



21 March 2017

Zespół Elektrowni Pątnów-Adamów-Konin SA

2016 Results



ZE PAK Group – 2016 summary



Key financial and operational data	2016	Change y/y
Electricity sale ⁽¹⁾ :	13.51 TWh	-9.51%
• Own production ⁽¹⁾ :	9.27 TWh	-5.41%
• Resale ⁽¹⁾ :	4.24 TWh	-17.35%
ZE PAK share in whole electricity production in Poland ⁽²⁾ :	6.35 %	-0.40 p.p.
Achieved average electricity sale price:	174.21 zł/MWh	-1.66%
Sale revenues:	2 705 m zł	-8.25%
EBITDA:	594 m zł	+20.14%
Net profit:	250 m zł	-
Capex:	127 m zł	-69.62%
Indebtedness:	1 020 m zł	-23.71%
Cash ⁽³⁾ :	427 m zł	-7.17%
Net debt / EBITDA:	1.00 x	-43.50%

⁽¹⁾ Including sale within the commissioning of units 1 and 2 in Pątnów I power plant which was 0.04 TWh (in 2015 – 0.77 TWh).

⁽²⁾ 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 2016 was 162.63 TWh (in 2015 – 161.77 TWh).

⁽³⁾ Cash and cash equivalents and other financial short-term assets.

ZE PAK Group – 4Q 2016 Summary



Key financial and operational data	4Q 2016	Changes y/y
Electricity sale ⁽¹⁾ :	3.15 TWh	-18.60%
• Own production ⁽¹⁾ :	1.83 TWh	-29.89%
• Resale ⁽¹⁾ :	1.32 TWh	+5.60%
ZE PAK share in whole electricity production in Poland ⁽²⁾ :	4.65 %	-2.16 p.p.
Achieved average electricity sale price:	174.84 zł/MWh	-2.35%
Sale revenues:	651 m zł	-6,04%
EBITDA:	120 m zł	-23.00%
Net profit:	32 m zł	-
Capex:	84 m zł	+12.00%

⁽¹⁾ In 4Q 2015 change includes sale within the commissioning of units 1 and 2 in Pątnów I power plant which was 0.49 TWh.

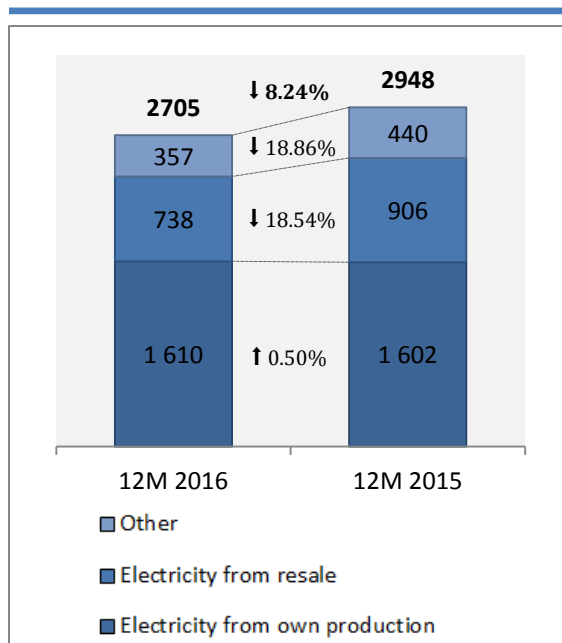
⁽²⁾ Based on Table: Structure of electricity production in domestic power plants, cross-border exchange, and domestic use of electricity – monthly amounts since the beginning of the year – gross amounts, presented at PSE SA website. Gross production in Poland in 4Q 2016 was 44.30 TWh.

ZE PAK Group – 12M 2016 Summary

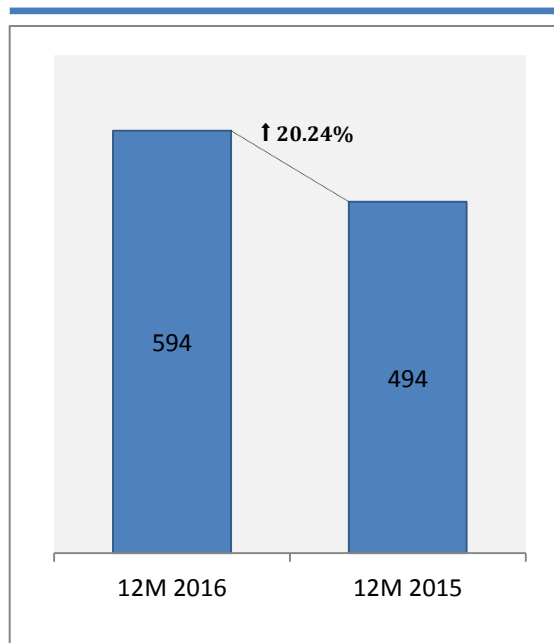
[PLN million]



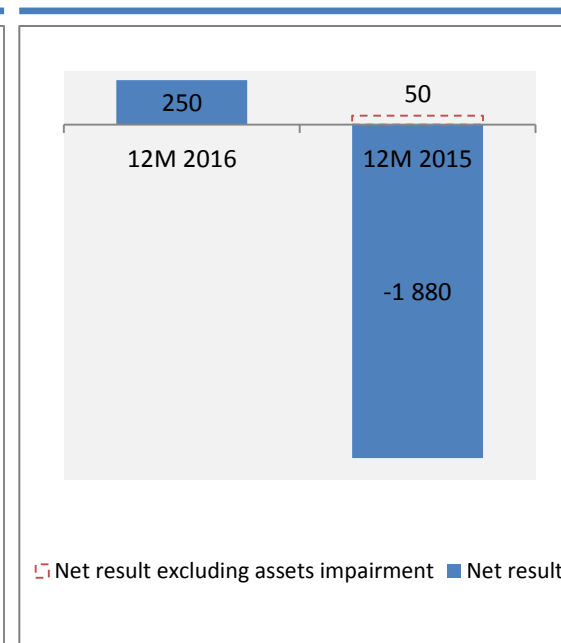
Revenues



EBITDA



Net result



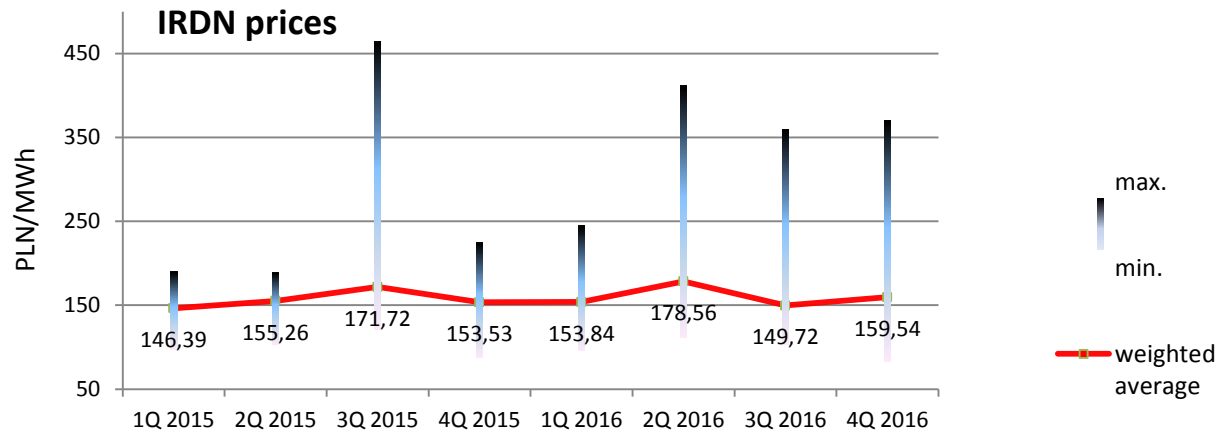
Significantly better ZE PAK Group results comes mainly from:

- actions aimed at efficiency improvement in costs of current activities and
- lower costs of fuel, electricity and allowances for emission of CO₂.

SELECTED ELECTRICITY MARKET DATA

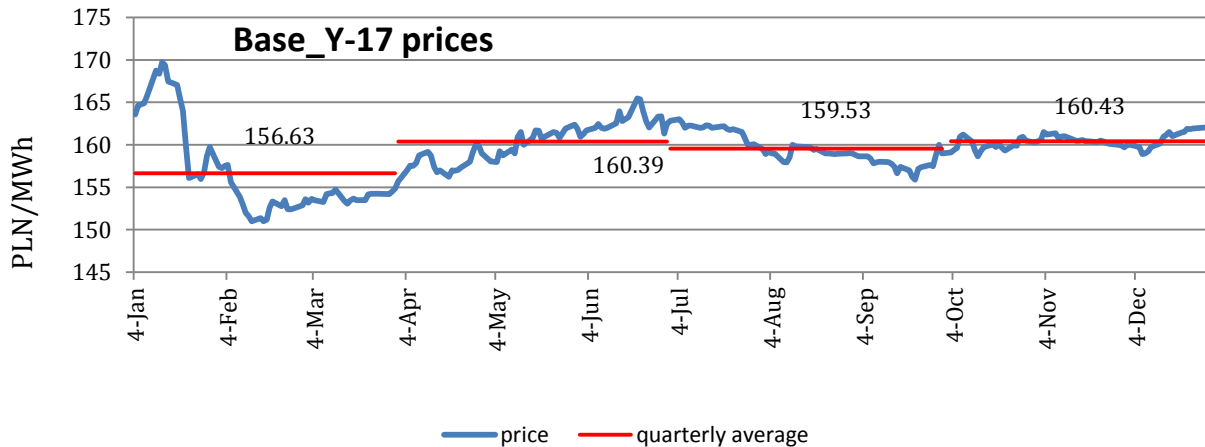


Electricity prices



Increase in yearly weighted average electricity price in 2016 (day ahead index on TGE) by 4.67 PLN, i.e. 3% in compare to 2015. Weighted average yearly electricity price (IRDN) in 2016 was 160.71 PLN/MWh.

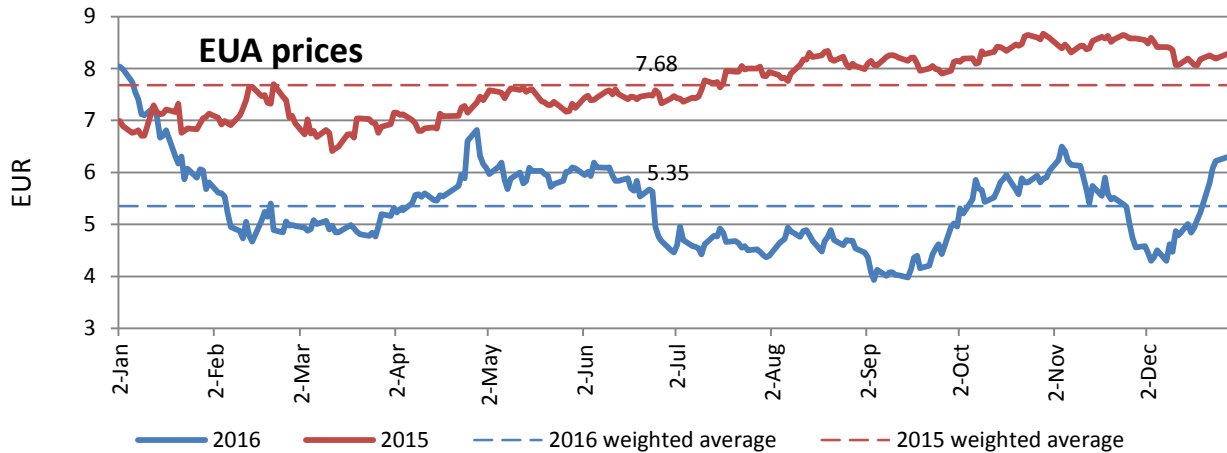
There were more periods with higher volatility of electricity prices in 2016. Factors supporting this trend are as follows: higher share of unstable wind generation, schedule of planned renovations, weather factors such as positive and negative temperature deviations from long term averages.



On future market in 2016 the greatest changes took place in 1Q 2016 following changes on spot electricity prices and changes on commodity markets. In other quarters prices there was no significant reaction for changes on spot market. Quarterly averages on future market in 2Q, 3Q and 4Q at comparable level, close to 160 PLN/MWh.

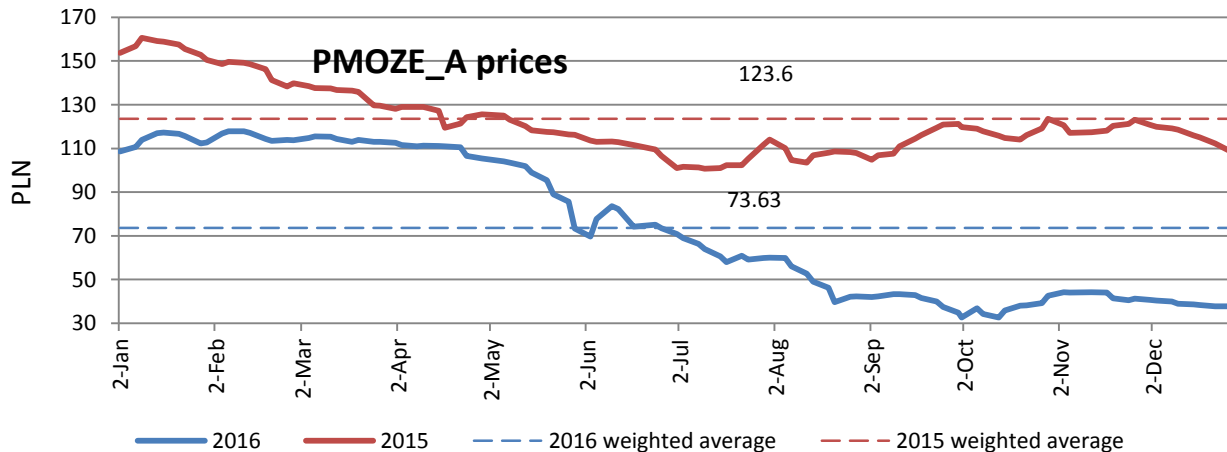
Reversal of trend in terms of import/export trade of electricity. In 2016 close to 2 TWh imported electricity in compare to 0.3 TWh export in 2015.

CO₂ emission allowances (EUA) and green certificates of electricity origin



Price of emission allowances CO₂ (EUA) in 2016 significantly lower than in previous year. Arithmetic average for EUA quotations in 2016 at 5.35 EUR and it is 30% lower than in 2015. Highest prices at the beginning of 2016 close to 8 EUR. Minimum closing price at the beginning of September at 3.93 EUR.

Main drivers influencing EUA prices in 2016: correlation with commodity market (especially in 1Q), uncertainty about the shape of the market in subsequent periods (proposals for changes in the ETS system), increase of generation from RES (especially in western Europe), Brexit poll in GB.



Weighted average price of green certificates in 2016 at 73.63 PLN i.e. by 40% that is close to 50 PLN lower than in 2015.

Despite lack of support for „big hydro” and decrease of support for co-combustion since the beginning of 2016, there is still oversupply at the green certificates market (last 2 years there was dynamic growth of wind generation and green certificates for wind generation) resulting in price drop down.

OPERATIONAL DATA

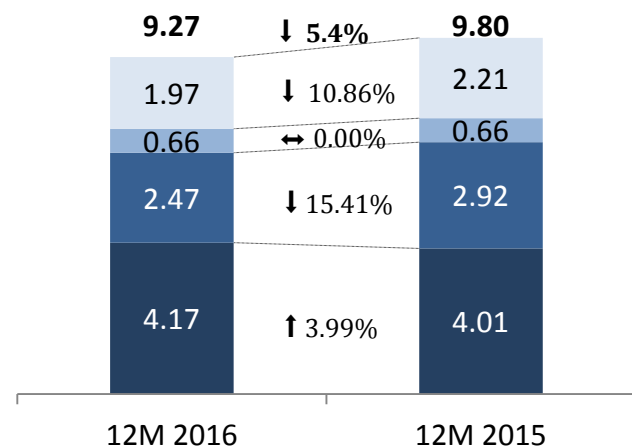


Net production and sale of electricity

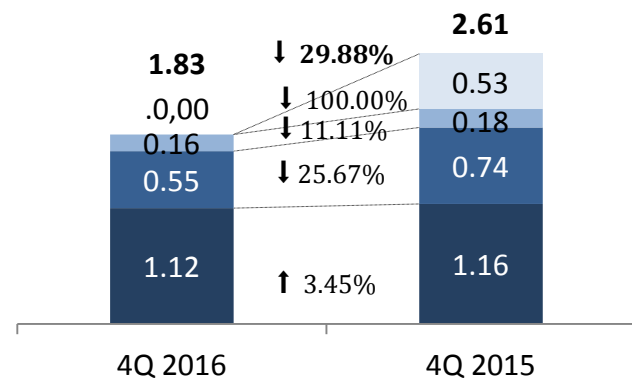
[TWh]



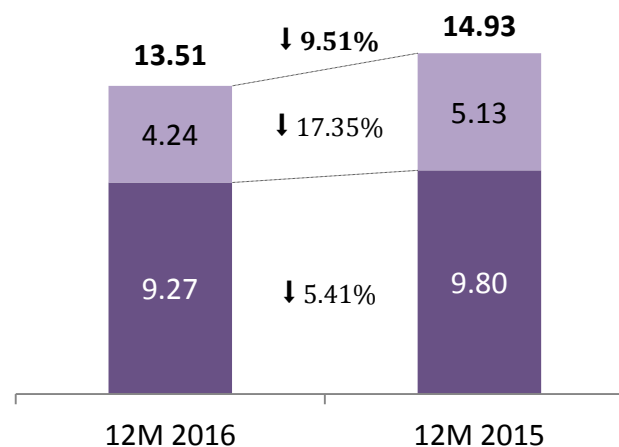
NET PRODUCTION⁽¹⁾



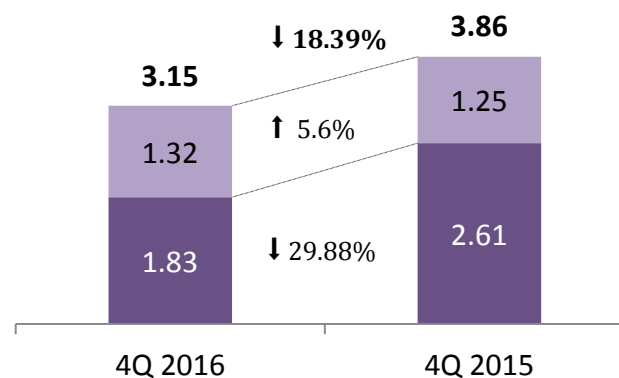
■ Pątnów II ■ Konin ■ Adamów ■ Pątnów I



SALE⁽¹⁾



■ own production ■ resale



(1) Net production/sale includes of investment production.

Investment production in 12M 2016 was 0,04 TWh, including 4Q 2016 – 0.00 TWh (in comparable periods of 2015 investment production was respectively: 0.75 TWh and 0.48 TWh).

Investment sale in 12M 2016 was 0.04 TWh, including 4Q 2016 – 0.00 TWh (in comparable periods of 2015 sale was: 0.77 TWh and 0.49 TWh).

Respecting investment production, net electricity generation of the Group in 2016 was 5.4% lower than in 2015. In whole country there was comparable decrease in production from lignite in 2016 by 4.4%. In Pątnowie I and Konin the production was higher, decline in production concerns Pątnów II and Adamów. Disposition of production is determined by such factors as: economy of production, system operator requirements and geological standards in mines.

Decrease of production in 4Q 2016 due to general renovation in Pątnów II.

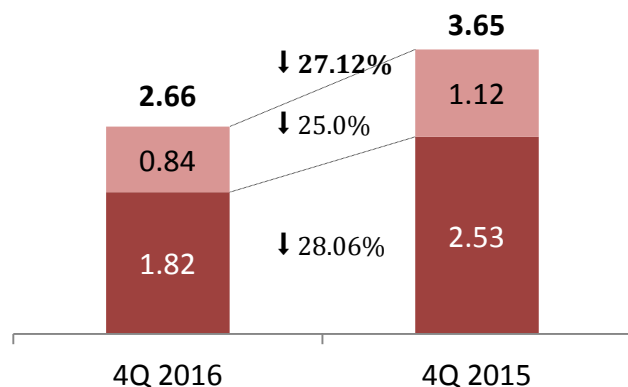
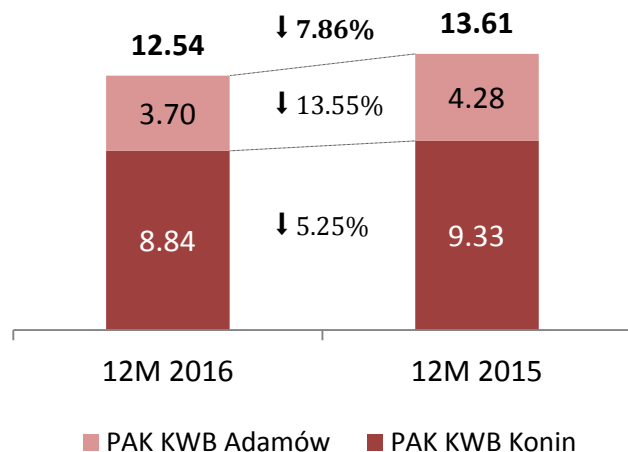
Investment production / sale of Pątnów I – production / sale of electricity from units 1 and 2 in Pątnów I power plant before the completion of the modernisation and prior to commissioning of units (in the period from 2Q 2015 to 1Q 2016).

Lignite consumption and CO₂ emission

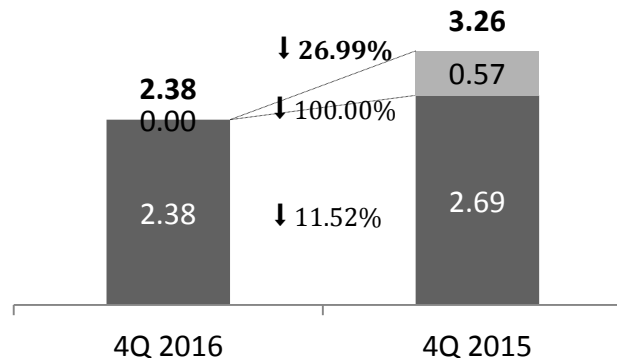
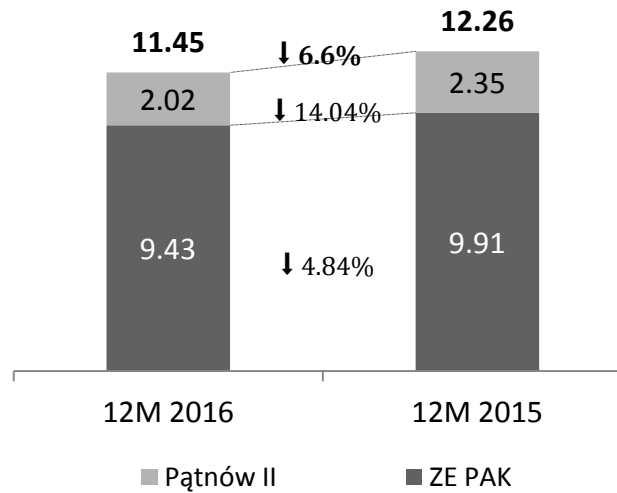
[million tonns]



LIGNITE CONSUMPTION (1)



CO₂ EMISSION (1)



(1) Lignite consumption and CO₂ emission includes consumption and emission during the period of investment production.

Lignite consumption due to investment production in 12M 2016 was 0.05 million tonnes, including 4Q 2016 – 0.00 million tonnes (in comparable periods of 2015 lignite consumption for investment production was respectively: 1.1 million tonnes and 0.69 million tonnes).

Emission due to investment production in 12M 2016 was 0.04 million tonnes, including 4Q 2016 – 0.00 million tonnes (in comparable periods of 2015 it was respectively: 0.98 million tonnes and 0.61 million tonnes).

Lignite consumption and CO₂ emission in 12M 2016 and in 4Q 2016 is lower than in comparable periods, which is due to lower volume of production. Decrease in 4Q 2016 due to general renovation of 464 MW unit in Pątnów II.

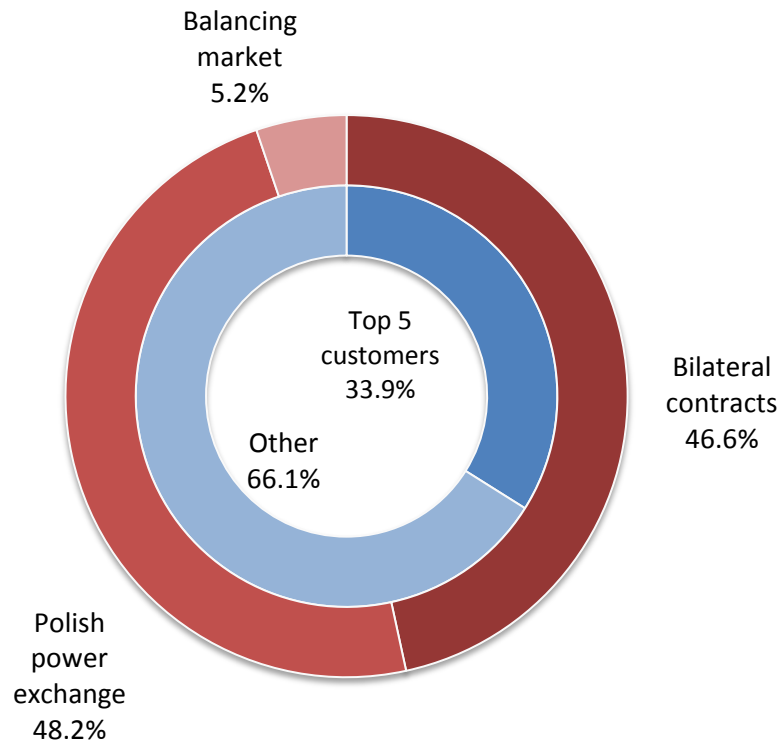
Investment production / sale of Pątnów I – production / sale of electricity from units 1 and 2 in Pątnów I power plant before the completion of the modernisation and prior to commissioning of units (in the period from 2Q 2015 to 1Q 2016).

Sale of electricity breakdown

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

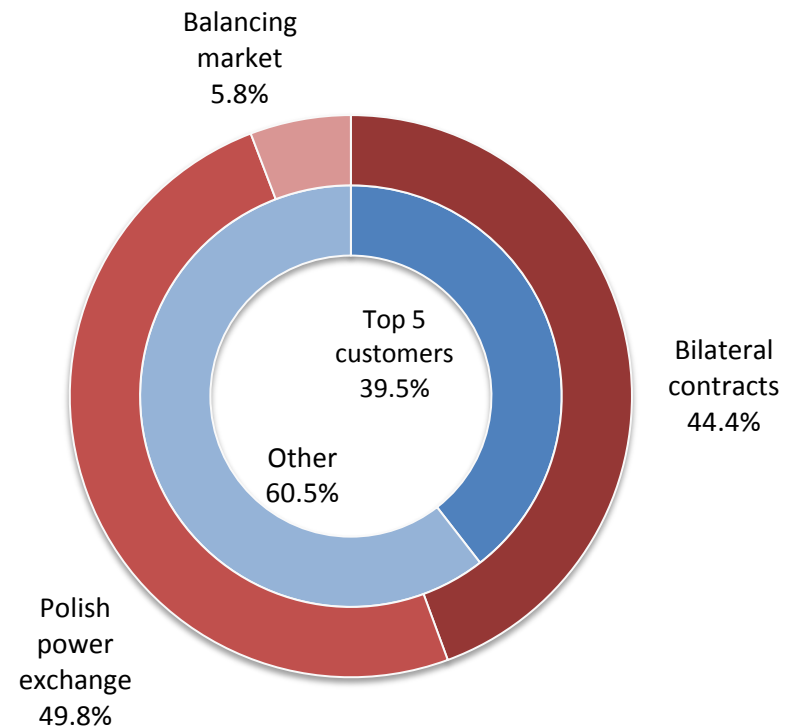


12M 2016



■ by customers ■ by market type

12M 2015

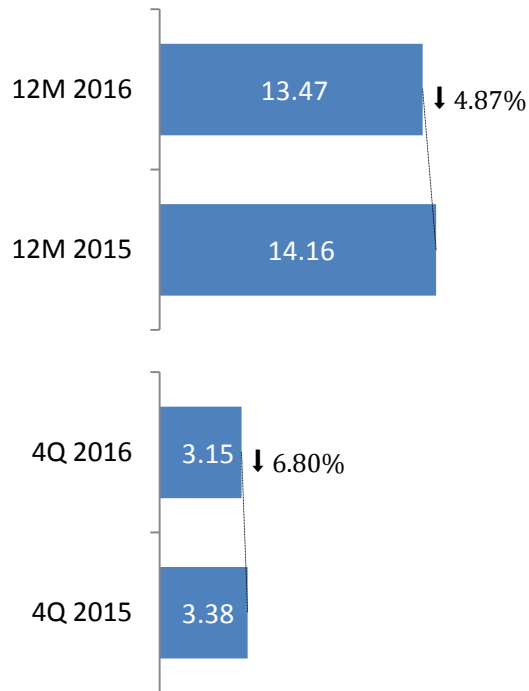


■ by customers ■ by market type

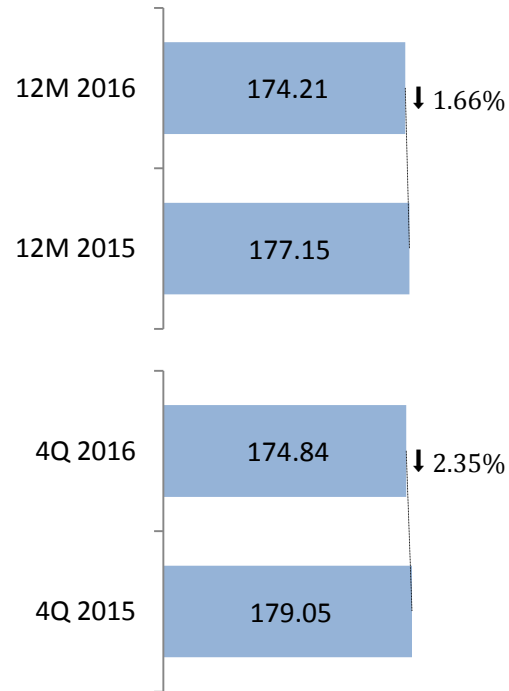
Electricity sales⁽¹⁾



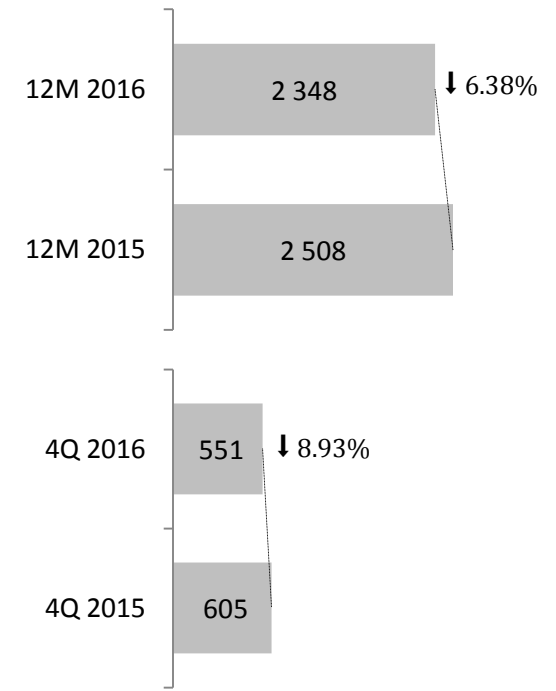
Electricity sales⁽²⁾ [TWh]



Average sale prices⁽³⁾ [PLN/MWh]



Revenues [m PLN]



⁽¹⁾ Sales presented in P&L (excluding investment sale).

⁽²⁾ Sales of electricity from own production and resold on the market.

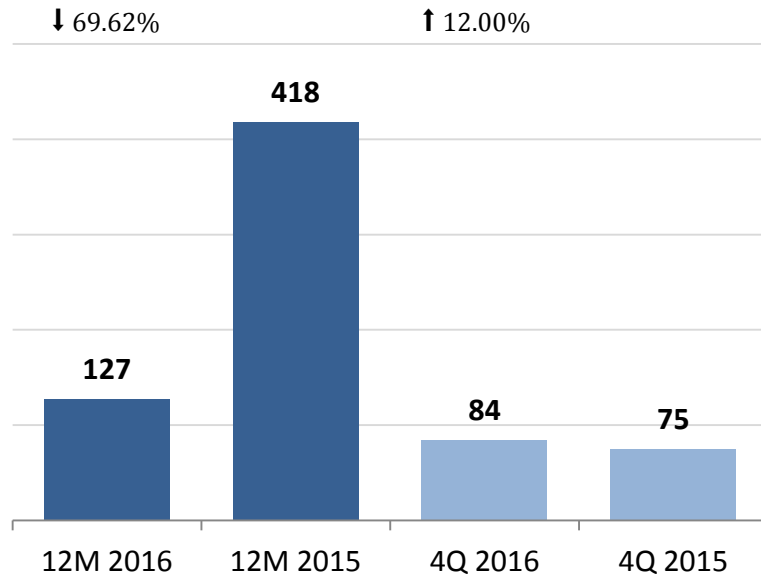
⁽³⁾ Average price calculated as sales revenues divided by sales volume.

Capex on fixed assets and intangible assets

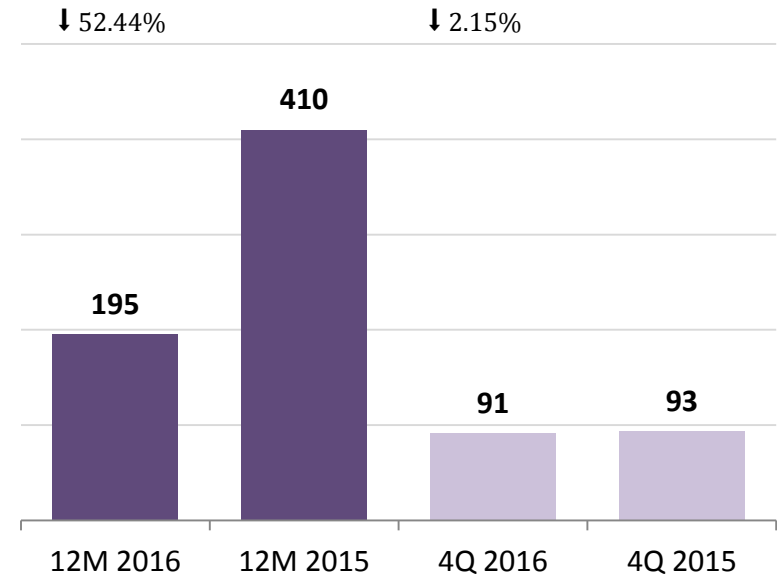
(excluding CO₂)



CAPEX [PLN million]



EXPENDITURES [PLN million]



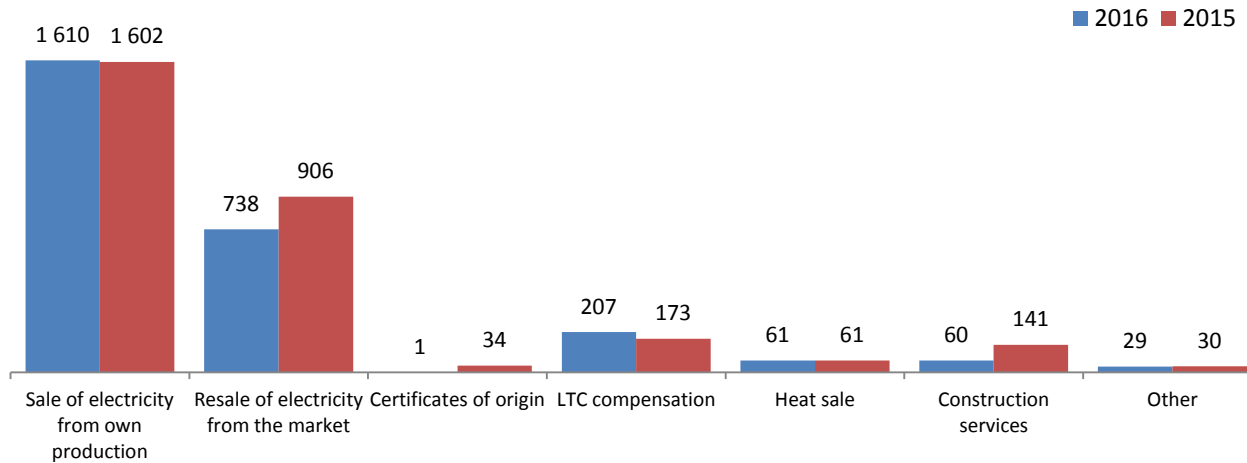
Key investment project in 2016 was general renovation in Pątnów II.

FINANCIAL DATA



Revenues

[PLN million]



Reasons for changes in key positions:

Lower total revenues from sales of electricity:

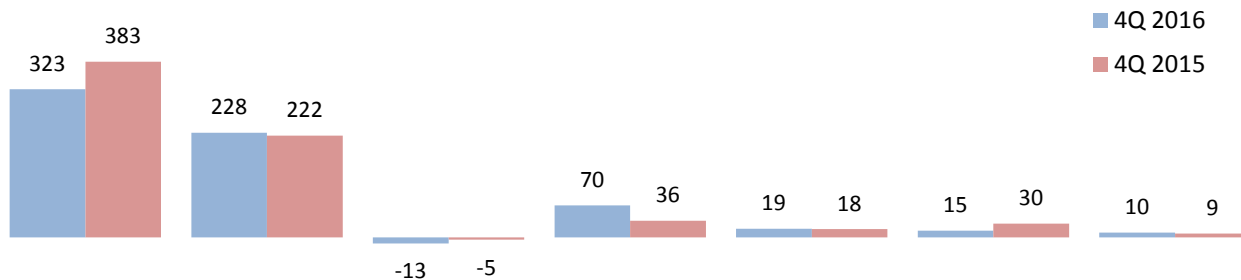
- lower sales volume in trading
- lower price.

Lower revenues from certificates of origin:

- decline in market prices of green certificates,
- sale of green certificates at market price lower than in comparable period.

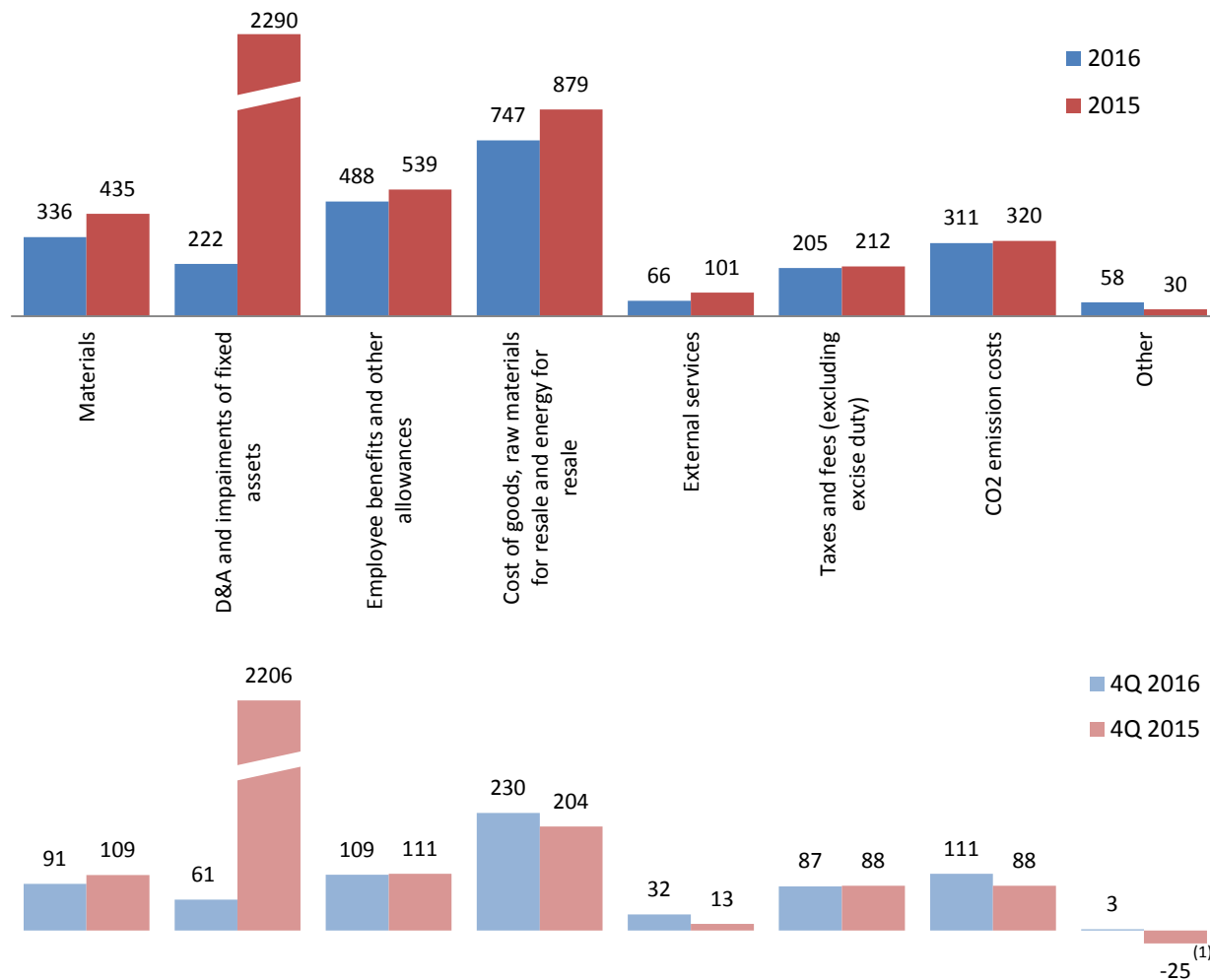
Higher LTC compensation due to higher correction of 2016, which was calculated at higher level than in 2015 because of general renovation in Państw II.

The decrease in revenues from construction services due to 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 12M 2015 -> one-off payment of jubilee bonuses and reversals of employee provisions,
- reduction in the average employment of over 665 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 lower costs of CO₂ emissions comes from:

- lower emission
- lower price of purchased allowances
- Despite higher EUR/PLN exchange rate

(1) Value of other costs by type in 4Q 2016 and 2015 is influenced by negative value of impairment on green certificates

EBITDA 12M 2016

[PLN million]



	12M 2016	12M 2015
Sales revenue	2 705	2 948
Change %	(8.24)%	
Cost of goods sold	(2 241)	(4 651)
Gross profit	463	(1 703)
Margin %	17.12%	(57.77)%
Other operating income	26	30
Selling and distribution expenses	(4)	(5)
Administrative expenses	(109)	(111)
Other operating expenses	(5)	(6)
EBITDA⁽¹⁾	594	494
Margin %	21.96%	16.76%
EBIT⁽²⁾	371	(1 796)
Margin %	13.72%	(60.92)%

(1) **EBITDA higher by PLN 100 million (+20.24%) -> after bringing to comparability higher by PLN 111 million (+22.52%)**

comparable EBITDA for 12M 2015 amounted to PLN 493 million -> value of PLN 494 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 (+12).

comparable EBITDA for 12M 2016 amounted to PLN 604 million -> value of PLN 594 million is the result of event related to the revaluation of unsold green certificates (-10).

(-33) higher LTC compensation, lower revenues from own electricity production, higher revenues from system services end power reserve and lower revenues from certificates of origin,

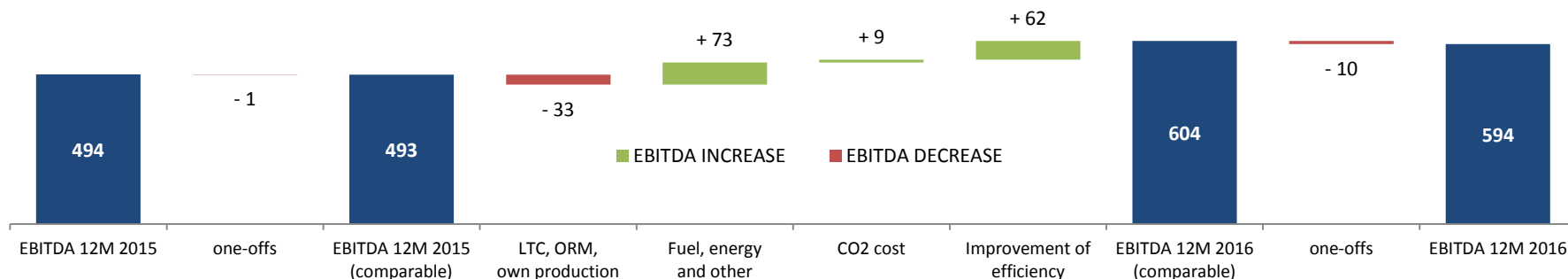
(+73) lower costs of fuel (biomass, fuel oil, heating oil), energy (in mines) and other materials for production,

(+9) lower cost of emission CO₂

(+62) improving the efficiency of current operations, including maintenance of production assets, increasing labour productivity (reduction in average employment of 665 persons) and a change in the terms of remuneration, lower taxes and fees and lower result on other operating activities.

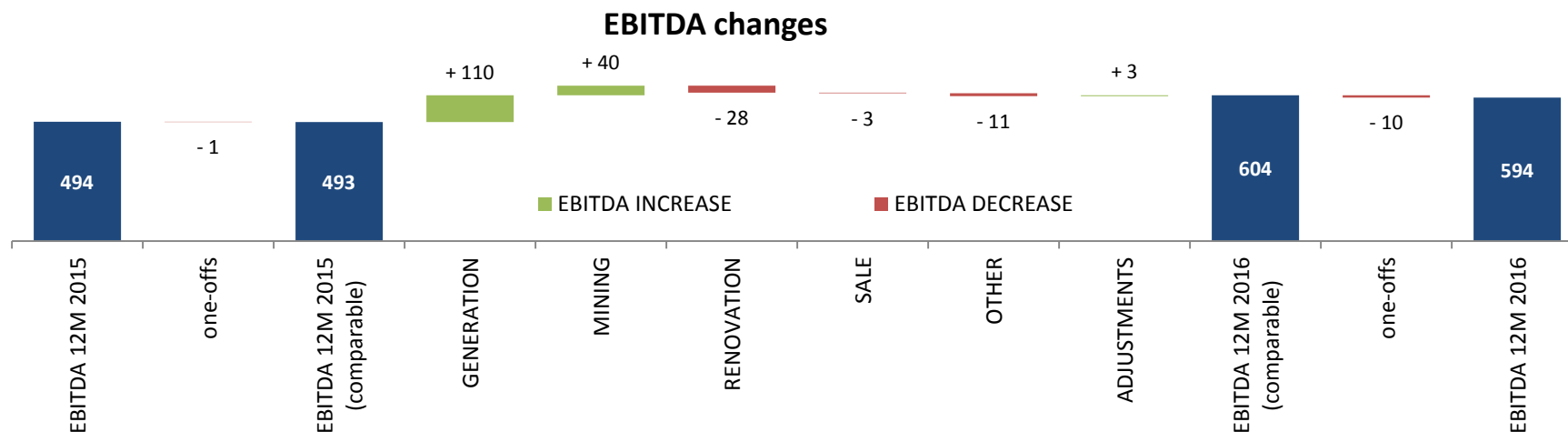
(2) **Comparable EBIT higher by PLN 271 million (+371.00%) -> 2015 EBIT after adjustment for impairment on assets would be PLN 100 million**

EBITDA changes



EBITDA 12M 2016 by segments

[PLN million]



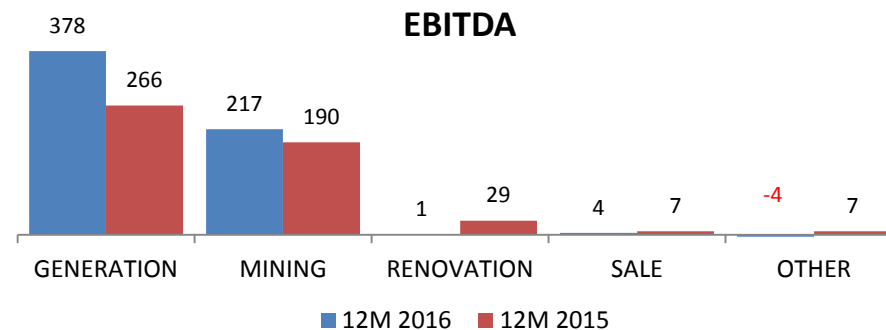
Main reasons for EBITDA changes in segments:

Generation:

- (-33) lower revenues from own electricity production, higher from system services and power reserve, lower revenues from certificates of origin, lower result on electricity trade, higher LTC compensation,
- (+51) lower costs of fuel and other materials for production,
- (+9) lower costs of CO2 emission,
- (+83) lower costs of current operations, including maintenance of assets and employee benefits and the result on other operating activities.

Mining:

- (-77) lower revenues from lignite sale,
- (+22) lower costs of electricity,
- (+95) lower costs of current operations and employee benefits and the result on other operating activities.



Renovation and other:

- (-39) lower contraction in compare to 9M 2015 -> higher decrease in revenues in compare to costs.

Sale:

- (-3) lower sale volume, lower margin.

Consolidated P&L for 12M 2016 by segments



m PLN	Generation	Mining	Renovation	Sale	Other	Consolidation adjustments	Total
Sale revenues from external customers	1 743	8	68	878	8	-	2 705
<i>External sale revenues %</i>	<i>80.06%</i>	<i>0.96%</i>	<i>21.79%</i>	<i>100.00%</i>	<i>7.84%</i>	<i>0.00%</i>	<i>100.00%</i>
Sale revenues between segments	435	824	244	-	95	(1 597)	-
Sale revenues	2 177	832	312	878	102	(1 597)	2 705
Cost of goods sold	(1 876)	(695)	(297)	(870)	(104)	1 601	(2 241)
Gross profit (loss)	302	136	14	9	(1)	4	463
<i>Margin %</i>	<i>13.87%</i>	<i>16.35%</i>	<i>4.49%</i>	<i>1.03%</i>	<i>(0.98)%</i>	<i>(0.25)%</i>	<i>17.12%</i>
EBITDA	378	217	1	4	(4)	(2)	594
<i>Margin %</i>	<i>17.36%</i>	<i>26.08%</i>	<i>0.32%</i>	<i>0.46%</i>	<i>(3.92)%</i>	<i>0.13%</i>	<i>21.96%</i>
EBIT	266	111	(6)	4	(6)	3	371
<i>Margin %</i>	<i>12.22%</i>	<i>13.34%</i>	<i>(1.92)%</i>	<i>0.46%</i>	<i>(5.88)%</i>	<i>(0.19)%</i>	<i>13.72%</i>
Net profit (loss)	180	79	(7)	3	(7)	3	250
<i>Margin %</i>	<i>8.27%</i>	<i>9.50%</i>	<i>(2.24)%</i>	<i>0.34%</i>	<i>(6.86)%</i>	<i>(0.19)%</i>	<i>9.24%</i>

EBITDA 4Q 2016

[PLN million]



	4Q 2016	4Q 2015
Sales revenue	651	693
Change %	(6.06)%	
Cost of goods sold	(564)	(2 528)
Gross profit	87	(1 835)
Margin %	13.36%	(264.79)%
Other operating income	8	15
Selling and distribution expenses	(1)	(2)
Administrative expenses	(37)	(25)
Other operating expenses	3	(2)
EBITDA⁽¹⁾	120	156
Margin %	18.43%	22.51%
EBIT⁽²⁾	60	(1 850)
Margin %	9.22%	(266.96)%

(1) EBITDA lower by PLN 36 million (-23.08%) -> after bringing to comparability lower by PLN 46 million (-32.72%)

comparable EBITDA for 4Q 2015 amounted to PLN 145 million -> value of PLN 156 million is the result of the decrease of write-down related to the revaluation of unsold green certificates (-11).

comparable EBITDA for 4Q 2016 amounted to PLN 99 million -> value of PLN 120 million is the result of event related to the revaluation of unsold green certificates (+21).

(-53) higher LTC compensation, lower revenues from own production, higher system services and ORM and lower revenues from certificates of origin

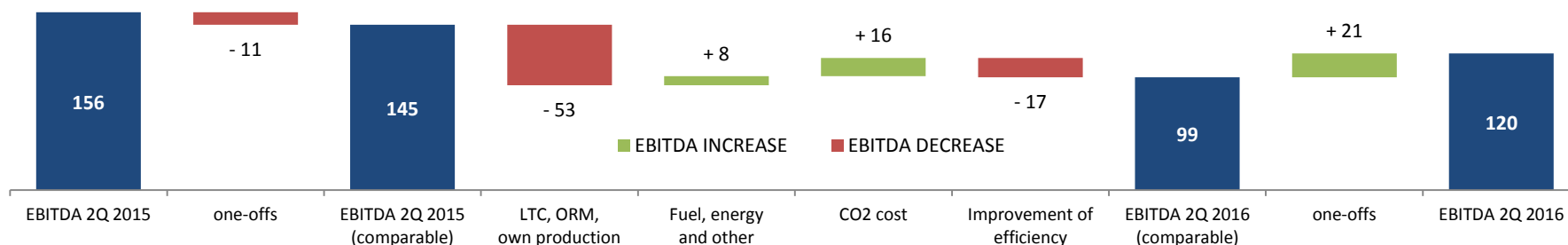
(+8) lower costs of fuel (biomass, fuel oil, heating oil), energy (in mines) and other materials for production,

(+16) higher cost of emission of CO2

(-17) improving the efficiency of current operations, including maintenance of production assets, increasing labour productivity (reduction in average employment of 650 persons) and a change in the terms of remuneration and lower result on other operating activities

(2) comparable EBIT higher by PLN 14 million (+30.43%) - EBIT for 4Q 2015 after adjustment for impairments on assets would be PLN 46 million

EBITDA changes

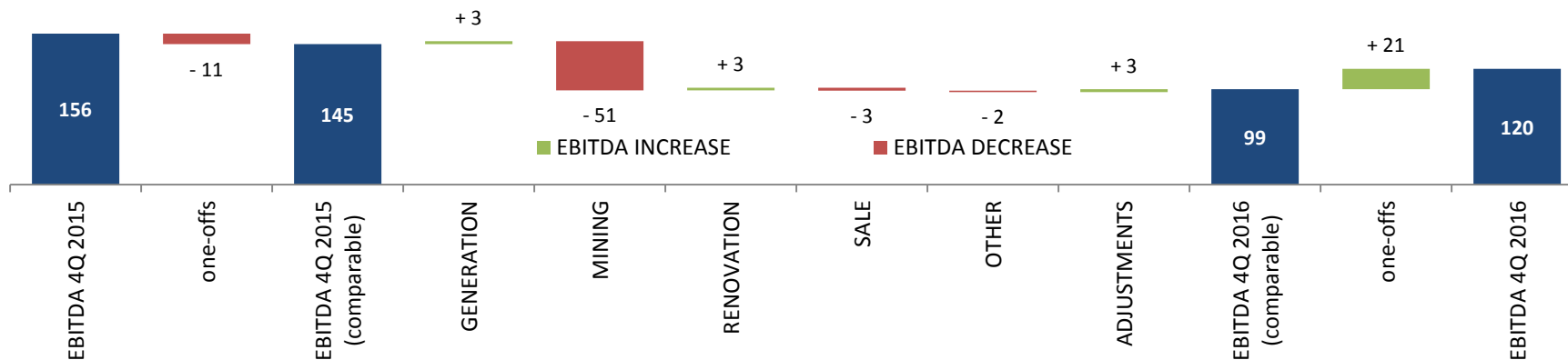


EBITDA 4Q 2016 by segments

[PLN million]



EBITDA changes



Main reasons of EBITDA changes in segments:

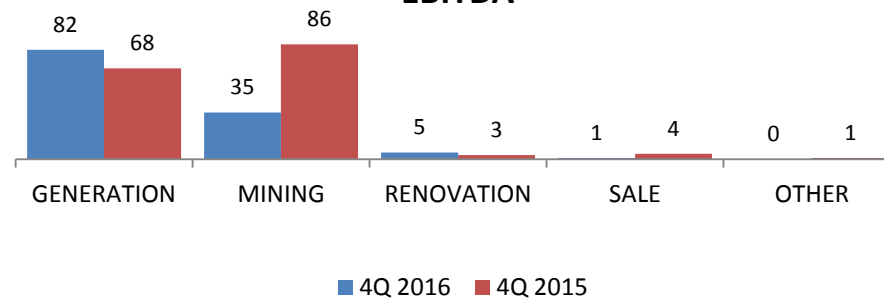
Generation:

- (-52) higher LTC compensation, lower revenues from own production, higher system services and ORM, lower revenues from certificates of origin,
- (+28) lower costs of fuel and other materials for production,
- (+16) lower cost of emission CO₂,
- (+11) lower costs of current operations, including maintenance of assets and employee benefits and other operating activities.

Mining:

- (-99) lower revenues from lignite,
- (+3) lower cost of electricity,
- (+45) lower costs of current operations and employee benefits and the result on other operating activities.

EBITDA



Renovation and Other:

- (+1) cost restructure, changes in employment agreements

Sale:

- (-3) lower sale volume and lower margin

Consolidated P&L for 4Q 2016 by segments



m PLN	Generation	Mining	Renovation	Sale	Other	Consolidation adjustments	Total
Sale revenues from external customers	405	2	20	223	2	-	651
<i>External sale revenues %</i>	<i>78.49%</i>	<i>1.19%</i>	<i>21.74%</i>	<i>100.00%</i>	<i>7.69%</i>	<i>0.00%</i>	<i>100.00%</i>
Sale revenues between segments	111	167	72	-	24	-374	-
Sale revenues	516	168	92	223	26	-374	651
Cost of goods sold	(452)	(157)	(82)	(221)	(26)	373	-564
Gross profit (loss)	64	12	10	2	-	-	87
<i>Margin %</i>	<i>12.40%</i>	<i>7.14%</i>	<i>10.87%</i>	<i>0.90%</i>	<i>-</i>	<i>-</i>	<i>13.36%</i>
EBITDA	82	35	5	1	-	-2	120
<i>Margin %</i>	<i>15.89%</i>	<i>20.83%</i>	<i>5.43%</i>	<i>0.45%</i>	<i>-</i>	<i>0.53%</i>	<i>18.43%</i>
EBIT	51	6	4	1	(1)	-1	60
<i>Margin %</i>	<i>9.88%</i>	<i>3.57%</i>	<i>4.35%</i>	<i>0.45%</i>	<i>(3.85)%</i>	<i>0.27%</i>	<i>9.22%</i>
Net profit (loss)	27	2	3	1	(1)	-	32
<i>Margin %</i>	<i>5.23%</i>	<i>1.19%</i>	<i>3.26%</i>	<i>0.45%</i>	<i>(3.85)%</i>	<i>-</i>	<i>4.92%</i>

Financial activities, taxation and net profit

[PLN million]

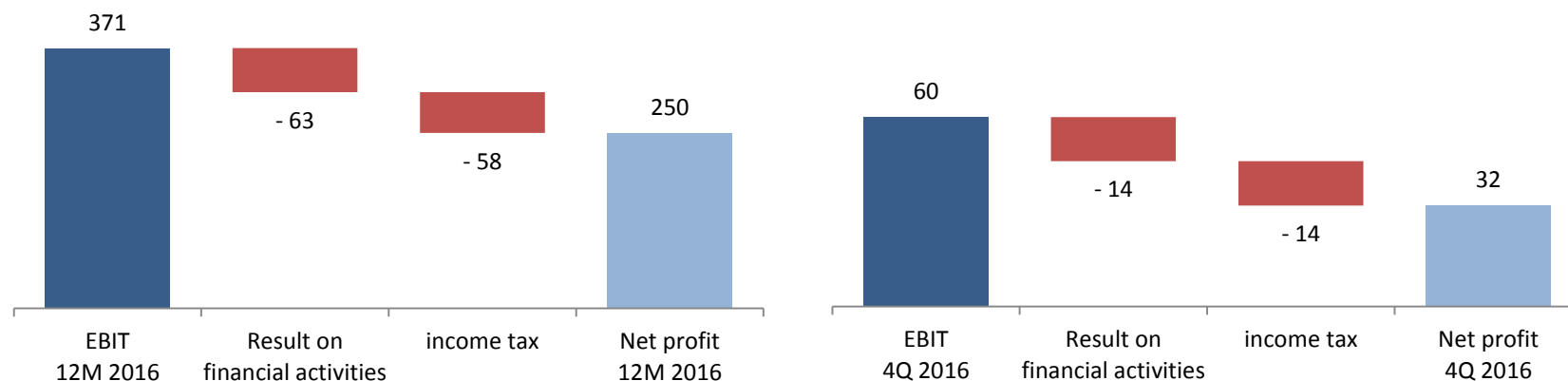


	12M 2016	12M 2015	4Q 2016	4Q 2015
EBIT	371	(1 796)	60	(1 880)
Financial income ⁽¹⁾	9	6	3	(1)
Financial costs ⁽²⁾	(73)	(44)	(17)	(9)
Gross profit	308	(1 883)	45	(1 860)
Income tax (taxation)	(58)	(47)	(14)	(41)
<i>Effective tax rate</i>	<i>18.83%</i>	<i>(2.56)%</i>	<i>31.11%</i>	<i>(2.20)%</i>
Net profit (loss) for the period	250	(1 880)	32	(1 901)
<i>Margin %</i>	<i>9.24%</i>	<i>(63.77)%</i>	<i>4.92%</i>	<i>(274.31)%</i>

(1) Financial income in 2016 higher interest and profit on sale of shares in VERANO.

(2) Financial costs for 12M 2016 higher mainly because of higher interest, fees and exchange losses (+28) – in 2015 interest and fees from credit facility for modernisation of units 1 and 2 in Pątnów I were placed in CAPEX.

EBIT --> net profit

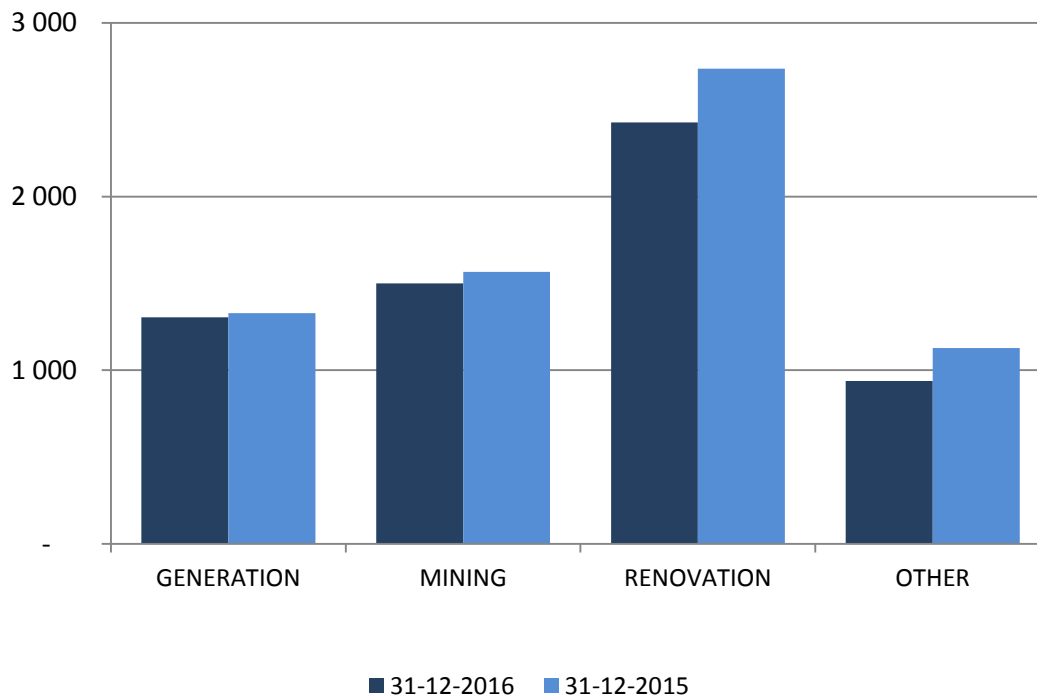


Employment

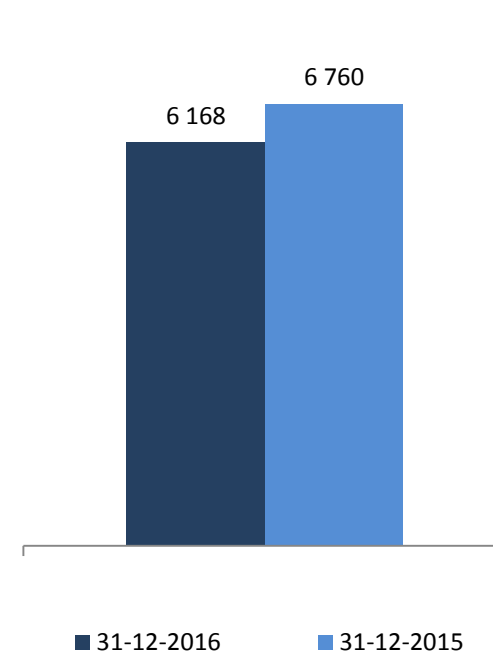
[full time]



BY SEGMENTS



TOTAL

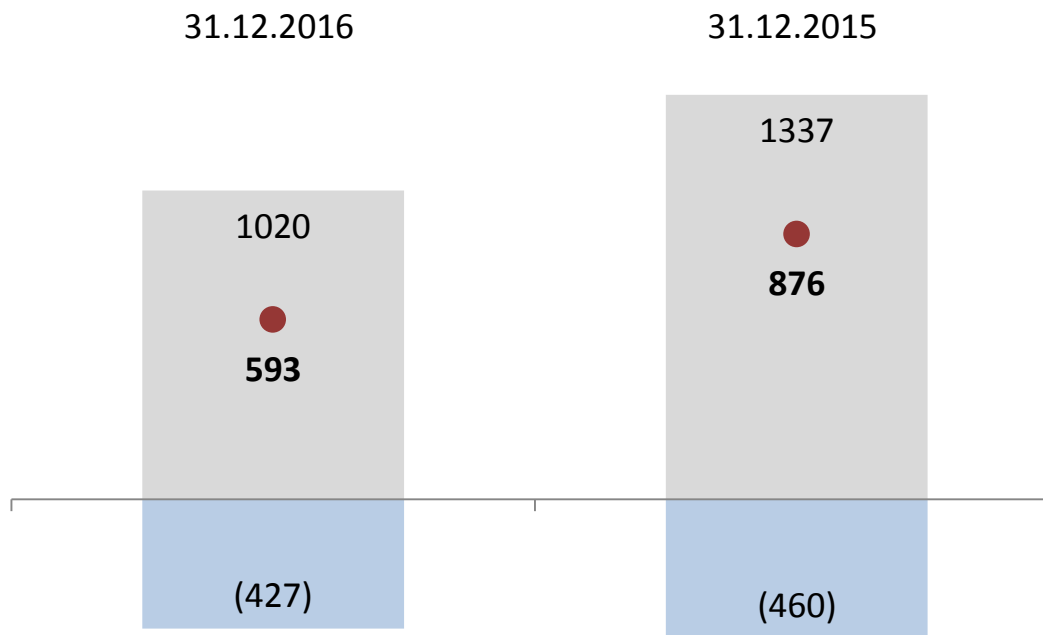


Group's employment decrease comes mainly from pension rights acquisitions of employees and finishing of fixed-term contracts.

Financial indebtedness



Net debt [PLN million]



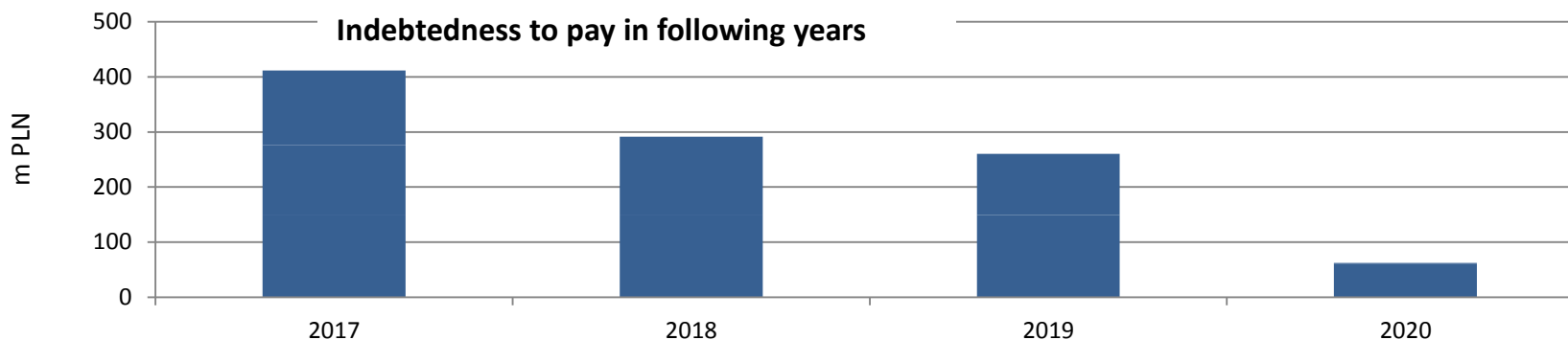
- Cash and cash equivalents (1)
- Interest bearing loans, borrowings and leases
- Net debt

Net debt / EBITDA

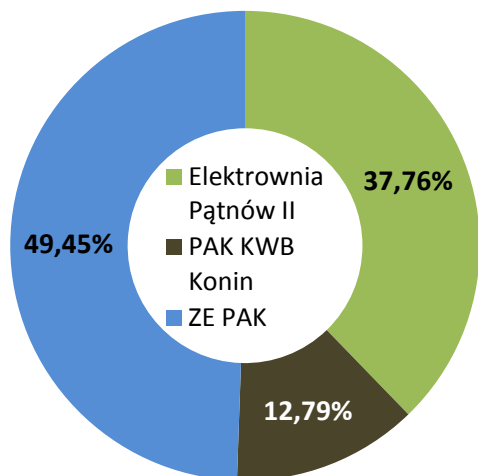
31.12.2016	1.00
31.12.2015	1.77

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

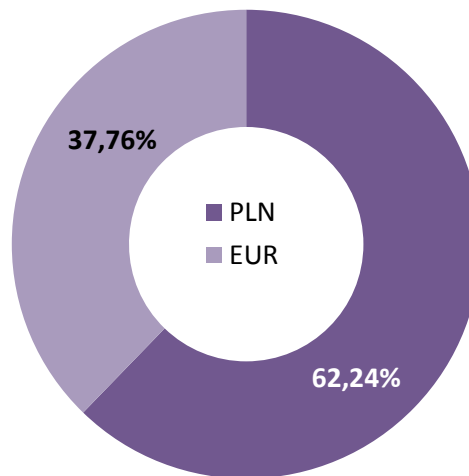
Financial indebtedness structure (1)



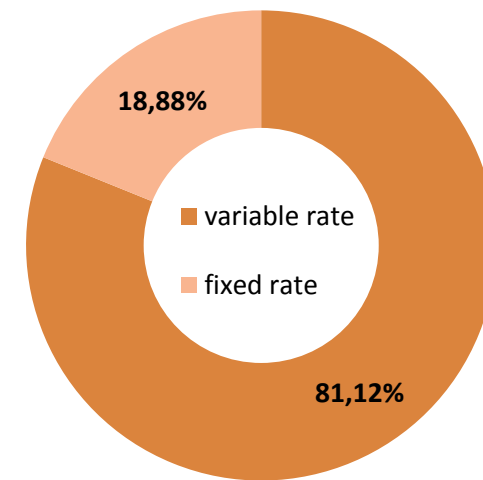
Indebtedness structure by debtor



Indebtedness structure by currency



Indebtedness structure by interest rate



(1) Financial indebtedness main Group companies, excluding 1,3 m indebtedness of other Group companies. Indebtedness in EUR calculated with average NBP exchange rate as of 31.12.2016

Consolidated cash flow

[PLN million]



	12M 2016	12M 2015	4Q 2016	4Q 2015
Gross profit (loss)	308	(1 833)	45	(1 860)
depreciation and amortization ⁽¹⁾	208	381	56	107
profit/loss on investing and financial activities	71	29	27	10
changes in working capital	289	275	54	191
income tax	(24)	5	(4)	(2)
purchase of EUA ⁽²⁾	(316)	(287)	(116)	(41)
other	(0)	1	(0)	1
Net cash flow from operational activities	536	467	61	302
(inflows/outflows) of investments in property, plant and equipment and intangible assets ⁽³⁾	(195)	(410)	(91)	(93)
other	12	(5)	3	(37)
Net cash flow from investing activities	(184)	(415)	(88)	(131)
inflows of credits, loans, leases and securities	12	337	(0)	76
payment of credits, loans, leases and securities ⁽⁴⁾	(349)	(245)	(71)	(53)
interest paid	(49)	(53)	(12)	(13)
dividend paid	-	(61)	-	(61)
other	(1)	(1)	(0)	(0)
Net cash flow from financial activities	(387)	(24)	(83)	(51)
change in cash and cash equivalents	(35)	28	(110)	120
cash and cash equivalents at the beginning of the period	383	355	459	263
Cash and cash equivalents at the end of the period	349	383	349	383

- (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 higher value of the expenditure on CO₂ emission rights, despite the lower cost of purchasing presented in the profit and loss account, which is result of purchase allowances for 2017 emission.
- (3) Expenditure in 2016 mainly related to expenses for the general renovation of 464 unit in Pątnów II.
- (4) Payments in 2016 include one more instalments of the loan for the modernization of Pątnów I than in 2015. additionally according to the annex to the agreement instalments are higher. In addition the increase in expenses was caused by higher EUR/PLN exchange rate

Questions & Answers



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