



ZESPÓŁ ELEKTROCIĘPŁOWNI WROCŁAWSKICH
KOGENERACJA SA



Wrocław, 6 March 2017

Dear Madam, Dear Sir,

I'm pleased to present you the Annual Report of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A., for 2016 and would like to invite you to read it.

The year 2016, concluded with very good financial results, was another successful year for the Company. The operational activity profit amounted to near 85 MPLN and was higher by 30 MPLN than in preceding year, whereas the net result exceeded 149 MPLN and was higher than in 2015 by more than 7 MPLN. In accordance with KOGENERACJA S.A. Dividend Policy the Company Management Board will request the General Assembly to allocate the part of net result as dividend to Shareholders.

The good financial results are the effect of production process optimisation conducted for many years, energy efficiency projects implementation, maintaining equipment high efficiency, maintenance policy, effective supervision over the fuel handling, observing the costs discipline as well as executing savings programs in the Company.

The actions in favour of local heat market development were the important area of KOGENERACJA S.A. activity in 2016 – the new customers connection process was continued, the offer of energy and maintenance services was developed.

The new connections to municipal heat distribution network constitute an important part of pro-environmental actions. Within the framework of cooperation with the City authorities and the heat network distributor – Fortum Power and Heat Polska Sp. z o.o., KOGENERACJA S.A. participates in KAWKA programme and helps Wrocław residents with replacing their masonry heaters with the ecological heating from network. Also the operation of installations of flue-gas desulfurization and reduction of nitric oxide emissions, started in 2016, had the positive impact on improving the air quality in the city as they are reducing the sulphur oxide emissions fivefold and nitrogen oxide emissions threefold.

Developing safety and culture of safe work development remained constantly the priority for KOGENERACJA S.A. The actions increasing staff's awareness and responsibility in this area were widely promoted in our sites. It is worth mentioning about the DuPont safety culture audit executed in 2016 with the result for KOGENERACJA S.A. 3.9 in 5-point scale, which is a very satisfactory result.

According to guidelines of *Ready for the Future* project carried out for the last few years, the development and the training for the staff were continued in KOGENERACJA S.A. in 2016 in order to build and complete the key professional skills and professional versatility.

As the socially responsible Company, KOGENERACJA S.A. carried out numerous social and charity actions as: help to heat customers being in difficult economic conditions, support and cooperation with public benefit organisations or foundations, help to talented students from poor families, help to disabled persons. This activity was recognised by the Warsaw Stock Exchange – KOGENERACJA S.A. already for the seventh time in a row has joined the prestigious group of Companies listed on Respect Index.



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At the beginning of 2016, the EDF Group, as the main shareholder of the Company, has announced within the “CAP 2030” international strategy, the review of its strategic assets in Poland including its shares in KOGENERACJA S.A.

This process has lasted the whole year round. In October, EDF has informed that the negotiations with only one potential acquirer of heating assets started. The transaction was subject to obtaining relevant consents regarding the division of EDF assets, including the approval of competent Minister, due to recording EDF Polska on strategic national entities list.

In December 2016 the Minister of Energy has refused giving its consent to division which brought about the termination of negotiations with potential foreign investor and starting the negotiations with Polish entities consortium. The disinvestment process of EDF assets, including the KOGENERACJA S.A. shares, shall continue in 2017.

The Management Board would like to assure you of continuing the actions aimed at Company permanent value increase and at keeping the high efficiency. The Management Board will also aim at power restitution in CHP Czechnica site, which is one of the essential elements of long-term strategy.

Once again I invite you to read the KOGENERACJA S.A. Annual Report for 2016, in which you will find a lot of detailed information about the Company.

Your faithfully

Wojciech Heydel
President of the Management Board of
KOGENERACJA S.A.