

14 November 2016

# Zespół Elektrowni Pątnów-Adamów-Konin SA 3Q 2016 Results



# ZE PAK Group – 9M 2016 Summary



Key operational and financial data	9M 2016	Change y/y
Sale of electricity <sup>(1)</sup> :	10.36 TWh	-6.41%
• electricity from own production <sup>(1)</sup> :	7.44 TWh	+3.48%
• electricity from resale <sup>(1)</sup> :	2.92 TWh	-24.74%
ZE PAK share in whole electricity production in Poland <sup>(2)</sup> :	6.99 %	+3.86 p.p.
Achieved average electricity sale price:	174.02 PLN/MWh	-1.43%
Sale revenues:	2 054 PLN million	-8.93%
EBITDA:	473 PLN million	+40.12%
Net result:	219 PLN million	+925.59%
CAPEX:	43 PLN million	-87.46%
Indebtedness:	1 084 PLN million	-17.00%
Cash <sup>(3)</sup> :	536 PLN million	+76.32%
Net debt / EBITDA:	0.87 x	-60.45%

<sup>(1)</sup> Including sale within the commissioning of units 1 and 2 in Pątnów I power plant which was 0.04 TWh (in 9M 2015 period – 0.29 TWh).

<sup>(2)</sup> Based on Table: Structure of electricity production in domestic power plants, cross-border exchange, and domestic use of electricity – monthly amounts since the beginning of the year – gross amounts, presented at PSE SA website. Gross production in Poland in 9M 2016 was 118.32 TWh.

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

# ZE PAK Group – 3Q 2016 Summary



Key operational and financial data	3Q 2016	Change y/y
Sale of electricity <sup>(1)</sup> :	3.56 TWh	-6.81%
• electricity from own production <sup>(1)</sup> :	2.49 TWh	+4.18%
• electricity from resale <sup>(1)</sup> :	1.07 TWh	-25.69%
ZE PAK share in whole electricity production in Poland <sup>(2)</sup> :	7.17 %	6.22 p.p.
Achieved average electricity sale price:	172.19 PLN/MWh	-3.40%
Sale revenues:	686 PLN million	-8.20%
EBITDA:	144 PLN million	+26.32%
Net result <sup>(3)</sup> :	79 PLN million	+1 234.82%
CAPEX:	15 PLN million	-87.07%

<sup>(1)</sup> In 3Q 2015 change includes sale within the commissioning of units 1 and 2 in Pątnów I power plant which was 0.24 TWh.

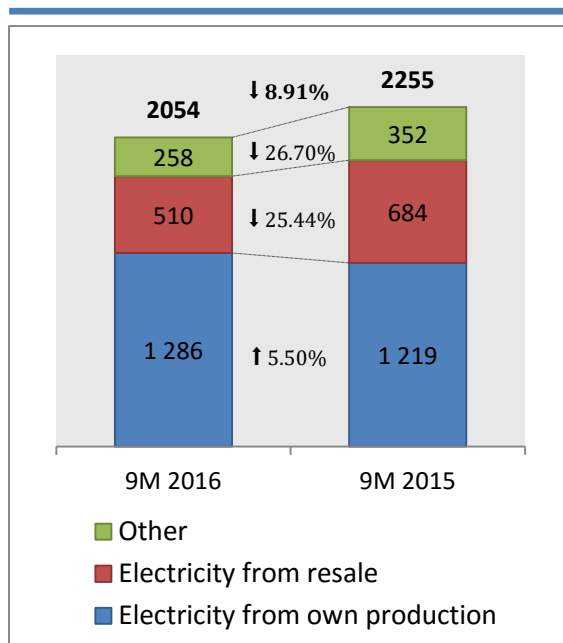
<sup>(2)</sup> Based on Table: Structure of electricity production in domestic power plants, cross-border exchange, and domestic use of electricity – monthly amounts since the beginning of the year – gross amounts, presented at PSE SA website. Gross production in Poland in 3Q 2016 was 38.62 TWh.

# ZE PAK Group – 9M 2016 Summary

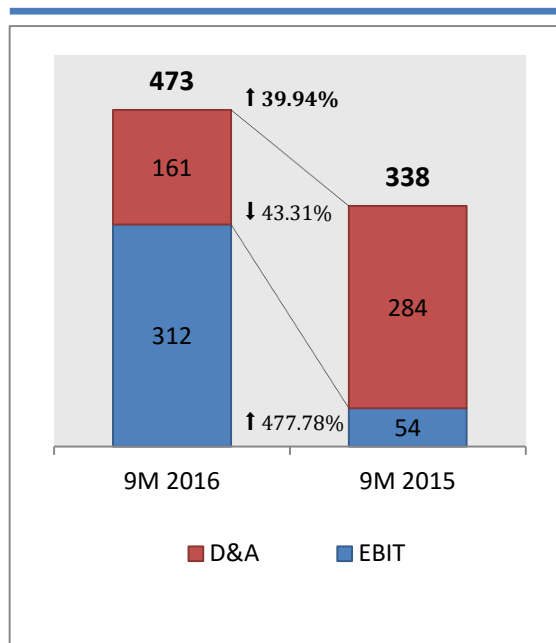
[PLN million]



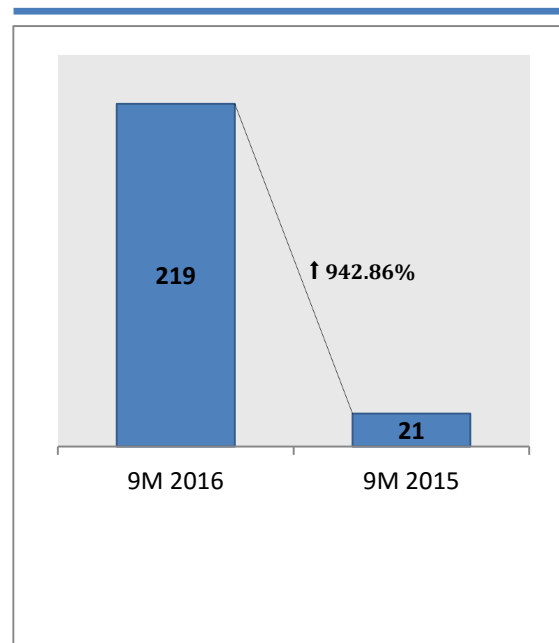
## Revenues



## EBITDA



## Net result



Significantly better ZE PAK Group results in 3Q and 9M than in corresponding periods comes mainly from:

- actions aimed at efficiency improvement in costs of current activities,
- lower costs of fuel and electricity and
- higher volume of production.

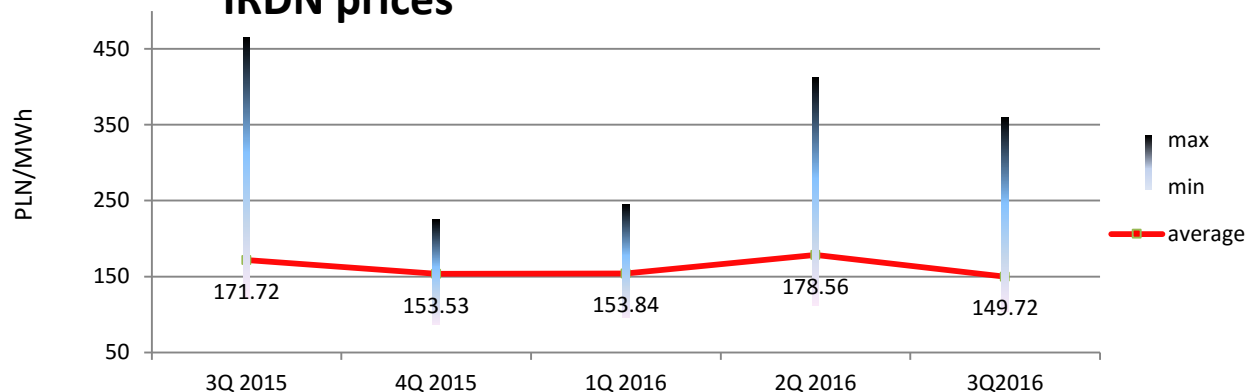
Negatively impact on net result had deep decrease of green certificates price.

# SELECTED ELECTRICITY MARKET DATA

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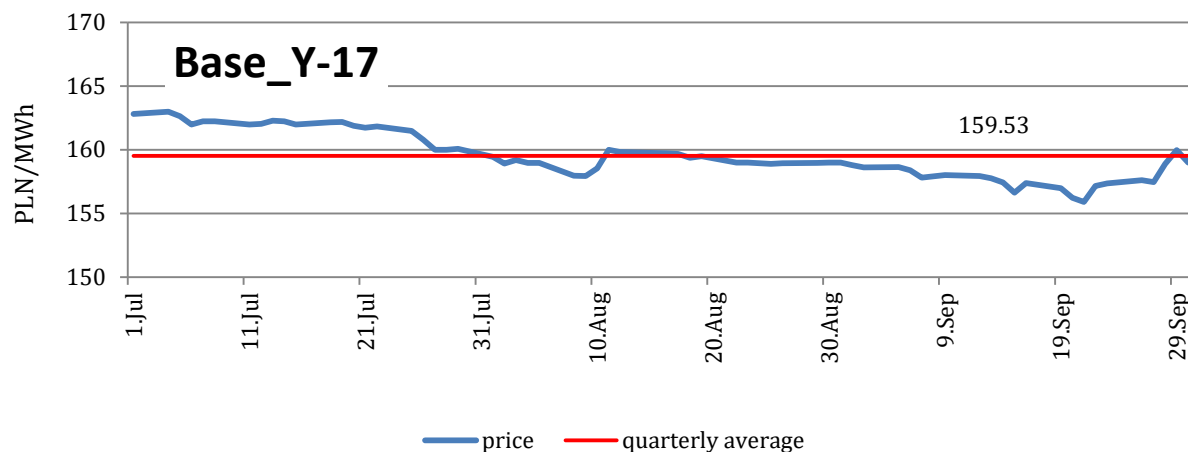
## IRDN prices



Decrease of average weighted quarterly electricity price (Day ahead index on TGE) by 22.0 PLN, i.e. 12,8% in relation to 3Q 2015. Lower range of volatility than in 3Q 2015.

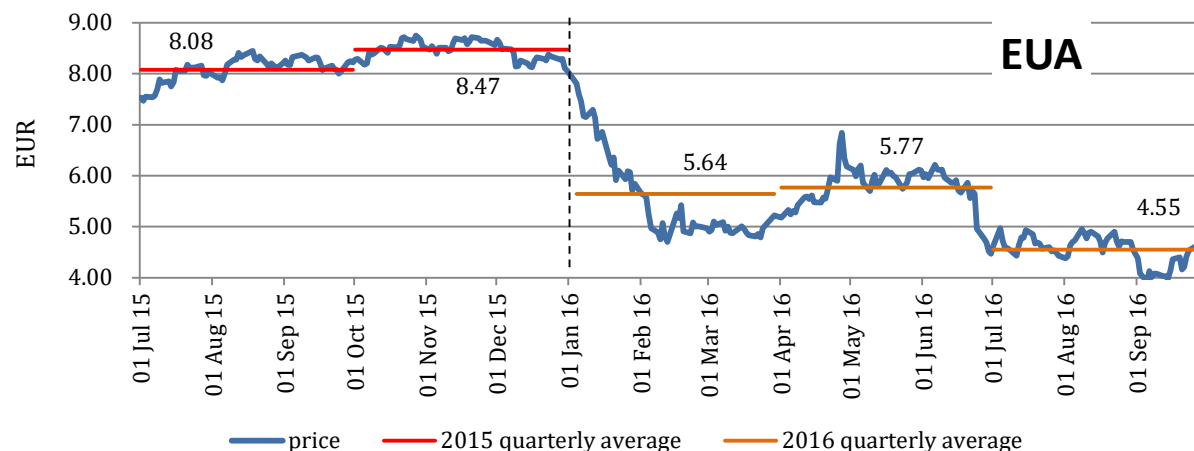
Milder weather situation in 3Q 2016 compared to 3Q 2015 and smaller differences in relation to the long-term average temperatures than it was in 3Q 2015. The lower number of planned shutdowns of power units, some units parked for repairs in the spring and autumn aimed at not reducing energy system reserve during the summer.

On the futures market in 3Q 2016 the highest prices in the first half of July (in the wake of the spot market and the markets of neighbouring countries). In the remaining months, the price ranged between 155 and 160 PLN/MWh.



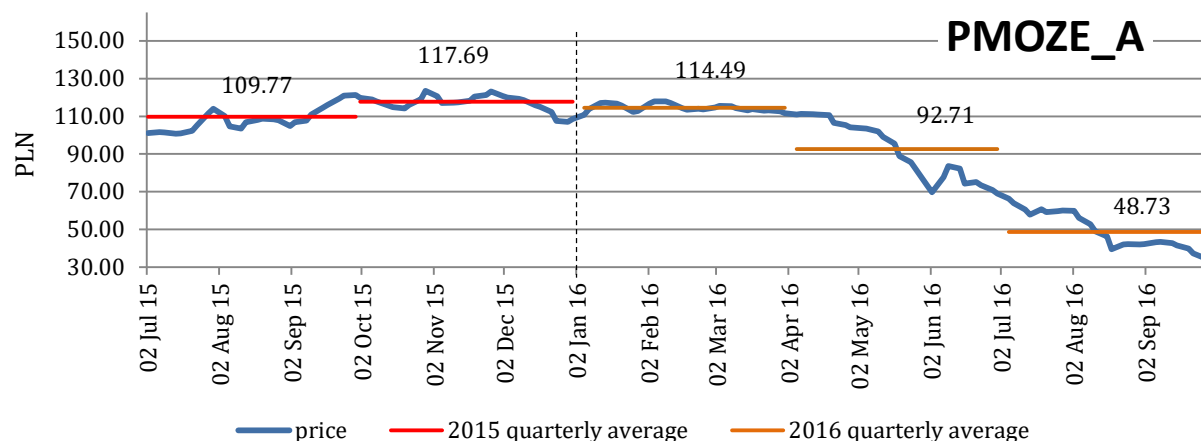
Third quarter in the row Poland as an electricity importer. In 3Q 2016 import was higher than export by 0.92 TWh.

# CO<sub>2</sub> emission allowances (EUA) and green certificates



Prices of emission allowances (EUA) in 3Q 2016 significantly lower than in corresponding period of previous year. Arithmetic average for EUA quotations in 3Q 2016 at the level of 4.55 EUR it is lower by 44% than in 3Q 2015. This year so far minimum of closing price at 3.93 EUR in the beginning of September. At the end of quarter prices close to 5 EUR.

Factors affecting quotations of EUA are still the same as in previous quarters of 2016. In 1Q 2016 – correlation with energy commodities, lack of new incentives in political level to increase of EUA prices, fast pace of renewables generation in western Europe. Dynamic drop and new price minimum after Brexit, new price minimum at the beginning of September.



Weighted average price of green certificates in 3Q 2016 lower by 61 PLN, i.e. 55.6% in relation to 3Q 2015. Dynamic decrease of green certificates prices since May 2016.

Present oversupply on green certificates market is the reason for steady decline in prices, despite lack of „big hydro” support and decrease in co-combustion support by half since the beginning of 2016. Market disappointment with the announcement of the amount received index obligation to redeem the certificates of origin of energy from renewable s for 2017 which is expected to be 16% (including 0.5% with new so-called blue certificates of agricultural biogas plants).

# OPERATIONAL DATA

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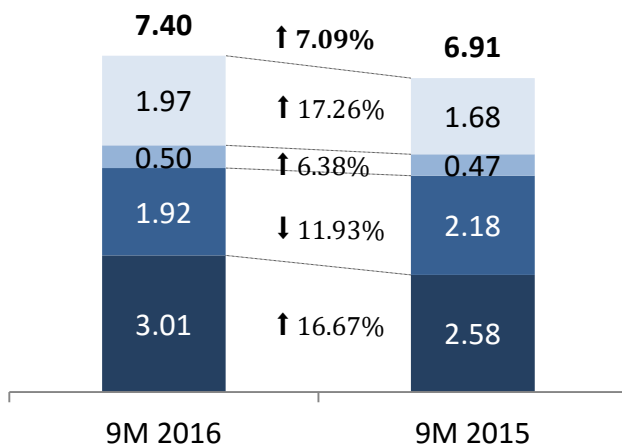


# Net production and sale of electricity

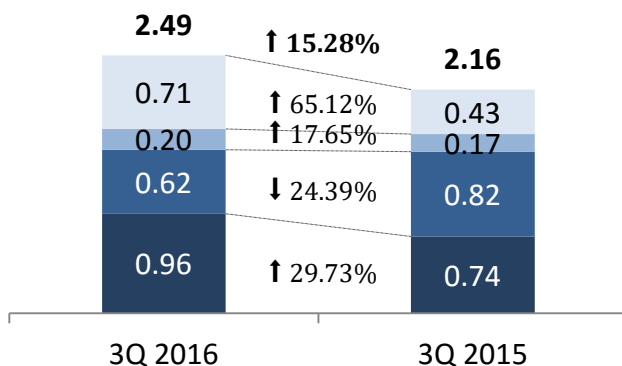
[TWh]



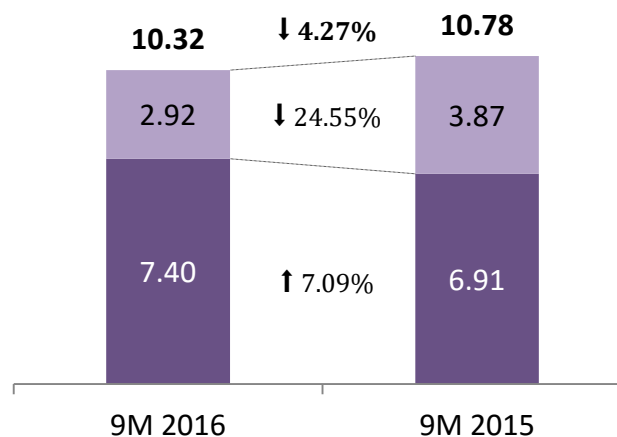
## NET PRODUCTION<sup>(1)</sup>



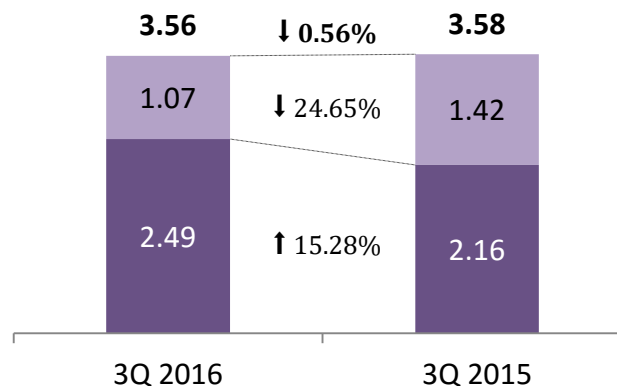
■ Pątnów II ■ Konin ■ Adamów ■ Pątnów I



## SALE<sup>(1)</sup>



■ Own production ■ Resale



(1) Net production / sale does not include of investment production.

Investment production in 9M 2016 was 0,04 TWh, including 3Q 2016 – 0,00 TWh (in comparable periods of 2015 investment production was respectively: 0,27 TWh and 0,22 TWh).

Investment sale in 9M 2016 was higher by 0.04 TWh, including 3Q 2016 – 0,00 TWh (in comparable periods of 2015 sale should be raised by: 0.29 TWh and 0.24 TWh).

Having regard to the investment production, net electricity production in particular plants remained at similar levels with the exception of Pątnów II, wherein an increase in production was due to the higher load during the off-peak operation. The increase in production in the Pątnów II is especially noticeable in 3Q 2016.

The decrease in sales relates entirely to the part of the sales generated in the segment SALE. The amount of energy from resale dropped by 24.55%. Despite the decline in the volume of trading margin generated in the SALES segment for the 9M 2016 period has not deteriorated in relation to the achieved in the same period last year.

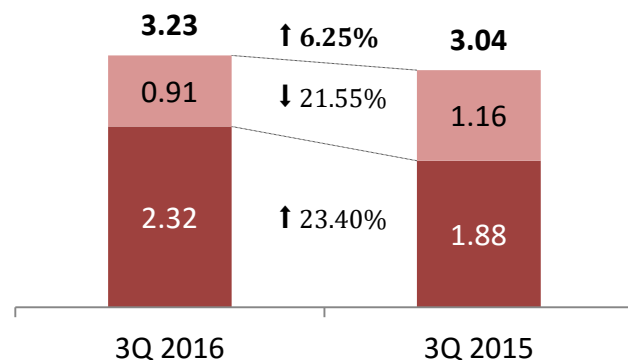
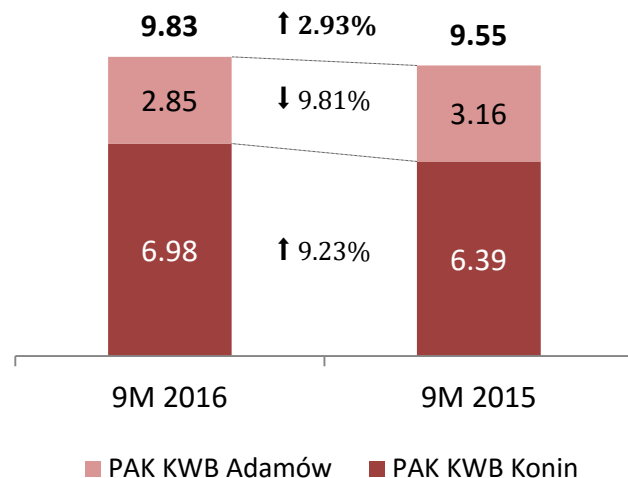
Investment production / sale of Pątnów I – production / sale of electricity from units 1 and 2 in Pątnów I power plant before the completion of the modernisation and prior to commissioning of units (in the period from 2Q 2015 to 1Q 2016).

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

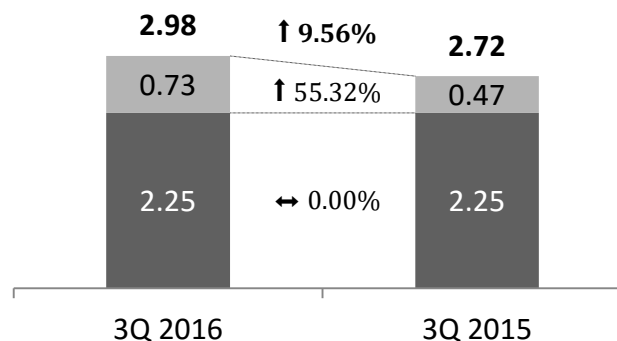
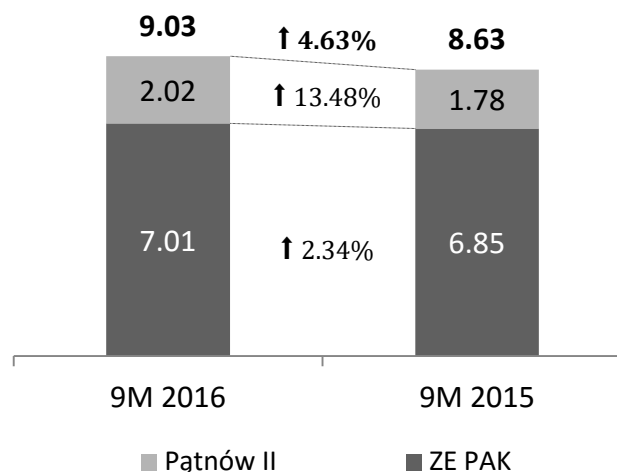
[tonnes million]



## LIGNITE CONSUMPTION <sup>(1)</sup>



## CO<sub>2</sub> EMISSION <sup>(1)</sup>



(1) Lignite consumption and CO<sub>2</sub> emission does not include consumption and emission during the period of investment production.

Real lignite consumption in 9M 2016 was higher by 0,05 million tonnes, including 3Q 2016 – 0,00 million tonnes (in comparable periods of 2015 lignite consumption for investment production was respectively: 0,41 million tonnes and 0,34 million tonnes).

Real emission in 9M 2016 was higher by 0,04 million tonnes, including 3Q 2016 – 0,00 million tonnes (in comparable periods of 2015 emissions should be increased respectively by: 0,37 million tonnes and 0,30 million tonnes).

Data on lignite consumption and CO<sub>2</sub> emissions in 9M 2016 and 3Q 2016 show an increase in coal consumption and emissions, due to the higher volume of energy produced compared to the corresponding periods of the previous year. The increase in lignite extraction concerns PAK KWB Konin supplying Pątnów I, Pątnów II and Konin.

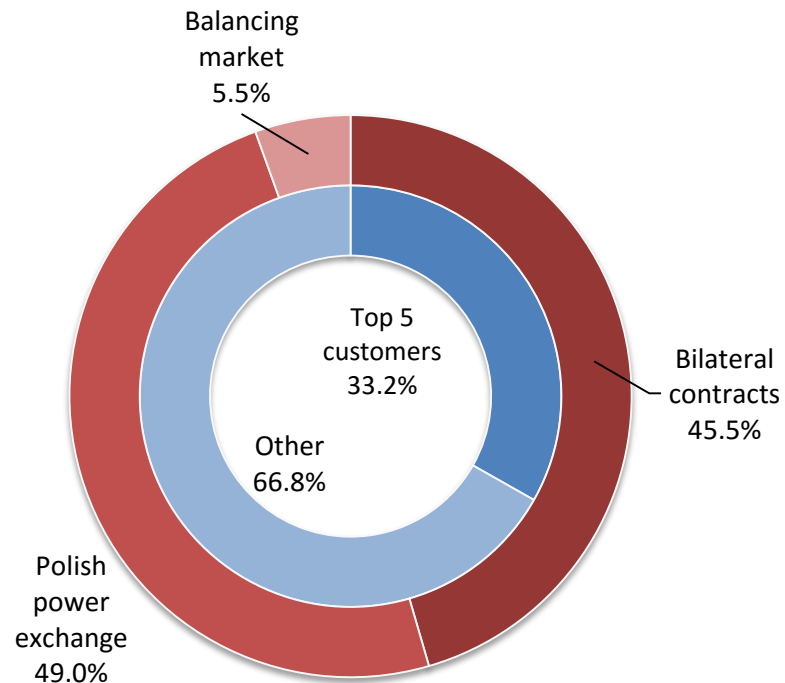
The Group used 0,07 million tonnes of free CO<sub>2</sub> emission allowances in 9M 2016. The year before the amount of free allowances was 0,39 million tonnes -> The Group purchased 99,2% of CO<sub>2</sub> emission allowances.

*Investment production / sale of Pątnów I – production / sale of electricity from units 1 and 2 in Pątnów I power plant before the completion of the modernisation and prior to commissioning of units (in the period from 2Q 2015 to 1Q 2016).*

# Sale of electricity breakdown

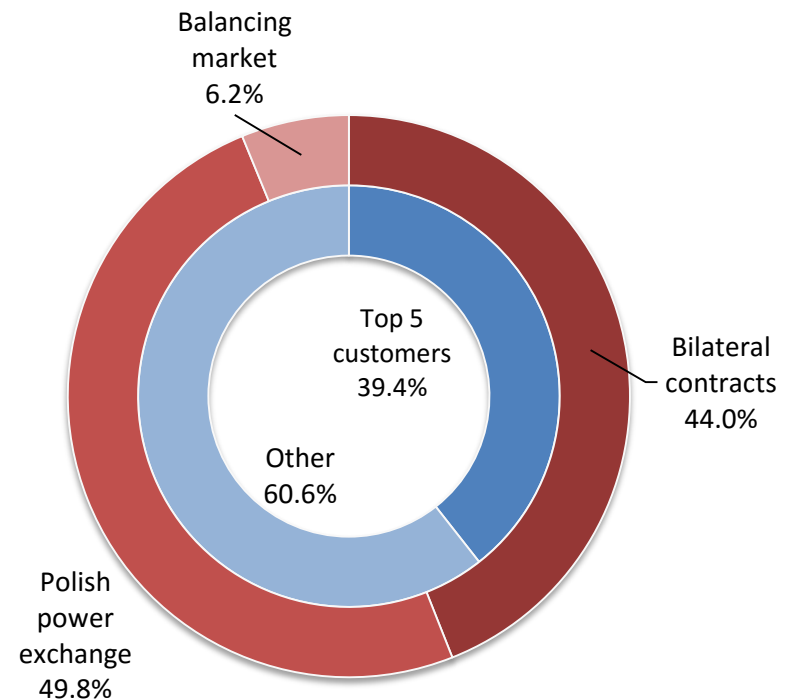
by customers (internal ring) and by the market type (external ring)

## 9M 2016



■ by customers ■ by market type

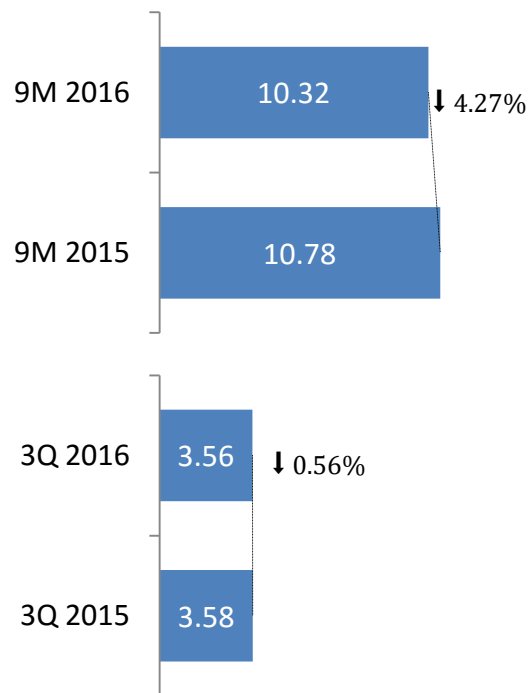
## 9M 2015



■ by customers ■ by market type

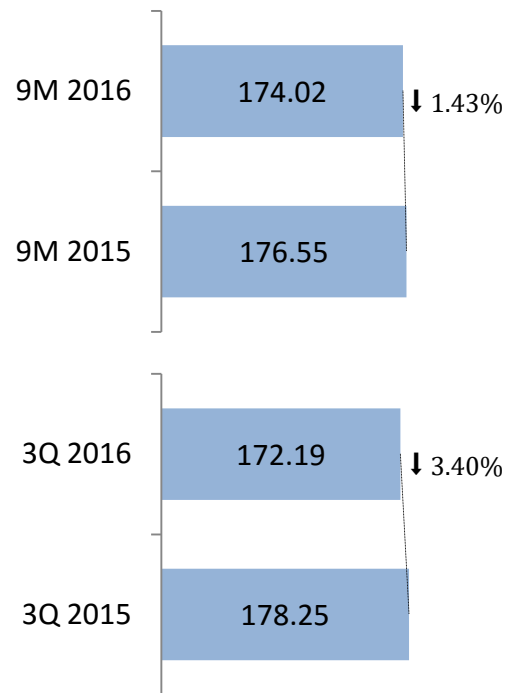
## Electricity sales<sup>(1)</sup>

[TWh]



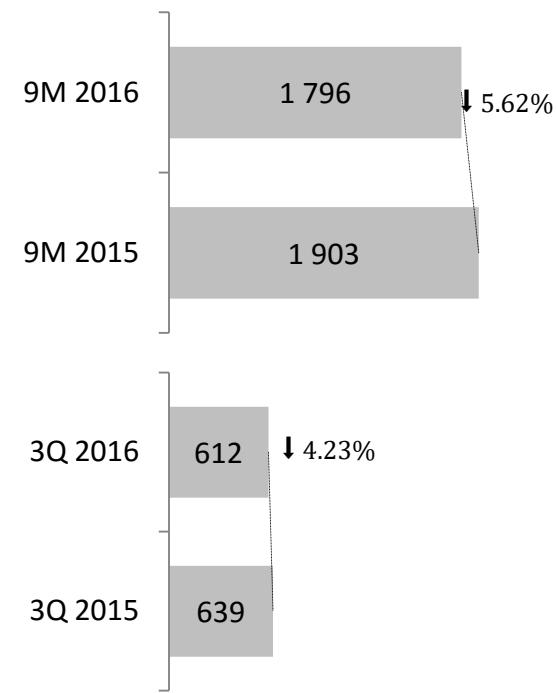
## Average sale prices<sup>(2)</sup>

[PLN/MWh]



## Revenues

[PLN million]



<sup>(1)</sup> Sales of electricity from own production and resold on the market.

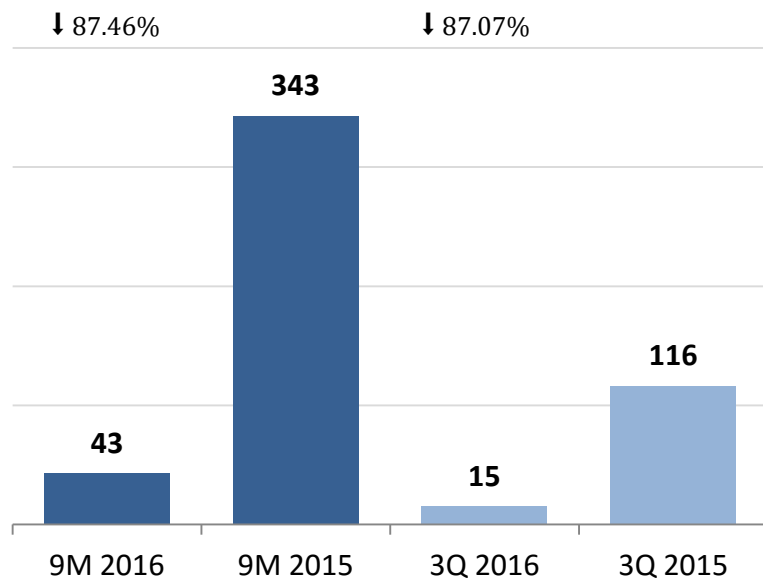
<sup>(2)</sup> Average price calculated as sales revenues divided by sales volume.

# Capex on fixed assets and intangible assets

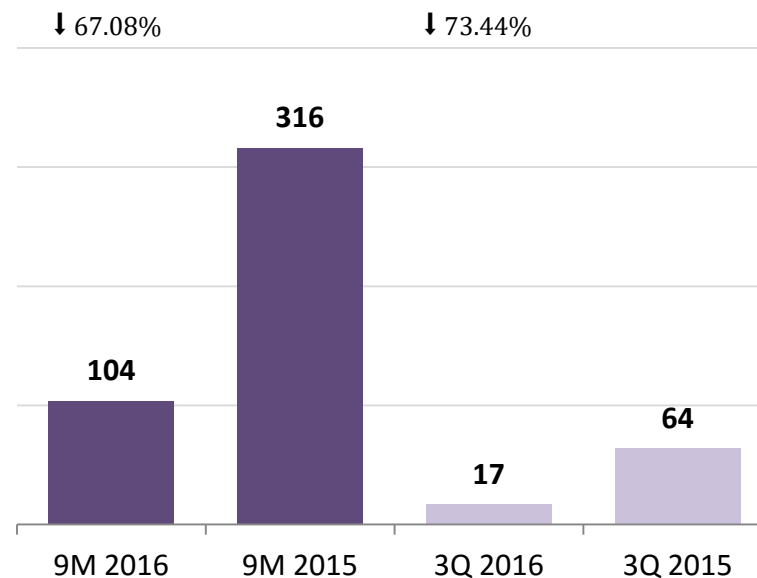
(excluding CO<sub>2</sub>)



## CAPEX [PLN million]



## EXPENDITURES [PLN million]



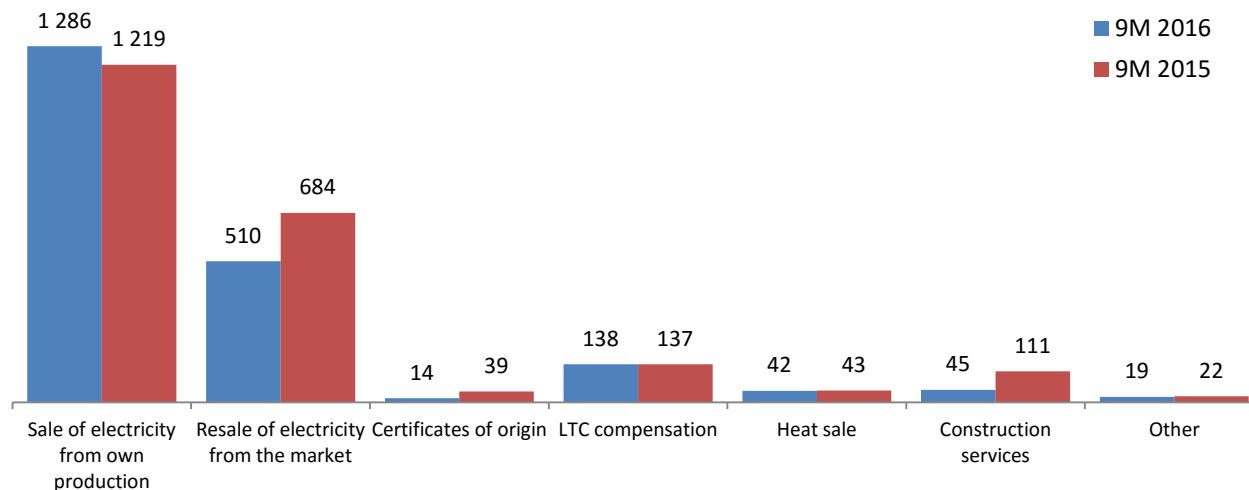
# FINANCIAL DATA

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# Revenues

[PLN million]



## Reasons for changes in key positions:

Lower total revenues from sales of electricity:

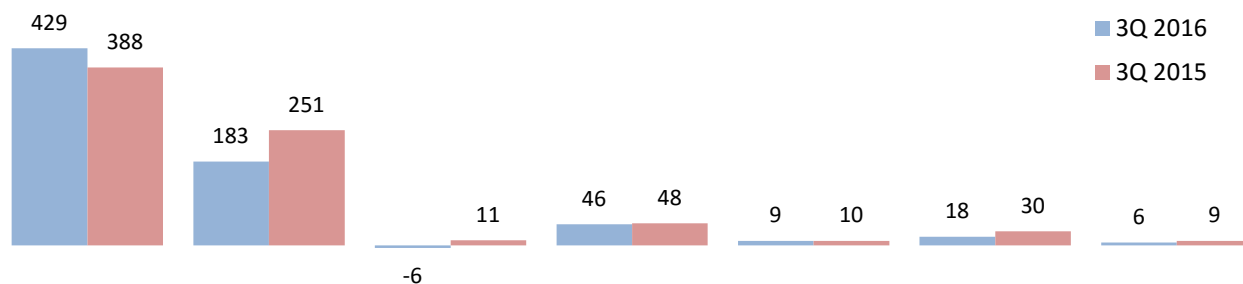
- lower sales volume in trading
- lower price.

Lower revenues from property rights:

- decline in market prices of green certificates,
- sale of green certificates at market price lower than 69 PLN/MWh (price for valuation as at 30 June 2016).

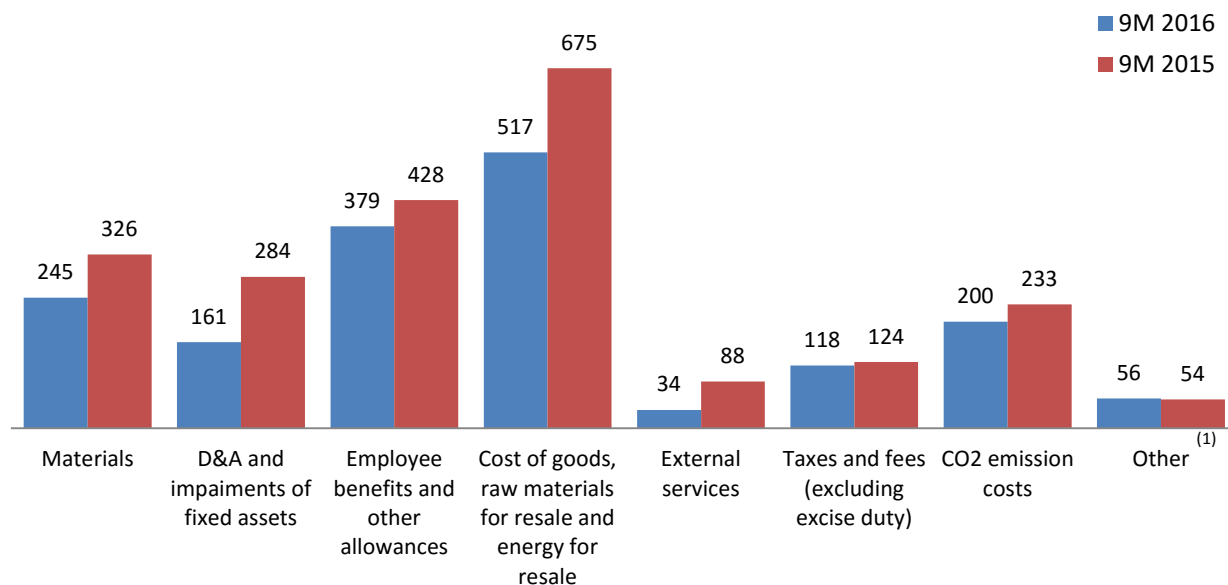
The decrease in revenues from construction services:

- smaller range of construction works.



# Costs by type

[PLN million]



## Reasons for changes in key positions:

Lower costs of materials and lower costs of external services:

- smaller range of construction works of the renovation companies,
- improving efficiency of current operations,
- lower prices of purchase of fuel, lower energy costs and other production materials

Lower depreciation and amortization:

- write-off on 31 December 2015 -> decrease in the value of fixed assets.

Lower costs of employee benefits:

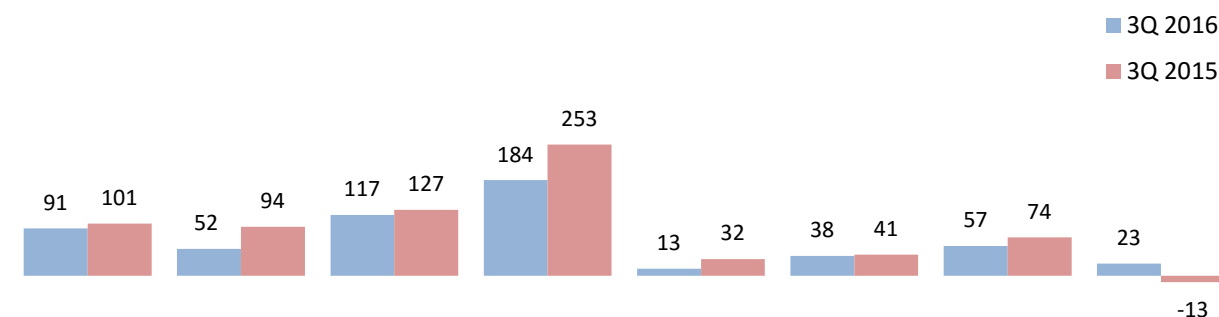
- higher base in the 9M 2015 -> one-time payment of jubilee bonuses and reversals of employee provisions,
- reduction in the average employment of over 700 people (y/y) and the change in the terms of remuneration.

Lower value of sold goods and materials:

- the smaller volume of energy purchased in PAK-Volt.

The costs of CO<sub>2</sub> emissions shown in costs by type do not include the portion of costs in the amount of PLN 40 million reported in the change of products. Hence, the full cost for 9M 2016 amounted to PLN 240 million. Higher costs of CO<sub>2</sub> emissions are the result of:

- purchasing more emission allowances,
- higher EUR/PLN exchange rate, although in the 9M 2016 was achieved a lower price of purchasing allowances in euro.



<sup>(1)</sup> Negative value of other costs by type in 3Q 2015 is a result of decrease in impairment on green certificates by PLN 20 million.



# EBITDA 9M 2016

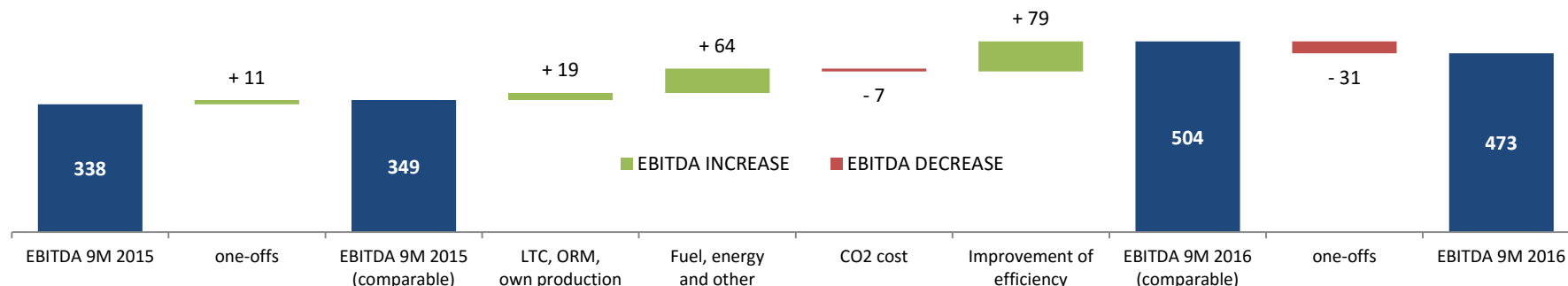
[PLN million]



	9M 2016	9M 2015
<b>Sales revenue</b>	<b>2 054</b>	<b>2 255</b>
Change %	(8.91)%	
Cost of goods sold	(1 678)	(2 123)
<b>Gross profit</b>	<b>376</b>	<b>132</b>
Margin %	18.31%	5.85%
Other operating income	19	15
Selling and distribution expenses	(3)	(3)
Administrative expenses	(72)	(87)
Other operating expenses	(8)	(4)
<b>EBITDA<sup>(1)</sup></b>	<b>473</b>	<b>338</b>
Margin %	23.03%	14.99%
<b>EBIT<sup>(2)</sup></b>	<b>312</b>	<b>54</b>
Margin %	15.19%	2.39%

- (1) **EBITDA higher by PLN 135 million (+39.94%)** -> after bringing to comparability **higher by PLN 155 million (+44.41%)**  
*comparable EBITDA for 9M 2015 amounted to PLN 349 million -> value of PLN 338 million is the result of events related to the termination provisions for the transition of workers from the mines to other segments (-13) and the write-down related to the revaluation of unsold green certificates (+24).*  
*comparable EBITDA for 9M 2016 amounted to PLN 504 million -> value of PLN 473 million is the result of event related to the revaluation of unsold green certificates (-31).*
- (+19) higher revenues from own production and system services and lower revenues from certificates and lower result on resale
- (+64) lower costs of fuel (biomass, fuel oil, heating oil), energy (in mines) and other materials for production
- (-7) higher costs of CO<sub>2</sub>
- (+79) improving the efficiency of current operations, including maintenance of production assets, increasing labour productivity (reduction in employment of 672 persons) and a change in the terms of remuneration, lower taxes and fees and lower result on other operating activities.
- (2) **EBIT higher by PLN 258 million (+477.78%)** -> an additional factor supporting growth in EBIT was less by PLN 122 million depreciation and amortization, which is a consequence of the impairment on the assets at the end of 2015.

## EBITDA BRIDGE

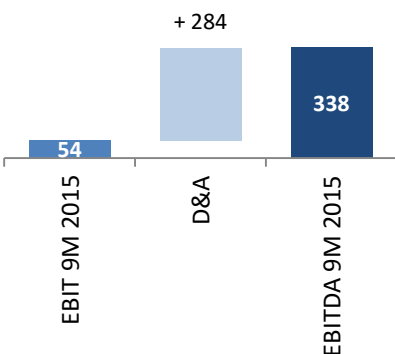


# EBITDA 9M 2016 by segments

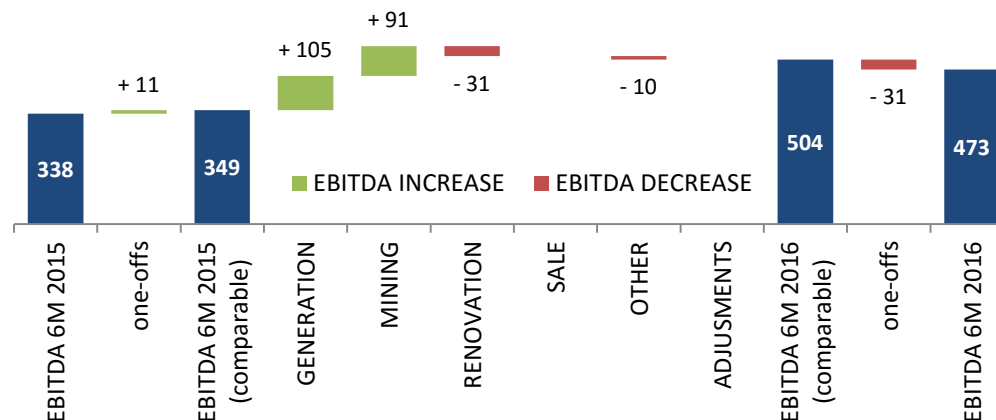
[PLN million]



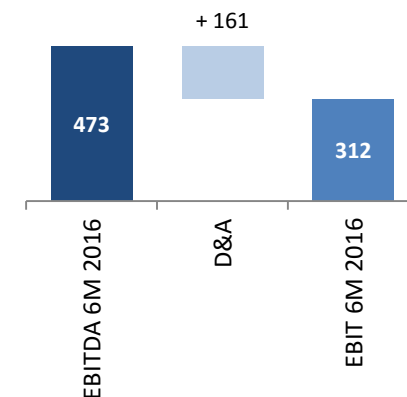
## EBIT -> EBITDA



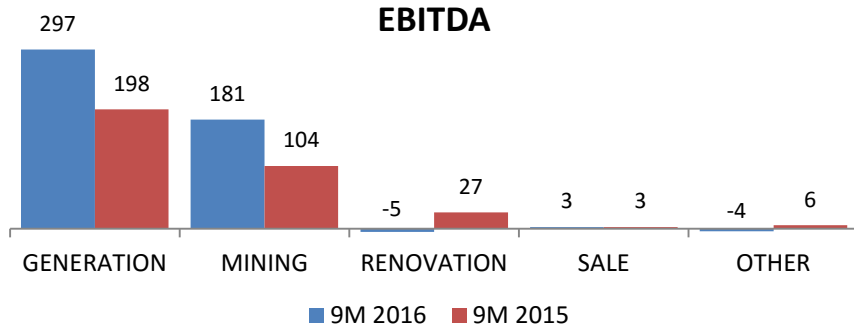
## EBITDA BRIDGE



## EBITDA <- EBIT



## EBITDA



Main reasons of EBITDA changes in segments :

### Generation:

- (+19) higher LTC compensation, revenues from own production and system services (including OPR) and lower revenues from certificates,
- (+23) lower costs of fuel and other materials for production,
- (-7) higher costs of CO<sub>2</sub> emission,
- (+70) lower costs of current operations, including maintenance of assets and employee benefits and the result on other operating activities.

### Mining:

- (+22) higher revenues from lignite sale,
- (+19) lower costs of electricity,
- (+50) lower costs of current operations and employee benefits and the result on other operating activities.

### Renovation and Other:

- (-41) lower contraction in compare to 9M 2015 -> higher decrease in revenue s in compare to costs.

# Consolidated P&L for 9M 2016 by segments



[PLN million]	Generation	Mining	Renovation	Sale	Other	Consolidation adjustments	Total
Sale revenues from external customers	1 337	6	48	656	6	-	2 054
<i>External sale revenues %</i>	80.45%	0.90%	21.82%	100.00%	7.89%	0.00%	100.00%
Sale revenues between segments	324	657	172	-	70	(1 224)	-
<b>Sale revenues</b>	<b>1 662</b>	<b>664</b>	<b>220</b>	<b>656</b>	<b>76</b>	<b>(1 224)</b>	<b>2 054</b>
Cost of goods sold	(1 424)	(539)	(216)	(649)	(78)	1 228	(1 678)
<b>Gross profit (loss)</b>	<b>238</b>	<b>125</b>	<b>4</b>	<b>7</b>	<b>(2)</b>	<b>4</b>	<b>376</b>
<i>Margin %</i>	14.32%	18.83%	1.82%	1.07%	(2.63)%	(0.33)%	18.31%
<b>EBITDA</b>	<b>297</b>	<b>181</b>	<b>(5)</b>	<b>3</b>	<b>(4)</b>	<b>1</b>	<b>473</b>
<i>Margin %</i>	17.87%	27.26%	(2.27)%	0.46%	(5.26)%	(0.08)%	23.03%
<b>EBIT</b>	<b>215</b>	<b>105</b>	<b>(10)</b>	<b>3</b>	<b>(5)</b>	<b>4</b>	<b>312</b>
<i>Margin %</i>	12.94%	15.81%	(4.55)%	0.46%	(6.58)%	(0.33)%	15.19%
<b>Net profit (loss)</b>	<b>152</b>	<b>77</b>	<b>(10)</b>	<b>3</b>	<b>(6)</b>	<b>3</b>	<b>219</b>
<i>Margin %</i>	9.15%	11.60%	(4.55)%	0.46%	(7.89)%	(0.25)%	10.66%

# EBITDA 3Q 2016

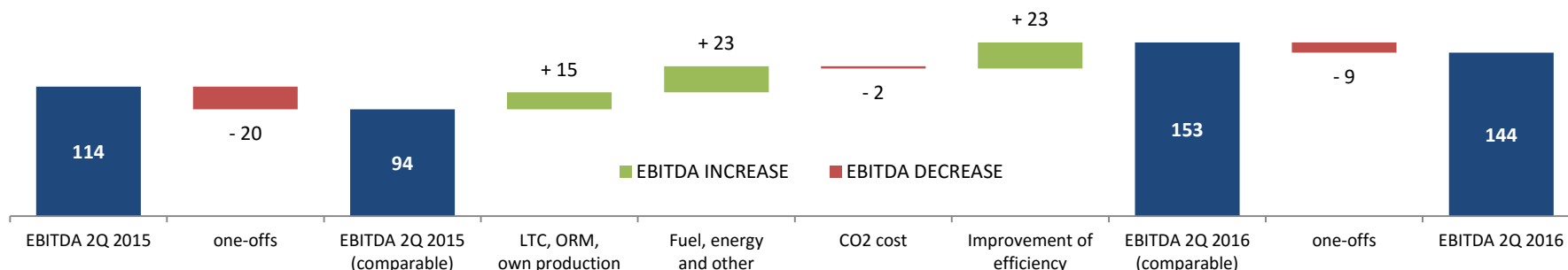
[PLN million]



	3Q 2016	3Q 2015
<b>Sales revenue</b>	<b>686</b>	<b>747</b>
Change %	(8.17)%	
Cost of goods sold	(570)	(699)
<b>Gross profit</b>	<b>116</b>	<b>48</b>
Margin %	16.91%	6.43%
Other operating income	8	4
Selling and distribution expenses	(1)	(1)
Administrative expenses	(24)	(30)
Other operating expenses	(6)	(1)
<b>EBITDA<sup>(1)</sup></b>	<b>144</b>	<b>114</b>
Margin %	20.99%	15.26%
<b>EBIT<sup>(2)</sup></b>	<b>93</b>	<b>20</b>
Margin %	13.56%	2.68%

- (1) **EBITDA higher by PLN 30 million (+26.32%)** -> after bringing to comparability **higher by PLN 59 million (+62.77%)**  
*comparable EBITDA for 3Q 2015 amounted to PLN 94 million -> value of PLN 114 million is the result of the decrease of write-down related to the revaluation of unsold green certificates (-20).*  
*comparable EBITDA for 3Q 2016 amounted to PLN 153 million -> value of PLN 144 million is the result of event related to the revaluation of unsold green certificates (-9).*
- (+15) lower LTC compensation, higher revenues from own production and system services (including OPR) and lower revenues from certificates and lower result on resale,
- (+23) lower costs of fuel (biomass, fuel oil, heating oil), energy (in mines) and other materials for production,
- (-2) higher costs of CO<sub>2</sub>
- (+23) improving the efficiency of current operations, including maintenance of production assets, increasing labour productivity (reduction in employment of 694 persons) and a change in the terms of remuneration and lower result on other operating activities
- (2) **EBIT higher by PLN 73 million** -> an additional factor supporting growth in EBIT was less by PLN 42 million depreciation and amortization, which is a consequence of the impairment on the assets at the end of 2015.

## EBITDA BRIDGE

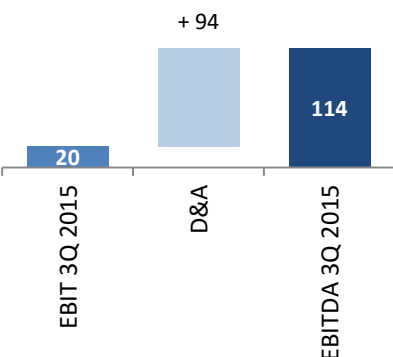


# EBITDA 3Q 2016 by segments

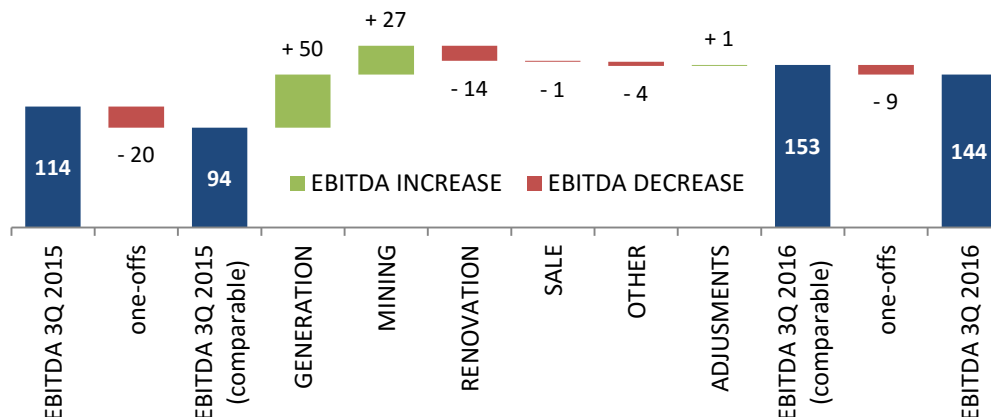
[PLN million]



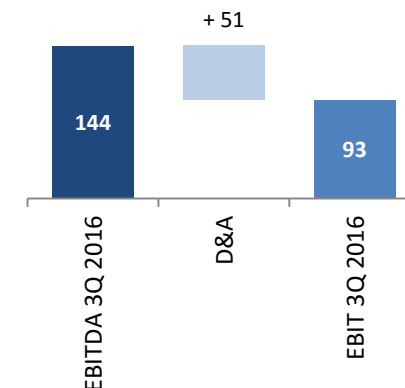
## EBIT -> EBITDA



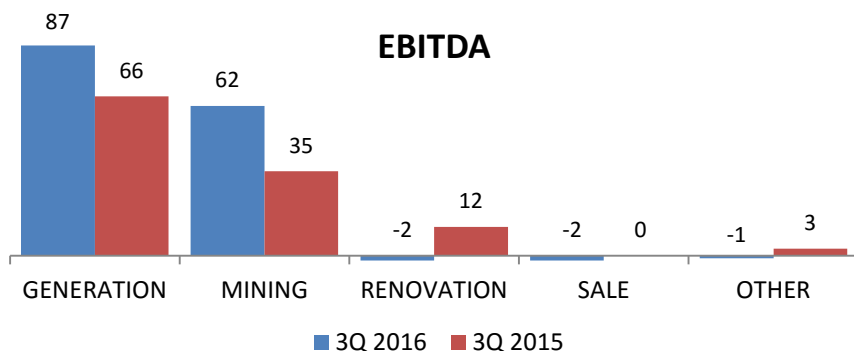
## EBITDA BRIDGE



## EBITDA <- EBIT



## EBITDA



Main reasons of EBITDA changes in segments:

Generation:

- (+15) lower LTC compensation, higher revenues from own production and system services (including OPR) and lower revenues from certificates,
- (+2) lower costs of fuel and other materials for production,
- (-2) higher costs of CO2 emission,
- (+35) lower costs of current operations, including maintenance of assets and employee benefits.

Mining:

- (+17) higher revenues from lignite sale,
- (+4) lower costs of electricity,
- (+6) lower costs of current operations and employee benefits and the result on other operating activities.

Renovation and Other:

- (-18) lower contraction in compare to 2Q 2015 -> higher decrease in revenue s in compare to costs.

# Consolidated P&L for 3Q 2016 by segments



[PLN million]	Generation	Mining	Renovation	Sale	Other	Consolidation adjustments	Total
Sale revenues from external customers	445	1	20	218	2	-	686
<i>External sale revenues %</i>	80.62%	0.46%	25.64%	100.00%	8.00%	0.00%	100.00%
Sale revenues between segments	107	214	58	-	23	-402	-
<b>Sale revenues</b>	<b>552</b>	<b>216</b>	<b>78</b>	<b>218</b>	<b>25</b>	<b>-402</b>	<b>686</b>
Cost of goods sold	(484)	(169)	(77)	(218)	(25)	403	-570
<b>Gross profit (loss)</b>	<b>68</b>	<b>47</b>	<b>1</b>	<b>(1)</b>	<b>-</b>	<b>1</b>	<b>116</b>
<i>Margin %</i>	12.32%	21.76%	1.28%	(0.46)%	-	(0.25)%	16.91%
<b>EBITDA</b>	<b>87</b>	<b>62</b>	<b>(2)</b>	<b>(2)</b>	<b>(1)</b>	<b>-</b>	<b>144</b>
<i>Margin %</i>	15.76%	28.70%	(2.56)%	(0.92)%	(4.00)%	-	20.99%
<b>EBIT</b>	<b>59</b>	<b>39</b>	<b>(4)</b>	<b>(2)</b>	<b>(2)</b>	<b>1</b>	<b>93</b>
<i>Margin %</i>	10.69%	18.06%	(5.13)%	(0.92)%	(8.00)%	(0.25)%	13.56%
<b>Net profit (loss)</b>	<b>57</b>	<b>28</b>	<b>(4)</b>	<b>(1)</b>	<b>(2)</b>	<b>1</b>	<b>79</b>
<i>Margin %</i>	10.33%	12.96%	(5.13)%	(0.46)%	(8.00)%	(0.25)%	11.52%

# Financial activities, taxation and net profit

[PLN million]

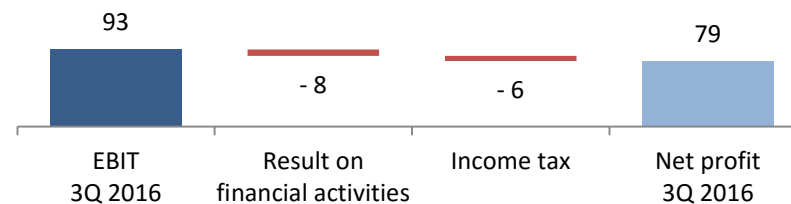
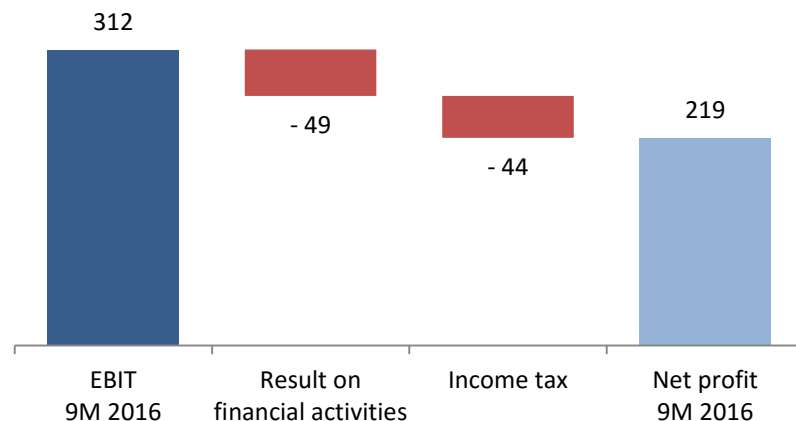


	9M 2016	9M 2015	3Q 2016	3Q 2015
<b>EBIT</b>	<b>312</b>	<b>54</b>	<b>93</b>	<b>20</b>
Financial income <sup>(1)</sup>	6	8	1	(4)
Financial costs <sup>(2)</sup>	(56)	(35)	(9)	(9)
<b>Gross profit</b>	<b>262</b>	<b>26</b>	<b>84</b>	<b>7</b>
Income tax (taxation)	(44)	(5)	(6)	(1)
<i>Effective tax rate</i>	16.79%	19.23%	7.14%	14.29%
<b>Net profit (loss) for the period</b>	<b>219</b>	<b>21</b>	<b>79</b>	<b>6</b>
<i>Margin %</i>	10.66%	0.93%	11.52%	0.80%

(1) Financial income for 9M 2015 higher because of exchange gains (+4).

(2) Financial costs for 9M 2016 higher mainly because of higher interest and fees (+21) – in 2015 interest and fees from credit facility for modernisation of units 1 i 2 in Pątnów I were placed in CAPEX.

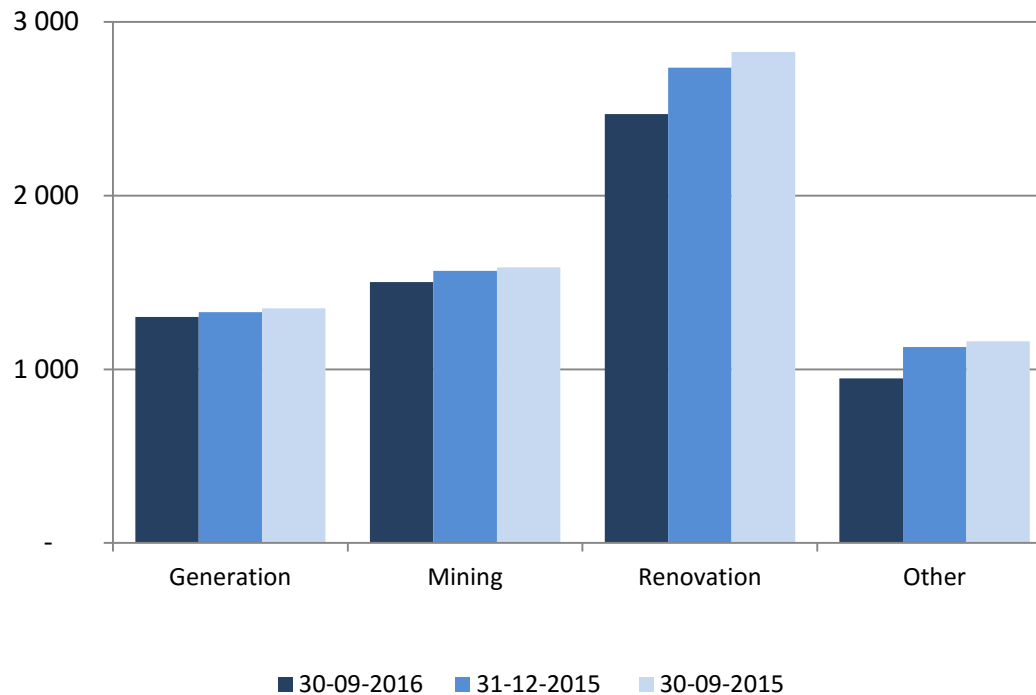
## EBIT --> Net profit



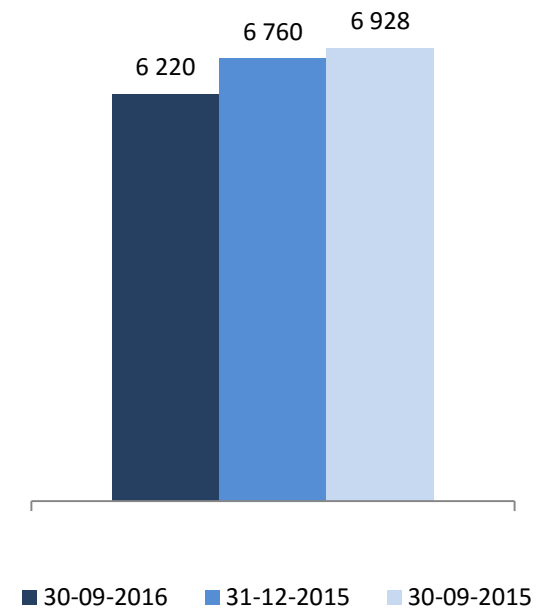
# Employment

[full time]

## BY SEGMENTS



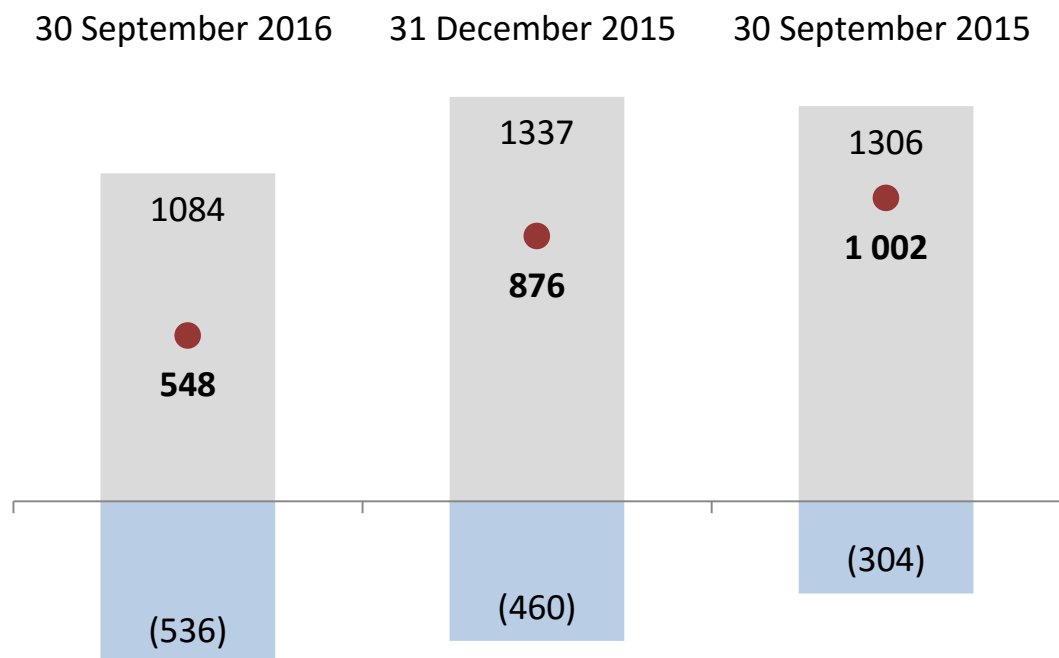
## TOTAL



Group's employment decrease comes mainly from pension rights acquisitions of employees and finishing of fixed-term contracts.



## Net debt [PLN million]



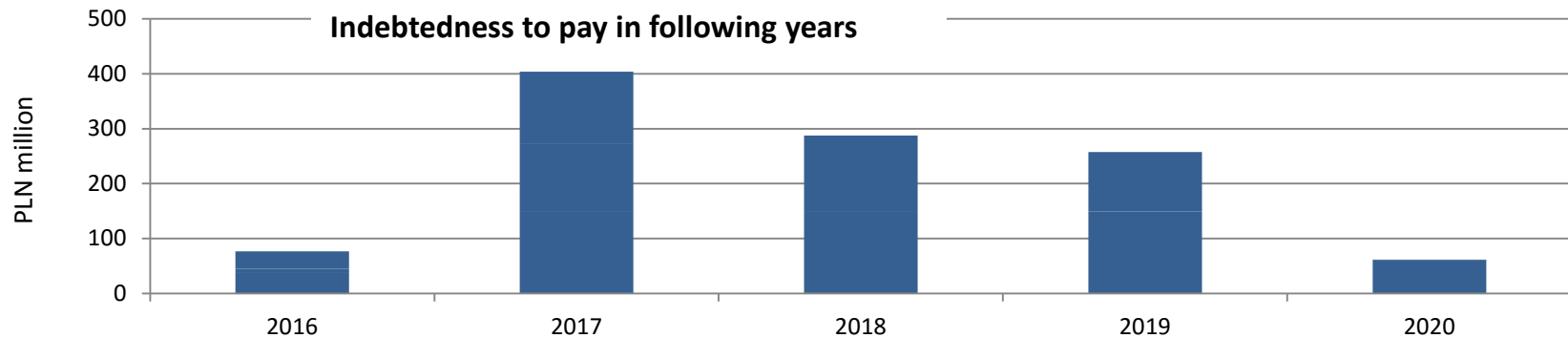
- Cash and cash equivalents <sup>(1)</sup>
- Interest bearing loans, borrowings and leases
- Net debt

## Net debt / EBITDA

30 September 2016	0.87
31 December 2015	1.77
30 September 2015	2.20

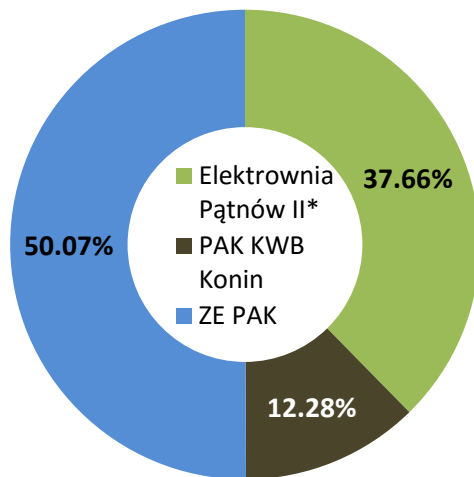
<sup>(1)</sup> Cash and cash equivalents from consolidated statement of financial position and other short-term financial assets

# Financial indebtedness structure

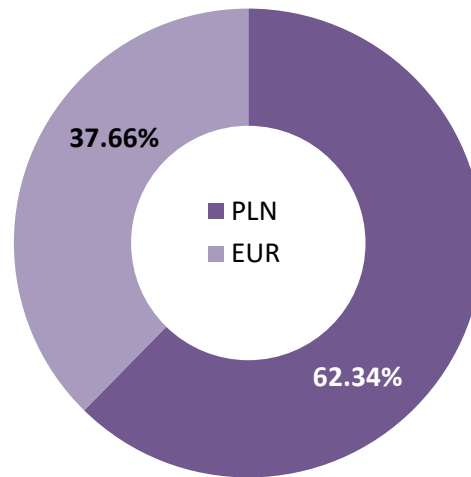


Decrease of indebtedness in third quarter of 2016 by PLN 124 million (including PLN 11 million from exchange gains).

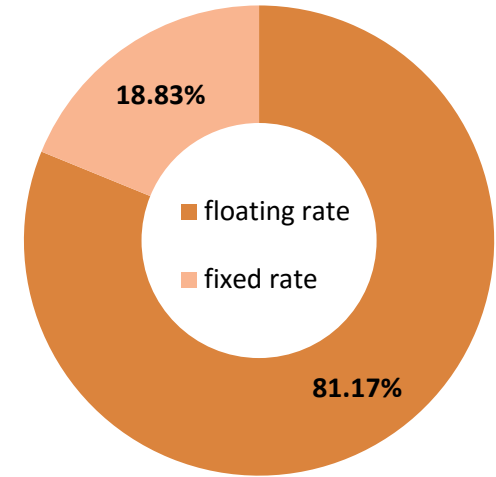
**Indebtedness structure by debtor**



**Indebtedness structure by currency**



**Indebtedness structure by interest rate**



\* EUR indebtedness calculated by NBP exchange rate as of 30 September 2016

# Consolidated cash flow

[PLN million]



	9M 2016	9M 2015	3Q 2016	3Q 2015
<b>Gross profit (loss)</b>	<b>262</b>	<b>26</b>	<b>84</b>	<b>7</b>
depreciation and amortization <sup>(1)</sup>	152	274	48	91
profit/loss on investing and financial activities	44	19	8	10
changes in working capital	236	84	153	82
income tax	(20)	7	(6)	(1)
purchase of EUA <sup>(2)</sup>	(199)	(246)	(11)	(84)
other	(0)	1	(0)	(0)
<b>Net cash flow from operational activities</b>	<b>475</b>	<b>165</b>	<b>276</b>	<b>106</b>
(inflows/outflows) of investments in property, plant and equipment and intangible assets <sup>(3)</sup>	(104)	(316)	(17)	(64)
other	8	32	1	48
<b>Net cash flow from investing activities</b>	<b>(96)</b>	<b>(284)</b>	<b>(16)</b>	<b>(16)</b>
inflows of credits, loans, leases and securities	13	261	10	27
payment of credits, loans, leases and securities <sup>(4)</sup>	(278)	(193)	(123)	(66)
interest paid	(37)	(41)	(12)	(13)
dividend paid	-	-	-	(0)
other	(1)	(1)	(0)	0
<b>Net cash flow from financial activities</b>	<b>(304)</b>	<b>27</b>	<b>(126)</b>	<b>(52)</b>
change in cash and cash equivalents	76	(92)	134	38
cash and cash equivalents at the beginning of the period	383	355	325	225
<b>Cash and cash equivalents at the end of the period</b>	<b>459</b>	<b>263</b>	<b>459</b>	<b>263</b>

(1) Lower depreciation and amortization in 2016 is the result of made the impairment loss of fixed assets at the end of 2015. .

(2) In 2016, there is lower value of the expenditure on CO<sub>2</sub> emission rights, despite the higher cost of acquisition presented in the profit and loss account, according to a later date of payment for the portion of the acquired rights.

(3) Expenditure in 2016 mainly related to expenses for the continuation of the modernization of units 1-2 in Pątnów I power plant.

(4) Payments in 2016 include more instalments of the loan for the modernization of Pątnów I than in 2015. In addition the increase in expenses was caused by higher EUR/PLN exchange rate.

# Questions & Answers

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