



30 September 2020

Zespół Elektrowni Pątnów-Adamów-Konin SA

2Q 2020 Results



ZE PAK Group – 6M 2020 summary



Key operational and financial data	6M 2020	Change y/y
Sale of electricity:	3.13 TWh	-32.54%
• Electricity from own production:	2.31 TWh	-8.33%
• Electricity from resale:	0.82 TWh	-61.32%
Achieved average electricity sale price ⁽¹⁾	277.08 PLN/MWh	2.95%
Average price of CO2 emission allowances purchase	116.77 PLN/EUA	32.42%
Sale revenues:	1 050 m PLN	-25.32%
EBITDA:	61 m PLN	-62.58%
Net result:	(261) m PLN	-
CAPEX:	6 m PLN	-66.67%
Indebtedness:	77 m PLN	-68.57%
Cash ⁽²⁾ :	189 m PLN	45.38%
Net debt / EBITDA:	(0.39) x	-

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

⁽²⁾ Cash and cash equivalents and other financial short-term assets

ZE PAK Group – 2Q 2020 summary



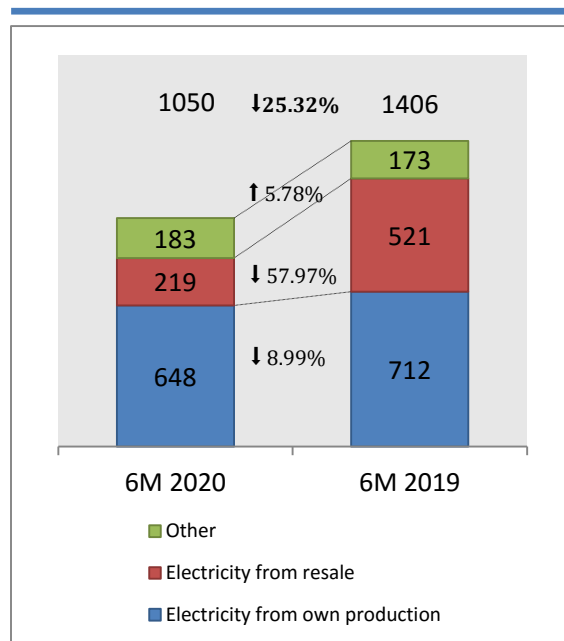
Key operational and financial data	2Q 2020	Change y/y
Sale of electricity:	1.60 TWh	-31.33%
• Electricity from own production:	1.18 TWh	-13.24%
• Electricity from resale:	0.42 TWh	-56.70%
Achieved average electricity sale price ⁽¹⁾	273.47 PLN/MWh	1.88%
Average price of CO2 emission allowances purchase	114.60 PLN/EUA	21.60%
Sale revenues:	526 m PLN	-26.02%
EBITDA:	31 m PLN	-65.17%
Net result:	(250) m PLN	-
CAPEX:	5 m PLN	-50.00%

ZE PAK Group – 6M 2020 summary

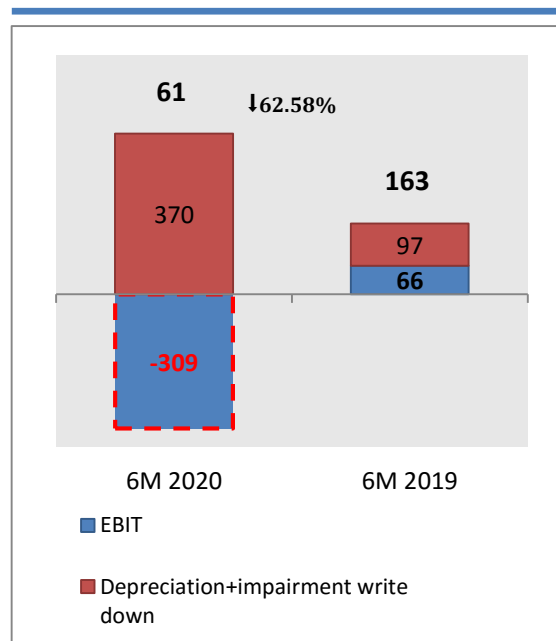
[m PLN]



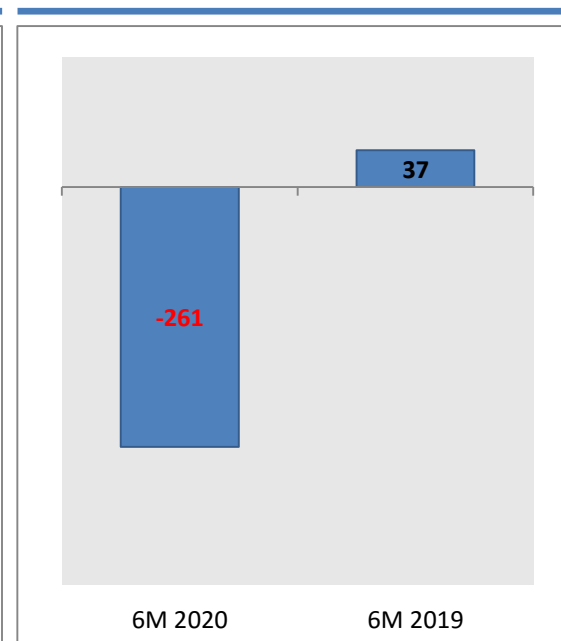
Revenues



EBITDA



Net result



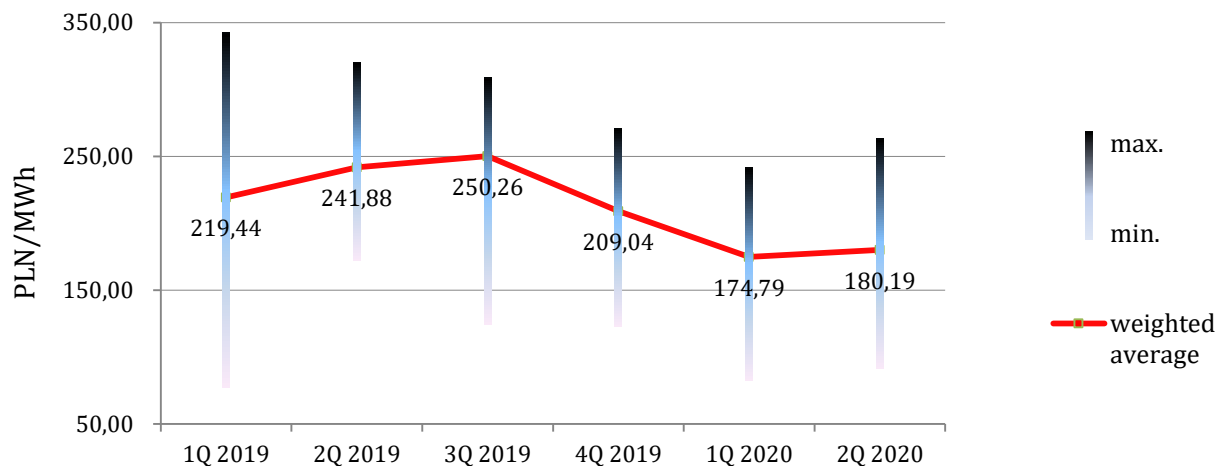
The lower revenues of ZE PAK SA Group in the first half of 2020 compared to the corresponding period of the previous year resulted mainly from the decrease in sales of electricity from trading. The Group's ability to sell electricity was adversely affected, inter alia, by good weather conditions for wind energy and restrictions imposed on the economy resulting from the state of the COVID-19 pandemic, as well as deterioration of the relationship between the quoted prices of electricity and carbon dioxide emission allowances.

The Group's results in the first half of 2020 were affected by events related to the results of tests for impairment of assets carried out in accordance with the requirements of the International Accounting Standard 36 "Impairment of Assets". The total net amount of the write-offs was PLN 289 million. The test write-offs did not affect the Group's consolidated EBITDA, but decreased the Group's net result by PLN 201 million. In addition, the results were affected by events related to the shortening of the operating period of the power plant and mine as well as the provision created for the expenditure incurred on the construction of the Ościsłowo open pit - these events reduced the EBITDA and net result by PLN 15 million.

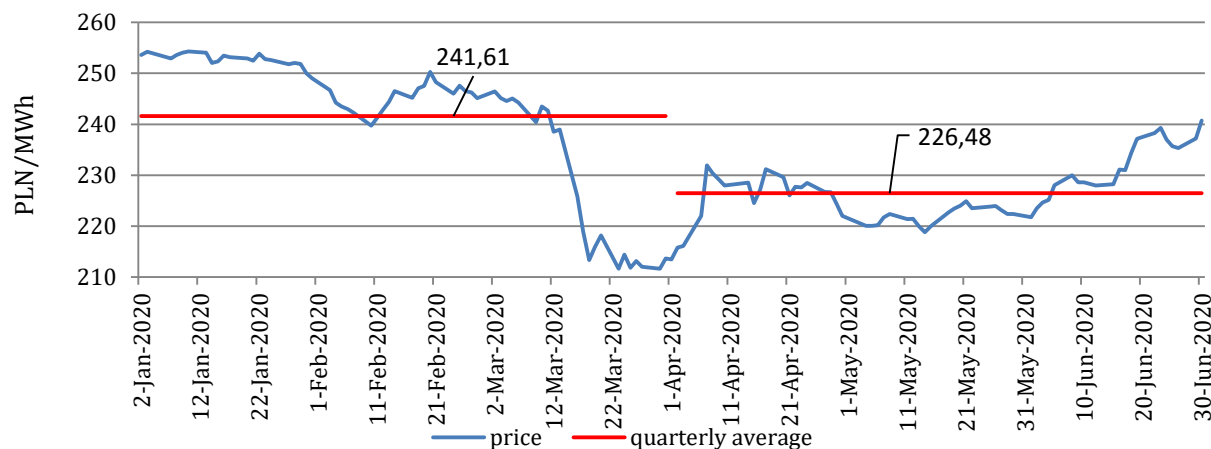
SELECTED ELECTRICITY MARKET DATA



Electricity prices



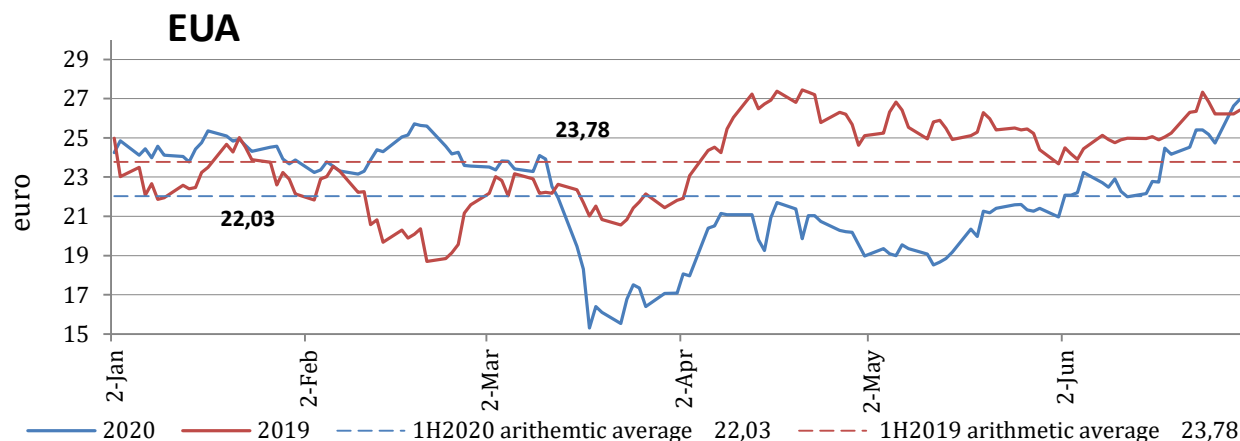
In the first half of 2020, on the day-ahead market of Towarowa Gielda Energii SA, electricity prices continued to decline as a continuation of the downward trend that began on the market in the third quarter of 2019. The low price level in the first half of the year was mainly caused by high air temperatures and relatively high wind conditions. The decline in electricity prices on the TGE SA day-ahead market, observed since the beginning of 2020, was deepened by the COVID-19 pandemic, the effects of which in the form of large drops in quotations were visible on all commodity and financial markets from March 16, 2020 (including electricity markets and CO2 emission allowances markets). The weighted average price (TGeBASE) in the first quarter of 2020 was PLN 174.79 / MWh, i.e. lower by PLN 44.65, i.e. 20.35% than in the first quarter of 2019. The weighted average price (TGeBASE) in the second quarter of 2020 was also at a lower level of PLN 180.19 / MWh, i.e. by PLN 61.69, i.e. 25.50% lower than in the second quarter of the previous year.



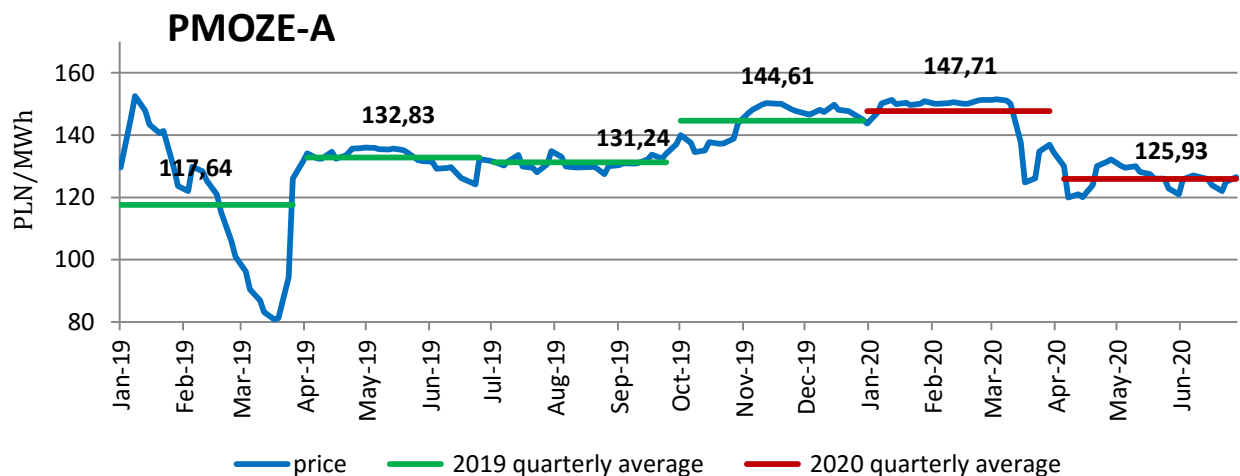
On the electricity futures market of Towarowa Gielda Energii SA, the prices quoted on the BASE_Y-21 reference futures contract were downward. In the last days of the first quarter of 2020, clear drops in recorded prices, continued in the following months, similarly to the day-ahead market, should be associated with the COVID-19 pandemic, as well as a consequence of the pandemic drops in the prices of CO2 emission allowances. The arithmetic average of the daily clearing rates for the BASE_Y-21 contract in the first half of 2020 was at the level of PLN 234.11 / MWh, while in the first quarter of the year it was at the level of PLN 241.61 / MWh, while in the second quarter it decreased to 226.48 PLN / MWh.

Poland was an energy importer in 6M 2020. The foreign exchange balance in the first half of 2020 amounted to 6.55 TWh on the import side. This means an over 40% increase in the import balance compared to the year.

EUA and green certificates



In January 2020, the EUA price was quite stable. The turning point for all markets in the world came on February 24, when it was already known that the coronavirus was spreading outside China. The prevailing COVID-19 pandemic undoubtedly contributed to the significant volatility in the price of allowances in the EUA allowances market in March. It was one of the most volatile months in terms of prices - the range between the minimum (15.23 euro) and the maximum (24.07 euro) in prices amounted to 8.84 euro and was four times higher than in February (2.55 euro). At the end of the month, allowances recovered from some losses and rose to around 17.50 euro. April was also characterized by high volatility of prices on the EUA allowances market, but not as much as in March - in the second half of April, a systematic decline in EUA allowances prices. In this case, there was a strong correlation with financial markets in Europe and fuel markets, which were able to achieve even negative values. In May, EUA prices ranged between 18.44 euro and 21.52 euro. June was the second record month this year in terms of volatility of EUA allowances prices. The arithmetic mean of the EUA quotations in the first half of 2020 was 22.03 euro, while in the first half of 2019, 23.78 euro was similar, which means a decrease by 1.75 euro.



The fall in prices in the second quarter of 2020 was caused by the reduced activity of the economy and the unstable market caused by the pandemic. The weighted average price of green certificates in session transactions on TGE SA in the first half of 2020 was PLN 137.79 / MWh, which means an increase by PLN 11.39 / MWh compared to the first half of 2019, when it was PLN 126.40 / MWh (in Q2 2020 the weighted average was PLN 125.93 / MWh, which means a decrease of PLN 6.90 / MWh, i.e. 5.19% compared to the weighted average price from Q2 2019). In 2020, the obligation to redeem green certificates increased from 18.5% in 2019 to 19.5% in 2020. An additional factor influencing the price level is the continuing huge oversupply, reaching as much as 21.7 TWh at the end of the first half of 2020.

OPERATIONAL DATA

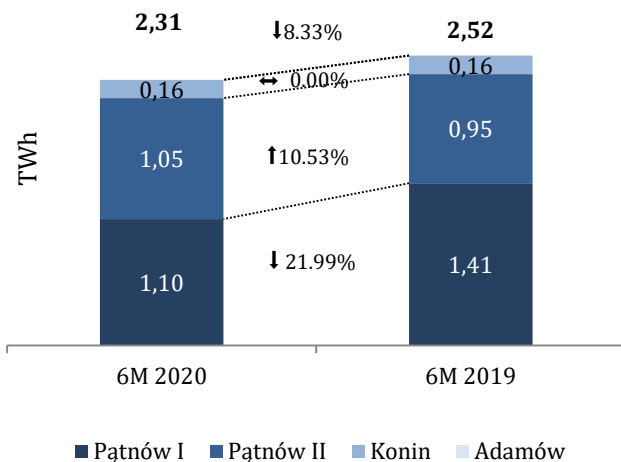


Semi-annual net production and sale of electricity

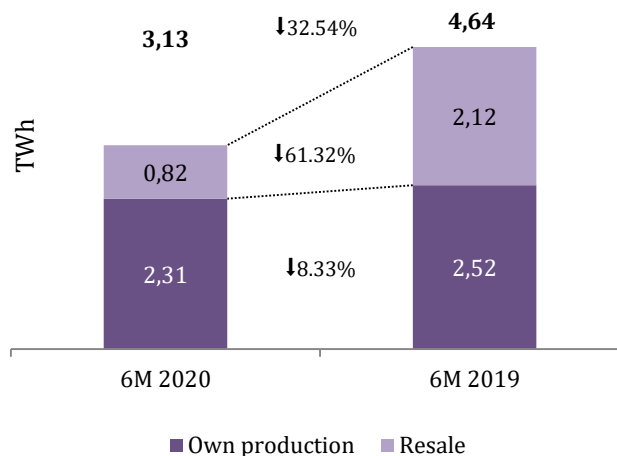
[TWh]



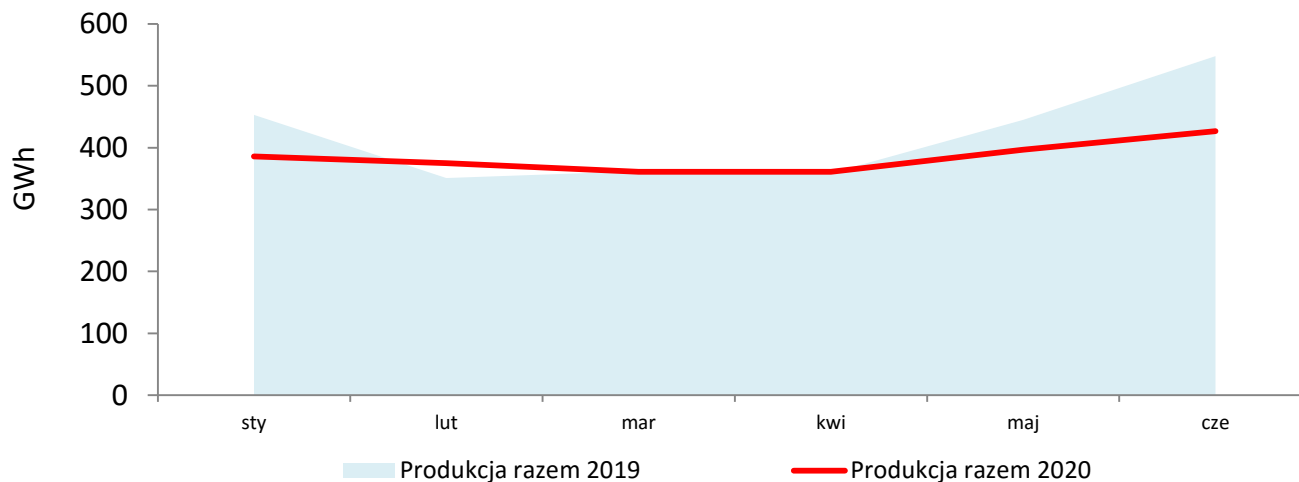
NET PRODUCTION



SALE



In the first half of the year, good weather conditions for wind energy and restrictions imposed on the economy resulting from the state of the COVID-19 pandemic, as well as the deterioration of the relationship between the quoted electricity prices and carbon dioxide emission allowances negatively affected the Group's ability to sell electricity. The decrease in electricity sales and the realized lower margins contributed to the deterioration of the Group's financial results compared to the results recorded in 2019.

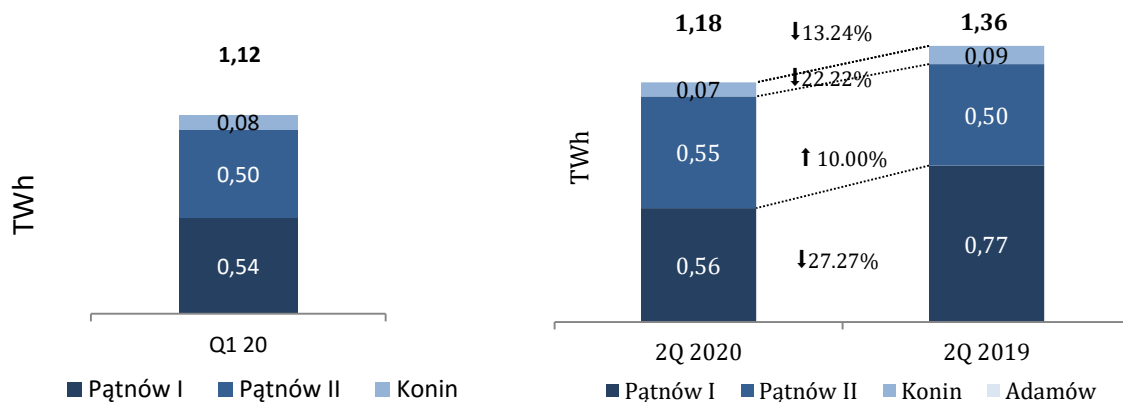


Quarterly net production and sale of electricity

[TWh]



NET PRODUCTION



SALE



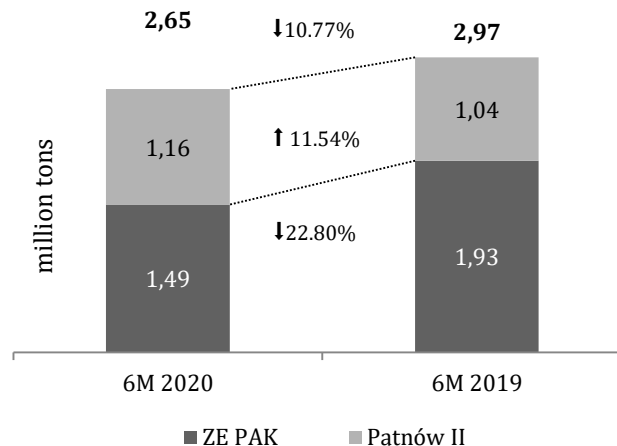
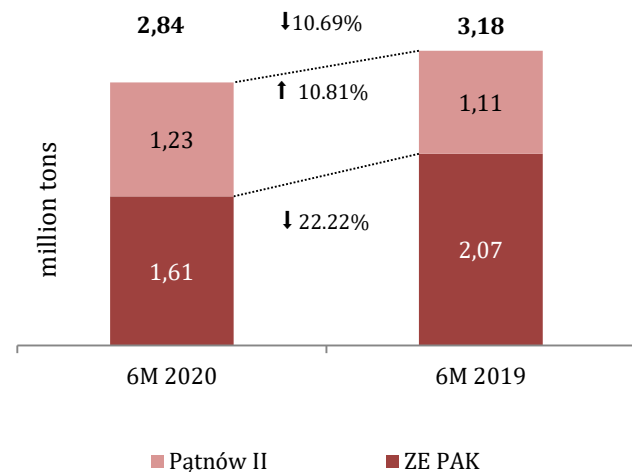
Lignite consumption and CO₂ emission

[m tons]



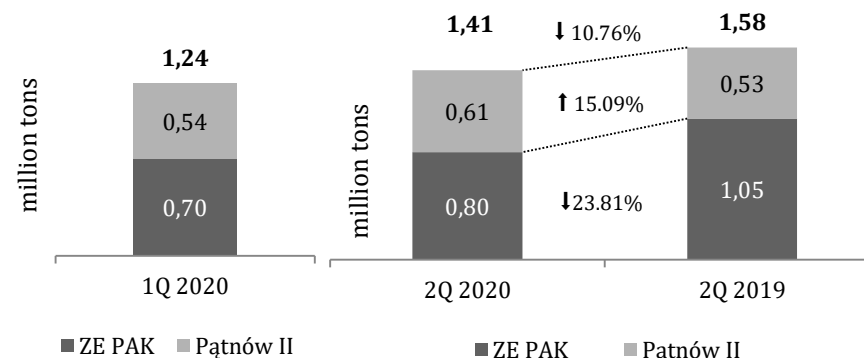
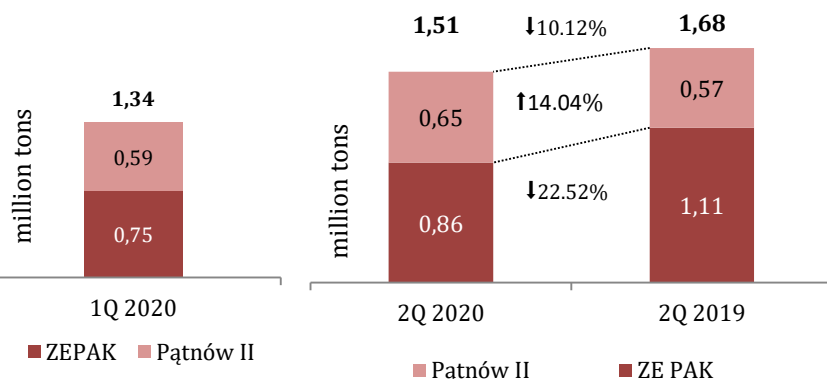
LIGNITE CONSUMPTION

CO₂ EMISSION



Data on lignite consumption and CO₂ emissions both in the first half of 2020 and in Q2 2020 show a decrease in lignite consumption and lower emissions, which results from lower volumes of electricity produced compared to the corresponding periods of the previous year.

The Group purchases almost all emission allowances on the market. The amount of free allowances used both in the first half of 2020 and 2019 did not exceed 1% of the total amount of allowances.

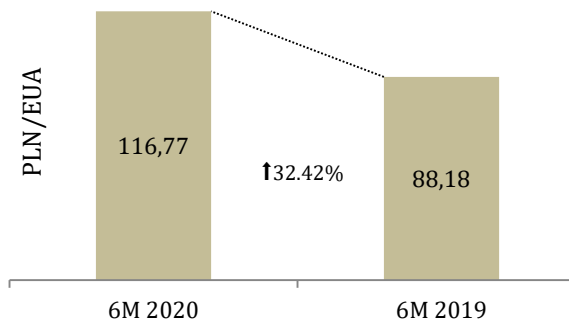
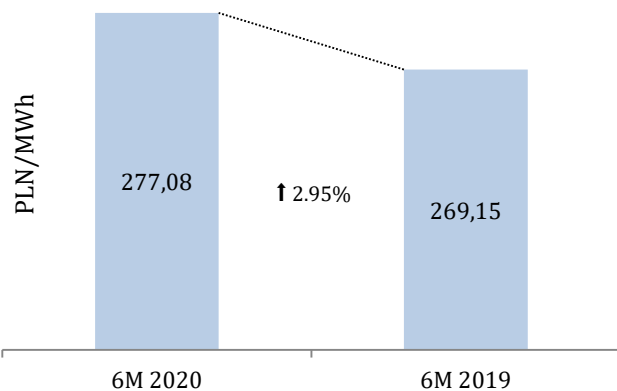


Average prices of electricity and CO₂ emission allowances purchase



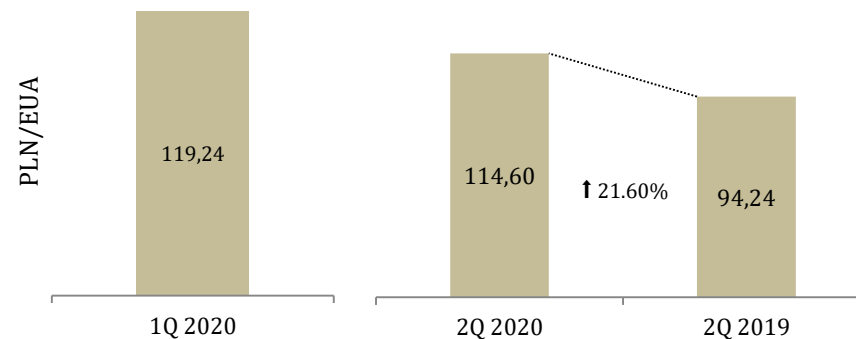
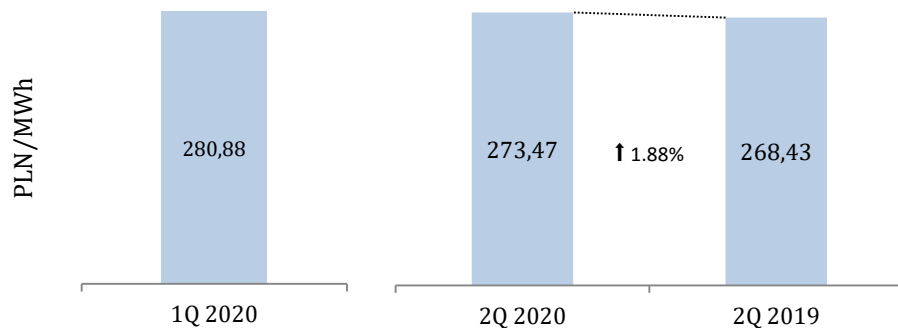
Electricity prices ¹⁾

Prices of CO₂ emission allowances purchase(EUA) ²⁾



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

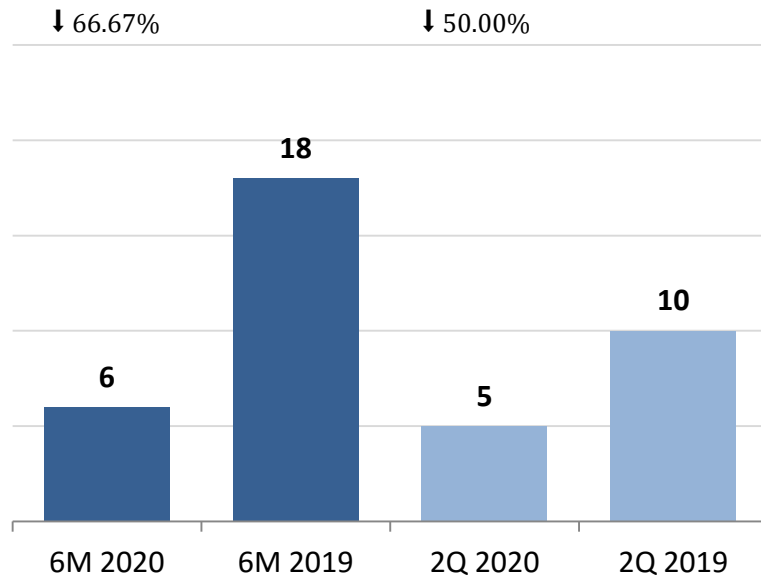
²⁾ Average price is calculated as the purchase cost of emission allowances incurred to cover emission for the period divided by the volume of CO₂ emission.



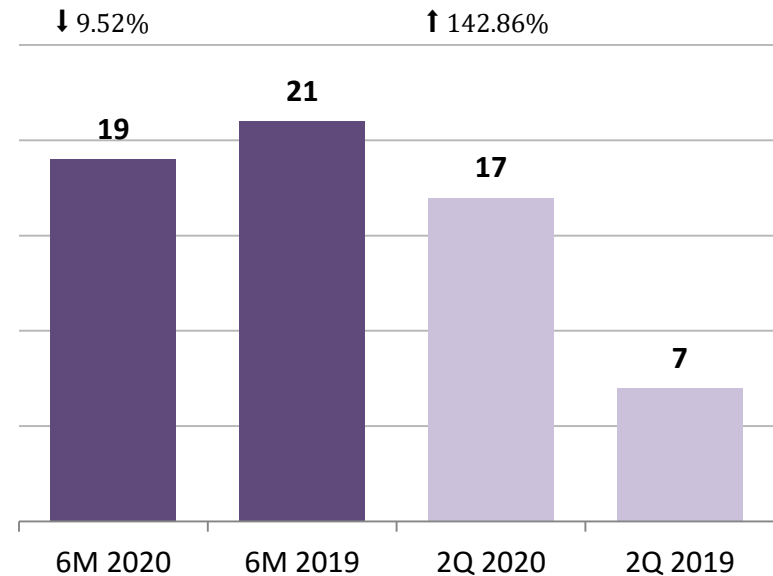
Capex on fixed assets and intangible assets (excluding CO₂)



CAPEX [m PLN]



EXPENDITURES [m PLN]



In the first half of 2020, ZE PAK SA Group started the implementation of a large investment project, which is the adaptation of K-7 coal boiler at Konin power plant for the exclusive combustion of biomass along with the necessary technical infrastructure. Moreover, the investment activity also focused on the implementation of the necessary tasks aimed at ensuring the maintenance of current efficiency and more effective use of the mining and generation assets held.

Design works related to two investment projects were carried out in the Company:

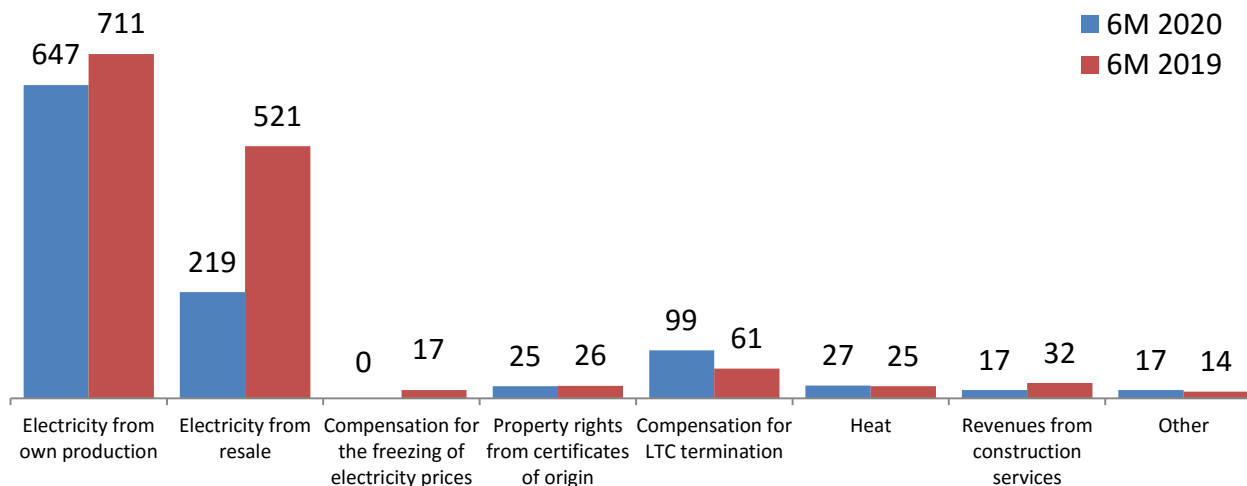
- construction of a photovoltaic farm on the reclaimed areas of Adamów mine, which are located in Brudzew commune in the vicinity of Janiszew,
- construction of a hydrogen plant with accompanying infrastructure at Konin power plant.

FINANCIAL DATA



Revenues

[m PLN]



Lower total revenues from the sale of electricity:

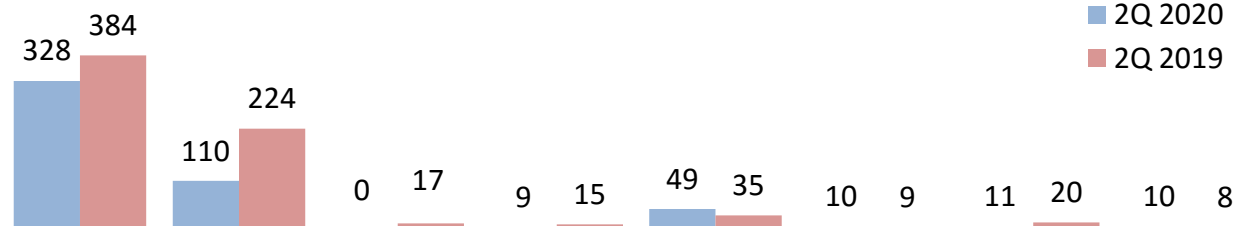
- Lower volume of electricity sale from own production,
- Lower volume of electricity from resale,
- higher obtained electricity sale price.

Lower revenues from the sale of property rights from certificates of origin for energy due to the lower volume of green energy production despite the higher price of the property rights.

Higher compensation for LTC termination - in both periods the advance payments were at a similar level, but there was a difference in the amount of corrections - the correction for the first half of 2020 is much higher than in the comparable period of 2019. The main reason for the higher correction was the lower operating result by Elektrownia Pątnów II sp. z o. o. mainly due to a decrease in the volume of electricity sold and a much lower profit on electricity trading.

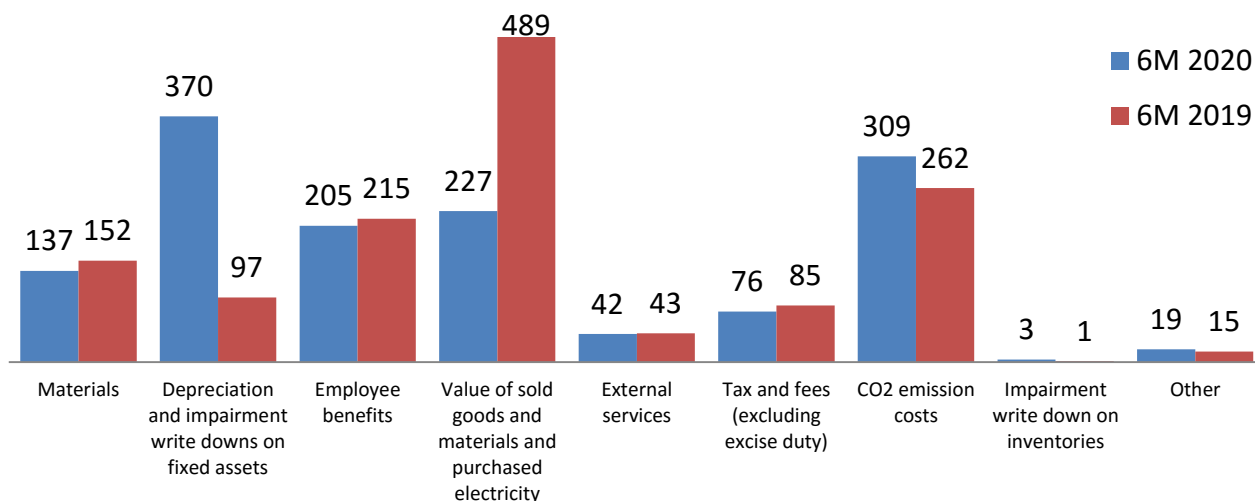
The decrease in revenues from contracts for construction services was related to the implementation of projects with smaller material and financial scope by the company from the renovation segment.

Increase in revenues from the sale of heat due to a higher volume and sale price.



Costs by type

[m PLN]



Lower costs of material consumption are the result of a lower volume of own electricity sales, and include lower consumption of materials and fuel used for electricity production, as well as lower electricity consumption in opencast mines.

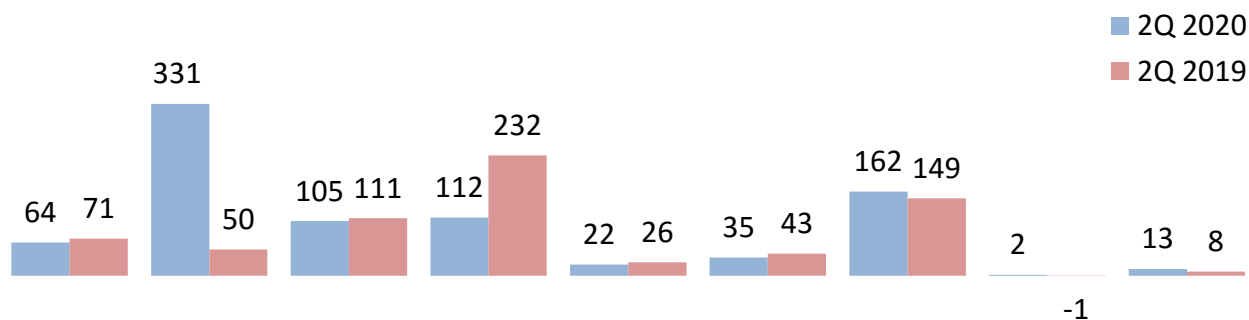
Lower value of depreciation as a result of the impairment write-offs made at the end of 2019 plus the impairment write-offs for non-current assets as a result of the tests carried out as at June 30, 2020.

Lower costs of employee benefits as a result of lower average employment.

Lower value of sold goods and materials – caused by smaller amount of purchased electricity intended for trading.

The lower taxes and fees are mainly the result of lower fees paid in mines for the use of land excluded from agricultural and forestry production.

Higher costs of CO2 emissions due to the increase in the average price for EUA.



EBITDA 6M 2020

[m PLN]



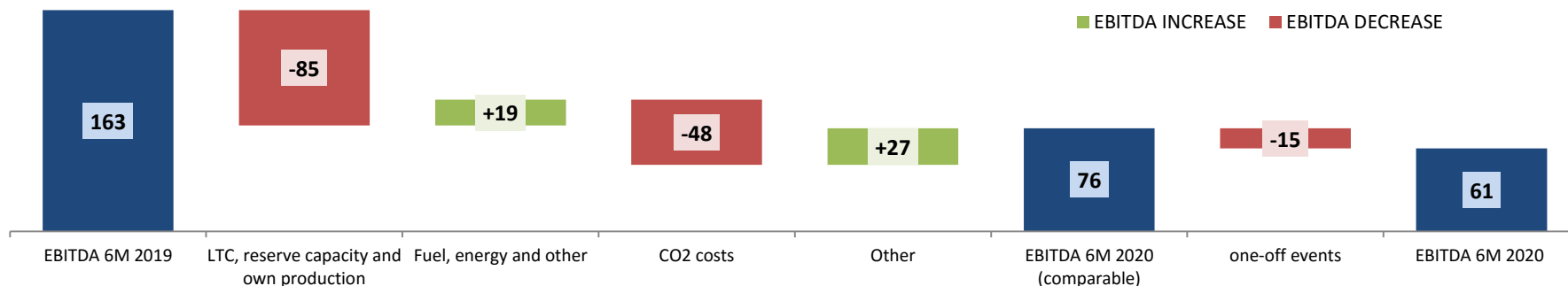
	6M 2020	6M 2019
Sale revenues	1 050	1 406
Change %	(25.32)%	
Costs of goods sold	(1 306)	(1 288)
Gross profit	(255)	118
Margin %	(24.29)%	8.39%
Other operating revenues	36	13
Selling and distribution expenses	(2)	(3)
Administrative expenses	(52)	(55)
Other operating expenses	(36)	(6)
EBITDA⁽¹⁾	61	163
Margin %	5.81%	11.59%
EBIT	(309)	66
Margin %	(29.43)%	4.69%

(1) EBITDA lower by PLN 102 m (-62.58%) -> after bringing to comparability lower by PLN 87 m (-53.37%)

comparable EBITDA for 6M 2020 was PLN 76 million -> the value of PLN 61 million is the result of events related to the shortening of the operating period of Pątnów I and Pątnów II power plants as well as coal extraction in PAK KWB Adamów and the creation of an impairment loss on the construction of Ościślowo open pit

- (-85) higher revenues from LTCs, higher revenues from heat, lower revenues from own energy, lower revenues from system services and capacity reserves, lower revenues from certificates and lower result on trade
- (+19) lower costs of biomass, lower costs of electricity (in mines), lower costs of other fuel and materials (mazout, heating oil, sorbent), higher lignite costs
- (-48) higher costs of CO₂ emission
- (+27) lower costs of employee benefits, lower costs of taxes and fees, lower costs of external services, lower revenues from construction services and other, lower other costs of operational activity

EBITDA changes

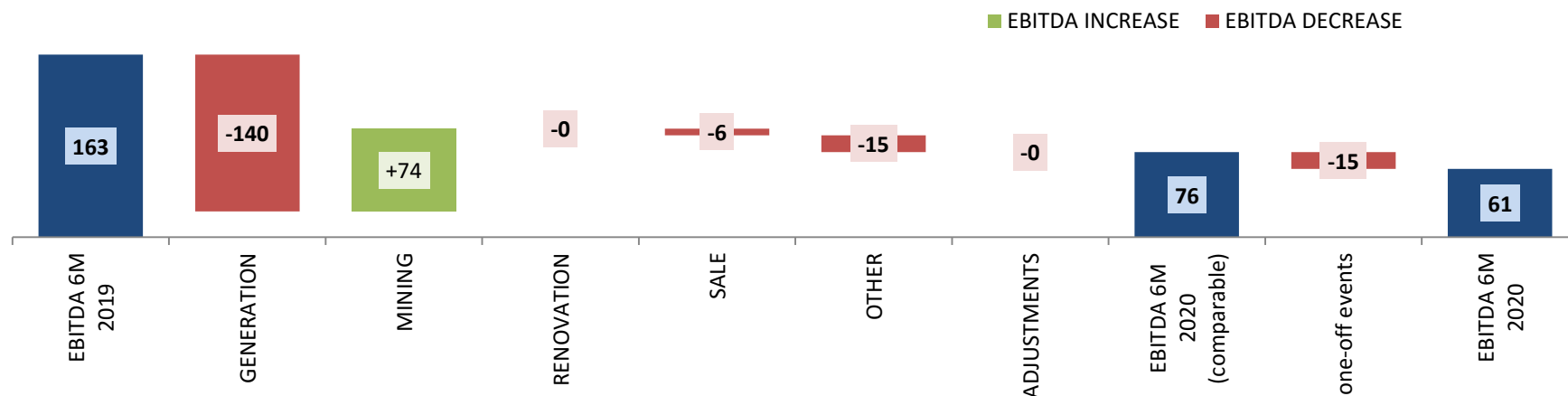


EBITDA 6M 2020 by segments

[m PLN]



EBITDA changes



Main reasons of EBITDA changes in segments:

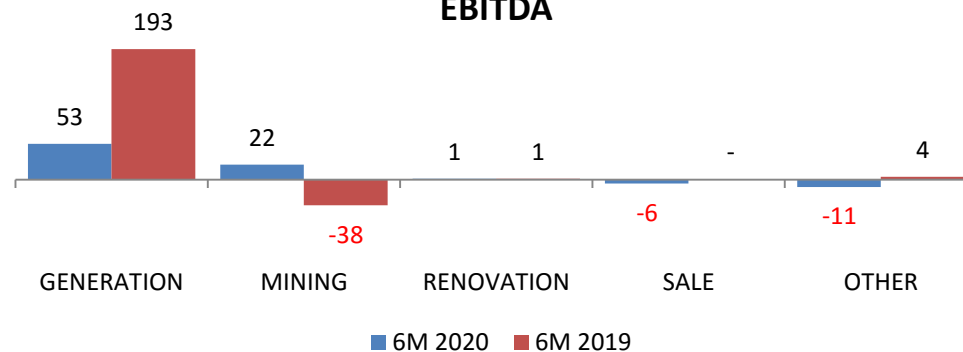
Generation:

- higher revenues from LTCs, higher revenues from heat, lower revenues from own energy, lower revenues from system services and capacity reserves, lower revenues from certificates and lower result on trade
- lower biomass costs, lower costs of residual fuels and materials, higher coal costs
- higher costs of CO₂ emission allowances
- lower costs of employee benefits, lower costs of taxes and fees, lower external services

Mining:

- higher revenues from sale of coal
- lower costs of electricity
- lower costs of employee benefits, lower excise and fees, lower costs of materials and lower other costs

EBITDA



Consolidated P&L for 6M 2020 by segments



m PLN	Generation	Mining	Renovation	Sale	Other	Consolidation adjustments	Total
Sale revenues from external customers	829	3	24	192	2	-	1 050
<i>External sale revenues %</i>	<i>95.07%</i>	<i>1.17%</i>	<i>34.29%</i>	<i>100.00%</i>	<i>2.35%</i>	<i>0.00%</i>	<i>100.00%</i>
Sale revenues between segments	42	254	45	-	83	(424)	-
Sale revenue	872	257	70	192	85	(424)	1 050
Cost of goods sold	(993)	(382)	(65)	(196)	(95)	426	(1 306)
Gross profit (loss)	(121)	(126)	4	(4)	(10)	1	(255)
<i>Margin %</i>	<i>(13.88)%</i>	<i>(49.03)%</i>	<i>5.71%</i>	<i>(2.08)%</i>	<i>(11.76)%</i>	<i>(0.24)%</i>	<i>(24.29)%</i>
EBITDA	53	22	1	(6)	(11)	3	61
<i>Margin %</i>	<i>6.08%</i>	<i>8.56%</i>	<i>1.43%</i>	<i>(3.13)%</i>	<i>(12.94)%</i>	<i>(0.71)%</i>	<i>5.81%</i>
EBIT	(149)	(141)	(1)	(6)	(13)	1	(309)
<i>Margin %</i>	<i>(17.09)%</i>	<i>(54.86)%</i>	<i>(1.43)%</i>	<i>(3.13)%</i>	<i>(15.29)%</i>	<i>(0.24)%</i>	<i>(29.43)%</i>
Net profit (loss)	(101)	(144)	1	(5)	(13)	1	(261)
<i>Margin %</i>	<i>(11.58)%</i>	<i>(56.03)%</i>	<i>1.43%</i>	<i>(2.60)%</i>	<i>(15.29)%</i>	<i>(0.24)%</i>	<i>(24.86)%</i>

EBITDA 2Q 2020

[m PLN]



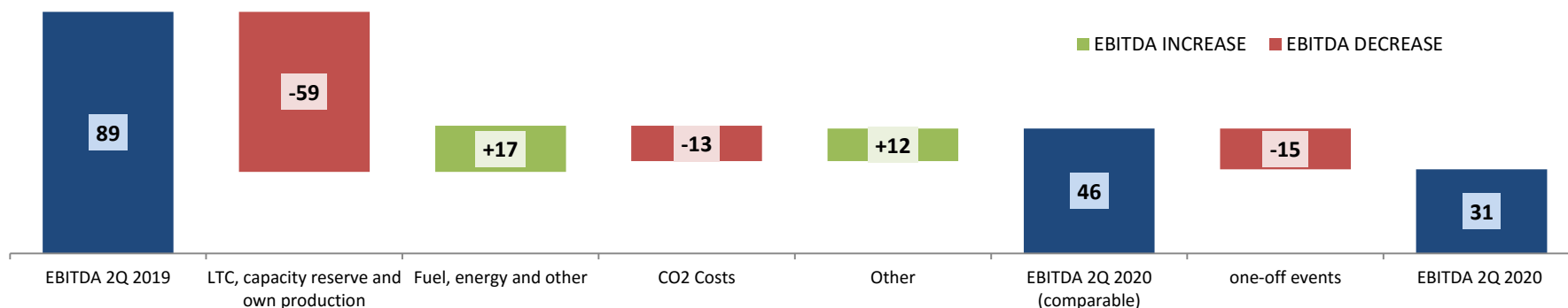
	2Q 2020	2Q 2019
Sale revenues	526	711
Change %	(26.02)%	
Costs of goods sold	(802)	(649)
Gross profit	(276)	62
Margin %	(52.47)%	8.72%
Other operating revenues	15	8
Selling and distribution expenses	(1)	(1)
Administrative expenses	(23)	(25)
Other operating expenses	(16)	(6)
EBITDA⁽¹⁾	31	89
Margin %	5.89%	12.52%
EBIT	(300)	39
Margin %	(57.03)%	5.49%

(1) EBITDA lower by PLN 58 m (-65.17%) -> after bringing to comparability lower by 43 mln PLN (-48.13%)

comparable EBITDA for 2Q 2020 amounted to PLN 46 m -> the value of PLN 31 million is the result of events related to the shortening of the operating period of Pątnów I and Pątnów II power plants as well as coal extraction in PAK KWB Adamów and the creation of an impairment charge for the expenditure incurred on the construction of Ościstowo open pit

- (-59) higher revenues from LTCs, higher revenues from heat, lower revenues from own energy, lower revenues from system services and power reserves, lower revenues from certificates and lower result on trade
- (+17) lower biomass costs, lower energy costs (in mines), lower costs of other fuels and materials (mazout, heating oil, sorbent), higher coal costs
- (-13) higher costs of CO₂ emission
- (+12) lower costs of employee benefits, lower costs of taxes and fees, lower external services, lower revenues from construction services and other, lower other operating costs

EBITDA changes

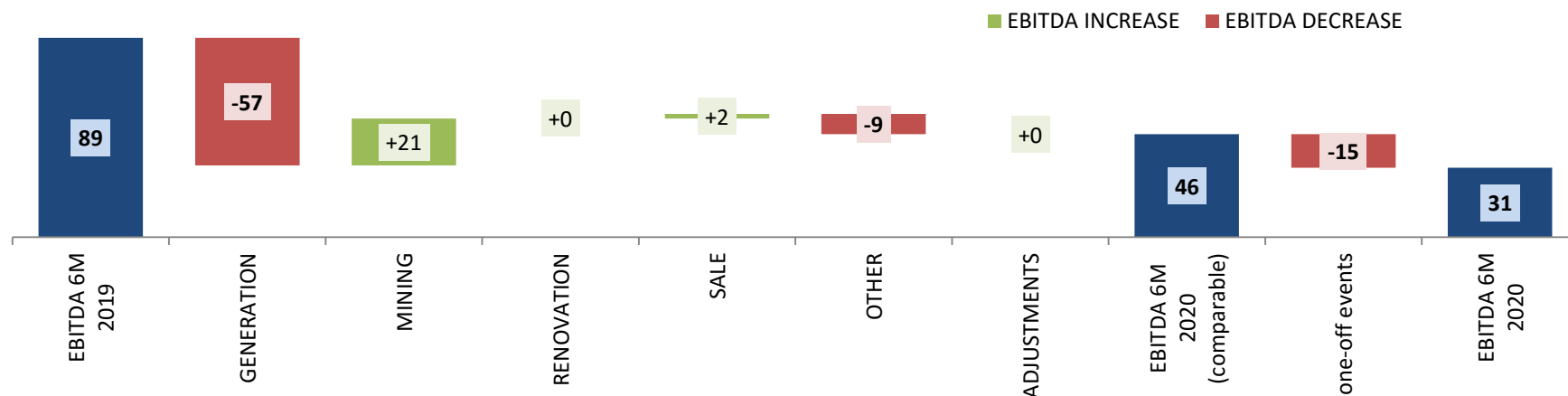


EBITDA 2Q 2020 by segments

[m PLN]



EBITDA changes



Main reasons of EBITDA changes in segments:

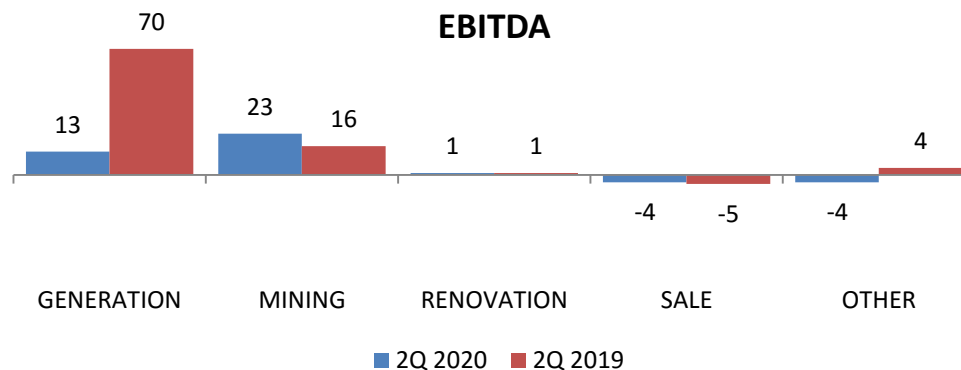
Generation:

- higher revenues from LTCs, higher revenues from heat, lower revenues from own energy, lower revenues from system services and power reserves, lower revenues from certificates and lower result on the turnover
- lower biomass costs, lower costs of residual fuels and materials, higher coal costs
- higher costs of CO₂ emission allowances
- lower costs of employee benefits, lower costs of taxes and fees, lower external services

Mining:

- higher revenues from coal sale
- lower costs of electricity
- lower costs of employee benefits, lower taxes and fees, lower costs of other materials, and other costs

EBITDA



Consolidated P&L for 2Q 2020 by segments



m PLN	Generation	Mining	Renovation	Sale	Other	Consolidated adjustments	Total
Sale revenues from external customers	415	2	15	93	1	-	526
<i>External sale revenues %</i>	<i>95.62%</i>	<i>1.48%</i>	<i>39.47%</i>	<i>100.00%</i>	<i>2.38%</i>	<i>0.00%</i>	<i>100.00%</i>
Sale revenues between segments	19	133	23	-	40	(216)	-
Sale revenue	434	135	38	93	42	(216)	526
Cost of goods sold	(588)	(253)	(35)	(95)	(46)	216	(802)
Gross profit (loss)	(154)	(119)	3	(2)	(4)	-	(276)
<i>Margin %</i>	<i>(35.48)%</i>	<i>(88.15)%</i>	<i>7.89%</i>	<i>(2.15)%</i>	<i>(9.52)%</i>	<i>-</i>	<i>(52.47)%</i>
EBITDA	13	23	1	(4)	(4)	2	31
<i>Margin %</i>	<i>3.00%</i>	<i>17.04%</i>	<i>2.63%</i>	<i>(4.30)%</i>	<i>(9.52)%</i>	<i>(0.93)%</i>	<i>5.89%</i>
EBIT	(164)	(128)	-	(4)	(5)	1	(300)
<i>Margin %</i>	<i>(37.79)%</i>	<i>(94.81)%</i>	<i>-</i>	<i>(4.30)%</i>	<i>(11.90)%</i>	<i>(0.46)%</i>	<i>(57.03)%</i>
Net profit (loss)	(114)	(128)	-	(3)	(5)	1	(250)
<i>Margin %</i>	<i>(26.27)%</i>	<i>(94.81)%</i>	<i>-</i>	<i>(3.23)%</i>	<i>(11.90)%</i>	<i>(0.46)%</i>	<i>(47.53)%</i>

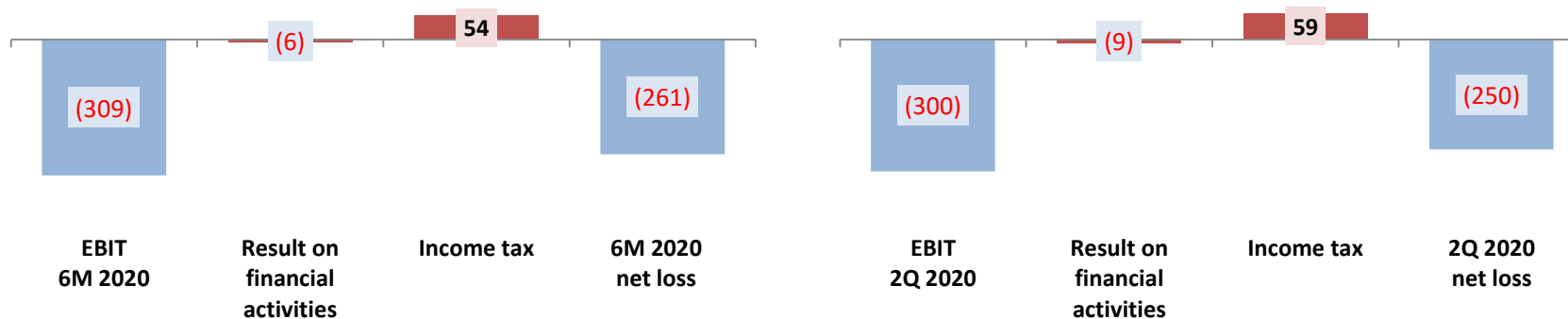
Financial activities, taxation and net profit

[m PLN]



	6M 2020	6M 2019	2Q 2020	2Q 2019
EBIT	(309)	66	(300)	39
Financial income	6	8	(2)	-
Financial costs	(12)	(13)	(7)	(5)
Gross profit (loss)	(314)	61	(309)	33
Income tax (tax overload)	54	(25)	59	(9)
<i>Effective tax rate</i>	<i>17.20%</i>	<i>40.98%</i>	<i>19.09%</i>	<i>27.27%</i>
Net profit (loss) for the period	(261)	37	(250)	25
<i>Margin %</i>	<i>(24.86)%</i>	<i>2.63%</i>	<i>(47.53)%</i>	<i>3.52%</i>

EBIT --> net profit



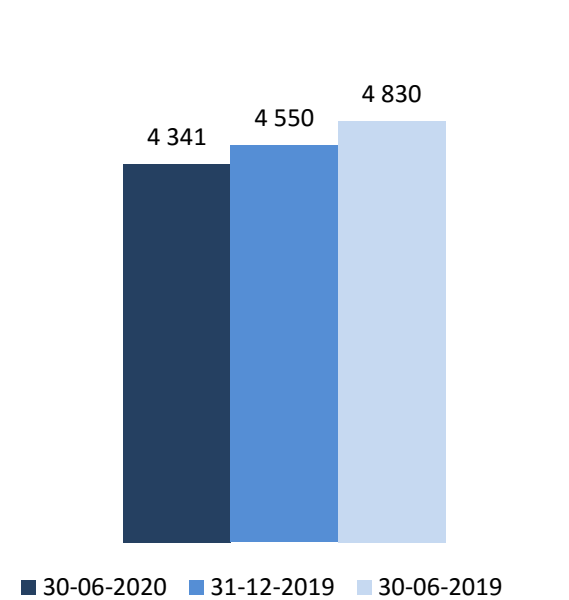
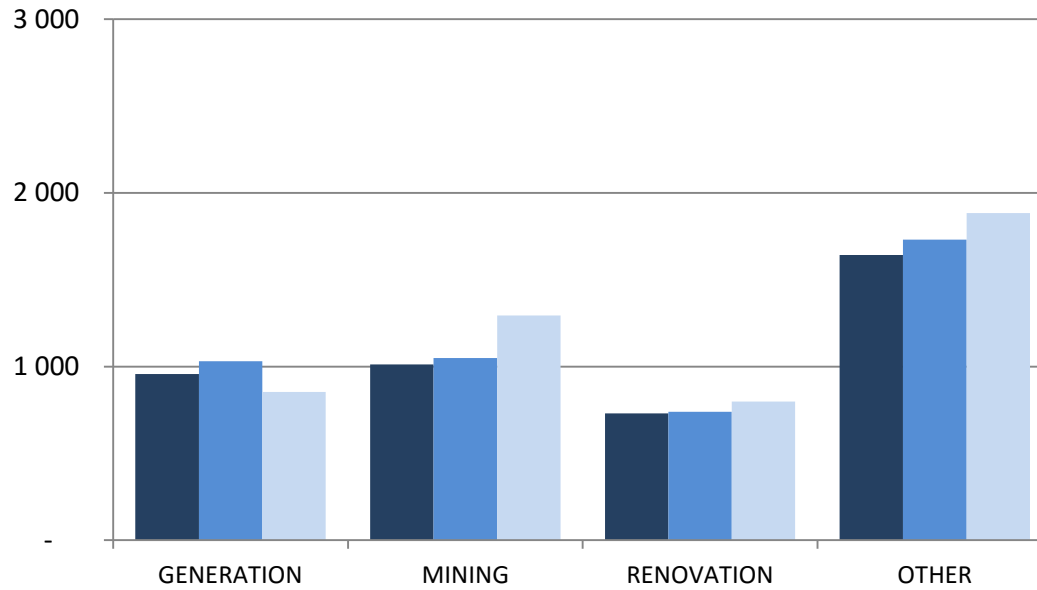
Employment

[full time]



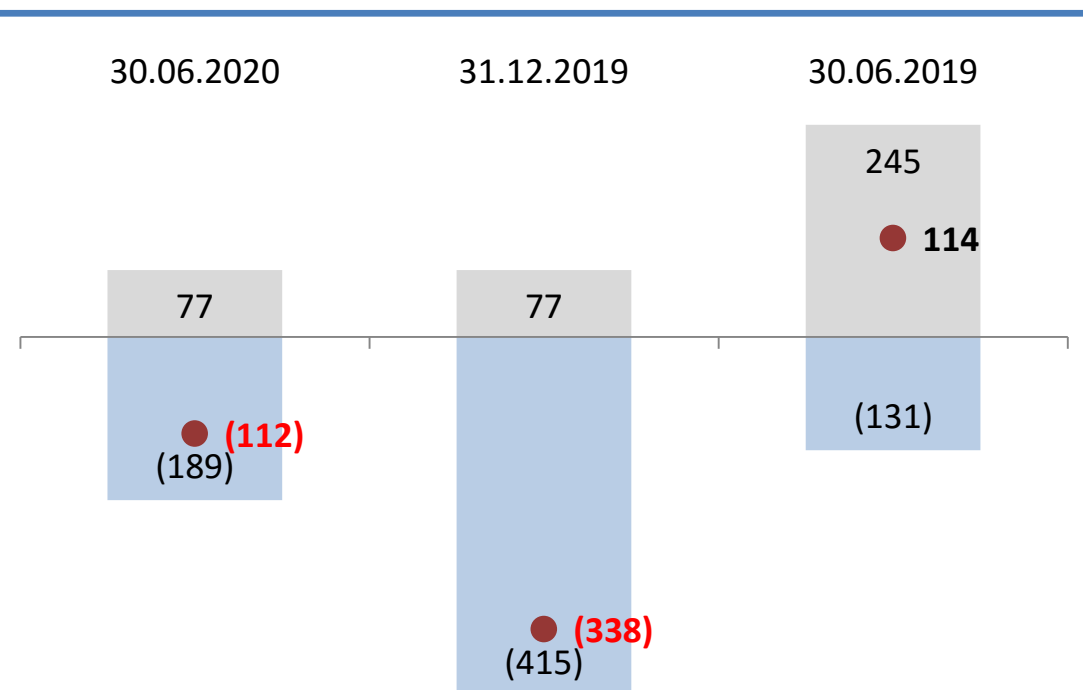
BY SEGMENTS

TOTAL



■ 30-06-2020 ■ 31-12-2019 ■ 30-06-2019

Net debt [m PLN]



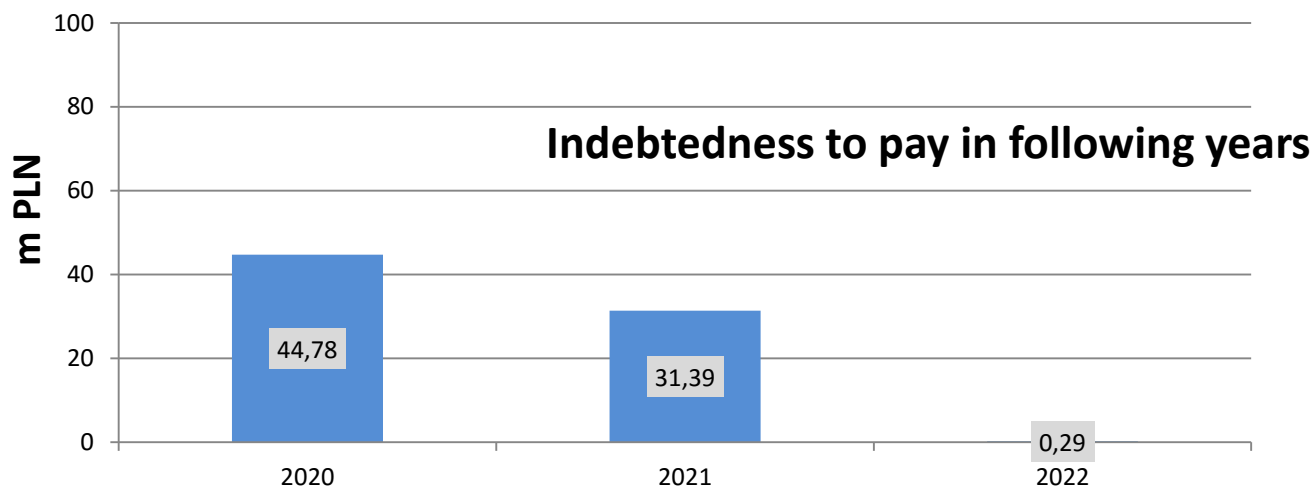
- Cash and cash equivalents ⁽¹⁾
- Interest bearing loans, borrowings and leases
- Net debt

Net debt / EBITDA

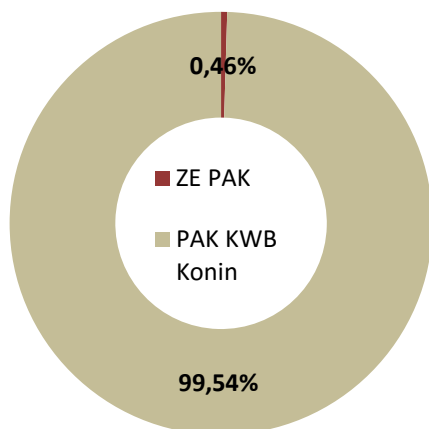
30.06.2020	-0.39
31.12.2019	-0.86
30.06.2019	0.63

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

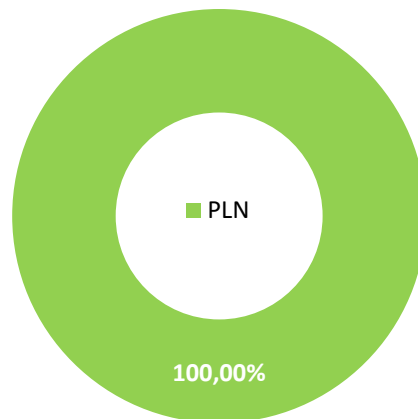
Financial indebtedness structure (1)



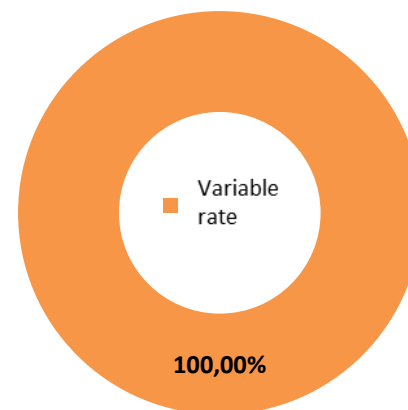
Indebtedness structure by debtor



Indebtedness structure by currency



Indebtedness structure by interest rate



(1) Indebtedness of main companies of the Group

Consolidated cash flow

[m PLN]



	6M 2020	6M 2019	2Q 2020	2Q 2019	
Gross profit (loss)	(314)	61	(309)	33	
Depreciation and amortisation ⁽¹⁾	79	96	41	50	(1) Lower depreciation as a result of impairment write-offs made at the end of 2019
Profit/loss on investing and financial activities	(5)	2	(1)	0	(2) Increase in deferred tax as a result of failure to create a tax loss asset
Changes in working capital	237	267	98	108	
Income tax ⁽²⁾	33	(9)	10	(3)	(3) Adjustment of the non-cash net amount of an impairment loss on property, plant and equipment as a result of tests as at June 30, 2020
Purchase of EUA	(526)	(432)	(153)	(172)	
impairment loss on property, plant and equipment and mining assets ⁽³⁾	289	-	289	-	
other	0	3	2	3	(4) Small loan installments are the result of the repayment of all investment loans in 2019
Net cash flow from operational activities	(207)	(12)	(22)	20	
(inflows/outflows) of investments in property, plant and equipment and intangible assets	(19)	(21)	(17)	(7)	
Other inflows and expenses	4	40	0	22	
Net cash flow from investing activities	(15)	18	(17)	15	
Inflows of credits, loans, leases and securities	13	12	(81)	(59)	
Payment of credits, loans, leases and securities ⁽⁴⁾	(16)	(189)	(8)	(111)	
Interest paid	(1)	(3)	(1)	1	
Net cash flow from financial activities	(4)	(179)	(90)	(170)	
Change in cash and cash equivalents	(226)	(173)	(129)	(135)	
Cash and cash equivalents at the beginning of the period	415	303	318	265	
Cash and cash equivalents at the end of the period	189	130	189	130	

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