



14 November 2019

# Zespół Elektrowni Pątnów-Adamów-Konin SA

## 3Q 2019 Results



# ZE PAK Group – 9M 2019 summary



Key operational and financial data	9M 2019	Change y/y
Sale of electricity:	7.09 TWh	4.88%
• Electricity from own production:	4.11 TWh	-10.46%
• Electricity from resale:	2.98 TWh	37.33%
Achieved average electricity sale price	269.36 PLN/MWh	31.59%
Sale revenues:	2 157 m PLN	32.90%
EBITDA:	272 m PLN	140.71%
Net result:	72 m PLN	-
CAPEX:	21 m PLN	-62.50%
Indebtedness:	203 m PLN	-58.40%
Cash <sup>(1)</sup> :	382 m PLN	17.90%
Net debt / EBITDA:	-0.72 x	-

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

# ZE PAK Group – 3Q 2019 summary



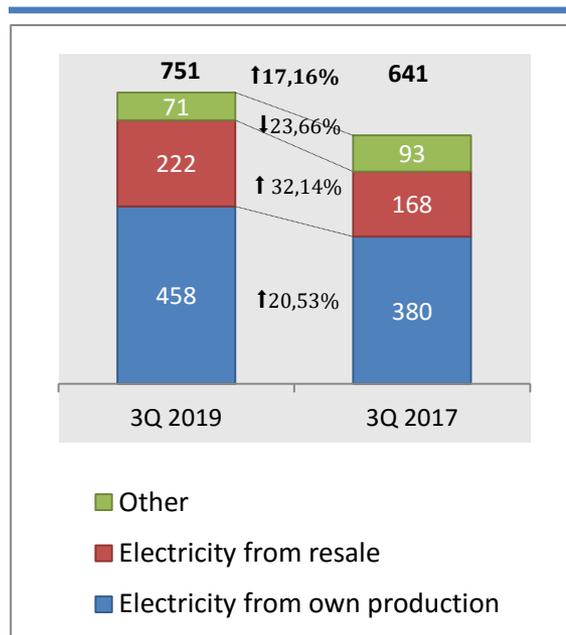
Key operational and financial data	3Q 2019	Change y/y
Sale of electricity:	2.46 TWh	-0.81%
• Electricity from own production:	1.60 TWh	-4.76%
• Electricity from resale:	0.86 TWh	7.50%
Achieved average electricity sale price	276.67 PLN/MWh	25.91%
Sale revenues:	751 m PLN	17.16%
EBITDA:	109 m PLN	165.85%
Net result:	35 m PLN	-
CAPEX:	3 m PLN	-66.67%

# ZE PAK Group – 3Q 2019 summary

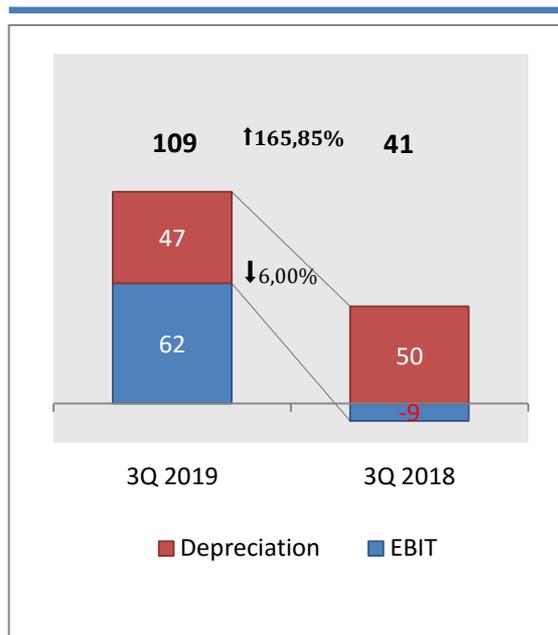
[m PLN]



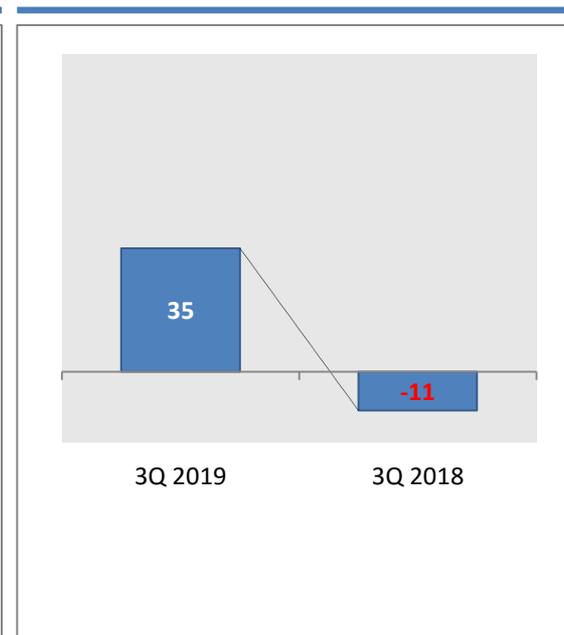
## Revenues



## EBITDA



## Net profit/loss



Higher total revenues from the sale of electricity is the result of a higher volume of energy sales from trading and higher sales prices. Lower other revenues are mainly the result of lower revenues from PPAs.

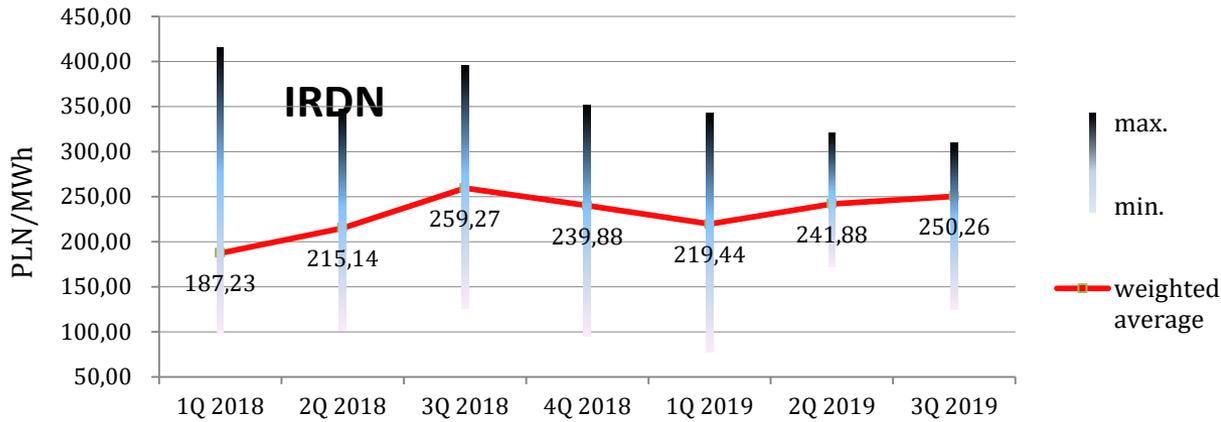
In addition to the impact of increased sales volume, the better result compared to the same period of the previous year, recorded at the level of EBITDA and net result, was caused by a more favorable relation of the electricity sale price achieved in relation to the costs of purchasing CO2 emission allowances.

# SELECTED ELECTRICITY MARKET DATA

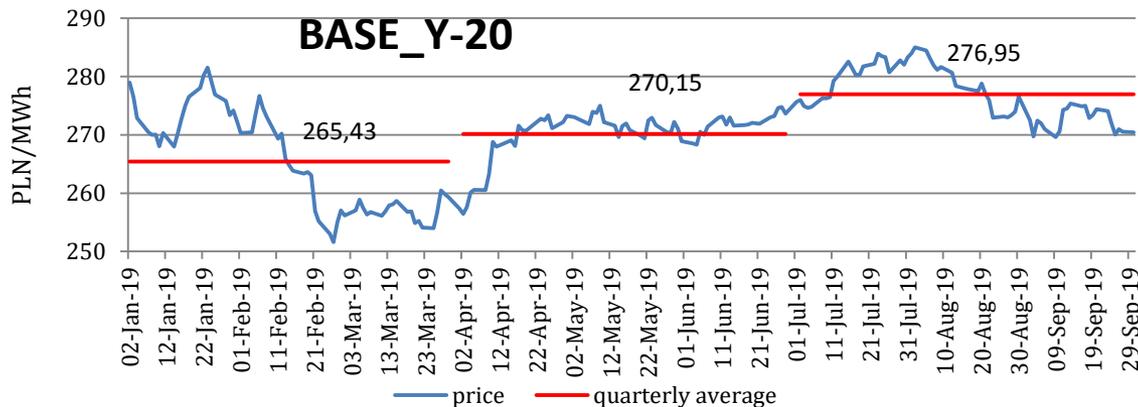
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# Electricity prices



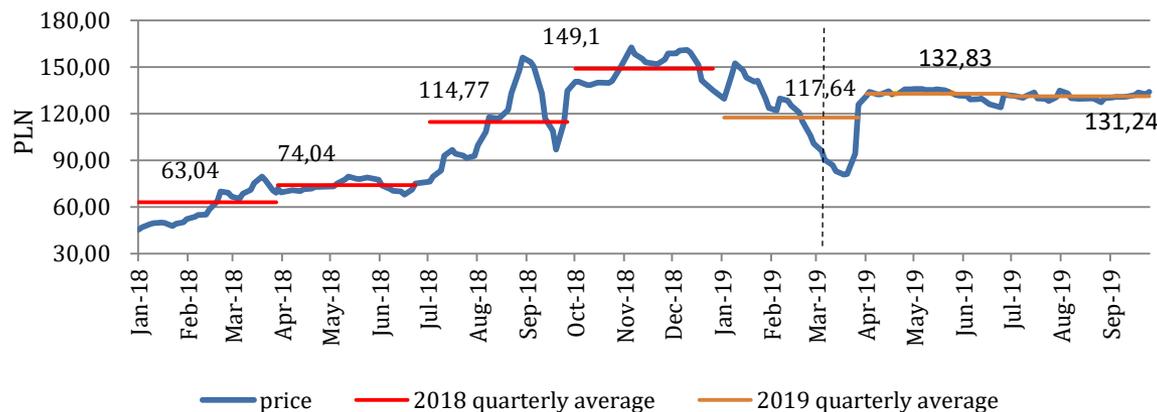
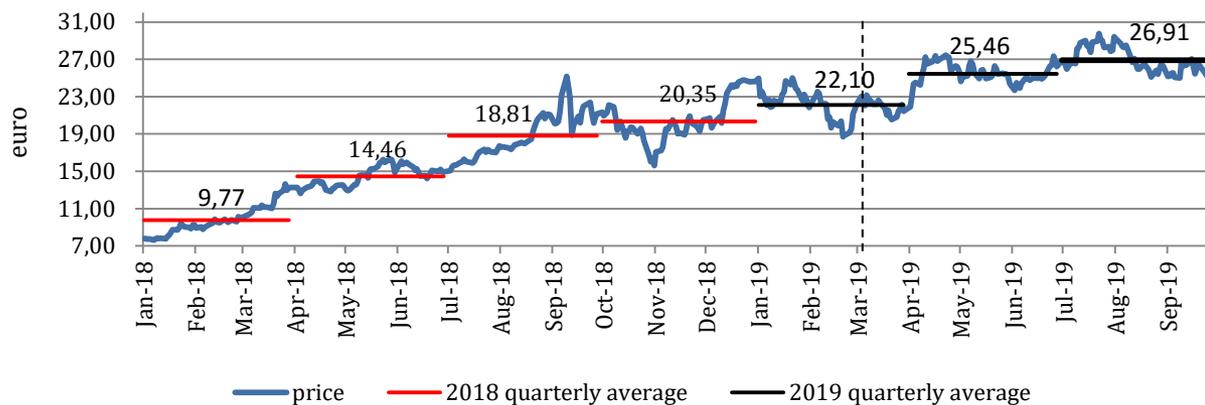
The high price level in the third quarter was mainly due to high air temperatures and relatively low windiness. However, comparing year to year, the market valued the third quarter of this year at a lower level than it was last year. The weighted average price (IRDN) in the third quarter of 2019 was PLN 250.26 / MWh, i.e. by PLN 9.01, i.e. 3.48% compared to the third quarter of 2018.



The level of prices recorded on the BASE\_Y-20 reference futures contract showed an upward trend. The arithmetic average of the daily clearing rates for the BASE\_Y-20 contract in the third quarter of 2019 was PLN 276.95 / MWh.

Poland was an electricity importer in the third quarter of 2019. The foreign exchange balance in the third quarter of 2019 was 2.84 TWh on the import side, which means an increase of 1.99 TWh compared to the balance of 0.85 TWh in the third quarter of 2018.

# EUA and green certificates



The third quarter of 2019 was characterized by high price volatility. In July 2019, the price of EUA was steadily rising, and the reason for the increase could be high energy prices (caused by high temperatures in Europe and suspension of work in some nuclear power plants in France due to persistent high temperatures in rivers), gas and fuels. In August, EUA prices were falling despite lower auctioning volumes. In addition, the way Britain left the EU under the so-called brexit was still uncertain. The most important information for the market in September was the restoration of sales of normal EUA volumes at auctions compared to August. The arithmetic average of EUA quotations in the third quarter of 2019 was EUR 26.91, which means an increase of 43% compared to the third quarter of 2018, and the arithmetic average of EUA quotations in the three quarters of 2019 was EUR 23.78, which means an increase by 73% compared to the three quarters of 2018.

In the third quarter of 2019, prices of energy certificates of origin (green certificates) were characterized by relative stagnation. There were no new factors on the market that could significantly affect the price level. The weighted average price of green certificates in the third quarter of 2019 was PLN 131.24 / MWh, which means an increase of PLN 16.47 / MWh, i.e. by 14.35% compared to the third quarter of 2018.

# OPERATIONAL DATA

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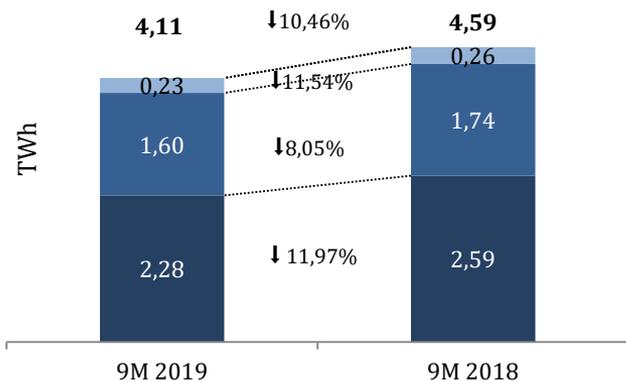


# Net production and sale of electricity

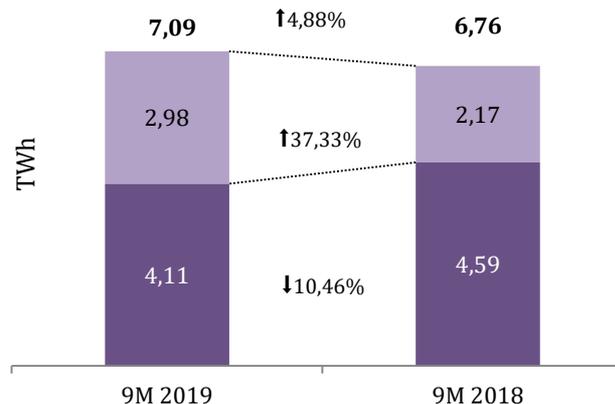
[TWh]



## NET PRODUCTION

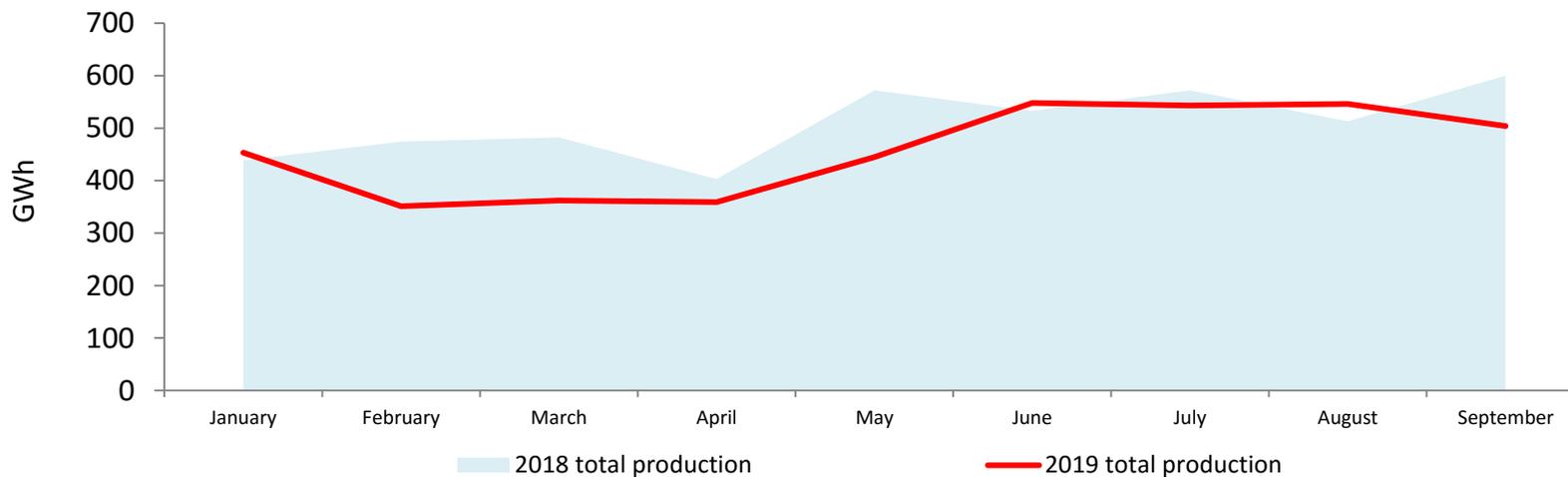


## SALE



■ Pałnów I ■ Pałnów II ■ Konin ■ Adamów

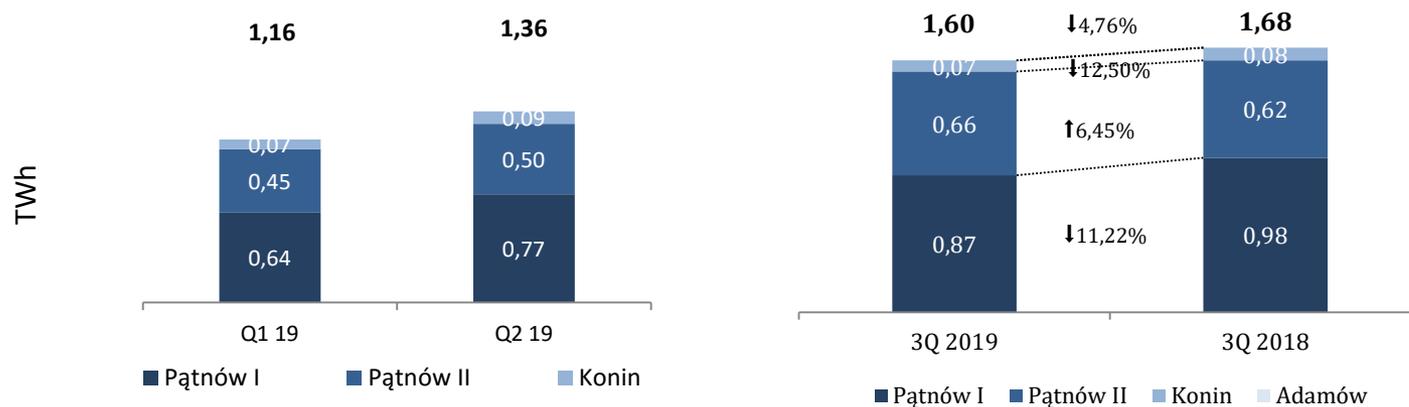
■ Own production ■ Resale



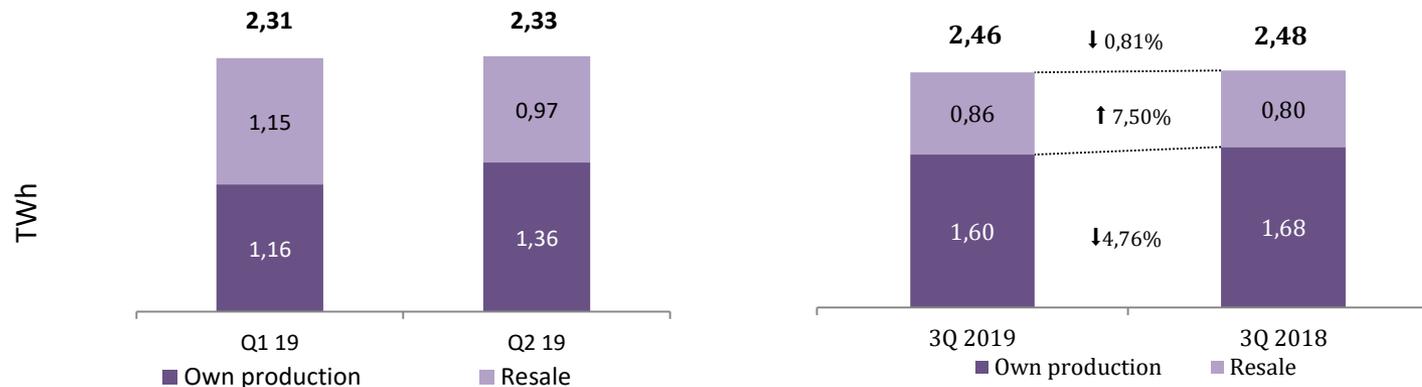
# Quarterly net production and sale of electricity [TWh]



## NET PRODUCTION



## SALE



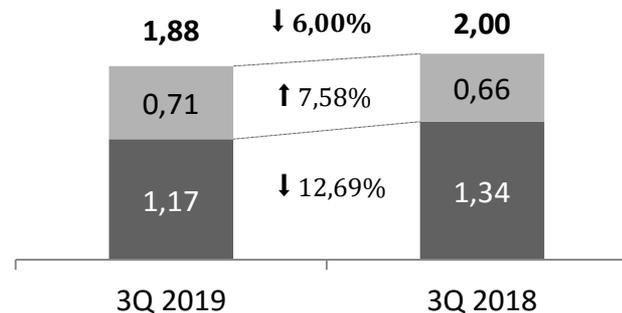
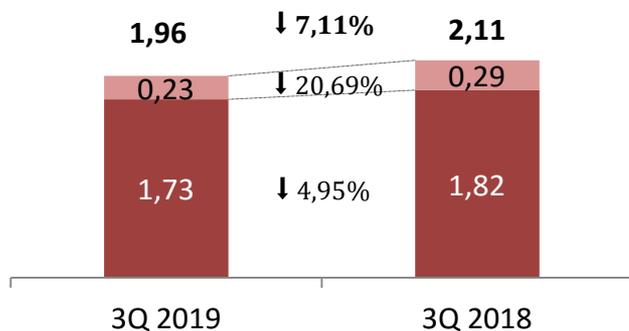
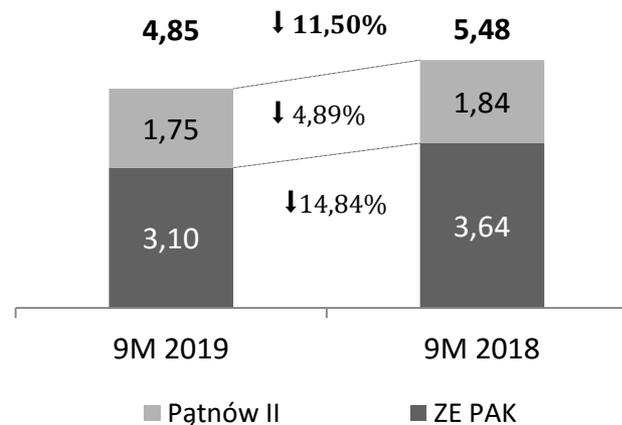
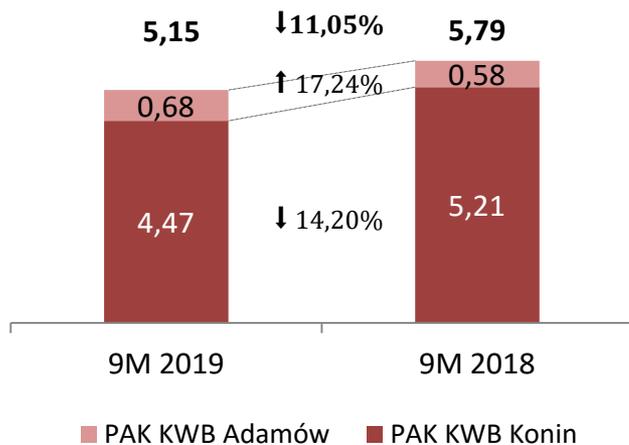
# Lignite consumption and CO<sub>2</sub> emission

[m tons]



## LIGNITE CONSUMPTION

## CO<sub>2</sub> EMISSION

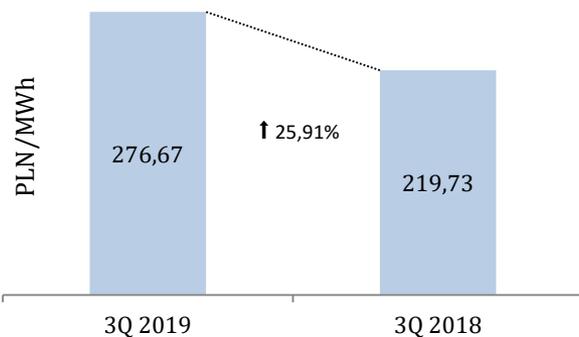
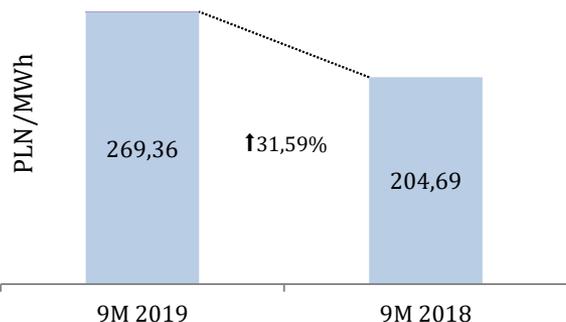


Data on lignite consumption and CO<sub>2</sub> emissions in 9M'19 and 3Q'19 show a decrease in lignite consumption and lower emissions due to lower volumes of electricity produced compared to the same periods of the previous year.

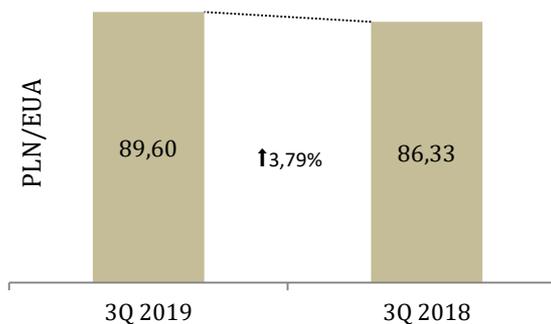
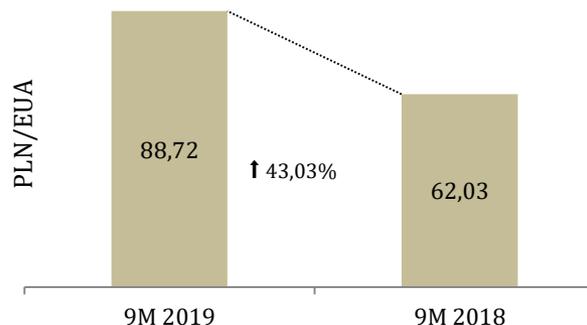
# Average prices of electricity and CO2 emission allowances purchase



## Electricity prices <sup>1)</sup>



## Prices of CO2 emission allowances purchase (EUA) <sup>2)</sup>



*1) Average price, calculated as electricity sales revenues (own production, from resale and system service) divided by sales volume..*

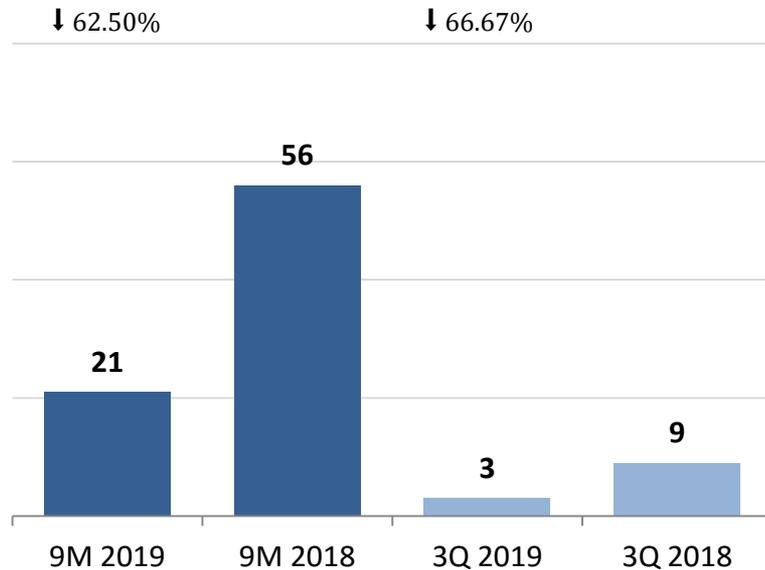
*2) Average price is calculated as the purchase cost of emission allowances incurred to cover emission for the period divided by the volume of CO<sub>2</sub> emission.*

# Capex on fixed assets and intangible assets

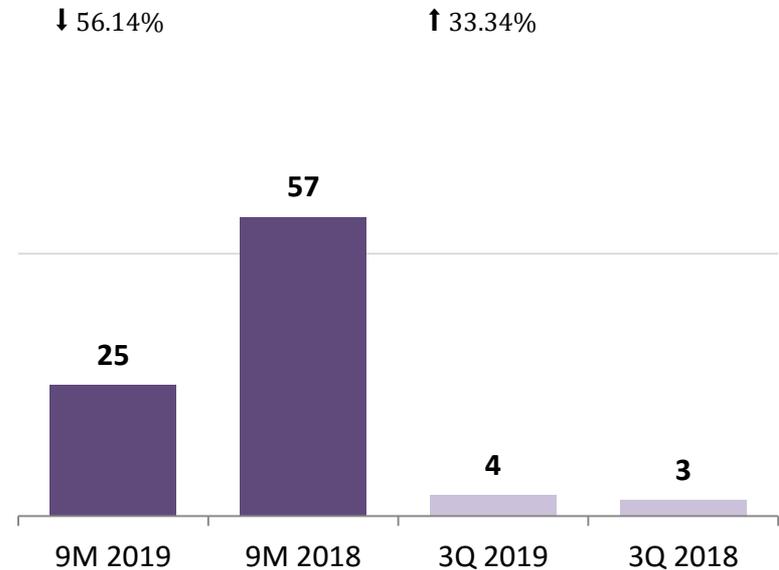
(excluding CO<sub>2</sub>)



## CAPEX [m PLN]



## EXPENDITURES [m PLN]



In the area of investment activity, the Group does not currently implement any major projects, it focuses on maintaining its assets and their trouble-free operation.

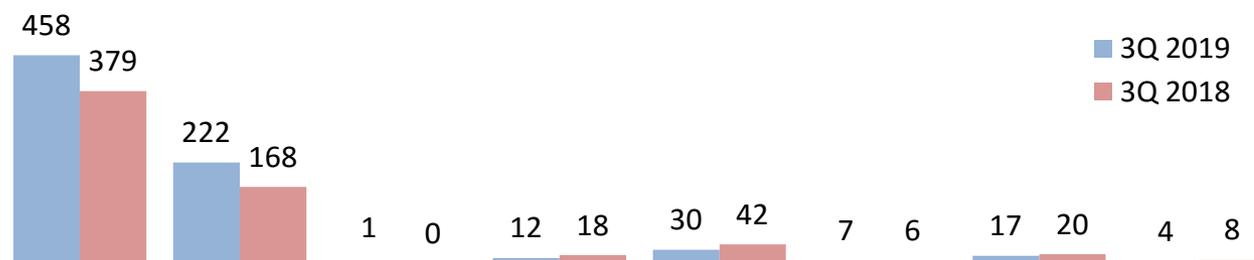
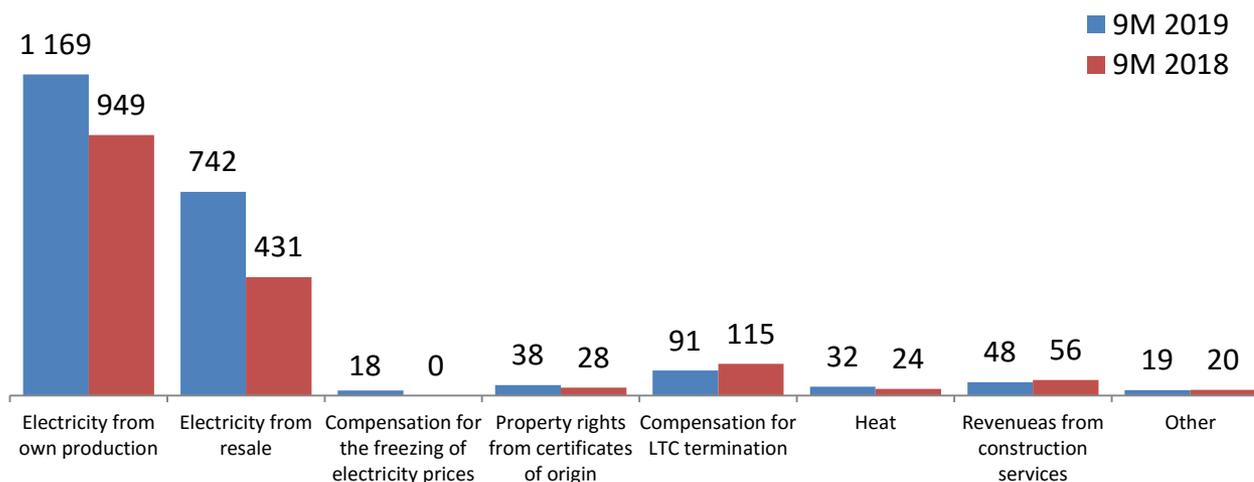
# FINANCIAL DATA

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# Revenues

[m PLN]



## Reasons for changes in key positions:

Higher total revenues from the sale of electricity:

- Lower volume of electricity sales from own production
- Higher volume of electricity sales from trade
- Higher sales price of electricity

A decrease in revenues from the sale of property rights from energy certificates of origin in the third quarter of 2019 due to a lower green energy production volume caused by a stoppage of the biomass block due to planned renovation.

Lower revenues from PPAs in the third quarter of 2019 are caused by a lower adjustment compared to the same period of 2018. This level of adjustment is the result of achieving a higher operating result compared to the third quarter of 2018, mainly due to the higher price of electricity sales and higher profit on electricity trading.

The increase in revenues from the sale of heat occurred as a result of a higher sale price compared to the same period of the previous year due to a new heat tariff.

The decrease in revenues from contracts for construction services in the analyzed period was associated with the implementation of projects with smaller material and financial ranges for external recipients by a company from the renovation segment.

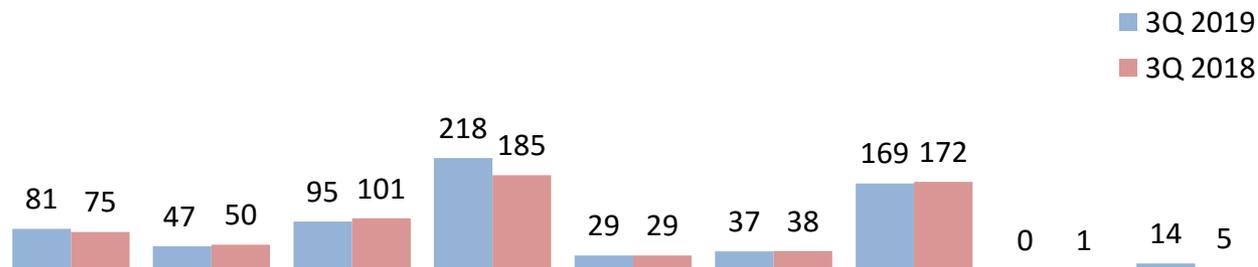
# Costs by type

[m PLN]



## Reasons for changes in key positions:

The increase in the cost of goods was mainly due to the increase in the value of goods and materials sold, associated with more purchased electricity intended for trading, as well as its higher price. However, the lower cost of sales was mainly affected by lower employee benefits costs associated with a decrease in average employment and lower CO2 emissions costs. The decrease in CO2 emission costs was the result of a decrease in the volume of emissions with a simultaneous increase in the EUA price.



# EBITDA 9M 2019

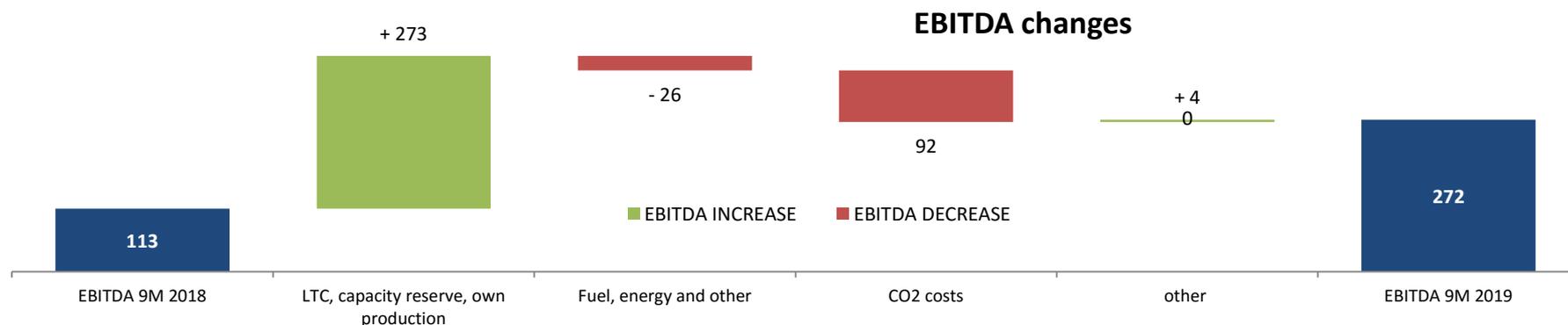
[m PLN]



	9M 2019	9M 2018
<b>Sale revenues</b>	<b>2 157</b>	<b>1 623</b>
<i>Change %</i>	32,90%	
Costs of goods sold	(1 951)	(1 564)
<b>Gross profit</b>	<b>206</b>	<b>59</b>
<i>Margin %</i>	9,55%	(3,64)%
Other operating revenues	13	6
Selling and distribution expenses	(3)	(3)
Administrative expenses	(81)	(92)
Other operating expenses	(7)	(4)
<b>EBITDA<sup>(1)</sup></b>	<b>272</b>	<b>113</b>
<i>Margin %</i>	12,61%	6,96%
<b>EBIT</b>	<b>128</b>	<b>(34)</b>
<i>Margin %</i>	5,93%	(2,09)%

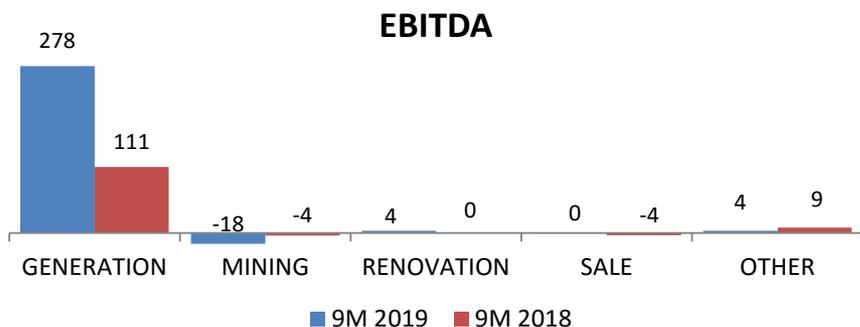
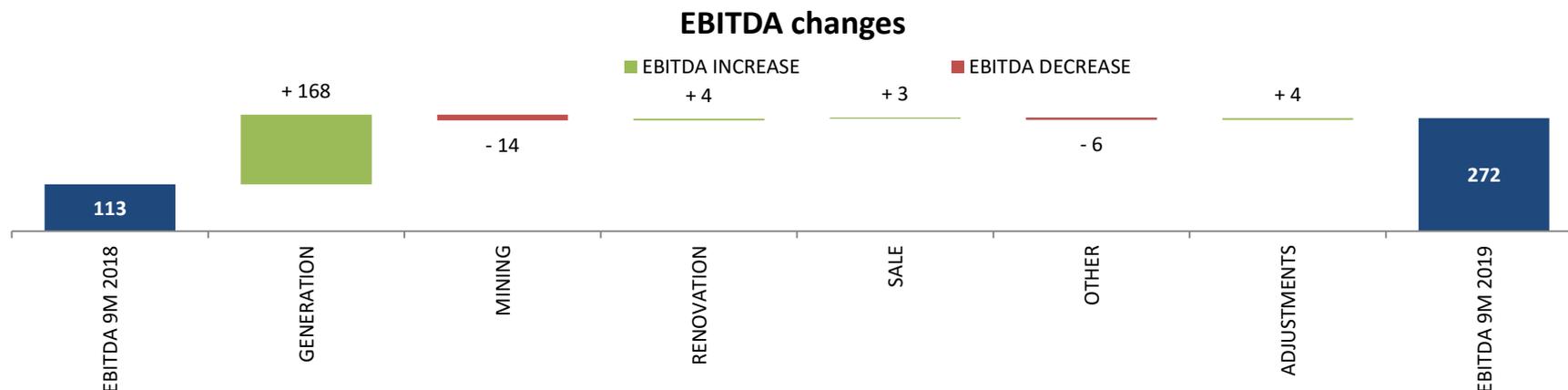
(1) **EBITDA higher by PLN 159 m (+240,71%), including:**

- (+273) higher revenues from own energy, higher revenues from system services and capacity reserves, lower revenues from PPAs, higher revenues from heat, higher revenues from certificates, revenues from the amount of the price difference and financial compensation, higher result on the turnover
- (-26) higher fuel costs, lower electricity costs (in mines)
- (-92) higher CO<sub>2</sub> emission costs
- (+4) lower costs of employee benefits, lower costs of other materials and external services, lower other costs and better result on other operational activity, lower construction revenues, higher taxes and fees and higher costs of mining damage



# EBITDA 9M 2019 by segments

[m PLN]



Main reasons of EBITDA changes in segments:

Generation:

- Higher revenues from own electricity production, higher revenues from system service and capacity reserve, lower revenues from PPAs, higher revenues from heat, higher revenues from certificates, revenues due to the amount of price difference and financial compensation, higher result on the turnover,
- Lower costs of coal, higher costs of other fuel,
- Higher costs of EUA,
- Lower costs of employee benefits, higher fees

Mining:

- Lower revenues from coal sales
- Higher costs of mining damage
- Lower costs of electricity
- Lower costs of employee benefits

# Consolidated P&L for 9M 2019 by segments



m PLN	Generation	Mining	Renovation	Sale	Other	Consolidation adjustments	Total
Sale revenues from external customers	1 598	7	57	494	2		2 157
<i>External sale revenues %</i>	<i>89,83%</i>	<i>1,67%</i>	<i>50,89%</i>	<i>100,00%</i>	<i>1,23%</i>	<i>0,00%</i>	<i>100,00%</i>
Sale revenues between segments	182	412	55		161	(810)	
<b>Sale revenue</b>	<b>1 779</b>	<b>419</b>	<b>112</b>	<b>494</b>	<b>163</b>	<b>(810)</b>	<b>2 157</b>
Cost of goods sold	(1 558)	(461)	(102)	(495)	(159)	823	(1 951)
<b>Gross profit (loss)</b>	<b>222</b>	<b>(42)</b>	<b>10</b>	<b>(1)</b>	<b>4</b>	<b>13</b>	<b>206</b>
<i>Margin %</i>	<i>12,48%</i>	<i>(0,02%)</i>	<i>8,93%</i>	<i>(0,20%)</i>	<i>2,45%</i>	<i>(1,60%)</i>	<i>9,55%</i>
<b>EBITDA</b>	<b>278</b>	<b>(18)</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>4</b>	<b>272</b>
<i>Margin %</i>	<i>15,63%</i>	<i>(4,30%)</i>	<i>3,57%</i>	<i>0,00%</i>	<i>2,45%</i>	<i>(0,49%)</i>	<i>12,61%</i>
<b>EBIT</b>	<b>188</b>	<b>(62)</b>	<b>1</b>	<b>-</b>	<b>(1)</b>	<b>1</b>	<b>128</b>
<i>Margin %</i>	<i>10,57%</i>	<i>(14,80%)</i>	<i>0,89%</i>	<i>0,00%</i>	<i>(0,61%)</i>	<i>(0,12%)</i>	<i>5,93%</i>
<b>Net profit (loss)</b>	<b>126</b>	<b>(60)</b>	<b>-</b>	<b>5</b>	<b>(1)</b>	<b>1</b>	<b>72</b>
<i>Margin %</i>	<i>7,08%</i>	<i>(14,32%)</i>	<i>0,00%</i>	<i>1,01%</i>	<i>(0,61%)</i>	<i>(0,12%)</i>	<i>3,34%</i>

# EBITDA 3Q 2019

[m PLN]

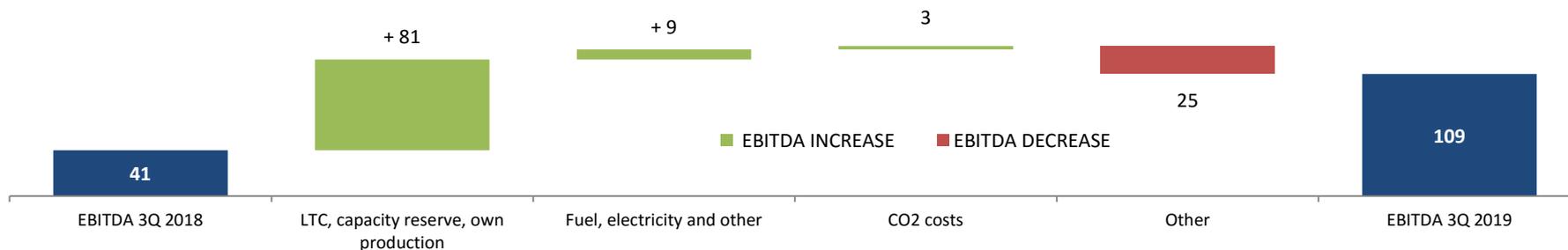


	3Q 2019	3Q 2018
<b>Sale revenues</b>	<b>751</b>	<b>641</b>
<i>Change %</i>	17,16%	
Costs of goods sold	(663)	(622)
<b>Gross profit</b>	<b>88</b>	<b>18</b>
<i>Margin %</i>	11,72%	2,81%
Other operating revenues	0	2
Selling and distribution expenses	(1)	(1)
Administrative expenses	(26)	(27)
Other operating expenses	(1)	(1)
<b>EBITDA<sup>(1)</sup></b>	<b>109</b>	<b>41</b>
<i>Margin %</i>	14,51%	6,40%
<b>EBIT</b>	<b>62</b>	<b>(9)</b>
<i>Margin %</i>	8,26%	(1,40)%

(1) **EBITDA higher by PLN 68 million (+265,85%), including:**

- (+81) higher revenues from own energy, higher revenues from system services and power reserves, lower revenues from PPAs, higher revenues from heat, lower revenues from certificates, revenues from the amount of the price difference, higher result on the turnover (+9) wyższe koszty pozostałego paliwa, niższe koszty energii (w kopalniach)
- (+3) lower costs of CO<sub>2</sub> emission allowances
- (-25) lower costs of employee benefits, lower taxes and fees and a better result on other operating activities, lower construction revenues, higher costs of other materials and external services, higher costs of mining damage and higher other costs

## EBITDA changes

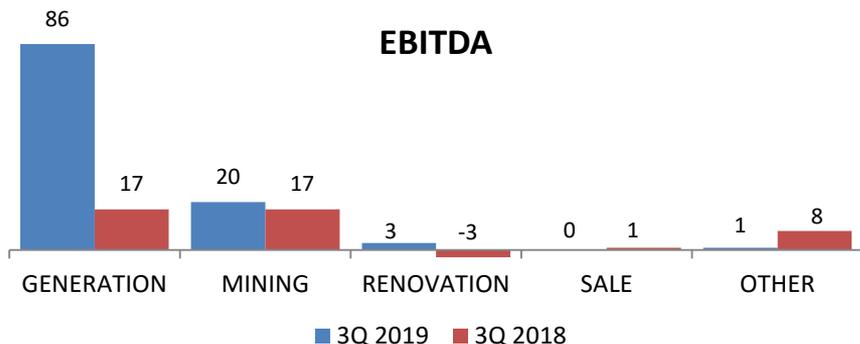
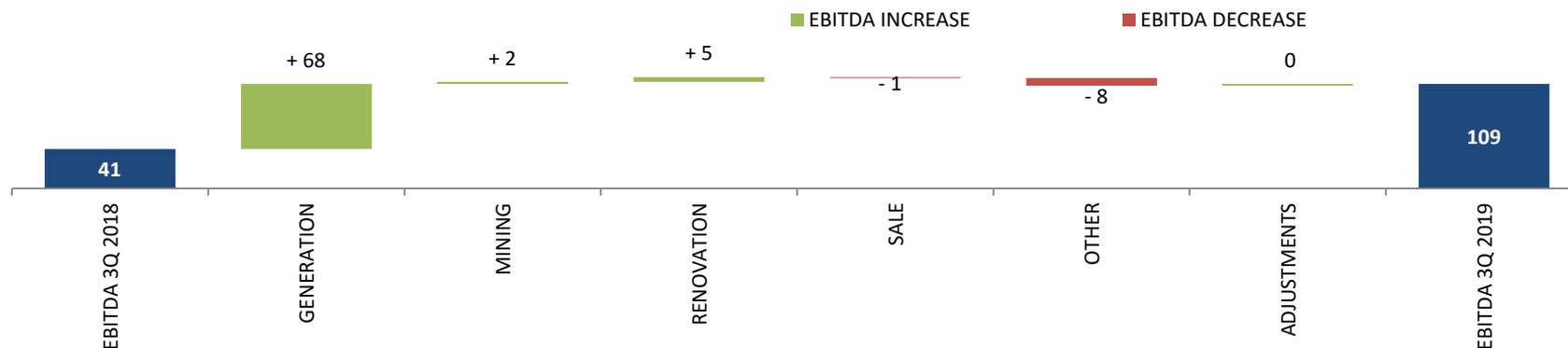


# EBITDA 3Q 2019 by segments

[m PLN]



## EBITDA changes



Main reasons of EBITDA changes in segments:

Generation:

- higher revenues from own energy, higher revenues from system services and power reserves, lower revenues from PPAs, higher revenues from heat, lower revenues from certificates, revenues from the amount of financial compensation, higher result on turnover, wyższe koszty pozostałego paliwa,
- Lower costs of CO<sub>2</sub> emission allowances,
- Lower costs of employee benefits

Mining:

- lower revenues from coal sales
- higher mining damage costs
- lower electricity costs
- lower employee benefits costs

# Consolidated P&L for 3Q 2019 by segments



m PLN	Generation	Mining	Renovation	Sale	Other	Consolidation adjustment	Total
Sale revenues from external customers	567	2	20	162	1	0	751
<i>External sale revenues %</i>	<i>89,72%</i>	<i>1,20%</i>	<i>48,78%</i>	<i>100,00%</i>	<i>2,08%</i>	<i>0,00%</i>	<i>100,00%</i>
Sale revenues between segments	66	164	21	-	47	(297)	
<b>Sale revenue</b>	<b>632</b>	<b>166</b>	<b>41</b>	<b>162</b>	<b>48</b>	<b>(297)</b>	<b>751</b>
Cost of goods sold	(565)	(152)	(37)	(161)	(48)	299	(663)
<b>Gross profit (loss)</b>	<b>68</b>	<b>14</b>	<b>4</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>88</b>
<i>Margin %</i>	<i>10,76%</i>	<i>8,43%</i>	<i>9,76%</i>	<i>0,62%</i>	<i>0,00%</i>	<i>(0,67%)</i>	<i>11,72%</i>
<b>EBITDA</b>	<b>85</b>	<b>20</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>109</b>
<i>Margin %</i>	<i>13,45%</i>	<i>12,05%</i>	<i>7,32%</i>	<i>0,00%</i>	<i>0,00%</i>	<i>(0,34%)</i>	<i>14,51%</i>
<b>EBIT</b>	<b>56</b>	<b>6</b>	<b>2</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>62</b>
<i>Margin %</i>	<i>8,86%</i>	<i>3,61%</i>	<i>4,88%</i>	<i>0,00%</i>	<i>(4,17%)</i>	<i>0,00%</i>	<i>8,26%</i>
<b>Net profit (loss)</b>	<b>20</b>	<b>14</b>	<b>1</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>35</b>
<i>Margin %</i>	<i>3,16%</i>	<i>8,43%</i>	<i>2,44%</i>	<i>0,00%</i>	<i>(4,17%)</i>	<i>0,00%</i>	<i>4,66%</i>

# Financial activities, taxation and net profit

[m PLN]



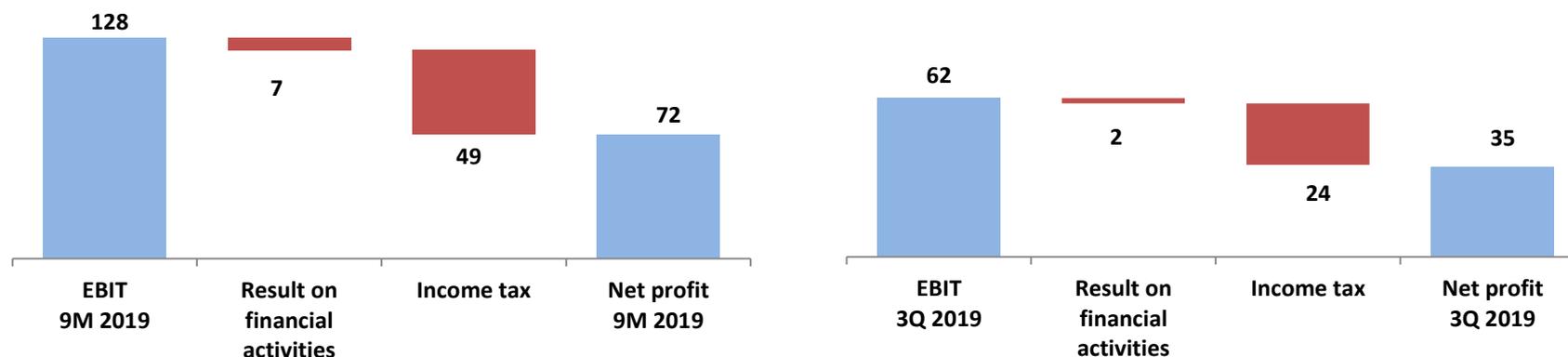
	9M 2019	9M 2018	3Q 2019	3Q 2018
<b>EBIT</b>	<b>128</b>	<b>(34)</b>	<b>62</b>	<b>(9)</b>
Financial income	13	6	5	1
Financial costs	(20)	(29)	(7)	(4)
<b>Gross profit</b>	<b>121</b>	<b>(57)</b>	<b>(59)</b>	<b>(12)</b>
Income tax	(49)	(6)	(24)	1
<b>Net profit for the period</b>	<b>121</b>	<b>(63)</b>	<b>35</b>	<b>(11)</b>
<i>Margin %</i>	<i>5,61%</i>	<i>(3,88)</i>	<i>4,66%</i>	<i>(1,72)%</i>

The better result on financial activities in both the 9M'19 and 3Q'19 periods, compared to the same periods of last year, was influenced by the favorable valuation of interest rate hedging instruments.

Additionally, in the period of 9M'19 the termination of write-offs on futures contracts worked positively.

The decreasing impact of interest and commissions on financial costs is also noticeable as a result of decreasing debt.

## EBIT --> net profit



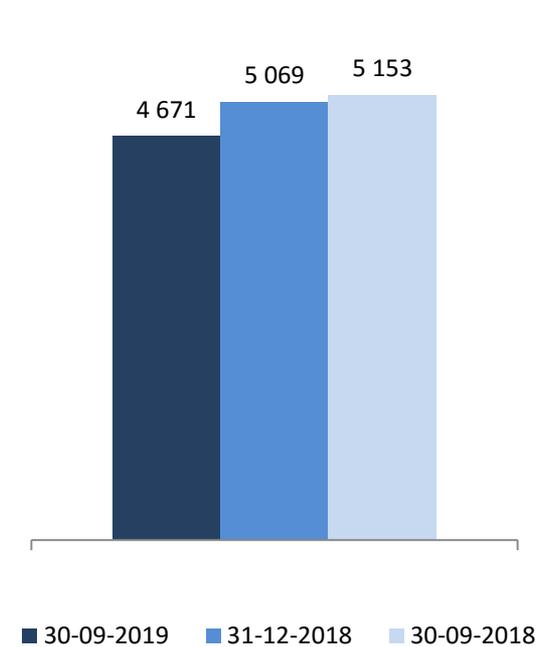
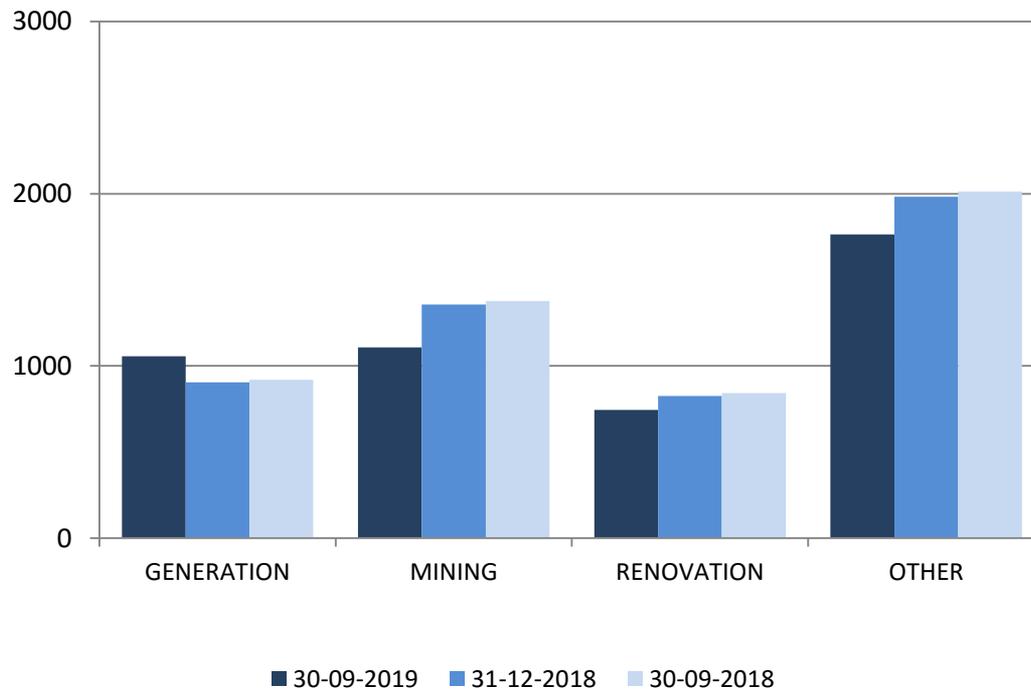
# Employment

[full time]



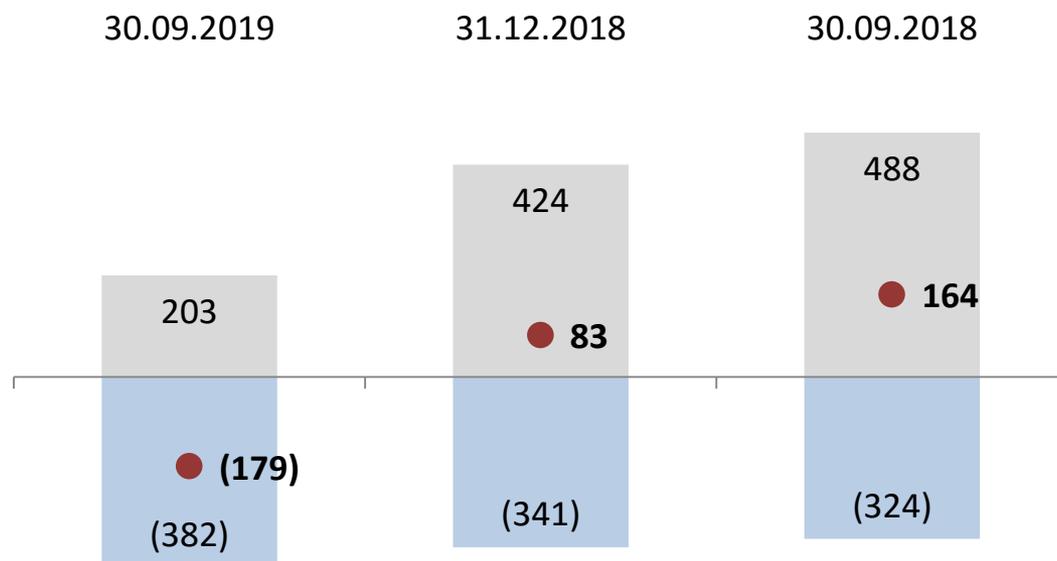
## BY SEGMENTS

## TOTAL



# Financial indebtedness

## Net debt [m PLN]



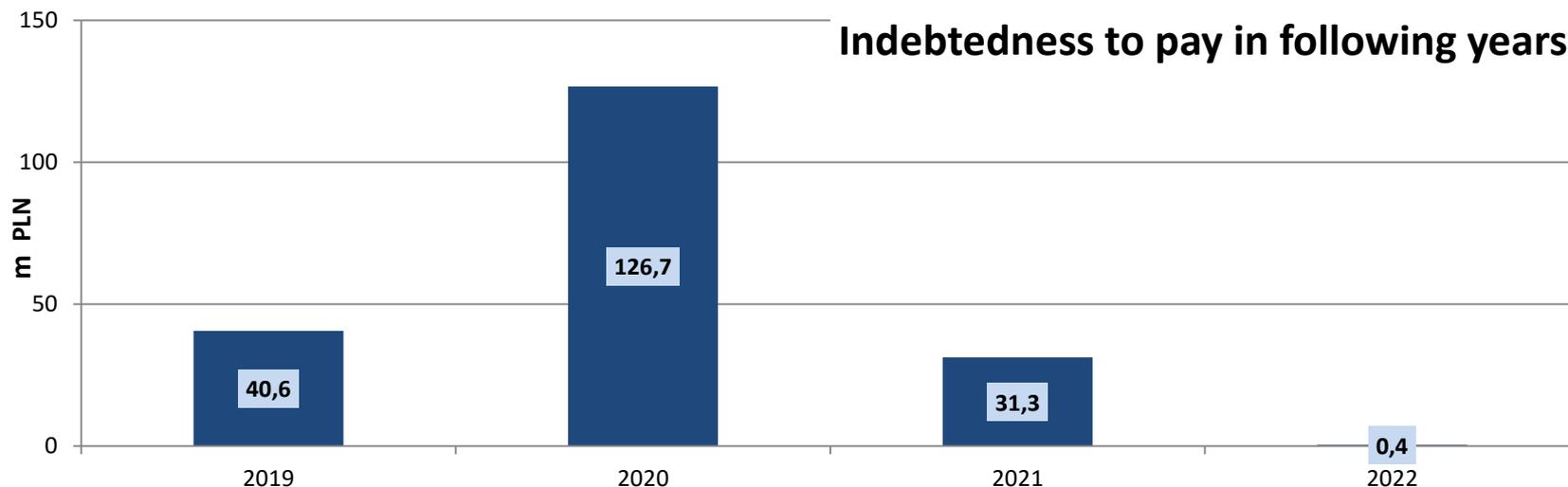
## Net debt/ EBITDA

30.09.2019	(0,72)
31.12.2018	0,92
30.09.2018	0,70

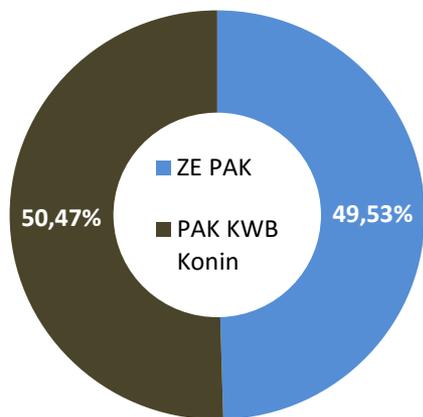
(1) Cash and cash equivalents from consolidated statement of financial position and other short-term financial assets

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

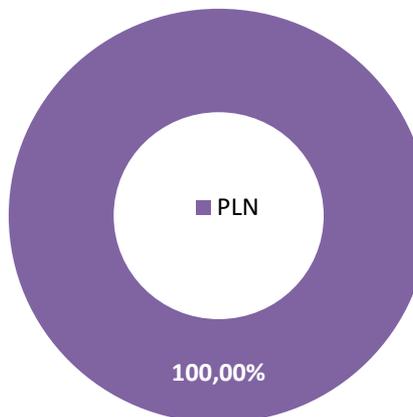
# Financial indebtedness structure (1)



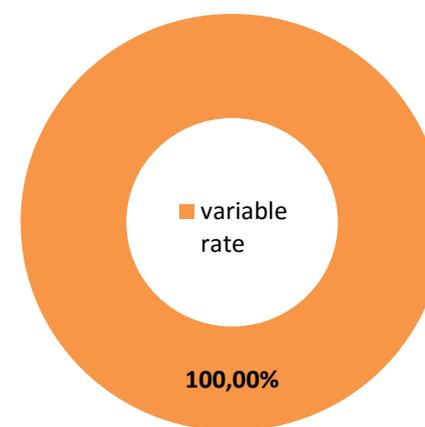
Indebtedness structure by debtor



Indebtedness structure by currency



Indebtedness structure by rate



(1) Indebtedness of main Group companies, excluding PLN 4.8 million indebtedness of other Group's companies.

# Consolidated cash flow

[m PLN]



	9M 2019	9M 2018	3Q 2019	3Q 2018
<b>Gross profit (loss)</b>	<b>121</b>	<b>(57)</b>	<b>59</b>	<b>(12)</b>
Depreciation and amortisation	143	145	47	50
Profit/loss on investing and financial activities	5	11	4	87
Changes in working capital <sup>(1)</sup>	470	197	203	50
Income tax	(12)	4	(3)	(6)
Purchase of EUA <sup>(2)</sup>	(444)	(37)	(12)	-
Other	-	2	(3)	3
<b>Net cash flow from operational activities</b>	<b>284</b>	<b>265</b>	<b>296</b>	<b>171</b>
(inflows/outflows) of investments in property, plant and equipment and intangible assets	(25)	(57)	(4)	(3)
Other	46	6	7	2
<b>Net cash flow from investing activities</b>	<b>21</b>	<b>(51)</b>	<b>3</b>	<b>(1)</b>
Inflows of credits, loans, leases and securities	5	36	(7)	(1)
Payment of credits, loans, leases and securities	(223)	(214)	(35)	(62)
Interest paid	(9)	(17)	(6)	(5)
Dividends paid	-	(30)	-	(30)
<b>Net cash flow from financial activities</b>	<b>(227)</b>	<b>(225)</b>	<b>(48)</b>	<b>(98)</b>
Change in cash and cash equivalents	79	(11)	251	72
Cash and cash equivalents at the beginning of the period	303	323	130	240
<b>Cash and cash equivalents at the end of the period</b>	<b>382</b>	<b>312</b>	<b>382</b>	<b>312</b>

- (1) Changes in working capital to (+) mainly due to a decrease in the level of CO2 emission reserves due to the redemption of allowances for the previous financial year and a decrease in the level of receivables due to a decrease in the level of stock exchange deposits, and (-) a decrease in liabilities.
- (2) In Q1 and Q2 2019, there were large expenses related to the purchase of forwards regarding CO2 emission allowances.

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