



TAURON Group's Q3 2015

Financial Results

November 12, 2015

Q1-Q3 2015 key financial parameters



TAURON Group's Q1-Q3 2015 results

[PLN m]

Sales revenue	13 634	(-0.6% yoy)
EBITDA	2 841	(-2.9% yoy)
Net profit	1 079	(2.5% yoy)
CAPEX	2 779	(38.2% yoy)
Net debt/EBITDA	1.97x	(up 0.24 yoy)

Key segments' Q1-Q3 2015 results

[PLN m]	Distribution	Supply	Generation	Mining
Segment's revenue	4 793	11 813	3 911	875
EBITDA	1 839	452	564	(23)
EBIT	1 107	444	130	(108)
CAPEX	1 134	3	1 409	178

Q3 2015 key financial parameters



TAURON Group's Q3 2015 results

[PLN m]

Sales revenue	4 378	(-0.8% yoy)
EBITDA	933	(1.4% yoy)
Net profit	359	(12.4% yoy)
CAPEX	1 008	(32.6% yoy)
Net debt/EBITDA	1.97x	(up 0.24 yoy)

Key segments' Q3 2015 results

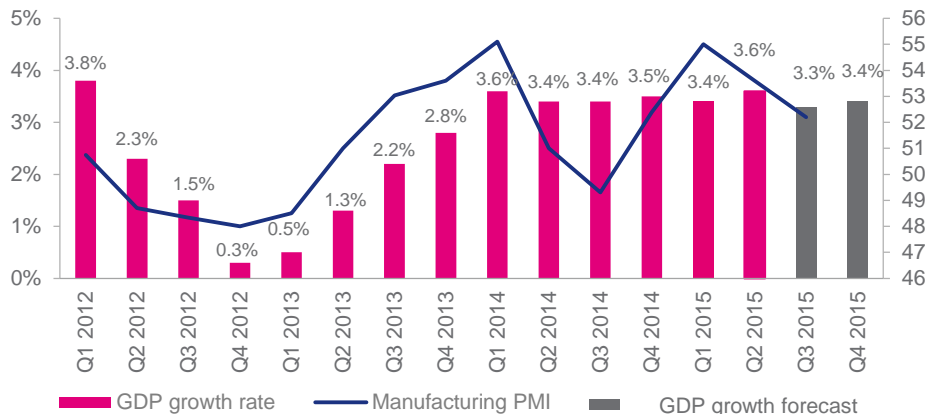
[PLN m]	Distribution	Supply	Generation	Mining
Segment's revenue	1 565	3 719	1 164	333
EBITDA	597	117	98	135
EBIT	348	114	(51)	107
CAPEX	437	1	523	31

Highlights summary

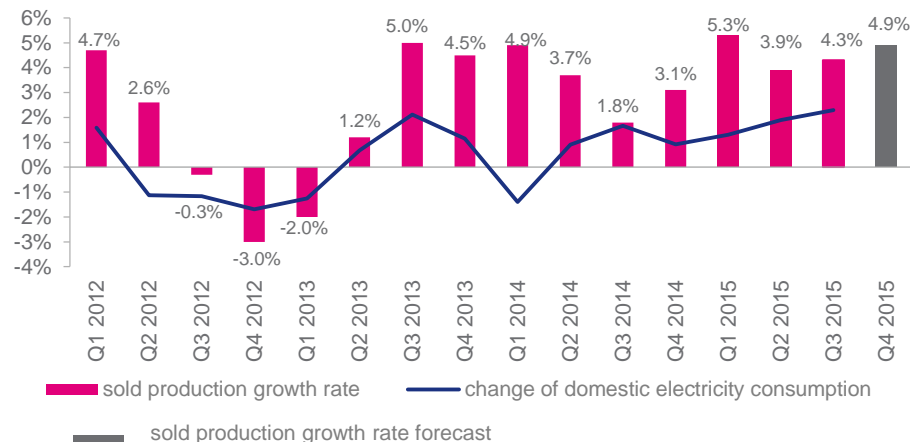
July 10	Signature of an amendment to the agreement with Bank Gospodarstwa Krajowego on increasing the value of the bond issue program by PLN 700m. Current total value of the program: PLN 1.7bn
July 13	Signature of the agreement with the Polish Investments for Development on the construction of a 413 MW _e CCGT unit at Łagisza Power Plant
July 17	Fitch affirms TAURON's "BBB" ratings with a stable outlook
August 12	Payout of the dividend of PLN 262.9m. PLN 0.15 per share
October 1 and 10	Appointment of the following Members of the Management Board: Jerzy Kurella, Michał Gramatyka, Henryk Borczyk, Anna Striżyk and Piotr Kołodziej
October 13	Convening of the Extraordinary Meeting of Shareholders to consider the issuance of 80 million new shares worth PLN 400m
October 19	Conclusion of the preliminary contingent agreement to purchase a part of Brzeszcze Coal Mine assets
October 27	Fitch affirms TAURON's "BBB" ratings and changes the outlook from stable to negative
November 9	Extraordinary Meeting of Shareholders passed a resolution on an intermission in the Extraordinary Meeting of Shareholders until November 23, 2015

Macroeconomic and market situation

Poland's GDP growth rate* and manufacturing PMI index (quarterly average)



Growth of manufacturing production sold and electricity consumption (change yoy)*



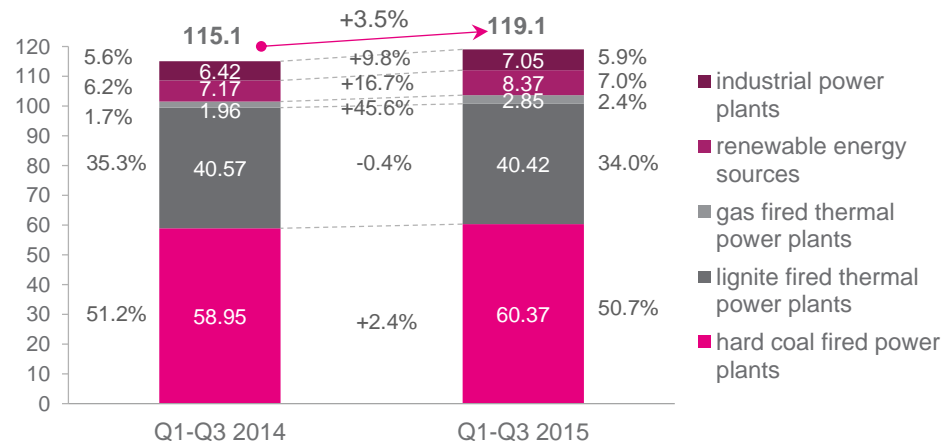
Electricity prices under one year BASE contracts

	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	169.97	116 827
Y-17	164.45	12 991
Y-18	166.66	193

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

- 2011: PLN 198.90/MWh
- 2012: PLN 201.36/MWh
- 2013: PLN 181.55/MWh
- 2014: PLN 163.58/MWh

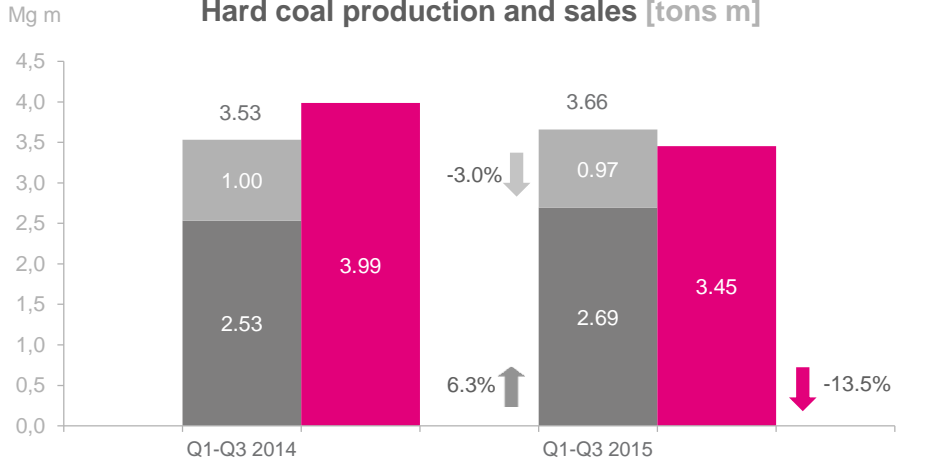
Structure of electricity generation in Poland [TWh]



* Source: GUS, IBnGR, TSO

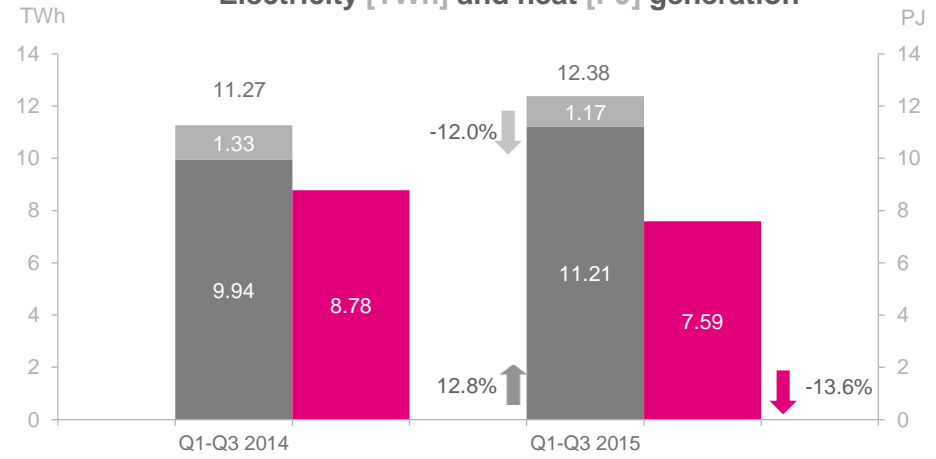
Q1-Q3 2015 key operating data

Hard coal production and sales [tons m]



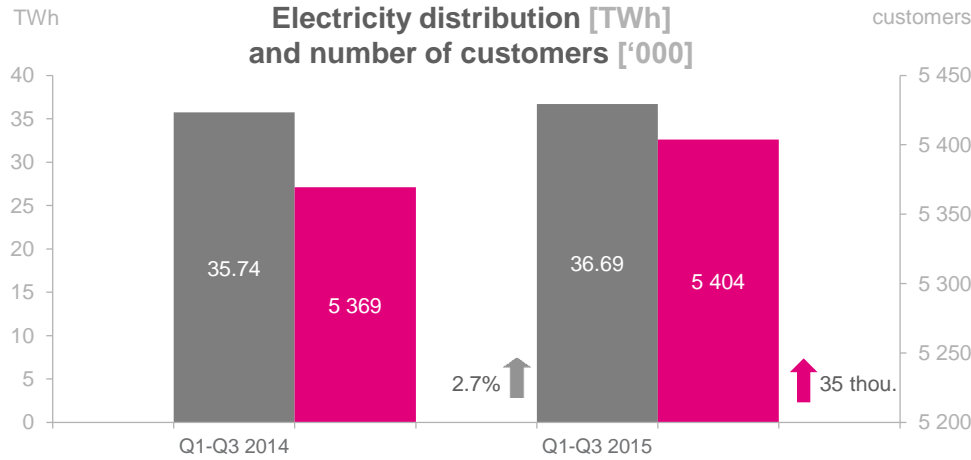
■ intra-Group hard coal sales ■ hard coal sales outside the Group ■ commercial coal production

Electricity [TWh] and heat [PJ] generation



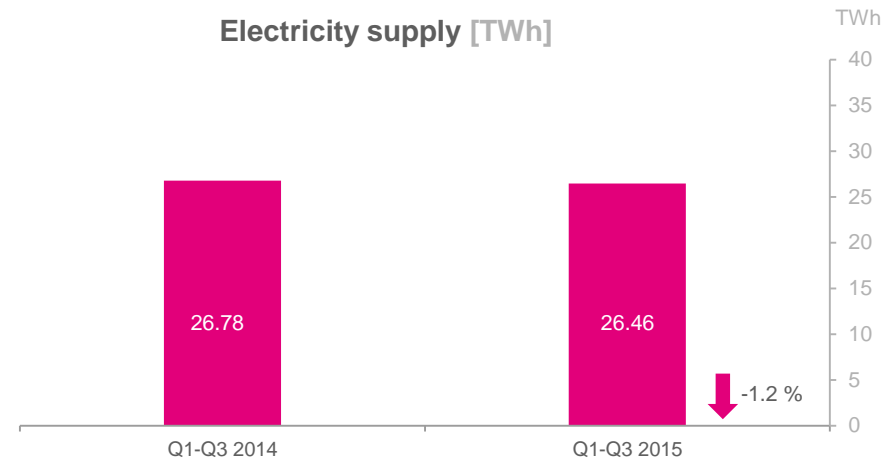
■ electricity ■ electricity - RES ■ heat

Electricity distribution [TWh] and number of customers ['000]



■ electricity distribution ■ number of customers

Electricity supply [TWh]

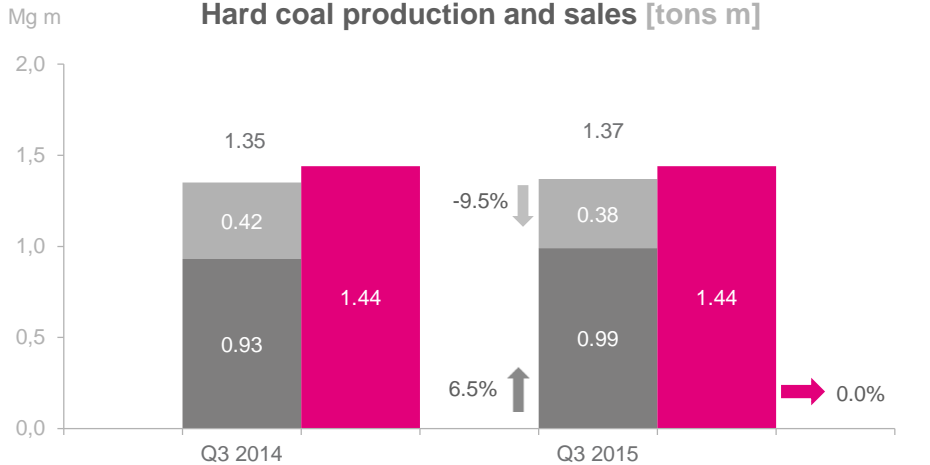


■ retail electricity supply

Q3 2015 key operating data

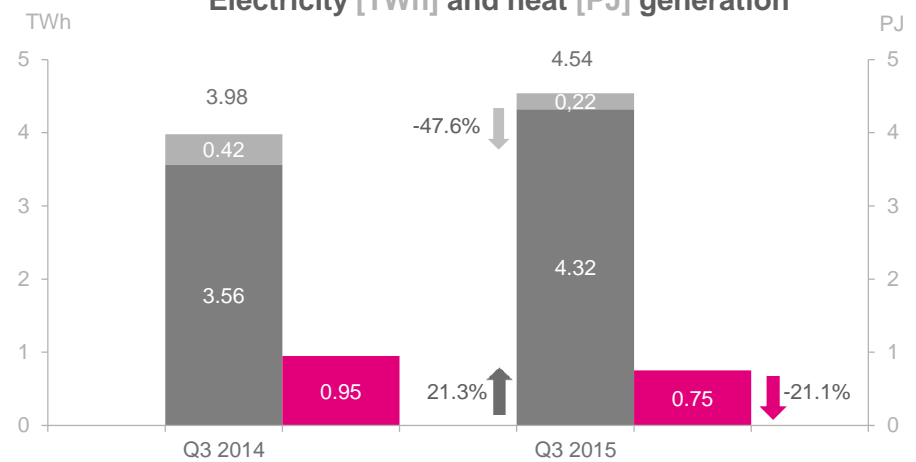


Hard coal production and sales [tons m]



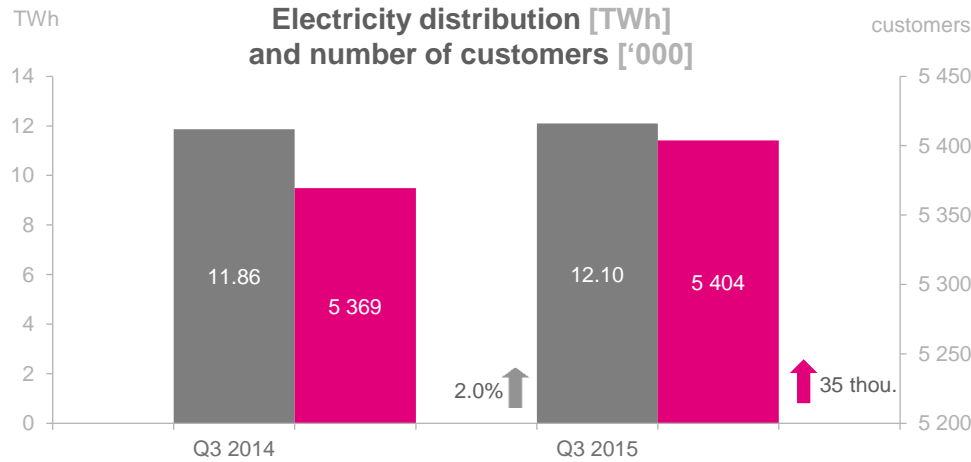
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Electricity [TWh] and heat [PJ] generation



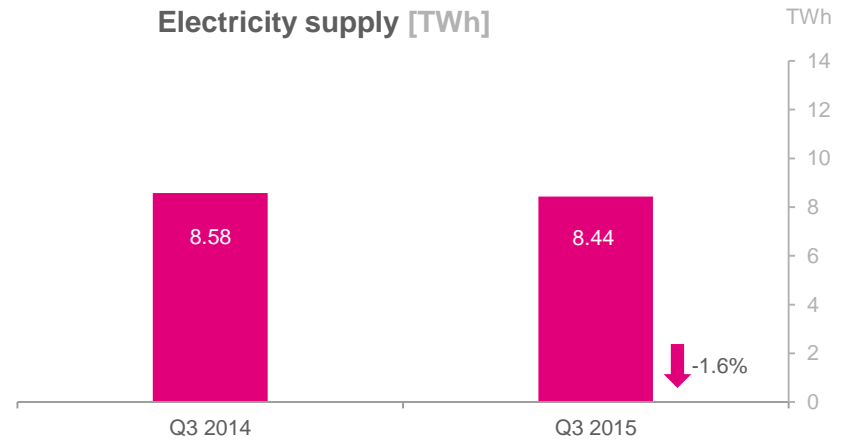
■ electricity ■ electricity - RES ■ heat

Electricity distribution [TWh] and number of customers ['000]



■ electricity distribution ■ number of customers

Electricity supply [TWh]

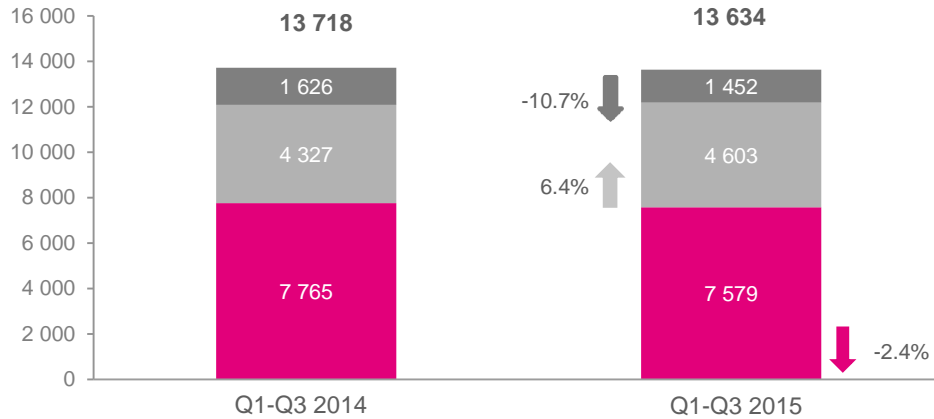


■ retail electricity supply

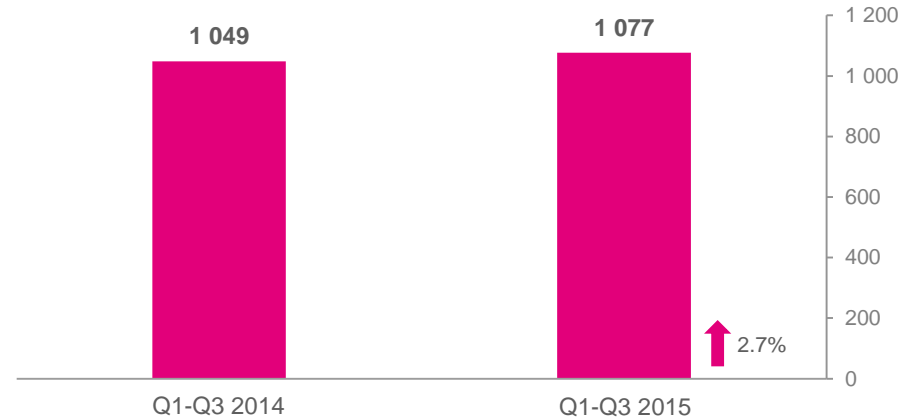
Q1-Q3 2015 key financial data



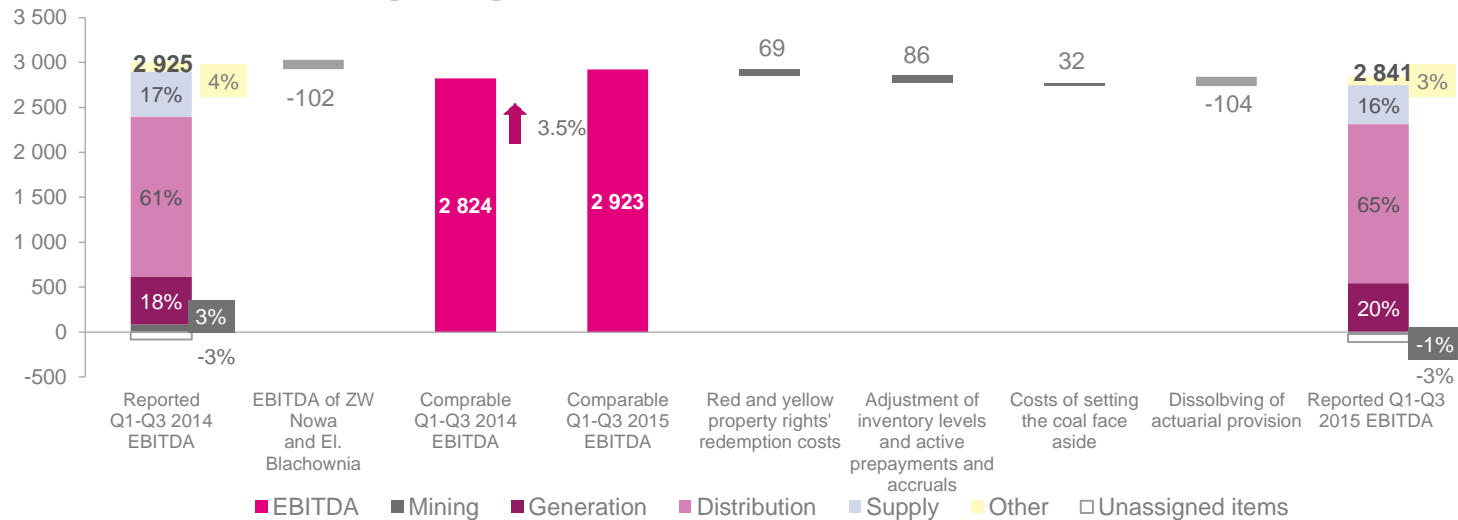
Sales revenue [PLN m]



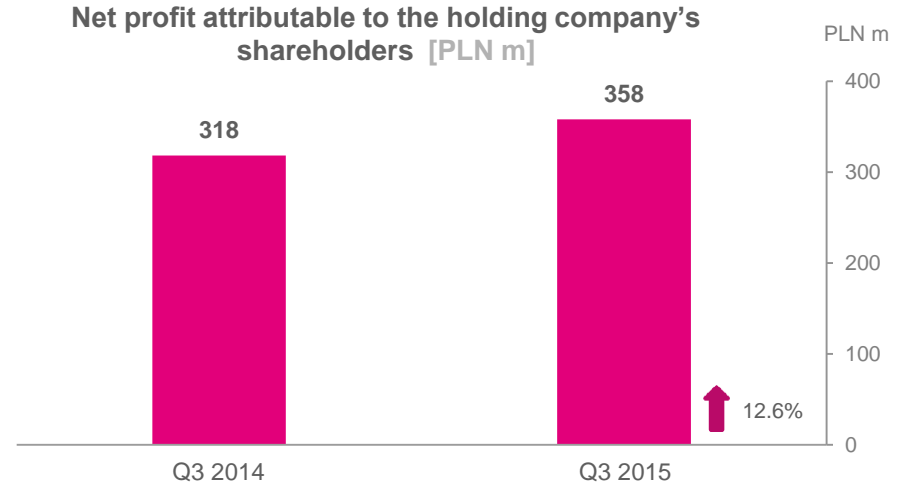
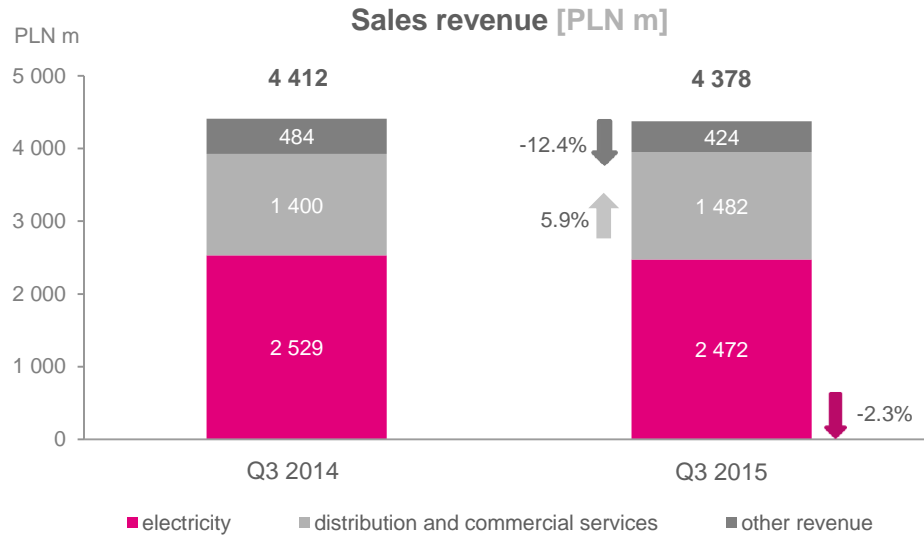
Net profit attributable to the holding company's shareholders [PLN m]



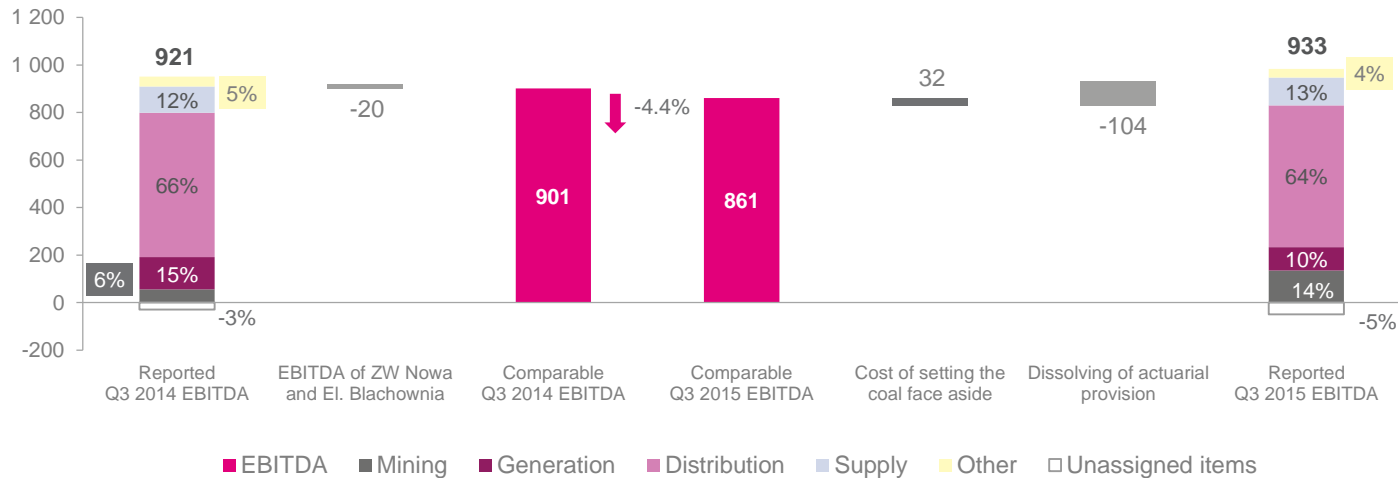
Q1-Q3 2015 vs Q1-Q3 2014 EBITDA [PLN m]



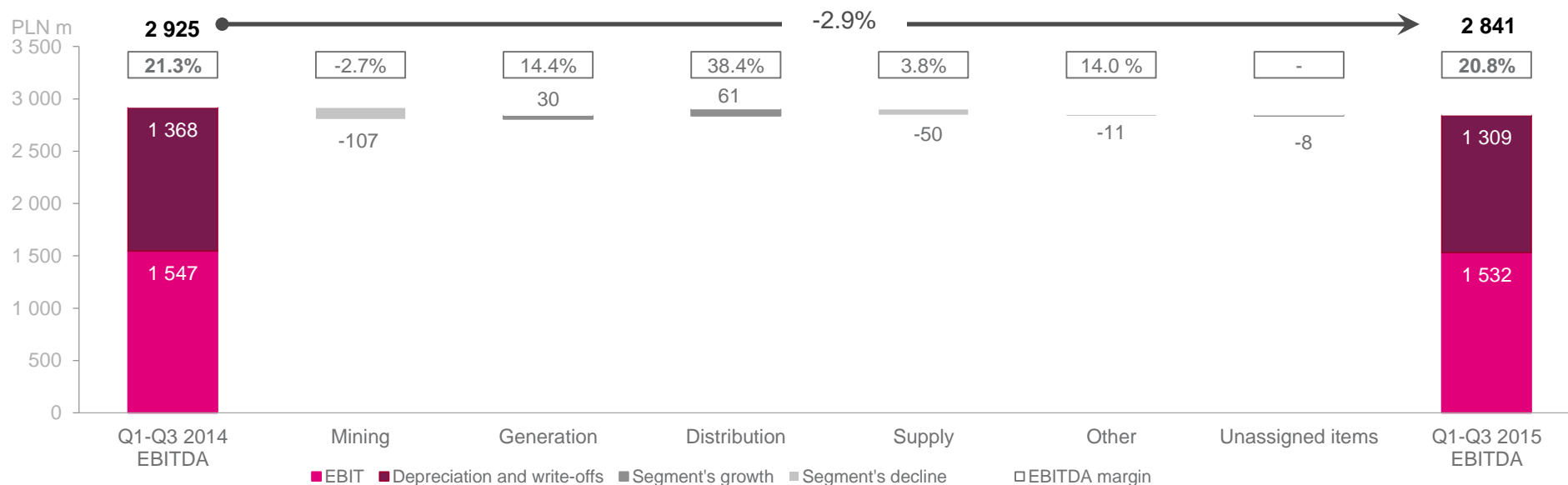
Q3 2015 key financial data



Q3 2015 vs Q3 2014 EBITDA [PLN m]



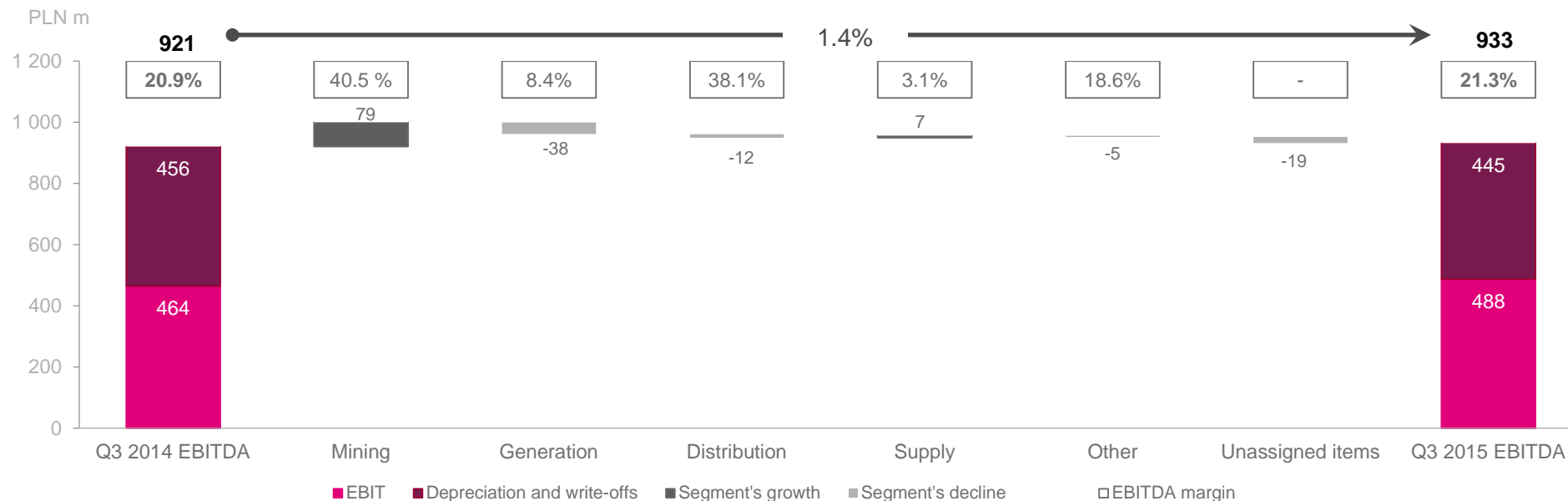
Q1-Q3 2015 EBITDA



Most important factors affecting Q1-Q3 2015 EBITDA:

- Mining – lower production of commercial coal while realizing higher sales volume, lower commercial coal sales prices, adjustments for inventory, accruals and prepayments, setting the coal face aside, dissolving of the actuarial provision
- Generation – higher electricity production and sales volumes, higher electricity sales prices, higher margin on electricity trading, lower fixed costs, lower revenue from the Operational Capacity Reserve, higher CO₂ costs
- Distribution – higher volume and average distribution service sales price, higher TSO transition and quality fee rate, higher depreciation costs and grid assets' tax, provision related to the Voluntary Redundancy Program
- Supply – higher costs of the obligation to redeem property rights with a lower price of purchasing property rights, change of the customers' structure (composition) resulting in the reduction of the average electricity sales price

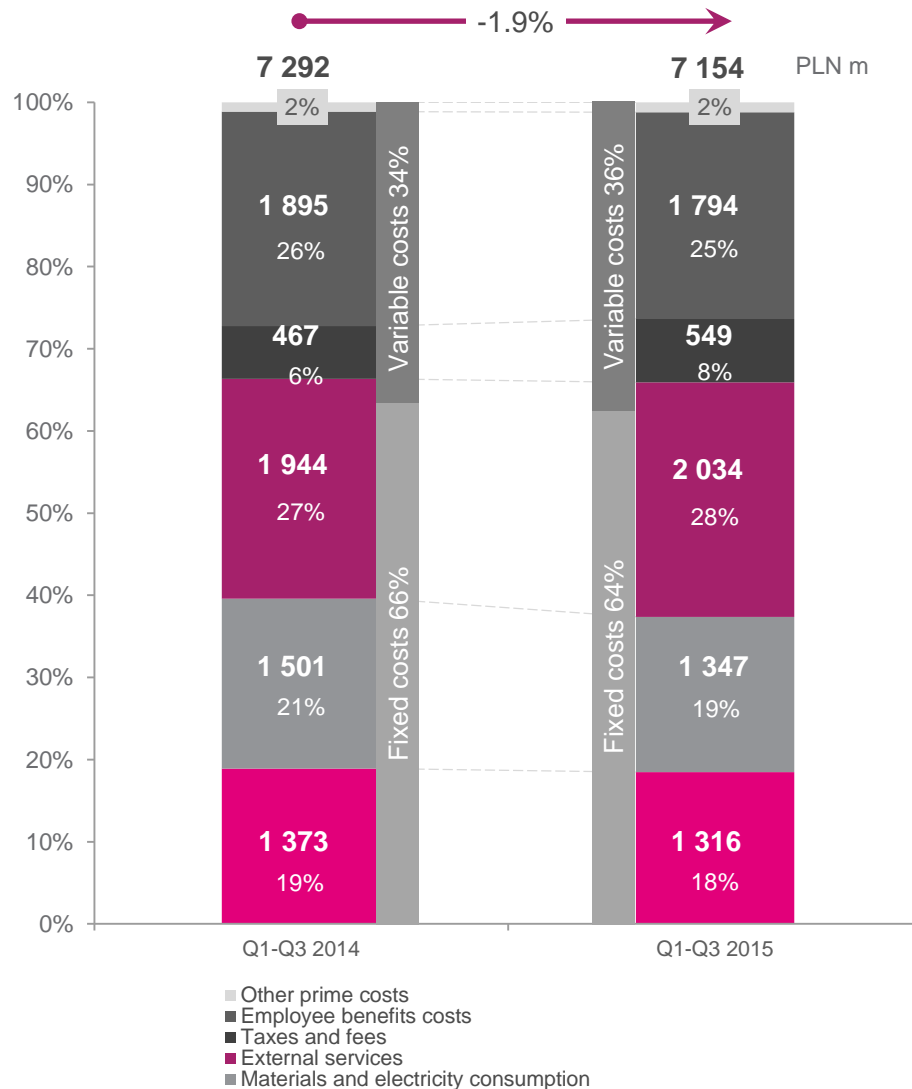
Q3 2015 EBITDA



Most important factors affecting Q3 2015 EBITDA:

- Mining – dissolving of the actuarial provision, lower fixed costs, settlement of the cost of setting the coal face aside, lower commercial coal sales prices
- Generation – higher electricity production and sales volumes, lower fixed costs, higher margin on electricity trading, higher CO₂ costs, lower revenue from the Operational Capacity Reserve
- Distribution – higher volume and distribution service sales price, higher TSO transition and quality fee rate, higher depreciation costs and grid assets' tax, provision related to the Voluntary Redundancy Program
- Supply – higher costs of the obligation to redeem property rights with a lower price of purchasing property rights, change of the customers' structure (composition) resulting in the reduction of the average electricity sales price

Q1-Q3 2015 prime costs structure



Declining costs in Q1-Q3 2015 are primarily due to:

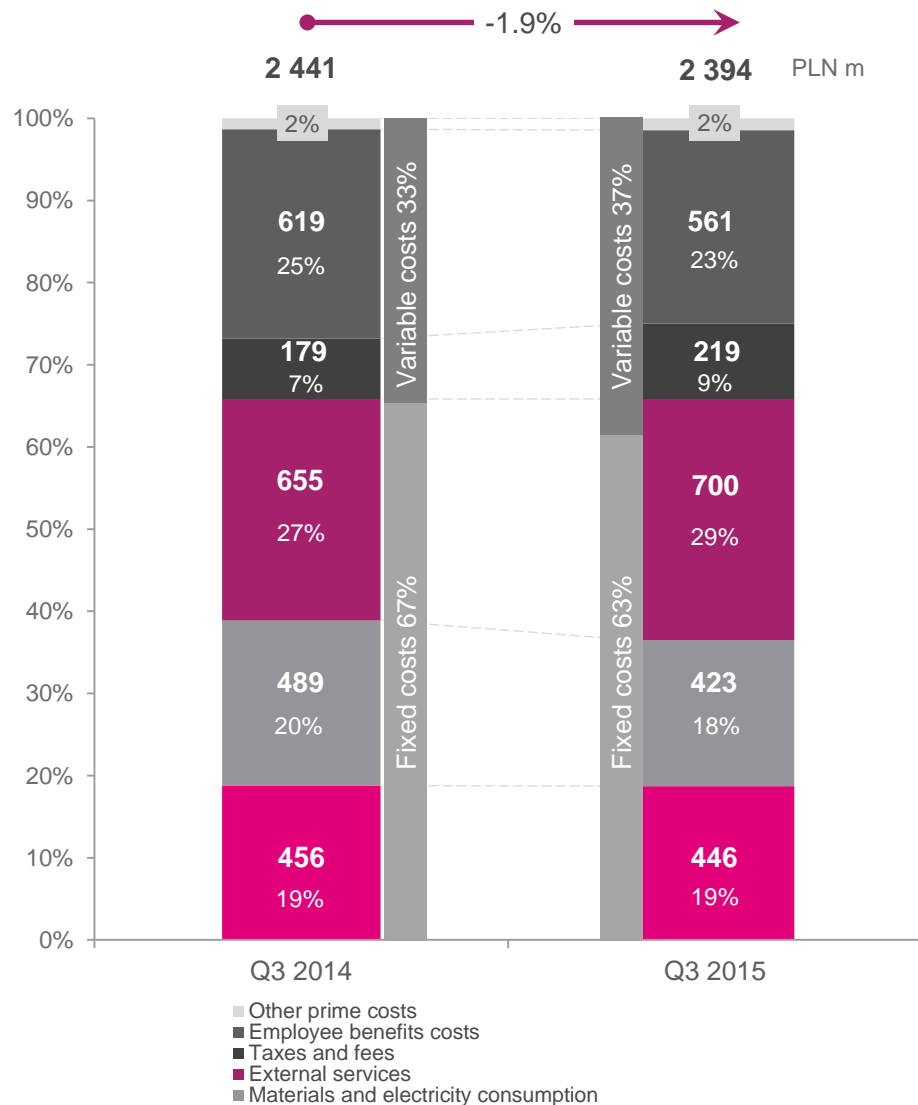
- consumption of materials
- employee benefit costs – mainly the result of the lower headcount
- depreciation and impairment charges (stopping of the depreciation of the wind farms to be sold)

Cost structure:

- Q1-Q3 2015: variable costs (excluding the value of goods and materials sold) approx. 36%, fixed costs approx. 64%
- Q1-Q3 2014: variable costs approx. 34%, fixed costs approx. 66%

The reasons for the slight change to the cost structure are primarily the higher transmission services purchase costs and lower fixed costs

Q3 2015 prime costs structure



Declining costs in Q3 2015 are primarily due to:

- consumption of materials (mainly lower fuel costs)
- employee benefit costs – mainly the result of the lower headcount

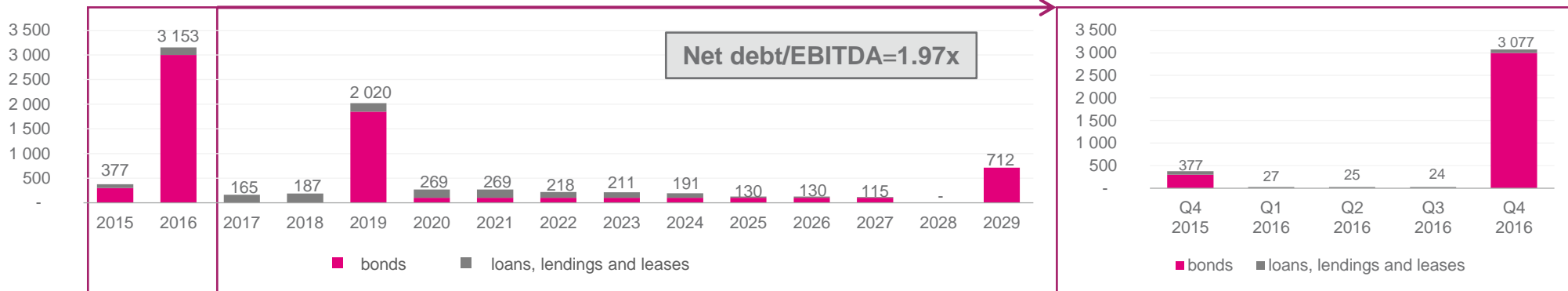
Cost structure:

- Q3 2015: variable costs (excluding the value of goods and materials sold) approx. 37%, fixed costs approx. 63%
- Q3 2014: variable costs approx. 33%, fixed costs approx. 67%

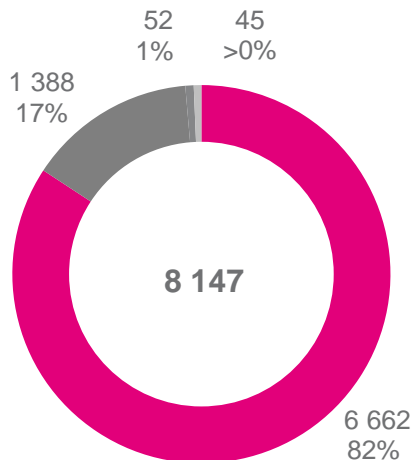
The reasons for the change to the cost structure are primarily the higher transmission services purchase costs and lower fixed costs

Debt and financing

Maturity of TAURON Group's debt

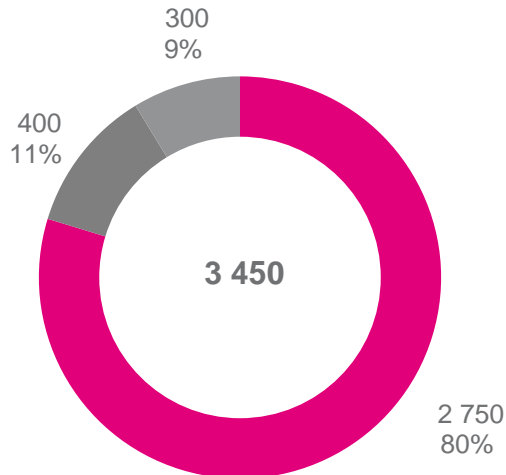


Structure of TAURON Group's financial debt [PLN m]



- bonds
- EIB loans
- NFOSIGW/WFOSIGW loans
- leases

Financing available to TAURON Group [PLN m]











- banks' program bonds
- BGK program bonds
- cashpooling

- financial debt (nominal amount of debt due to investment loans, lendings, leases and bonds) as of September 30, 2015 is PLN 8 147m
- average weighted debt maturity as of September 30, 2015 is 52 months
- EUR denominated debt (NSV bond issue) constitutes 8.74% of total debt

Debt structure based on interest rate:

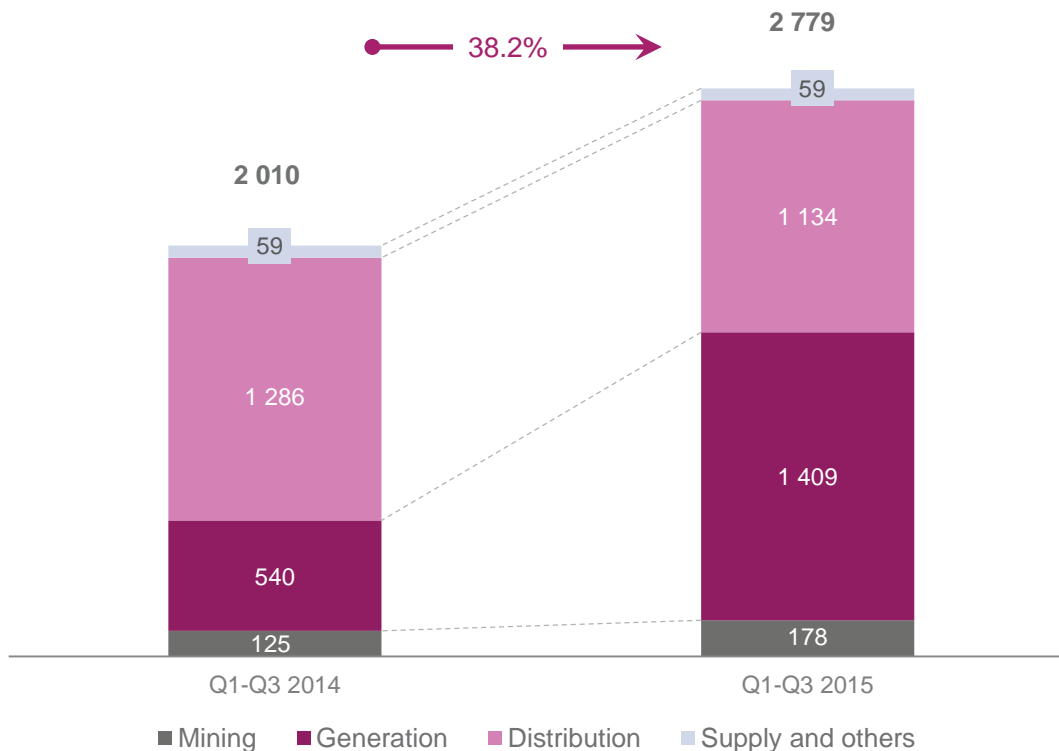
Instrument	Debt amount [PLN m]	Interest rate	Collateral
bonds, including:	6 662		
banks' program	3 000	floating	IRS
banks' program	300	floating	none
market program	1 750	floating	none
BGK program	900	floating	none
NSV	712	fixed	CIRS
EIB loans	1 388	fixed	none
loans	52	floating	none
leases	45	floating	none

CAPEX – projects' work progress

Investment project	Capacity (MW _e)	Capacity (MW _t)	Work progress (percent)		Planned completion data
Construction of the hard coal-fired unit at Jaworzno III Power Plant	910	-	11		2019
Construction of the CCGT unit at Stalowa Wola Combined Heat and Power Plant	450	240	85		2016
Construction of the hard coal-fired co-generation unit at ZW Tychy	50	86	88		2016
Jaworzno III Power Plant – installing of the flue gas denitrification systems and upgrading of the 200 MW units	-	-	87		2016
Łaziska Power Plant – installing of the flue gas denitrification systems and upgrading of the 200 MW units	-	-	98		2015
Construction of the CCGT unit at Łagisza Power Plant	413	266	2		2019
Construction of the 800m level at Janina coal mine	-	-	34		2020
Construction of Grzegorz shaft at Sobieski coal mine	-	-	18		2023

CAPEX – by segment




CAPEX by segment [PLN m]



Key investment projects completed in Q1-Q3 2015:

- Mining:
 - construction of the 800 m level at Janina coal mine (PLN 52m),
 - purchase of an additional longwall roof support and furnishing set for Janina coal mine (PLN 71m)
- Generation:
 - construction of the 910 MW unit at Jaworzno III Power Plant (PLN 440m), construction of the NO_x emission reduction system (PLN 184m),
 - construction of Marszewo wind farm's 2nd stage (PLN 57m), upgrade of hydroelectric power plants (PLN 35m)
 - restoration of ZW Tychy's capacity (PLN 310m), construction and upgrade of district heating networks (PLN 43m), completion of the feeding lines for the Eastern and Southern Primary Pipes from Łagisza (PLN 52m), completion of the feeding lines for the Western and Southern Primary Pipes from ELCHO (PLN 20m)
- Distribution:
 - construction of new connections (PLN 372m),
 - upgrade and restoration of grid assets (PLN 611m)

Efficiency improvement program

Segment	Savings realized in 2013 – Q1-Q3 2015	Savings planned in 2013-2015	Progress %	Main initiatives
Distribution	PLN 433m	PLN 416m	 104%	<ul style="list-style-type: none"> Implementation of the ultimate business model, elimination of the redundant functions Change of the way expenses are classified as CAPEX or OPEX Optimization of the balancing difference IT processes optimization Integration of business functions in the support (maintenance) area Optimization of external services
Generation (including RES and Heat)	PLN 567m	PLN 420m	 135%	<ul style="list-style-type: none"> Employment restructuring and process optimization Reduction of upgrades (maintenance) for the least efficient units Overhead cost optimization Outsourcing of some functions, mainly in the maintenance area Improvement of the devices' efficiency, optimization of the production volume and operating expenses at hydroelectric power plants Reduction of the costs of support and maintenance of the wind farms' operation Compressed air losses reduction Asset restructuring Procurement policy optimization
Mining	PLN 33m	PLN 28m	 118%	<ul style="list-style-type: none"> Nitrogen production system construction Coal sludge (slurry) dewatering station expansion Potable water treatment Electronic auctions in public procurement Use of the mechanical lining when drilling headings
Other segments	PLN 57m			<ul style="list-style-type: none"> Employment restructuring, reduction of external services' costs
Total	PLN 1 090m	PLN 864m	126%	

- From the beginning of 2013 until the end of Q3 2015 the Voluntary Redundancy Program covered 1 206 persons. Over that period employment contracts were terminated with 1 719 persons (4 213 persons in total since the program's launch in 2010). Savings resulting from redundancies, decreased by costs incurred to generate those savings, are included in the amounts presented per segment
- Structure of savings in 2013-2014 and in Q1-Q3 2015: 59% comes from employment restructuring, 41% from the other initiatives

Basic data on Brzeszcze Coal Mine



Operations profile:

- Brzeszcze Coal Mine (KWK Brzeszcze) is a hard coal mine located on the territory of the Silesia and Małopolska provinces in the municipalities of: **Brzeszcze, Oświęcim and Miedźna**
- Brzeszcze Coal Mine had been operating as a branch of Kompania Węglowa S.A. until May 5, 2015 when it was transferred free of charge to the Coal Mines Restructuring Company (SRK). Currently the coal mine is operating as a branch of SRK with its seat in Brzeszcze
- Coal mine is extracting mainly thermal coal dust and methane
- As of May 31, 2015 the coal mine's workforce included 2 069 employees
- As of October 31, 2015 Brzeszcze Coal Mine's headcount was **1 574 persons, including 1 151 working underground (73.1% of the total workforce)**



Brzeszcze Coal Mine's resources

Recoverable hard coal reserves of Brzeszcze Coal Mine are **63.5 million tons**

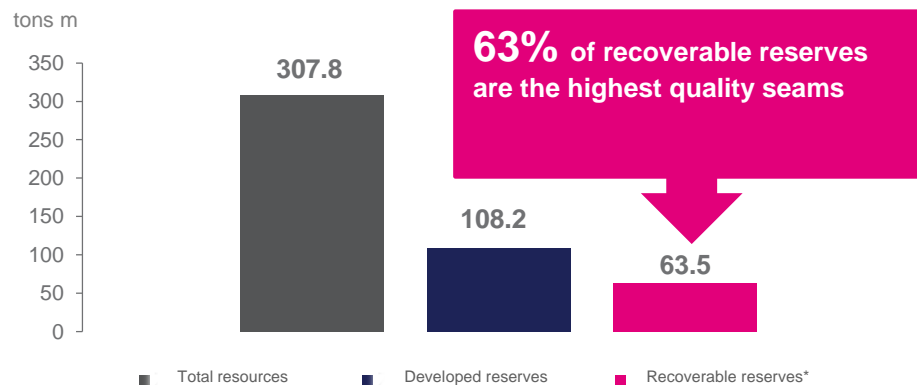
Hard coal

- Brzeszcze Coal Mine carries out its coal extraction within the "Brzeszcze II" mining area (coal field) that was established based on license no. 12/2004 valid until 2040. The mining area is 26.9 km²
- The coal bed is documented to reach the depth of the 510 coal seam
- The coal bed's recoverable reserves amount to 63.5 million tons (data as of December 31, 2014)
- Based on the assumed average annual production output in the region of approx. 1.8 million tons the coal mine's life cycle is approximately 34 years
- Brzeszcze deposit contains humic coal. It is a high quality thermal coal

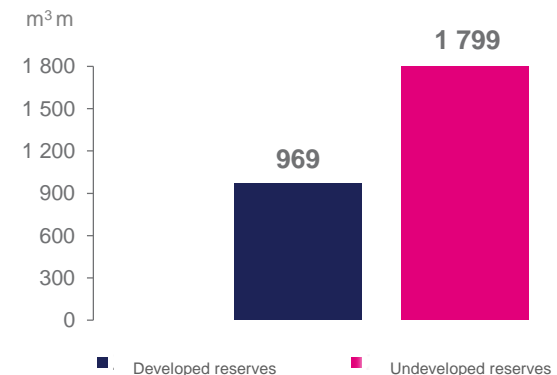
Methane

- Recoverable coal bed methane reserves are 2 768 million m³
- Coal bed demethanization efficiency at the Brzeszcze Coal Mine is in the 30 to 43% range

Brzeszcze Coal Mine's hard coal resources [ton m] as of 31.12.2014



Brzeszcze Coal Mine's methane resources [m³ m] as of 31.12.2014



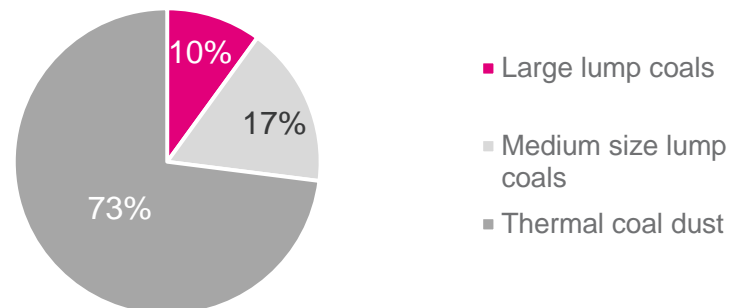
Operational assumptions

Brzeszcze Coal Mine's production plan envisages the target extraction output of approx. **1.8 million tons of hard coal per annum** and increasing the large and medium size lump coals' share in its production output.

Hard coal production

- Based on the coal faces extraction schedule the target net hard coal extraction volume for the Brzeszcze Coal Mine is approx. 1.8 million tons per annum
- Commercial coal production plan is based on the assumptions related to the progress of the coal faces extraction, the retooling (refitting, longwall support and reinforcement) time and the pollutant emission rate of approx. 26% on average
- In order to improve the quality of the commercial coal extracted by the coal mine the plan includes the implementation of the program aimed at increasing the extraction of large lump, low sulfur content coals
- Forecast production structure assumes a high share of the 510 seam coal leading to the improved calorific value of the produced coal dust topping 21 thousand kJ/kg

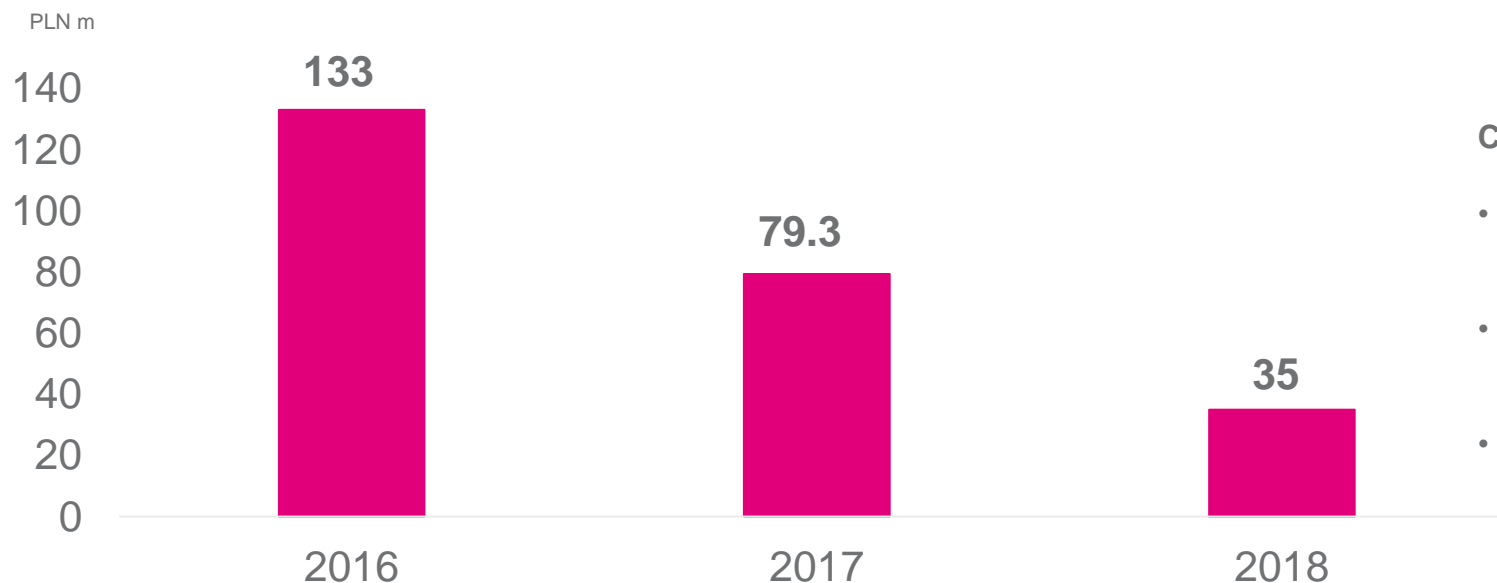
2016 hard coal production structure by coal lump size [%] – forecast



Capital expenditures

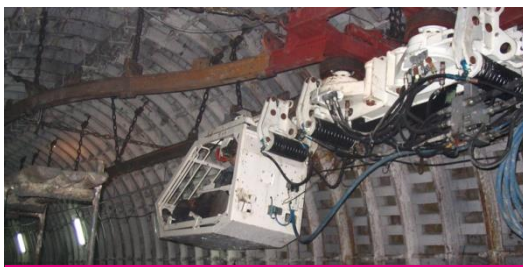
New Brzeszcze Coal Mine's CAPEX

(excluding expenditures on the development headings) in 2016-2018 [PLN m]



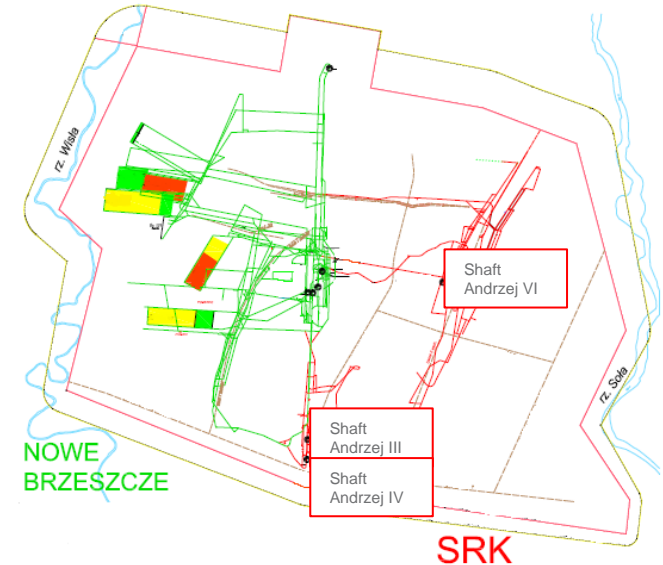
CAPEX includes:

- purchase of machines and equipment
- expansion of the ventilation system
- expansion of the infrastructure



Optimization of the underground infrastructure

- New Brzeszcze Tauron Group will acquire, within the organized part of the enterprise, a part of the Brzeszcze Coal Mine. The other part, to be liquidated, will remain within the SRK structures
- The alteration of the headings in order to improve the ventilation conditions stems from the need to commence the implementation of the restructuring plans involving withdrawing from operation and liquidating the technically and economically redundant areas, headings and shafts
- Based on the analyses conducted in order to improve the safety of the Brzeszcze Coal Mine headings that will continue to be operated it is necessary to withdraw from operation the headings to be liquidated in order to minimize the methane and fire threat in the part of the coal mine that will continue to be operated and to liquidate the "bottle necks" along the air extraction path
- The liquidation of the "bottle necks" will involve the alteration of the headings in order to achieve dimensions that will ensure appropriate ventilation parameters
- In accordance with the preliminary agreement (contingent contract) SRK and RSG have agreed that, due to the need to conduct operations in a correct and collision free manner, they will define, not later than by the day the final agreement (promised contract) is concluded, the principles of cooperation, in particular the principles of providing mutual services with respect to the Brzeszcze coal mine's ventilation. The agreement will be in force until December 31, 2018.



Simplified Brzeszcze Coal Mine division plan including the indicated shafts to be liquidated



Thank you – Q & A



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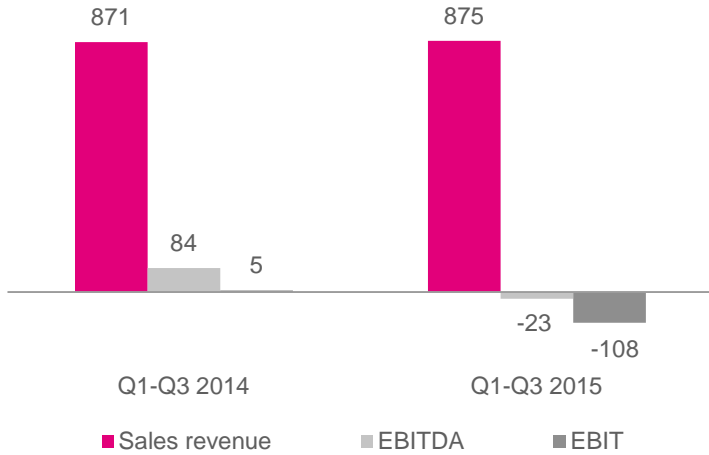
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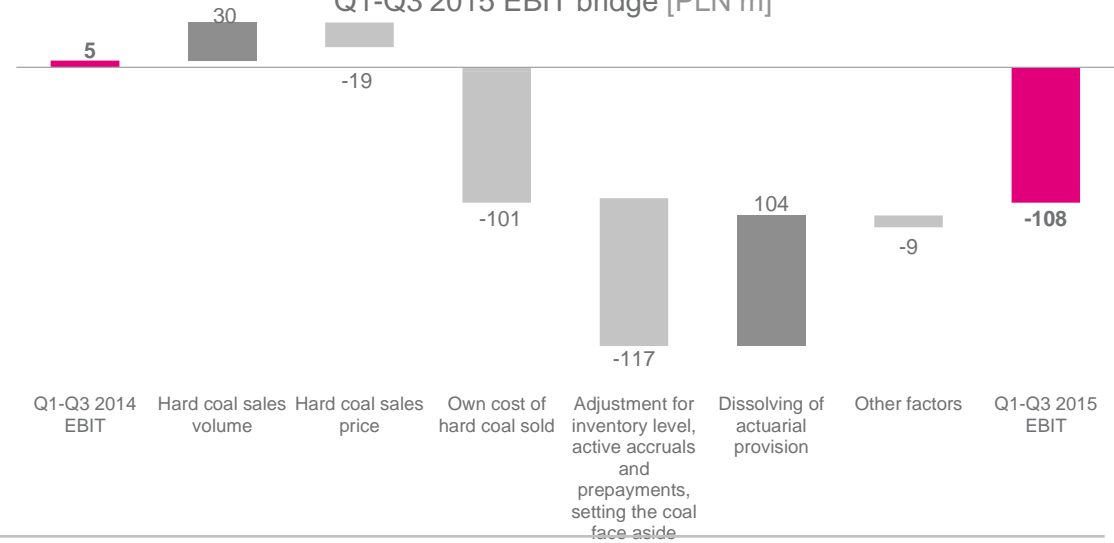
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Mining

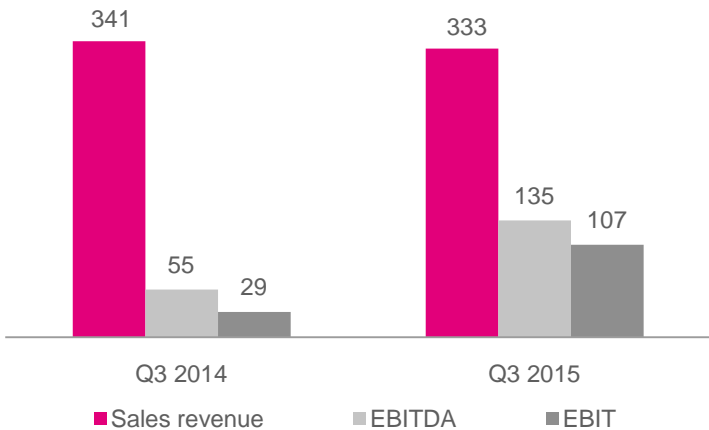
Q1-Q3 2015 financial data [PLN m]



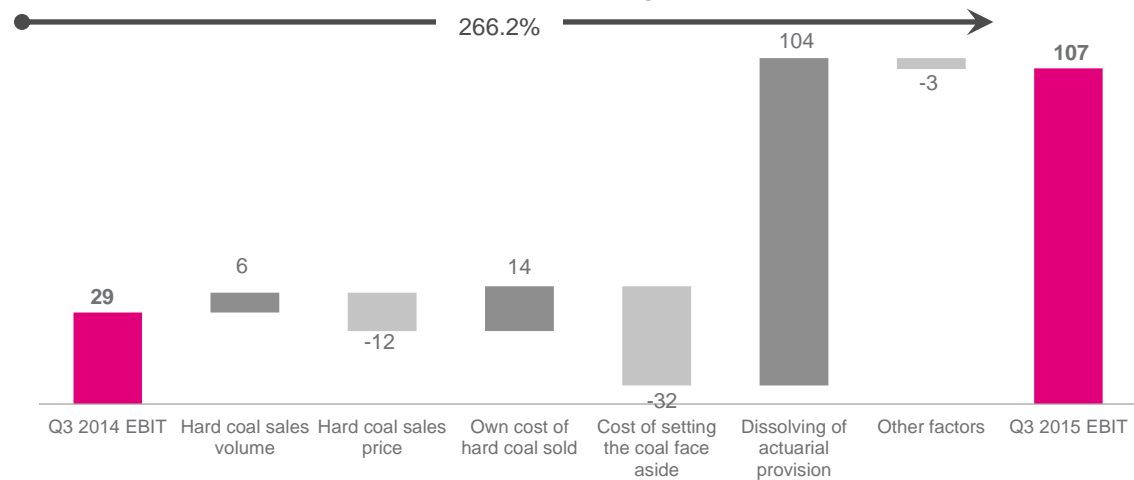
Q1-Q3 2015 EBIT bridge [PLN m]



Q3 2015 financial data [PLN m]



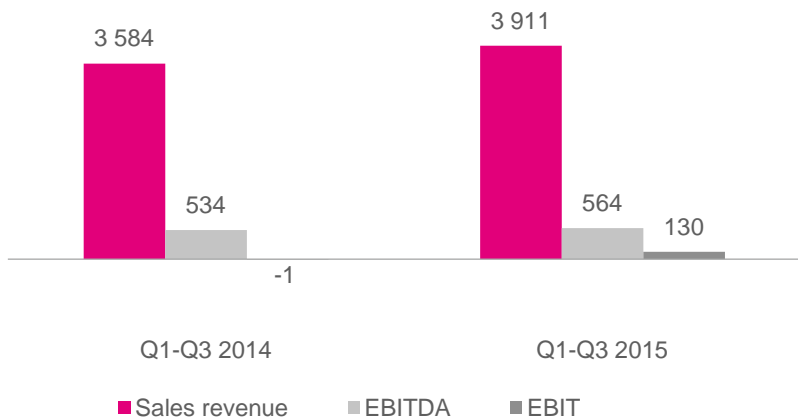
Q3 2015 EBIT bridge [PLN m]



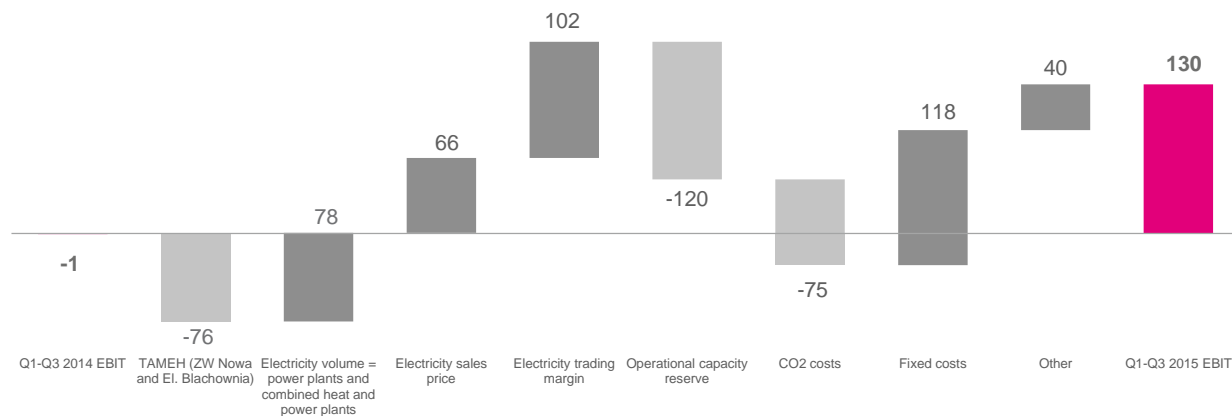
Generation



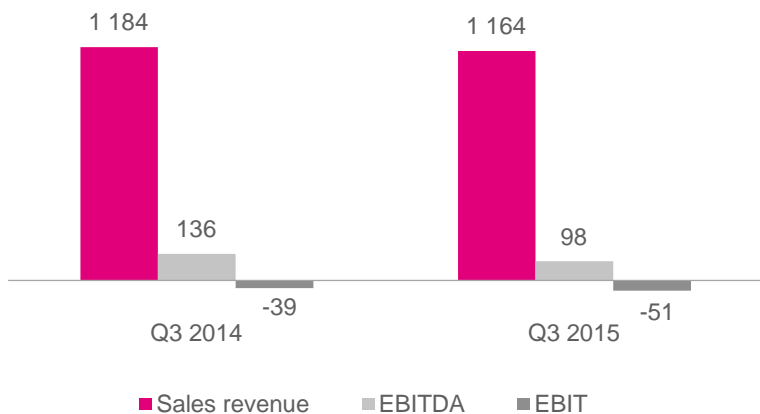
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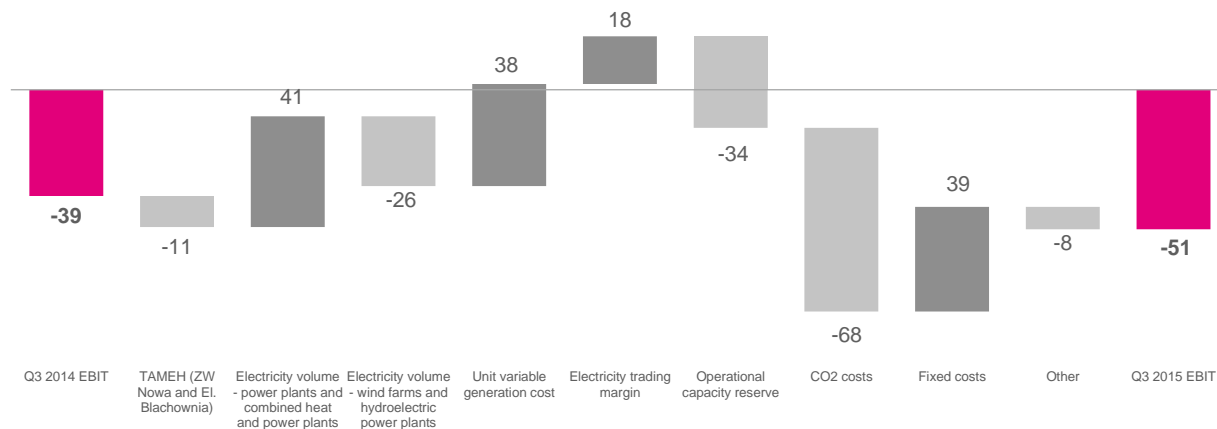
Q1-Q3 2015 EBIT bridge [PLN m]



Q3 2015 financial data [PLN m]



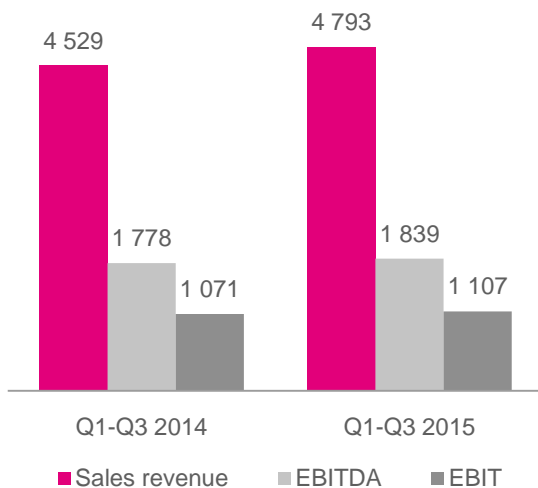
Q3 2015 EBIT bridge [PLN m]



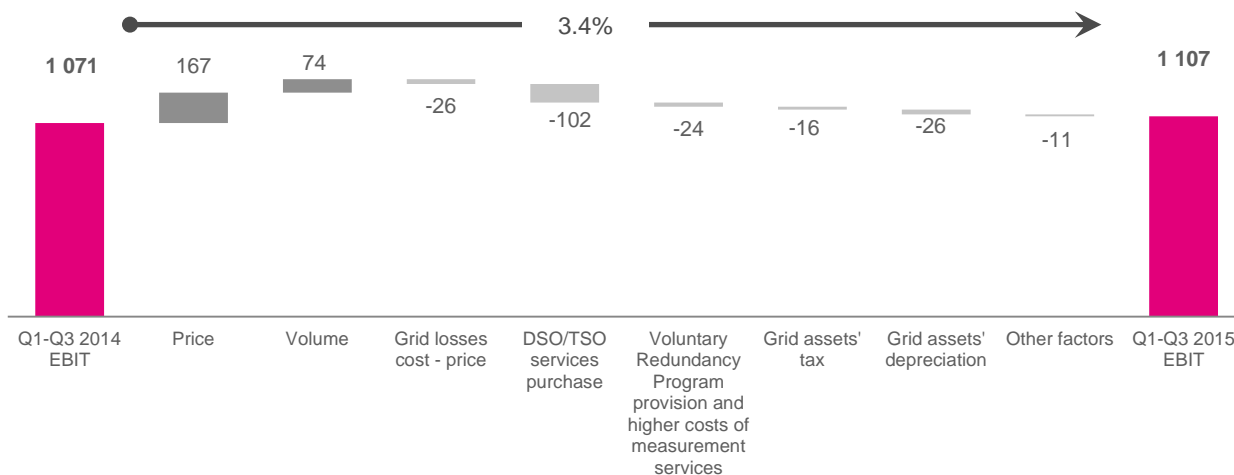
Distribution



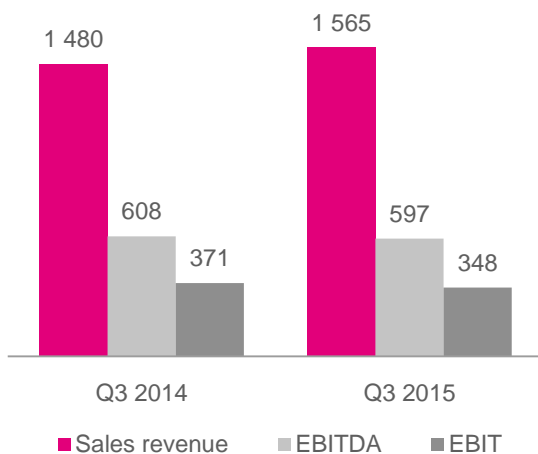
Q1-Q3 2015 financial data [PLN m]



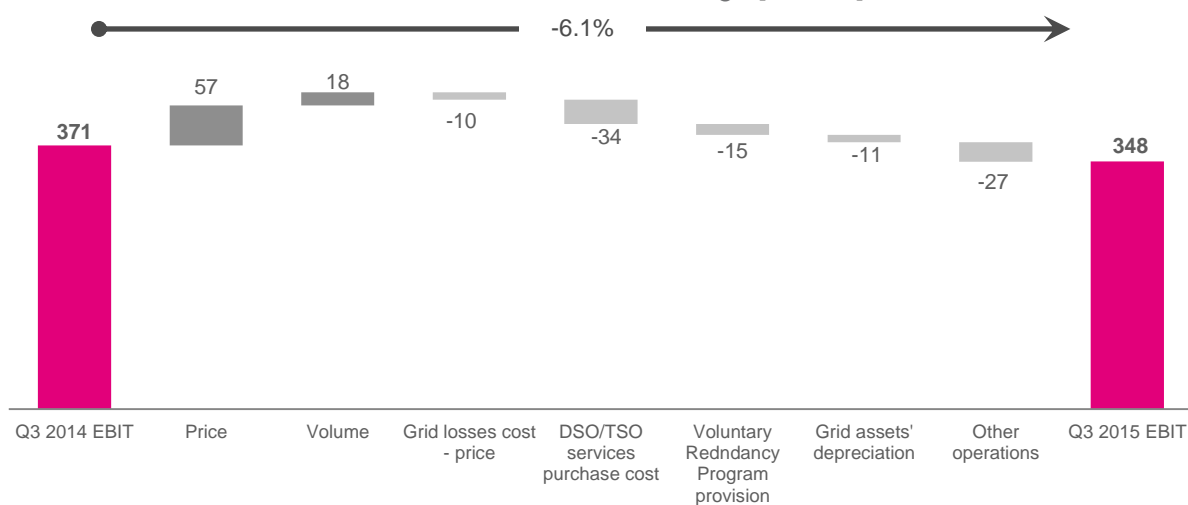
Q1-Q3 2015 EBIT bridge [PLN m]



Q3 2015 financial data [PLN m]

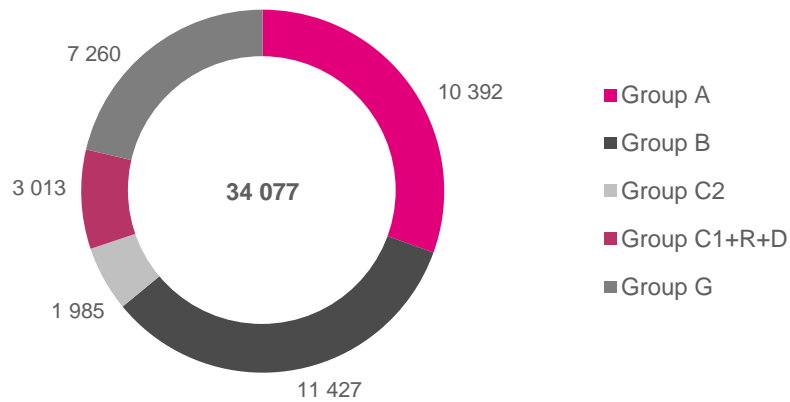


Q3 2015 EBIT bridge [PLN m]

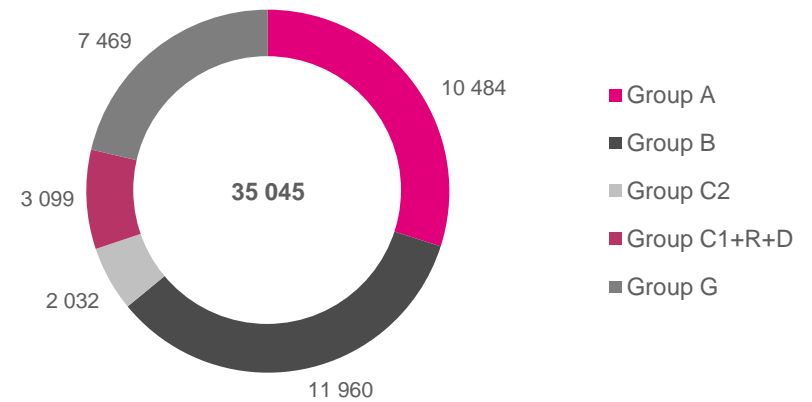


Distribution – volumes

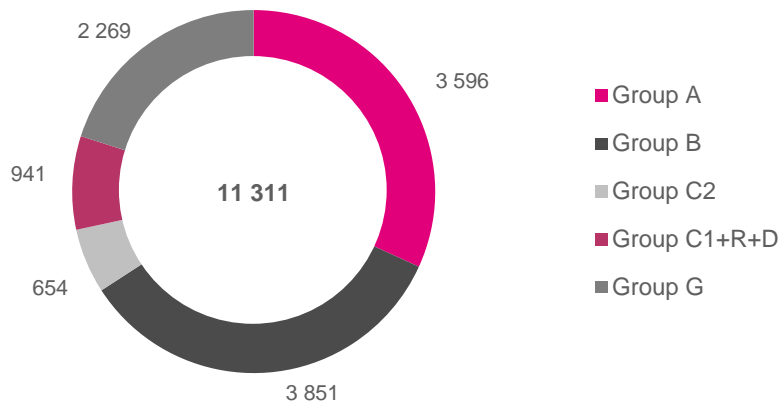
Q1-Q3 2014 electricity distribution [GWh]



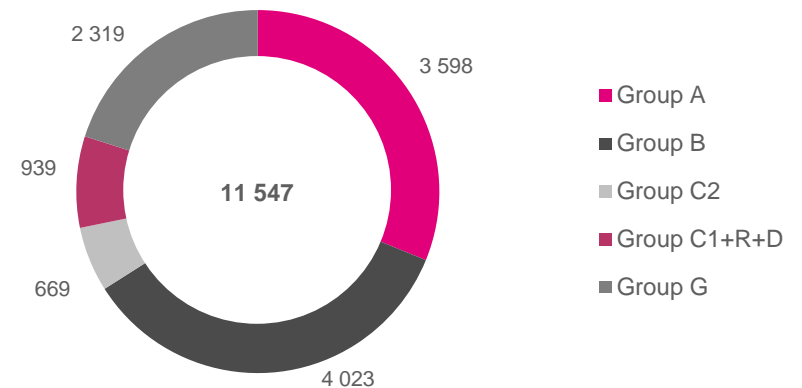
Q1-Q3 2015 electricity distribution [GWh]



Q3 2014 electricity distribution [GWh]

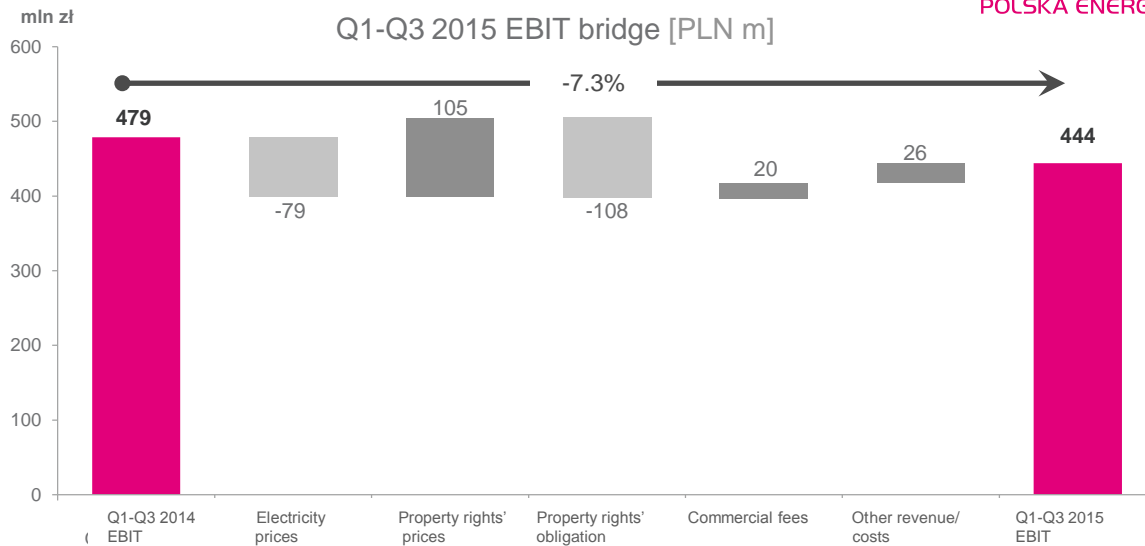
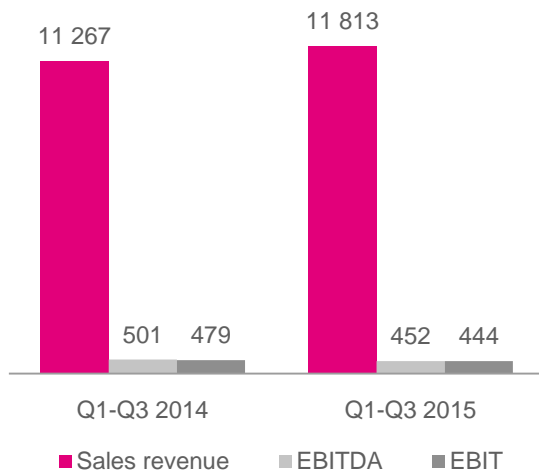


Q3 2015 electricity distribution [GWh]

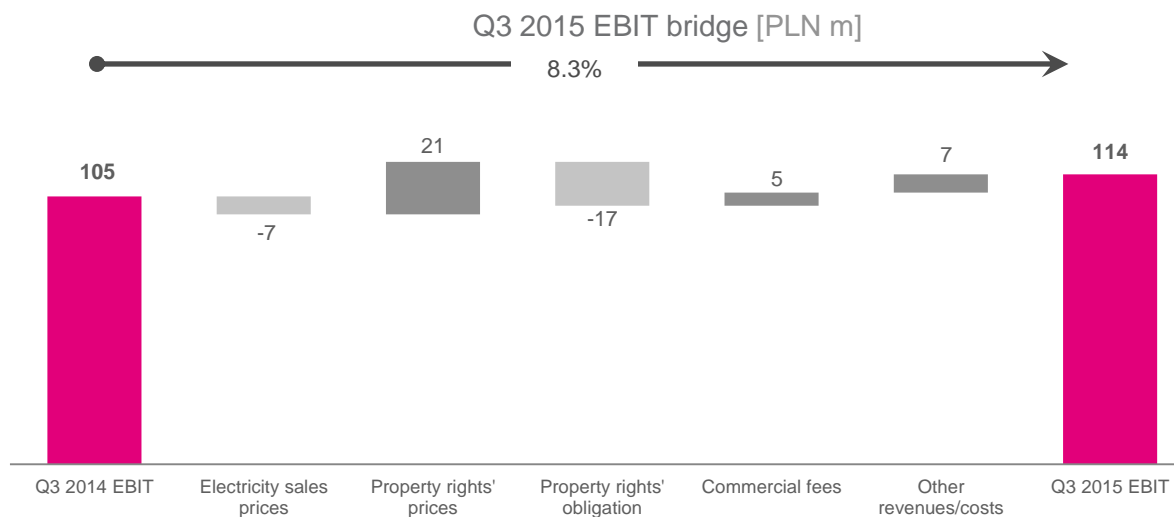
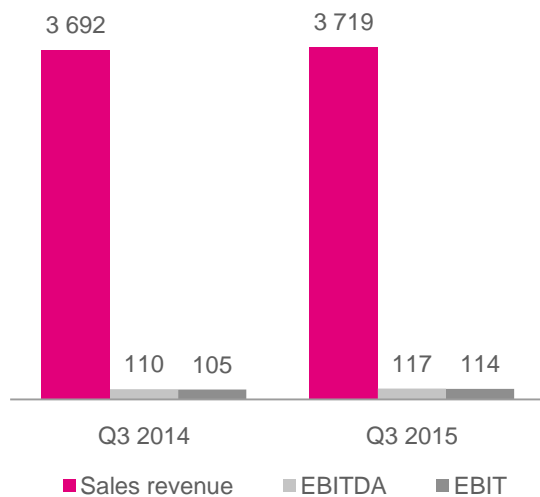


Supply

Q1-Q3 2015 financial data [PLN m]

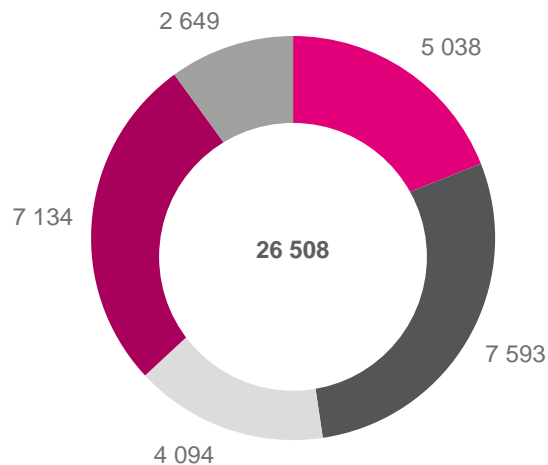


Q3 2015 financial data [PLN m]



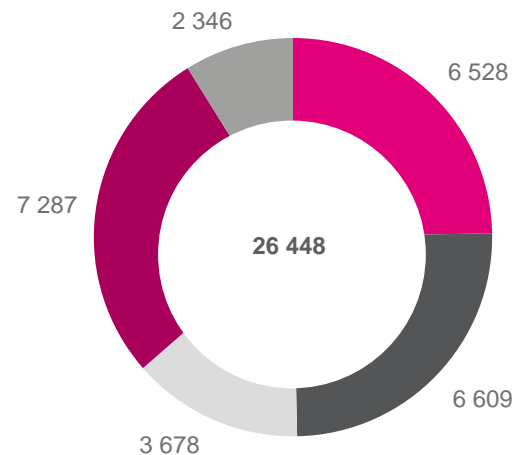
Supply – volumes

Q1-Q3 2014 electricity supply [GWh]*



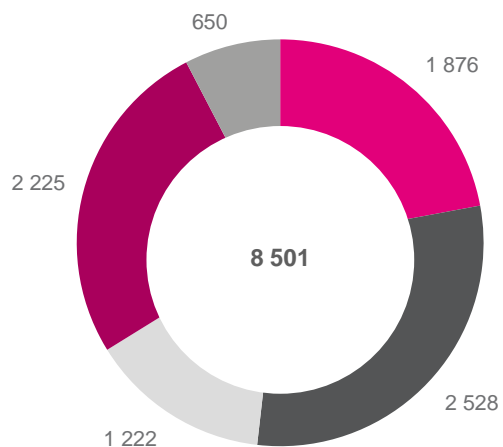
- Group A
- Group B
- Group C2+C1+R+D
- Group G
- Other supply**

Q1-Q3 2015 electricity supply [GWh]



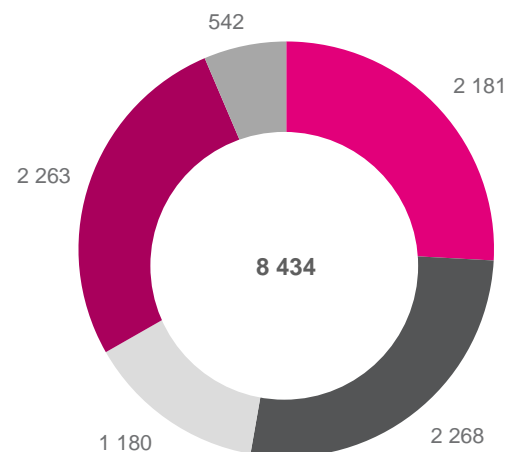
- Group A
- Group B
- Group C2+C1+R+D
- Group G
- Other supply**

Q3 2014 electricity supply [GWh]*



- Group A
- Group B
- Group C2+C1+R+D
- Group G
- Other supply**

Q3 2015 electricity supply [GWh]



- Group A
- Group B
- Group C2+C1+R+D
- Group G
- Other supply**

* Volumes of electricity supply to the strategic customers (key accounts) of TAURON Polska Energia S.A. are included in group A

** Group's subsidiaries' own needs and balancing differences, balancing differences to other DSOs, other

Electricity market price trends

Electricity						
Platforms: TGE, TFS, GFI, GPW-POEE	2014		2015 (until October 26, 2015)		2015/2014 (until October 26, 2015)	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	161.10	189 112	167.60	200 714	+4.0%	+6.1%
Forward PEAK (Y+Q+M)	184.60	19 126	216.25	17 680	+17.1%	-7.6%
Forward (weighted average)	163.26	208 238	171.53	218 394	+5.1%	+4.9%
SPOT (TGE)	179.86	21 078	159,35 (forecast)	21 500	-11.4%	+2.0%
Total weighted average	164.78	229 316	170.44	239 894	+3.4%	+4.6%

CO ₂ emission allowances (EUA/t)		Property rights (PLN/MWh)			
CO ₂ market analysts survey*	Price (EUR/t)	Certificate type	Market prices (2015 average)	Substitution fee and obligation for:	
				2014	2015
2014 average	5.96 EUR/t	RES (PMOZE_A) (until 26-10-2015)	125.33	303.03 (13.0%)	303,03 (14.0%)
2015 average	7.60 EUR/t	Hard coal=fired cogeneration (PMEC-2015)	10.65	11.00 (23.2%)	11.00 (23.2%)
2016 average	10.80 EUR/t	Gas=fired cogeneration (PMGM-2015)	116.06	110.00 (3.9%)	121.63 (4.9%)
Average 2015 EUA price forecast by TAURON	7.70 – 7.90 EUR/t	Methane (PMMET-2015)	61.49	63.26 (1.1%)	63.26 (1.3%)

2015 BASE contracts



		Average price [PLN/MWh]	Volume [GWh]
Total		168.11	146 932
Including	TGE	168.16	109 877
	non TGE	167.96	37 055

Average electricity price that takes into account 2015 one year BASE and PEAK contracts: PLN 172.64/MWh, total 2015 BASE and PEAK volume: 161 011 GWh

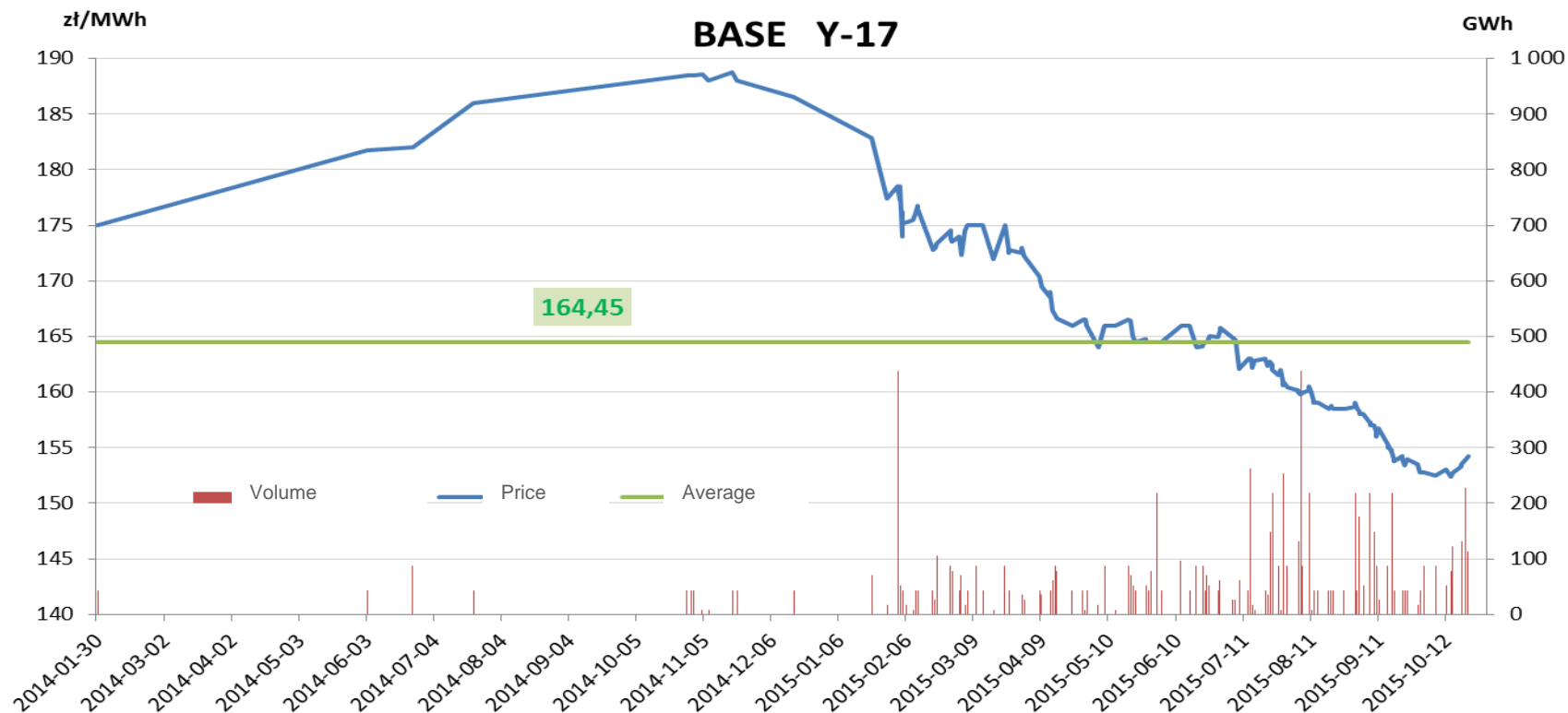
2016 BASE contracts



		Average price [PLN/MWh]	Volume [GWh]
Total		169.97	116 827
Including	TGE	166.62	87 963
	non TGE	178.05	28 864

Average electricity price that takes into account 2016 one year BASE and PEAK contracts: PLN 170.97/MWh, total 2016 BASE and PEAK volume: 128 609 GWh

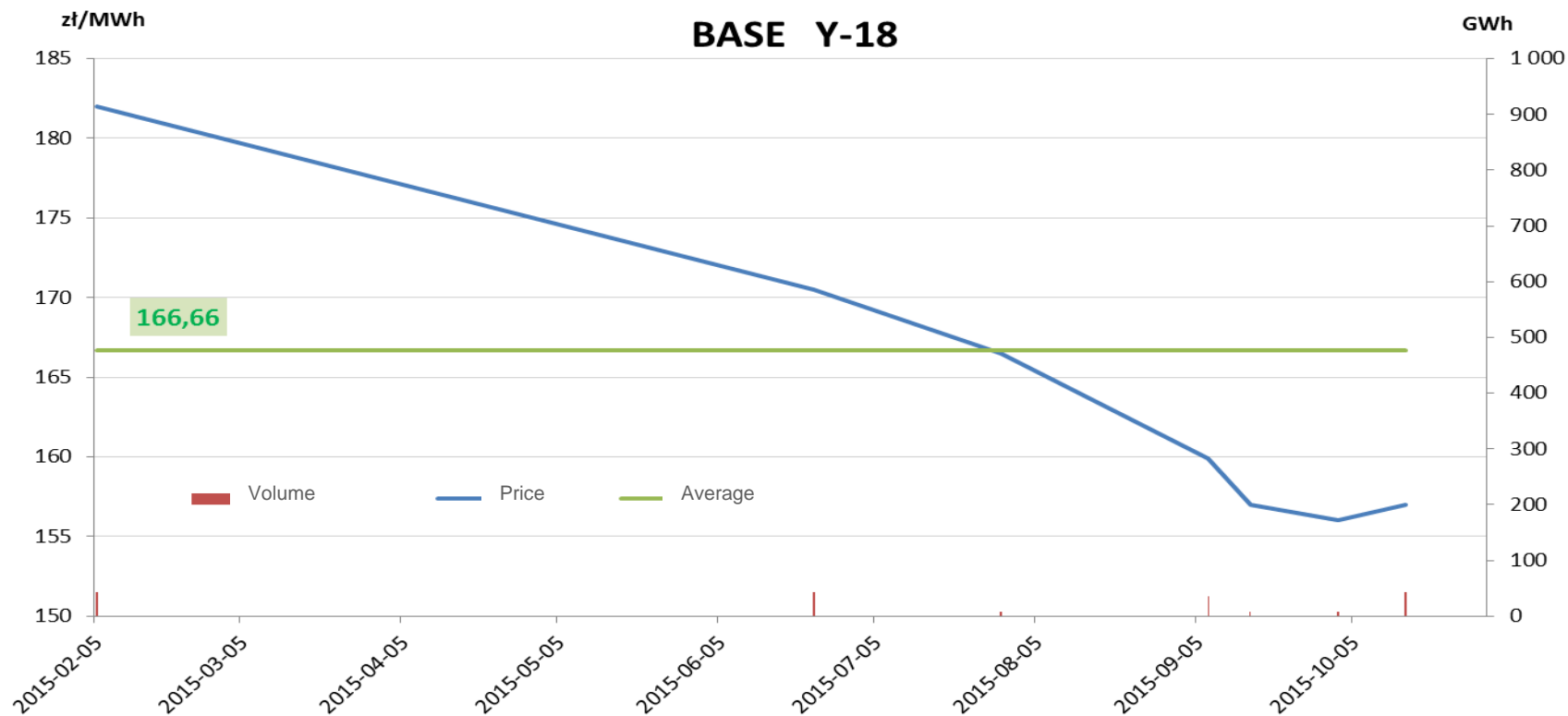
2017 BASE contracts



		Average price [PLN/MWh]	Volume [GWh]
Total		164.45	12 991
Including	TGE	162.88	5 203
	non TGE	165.49	7 788

Average electricity price that takes into account 2017 one year BASE and PEAK contracts: PLN 165.16/MWh, total 2017 BASE and PEAK volume: 13 228 GWh

2018 BASE contracts



		Average price [PLN/MWh]	Volume [GWh]
Total		166.66	193
Including	TGE	158.68	105
	non TGE	176.25	88

Average electricity price that takes into account 2018 one year BASE and PEAK contracts: PLN 167.59/MWh, total 2018 BASE and PEAK volume: 196 GWh

TAURON's coverage by analysts

Institution	Analyst
DB Securities	Tomasz Krukowski
Dom Maklerski mBanku	Kamil Kliszczyk
Dom Maklerski Banku Handlowego	Piotr Dzięciołowski
Dom Maklerski BZ WBK	Paweł Puchalski
Dom Maklerski PKO BP	Stanisław Ozga
J.P. Morgan Cazenove	Michał Kuzawiński
Erste Group	Tomasz Duda
Goldman Sachs	Fred Barasi
HSBC	Dmytro Konovalov
ING Securities	Maria Mickiewicz

Institution	Analyst
BAML	Denis Deruskhin
Raiffeisen Centrobank	Teresa Schinwald
Renaissance Capital	Vladimir Sklyar
Societe Generale	Bartłomiej Kubicki
UBS Investment Research	Michał Potyra Patrick Hummel Tomasz Walkowicz
Pekao Investment Banking	Łukasz Jakubowski
WOOD & Company	Bram Buring
Dom Maklerski BOŚ	Michał Stalmach

Thank you for your attention