



**TAURON Group's  
Q1 2019  
Financial Results**

May 28, 2019

# Agenda



**Filip Grzegorzczak**  
CEO

- Key financial and operating data
- Highlights
- Investment projects and CAPEX



**Marek Wadowski**  
CFO

- Macroeconomic and market situation
- Financial data and the results of individual segments
- Debt and financing

# Key Q1 2019 data



Financial results		
[PLN m]	Q1 2019 vs Q1 2018	
Sales revenue	<b>5 313</b>	<b>15%</b>
EBITDA	<b>1 212</b>	<b>(9)%</b>
Net profit*	<b>524</b>	<b>(18)%</b>
CAPEX	<b>727</b>	<b>20%</b>
Net debt/EBITDA	<b>2.74x</b>	<b>up 0.2x</b> <i>(vs 31.12.2018)</i>

Operating data		
	Q1 2019 vs Q1 2018	
Electricity distribution [TWh]	<b>13.54</b>	<b>1%</b>
Electricity production [TWh]	<b>3.82</b>	<b>(3)%</b>
Heat generation [PJ]	<b>4.76</b>	<b>(16)%</b>
Retail electricity supply [TWh]	<b>8.93</b>	<b>(4)%</b>
Commercial coal production [ton m]	<b>1.26</b>	<b>(11)%</b>

\* Attributable to the shareholders of the parent company

# Highlights Summary



**January 10**

Launching of the first stationary electric vehicles charging station in cooperation with KGHM

**Q1**

Connecting to the power grid of almost 2.5 thousand renewable energy sources with the total capacity of approximately 35 MW (above 100 percent growth rate y/y)

**April 17**

Affirming by Fitch Ratings of the BBB long term ratings in the domestic and foreign currency with a stable outlook and granting the hybrid bonds of the BB+ rating in the domestic and foreign currency and the BBB+ domestic rating

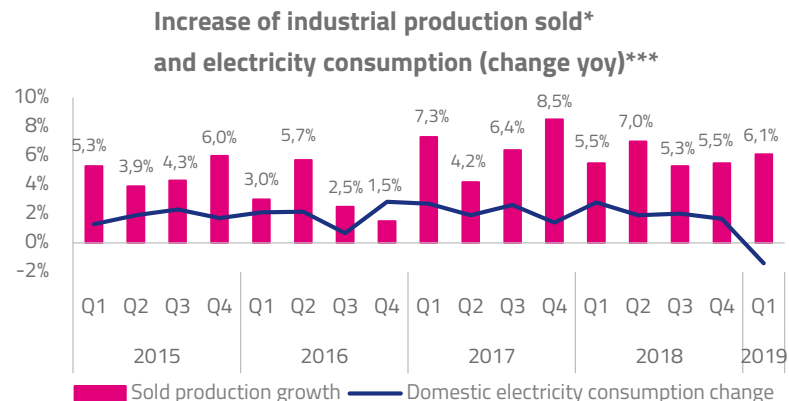
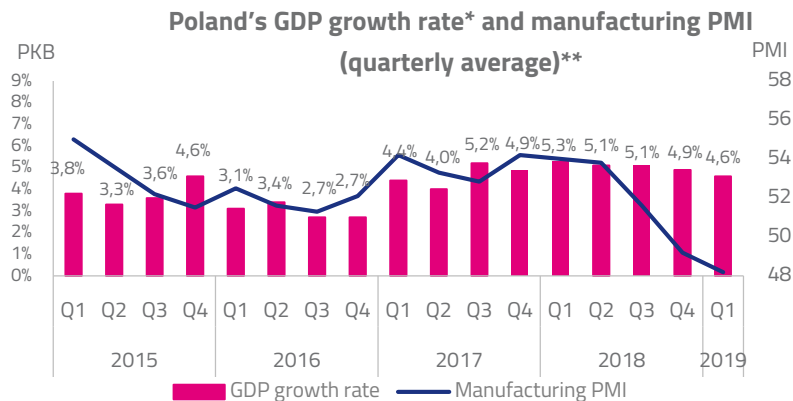
**April**

Commencement of regular hard coal shipments to the 910 MW power generating unit at Jaworzno

**May 8**

Ordinary General Meeting of TAURON Polska Energia S.A.

# Macroeconomic and market situation



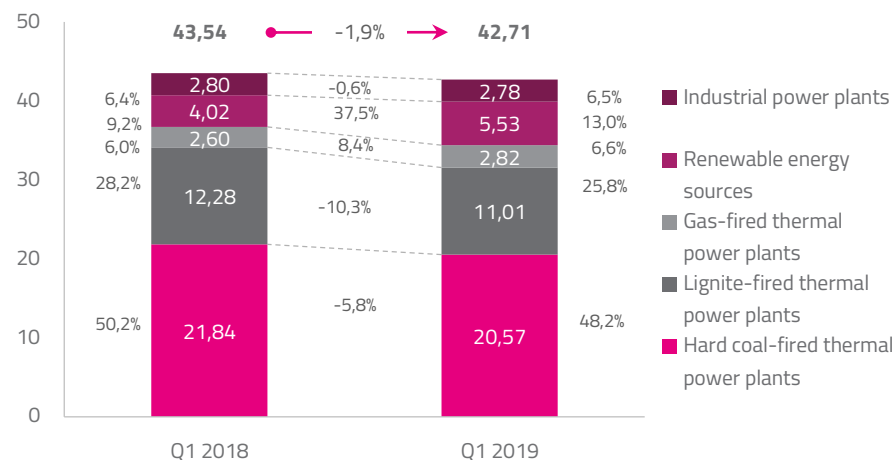
## Electricity prices under one-year BASE contracts

	Average price [PLN/MWh]	Volume [GWh]
Y-13	191,60	108 861
Y-14	160,40	142 841
Y-15	168,11	146 932
Y-16	166,47	147 923
Y-17	160,27	76 729
Y-18	165,98	65 227
Y-19	237,44	133 170
Y-20	261,14	45 123
Y-21	260,73	3 609

Average electricity sales prices on the competitive market (acc. to ERO):

- 2014: 163.58 PLN/MWh
- 2015: 169.99 PLN/MWh
- 2016: 169.70 PLN/MWh
- 2017: 163.70 PLN/MWh
- 2018: 194.30 PLN/MWh
- 2019: 250.00 PLN/MWh (estimate)

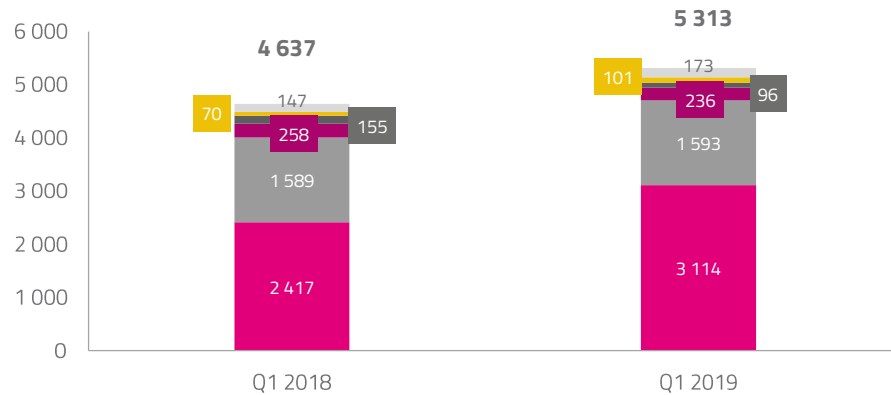
## Structure of electricity production in Poland\*\*\* [TWh]



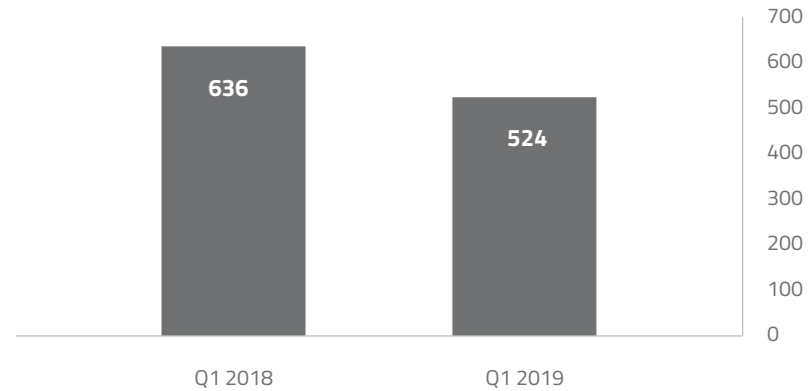
# Q1 2019 financial data



Sales revenue [PLN m]

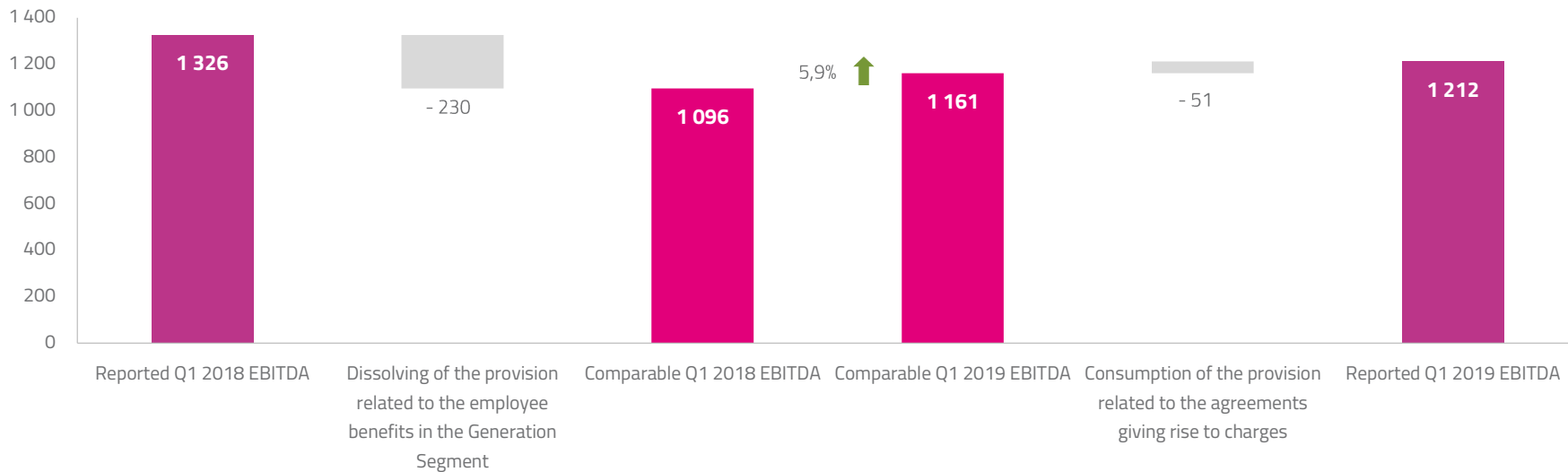


Net profit attributable to the parent company's shareholders [PLN m]



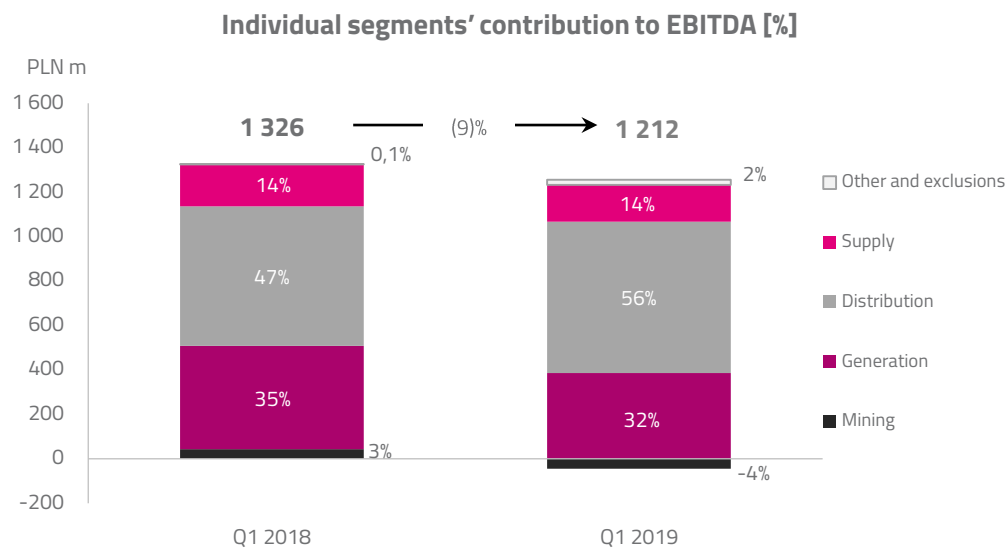
■ Electricity ■ Distribution and trading services ■ Heat ■ Hard coal ■ Gas ■ Other revenue

Q1 2019 EBITDA vs Q1 2018 EBITDA [PLN m]



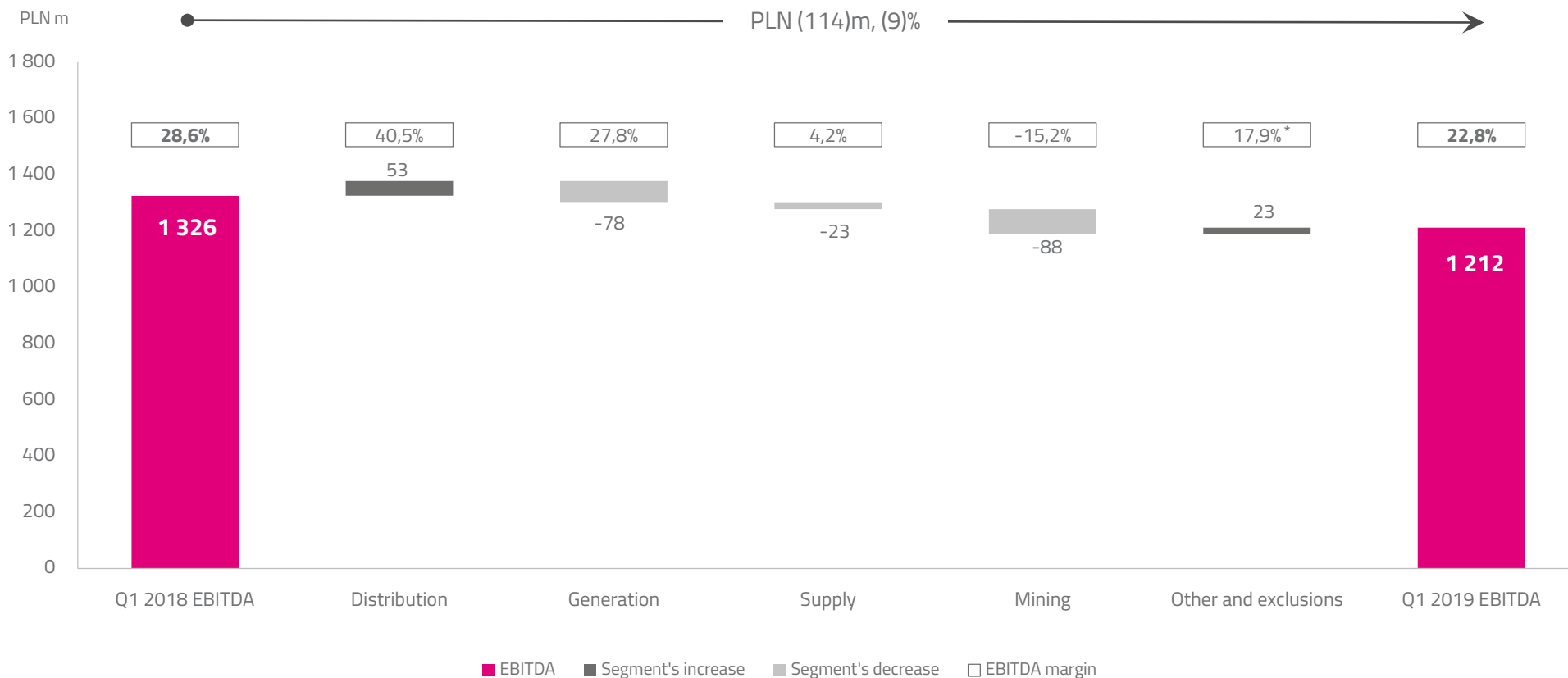
# Individual segments' Q1 2018 results

[PLN m]	Distribution	Generation	Supply	Mining	Other and exclusions*
Revenue	1 681	1 389	3 911	292	(1 961)
EBITDA	681	387	165	(44)	24
EBIT	387	280	155	(96)	1
CAPEX	351	236	4	119	17



\* Items not included in the segments presented

# Q1 2019 EBITDA



\*Other operations segment's EBITDA margin



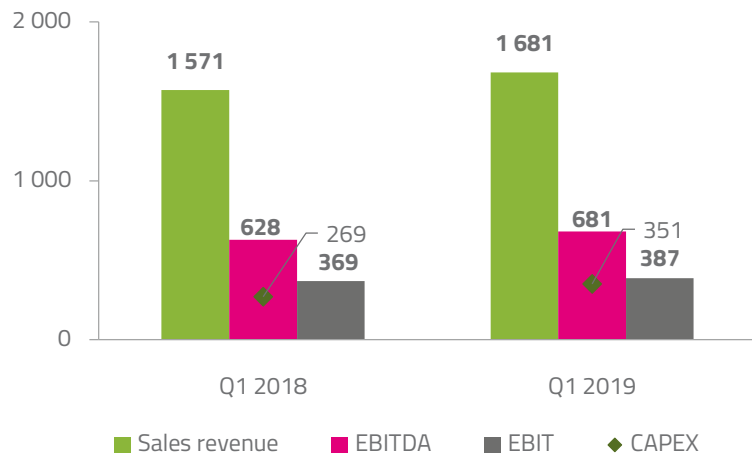


## Distribution Segment

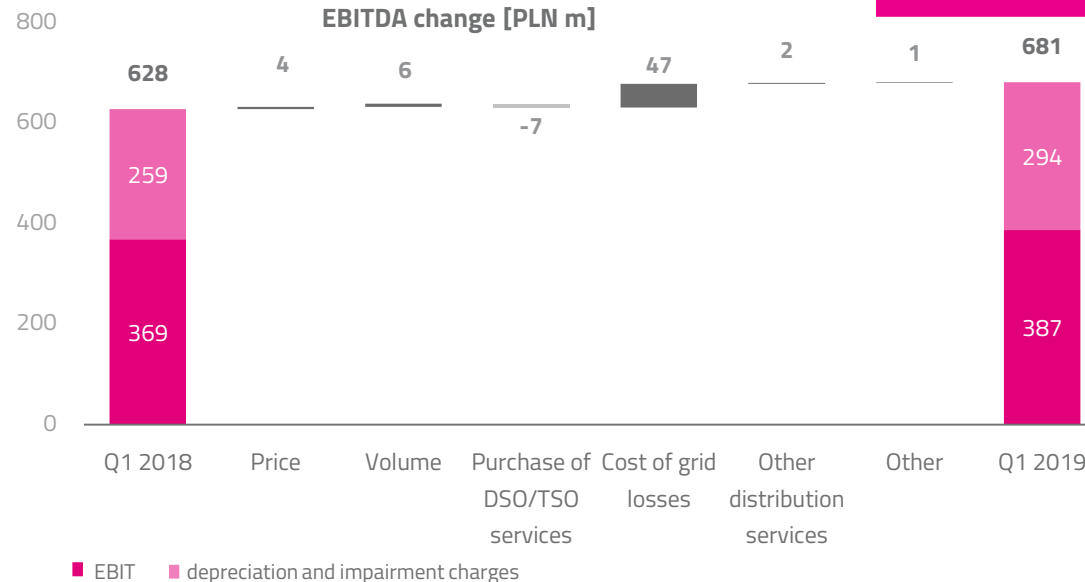
# Distribution Segment – Q1 2019



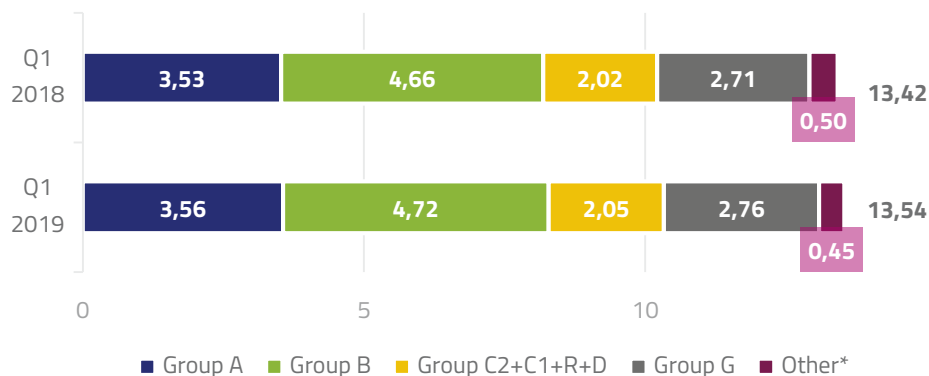
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



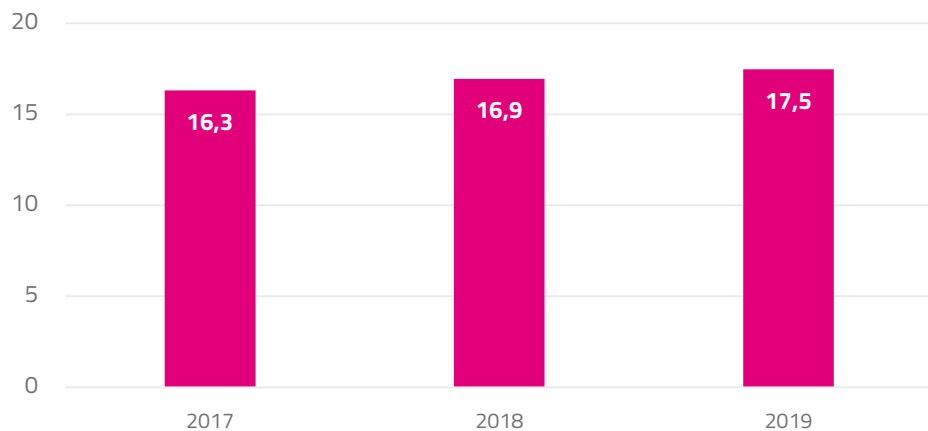
- Increase of electricity services sales volume by 121 GWh ✓
- Lower balancing difference costs ✓
- Delay of the 2019 distribution tariff's approval by the President of ERO -

\* Neighboring DSOs and exports

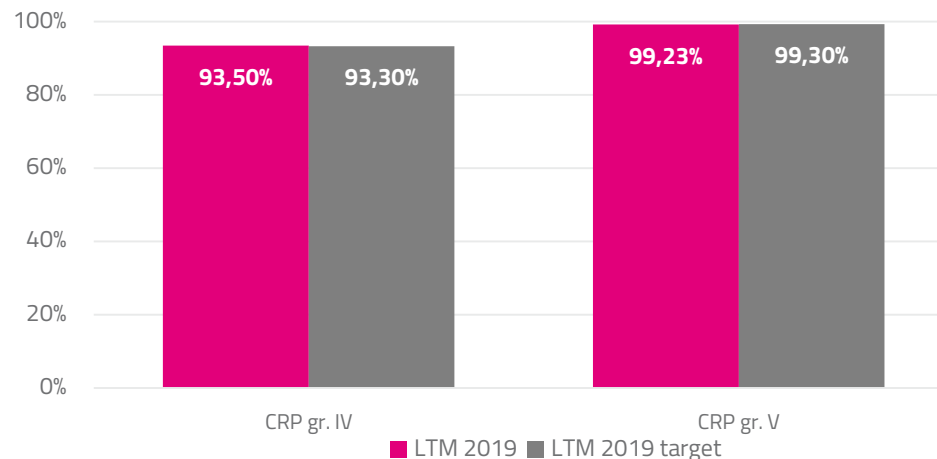
# Distribution Segment – key parameters



Regulatory Asset Base [PLN bn]

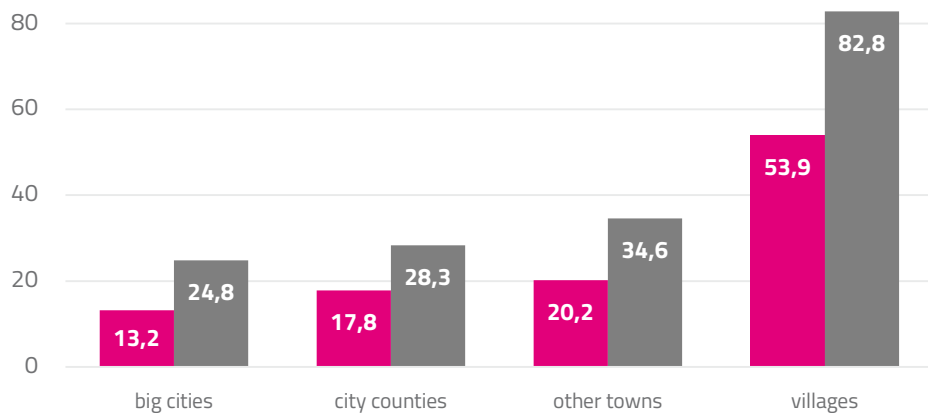


Customer Connection Time [%]



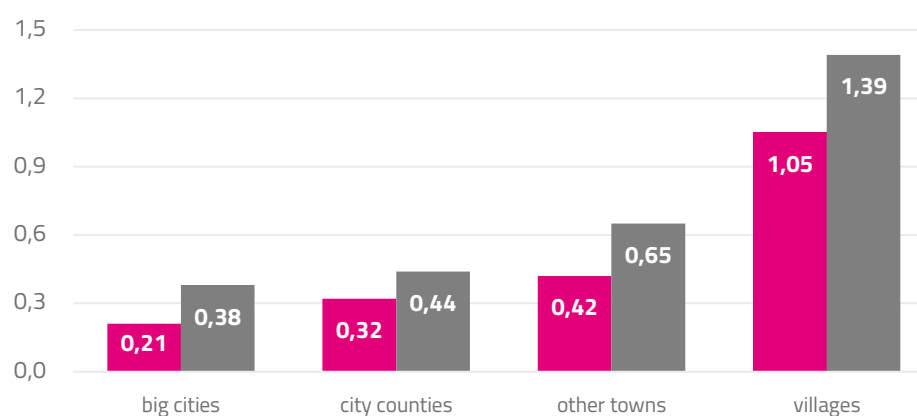
LTM – last 12 months' period ending on March 31, 2019

Interruption Duration Time [min/consumer]



■ Q1 2019 ■ Q1 2019 target

Frequency of Interruptions [no. of interruptions/ consumer]



■ Q1 2019 ■ Q1 2019 target

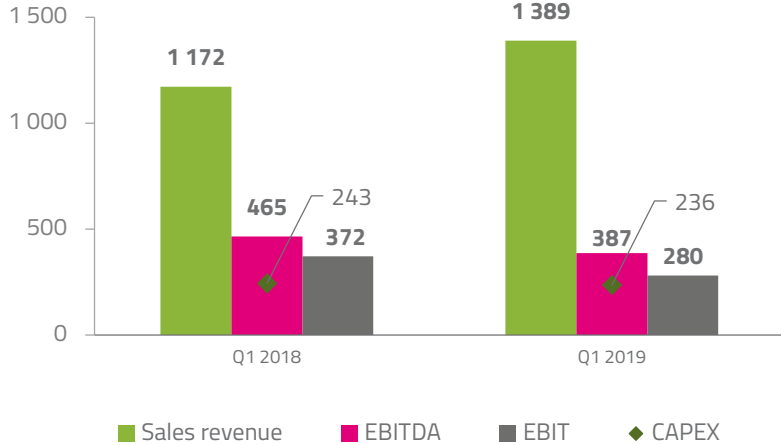


## Generation Segment

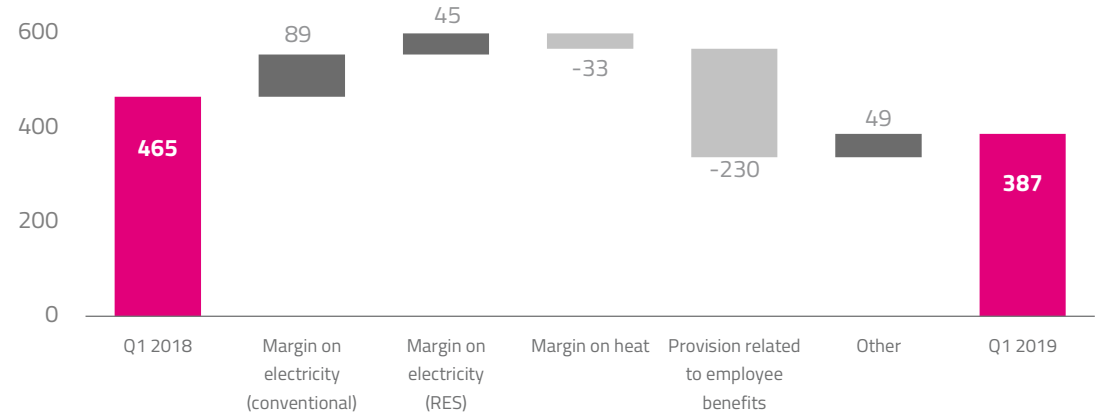
# Generation Segment – Q1 2019



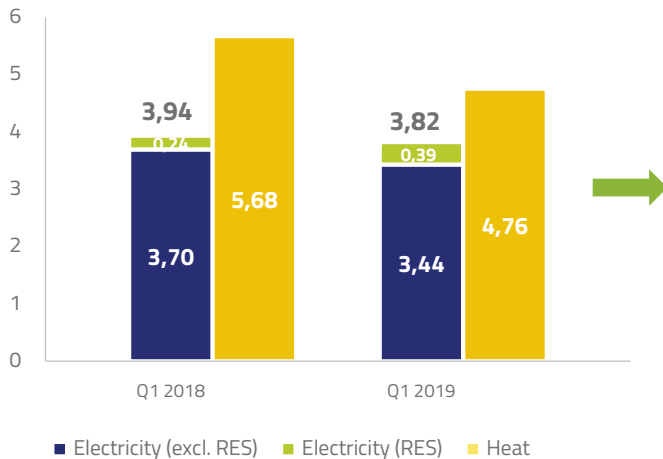
Financial data [PLN m]



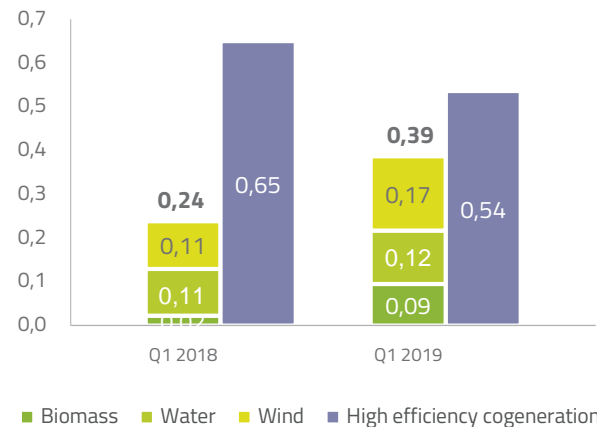
EBITDA change [PLN m]



Gross production of electricity [TWh] and heat [PJ]



RES and high efficiency cogeneration production [TWh]



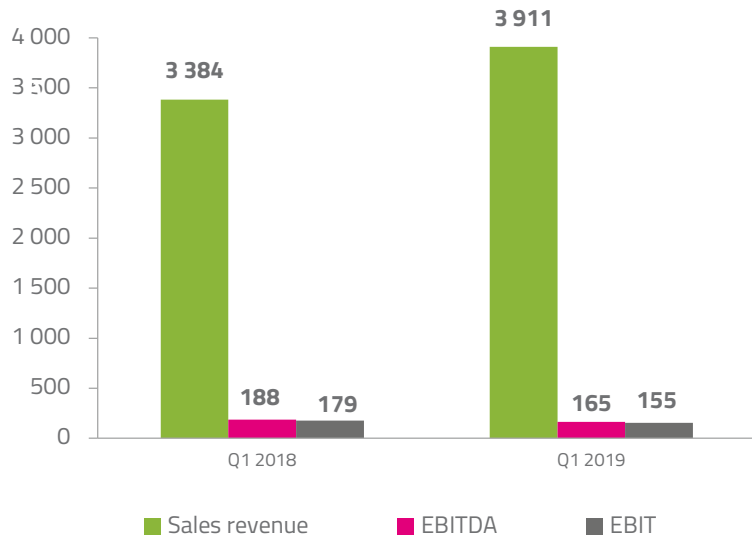
- Higher electricity prices ✓
- Higher electricity production volume by hydroelectric power plants and wind farms ✓
- Increase of the prices of fuels and CO<sub>2</sub> emission allowances -
- Higher temperatures y/y, lower heat production and partial passing on the increase of the prices of fuels and CO<sub>2</sub> in the heat tariffs -



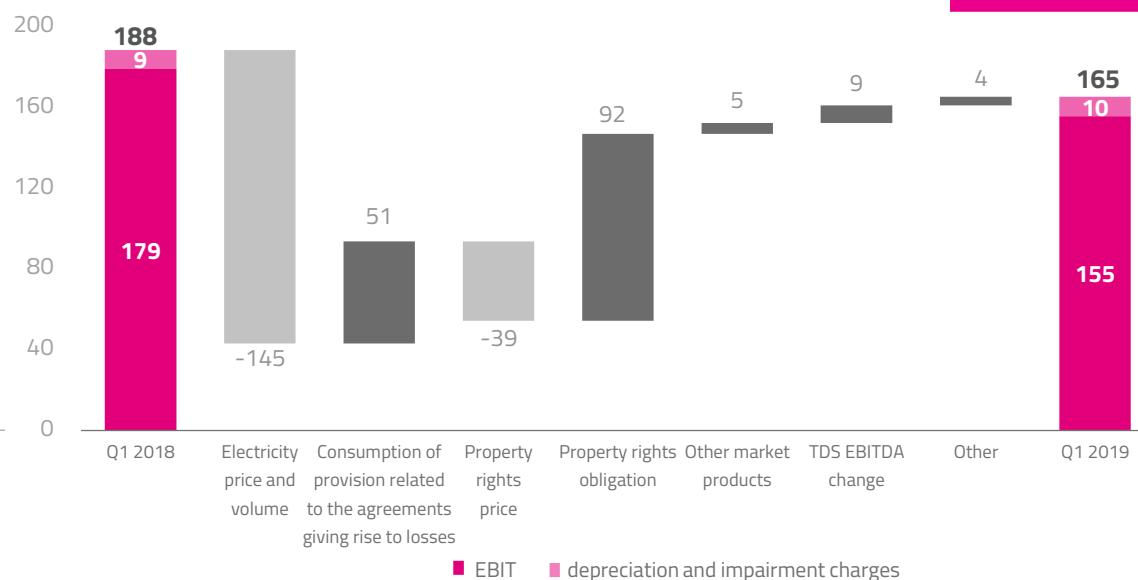
## Supply Segment

# Supply Segment – Q1 2019

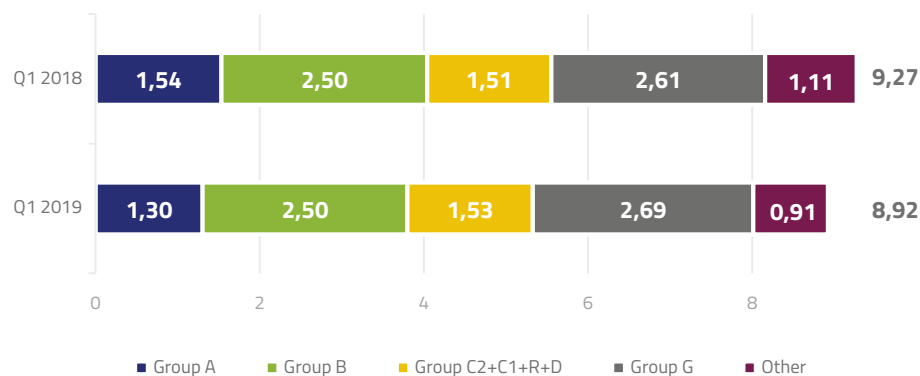
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



• Increase of electricity and PMOZE purchase prices



• Positive impact of the lack of the obligation to redeem certificates of origin of electricity produced in cogeneration



• Dissolving of the provision related to the agreements giving rise to charges and lower costs of the excise tax

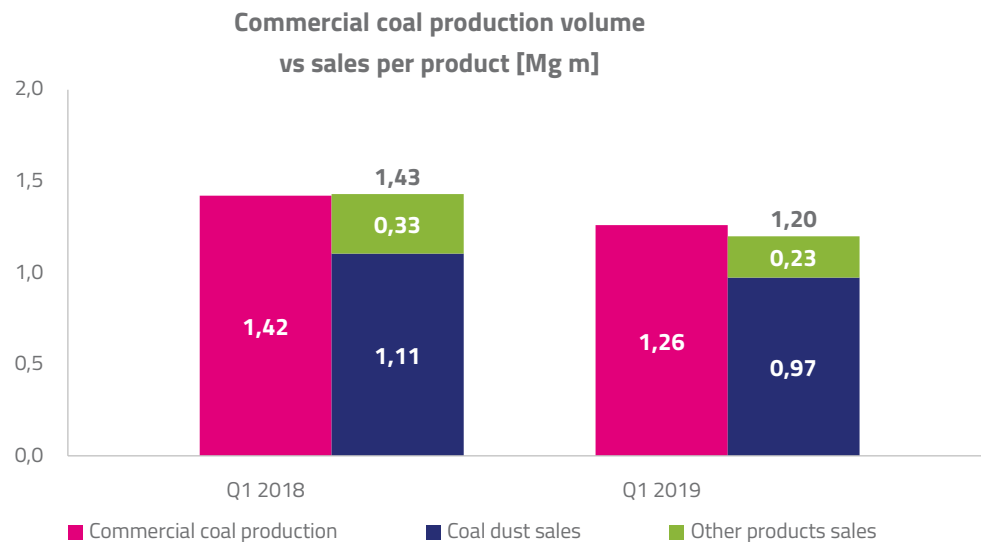
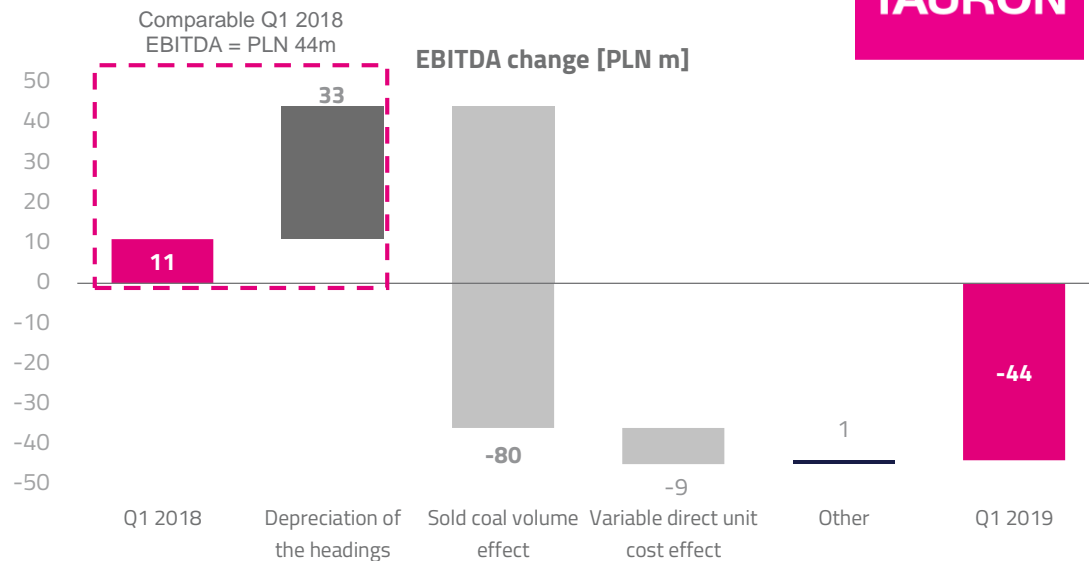
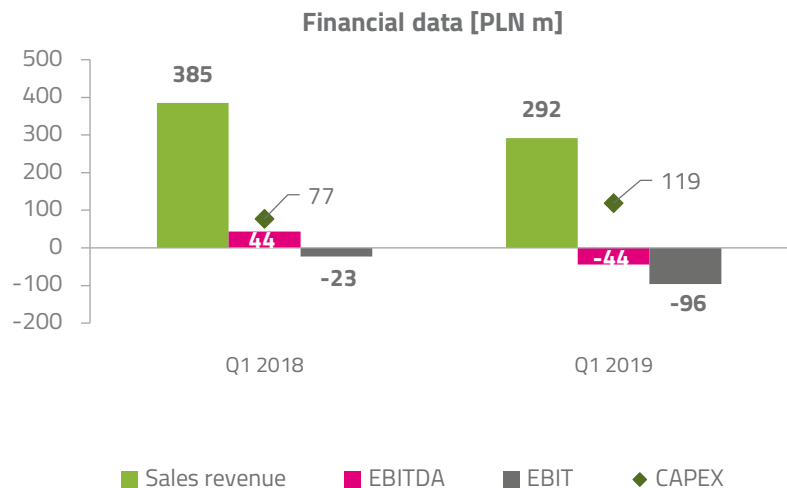




## Mining Segment



# Mining Segment – Q1 2019

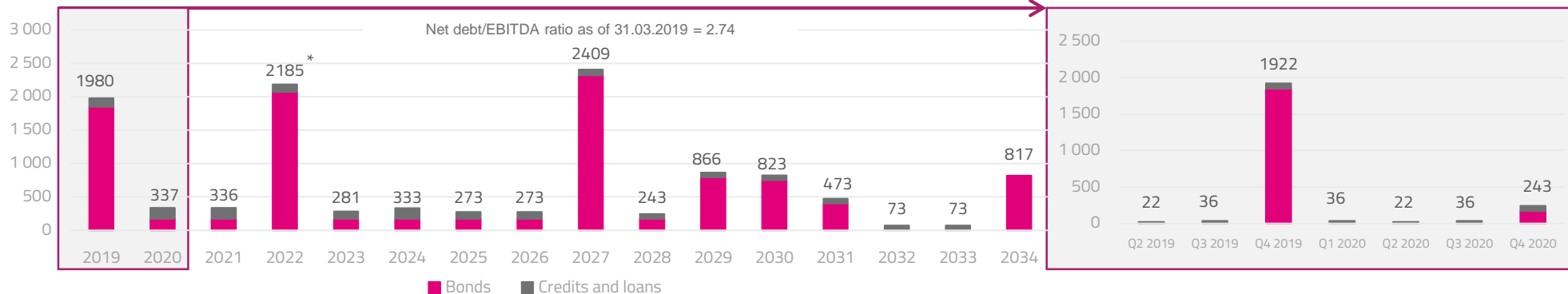


- Lower volume of coal sold
- Higher unit costs of purchasing services and electricity
- 31 PLN/Mg higher unit mining cash cost\* (up from 180 PLN/Mg to 211 PLN/Mg)

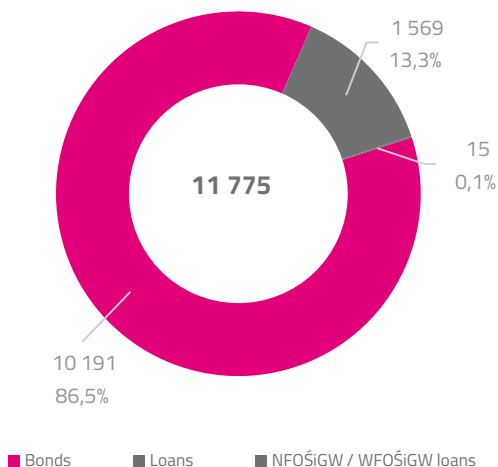
\* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

# Debt and financing

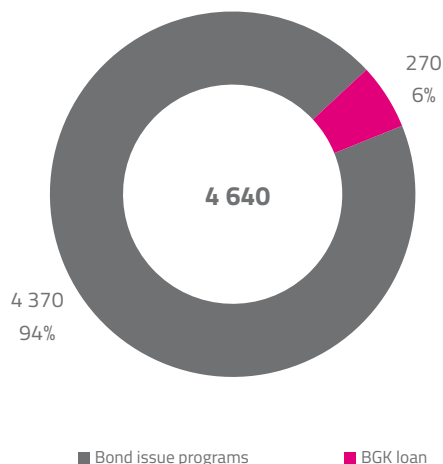
TAURON Group's nominal debt maturity as of 31.03.2019 [PLN m]



TAURON Group's nominal debt structure as of 31.03.2019 [PLN m]



Amounts of financing available to TAURON Group as of 31.03.2019 [PLN m]



Debt structure by interest rate [PLN m]








Debt amount	Interest rate	Collateral floating interest rate
11 775	Floating: 6 495	IRS: 2 100
	Fixed: 5 280	None: 4 395

- Financial debt (nominal value of debt due to bonds, credits and loans) as of 31.03.2019 amounted to: PLN 11 775m
- Weighted average maturity of debt as of 31.03.2019 is 81 months (assuming bonds rollover until 2022)
- EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 31% of the total debt

\* Assuming all bonds issued as part of the Bond Issue Program are rolled over until the end of the funds availability period, i.e. until 2022

\*\* TAURON Group is also using overdraft facilities with the maximum available limits of PLN 300m and EUR 45m

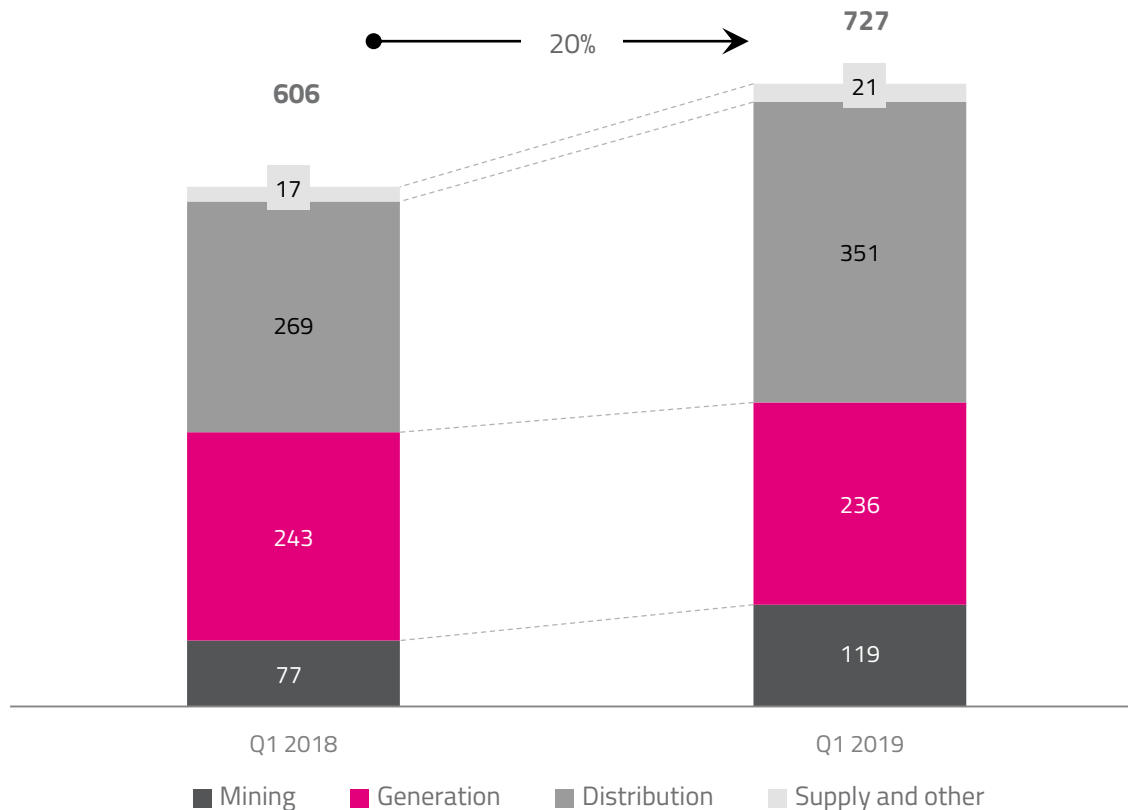
# CAPEX – work progress on the key projects

Investment project	Capacity (MW <sub>e</sub> )	Capacity (MW <sub>t</sub> )	Work progress (percentage)	Planned completion date
Construction of the hard coal-fired unit in Jaworzno	910	-	90	 2019
Construction of the CCGT unit at Stalowa Wola Combined Heat and Power Plant	450	240	86	 2020
Construction of the 800m level at Janina Coal Mine	-	-	65	 2021
Construction of the Grzegorz shaft at Sobieski Coal Mine	-	-	37	 2023
CAPEX program at Brzeszcze Coal Mine	-	-	47	 2025
Implementing heat production at Łagisza Power Plant by modernizing the 460 MW turbine, construction of the heating station, as well as the peaking and back-up (auxiliary) boilers	-	150+144	22	 2019
Adapting the generating units to the BAT conclusions	-	-	3	 2021

# Capex – by segments



Capital expenditures by segments [PLN m]  
(excluding equity investments\*)



## Key investment projects implemented in Q1 2019

### Mining:

- Construction of the Grzegorz shaft at Sobieski Coal Mine (PLN 42m)
- Production preparation (PLN 34m)
- Brzeszcze Coal Mine's CAPEX program (PLN 19m)
- Construction of the 800 m level at Janina Coal Mine (PLN 8m)

### Generation:

- Construction of the 910 MW unit in Jaworzno (PLN 141m)
- Replacement and refurbishment related outlays as well as overhaul components (PLN 32m)
- Connections of new sites (facilities) (PLN 5m)
- Maintenance and expansion of district heating networks (PLN 4m)

### Distribution:

- Grid assets upgrades (refurbishments) and replacements (PLN 199m)
- Construction of new connections (PLN 126m)
- Outlays on IT, buildings and structures as well as means of transportation (PLN 24m)

\*Expenditures including equity investments, excluding financial costs, reached: approx. PLN 571m in Q1 2018 and PLN 690m in Q1 2019

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Trigon Dom Maklerski	<b>Michał Kozak</b>

# Electricity market price trends

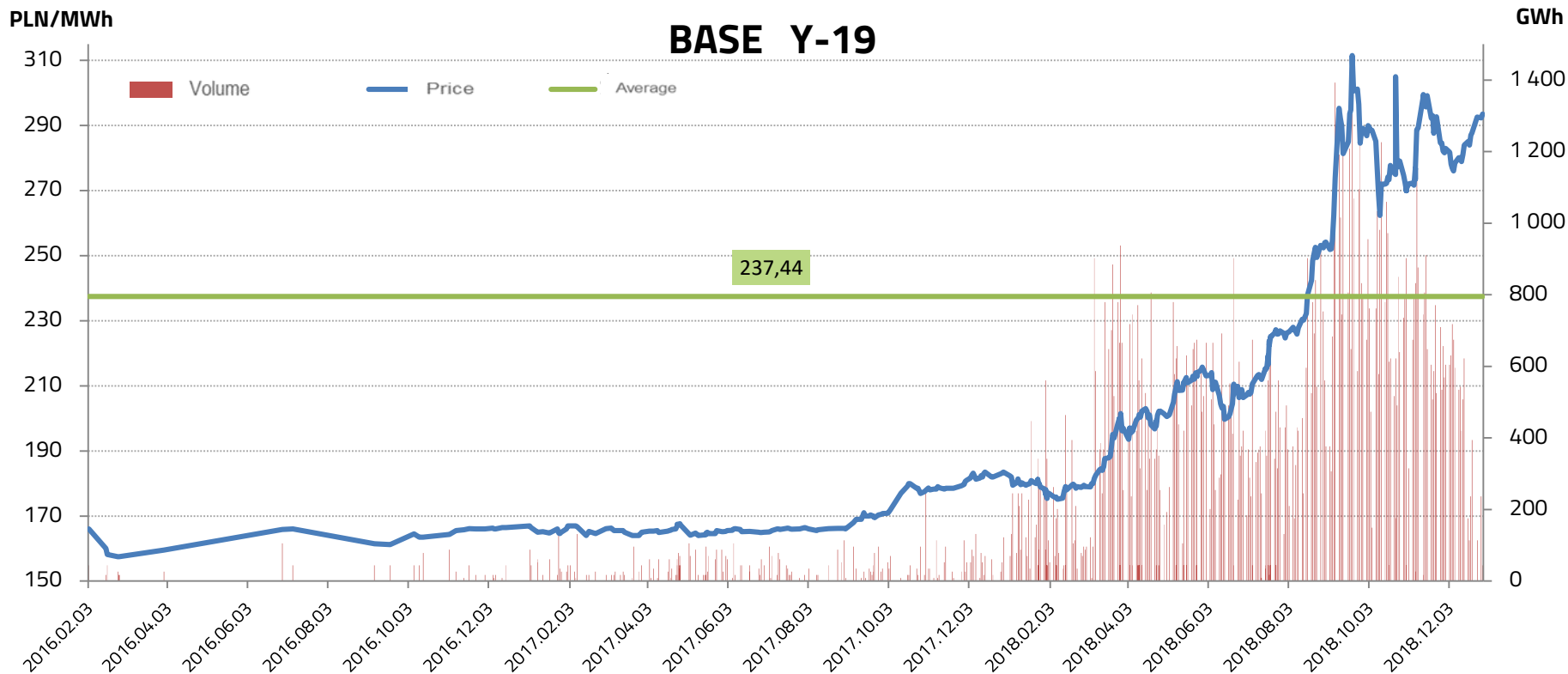
Electricity						
Platforms: TGE, TFS	2018		2019 (prices until April 24, 2019 and estimation)		2019/2018	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	182.85	103 370	239.66	156 348	31.1%	51.3%
Forward PEAK (Y+Q+M)	228.27	11 058	339.22	12 856	48.6%	16.3%
Forward (weighted average)	187.24	114 427	246.89	169 203	31.9%	47.9%
SPOT (TGE)	224.73	27 645	258.17**	27 000	14.9%	-2.3%
Weighted average total	<b>194.53</b>	<b>142 073</b>	<b>248.44</b>	<b>196 203</b>	<b>27.7%</b>	<b>38.1%</b>

Property rights (PLN/MWh)			
Certificate type	Market prices (Q1 2019 average)	Substitution fee and obligation for:	
		2018	2019
RES (PMOZE_A)	117.64	48.53 (17.5%)	129.78 (18,5%)
RES from biogas plants (PMOZE_BIO)	300.56	300.03 (0.5%)	300.03 (0,5%)
Coal-fired cogeneration (PMEC-2018)	8.68	9.00 (23.2%)	
Gas-fired cogeneration (PMGM-2018)	109.58	115.00 (8.0%)	
Methane-fired cogeneration (PMMET-2018)	55.21	56.00 (2.3%)	

CO <sub>2</sub> emission allowances (EUR/t)	
CO <sub>2</sub> market analysts survey* (updated in April 2019)	Price (EUR/t)
2018 average	15.96 EUR/t
2019 average	25.5 EUR/t
2020 average	28 EUR/t
2019 average price forecast by TAURON	23-29 EUR/t



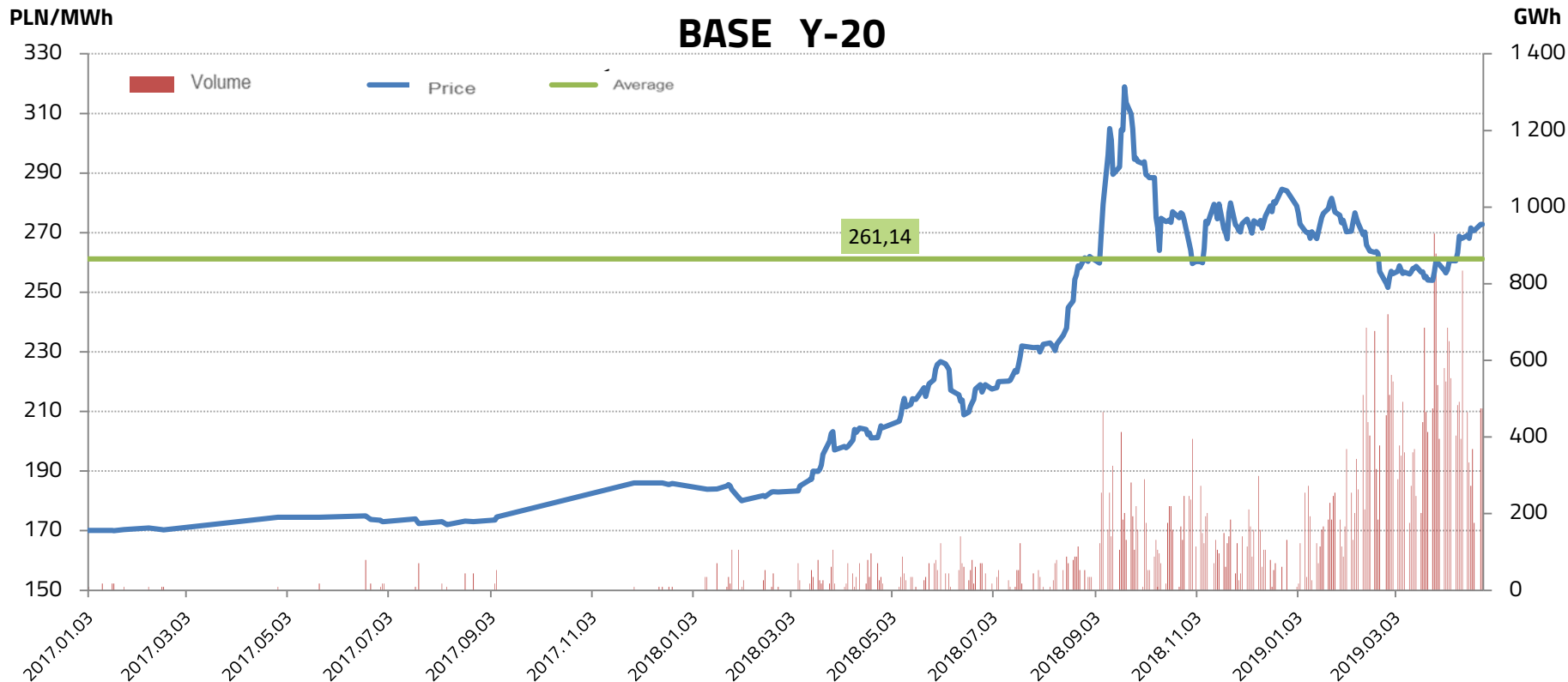
# 2019 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		237.44	133 170
including	TGE (PPX)	238.36	129 674
	non-TGE (PPX)	203.20	3 495

Average electricity price that takes into account 2019 one year BASE and PEAK contracts: 244.92 PLN/MWh, total 2019 BASE and PEAK contracts volume: 143 508 GWh

# 2020 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		261.14	45 123
including	TGE (PPX)	261.19	45 088
	non-TGE (PPX)	208.19	35

Average electricity price that takes into account 2020 one year BASE and PEAK contracts: 267.01 PLN/MWh, total 2020 BASE and PEAK contracts volume: 48 677 GWh

# 2021 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		260.73	3 609
including	TGE (PPX)	260.73	3 609
	non-TGE (PPX)		0

Average electricity price that takes into account 2021 one year BASE and PEAK contracts: 264.54 PLN/MWh, total 2021 BASE and PEAK contracts volume: 3 807 GWh

Thank you for your attention