



EP Power Europe – 2019 Results

August 2020

EP Power Europe

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The Information should be read in conjunction with the Consolidated Financial Statements as of and for the year ended 31 December 2019 as published on <https://www.eppowereurope.cz>.

EPPE – 2019 results summary

- ❑ **EP Power Europe (“EPPE”)** is a subsidiary of Energetický a průmyslový holding (“EPH”) and one of the leading European power producers
- ❑ EPPE's core business comprises electricity generation from both conventional and renewable sources (including related activities) and lignite mining. Operations are located mainly in **Italy, the UK, Ireland, Germany** and **France**
- ❑ In 2019⁽¹⁾, EPPE reached:
 - ❑ **Consolidated sales** of **€ 5,106 million** (€ 3,969 million in 2018)
 - ❑ **Adjusted EBITDA** ⁽²⁾ of **€ 442 million** (€ 334 million in 2018)
 - ❑ **Pro Forma Adjusted EBITDA**⁽³⁾ of **€ 474 million** (€ 334 million in 2018)
 - ❑ **CAPEX**⁽⁴⁾ of **€ 143 million** (€ 179 million in 2018)
 - ❑ **Pro Forma Net Leverage Ratio**⁽⁵⁾ (excl. net loans and borrowings provided by EPH) of **0.5x** (1.0x in 2018)
 - ❑ **Cash Conversion Ratio**⁽⁶⁾ of **68%** (46% in 2018)
- ❑ In 2019, subsidiaries of EPPE produced in aggregate more than **30 TWh** of power (24% more than in 2018), and consolidated **11.5 GW** of installed power capacity in the UK, Italy, Ireland, Germany and France (an increase of 14% compared to 31 December 2018)
- ❑ **73%** of the total installed capacity comes from either completely **emission-free sources** or power plants with low carbon emissions ⁽⁷⁾
- ❑ Only **17%** of the power produced in 2019 was generated by hard-coal or lignite power plants
- ❑ a **24% increase in the volume of generated power** was followed by only an **8% increase in direct Green House Gas emissions**, which means that **CO₂-eq/MWh**, one of the central KPIs, was reduced by **12%**; this clearly illustrates EPPE's efforts in terms of environmental protection
- ❑ The Group successfully **decommissioned** 1.96 GW of net installed **hard coal-fired** capacity related to **Eggborough power plant** and endeavors to replace it by a new gas-fired power plant (subject to feasibility test)
- ❑ The solid growth is attributable to the acquisitions realized in 2019 and to the fact that Lynemouth power plant's operations were first time consolidated for the whole year in 2019 as it commenced its operation in 2018 following the successful conversion from hard coal to a pure biomass power plant
- ❑ **EPPE completed subsequent strategic acquisitions in 2019:**
 - ❑ **UK** – a battery storage facility and gas-fired **Ballylumford** and coal-fired **Kilroot** power plants in Northern Ireland with a total net installed capacity of 1,353 MW. Kilroot is expected to be gradually upgraded to a gas-fired power plant
 - ❑ **Ireland** – gas-fired **Tynagh** power plant with a net installed capacity of 384 MW
 - ❑ **Italy** – **Fusine** biomass power plant with a net installed capacity of 5.7 MW
 - ❑ **France** – 2.3 GW portfolio of gas, coal and biomass assets and solar and wind parks

1. All figures in the presentation are calculated on fully consolidated basis, unless explicitly stated otherwise

2. Adjusted EBITDA represents Operating profit before Depreciation & Amortization and Negative goodwill (if any) further adjusted for selected items. For more details see Appendix

3. Pro Forma Adjusted EBITDA represents Adjusted EBITDA reflecting the effects of pre-acquisition date Adjusted EBITDA generated by the assets acquired by EPPE in a particular fiscal year. For more details see Appendix

4. CAPEX is defined as Additions to tangible and intangible assets excluding impact of emission rights and disregarding actual cash flows as presented in the consolidated financial statements further adjusted for selected items

5. Pro Forma Net Leverage Ratio is calculated as Net Debt divided by Pro Forma Adjusted EBITDA

6. Cash Conversion Ratio is calculated as (Adjusted EBITDA minus CAPEX) divided by Adjusted EBITDA

7. Emission-free sources or power plants with low carbon emissions are represented by gas-fired power plants, biomass power plants and other renewable sources

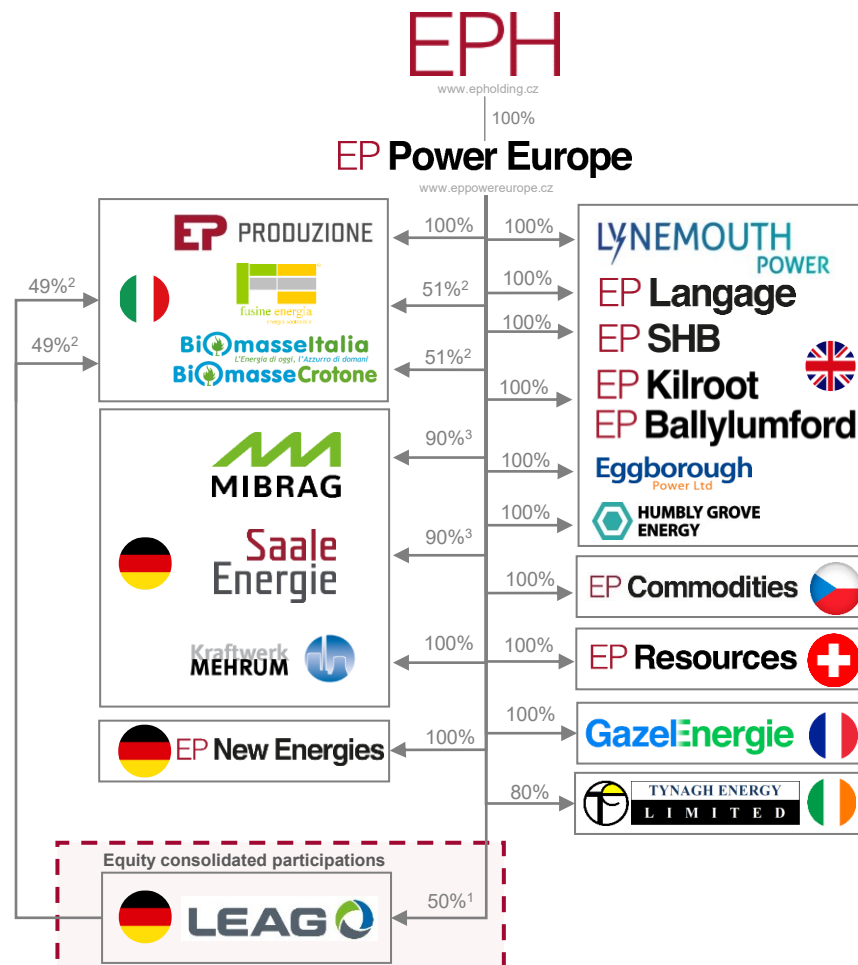
EPPE is a European energy utility, focusing mainly on the power generation from conventional and renewable sources

EPPE group overview

- ❑ **EP Power Europe (“EPPE”)** is a subsidiary of Energetický a průmyslový holding (“EPH”) and was founded in 2016 by grouping several European assets under one umbrella. EPPE has been gradually growing through new acquisitions and is headquartered in Prague, Czech Republic
- ❑ EPPE comprises electricity generation from both conventional and renewable sources (including related activities) mainly in **Italy, the UK, Ireland, Germany and France** and lignite mining in **Germany**
- ❑ Power, gas, carbon and other commodity positions within the Group are traded and secured through EP Commodities and EP Resources, the group trading companies
- ❑ EPPE operates and fully consolidates 11.5 GW of installed capacity, **which makes it one of the largest power producers in Europe**
- ❑ Approximately **60%** of the EPPE Group Pro Forma Adjusted EBITDA comes from contracted or regulated activities

Key figures

		2019	2018
Net power production	TWh	30.1	24.3
Total assets	€m	6,214	4,574
Consolidated sales	€m	5,106	3,969
Adjusted EBITDA	€m	442	334
Pro Forma Adjusted EBITDA	€m	474	334
Net Debt, excl. net loans and borrowings from EPH	€m	252	332
Pro Forma Net Leverage Ratio, excl. borrowings, net from EPH	multiple	0.5x	1.0x
Cash Conversion Ratio	%	68%	46%



1. 50% shareholding in LEAG was acquired in 2016 as a 50-50 consortium with PPF Investments

2. EPPE holds 75.5% stake in total (following the sale of 49% stake to LEAG)

3. EPPE holds 90% share in MIBRAG and Saale Energie; 10% is owned directly by EPH

❑ EPPE owns and operates a fleet of safe and controllable power generation and renewable assets

- ❑ EPPE owns operations across developed markets including the UK, Italy, Ireland, France and Germany with a focus on power generation and sophisticated renewable energy (biomass)
- ❑ Through a fleet of controllable power plants, EPPE provides security of supply as solar and wind renewables with their limited load factor can only partially cover the power demand
- ❑ Post conversion completion of Lynemouth to the biomass power plant, 60% of the EPPE Group Adjusted EBITDA comes from contracted or regulated activities (e.g. CFD contract in the UK, Green Energy subsidy and Must Run contract in Italy)

❑ Low leverage, strong and predictable cash-flow generation

- ❑ A substantial part of the profit and cash-flow is generated from regulated and contracted activities (see above)
- ❑ Post completion of the Lynemouth project, cash conversion is around 70%
- ❑ Diversified Adjusted EBITDA split mainly among developed markets of Italy, the UK, Ireland, France and Germany

❑ Low leverage and conservative funding strategy

- ❑ Conservative financing structure with current net external leverage of approx. 0.5x Pro Forma Adjusted EBITDA

❑ Focus on costs and assets optimization

- ❑ Strong and successful track-record of EPH/EPPE in costs and assets management and optimization of acquired assets (e.g. SPPI group, SSE, renegotiated LTSA in EPP, etc.)
- ❑ In most cases, EPH/EPPE has been able to improve the cost base by at least 10-20%

❑ Balanced and diversified fuel mix

- ❑ EPPE's power generation portfolio provides a balanced and diversified mix of thermal and biomass power plants and other renewable sources
- ❑ Favourable position in the merit order and/or strong market position of EPPE power generation assets in respective markets

❑ Strong position in international commodity markets

- ❑ Via its group trading arms, EP Commodities and EP Resources, EPPE has a significant presence in international power, gas, carbon and other commodity markets

❑ **An active participant in the power generation market transition**

- ❑ The current economic and political environment with almost no new construction of reliable baseload capacities and expected huge decommissioning of the existing ones will lead to a difficult and unsustainable situation on the power markets with potential capacity shortages in the future
- ❑ EPPE expects that markets will need to undergo fundamental changes (e.g. market consolidation, closure of loss-making excess capacities, the introduction of capacity market schemes, etc.) to re-establish stable and secure electricity supplies
- ❑ EPPE already plays an active role in this transition

❑ **Prudent and disciplined acquisition strategy**

- ❑ Long-term track-record of EPPE in prudent, conservative and disciplined acquisitions
- ❑ EPPE has been able to acquire critical generation assets substantially below their replacement values while meeting its strict investment criteria and has adopted an individual strategy for each market
- ❑ Acquisition in selected and predefined markets with a focus on:
 - ❑ power generation on markets where the capacity market was or will be shortly implemented, and
 - ❑ sophisticated renewables (biomass and biogas) and waste to energy, which currently represent a non-consolidated and fragmented market



















❑ **Responsible and environmentally sustainable operations**

- ❑ EPPE is committed to operating its portfolio responsibly to gradually reduce environmental footprint, meet interests of all key stakeholders and stands ready to meet its liabilities, particularly associated with future decommissioning and re-cultivations
- ❑ EPPE overview of operations and commitments to ESG area are included in the EPH Sustainability Report

❑ **Value-driven management team with a proven track record**

- ❑ EPPE is a very experienced operator of power generation assets (track-record since 2004 through its parent EPH) with a focus on costs and optimal dispatch profile
- ❑ A successful combination of EPPE experienced managers and management of acquired companies with a long-term track record of managing power generation assets
- ❑ Proven track record in spotting and extracting value and synergies

EP Power Europe consists of strategic power generation assets across several European markets

Country	Net installed capacity / fuel	Group Companies	Asset highlight	Business profile
 UK	0.4 GW biomass 2.9 GW in gas 0.5 GW in hard coal 2.6 TWh gas storage capacity	 EP Langage EP SHB EP Ballylumford EP Kilroot 	<ul style="list-style-type: none"> Completed biomass conversion project with UK government backed contract for difference until 2027 Highly efficient CCGTs with a leading position within the UK merit order Natural gas and hard coal assets in Northern Ireland Underground gas storage facility in Hampshire (acquired in 2020) 	<ul style="list-style-type: none"> Contract for difference / Contracted Merchant
 Italy	3.7 GW in gas ¹ 0.6 GW in hard coal 0.1 GW in biomass	  	<ul style="list-style-type: none"> Fleet of 5 modern gas-fired power plants in mainland Italy and Sicily and 1 coal-fired power plant in Sardinia 2 biomass plants with total capacity of 73 MW 	<ul style="list-style-type: none"> Merchant / must-run / ancillary services Contracted
 France	1.2 GW in hard coal 0.8 GW in gas 0.2 GW in biomass 0.1 GW in wind & solar		<ul style="list-style-type: none"> 2 CCGT plants and 1 hard coal plant in Saint-Avold 1 hard coal and one biomass plant in Gardanne 2 solar farms and several wind farms 	<ul style="list-style-type: none"> Merchant / ancillary services Contracted
 Ireland	0.4 GW in gas		<ul style="list-style-type: none"> A CCGT power plant located in County Galway 	<ul style="list-style-type: none"> Merchant / ancillary services
 Germany	17 – 19 mt annual lignite production 0.1 GW in lignite ³ 0.7 GW in hardcoal	   	<ul style="list-style-type: none"> Two lignite mines and two CHP² plants Lignite mine and Buschhaus power plant in strategic reserve since 2016 and ending the operation in 2020 Share in Schkopau power plant with contract until 2021 Highly efficient hard coal power plant 	<ul style="list-style-type: none"> Contracted / security reserve Merchant
Equity consolidated participations				
 Germany	7.6 GW in lignite 0.2 GW in gas	 ⁴	<ul style="list-style-type: none"> Four critical and dependable baseload power plants and associated lignite mines in Germany 	<ul style="list-style-type: none"> Merchant / ancillary services / heat co-generation

1. Does not include 407MW capacity of Scandale power plant that is equity consolidated

2. Combined heat and power plant

3. Does not include 400MW capacity of Schkopau power plant that is equity consolidated and 352MW of Buschhaus power plant capacity that is in a standby mode from 2016, with decommissioning by the end of 2020

4. EPPE owns 50% share in LEAG (indirectly)

ESG pillars and strategy

ESG matters are monitored and managed at the Group level



ENVIRONMENT

Our role

- ❑ EPPE has focused on low carbon intensive production and renewables rather than on traditional fossil fuel assets; this is supported by the fact that in 2019 only **17%** of the power produced in 2019 was generated by **hard-coal or lignite power plants**

Efficiency

- ❑ EPPE has been committed to enhance efficiency and is proud that in 2019 the **overall emission intensity** (CO₂ per MWh produced) **dropped by 12%** compared to the last year, which means that in 2019 the Group needed 61 tonnes of CO₂-eq less to produce 1 GWh than in 2018
- ❑ In 2019, the Group confirmed the trend from the previous years with regards to the intensity of other emissions (SO₂, NOx, dust) achieving a **decrease in SO₂ production by -16%** and **dust production by -40%**, while NOx remained stable, despite 24% higher power production
- ❑ Regarding **hazardous waste production**, EPPE reported in 2019 **more than 50% decrease** compared to 2018

Our Principles

- ❑ We aim to decrease our negative impact and to improve our positive imprint on the environment and to conduct our business activities in an environmentally-safe and responsible manner



GOVERNANCE

The governance of EPPE and its sub-holdings is based on a two-tier management structure comprising the Board of Directors and the Supervisory Board

- ✓ Promoting ethics
- ✓ Economic sustainability
- ✓ Risk management
- ✓ Progress on goals and commitments
- ✓ Responsible finance
- ✓ Responsible funding
- ✓ Regulatory compliance
- ✓ Efficient management



SOCIAL

Health and Safety

- ❑ EPPE did not report any fatal injury among employees or contractors between 2016 and 2019
- ❑ In terms of registered injuries of own employees the Group recorded a drop by 11 injuries or 37% in 2019 compared to 2018; similarly, in term of registered injuries of contractors the Group reported a 17% decline

Employees

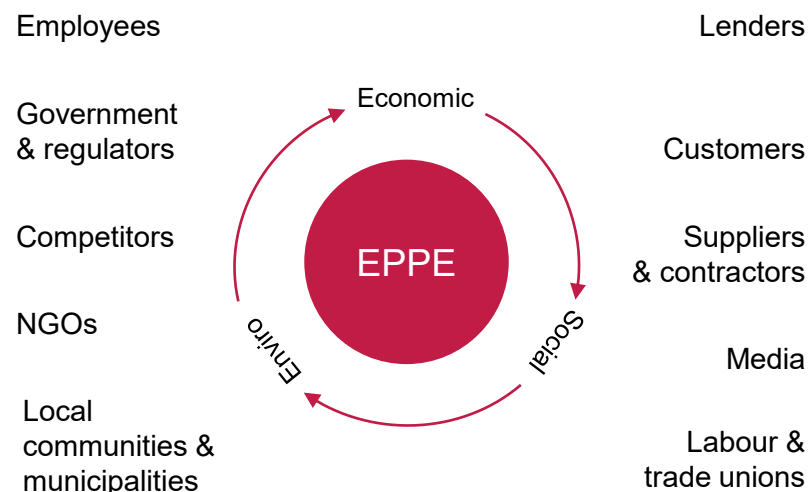
- ❑ Equal and fair treatment
- ❑ Healthy and safe working conditions
- ✓ EPPE Group is a proud employer of 140 employees with various disabilities
- ✓ 90% of employees is covered by numerous collective bargaining agreements
- ✓ 16% of employees are under 30 years, 36% between 30 and 50, and 42% are over 50

EPPE is committed to responsible operations of its entire portfolio (I/II)

EPPE approach to sustainability

- ❑ EPPE is fully committed to responsible operations of its entire portfolio while meeting the interests of the key stakeholders and stands ready to meet its liabilities including:
 - ❑ Reclamation of the mining sites, bolstering biodiversity and restoring both forest and agricultural land
 - ❑ Responsibility to its employees, emphasizing health and safety at work, as well as personal development
 - ❑ Active participation in the gradual transition to non-coal business, the steps taken by the EPPE Group have reduced CO₂ intensity by approx. 34% between 2016 and 2019
 - ❑ Adhering to all valid legal and environmental regulations
- ❑ 73% of the total installed capacity comes from either completely emission-free power plants, or plants with low carbon emissions
- ❑ EPPE is dedicated to meet strict environmental targets in operating of all its conventional capacities
- ❑ EPPE continuously invests in its plants and make use of innovative technologies gaining additional operational efficiencies while the Group stands ready to decommission technology that becomes obsolete
- ❑ The recent acquisitions focus on controllable renewables (e.g. biomass) with a very low CO₂ footprint

Key stakeholders of EPPE



EPPE is committed to responsible operations of its entire portfolio (II/II)

EPPE power and heat generation portfolio

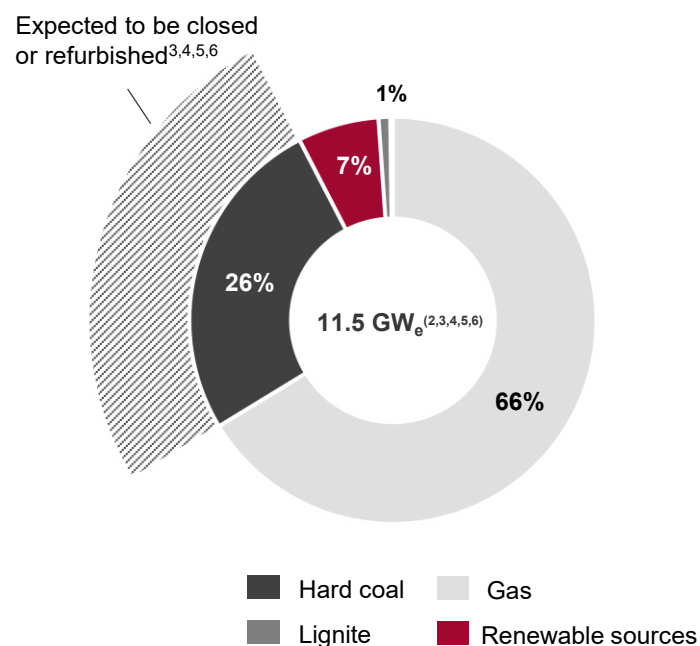
- ❑ EPPE portfolio and its strategic targets fully reflect the pro-active approach of EPPE to sustainability
- ❑ The focus on carbon-free and low carbon generation is demonstrated by the composition of the power plant fleet
- ❑ Controllable renewable energy sources such as biomass play a central role in EPPE sustainable generation strategy
- ❑ Lynemouth biomass conversion project in the UK (395 MW) and the acquisition of biomass plants in Italy (73 MW) follow this philosophy

Specific examples of realized initiatives

- ❑ **Lynemouth** is a power plant running on biomass, which was converted from hard coal. The conversion helped to significantly reduce SOx and NOx emissions and saves approximately 2.7 million tons of CO₂-eq emissions
- ❑ **Eggborough** power plant was decommissioned in 2018, which helped to save 11.5 million tons of CO₂-eq emissions (compared to baseload operations in 2013). There are several site development projects, especially new build CCGT project (<http://www.eggboroughccgt.co.uk>)
- ❑ **Buschhaus** power plant (352 MW) in Helmstedter Revier was transferred into security stand-by mechanism in Q4/2016 and will be finally decommissioned in 2020. Compared to previous years, this measure avoided CO₂ emissions in the range of 2.5 mt annually
- ❑ Decommissioning of **Mumsdorf** power plant in Germany led to an annual saving of about 800 ths. tons of CO₂-eq emissions
- ❑ Decommissioning of 2 older oil units (Unit 1 and Unit 2) in **Fiume Santo**

Consolidated generation capacity and future¹

- ❑ Total installed generation capacity equals 11.5 GW of which approx. 3.0 GW of coal-fired power plants expected to be either switched off or refurbished to a more environmentally friendly fuel source in near or not too distant future



1. Operating data for year 2019 are presented consistent with IFRS consolidation scope, excluding equity consolidated companies such as LEAG
2. Installed capacity excluding capacity of Buschhaus power plant (0.4 GW in capacity standby mode from 2016, with decommissioning by the end of 2020)
3. Based on the publicly available information French's government plans to close all hard coal-fired power plants by 2022. EPPE operates in France 1.2 GW hard coal-fired power plants which are expected to be brought offline by then
4. Italian government plans to close all hard coal-fired power plants by 2025. As such, EPPE assumes that if feasible from the stability network and regulatory perspective its 0.6 GW hard coal-fired plant in Sardinia will be refurbished to other source of fuel by then
5. German government expects to close hard-coal power plants by way of tendering capacity volumes to be taken offline latest by 2027. Under this scenario, EPPE's power plant Mehrum (0.7 GW) is expected to be taken offline by then
6. Having secured a 10-year capacity market contract for a new open cycle gas turbine (OCGT) at Kilroot, the Group is currently assessing the replacement of its UK hard-coal operations to OCGT technology. Assuming this is feasible from both a regulatory and an economic perspective, it is expected that hard-coal operations (0.5 GW) will cease by the end of 2023

Appendices



Appendix 1: Overview of key EPPE assets

Key subsidiaries	Description	Ownership ¹
Biomasse Italia & Crotone, Fusine	❑ Modern biomass plants in Italy	100%
EP Ballylumford & EP Kilroot	❑ Coal, CCGT and OCGT plants in Northern Ireland	100%
EP Commodities	❑ Group trading arm with a significant presence in European markets	100%
EP France	❑ 2 coal plants, 2 CCGTs, 1 biomass plant, solar and wind assets in France	100%
EP Produzione	❑ Owner and operator of gas and coal-fired generation assets in Italy	100%
EP Resources	❑ Trading company located in Switzerland	100%
Helmstedter Revier - Buschhaus	❑ Lignite power plant Buschhaus in Germany (currently in security stand-by and ends its operations in 2020)	100%
Humbly Grove Energy Ltd.	❑ Underground gas storage facility in Hampshire, UK	100%
Kraftwerk Mehrum	❑ Efficient hard coal plant in the north of Germany	100%
Langage & South Humber Bank	❑ CCGTs in the UK	100%
Lynemouth Power	❑ 100% biomass plant in the UK	100%
MIBRAG	❑ Lignite miner in Germany, operating 2 lignite mines and 2 cogeneration power plants	90% ²
Saale Energie	❑ Owns 41.9% share in lignite power plant Schkopau in Germany	90% ²
Tynagh Energy Ltd.	❑ CCGT Power plant in Ireland	80%
<u>Equity consolidated participations</u>		
LEAG	❑ Portfolio of 4 lignite power plants and 4 lignite mines in Germany	50%

1. Direct and indirect

2. EPPE holds 90% share in MIBRAG and Saale Energie; 10% is owned directly by EPH

Appendix 2: Adjusted EBITDA and Pro Forma Adjusted EBITDA calculation

€m	2019	2018
EBITDA ¹	427	327
Change in provisions, net ¹	23	(10)
Impairment charges ¹	(8)	17
Adjusted EBITDA	442	334
Pro-forma adjustments ²	32	-
Pro Forma Adjusted EBITDA	474	334

1. As per 2019 and 2018 audited IFRS consolidated annual report

2. Pro-forma adjustments represent pre-acquisition 2019 EBITDA generated by the assets acquired by EPPE in 2019

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