

Capital Group Elektrociepłownia "BĘDZIN" PLC



Elektrociepłownia Będzin PLC



- Shareholder: 100% EC Będzin PLC
- Business activities: heat and energy production
- Board: Marek Mrówczyński, Piotr Kowalczyk
- Headquarters: Będzin



ENERGO-UTECH s.a.

- Shareholder: 100% EC Będzin PLC
- Business Activities: Financial services --leasing, receivables purchasing
- Board: Krzysztof Kwiatkowski, Adam Andrzejewski, Bożena Poznańska
- Headquarters: Poznań

Relationship

Independent companies

ENUT provides lease service on flue gas desulphurization plant for EC Będzin



Krzysztof Kwiatkowski: CEO EC Będzin PLC

- Graduated in Management with specialization in Econometrics and Statistics from the Academy of Economics in Poznan (known today as the University of Economics)
- Career Path:
 - 1979 – 1989, Western Energy District, Poznań: Manager of Trade Service Department in the main offices
 - 1989 – 1993, Power Company, Poznań: Vice-Director for Economic and Labor Affairs
 - 1993 – 1994, Power Company, Zielona Góra PLC: Member of the Board, CFO
 - 1995 – 2004 "UTECH" LTD, Poznań: Member of the Board, CFO
 - 1996 – Present, ENERGO-UTECH PLC, Poznań: CEO





Adam Andrzejewski: Vice CEO ETF-L ENERGO UTECH S.A.

- Graduate in Management and Economics with dual degrees in Econometrics & Statistics, and Planning & Management from the Academy of Economics in Poznan
- Career Path:
 - 1995 – 1997, Power Company, Zielona Góra PLC: Member of the Board, CFO
 - 1994 – 1995, Power Company, Zielona Góra PLC: Economic Affairs Manager
 - 1990 – 1994, Power Company, Poznań: Vice-Director for Economic Affairs and Services for Energy
 - 1997 –Present, ENERGO-UTECH PLC, Poznań: Vice-CEO and CFO





Marek Mrówczyński: CEO, EC Będzin LTD

- Doctor of Juridical Science, 2006, from the Law and Administration School, Śląsk University, Katowice. Specialized in Law and Finance. Legal Counsel.
- Career Path:
 - 1998 – 2006, Śląsk University, Katowice: Academic Professor
 - 2002-2014, Intercommunal Enterprise for Waste Management and Renewable Energy: CEO
 - 2001 – 2007, School of Management and Social Sciences, Tychy: Member of the Board of Trustees
 - 2013 – *Recipient of Gold Badge from the National Chamber of Economics, Honored with Minister of Economics Badge for services to power engineering*
 - 2014 – Present, BĘDZIN LTD: CEO of power plant





Financial Sector ENERGO-UTECH PLC



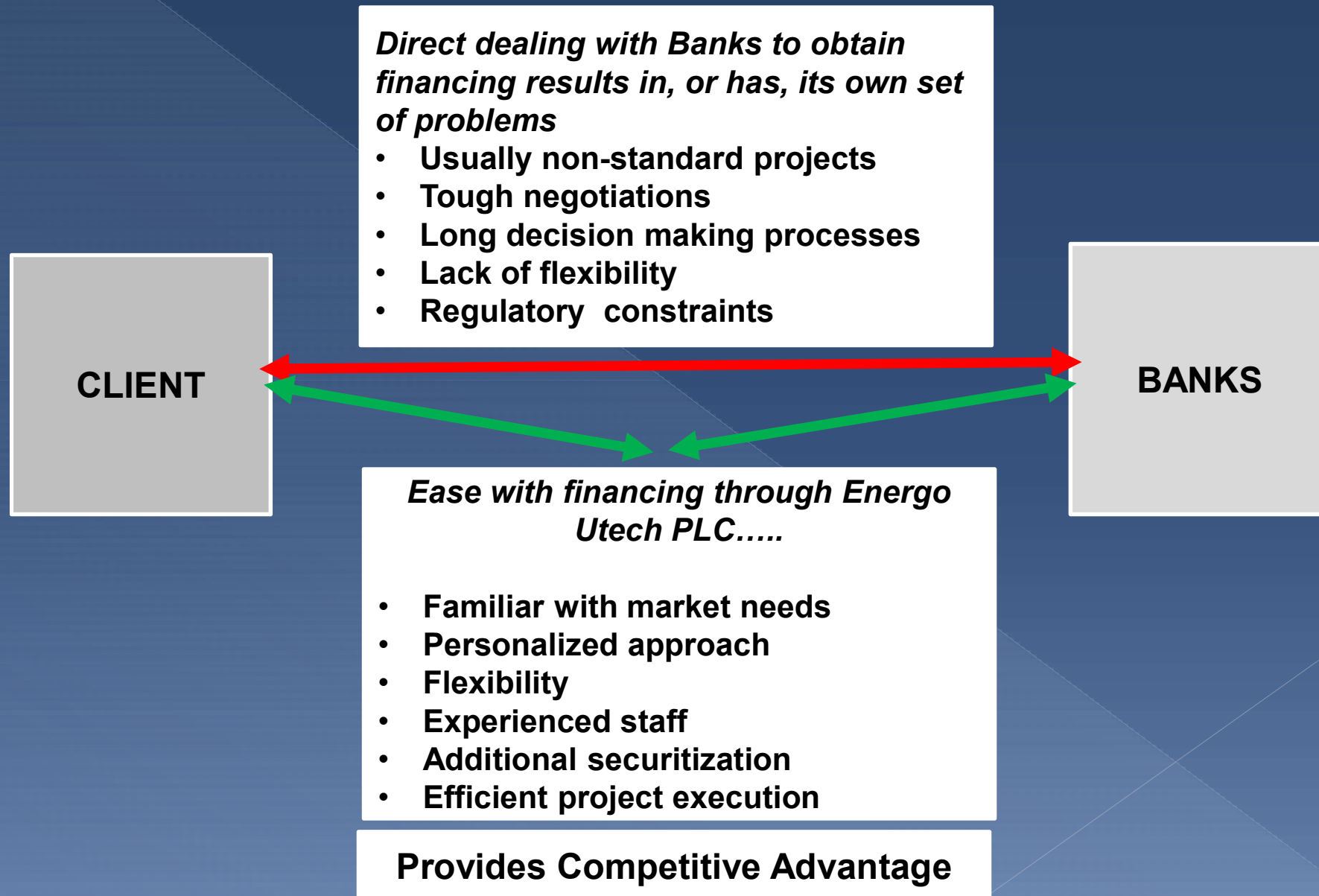


ETF-L Energo-Utech S.A

- ENERGO-UTECH S.A. (Energy Company Financial-Leasing) is one of the largest Polish non-banking leasing entities
- Strong, continued presence in the market since inception in 1996
- The company has signed leasing agreements, lease and factoring of cumulative value exceeding 2.3 billion PLN
- Considered a reputable partner for companies and financial institutions.



Business Model: Financial Intermediation



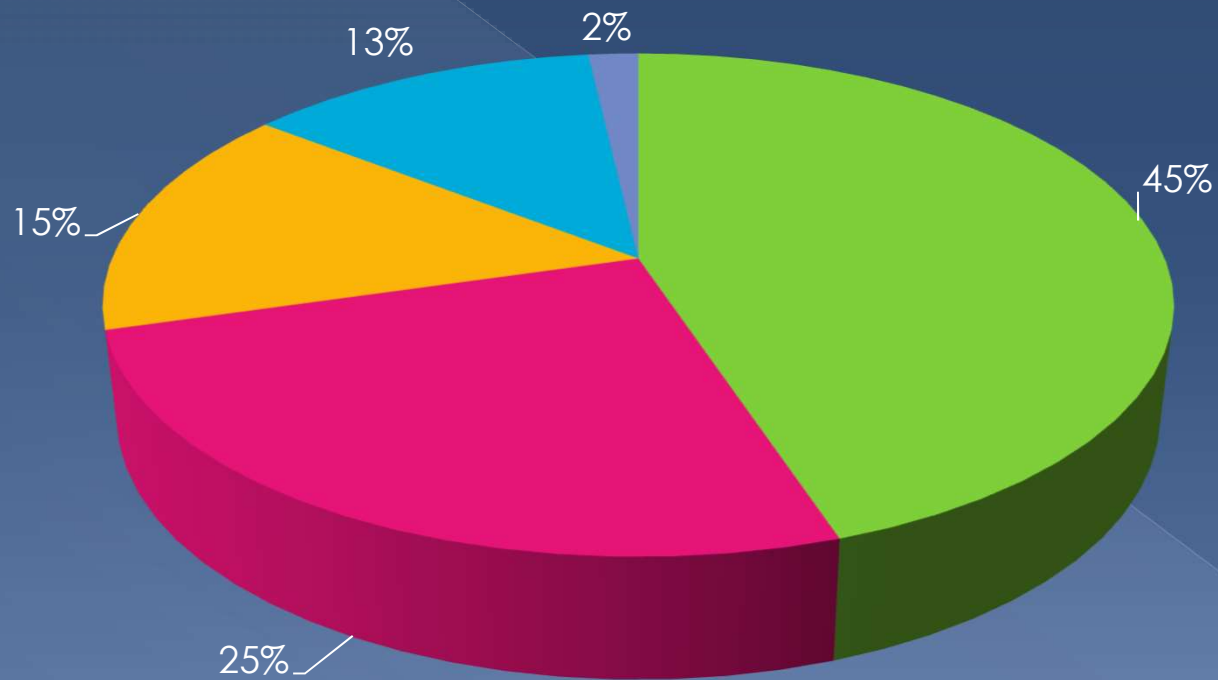


Portfolio Q3 2016: Fixed Assets Breakdown

Selected Asset Groups in Portfolio:

Share in portfolio

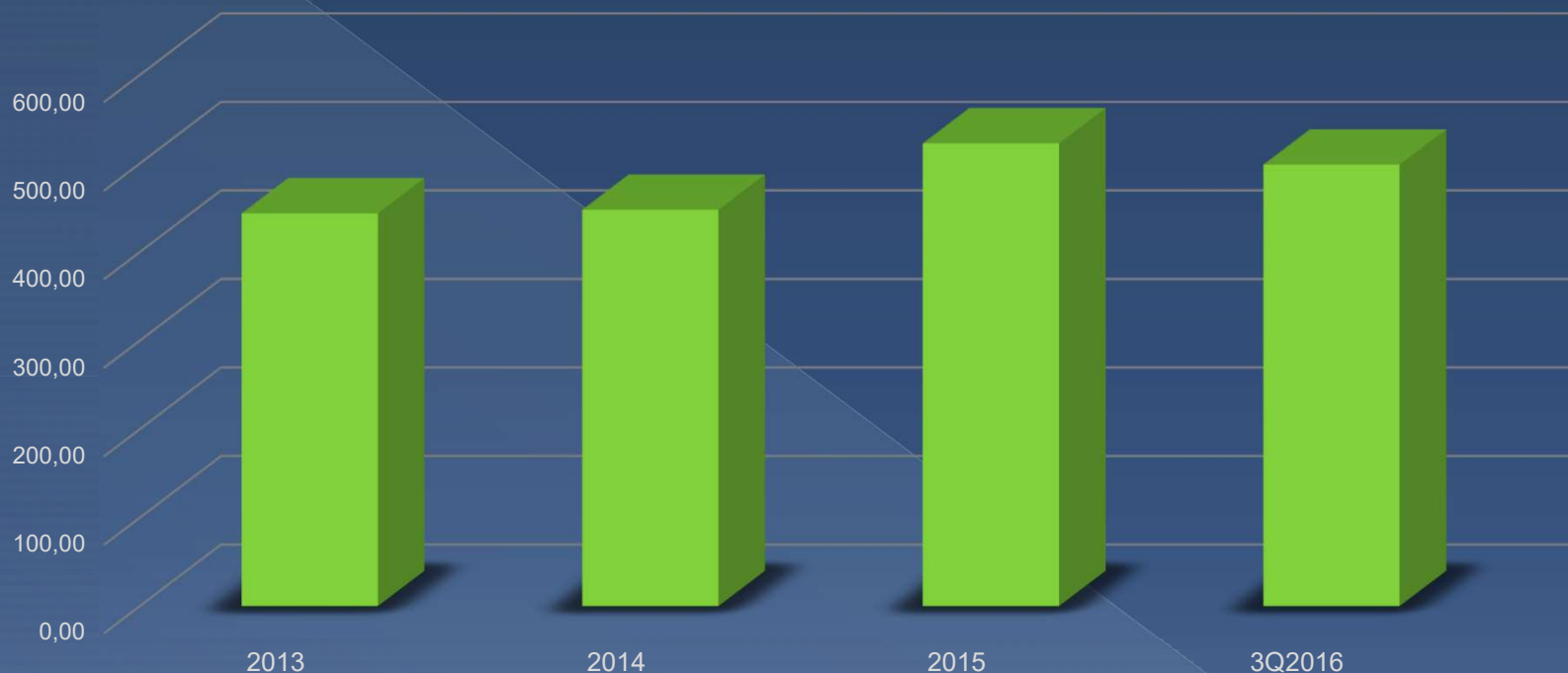
■ Rail Assets ■ Energy Assets ■ Machines and devices ■ Vehicles ■ Real estate





Working Capital Deployed

*Annual Working Capital
Period 2013 – Q3 2016 (in Million PLN)*



1. The most important factor regarding valuation of leasing companies is the amount of working capital deployed. It describes the assets that are operational, and therefore indicates the income generation by the company and corresponding after – net profits.
2. ETF-L Energo-Utech PLC's working assets has shown constant growth; until end-September 2016 it was above 500 million PLN



Value of signed agreements

Value of signed agreements during 1996 - 3Q2016 (mln zł)



Since the beginning ETF-L Energo-Utech PLC has financed fixed assets of total value beyond 2,3 bln zł, mainly in polish energy segment.

For over 20 years we had to undertake court proceedings only to 4 failed agreements, for total value

- below 5 mln zł (what states 0,5% in value signed agreements).

Overdue receivables has never exceeded 2,5% of total receivables.



Development Perspective: Initiatives

- Implementation of new products designed for energy sector – long term leasing based on financing investments for SPV
 - Investment financing, with buyback agreements at the end of the process
 - Long term trade agreements serve as collateral
 - This method of financing investments enables accomplishing relevant goals, creates value without need to engage own resources from the position of "purchaser"
- Leasing products under development include long term lease of movables and real estate assets



Summary

- Approved business model based on market niche and reliable clients
- Secure way of managing business
 - Overdue receivables have never exceeded 2.5% of total outstanding receivables
- Stable and predictable source of income, and current assets
- Attractive market perspective in terms of potential and business growth

(Million PLN)	2014	2015	9 mo. 2015	9 mo.2016	Δ%
Total Revenues	42.5	40.3	25.4	30.6	20%
EBITDA	28.6	21.7	18.3	21.2	16%
Net profit	3.0	3.1	2.4	4.3	80%
Equity Capital	41.9	43.4	43.2	46.2	7%
Balance Sheet Total	461.9	534.4	460.3	510.1	11%



Energy Sector (Power Plant) Elektrociepłownia BĘDZIN Spółka LTD





Primary Data: EC Będzin Power Plant

- Created 24.02.2014 – extracted from existing public company (PLC)
- Fitted power capacities: Heat -- 306.2 MW; Electric -- 81.5 MW
- Production potential based on two boilers (power units) type OP-140 and WP-70
- Supplies heat to the Zagłębie Dąbrowskie region
- Revenues from: heat sales (55% in 2015), electricity sales (43%), and certificate sales (2%)

Production	Unit	2014	2015	9 mo. 2015	9 mo. 2016
Heat in water	1000 GJ	2 ,037	1,959	1,245	1,293
Heat in steam	1000 GJ	257	287	201	199
Electricity	1000 MWh	364	432	302	340
CO ₂	1000 mg	474	521	364	395



Heat Sales Strategy

	2014	2015
Revenues from heat sales (Million PLN)	70.09	74.92

Forecasted Ordered Demand (by TAURON Ciepło): Period 2016-2020

Until 2018
250 MW / year (including 20 MW
Czeladź)

During 2019 – 2026
130 MW / year

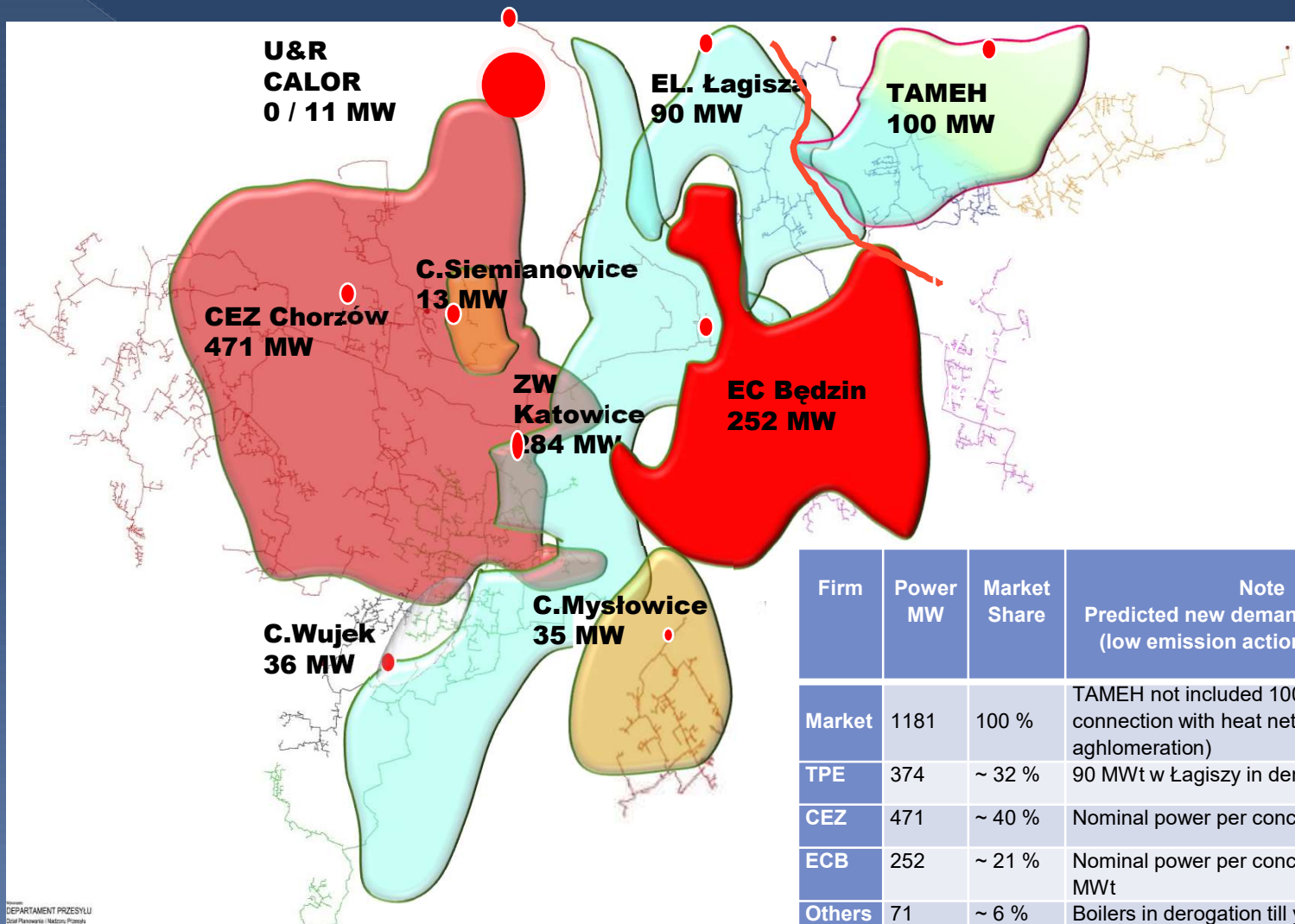
Marketing agreement
during 2015-2024
54 MWt / year

Heat revenues stabilizers

- Looking for direct recipients – built new channels, Czeladzka pipeline (marketing agreement 2015-2018 – 20 MWt)
- Advanced plans to build Mysłowicka pipeline (demand for 54 MWt and more), searching for other possible connections that would allow supply of heat by EC Będzin LTD
- Submitted plans for building new gas-steam power unit in power plant Łagisza were declined
- Power plant Łagisza has to turn off two boilers (power units) K6 i K7 at turn of the year 2018/2019,
- There is upcoming derogation in 2022 for boilers in heat plants Mysłowice and Katowice Wujek,
- There is general trend to promote cogeneration
- We calculate heat tariffs with simplified method ($n + 2\%$)



Position: Local Market



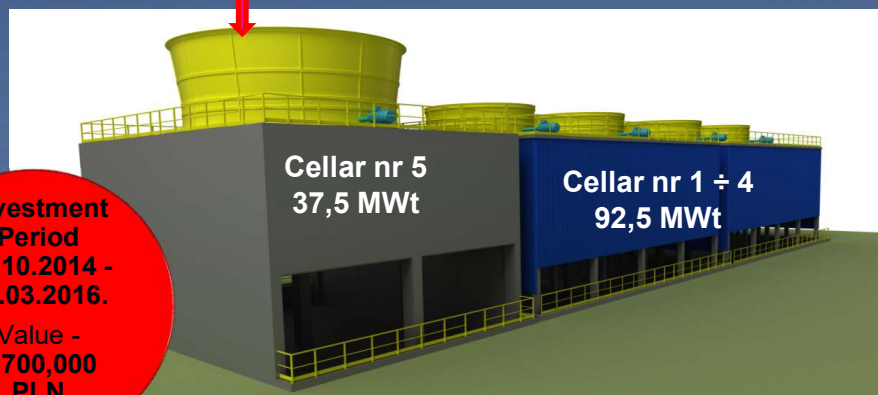


Electricity Sales Strategy

	2014	2015
Revenues from electricity sales (Million PLN)	57.97	59.11

- New electricity sales strategy has been implemented. Now all sales are under constant control in order to find best price
- New cellar # 5, that has been built in 2015, enabled cooling towers to increase capacity of electricity production to 130MW
- New investment for cooling towers allows turbines to work all year long without seasonal decrease, on nominal maximum capacities
 - Until 2015 power plant was able to work in low seasons only with one boiler in operation
 - Before investment, annual electricity production was about 410-430 tMWh; in 2018 expected to reach approx. 520 tMWh
 - Increase will be seen mainly during summer season

Additional cellar
for
cooling tower



Investment Period
01.10.2014 - 31.03.2016.
Value - 4,700,000 PLN

Year	Avg sale prices el within Company PLN/MWh	Avg prices on TGE SA PLN/MWh
2014	183.49	179.36
2015	160.30	156.99



Power Plant BĘDZIN LTD Strategy

Power Plan Będzin LTD is achieving its business goals and constantly increasing value for shareholders. It aims to be a stable, modern, and innovative heat and electricity producer and its success is proving that coal production can meet the highest standards in environmental protection.

BĘDZIN LTD Board created Development Strategy for period 2015 – 2017

New strategy involves 30 particular projects; their implementation will vastly improve efficiency within the Company. Half of these project have already been effected.

New Project Areas:

1. Investment program of over 150 million PLN
2. Optimization and automation within production processes
3. Optimization of purchase policy: including change of purchase procedures and implementation of approved suppliers
4. Optimization of organizational structure and plan to combine competencies of employees as natural retirement occurs - during 2014-2018 employee base has already reduced 20%
5. Planning and budgeting discipline within the company

Currently work on creating the Development Strategy for 2018-2023 is in progress.

- EC Będzin's cumulative investment program over 2014-2017 is PLN 150 million
- Core investment - building flue gas desulphurization and denitrification plant --worth PLN 135m
 - Official termination of 1st investment stage – September 2016
 - Scheduled termination of complete investment - 15.11.2017
 - New installation will meet not only current restrictive emission norms enforced by IED directives, but projected ones as well – BAT conclusions
- Investment plan components: flue gas desulphurization and denitrification plant, cooling tower modernization, building heat accumulator, thermo-modernization of power plant elements

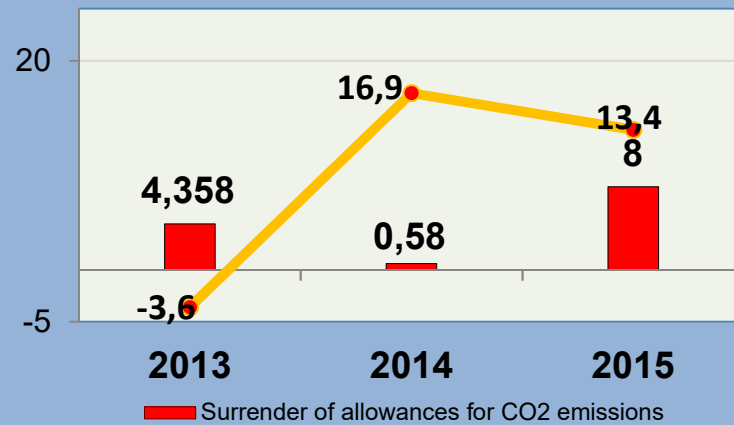
Contract nr 99/EC/2014	IED	Actual Intergrated Permission
$\text{NO}_x \leq 180 \text{ mg/Nm}^3_u$	$\text{NO}_x \leq 200 \text{ mg/Nm}^3_u$	$\text{NO}_x \leq 600 \text{ mg/Nm}^3_u$
$\text{SO}_x \leq 130 \text{ mg/Nm}^3_u$	$\text{SO}_x \leq 200 \text{ mg/Nm}^3_u$	$\text{SO}_x \leq 1500 \text{ mg/Nm}^3_u$
$\text{Pył} \leq 15 \text{ mg/Nm}^3_u$	$\text{Pył} \leq 20 \text{ mg/Nm}^3_u$	$\text{Pył} \leq 100 \text{ mg/Nm}^3_u$



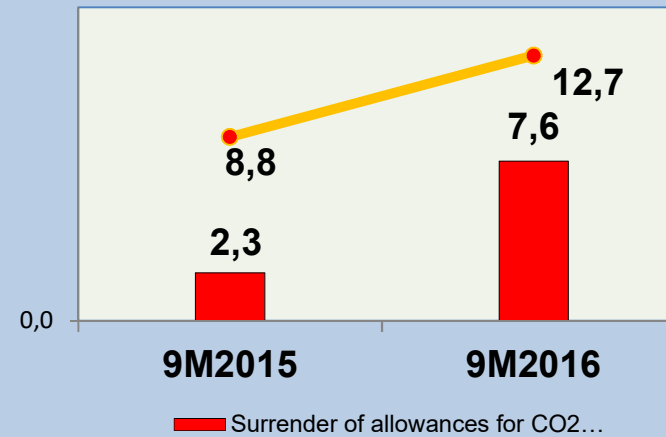


Good Outcome: Regardless of CO₂ Costs & Depreciation Increase

Net profit vs CO₂ costs



Net profit vs CO₂ costs





Cost Optimization Strategy

Coal Costs

- Diversification of coal suppliers
- Agreements signed for 3 year periods
- Spot delivery usage
- Choice of best contractors (max 3-4 suppliers)

CO₂ Costs

- Optimizing CO₂ purchases with price of electricity
- Hedging CO₂ purchases
- Constant analysis of CO₂ price fluctuations - searching for price drops

Refit Costs

- Appropriate care for technical environment in the past has succeeded in maintaining excellent technical condition of installed devices which allows an optimized overhaul policy, cut refit costs, and which ultimately strengthens the company's financial position



Summary

- Heat supplier for Zagłębia Dąbrowskiego and electricity supplier for the national market
- Entity with high cost efficiency against a backdrop of divergent current situation in the energy segment
- Good market perspectives and opportunities
- High replacement value of assets

in Million PLN	2014	2015	9 mo. 2015	9 mo. 2016	Δ%
Total Revenues	150.0	139.8	94.1	107.7	15%
EBITDA	28.9	34.0	19.0	32.0	69%
Net Profit	16.9	13.4	8.8	12.7	44%
Equity Capital	92.4	105.8	101.3	118.5	17%
Balance Sheet	133.9	183.8	164.0	227.5	39%



Capital Group EC Będzin Financial Results





Capital Group EC Będzin PLC

Capitalization (in Million PLN)	72.2
Net Debt 30.09.2016	440.0
Net Debt*	52.7
EV*	124.9

EC Będzin LTD

Equity Capital: 118.5
Net Debt: 43.2

Energo-Utech PLC

Equity Capital: 46.2
Net Debt: 452.5
Net Debt*: (10.0)

(in million PLN)	2014**	2015	9 mo. 2015	9 mo. 2016	Δ%
Revenues	150.0	139.8	94.1	107.7	15%
EBIT	20.2	16.6	10.8	16.5	53%
EBITDA	28.9	34.0	19.0	32.0	69%
Net Profit	16.9	13.4	8.8	12.7	44%

(in million PLN)	2014	2015	9 mo. 2015	9 mo. 2016	Δ%
Revenues	42.5	40.3	25.4	30.6	20%
EBIT	24.1	21.7	14.6	17.5	20%
EBITDA	28.6	26.8	18.3	21.2	16%
Net Profit	3.0	3.1	2.4	4.3	80%

* Debt in Energo-Utech deducted by leasing receivables and granted loans (working capital).

** Simulation done for the entire year 2014



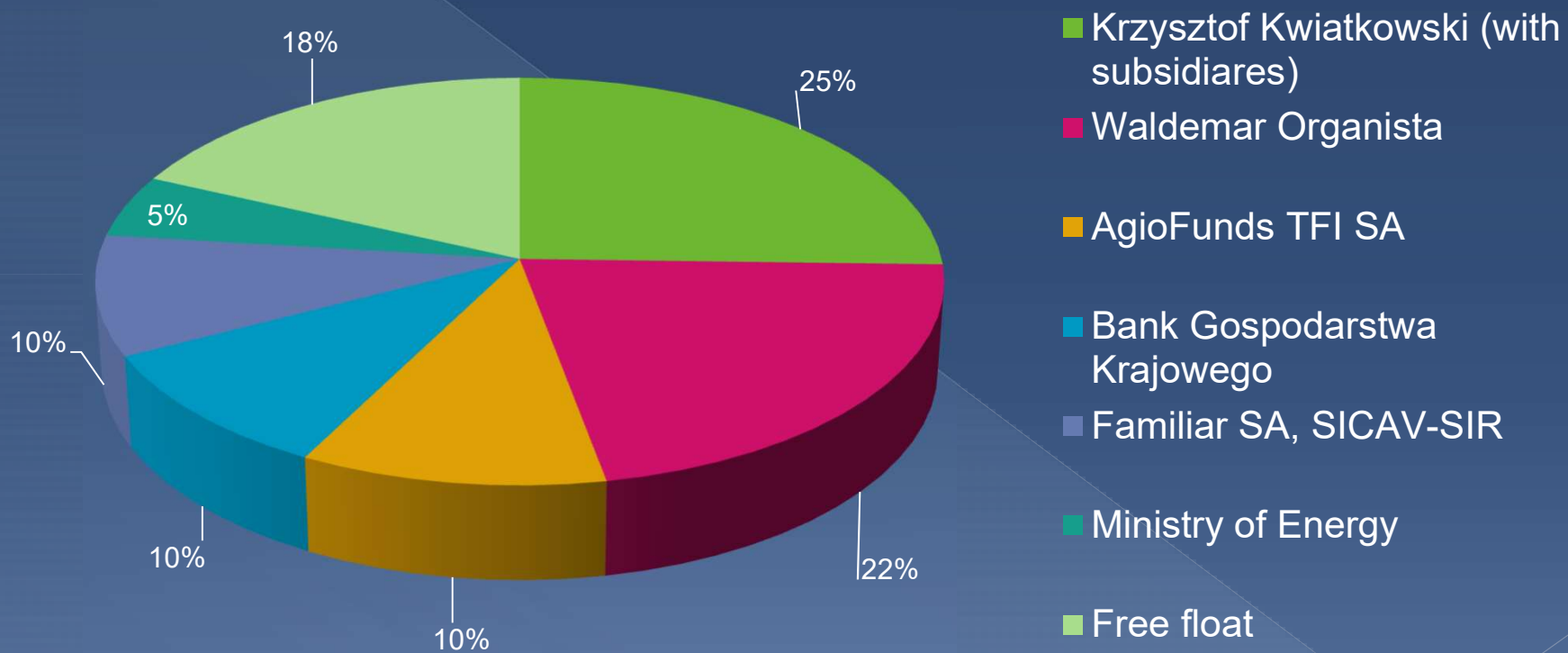
Consolidated Financials: EC Będzin PLC

in Million PLN	2014	2015	4Q15	9mo. 2015	9 mo. 2016	Δ%
Revenues	135.9	164.9	54.81	110.1	132.8	21%
EBIT	21.2	32.2	10.3	21.9	30.5	39%
Depreciation	10.1	15.3	4.2	11.1	12.3	11%
EBITDA	31.4	47.5	14.5	33.0	42.8	30%
Net Profit	17.3	14.4	4.2	10.2	14.8	45%

in Million PLN	2015	9 mo. 2015	9 mo. 2016	Δ%
Equity Capital	135.9	131.6	150.8	15%
Corrected Net Debt	62.5	31.9	52.7	65%



Shareholders





Thank you for your kind attention!

*Krzysztof Kwiatkowski
Adam Andrzejewski
Marek Mrówczyński*