



TAURON Group's Q1 2017

Financial Results

May 11, 2017

Q1 2017 key data



TAURON Group's Q1 2017 results			
[PLN m]		Q1 2017 vs Q1 2016	
Sales revenue	4 590	↑	1%
EBITDA	1 185	↑	36%
Net profit*	640	↑	98%
CAPEX	636		(3)%
Net debt/EBITDA	2.31x		down 0.01 (vs 31.12.2016)

down 0.19
(vs 31.03.2016)

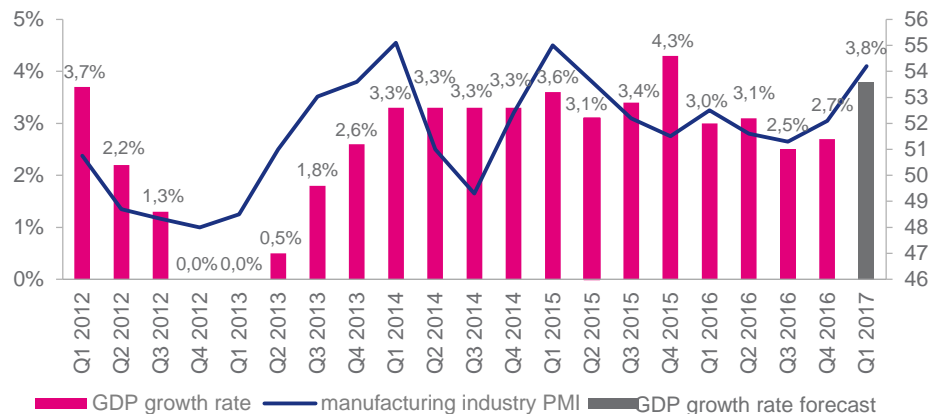
Q1 2017 operating data			
		Q1 2017 vs Q1 2016	
Commercial coal production [t m]	1.51	↑	25%
Electricity generation [TWh]	4.89	↑	14%
Heat generation [PJ]	5.30	↑	9%
Electricity distribution [TWh]	13.31	↑	4%
Electricity supply [TWh]	9.12	↑	9%

* attributable to the shareholders of the parent company

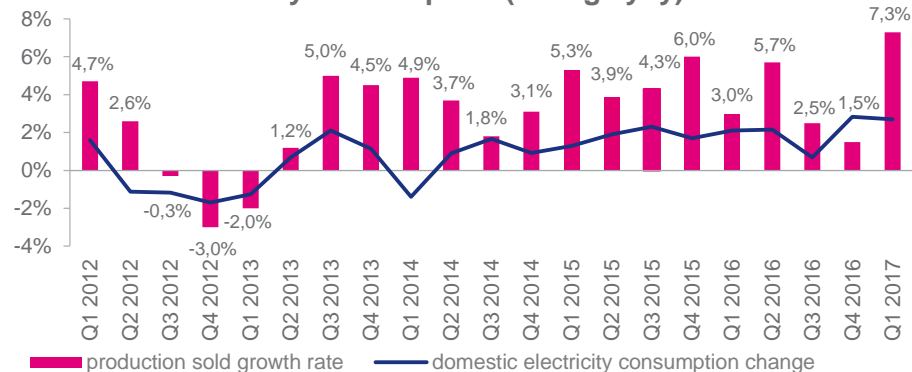
Highlights Summary

February 28	TAURON Sprzedaż (TAURON Supply) terminates long term green certificates purchase agreements
March 1	Amendment is signed with RAFAKO-MOSTOSTAL WARSZAWA consortium to the agreement on the construction of the 910 MW generation unit at Jaworzno III Power Plant – the unit’s completion deadline is extended by 8 months, the agreement value increases by PLN 71m
March 13	Decision of the Management Board of TAURON Polska Energia on submitting the motion to the Ordinary General Meeting of Shareholders on covering the company’s net loss in the financial year 2016 from the company’s spare capital and not recommending the use of spare capital to pay out dividend
March 31	Agreement and amendments related to the conditions of continuing the ”Construction of the CCGT unit at Stalowa Wola” project come into force. Repayment of the PLN 581m debt to the institutions (EIB, EBRD, Pekao S.A.) financing ECSW (Stalowa Wola Combined Heat and Power Plant).
April 6	TAURON Polska Energia is among the laureates of the 2016 Transparent Company of the Year ranking organized by ”Parkiet” stock market and investors daily and the Accounting and Taxes Institute. The company was distinguished for its business transparency and market communications quality.
April 20	Letter of Intent is signed with Grupa Azoty S.A. defining the general principles of cooperation related to the coal gasification project. Project’s estimated value: EUR 400m to 600m (depending on the selected technology version)

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



Increase of industrial production sold* and electricity consumption (change yoy)***



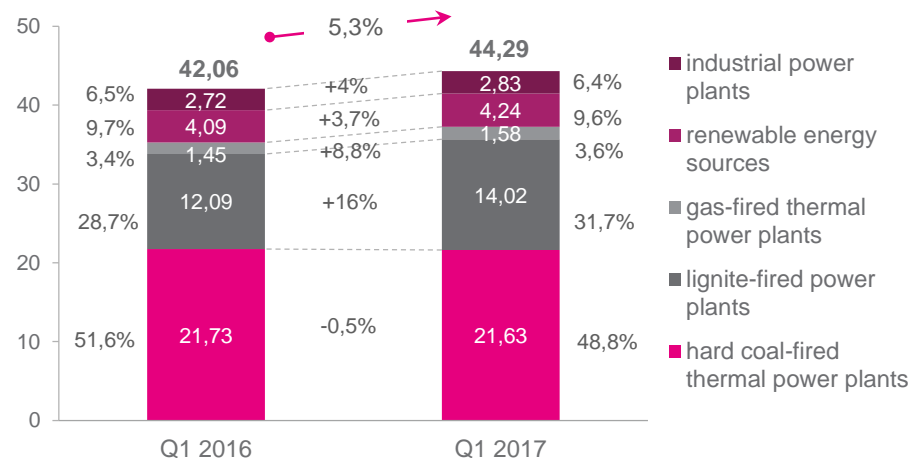
Electricity prices under one year BASE contracts

	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	166.47	147 923
Y-17	160.27	76 729
Y-18	159.74	14 778
Y-19	164.73	1 743
Y-20	170.22	97

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

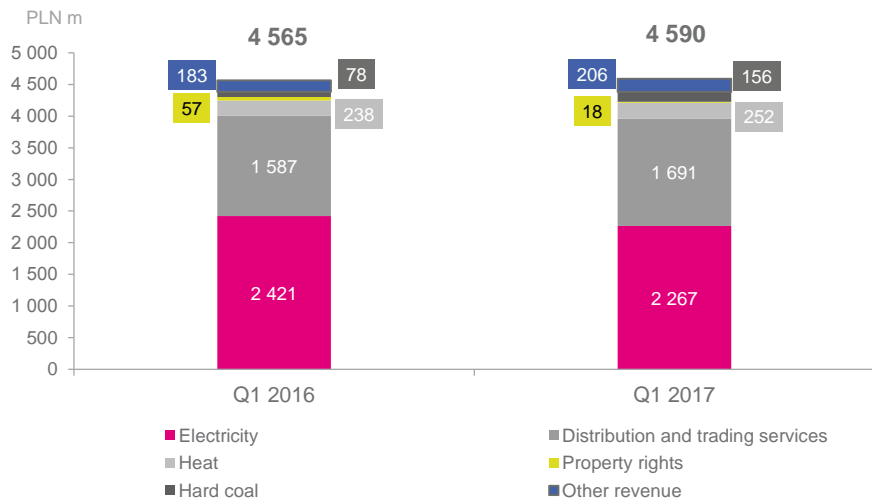
- 2012: 201.36 PLN/MWh
- 2013: 181.55 PLN/MWh
- 2014: 163.58 PLN/MWh
- 2015: 169.99 PLN/MWh
- 2016: 169.53 PLN/MWh (forecast)

Structure of electricity generation in Poland*** [TWh]

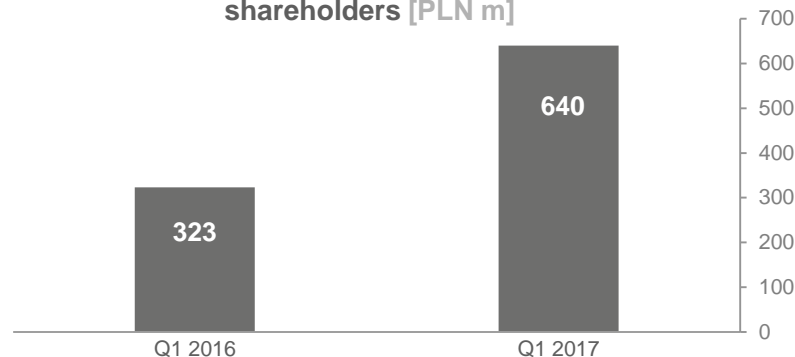


Q1 2017 key financial data

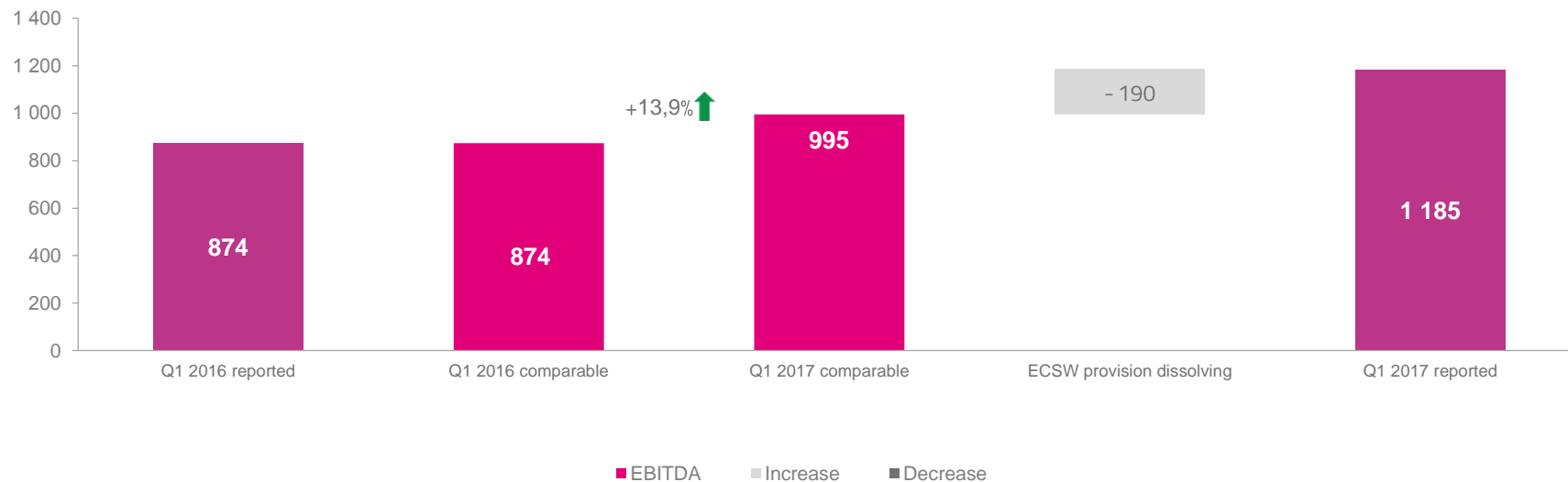
Sales revenue [PLN m]



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

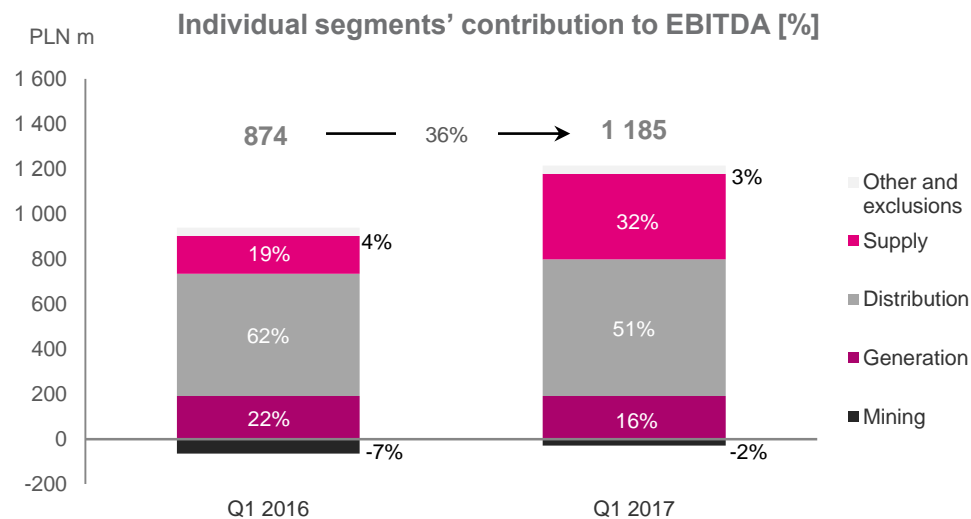


Q1 2017 vs Q1 2016 EBITDA [PLN m]



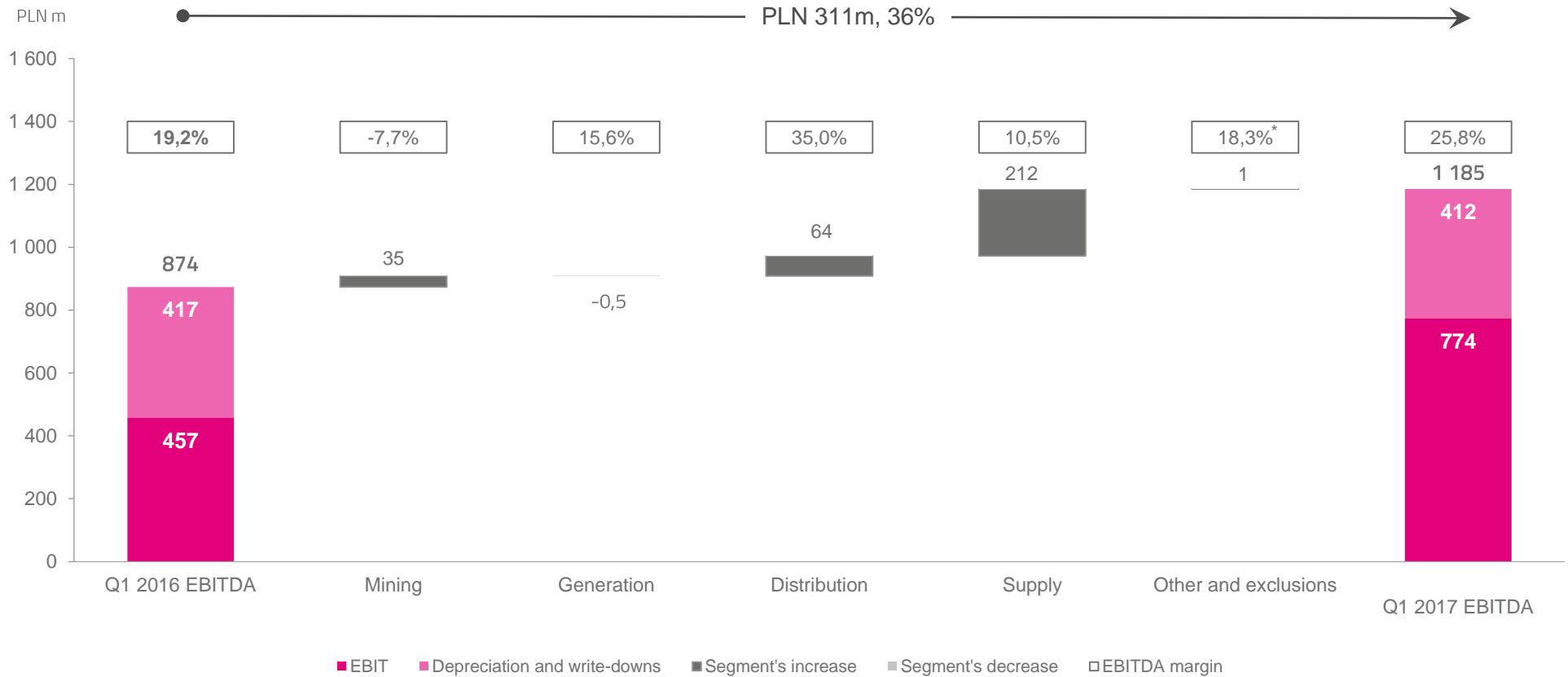
Q1 2017 key segments results

[PLN m]	Mining	Generation	Distribution	Supply	Other and exclusions*
Segment's revenue	384	1 219	1 733	3 617	(2 365)
EBITDA	(29)	191	607	380	37
EBIT	(60)	92	346	377	18
CAPEX	29	335	262	0,2	10



* Items not included in the segments presented

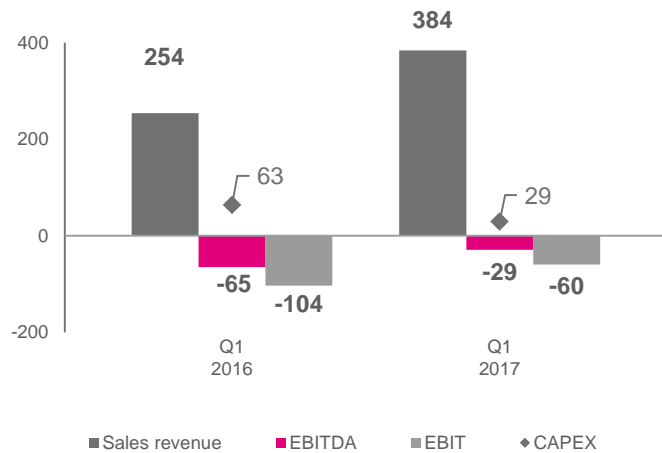
Q1 2017 EBITDA



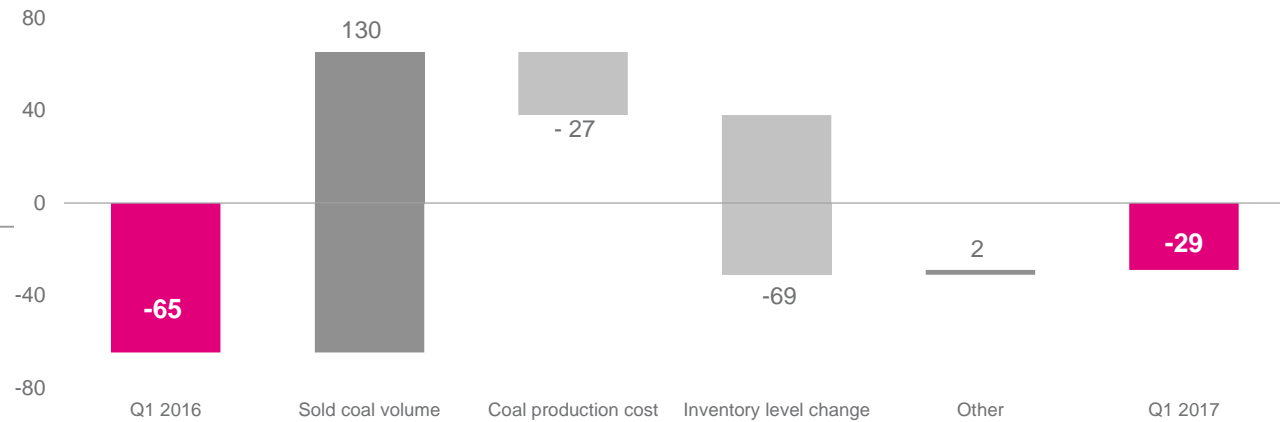
*Other segment's EBITDA margin

Mining segment – Q1 2017

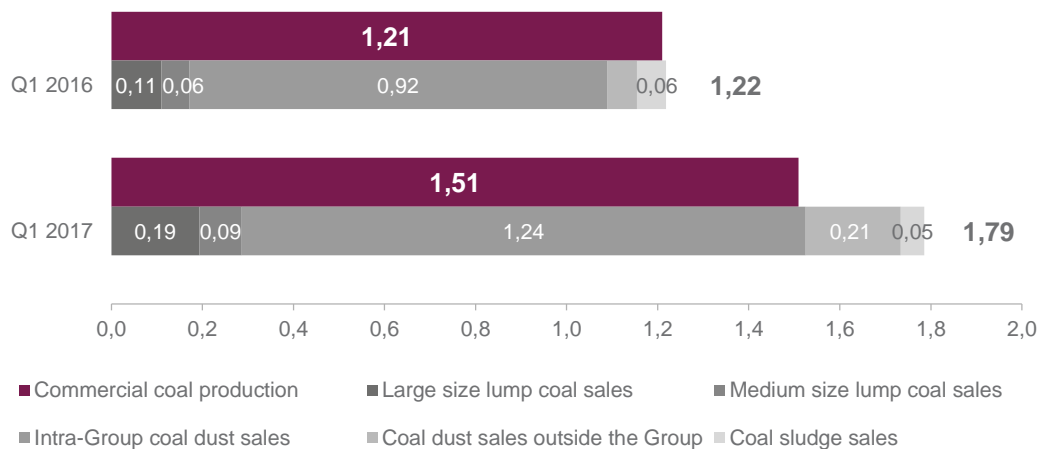
Financial data [PLN m]



EBITDA change [PLN m]



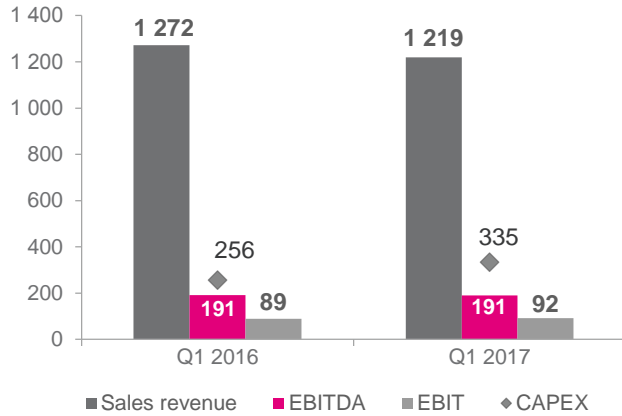
Commercial coal production volume vs sales per product [Mg m]



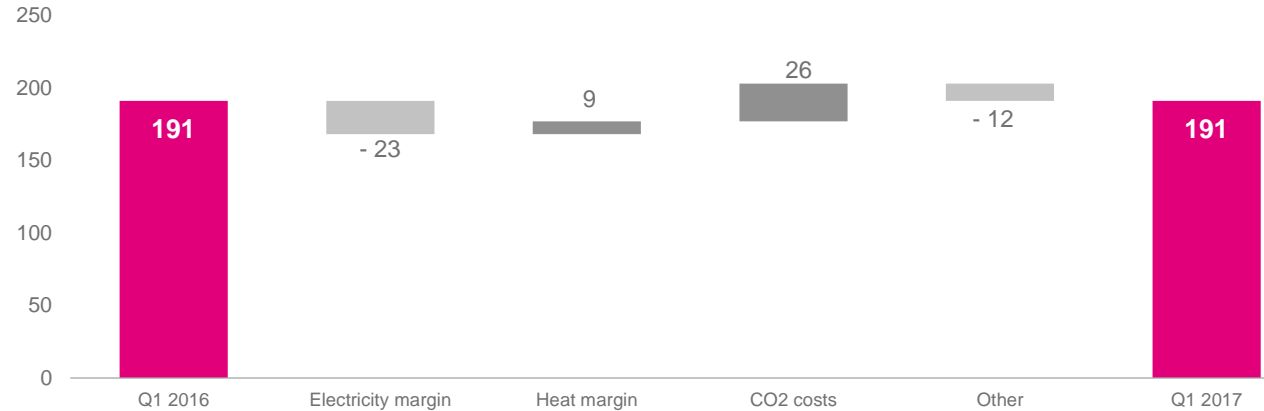
- 24.8% production volume increase ✓
- 46.5% sales volume increase ✓
- 15.5% mining cash cost decrease ✓
- Lower headcount (down 279 FTEs on average) ✓

Generation segment – Q1 2017

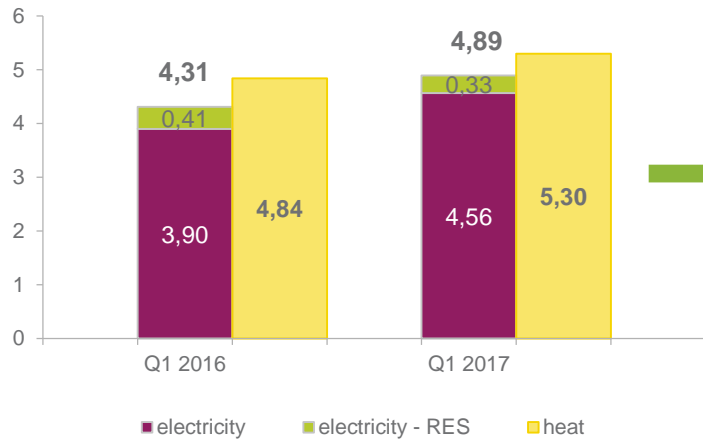
Financial data [PLN m]



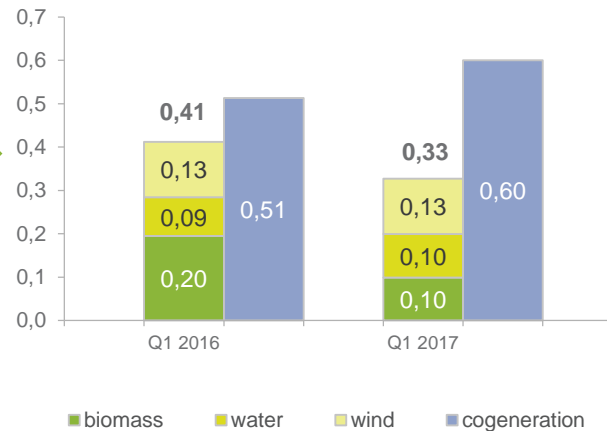
EBITDA change [PLN m]



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



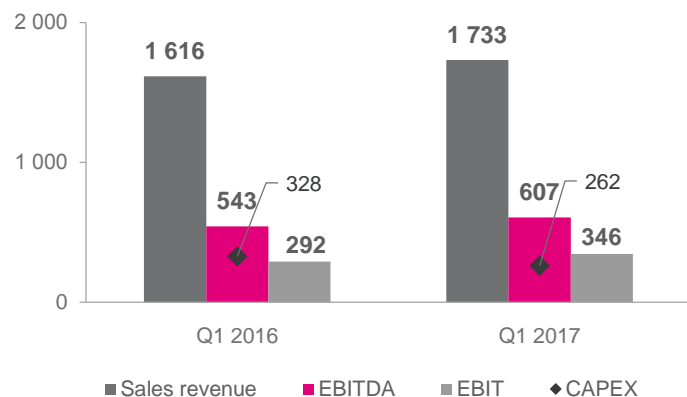
RES and cogeneration production [TWh]



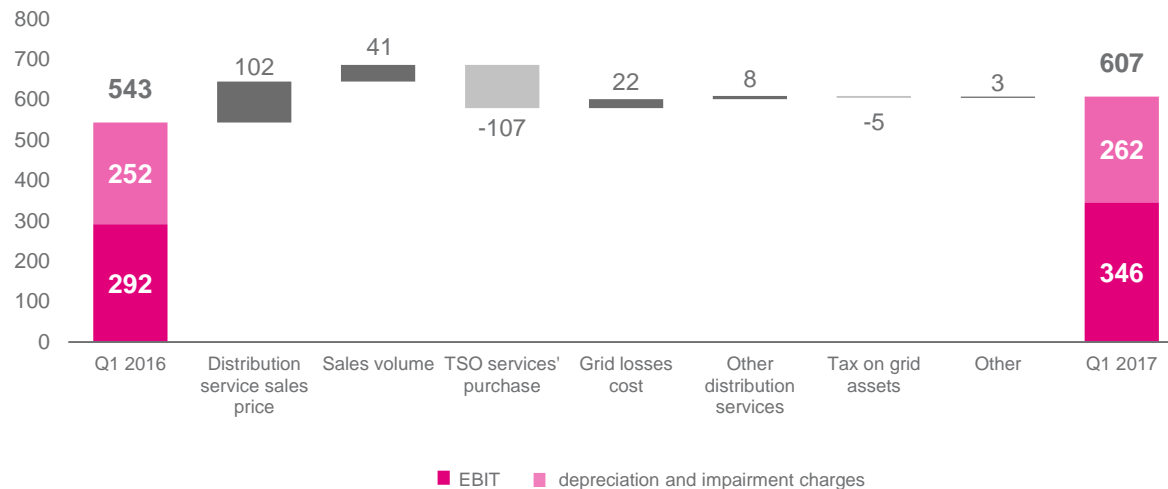
- Electricity and heat sales volumes increase ✓
- CO2 prices decrease ✓
- Electricity prices decrease -
- RES property rights prices decrease -

Distribution segment – Q1 2017

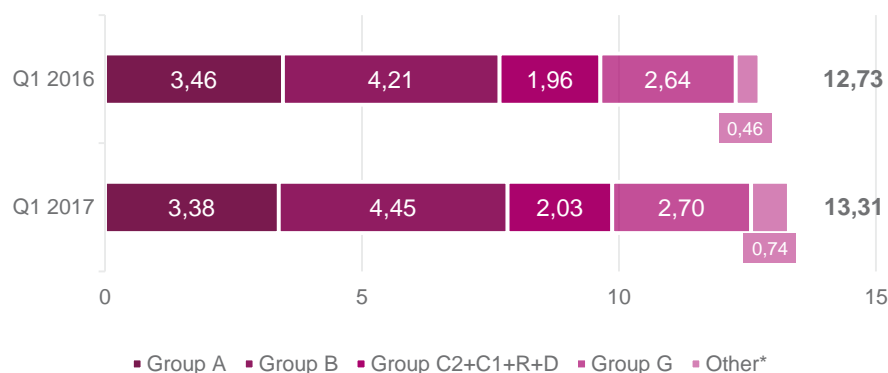
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



*neighboring DSO and export

• Increase of approved tariff by 7.2 PLN/MWh (6%)



• Higher electricity distribution services sales volume by 572 GWh (4.5%), mainly in correlation to the GDP growth rate



• 67% increase of the transition fee rate included in the cost of purchasing the transmission services and the RES fee (none in Q1 2016)

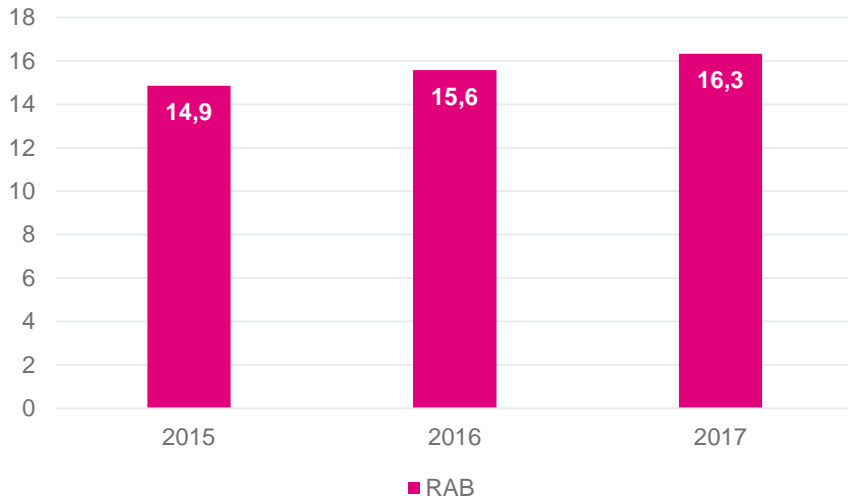


• 0.72 pp decrease of the balancing difference indicator, 10 PLN/MWh decline of the Group's electricity balancing price

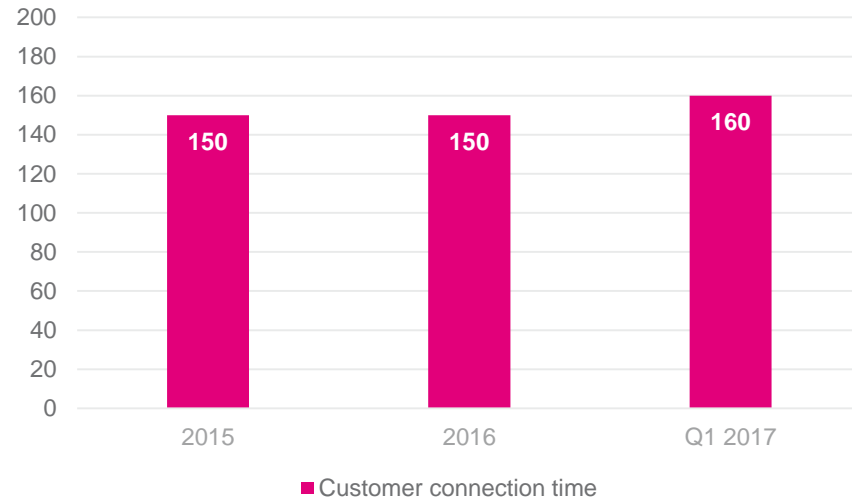


Distribution segment – key parameters

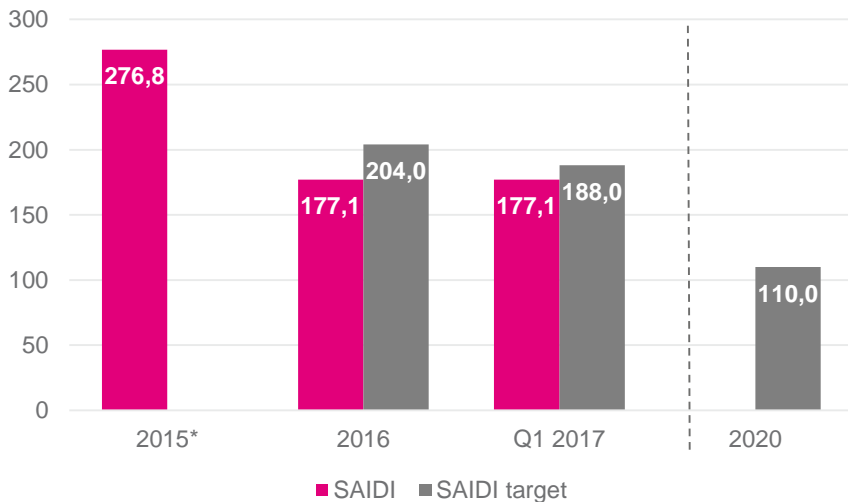
Regulatory Asset Base [PLN bn]



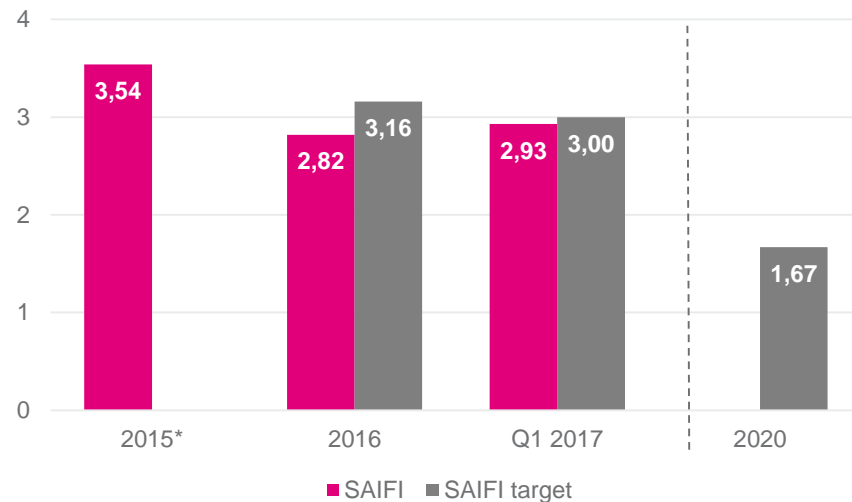
Customer connection time [in days]



SAIDI [min.]



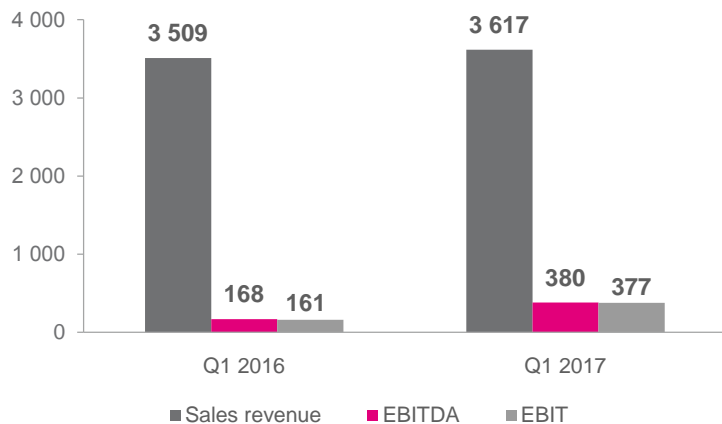
SAIFI [number]



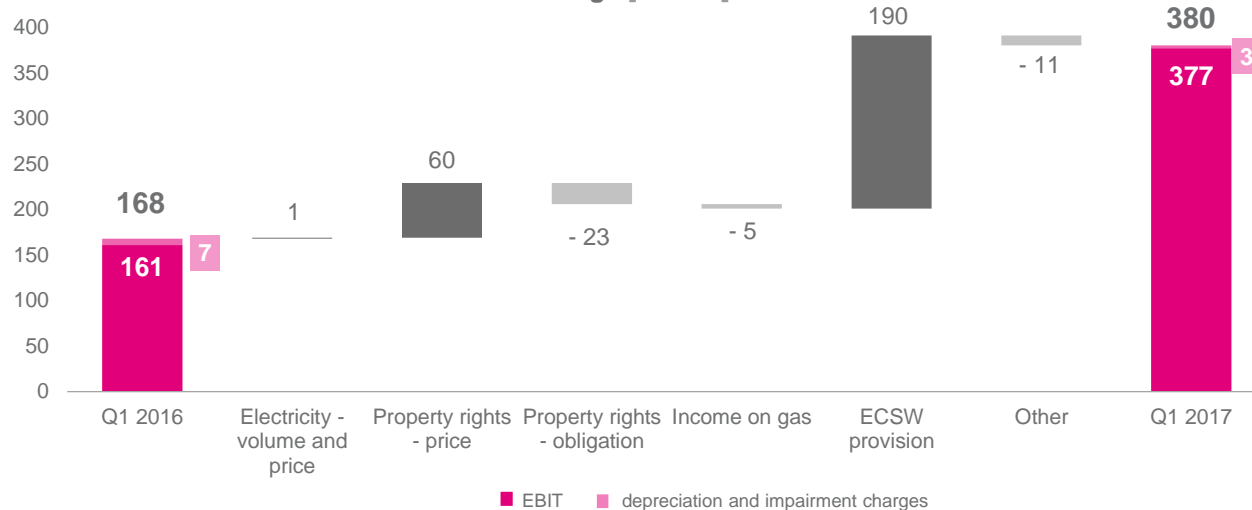
* Method used to calculate the indicators in 2015 was different than the method used under the quality based regulation – the calculation in 2015 took into account the low voltage distribution grid outages

Supply segment – Q1 2017

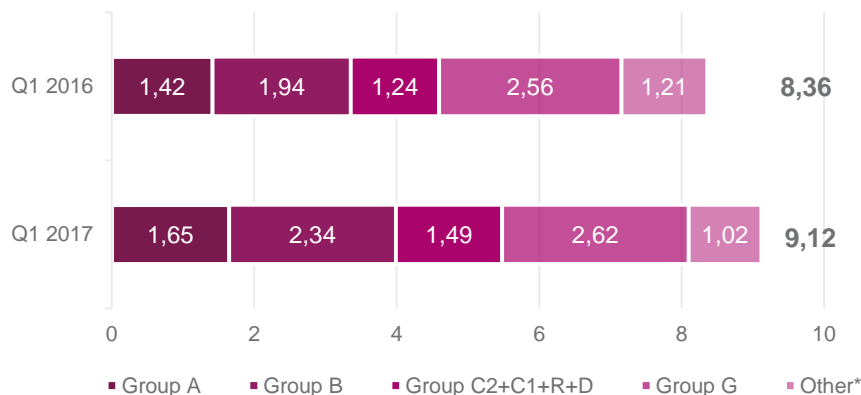
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



- Increase of the supply volume as a result of rising electricity consumption by the largest customers



- Increased obligation to redeem property rights: in case of PM OZE from 15% to 15.4% and other PMs and introduction of PM OZE-BIO 0.6%



- Further decline of market prices of property rights purchased to be redeemed prices (mainly PM OZE)



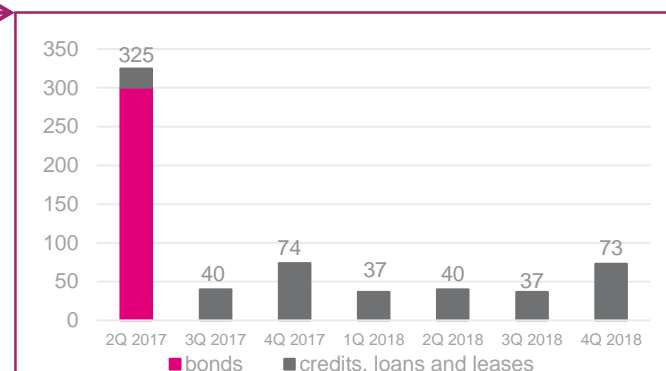
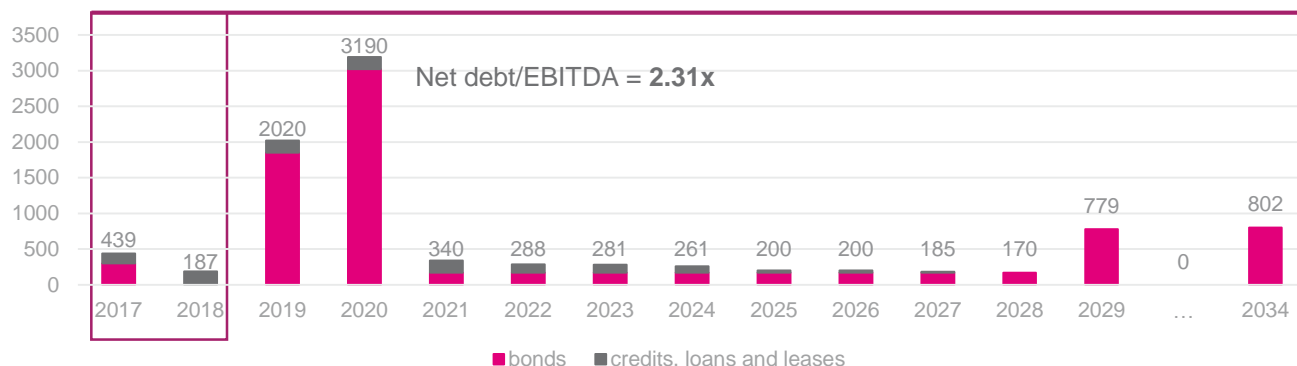
- Positive impact in Q1 2017 due to dissolving the provision related to ECSW CCGT unit construction agreement



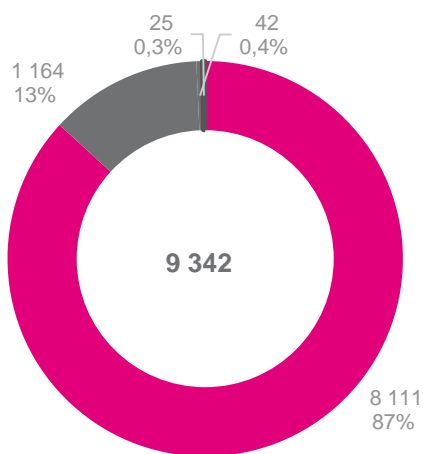
*includes sales to cover the balancing difference and to the intra-Group end users

Debt and financing

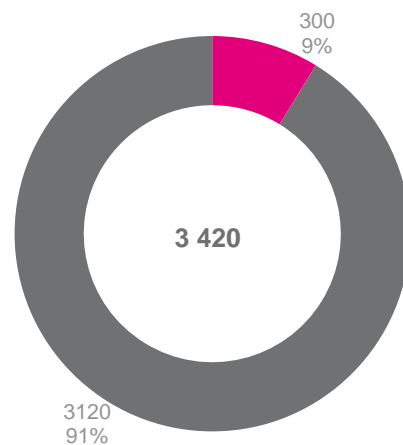
TAURON Group's debt maturity as of 31.03.2017 [PLN m]



TAURON Group's debt structure as of 31.03.2017 [PLN m]



Financing available to TAURON Group as of 31.03.2017 [PLN m]

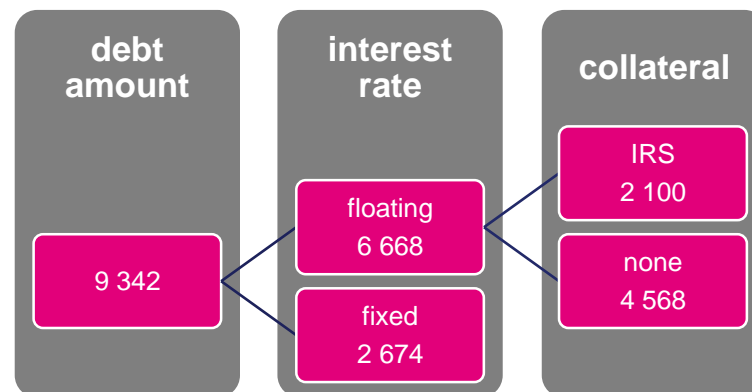


■ bonds ■ EIB loans ■ NFOŚiGW / WFOŚiGW loans ■ leases



■ cash pool ■ bond issue programs

- debt (nominal value of debt due to investment loans, loans, leases and bonds) as of 31.03.2017 is PLN 9 342m
- weighted average maturity of debt as of 31.03.2017 is 73 months
- EUR denominated debt (NSV and EIB bond issue) represents 16.2% of the total debt

Debt structure based on interest rate [PLN m]:



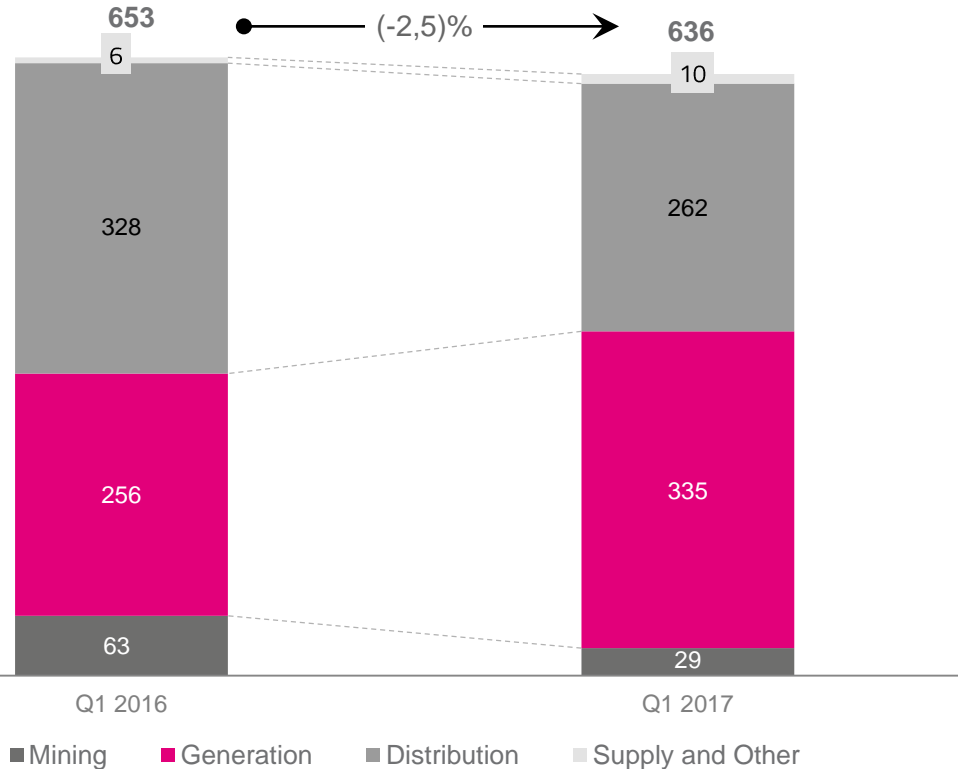
CAPEX – key projects' work progress

Investment project	Capacity (MW _e)	Capacity (MW _t)	Work progress (percentage)		Planned completion date
Construction of the hard coal-fired unit at Jaworzno III Power Plant	910	-	33		2019
Construction of the CCGT unit at Stalowa Wola Combined Heat and Power Plant*	450	240	85		2019
Construction of the 800m level at Janina coal mine	-	-	51		2020
Construction of Grzegorz shaft at Sobieski coal mine	-	-	20		2023
CAPEX program at Brzeszcze coal mine	-	-	21		2025

* Completion date will be estimated following the inventory taking and acceptance of the comprehensive project completion concept

CAPEX – per segment

Capital expenditures per segment [PLN m]
(excluding equity investments)



Key investment projects underway in Q1 2017:

Mining:

- construction of the 800 m level at Janina coal mine (PLN 11m)
- construction of the Grzegorz shaft at Sobieski coal mine (PLN 2m)
- Brzeszcze coal mine CAPEX program (PLN 5m)





Generation:

- construction of new 910 MW capacity at Jaworzno Power Plant (PLN 282m)
- maintenance and expansion of district heating networks (PLN 4m)
- connections of new facilities (PLN 2m)
- hydroelectric power plants upgrade (PLN 3m)

Distribution:

- construction of new connections (PLN 102m)
- grid asset upgrades and replacement (PLN 129m)

Efficiency improvement program

Segment	Savings realized in 2016 – Q1 2017	Savings planned in 2016-2018	Progress %	Main initiatives
Mining	PLN 109m	PLN 255m	 43%	<ul style="list-style-type: none"> ▪ Employment restructuring, reduction of labor costs and increasing their flexibility, organizational measures ▪ Use of electronic auctions in the purchasing process ▪ CAPEX plan optimization
Generation (including RES and Heat)	PLN 260m	PLN 367m	 71%	<ul style="list-style-type: none"> ▪ Optimization of upgrades and of other asset maintenance costs ▪ Employment restructuring ▪ Purchasing efficiency improvement ▪ Optimization of the carburizing and de-ashing systems' operation services ▪ Maintenance services costs control ▪ CAPEX plan optimization
Distribution	PLN 184m	PLN 390m	 47%	<ul style="list-style-type: none"> ▪ Reorganization and employment restructuring ▪ Asset maintenance costs control ▪ Purchasing efficiency improvement ▪ Outsourcing of the storage services ▪ Sale of redundant real estate
Other	PLN 73m	PLN 291m	 25%	<ul style="list-style-type: none"> ▪ Employment restructuring, ▪ Reduction of the scope of IT services ▪ Customer service costs and overhead (administration) costs control ▪ Optimization of the costs of promotional and sponsoring activities
Total	PLN 626m	PLN 1,303m	48%	

- In 2016 and Q1 2017 under the Voluntary Redundancy Program, being part of the Efficiency Improvement Program, TAURON Group's headcount was reduced by 591 FTEs. Savings resulting from redundancies, decreased by the costs incurred to generate these savings, are included in the amounts presented per segment

Thank you – Q & A



Investor Relations Team

Marcin Lauer

marcin.lauer@tauron.pl

tel. + 48 32 774 27 06

Paweł Gaworzyński

pawel.gaworzynski@tauron.pl

tel. + 48 32 774 25 34

Katarzyna Heinz

katarzyna.heinz@tauron.pl

tel. + 48 32 774 25 38

This presentation serves for information purposes only and should not be treated as investment-related advice.

This presentation has been prepared by TAURON Polska Energia S.A. ("the Company").

Neither the Company nor any of its subsidiaries shall be held accountable for any damage resulting from the use of this presentation or a part thereof, or its contents or in any other manner in connection with this presentation.

The recipients of this presentation shall bear exclusive responsibility for their own analyses and market assessment as well as evaluation of the Company's market position and its potential results in the future based on information contained in herein.

To the extent this presentation contains forward-looking statements related to the future, in particular such terms as "designed", "planned", "anticipated", or other similar expressions (including their negation), they shall be connected with the known and unknown risks, uncertainty and other factors which might result in actual results, financial situation, actions and achievements being materially different from any future results, actions or achievements expressed in such forward-looking statements.

Electricity market price trends

Electricity						
Platforms: TGE, TFS, GFI, GPW-POEE	2016		2017 (until April 18 + estimate)		2017/2016	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	165.88	191 342	159.52	115 157	-3.8%	-39.8%
Forward PEAK (Y+Q+M)	210.27	23 414	208.64	17 615	-0.8%	-24.8%
Forward (weighted average)	170.72	214 756	164.03	132 772	-3.9%	-38.2%
SPOT (TGE)	160.64	27 590	158.21	28 000	-1.5%	1.5%
Total weighted average	169.58	242 346	163.02	160 777	-3.9%	-33.7%

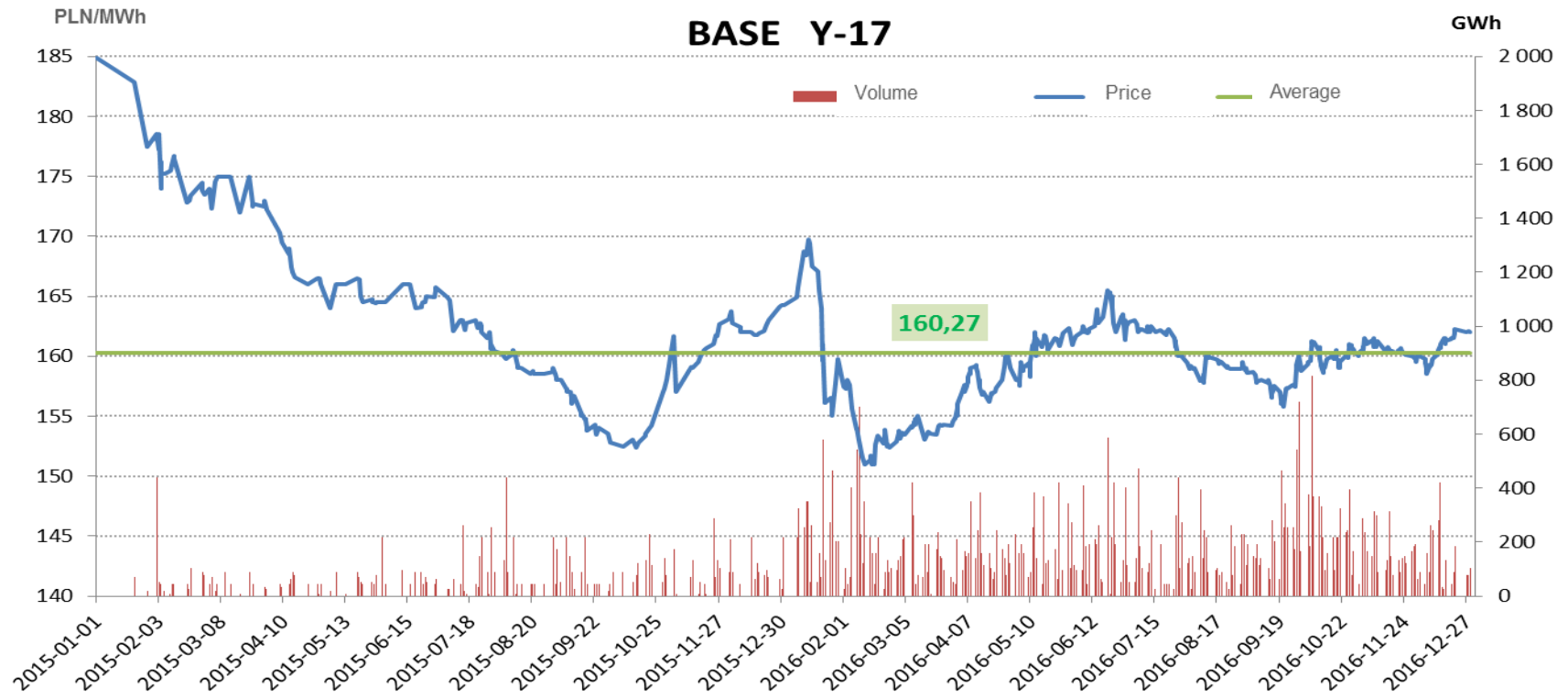
Property rights (PLN/MWh)			
Certificate type	Market prices (average between 1.01.2017 and 18.04.2017)	Substitution fee and obligation for:	
		2016	2017
RES (PMOZE_A)	33.40	303.03 (14.35%)	300.03 (15.40%)
RES from biogas plants (PMOZE_BIO)	335.03	300.03 (0.65%)	300.03 (0.60%)
Coal cogeneration (PMEC-2016)	10.72	11.00 (23.2%)	10.00 (23.2%)
Gas cogeneration (PMGM-2016)	123.41	125.00 (6.0%)	120.00 (7.0%)
Methane cogeneration (PMMET-2016)	62.27	63.00 (1.5%)	56.00 (1.8%)

CO2 emission allowances(EUA/t)	
CO2 market analysts survey* (updated in April 2017)	Price (EUR/t)
2016 average	5.36 EUR/t
2017 average	5.15 EUR/t
2018 average	6.60 EUR/t
2017 average price forecast by TAURON (**updated in April 2017)	4.80 – 5.80 EUR/t

* Sources: Point Carbon, BNEF, Consus, GDF SUEZ Trading, HSE, Mkonline, Societe Generale, TAURON

** Average price in January - April 2017 + TPE analysts' adjustment

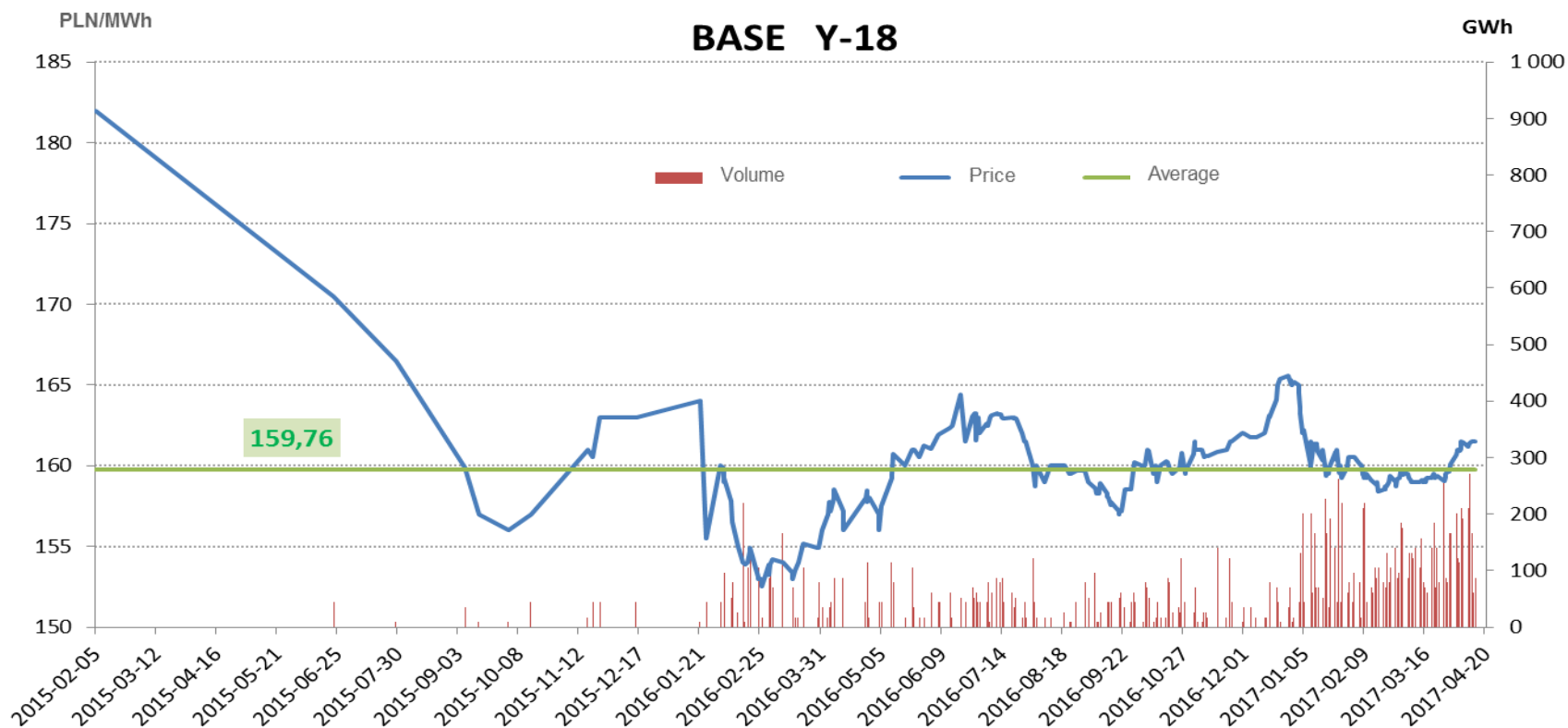
2017 BASE contracts



		Average price [PLN/MWh]	Volume [GWh]
Total		160.27	76 729
Including	TGE	159.77	51 535
	non TGE	161.29	25 194

Average electricity price that takes into account 2017 one year BASE and PEAK contracts: 164.83 PLN/MWh, total 2017 BASE and PEAK volume: 84 473 GWh

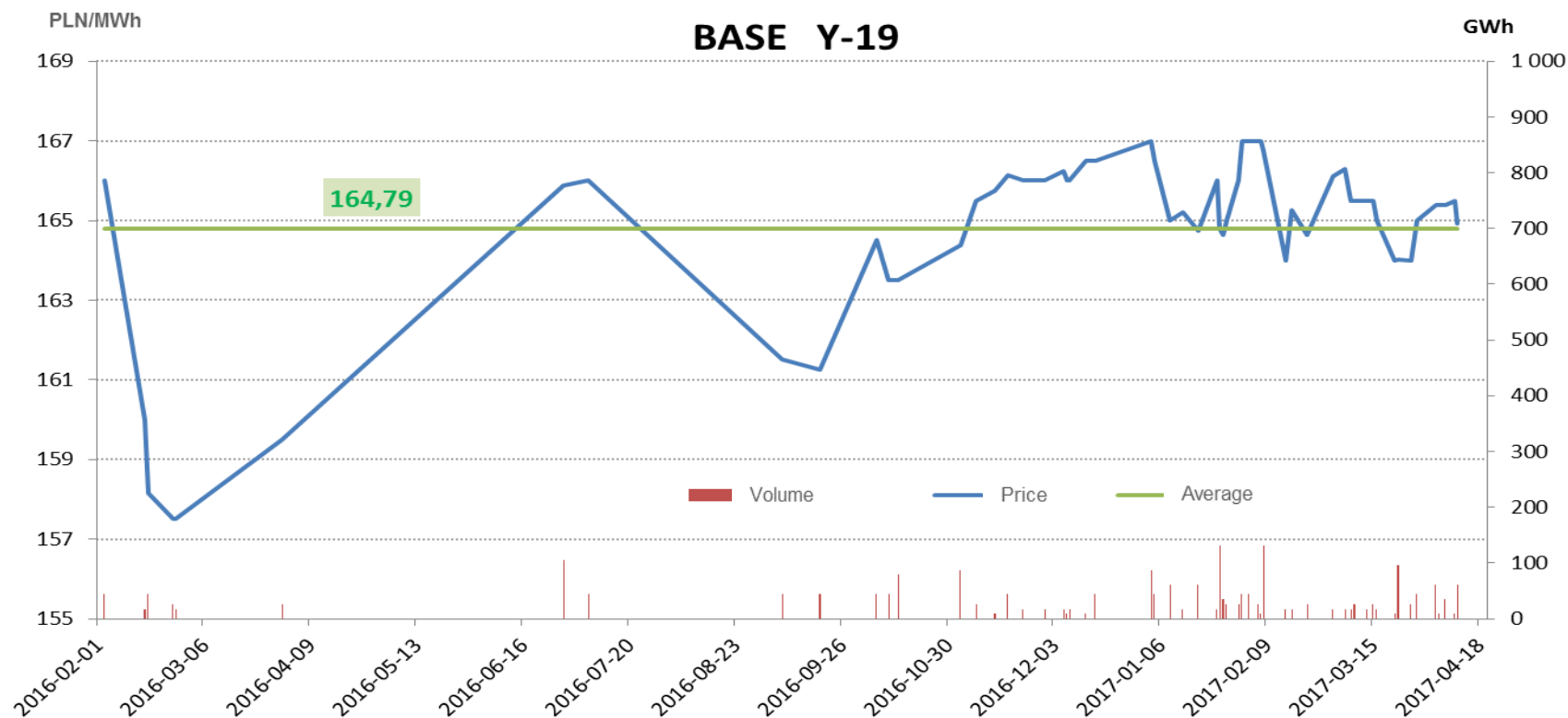
2018 BASE contracts



		Average price [PLN/MWh]	Volume [GWh]
Total		159.76	21 138
Including	TGE	159.76	14 419
	non TGE	159.75	6 719

Average electricity price that takes into account 2018 one year BASE and PEAK contracts: 163.80 PLN/MWh, total 2018 BASE and PEAK volume: 22 941 GWh

2019 BASE contracts



		Average price [PLN/MWh]	Volume [GWh]
Total		164.79	2 260
Including	TGE	164.91	2 111
	non TGE	163.09	149

Average electricity price that takes into account 2019 one year BASE and PEAK contracts: 166.90 PLN/MWh, total 2019 BASE and PEAK volume: 2 350 GWh

Analysts covering TAURON



Institution	Analyst
DB Securities	Tomasz Krukowski
Dom Maklerski mBanku	Kamil Kliszczyk
Societe Generale	Bartłomiej Kubicki
Dom Maklerski BZ WBK	Paweł Puchalski
Dom Maklerski PKO BP	Stanisław Ozga
Dom Maklerski Banku Handlowego	Piotr Dzięciołowski
Ipopema	Robert Maj
Erste Group	Tomasz Duda
Pekao Investment Banking	Łukasz Jakubowski

Institution	Analyst
Raiffeisen Centrobank	Teresa Schinwald
Trigon	Krzysztof Kubiszewski
UBS Investment Research	Michał Potyra Patrick Hummel Tomasz Walkowicz
WOOD & Company	Bram Buring
Dom Maklerski BOŚ	Jakub Viscardi

Thank you for your attention