

BASIC FINANCIALS

SELECTED FINANCIAL DATA

	in PLN thousand		in EURO thousand	
Basic figures from separate statement of comprehensive income	For the year ended 31 December 2016	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2015
1. Revenue from sales	598 709	551 212	136 826	131 718
2. Operating profit	84 579	54 452	19 329	13 012
3. Profit before tax	164 952	153 416	37 697	36 660
4. Net profit	149 156	141 735	34 087	33 869
5. Other comprehensive income, net of tax	(73)	(5)	(17)	(1)
6. Total comprehensive income	149 083	141 730	34 070	33 868
Basic figures from separate statement of cash flows				
7. Net cash flow from operating activities	229 856	183 781	52 530	43 916
8. Net cash flow from investing activities	(39 694)	(135 645)	(9 071)	(32 414)
9. Net cash flow from financing activities	(187 345)	29 120	(42 815)	6 959
Basic figures from separate statement of financial position				
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
10. Non-current assets	1 462 339	1 451 459	330 547	340 599
11. Current assets	297 508	334 679	67 249	78 535
12. Total assets	1 759 847	1 786 138	397 796	419 134
13. Non-current liabilities	180 962	204 909	40 905	48 084
14. Current liabilities	206 790	265 092	46 743	62 206
15. Equity	1 372 095	1 316 137	310 148	308 844

Exchange rates of euro used for translation of selected financial data

- Statement of financial position items - average exchange rate announced by NBP 4,424
- Statement of comprehensive income and cash flows items - arithmetic average of average exchange rates announced 4,3757

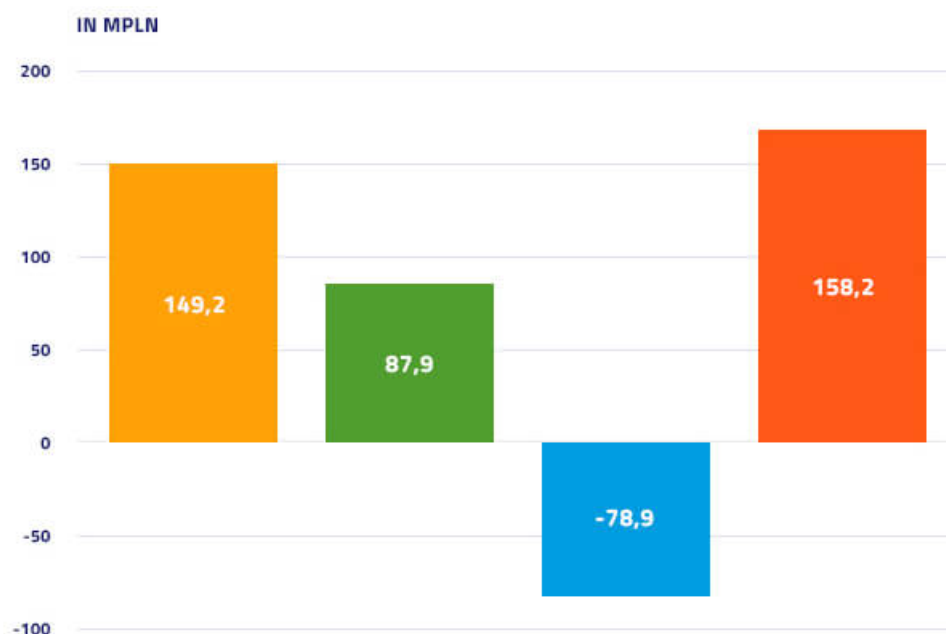
- Statement of financial position items - average exchange rate announced by NBP as at 31 December 2015 4,2615
- Statement of comprehensive income and cash flows items - arithmetic average of average exchange rates announced by NBP as at the end of each month of the period from 1 January to 31 December 2015 4,1848

RATIOS, CAPITAL GROUP

(%)	from 1 January to 31 December 2016	from 1 January to 31 December 2015	Change (%)
Return on assets (ROA)	6,92	5,62	23
Return on equity (ROE)	11,03	9,25	19
Return on capital employed (ROCE)	13,60	11,01	24

ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENT

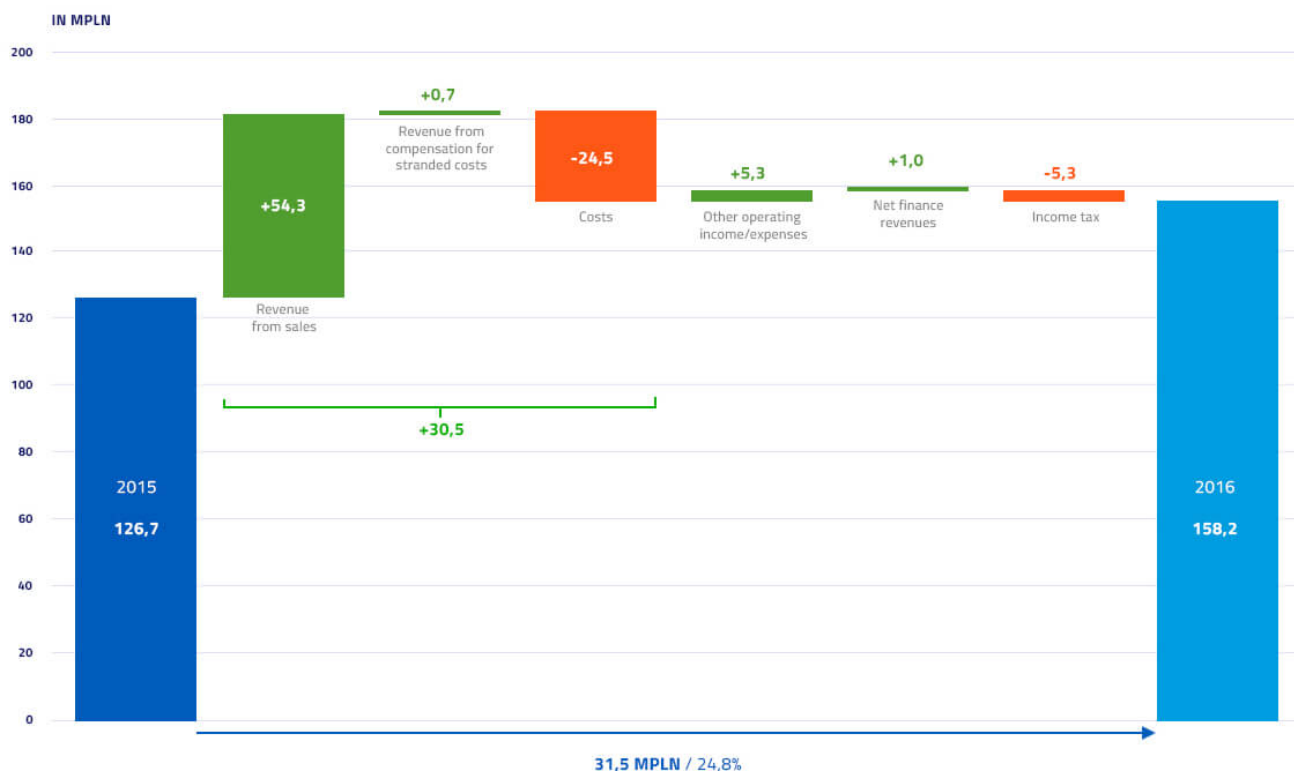
Consolidated financial statement of Capital Group KOGENERACJA S.A. in 2016



- KOGENERACJA S.A.
- EC ZIELONA GÓRA
- Intragroup transactions
- Capital Group

Elimination of intragroup transactions (IG) on the amount mainly refers to the dividend payment by EC Zielona Góra S.A. (-81.2 MPLN) and other intragroup transactions.

Analysis of consolidated net profit



Higher net profit as compared to 2015 by **31.5 MPLN (24.8%)**, mainly due to the following:

- **+30.5 MPLN** - increase in profit on sales
- **+5.3 MPLN** - higher other operating income, including:
 - +2.5 MPLN decrease in provisions for landfill reclamation
 - +2.4 MPLN decrease in provisions for demolition plan of reinforced concrete chimney
 - +0.9 MPLN settlement of grants in EC Zielona Góra S.A.
 - -0.5 MPLN other
- **+1.0 MPLN** - higher net finance revenues: higher finance income +0.9 MPLN; reduced finance costs + 0.1 MPLN, i.e.:
 - +1.2 MPLN higher financial revenues (interests of cash-pool)
 - +1.0 MPLN lower discount on stranded costs
 - -1.0 MPLN higher interest costs (investment loan from EDF IG)
 - -0.2 MPLN lower other financial revenues
- **-5.3 MPLN** - higher income tax

ANALYSIS OF CONSOLIDATED REVENUES

Higher revenue from sales as compared to 2015 by 55.0 MPLN (+5.5%), mainly due to the following:

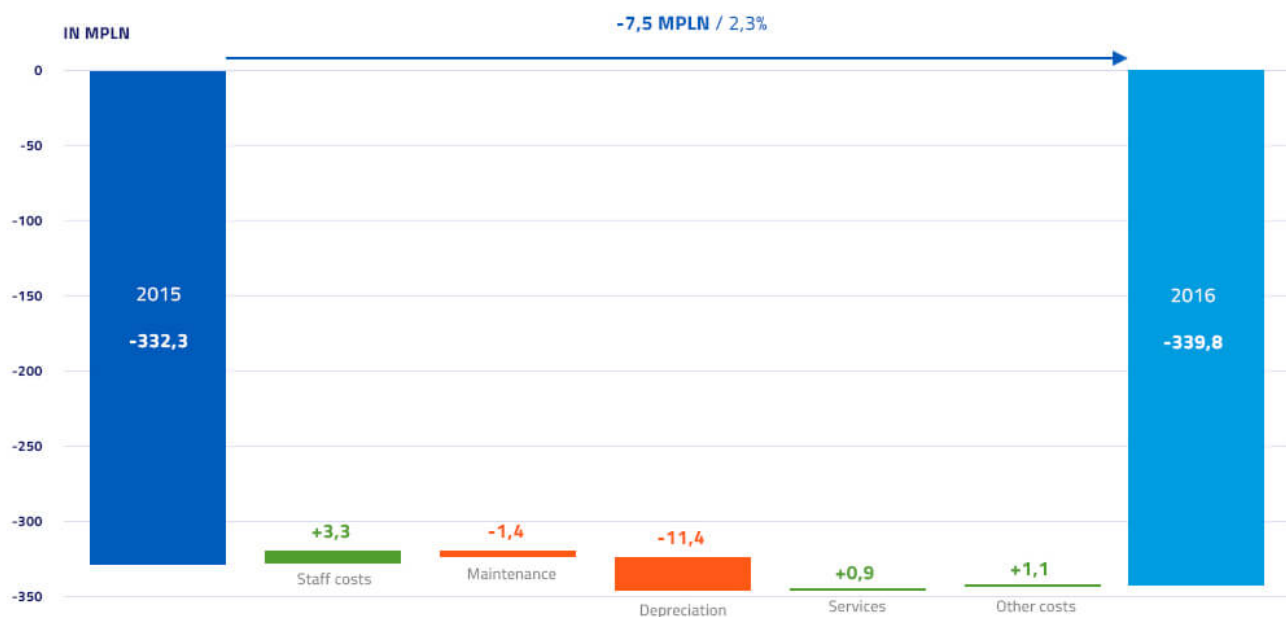
- **+52.9 MPLN** - higher revenues on heat sales: +44.4 MPLN in KOGENERACJA S.A., +8.5 MPLN in EC Zielona Góra S.A.

Volume: 10% increase in EC Zielona Góra S.A., 14% increase in KOGENERACJA S.A.; Price: positive effect from average heat prices

- **-2.1 MPLN** - lower revenues on sales of electricity, i.e.:
 - **-5.7 MPLN** lower volume by 1% for EC Zielona Góra S.A. (planned outage of steam gas block for capitalised modernisation)
 - **-5.7 MPLN** lower volume by 1% for EC Zielona Góra S.A. (planned outage of steam gas block for capitalised modernisation)
 - **+13.9 MPLN** - higher revenues on sales of certificates: +10.0 MPLN higher revenues on sales of yellow certificates in EC Zielona Góra S.A. and +3.9 MPLN higher revenues on sales of red certificates in KOGENERACJA S.A.
 - **+4.1 MPLN** - higher other revenues, including +7.3 MPLN revenues from higher gas subsidy in EC Zielona Góra S.A.
 - **+0.7 MPLN** - higher revenues from compensation for stranded costs
 - **-14.5 MPLN** - lower revenues from the sale of merchandise - resale of electricity by EC Zielona Góra S.A.

CONSOLIDATED FIXED COSTS AND VARIABLE COSTS ANALYSIS

FIXED COSTS



Higher fixed costs as compared to 2015 by **7.5 MPLN**.

Staff costs decreased by 3.3 MPLN, i.e.:

- +4.7 MPLN; decrease in payroll expenses and social security costs (lower average employment by 14 persons in KOGENERACJA S.A. and by 13 persons in EC Zielona Góra S.A. and the effect of agreements signed in 2015 between trade unions and the Companies)
- +1.4 MPLN; higher costs of staff provisions connected with employment restructure

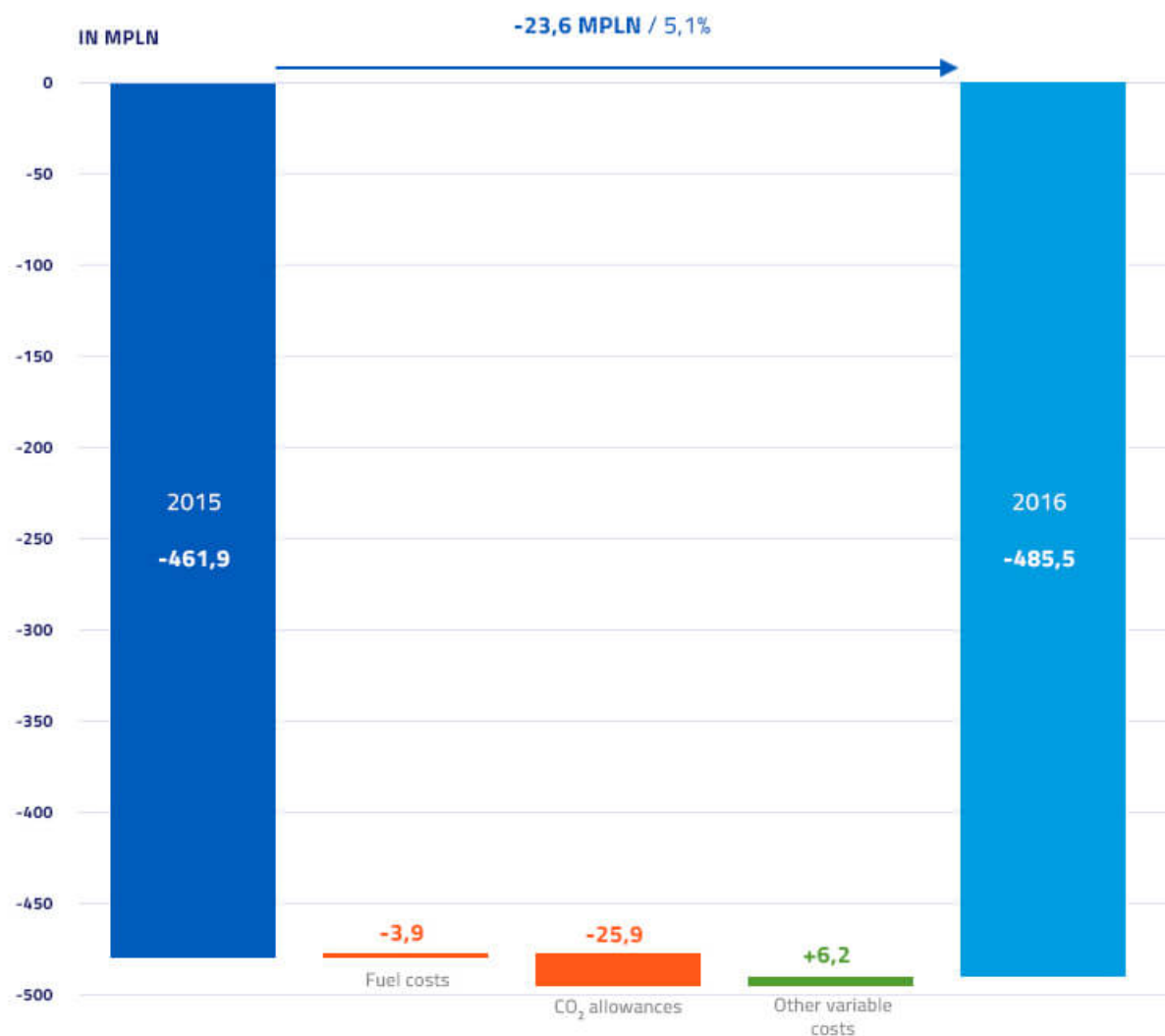
Maintenance costs increased by 1.4 MPLN - increase in KOGENERACJA S.A. -2.6 MPLN, decrease in EC Zielona Góra S.A. +1.1 MPLN (capitalised overhaul of CC Gas Unit in EC Zielona Góra S.A.).

Depreciation increased by 11.4 MPLN, i.e.:

- -9.3 MPLN in KOGENERACJA S.A., including:
 - -12.8 MPLN new fixed assets being put in service in 2016, i.e. mainly the desulphurisation and denitrification installation
 - +3.5 MPLN change of lifetime of fixed assets
- -2.1 MPLN in EC Zielona Góra S.A.

Cost of services decreased by 0.9 MPLN.

VARIABLE COSTS



Higher variable costs as compared to 2015 by 23.6 MPLN.

Costs related to the shortage and purchase of CO₂ allowances increased by 25.9 MPLN (-18.3 MPLN in KOGENERACJA S.A., - 7.6 MPLN in EC Zielona Góra S.A.) as an effect of lower limits of free CO₂ allowances and the higher cost of purchase of CO₂ allowances (up by 29%).

Fuel cost increased by 3.9 MPLN, i.e.:

+1.4 MPLN; lower fuel costs in KOGENERACJA S.A.:

- -3.8 MPLN higher coal costs due to the higher volume of coal consumption
- +4.0 MPLN lower biomass consumption
- +2.5 MPLN lower gas costs
- -2.3 MPLN higher costs of chemicals and sorbents used (desulphurisation installation)

-5.3 MPLN higher fuel costs in EC Zielona Góra S.A.: higher volume of gas consumption (by 5%) reduced by lower gas price.

Other variable costs increased by 6.2 MPLN, i.e.:

- +2.1 MPLN lower costs of environmental protection due to the start-up of desulphurisation installation)
- +4.1 MPLN lower costs related to energy purchase

CONSOLIDATED STATEMENT OF CASH FLOWS ANALYSIS



+429,5 MPLN

Net cash from operating activities:
 Net income **+158.2 MPLN**
 Adjustments **+201.7 MPLN**, including:
 - +146.5 MPLN Depreciation
 - +37.0 MPLN Income tax expense
 - +11.9 MPLN other adjustments,
 including CO₂ allowances
 Working capital **+89.4 MPLN**
 - +28.0 MPLN decrease in inventories
 - +39.4 MPLN decrease in receivables
 - +22.0 MPLN increase in liabilities
 Income tax paid **-19.8 MPLN**

+1,0 MPLN

Sales of fixed assets

-163,8 MPLN

Purchases of intangible assets and
 property, plant and equipment;
 Construction of DeSO_x i DeNO_x
 installations in Parent Company

- 188,7 MPLN

- -94.4 MPLN (dividend payment by
 KOGENERACJA S.A.: -93.1 MPLN,
 dividend payment out of Group
 EC Zielona Góra S.A.: -1.3 MPLN)
 - -24.8 MPLN investment loan,
 periodi payment to WFOŚ
 - -66.8 MPLN investment loan - final
 repayment to EDF IG S.A.
 - -2.6 MPLN interests paid

-0.1 MPLN lease payments