

# The most important events in 2017

## Implementing the investment agreement on construction of the power unit in Ostrołęka Power Plant

Enea SA and Energa SA exercise joint control over Elektrownia Ostrołęka SA, a special purpose vehicle (SPV) which will implement the project of preparation, construction, and operation of the 1 000 MWe bituminous coal fired power unit (Ostrołęka C). At present, Enea holds a 23.8% share in the company's share capital. Ultimately, each of the parties will hold 50% of shares in Elektrownia Ostrołęka SA and the same number of votes at the General Meeting.

## Taking up shares in Polimex-Mostostal

Presently, Enea holds 39 000 024 shares in Polimex representing a 16.48% share in the company's share capital. In aggregate, Enea, Energa, PGE Polska Grupa Energetyczna and PGNiG Technologie hold 156 000 097 of shares representing a 65.9% share in the share capital of Polimex. Polimex-Mostostal has the largest (over 23%) share in the implementation of the key projects in the conventional energy segment. As a result, the Company is present in the contracting consortia implementing the largest power investment projects in Poland whose total budget is approx. 30 bnPLN.

## Upgrade of turbines in two power units at Koźienice Power Plant

In January, Enea Wytwarzanie signed a contract with EthosEnergy for upgrade of turbines in power units No. 3 and 8 at Koźienice Power Plant. The upgrade improved the dynamic condition of the turbine generator set. The contract net value was nearly PLN 4.9m and the works were completed in July 2017.

## Extending the banking service agreements with PKO BP and Bank Pekao SA

On 25 January, the member companies of Enea Group signed the Amendments to the current comprehensive banking service agreements with PKO BP and Pekao SA. The signing of the Amendments extending the current agreements for another term offers the assurance to Enea's Clients that bank account numbers will remain unchanged. The key member companies of the Group will still have access to all necessary banking products and services as part of the comprehensive banking service offered on most advantageous terms and conditions.

## Doubling the resource base and innovation in Enea Group's Mining Area

On 9 February, LW Bogdanka published its development strategy for Enea Group's Mining Area until 2025, in the time perspective until 2030, which assumes two development scenarios: the base one, assuming average production at the level of approx. 8.5 million tonnes in the years 2017-2025, and the flexible one, assuming average production at the level of approx. 9.2 million tonnes in the same period. Considering the current and foreseeable market situation, the Company intends to implement the flexible development scenario. CAPEX forecast for the period 2016-2025 (in nominal value) is 3.7 bnPLN for the base scenario and approx. 4 bnPLN for the flexible development scenario.

## Ensuring safety of electricity delivery

In March, Enea Operator started the newest and most modern Power Dispatch Centre which will manage the high-voltage grid in the north-west Poland. Such organisation of traffic will enable a flexible, quick and comprehensive response to the events occurring on the whole length of 110 kV grid owned by Enea Operator.

## Enea becomes the owner of Połaniec Power Plant

On 14 March, the transaction of purchase by Enea Group from ENGIE International Holdings B.V. of 100% of shares in ENGIE Energia Polska, a company which owns Połaniec Power Plant, was successfully closed. For approx. PLN 1.26bn, Enea acquired an important systemic power plant which has undergone an intensive upgrade programme worth approx. 1.5 bnPLN in the recent years. The acquired company has no debts and has been reinforcing Enea's market position since the day of its purchase.

## Enea joins the electromobility development cluster

In April, Enea Group became a member of the "Polish Electric Bus – electromobility supply chain" cluster. The goal of the cluster is cooperation for electromobility development, in particular e-buses and components used for their construction, which will be based on technical solutions developed in Poland.

## Recapitalisation of Polska Grupa Górnicza

Under PGG recapitalisation, Enea agreed to take up new shares in PGG of the total nominal value of PLN 300m in exchange for a cash contribution in the amount of PLN 300m in three stages. The first recapitalisation of PGG by Enea in the amount of PLN 150m took place in April 2017. In the second stage of recapitalisation which took place in June 2017, Enea took up new shares in PGG of the value PLN 60m carrying the right to a 5.81% share in the mining company's share capital. Another recapitalisation for PLN 90m took place in Q1 2018. The investments fits into Enea Capital Group Development Strategy among whose components is securing the resource base for conventional power sector. In addition, the investors signed an agreement on exercising joint control over PGG.

## Resignation from participation in the purchase of EDF assets

On 11 May, the Management Board of Enea SA passed a resolution on resignation from the Company's participation in the transaction of acquisition of Polish assets held by EDF International SAS and EDF Investment II B.V.

## Enea Operator with one complete IT system

In June, Enea Operator signed a contract of delivery and implementation of the Central Application of the Metering Information Acquisition System. Ultimately, the application will be the only IT system used in the distribution company for receiving, processing, and storing any data related to the widely understood metering information. The contract value is PLN 22m and the application is planned to be implemented during 2 years.

## Collaboration with PGG in development of technologies for the new blendstock

In June, Enea Trading and Polska Grupa Górnicza (PGG) established cooperation in the field of experience and expertise exchange with a view to developing a new blendstock with the use of coal slime which could be commercially used in the power industry.

## Fitch Ratings maintain Enea's rating

On 30 June, Fitch Ratings agency confirmed Enea's long-term rating in domestic and foreign currency at the level of "BBB" as well as confirmed but at the same time withdrew, for contractual reasons, its domestic long-term rating at the level of "A+(pol)" with a stable perspective.

## EU funds driving investments in the area of Distribution

When implementing the investment projects planned, Enea Operator actively takes advantage of the EU funds. In 2017, Enea Operator signed 17 co-funding agreements for infrastructural projects. The total value of the projects is PLN 273.2m net, including the subsidy granted of approx. PLN 180m. The funds obtained will be used for the development of the distribution network in the scope of increasing the security of electricity supply, increasing the potential of connecting renewable energy sources to the grid and implementing the functionality of the smart power grid. Moreover, in 2017 Enea Operator concluded 2 co-funding agreements for research and development projects, the total value of which amounts to PLN 7.9m, including the subsidies of PLN 3.9m.

## Obtaining a licence for coal extraction from "Ostrów" deposit

In July 2017, LW Bogdanka filed a request with the Minister of Environment for a licence for bituminous coal extraction from "Ostrów" deposit in "Ludwin" mining area whose extractable resources are estimated at the level of approx. 186 million tonnes of coal. On 20 November, the Management Board of LW Bogdanka was informed that such licence was granted to the Company.

The "Ostrów" deposit operation may be commenced on the basis of the current infrastructure, without capital-consuming construction of new shafts. In the period after 2025, it is planned to provide access to a vertical deposit and to construct the necessary technical facilities and infrastructure in "Ludwin" area. The total initial estimated real value of outlays related to the construction of such infrastructure is PLN 1.2-1.3bn.

Obtaining a licence is the key item of the plan to double the Company's extractable resources as stipulated in "Strategy of LW Bogdanka, Enea Group's Mining Area until 2025". Expanding the resource base means the ability of long-term planning, securing the development of mines, and ensuring a stable raw material resources for Bogdanka.

## Enea to share profits with Shareholders

On 10 August, Enea paid its Shareholders a dividend from profit for 2016 in the amount of PLN 110 360 644.50, which translates into PLN 0.25 of profit per share.

## Changes to the Management Board of Enea SA

On 24 August 2017, the Supervisory Board of Enea passed resolutions on recalling from Enea SA Management Board Wiesław Piosik, i.e., Corporate Vice-President, and Mikołaj Franzkowiak, i.e., Financial Vice-President of the Management Board. At the same time, the Supervisory Board appointed, with effect from the same date, the Supervisory Board Member, Rafał Szymański, to temporarily perform the operations of the Corporate Vice-President of Enea SA for a period no longer than three months, until the appointment of the new Corporate Management Board Member.

On 22 September, the Company's Supervisory Board passed a resolution on appointing Piotr Olejniczak the Financial Management Board Member with effect from 1 October 2017. On 29 September 2017, Rafał Szymański who was appointed the Company's Supervisory Board to temporarily perform the operations of the Corporate Management Board Member at Enea S.A. submitted to the Company his resignation from the appointment to perform the abovementioned operations, with effect from 1 October 2017. On 5 October, the Supervisory Board passed a resolution on appointing Zbigniew Piętka the Corporate Management Board Member with effect from 10 October 2017.

## New 1 075 MW power unit

On 1 September, Enea Wytwarzanie conducted the first synchronisation of the 1 075 MW power unit with the National Power System. The synchronisation was completed in line with the schedule. On 19 December, Enea Group opened a new chapter in the history of the Polish power industry, commissioning for operation the Poland's top power unit in terms of cutting-edge technology – the supercritical power unit of 1 075 MW gross power capacity at Koźienice Power Plant.

The so-called B11 [Unit 11], as referred to by its abbreviation, is the largest investment project of Enea Group

With the employment of high-end technology solutions in the field of supercritical operation, the power unit reaches the efficiency of 45.6%, which enables to reduce carbon dioxide emissions by approx. 25% when compared to the emissions of the existing bituminous coal fired plants. Thanks to the leading-edge technological solutions applied, the new power unit is able to achieve best environmental parameters and optimise energy production costs.

With the power capacity of 1 075 MW, high generation efficiency, and high availability at the level of over 92%, B11 causes a surge in the energy production capacity of Enea Group and the national energy production sector, thus increasing the power safety of Poland. Being one of the largest and most efficient plants of this type worldwide, B11 meets the requirements resulting from [BAT](#) Directive guidelines which are to come into effect only in 2021.

## Aid for municipalities affected by violent storms

In Q4 2017, Enea Foundation donated nearly one million PLN to the municipalities affected by violent storms. The funds were allocated on the purposes specified by the local governments, including repair and reconstruction of infrastructure and public utility buildings and on supporting local Volunteer Fire Brigades.

## Winning the tender for electrical vehicle chargers

In October, Enea Serwis won the tender announced by the Road and City Transport Office in Szczecin for the delivery and commissioning of first city electric vehicle chargers in the city of Szczecin. Fast charging stations will be installed in Szczecin in Q1 2018.

## Greater power safety for Poznań urban area

On 25 October, Enea Operator signed an agreement for the implementation of new grid investments in Poznań urban area of the value of more than PLN 44.5m. This amount will be spent on the construction of two new 110 kV high voltage power lines and the switching station, including power take off, in the Poznań district of Garaszewo. The project was granted the co-funding from the European Union in the amount of PLN 22.5m.

## Three bids in the tender for Ostrołęka C Power Plant construction

On 28 December, Elektrownia Ostrołęka SA whose shares are held by Enea and Energa opened the envelopes with the bids submitted by three potential contractors in the tender for the public contract award for the construction of the power unit in Ostrołęka C Power Plant. The bids were submitted by China Power Engineering Consulting Group Co., Ltd. (gross lump sum price PLN 4.85bn), the consortium of GE Power Sp. z o. o. and ALSTOM Power Systems S.A.S. (gross lump sum price: PLN 6.02bn) and the consortium of Polimex-Mostostal SA and RAFAKO SA (gross lump sum price: PLN 9.59bn). A highly-efficient supercritical power unit of the power capacity of approx. 1000 MWe will be fired with bituminous coal with the use of high-end environment-friendly technological solutions. This is an investment of key significance to the Polish power safety.