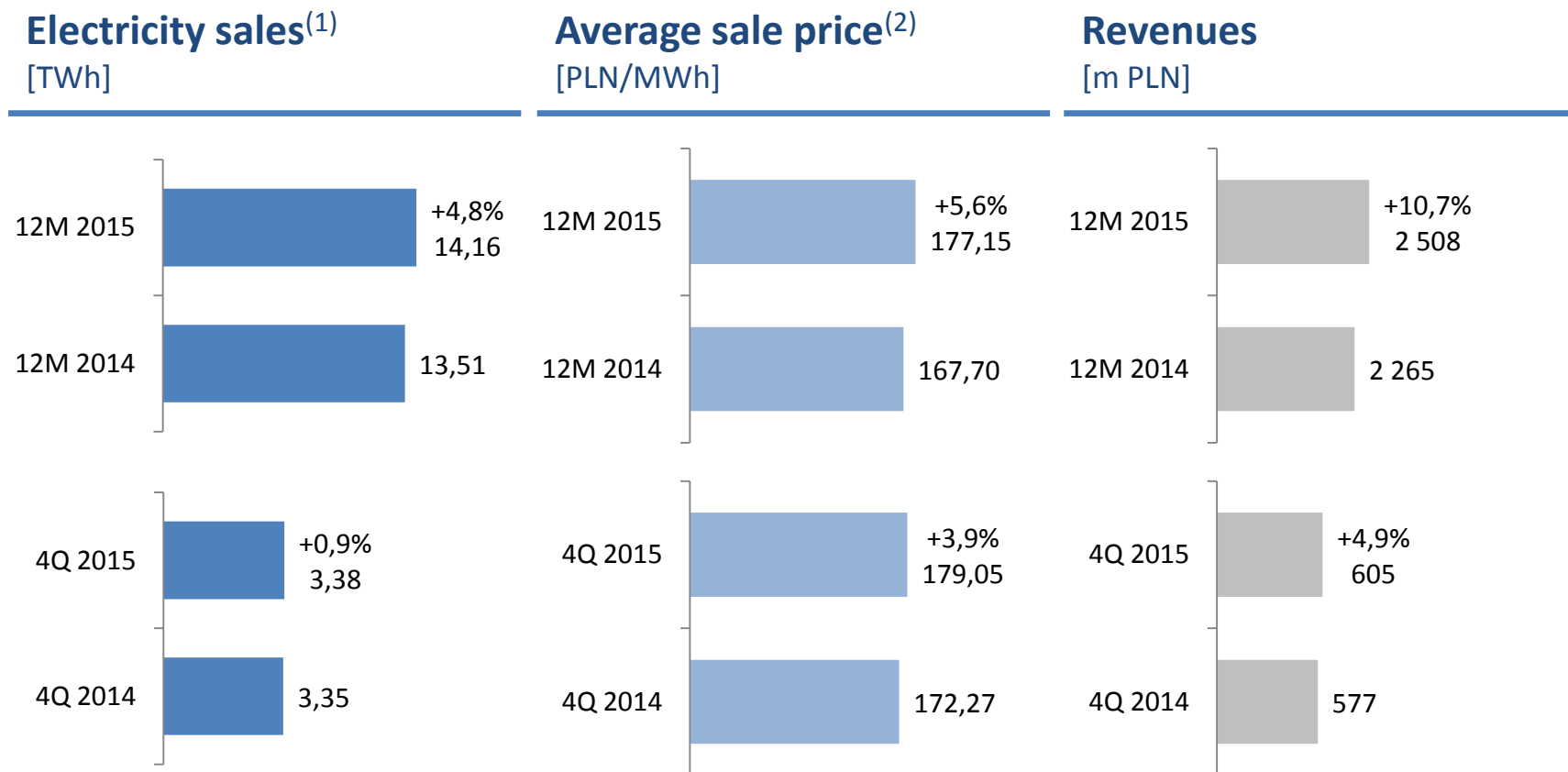
## 2015



## 2014



# Electricity sales

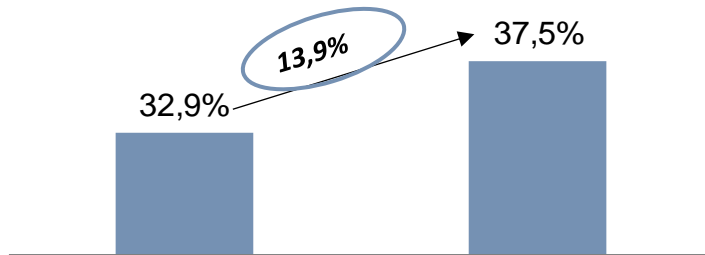


<sup>(1)</sup> Sale of own production electricity and resale of electricity

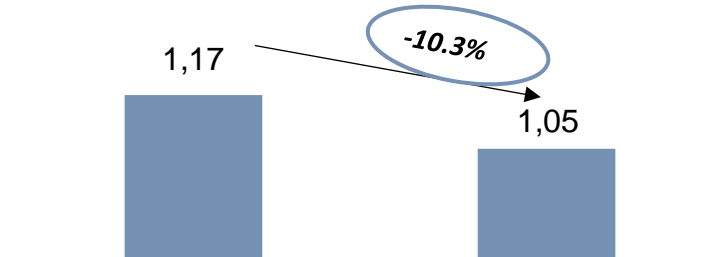
<sup>(2)</sup> Average price calculated as sale revenues divided by sale volume.

# Projected effects of Pątnów Power Plant units 1 i 2 modernisation

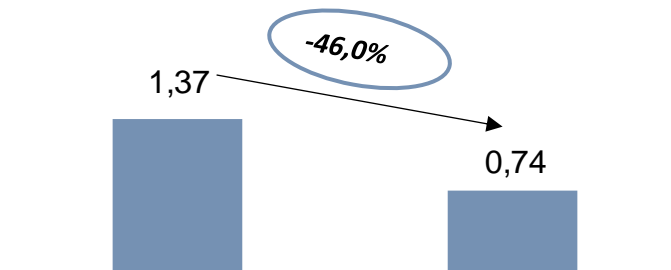
Average efficiency of electricity production



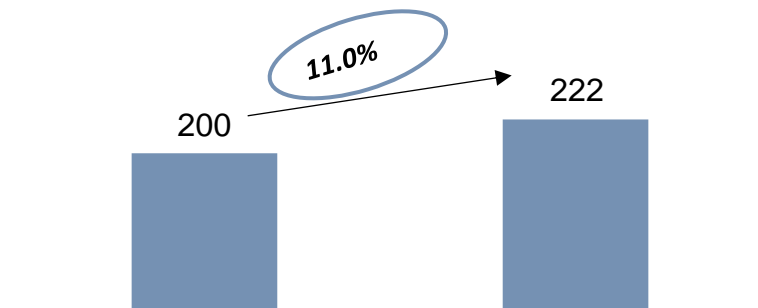
CO<sub>2</sub> emission (gross production)  
[tonnes/MWh]



Emissions of nitrogen oxides NO<sub>x</sub> (gross production)  
[kg/MWh]



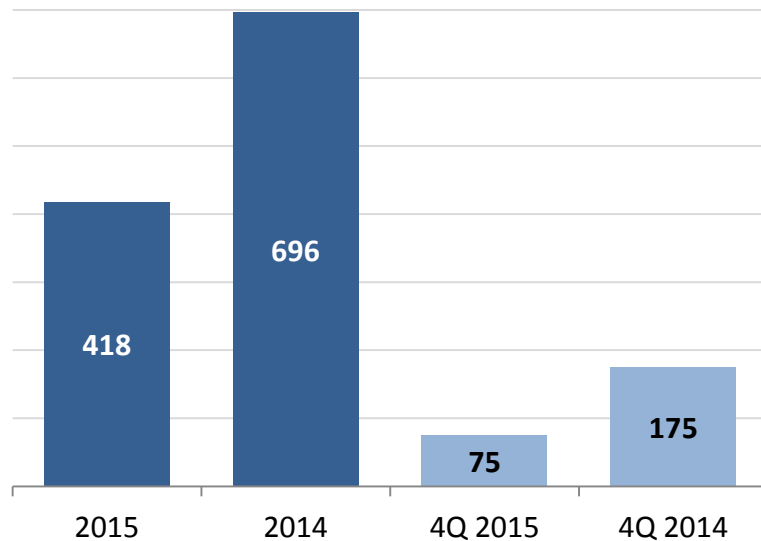
Maximum capacity of each unit  
[MW]



# Capex on fixed assets and intangible assets (excluding CO<sub>2</sub>)

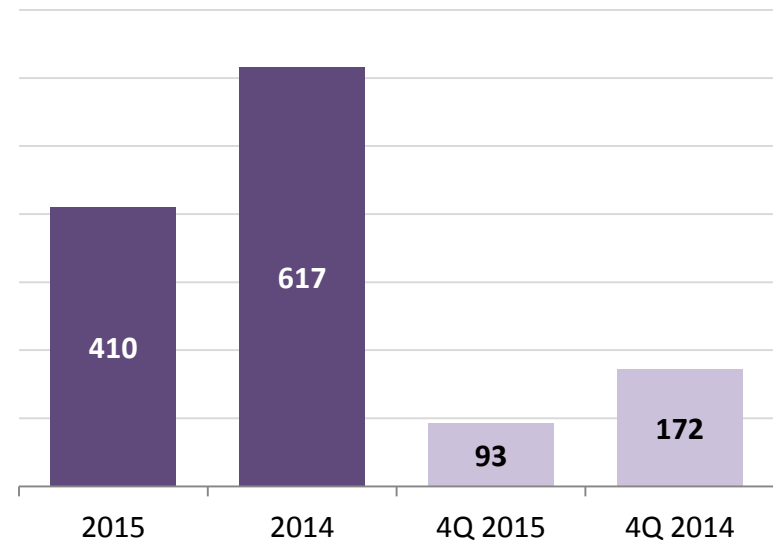


## CAPEX [m PLN]



- Key investment projects in 2015:
  - Commissioning of modernised units 1 and 2 in Pątnów Power Plant
  - Suspension of modernisation units 3 and 4 in Pątnów Power Plant

## EXPENDITURES [m PLN]



- Capex limitation in 2016:
  - About 50 m PLN – generation division
  - About 60 m PLN – mining division

# FINANCIAL DATA

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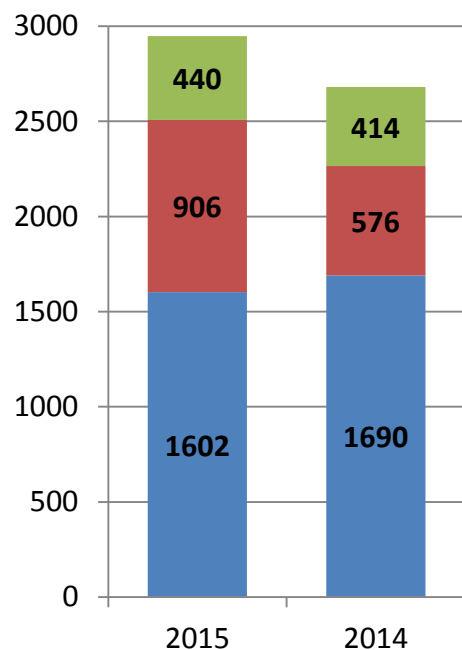


# Basic financial data

[m PLN]

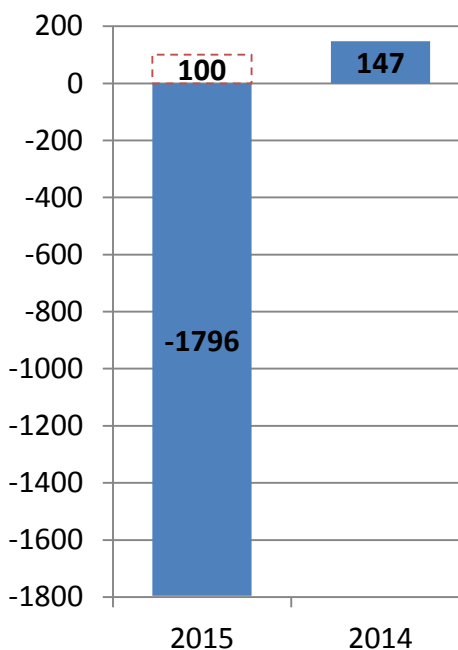


## SALES REVENUES



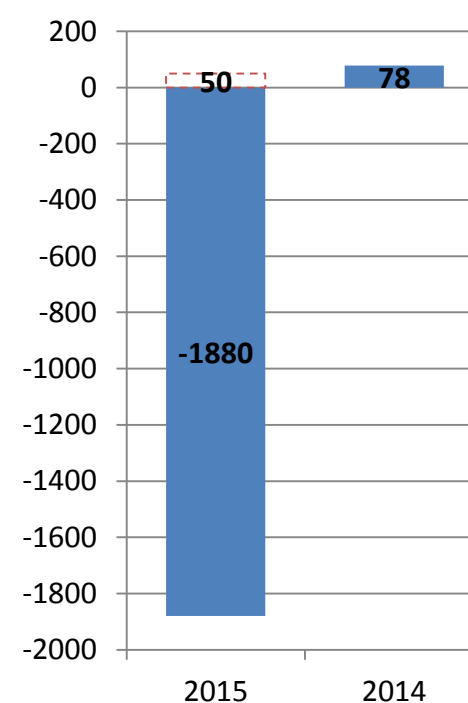
- Other
- Electricity from resale
- Electricity from own production

## EBIT



- EBIT without impairments write-down on fixed assets
- EBIT

## NET RESULT



- Net profit (loss) without impairment write-down on fixed assets and deferred tax asset
- Net profit (loss)

# Consolidated P&L



[m PLN]	12M 2015	12M 2014	4Q 2015	4Q 2014
<b>Sales revenue</b>	<b>2 948</b>	<b>2 680</b>	<b>693</b>	<b>709</b>
Change %	10,00%		-2,26%	
Cost of goods sold	-4 651	-2 452	-2 528	-704
<b>Gross profit</b>	<b>-1 703</b>	<b>228</b>	<b>-1 835</b>	<b>5</b>
Margin %	-57,77%	8,51%	-264,79%	0,71%
Other operating income	30	88	15	60
Selling and distribution expenses	-5	-4	-2	-1
Administrative expenses	-111	-149	-25	-36
Other operating expenses	-6	-16	-2	-
<b>EBITDA</b>	<b>494</b>	<b>507</b>	<b>156</b>	<b>117</b>
Margin %	16,76%	18,92%	22,51%	16,50%
<b>EBIT</b>	<b>-1 796</b>	<b>147</b>	<b>-1 850</b>	<b>28</b>
Margin %	-60,92%	5,49%	-266,96%	3,95%
Finance income	6	21	-1	10
Finance costs	-44	-71	-9	-30
<b>Gross profit (loss)</b>	<b>-1 833</b>	<b>98</b>	<b>-1 860</b>	<b>8</b>
Income tax (taxation)	-47	-20	-41	-2
Effective tax rate %	-2,56%	20,41%	-2,20%	25,00%
<b>Net profit (loss)</b>	<b>-1 880</b>	<b>78</b>	<b>-1 901</b>	<b>6</b>
Margin %	-63,77%	2,91%	-274,31%	0,85%

Main positions with the negative impact on operational result in 2015:

- impairment write-downs on fixed assets (1 896 m PLN)
- higher by 143 m PLN cost of CO<sub>2</sub>
- higher by 33 m PLN depreciation

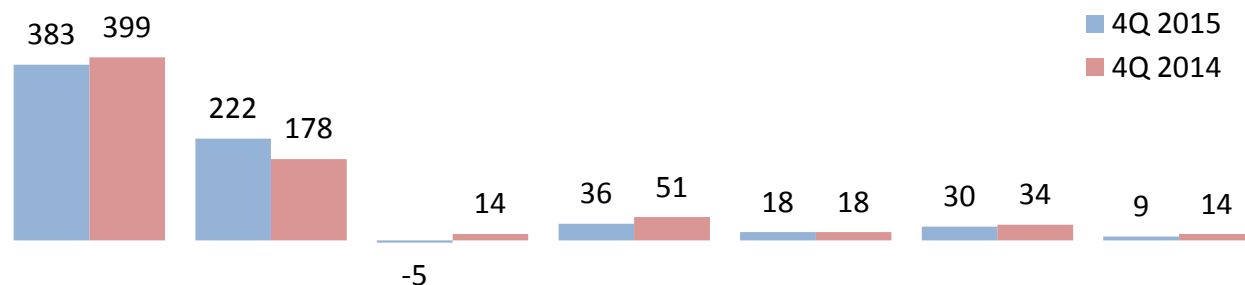
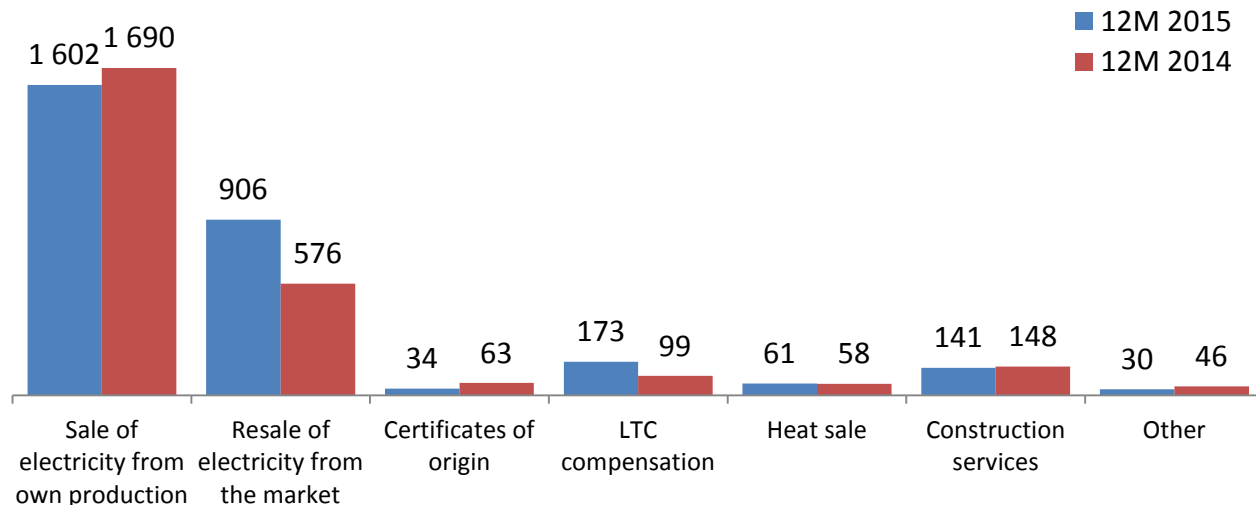
Decrease in administrative expenses in 2015 by 23,5% y/y as a result of employment optimisation.

Higher income tax as a result of made impairment write-downs in connection with impossibility of tax loss settlement from previous years – concerning Pątnów II (25 m PLN) and ZE PAK (9 m PLN).



# Revenues

[m PLN]



Sale of electricity(own production and resale) creates more than 85% total revenues in 2015. Nearly 11% increase in revenues from that source y/y, which comes from:

- Higher volume by 0,65 TWh (resale: +1,69 TWh, own production: -1,04 TWh)
- Higher price by 9,60 PLN/MWh

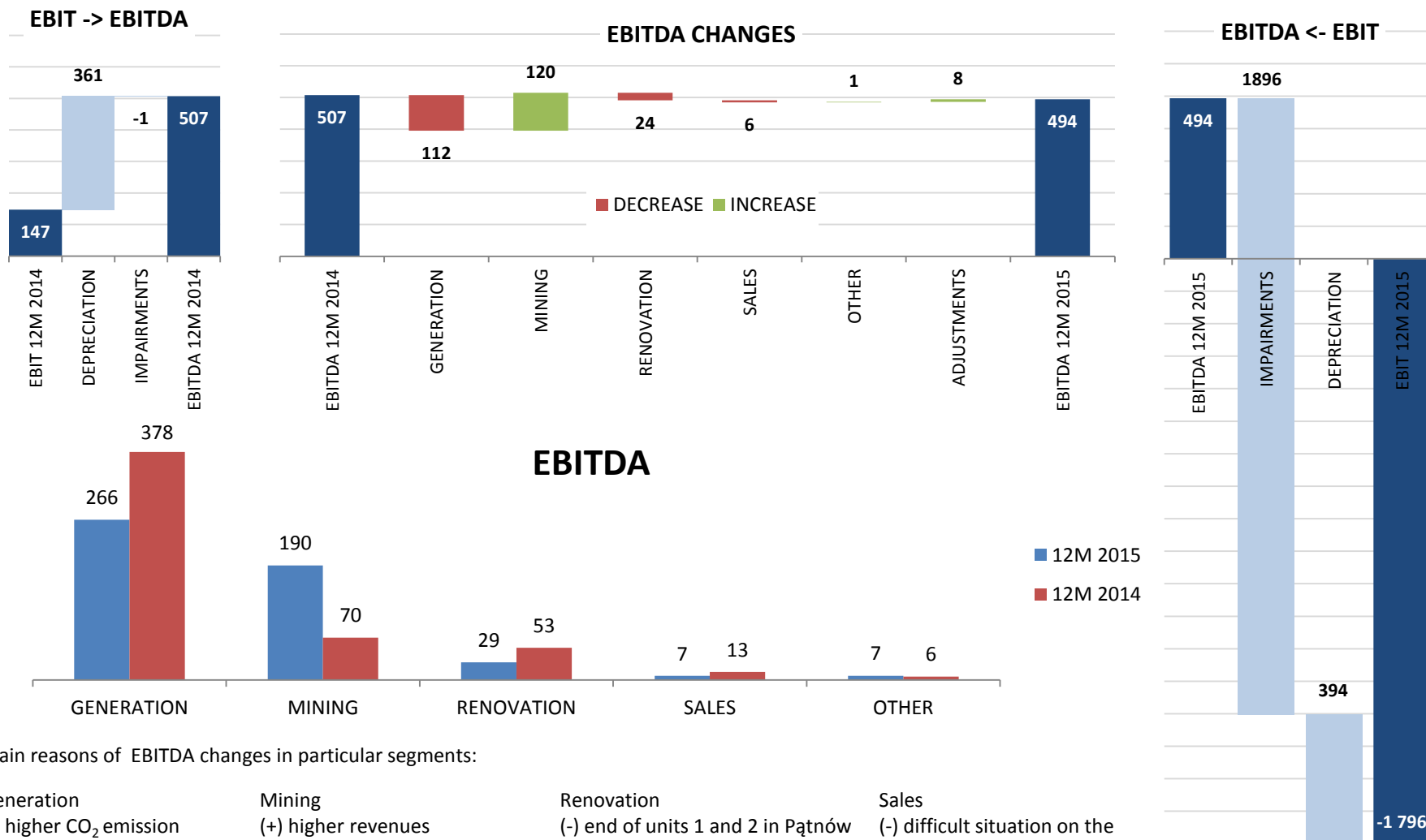
Lower revenues from certificates of origin comes from:

- decrease in market prices of green certificates,
- sale in 4Q 2015 part of certificates on stock from previous years at market price which was lower than booked quotation (153,63 PLN/MWh) -> negative value of revenues in 4Q

Substantial increase of LTC compensations comes from write-offs in 2014 (excluding write-offs – decrease by nearly 4% y/y, as a result of better financial results of Pątnów II in 2015).

# EBITDA 2015

[m PLN]



Main reasons of EBITDA changes in particular segments:

**Generation**  
 (-) higher CO<sub>2</sub> emission costs  
 (-) lower result on green certificates

**Mining**  
 (+) higher revenues  
 (+) one-offs in 2014 (lower comparative base)

**Renovation**  
 (-) end of units 1 and 2 in Pątnów modernisation  
 (-) reversal of provision for jubilee benefits in 2014

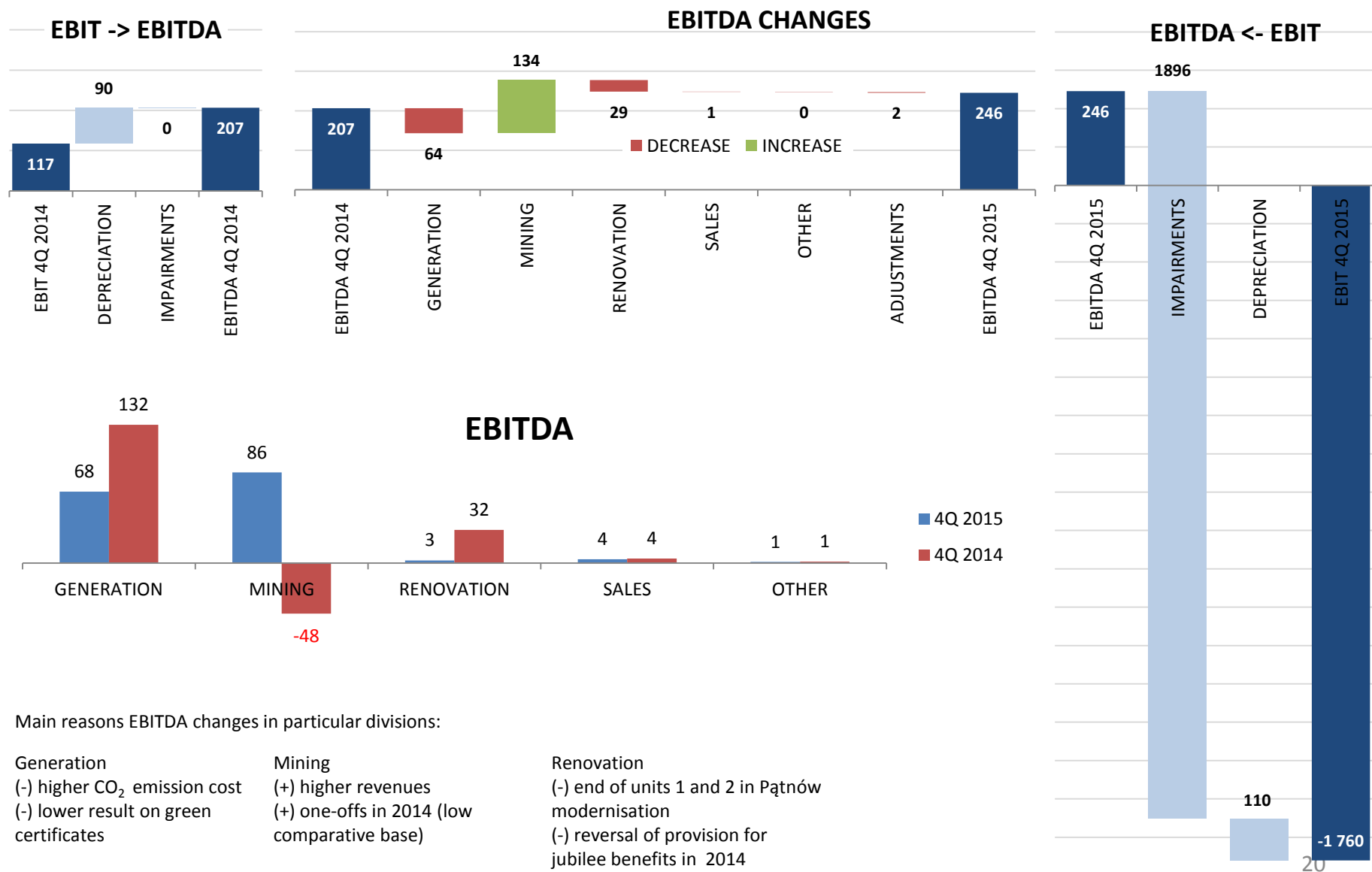
**Sales**  
 (-) difficult situation on the market (long-term downside trend on electricity prices) -> lower realised margin

# Consolidated P&L in 2015 by segments

m PLN	Generation	Mining	Renovation	Sales	Other	Consolidation adjustments	Total
Sales revenue from external customers	1 720,7	9,6	149,3	1 059,4	8,8	-	2 947,8
<i>External sales revenue %</i>	<i>79,1%</i>	<i>1,0%</i>	<i>32,5%</i>	<i>100,0%</i>	<i>6,9%</i>		<i>100,0%</i>
Sales revenue between segments	455,5	902,5	309,8	-	118,6	(1 786,3)	-
<b>Sales revenue</b>	<b>2 176,1</b>	<b>912,0</b>	<b>459,1</b>	<b>1 059,4</b>	<b>127,4</b>	<b>(1 786,3)</b>	<b>2 947,8</b>
Cost of goods sold	(3 994,7)	(861,3)	(416,7)	(1 047,4)	(118,3)	1 787,3	(4 651,2)
<b>Gross profit</b>	<b>(1 818,6)</b>	<b>50,7</b>	<b>42,4</b>	<b>12,0</b>	<b>9,1</b>	<b>1,0</b>	<b>(1 703,3)</b>
<i>Margin %</i>	<i>-83,6%</i>	<i>5,6%</i>	<i>9,2%</i>	<i>1,1%</i>	<i>7,2%</i>		<i>-57,8%</i>
<b>EBITDA</b>	<b>265,9</b>	<b>190,1</b>	<b>29,1</b>	<b>6,6</b>	<b>6,9</b>	<b>(4,7)</b>	<b>494,1</b>
<i>Margin %</i>	<i>12,2%</i>	<i>20,8%</i>	<i>6,3%</i>	<i>0,6%</i>	<i>5,4%</i>		<i>16,8%</i>
<b>EBIT</b>	<b>(1 867,8)</b>	<b>41,0</b>	<b>20,5</b>	<b>6,5</b>	<b>4,2</b>	<b>(0,3)</b>	<b>(1 795,8)</b>
<i>Margin %</i>	<i>-85,8%</i>	<i>4,5%</i>	<i>4,5%</i>	<i>0,6%</i>	<i>3,3%</i>		<i>-60,9%</i>
<b>Net profit (loss)</b>	<b>(1 919,6)</b>	<b>15,2</b>	<b>15,9</b>	<b>5,6</b>	<b>3,4</b>	<b>(0,2)</b>	<b>(1 879,8)</b>
<i>Margin %</i>	<i>-88,2%</i>	<i>1,7%</i>	<i>3,5%</i>	<i>0,5%</i>	<i>2,7%</i>		<i>-63,8%</i>

# EBITDA 4Q 2015

[m PLN]



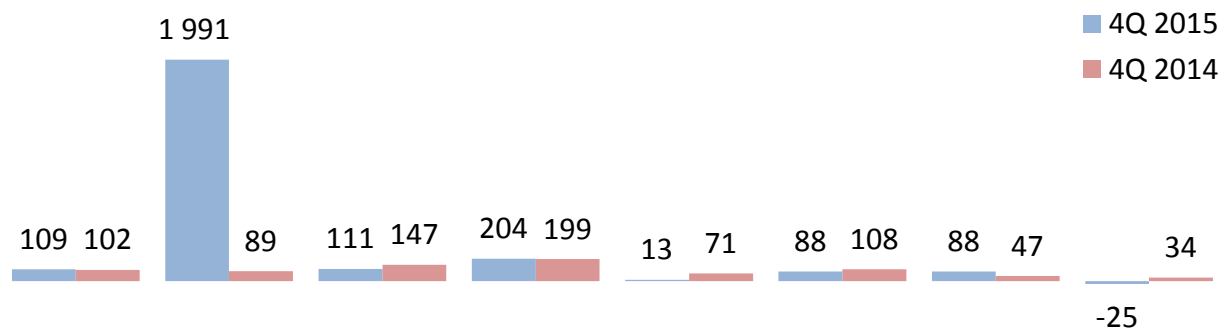
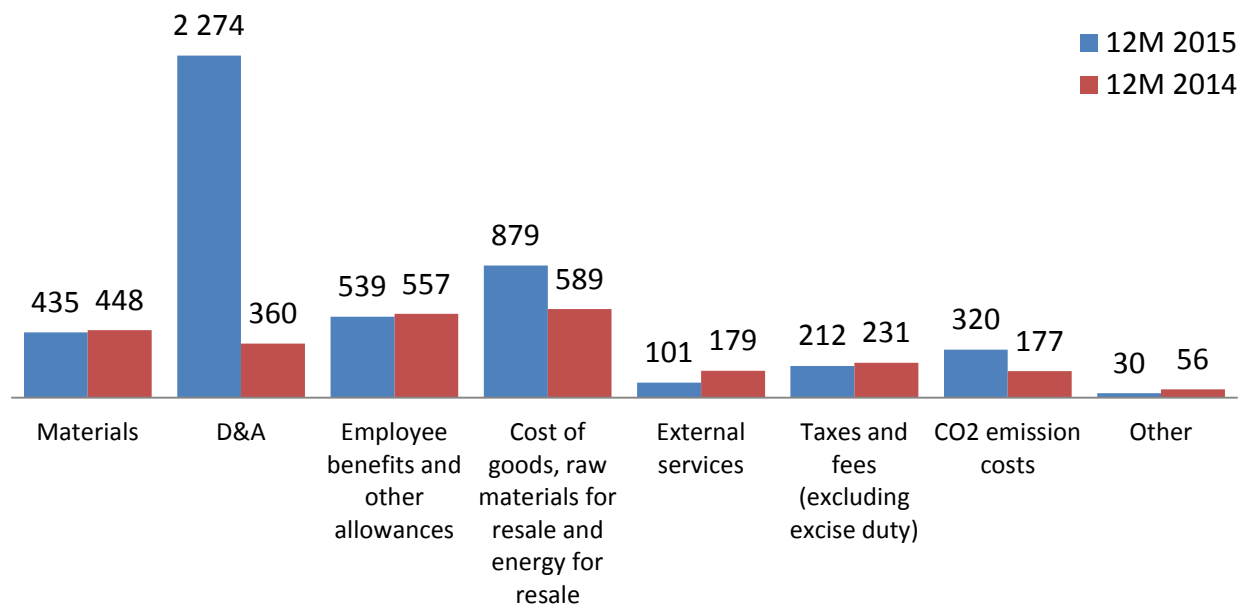
# Consolidated P&L 4Q 2015 by segments



m PLN	Generation	Mining	Renovation	Sales	Other	Consolidation adjustments	Total
Sales revenue from external customers	389,8	3,3	32,0	265,5	2,4	-	693,0
<i>External sales revenue %</i>	<i>76,8%</i>	<i>1,4%</i>	<i>31,7%</i>	<i>100,0%</i>	<i>8,2%</i>		<i>100,0%</i>
Sales revenue between segments	117,7	238,1	68,8	-	27,4	(452,0)	-
<b>Sales revenue</b>	<b>507,5</b>	<b>241,5</b>	<b>100,8</b>	<b>265,5</b>	<b>29,8</b>	<b>(452,0)</b>	<b>693,0</b>
Cost of goods sold	(2 367,5)	(225,3)	(95,2)	(260,3)	(28,0)	447,9	(2 528,3)
<b>Gross profit</b>	<b>(1 860,0)</b>	<b>16,2</b>	<b>5,6</b>	<b>5,2</b>	<b>1,8</b>	<b>(4,1)</b>	<b>(1 835,3)</b>
<i>Margin %</i>	<i>-366,5%</i>	<i>6,7%</i>	<i>5,6%</i>	<i>2,0%</i>	<i>5,9%</i>		<i>-264,8%</i>
<b>EBITDA</b>	<b>68,0</b>	<b>86,3</b>	<b>2,6</b>	<b>3,6</b>	<b>1,1</b>	<b>(5,2)</b>	<b>156,4</b>
<i>Margin %</i>	<i>13,4%</i>	<i>35,7%</i>	<i>2,6%</i>	<i>1,4%</i>	<i>3,7%</i>		<i>22,6%</i>
<b>EBIT</b>	<b>(1 874,0)</b>	<b>24,2</b>	<b>0,1</b>	<b>3,5</b>	<b>0,6</b>	<b>(4,1)</b>	<b>(1 849,7)</b>
<i>Margin %</i>	<i>-369,3%</i>	<i>10,0%</i>	<i>0,1%</i>	<i>1,3%</i>	<i>1,9%</i>		<i>-266,9%</i>
<b>Net profit (loss)</b>	<b>(1 912,8)</b>	<b>11,8</b>	<b>(0,1)</b>	<b>3,0</b>	<b>0,4</b>	<b>(3,3)</b>	<b>(1 901,1)</b>
<i>Margin %</i>	<i>-376,9%</i>	<i>4,9%</i>	<i>-0,1%</i>	<i>1,1%</i>	<i>1,3%</i>		<i>-274,3%</i>

# Costs by type

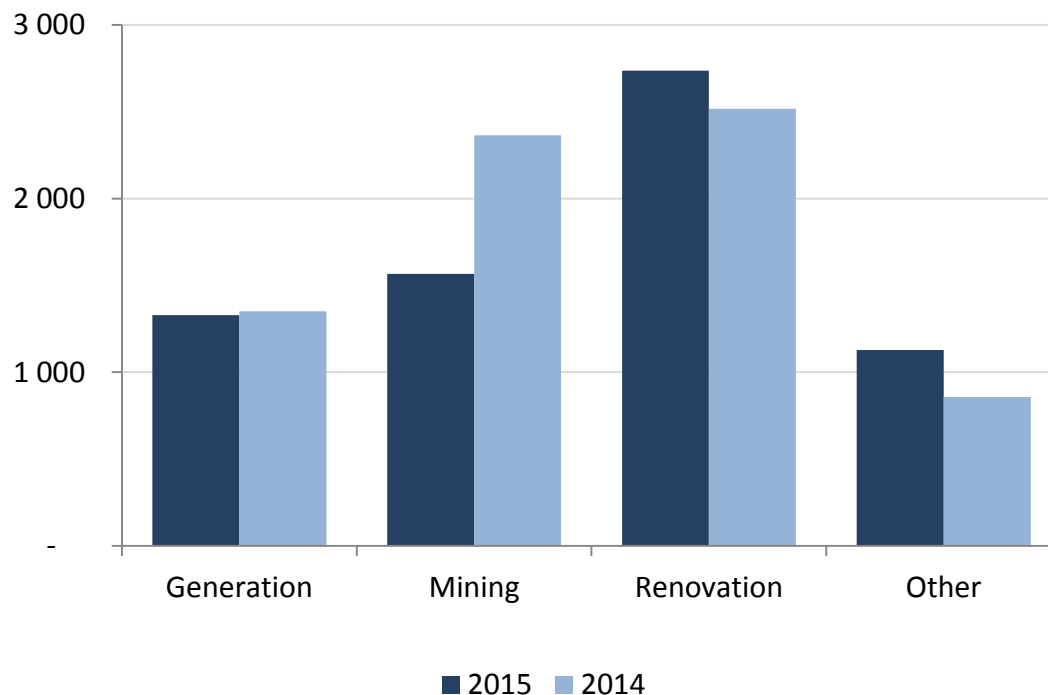
[m PLN]



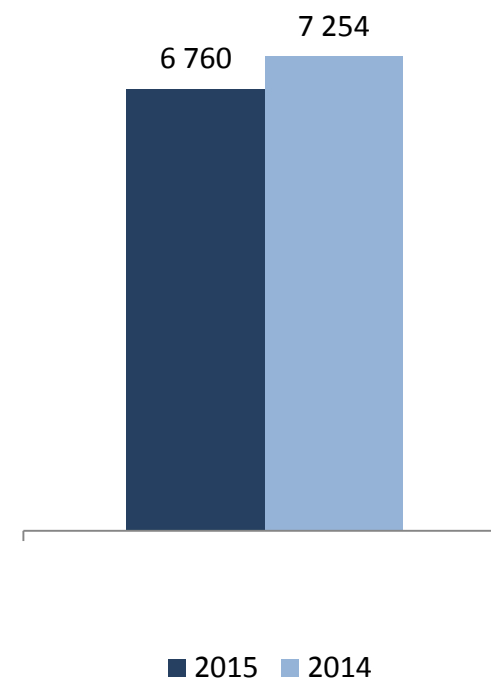
The most important changes in key costs positions:

- impairment write-down in fixed assets after tests (1 880 m PLN) and impairment for mining assets (16 m PLN in PAK Górnictwo)
- higher depreciation (33 m PLN)
- higher costs of CO<sub>2</sub> emission due to necessity of buying higher volume of EUA in higher market prices.
- decrease in other costs due to settlement of partly sell of green certificates (inventory), which took place in 4Q 2015 and resulted in withdrawal of inventory impairment (negative value in 4Q 2015)

## BY DIVISIONS



## TOTAL



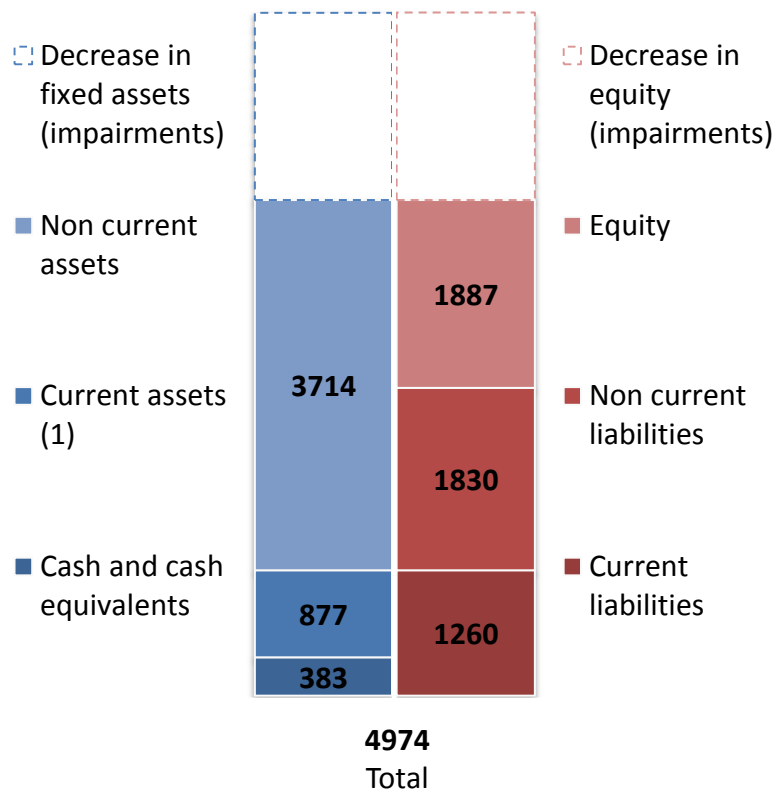
- Decrease in Group employment by 494 full time staff y/y comes mainly from retirements and ending of fixed-term contracts.
- Changes in employment structure by segments are caused by restructure operations dedicated especially to mining segment. Due to optimise the structure of employment, the groups of employees were extracted from mines and replaced to renovation segment and other segment.

# Consolidated balance sheet

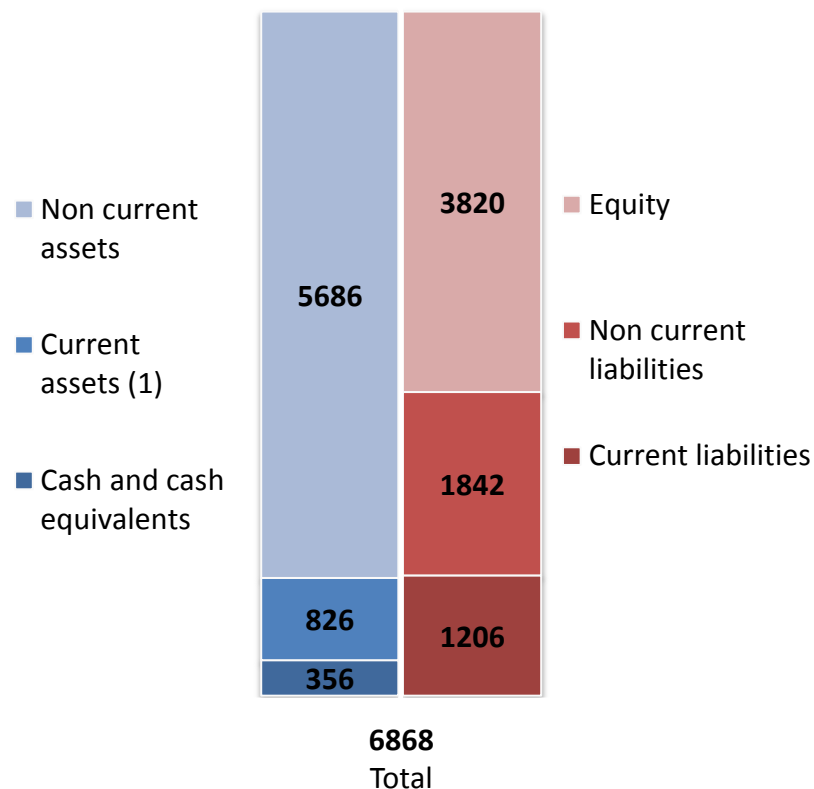
[m PLN]



## 31.12.2015



## 31.12.2014

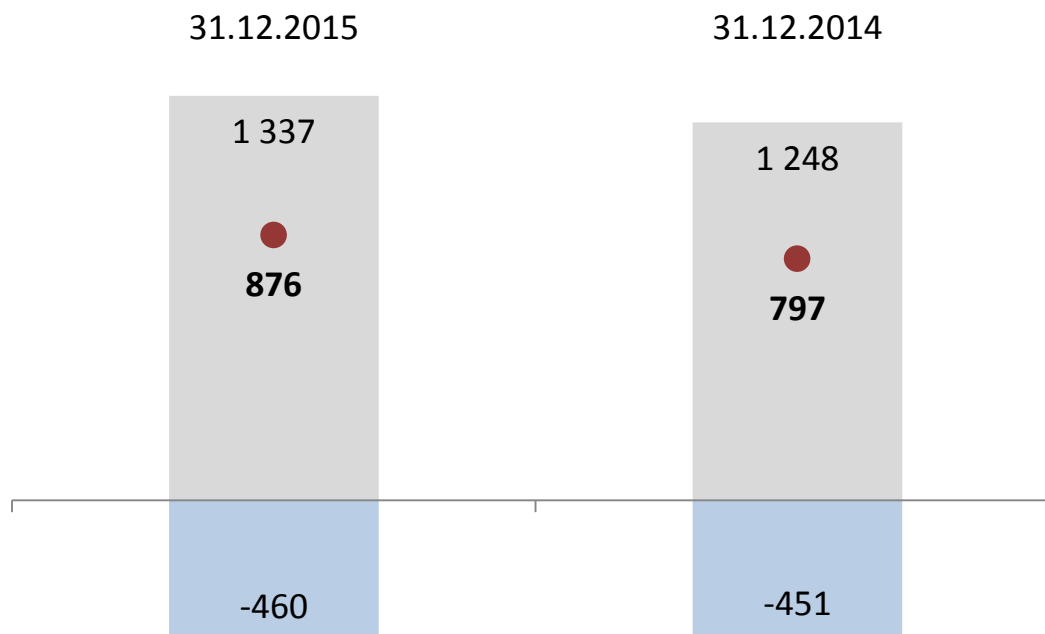


(1) Excluding cash and cash equivalents.



# Net debt

## Net debt [m PLN]



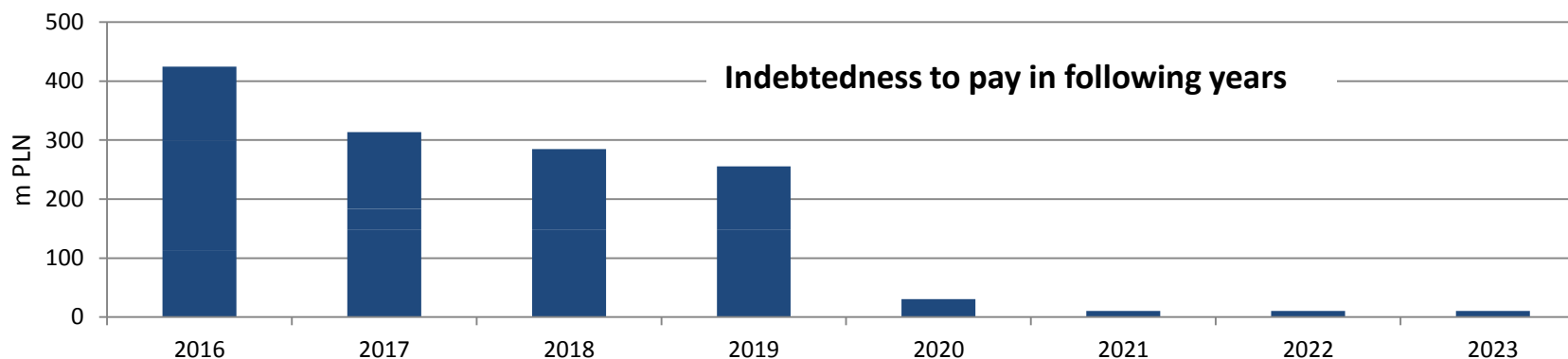
- (1)
- Cash and cash equivalents
  - interest bearing loans, credits and leases
  - Net debt

## Net debt / EBITDA

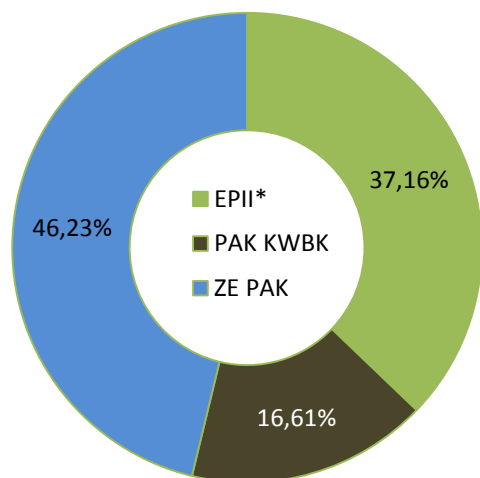
31.12.2015	1,77
31.12.2014	1,57

(1) Cash and cash equivalents from Consolidated statement of financial position and other short-term financial assets

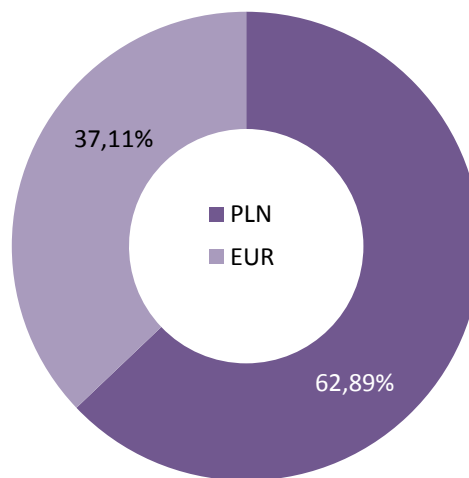
# Structure of financial indebtedness



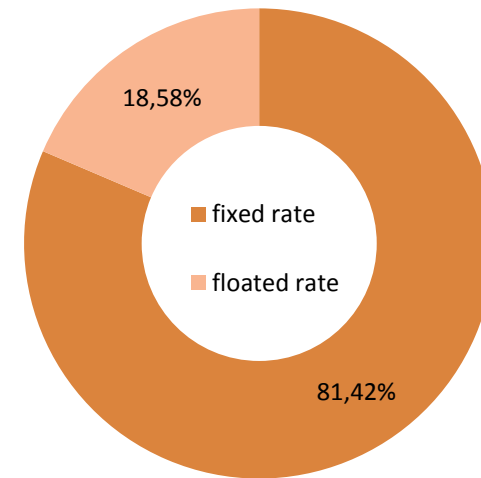
**Indebtedness structure by debtors**



**Indebtedness structure by currency**



**Indebtedness structure by rate**



\* Indebtedness in EUR calculated using average NBP rate as of 31.12.2015

# Consolidated cash flow



[m PLN]	12M 2015	12M 2014	4Q 2015	4Q 2014
<b>Profit/loss before taxation</b>	<b>(1 833,2)</b>	<b>98,0</b>	<b>(1 859,7)</b>	<b>8,1</b>
Depreciation and amortization	380,9	352,9	106,7	83,4
Profit/loss on investing and financial activities	28,9	29,8	9,6	6,7
Changes in working capital	275,3	171,2	191,3	66,8
Income tax	5,0	(9,9)	(1,7)	(2,8)
Purchase of EUA	(287,2)	(228,3)	(40,9)	(56,6)
Other	1 897,4	(0,0)	1 896,8	1,7
<b>Net cash flow from operational activities</b>	<b>467,1</b>	<b>413,7</b>	<b>302,1</b>	<b>107,3</b>
(inflows/outflows) of investments in property, plant and equipment and intangible assets	(409,9)	(616,6)	(93,5)	(172,1)
Other	(5,1)	66,8	(37,5)	26,3
<b>Net cash flow from investing activities</b>	<b>(415,0)</b>	<b>(549,8)</b>	<b>(130,9)</b>	<b>(145,7)</b>
Inflows of credits, loans, leases and securities	336,9	412,9	76,2	11,4
Payment of credits, loans, leases and securities	(245,5)	(296,4)	(52,9)	(48,5)
Interest paid	(53,4)	(53,9)	(12,7)	(14,1)
Dividend paid	(61,0)	(34,6)	(61,0)	-
Other	(1,2)	32,0	(0,3)	3,0
<b>Net cash flow from financial activities</b>	<b>(24,1)</b>	<b>60,1</b>	<b>(50,7)</b>	<b>(48,2)</b>
Change in cash and cash equivalents	28,1	(76,0)	120,4	(86,6)
Cash and cash equivalents at the beginning of the period	355,3	431,3	262,9	441,9
<b>Cash and cash equivalents at the end of the period</b>	<b>383,3</b>	<b>355,3</b>	<b>383,3</b>	<b>355,3</b>

The most important factors influencing cash balance at the end of the year:

- sale of 769 thousand MWh green certificates, including 626 thousand MWh in 4Q 2015;
- higher purchase of CO<sub>2</sub> emission allowances in 2015 (by 25,8% y/y), lower in 4Q 2015 (-27,7% q/q);
- high capex (410 m PLN, lower by 33,5% y/y);
- higher indebtedness by about 90 m PLN;
- Dividend payment in amount of 1,20 PLN per share (previous year 0,68 PLN per share).

# KEY PROJECTS

## CURRENT VIEW

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- Period of validity: years 2016-2018
- Savings in:
  - renovation and servicing,
  - cost optimization of management of working assets and non-working assets,
  - optimization of purchase costs,
  - insurance,
  - optimization of support functions,
  - optimisation of Capital Group management.

Project	Status of the project	Main assumptions	Estimated capex <sup>(1)</sup>
Modernisation of Pątnów I Power Plant – units 1 and 2	Finished	<ul style="list-style-type: none"> <li>• Increase of maximum capacity of each unit from 200 MW to 222 MW</li> <li>• Decrease of emission NO<sub>x</sub> i CO<sub>2</sub></li> <li>• Increase of efficiency in electricity production</li> <li>• Extension of possible operation of units for next 15 years</li> </ul>	917 m PLN
Modernisation of Pątnów I Power Plant – units 3 and 4	Suspended	<ul style="list-style-type: none"> <li>• Increase of maximum capacity of each unit from 200 MW to 222 MW</li> <li>• Decrease of emission NO<sub>x</sub> i CO<sub>2</sub></li> <li>• Increase of efficiency in electricity production</li> <li>• Extension of possible operation of units till 2030</li> </ul>	1,1 b PLN
Construction of CCGT in Konin Power Plant	In progress (selection of contractor)	<ul style="list-style-type: none"> <li>• Construction of 120 MWe and about 90 MWt CCGT with 40 MWt peak boiler</li> <li>• Replacement of exploited lignite units</li> </ul>	650 m PLN
New lignite open pits	In progress (permits)	<ul style="list-style-type: none"> <li>• Ensuring supplies of lignite for existing units</li> </ul>	284 m PLN

<sup>(1)</sup> Excluding financial costs.

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