



TAURON Group's H1 2019 Financial Results

October 1, 2019

Structure of the presentation



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 the individual operating segments
- Debt and financing

Key H1 2019 data



Financial results		
[PLN m]	H1 2019 vs H1 2018	
Sales revenue	10 398	18%
EBITDA	2 208	(2)%
Net profit*	666	17%
CAPEX	1 642	5%
Net debt/EBITDA	2.60x	up 0.06x (vs 31.12.2018)

Operating data		
	H1 2019 vs H1 2018	
Electricity distribution [TWh]	26.08	0.3%
Electricity production [TWh]	7.15	(5)%
Heat generation [PJ]	6.41	(5)%
Retail electricity supply [TWh]	17.03	(1)%
Commercial coal production [mln ton]	2.26	(11)%

* Attributable to the shareholders of the parent company

Key Q2 2019 data

Financial results		
[PLN m]	Q2 2019 vs Q2 2018	
Sales revenue	5 085	21%
EBITDA	996	6%
Net profit*	142	-
CAPEX	916	(4)%
Net debt/EBITDA	2.60x	up 0.06x (vs 31.12.2018)

Operating data		
	Q2 2019 vs Q2 2018	
Electricity distribution [TWh]	12.54	(0.4)%
Electricity production [TWh]	3.33	(8)%
Heat generation [PJ]	1.66	58%
Retail electricity supply [TWh]	8.10	2%
Commercial coal production [mln ton]	0.99	(10)%

* Attributable to the shareholders of the parent companyj

Highlights Summary



April 17

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

May 27

Adoption of the update of the strategic directions of TAURON Group's Strategy

August 1

The first investment of Poland's largest CVC fund - EEC Magenta in Reliability Solutions, a company specializing in predicting and minimizing the effects of the generating units' failures

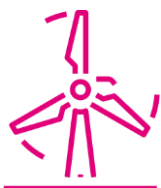
September 3

Signing of the transaction documents related to the acquisition of five wind farms with the capacity of 180 MW for EUR 137.1 million

Wind farms acquisition

Key parameters

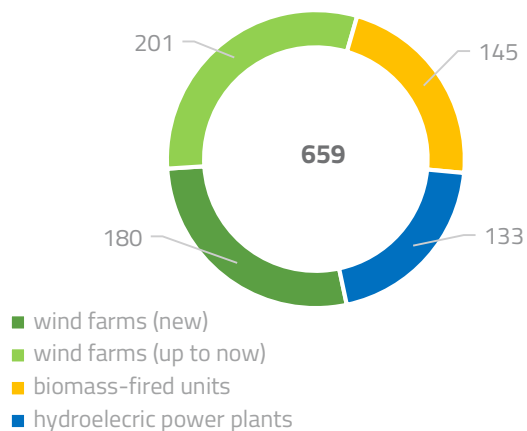
Acquisition price	137 mln euro
Number of farms acquired	5
Total capacity	180 MW
Estimated average annual electricity production	450 GWh
Estimated average annual EBITDA	> PLN 100 million



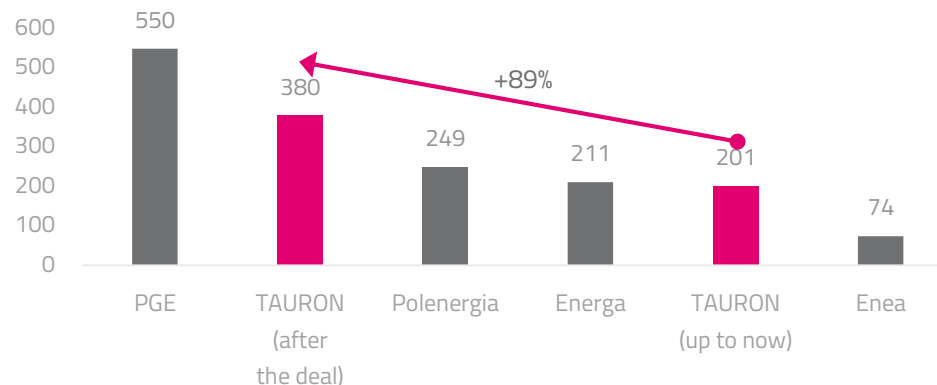
Wind farms acquisition transaction

- ✓ **Element of the implementation of TAURON Group's strategic directions**
by 2025: investments in on-shore wind farms with the capacity of 900 MW, photovoltaic farms with the capacity of 300 MW and involvement in the construction of off-shore wind farms,
by 2030: the share of low and zero emission sources in the Group's generation mix is to rise to 66 percent
- ✓ **Withdrawal of the lawsuit filed by Hamburg Commercial Bank AG against TAURON Sprzedaż**
The object of the lawsuit was: PLN 36.3 million in damages and PLN 196.6 million in liquidated damages
- ✓ **Enabling to end the lawsuits filed by the companies owned by in.ventus against TAURON Group subsidiaries**
Dispute amount: EUR 61.3 million

Total capacity of TAURON Group's renewable energy sources [MW]

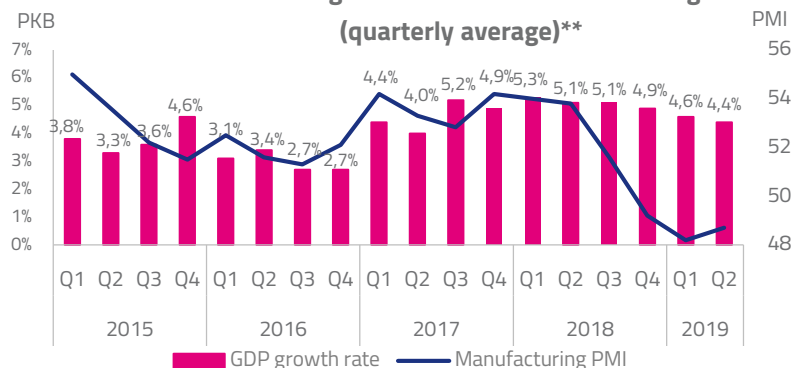


Wind farms [MW]

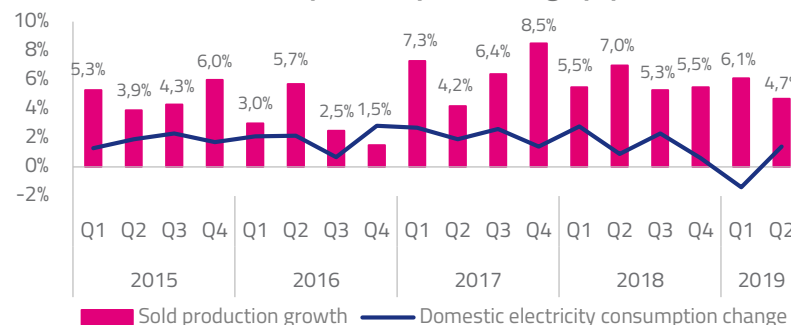


Macroeconomic and market situation

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



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



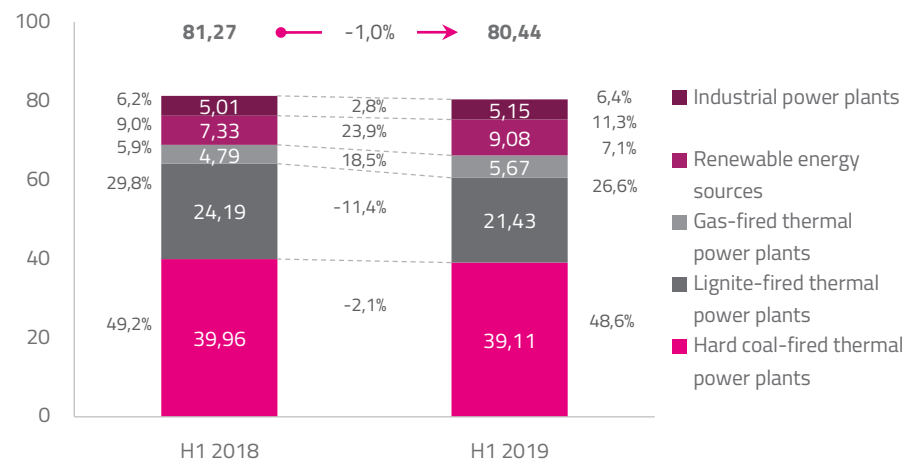
Electricity prices under one-year BASE contracts

	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	165,98	65 227
Y-19	237,44	133 170
Y-20	265,96	72 363
Y-21	265,06	5 931

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: 246.48 PLN/MWh (estimate)

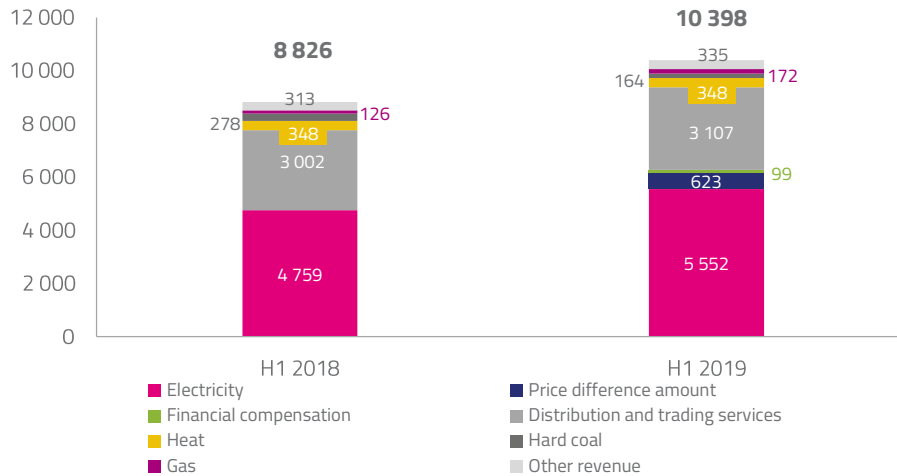
Structure of electricity production in Poland* [TWh]**



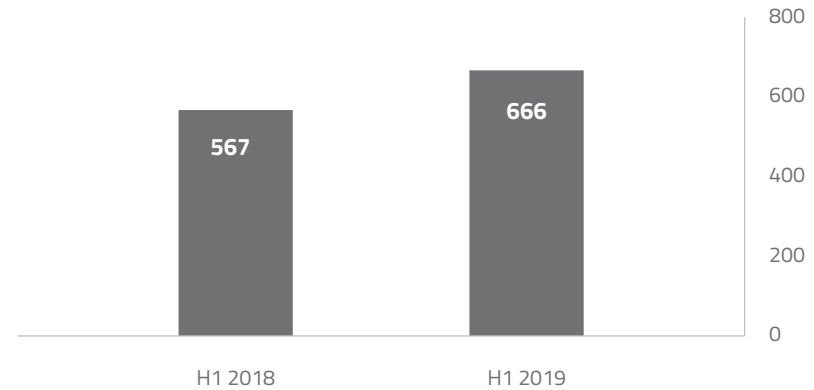
H1 2019 financial data



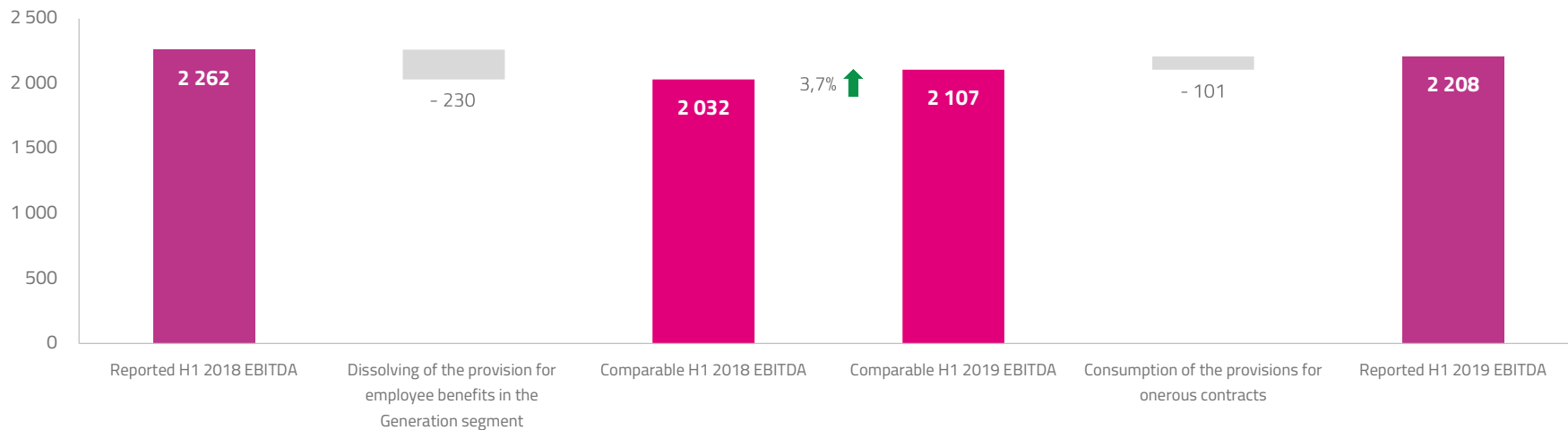
Sales revenue [PLN m]



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



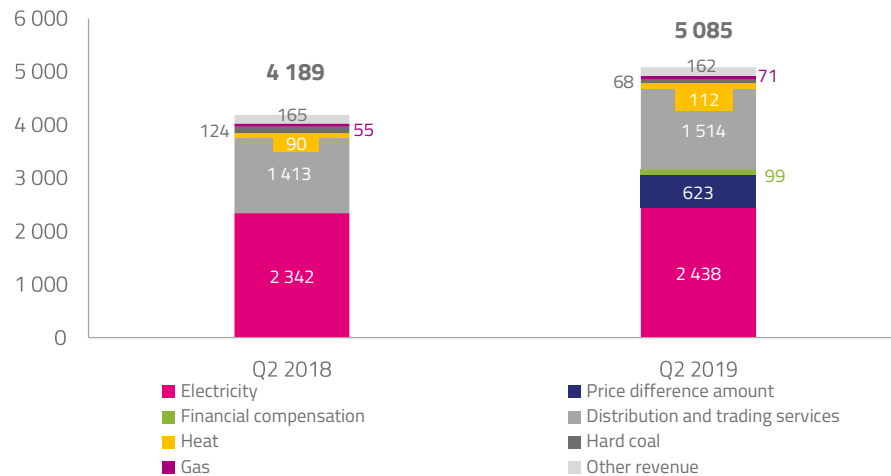
H1 2019 EBITDA vs H1 2018 EBITDA [PLN m]



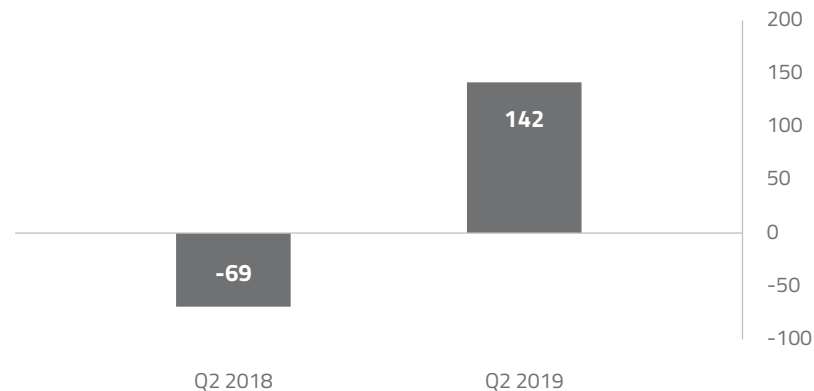
Q2 2019 financial data



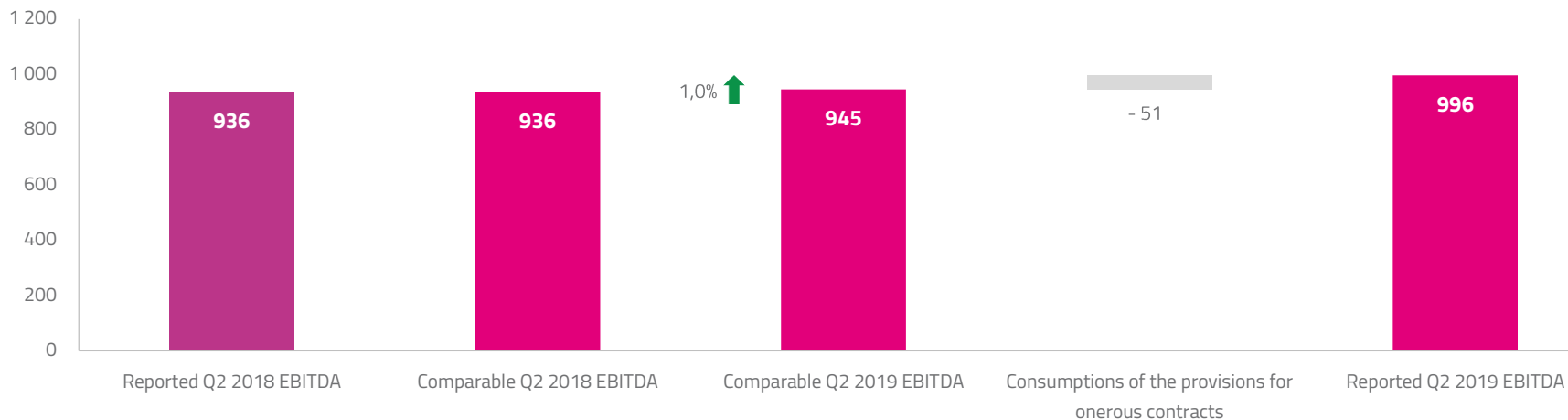
Sales revenue [PLN m]



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

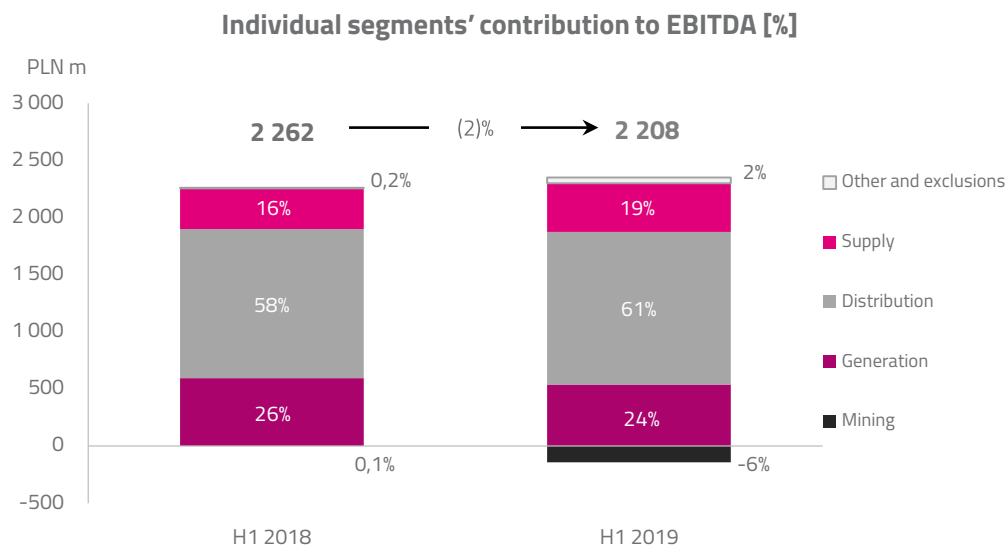


Q2 2019 EBITDA vs Q2 2018 EBITDA [PLN m]



Individual segments' H1 2019 results

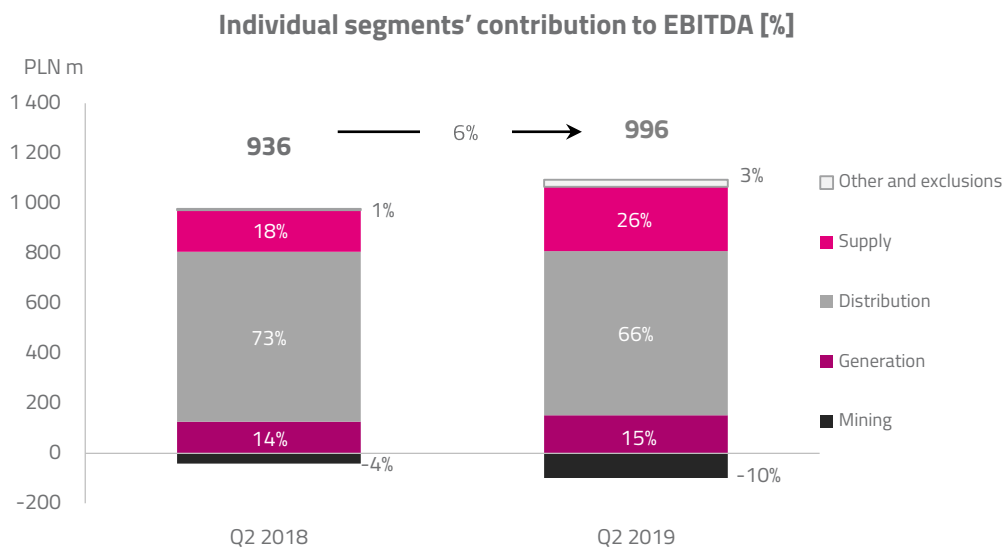
[PLN m]	Distribution	Generation	Supply	Mining	Other and exclusions*
Revenue	3 275	2 546	7 646	532	(3 602)
EBITDA	1 337	539	423	(143)	52
EBIT	765	325	404	(511)	7
CAPEX	863	501	10	237	32



* Items not included in the segments presented

Individual segments' Q2 2019 results

[PLN m]	Distribution	Generation	Supply	Mining	Other And exclusions*
Revenue	1 594	1 157	3 735	240	(1 641)
EBITDA	656	152	258	(99)	28
EBIT	378	45	248	(415)	5
CAPEX	512	265	6	118	15



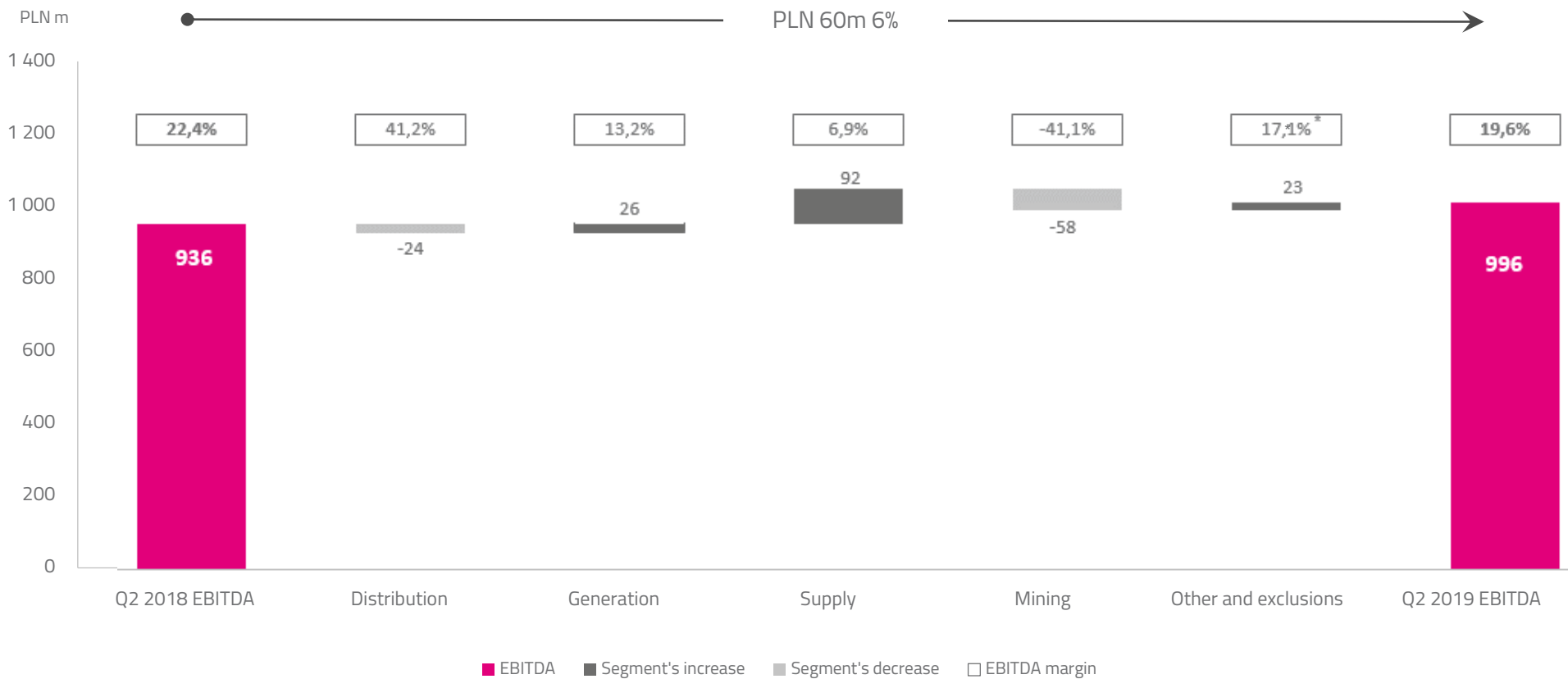
* Items not included in the segments presented

H1 EBITDA 2019



*Other operations segment's EBITDA margin

Q2 2019 EBITDA



*Other operations segment's EBITDA margin

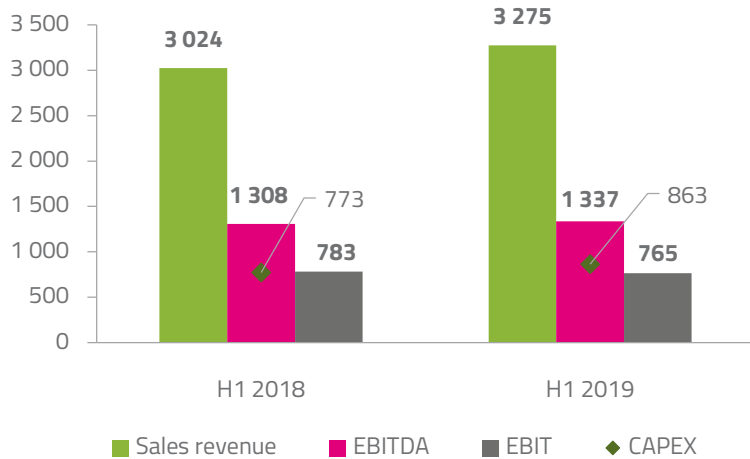


Distribution Segment

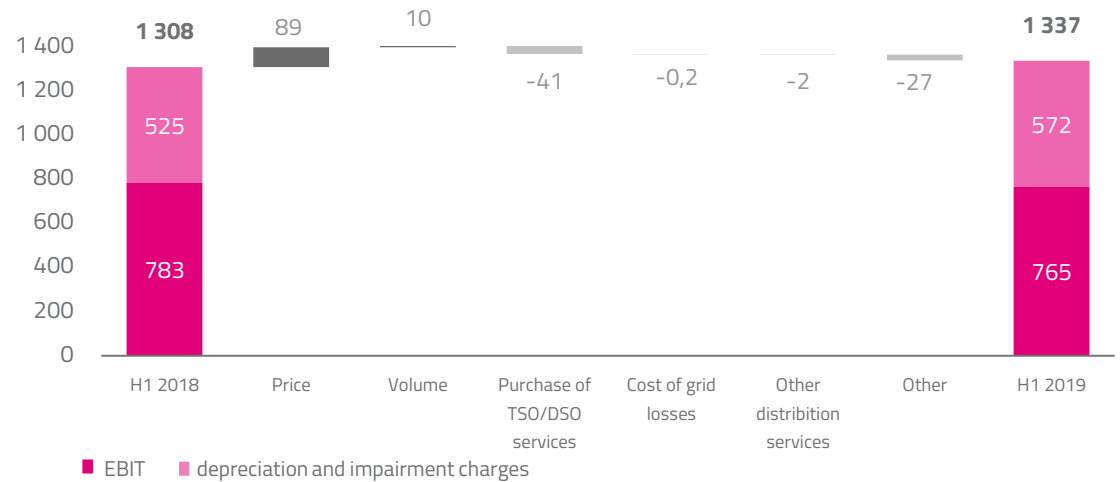
Distribution Segment – H1 2019



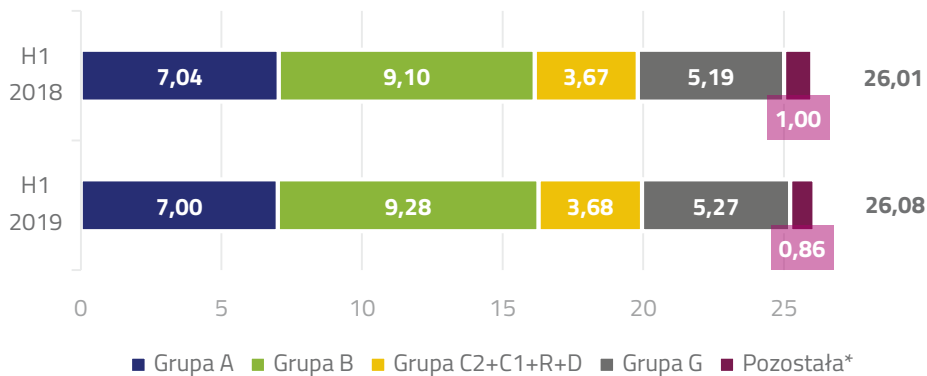
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



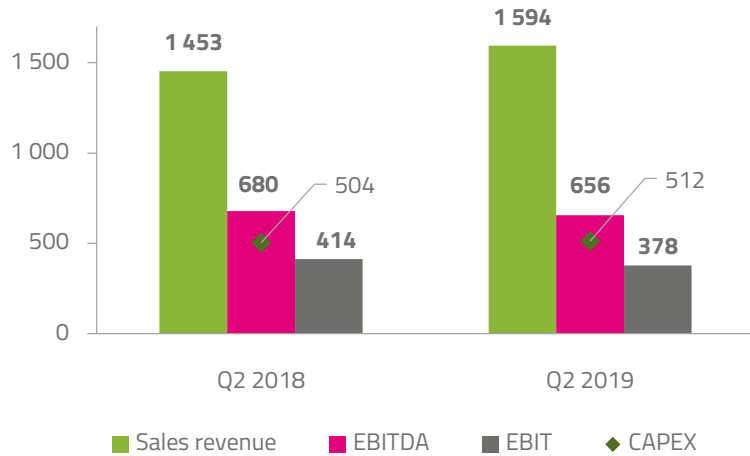
- Increase of the average price of the distribution service to the final consumers ✓
- Increase of electricity distribution services sales volume by 77 GWh ✓
- Entry into force, as of April 6, 2019, of the new distribution tariff for 2019 -

* Neighboring DSOs and exports

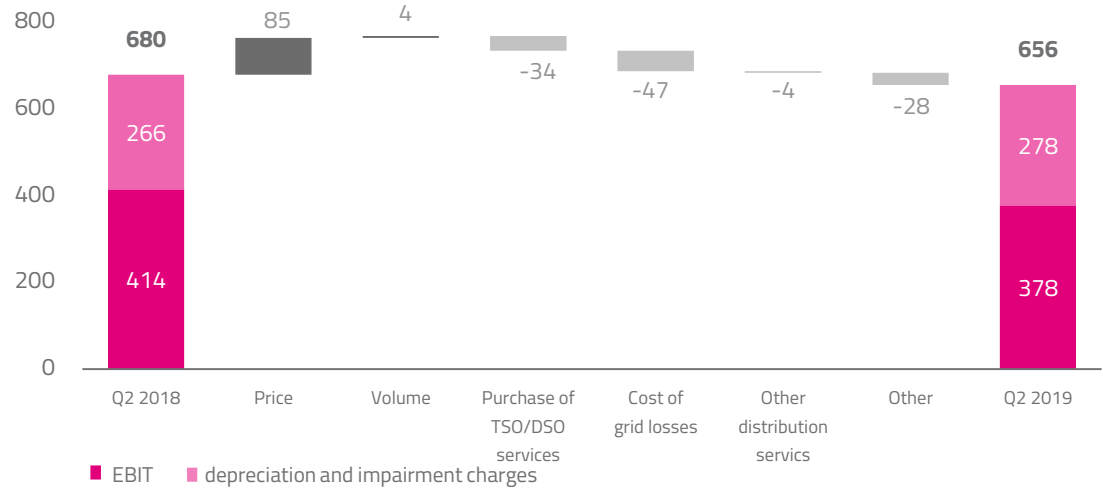
Distribution Segment – Q2 2019



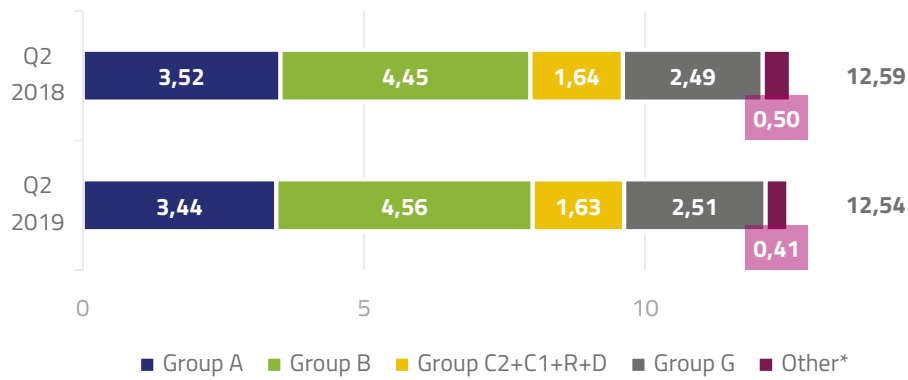
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



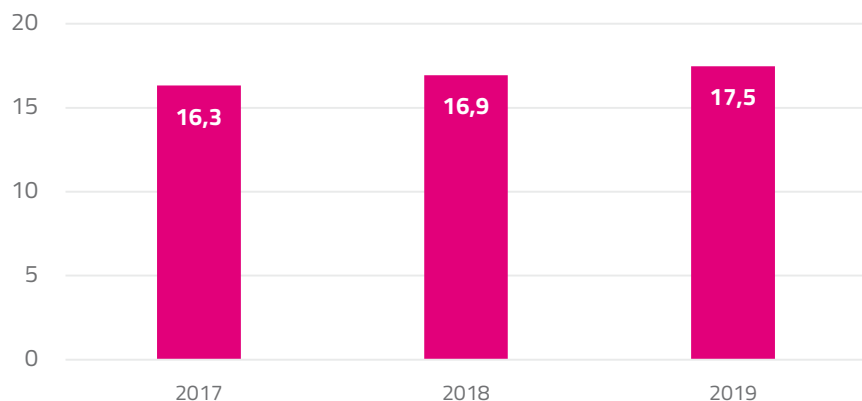
- Higher distribution service sales price ✓
- Increase of the distribution service sales volume in groups B and G ✓
- Higher costs of the balancing difference -

* Neighboring DSOs and exports

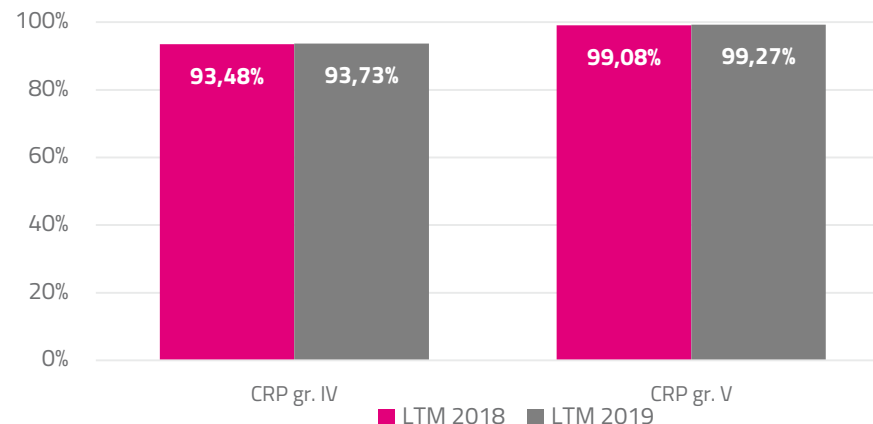
Distribution Segment – key parameters



Regulatory Asset Base [PLN bn]

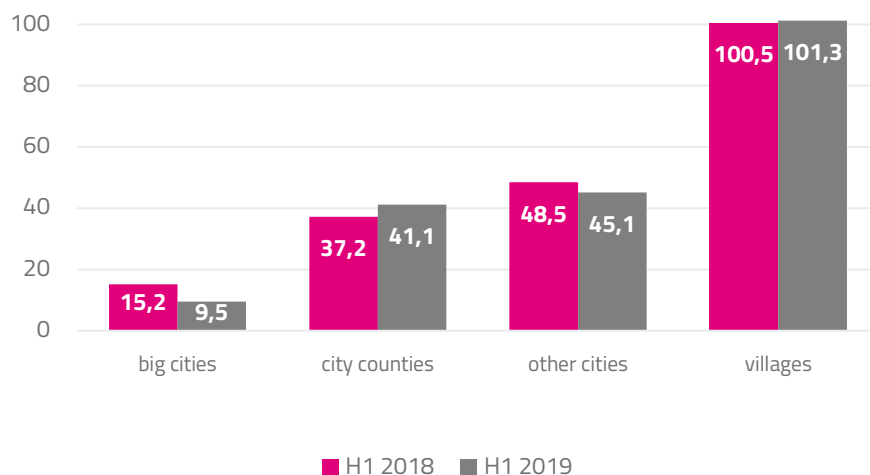


New connection installation time [%]

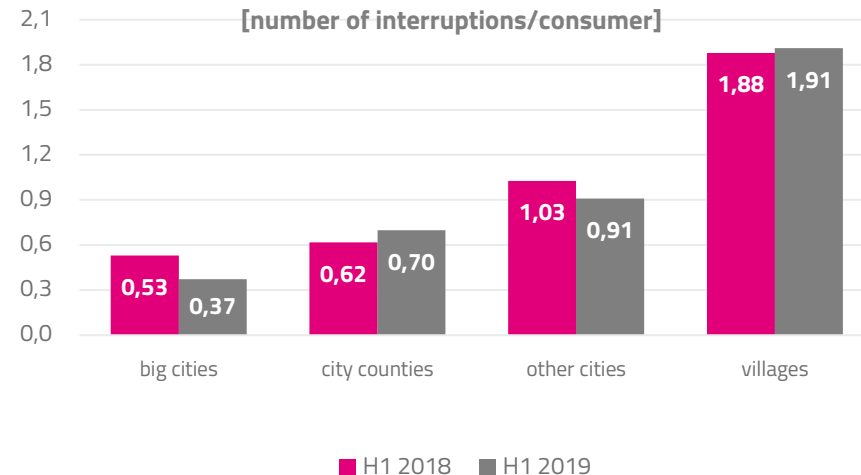


LTM – last (trailing) 12 months' period ending on June 30, 2019

Interruption duration [min/consumer]



Frequency of interruptions [number of interruptions/consumer]



INTERRUPTION DURATION

- CTP_{md} – big cities
- CTP_{mp} – city counties
- CTP_m – cities
- CTP_w – villages

FREQUENCY OF INTERRUPTIONS

- CP_{md} – big cities
- CP_{mp} – city counties
- CP_m – cities
- CP_w – villages

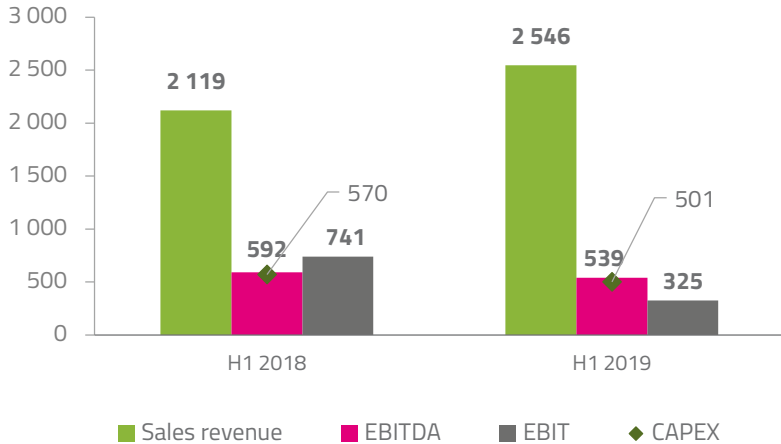


Generation Segment

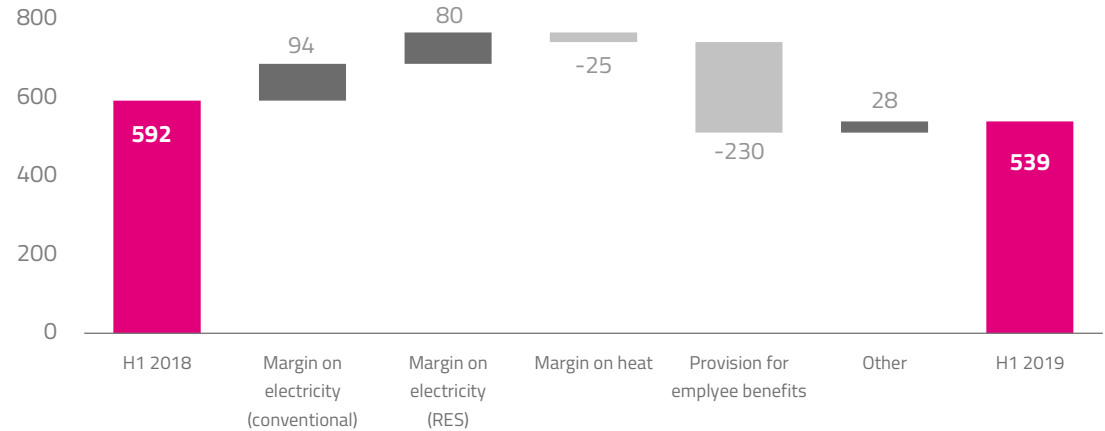
Generation Segment – H1 2019



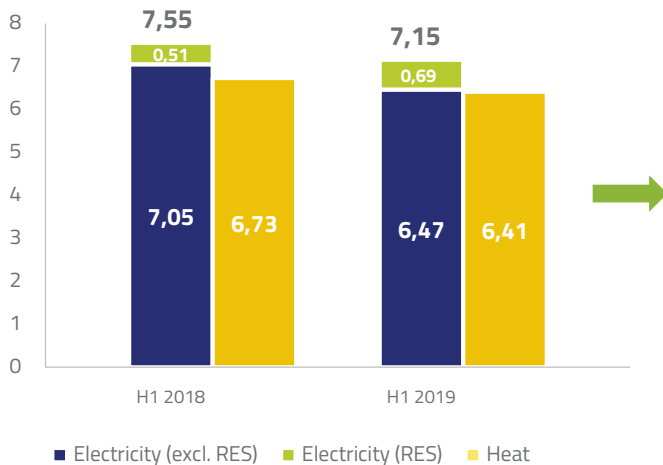
Financial data [PLN m]



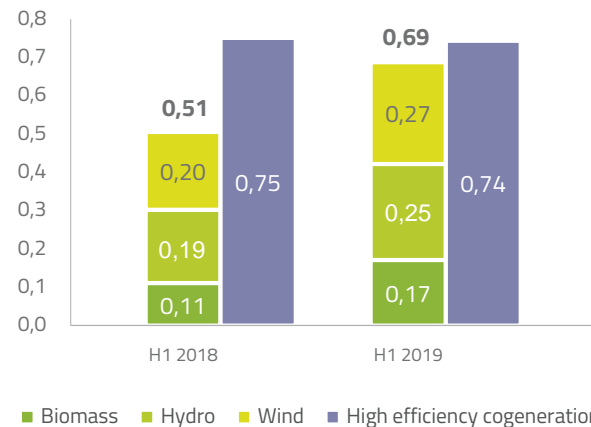
EBITDA change [PLN m]



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



RES and high efficiency cogeneration production [TWh]

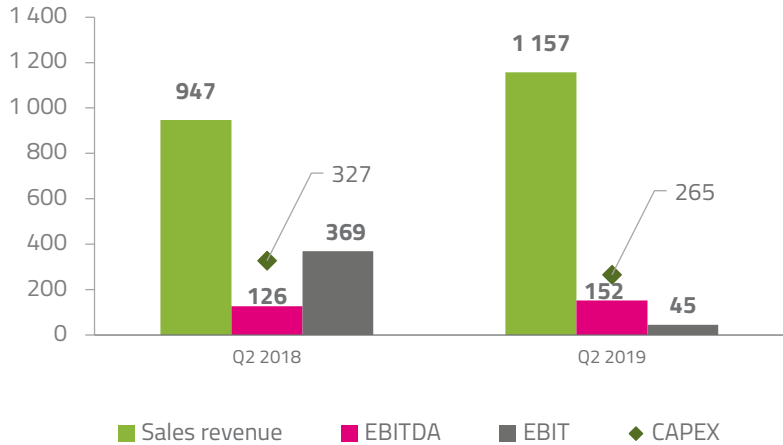


- Higher electricity prices ✓
- Higher electricity production volume by hydroelectric power plants and wind farms, as well as biomass-fired units ✓
- Increase of the prices of fuels and CO₂ emission allowances and partial passing on of the above increase in the heating tariffs -
- Maintaining electricity production in high efficiency cogeneration ✓

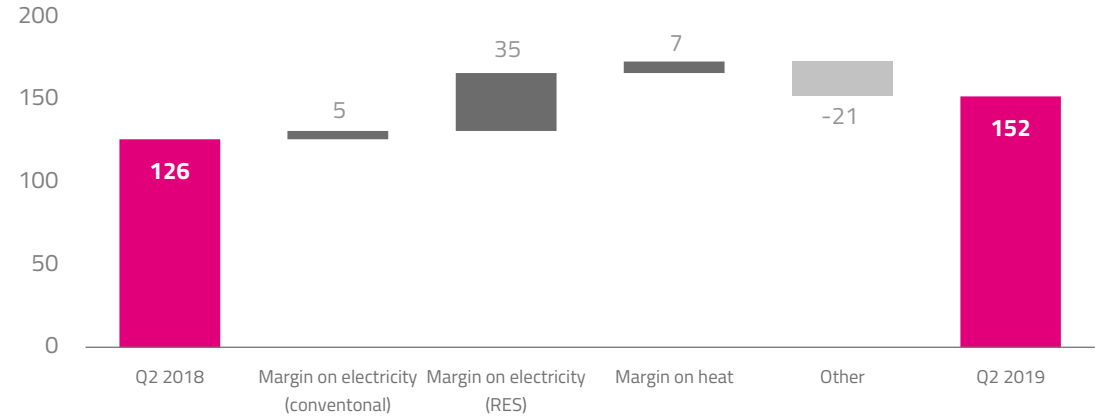
Generation Segment – Q2 2019



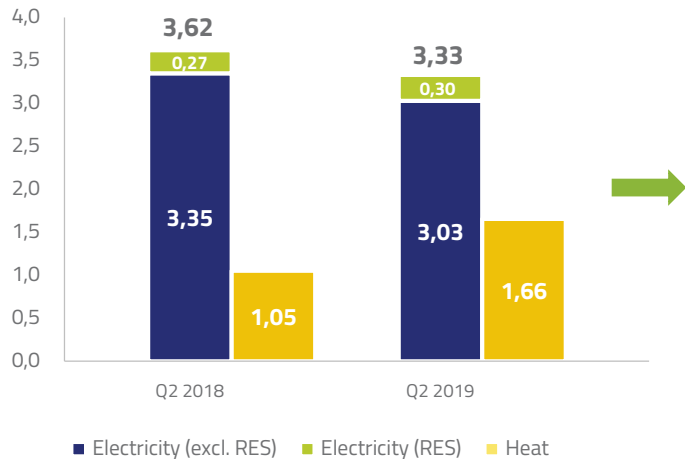
Financial data [PLN m]



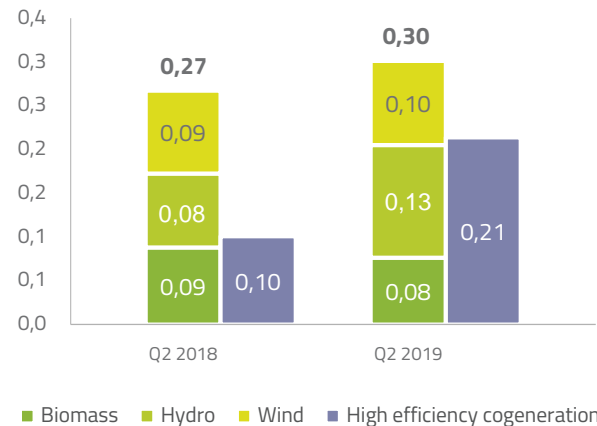
EBITDA change [PLN m]



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



RES and high efficiency cogeneration production [TWh]



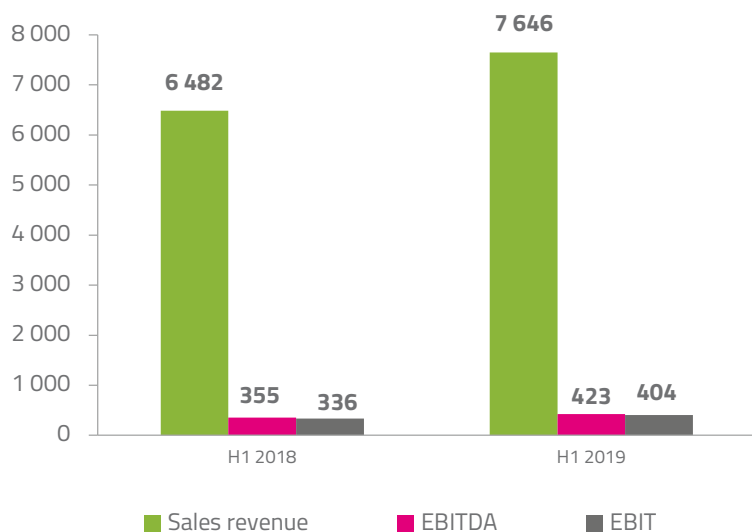
- Higher electricity prices ✓
- Higher electricity production volume by hydroelectric power plants and wind farms ✓
- Increase of the prices of fuels and CO₂ emission allowances -
- Lower temperatures y/y, higher heat and electricity production in high efficiency cogeneration ✓



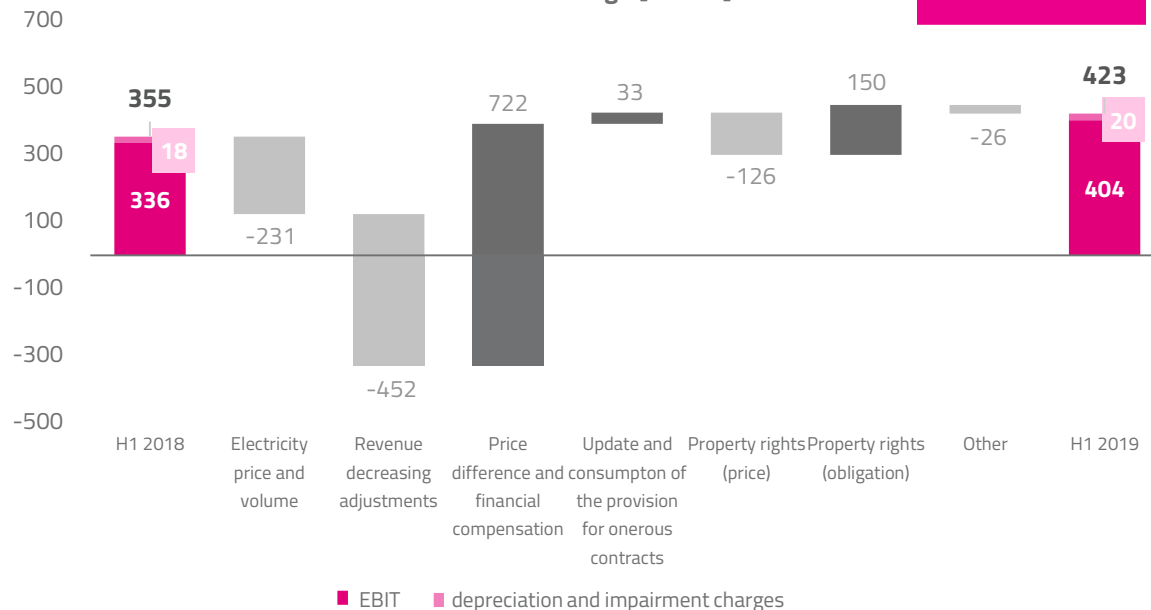
Supply Segment

Supply Segment – H1 2019

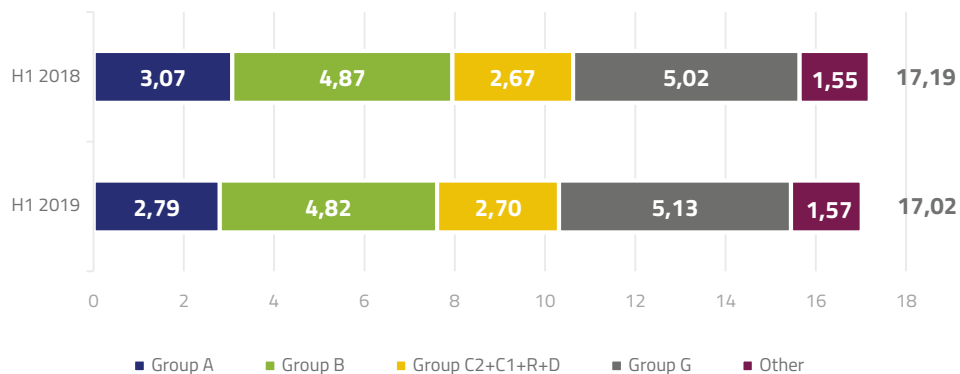
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



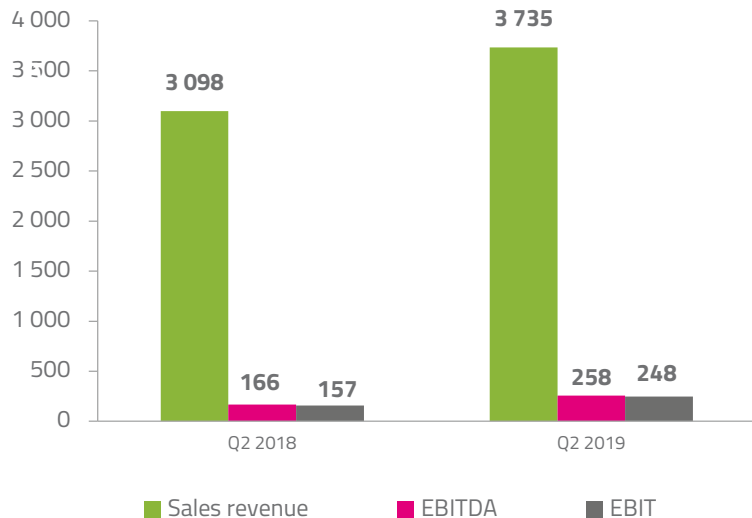
- Increase of electricity and PMOZE purchase prices and the growing pressure on reducing margins related thereto
- Positive impact of the lack of the obligation to redeem certificates of origin of electricity produced in cogeneration
- Effect of the so-called electricity act



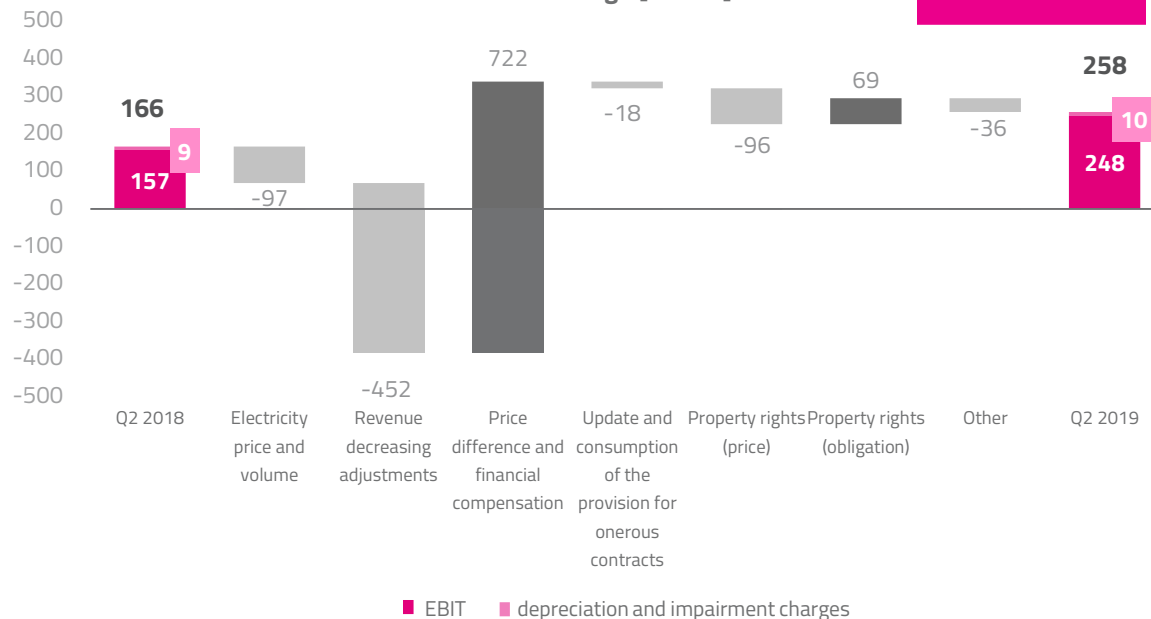
Supply Segment – Q2 2019



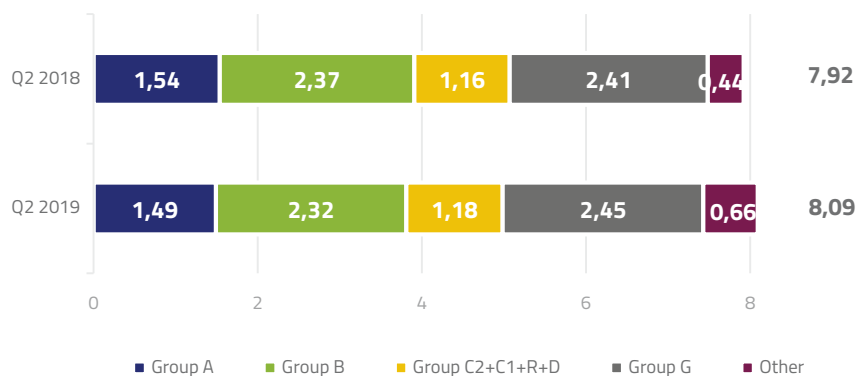
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



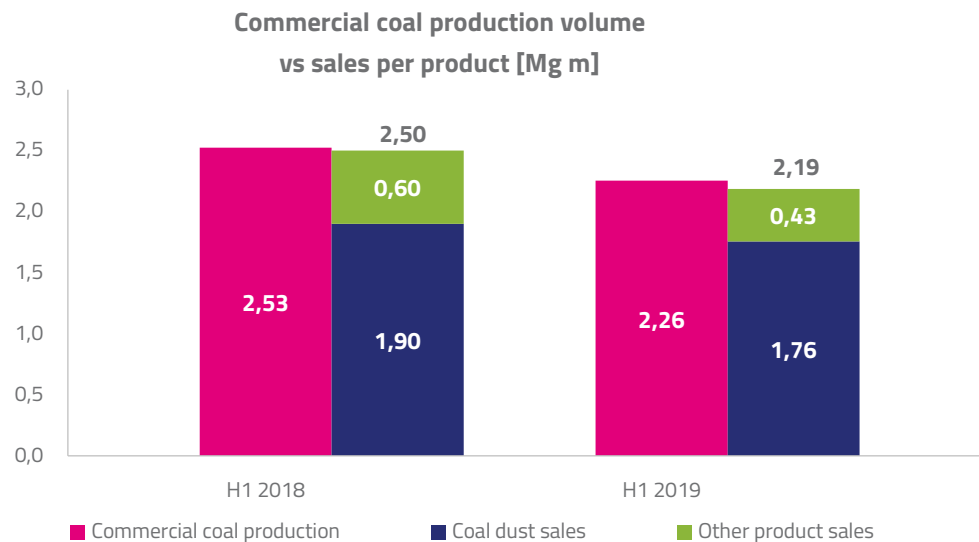
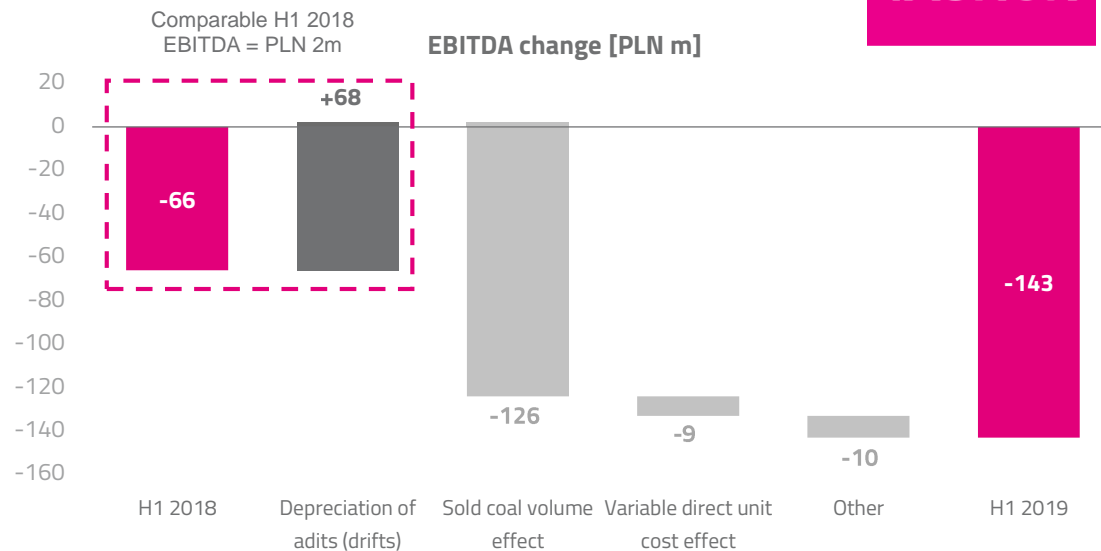
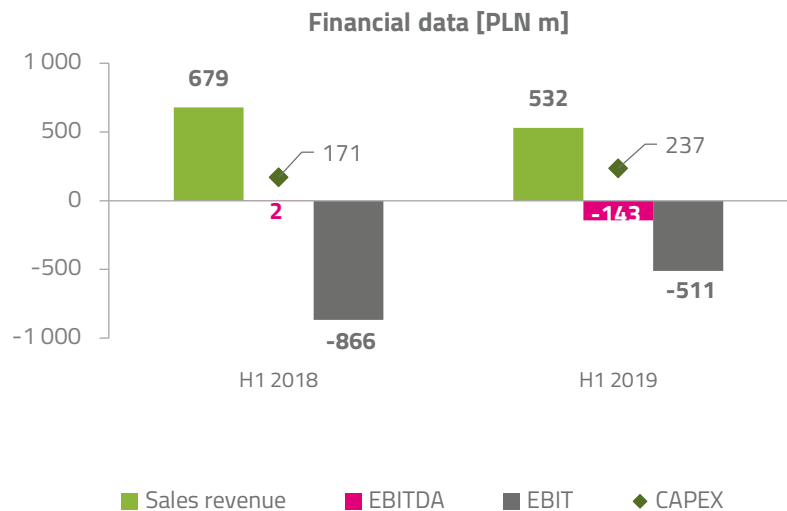
- Increase of electricity and PMOZE purchase prices and the growing pressure on reducing margins related thereto
- Positive impact of the lack of the obligation to redeem certificates of origin of electricity produced in cogeneration
- Effect of the so-called electricity act





Mining Segment

Mining Segment – H1 2019

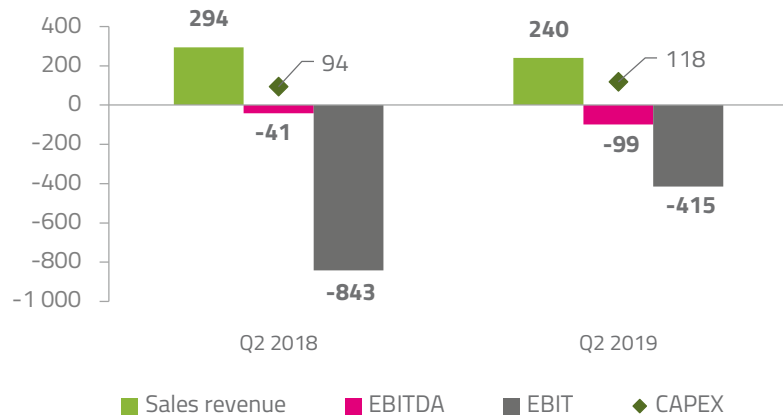


- Lower volume of coal sold
- Higher unit costs of purchasing services and electricity
- 24 PLN/Mg higher unit mining cash cost* (up from 202 PLN/Mg to 226 PLN/Mg)

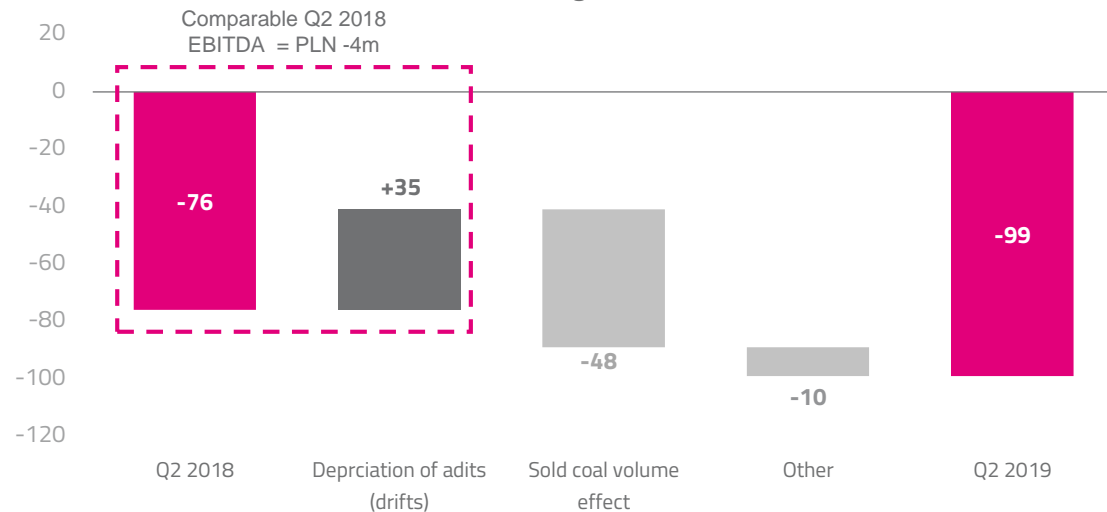
* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

Mining Segment – Q2 2019

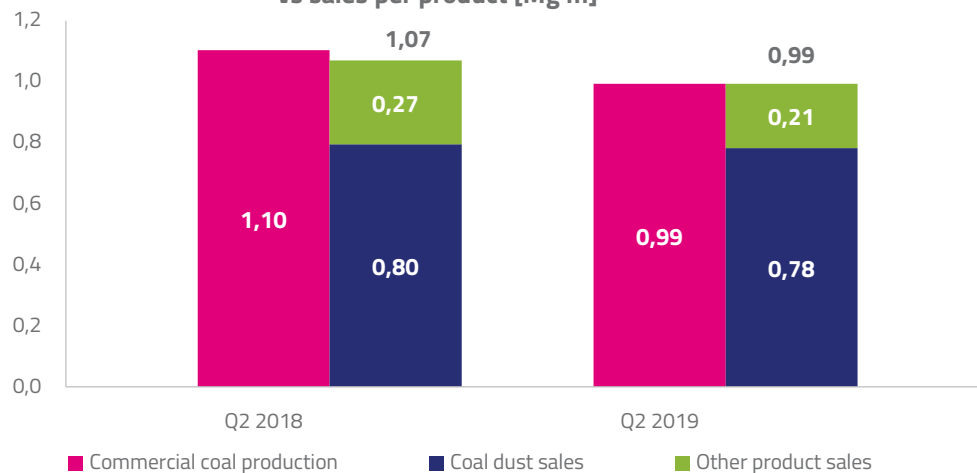
Financial data [PLN m]



EBITDA change [PLN m]



Commercial coal production vs sales per product [Mg m]



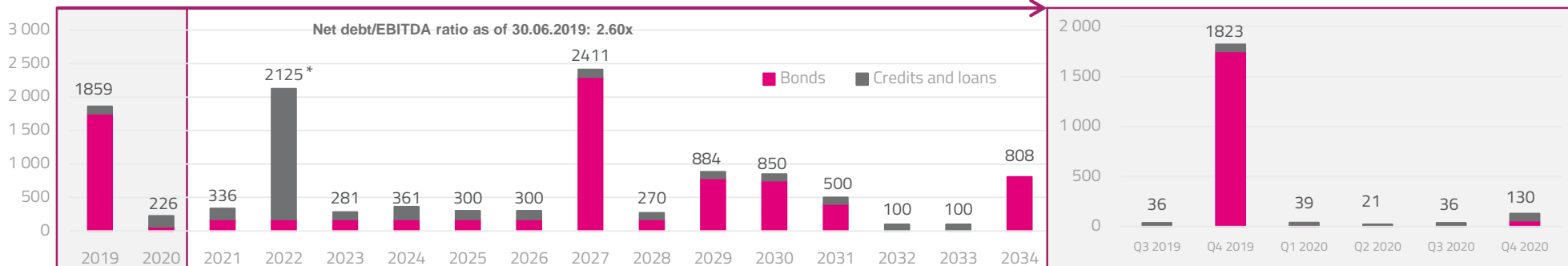
- Lower volume of coal sold
- Higher unit costs of purchasing services and electricity
- 14 PLN/Mg higher unit mining cash cost* (up from 231 PLN/Mg to 245 PLN/Mg)

* 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

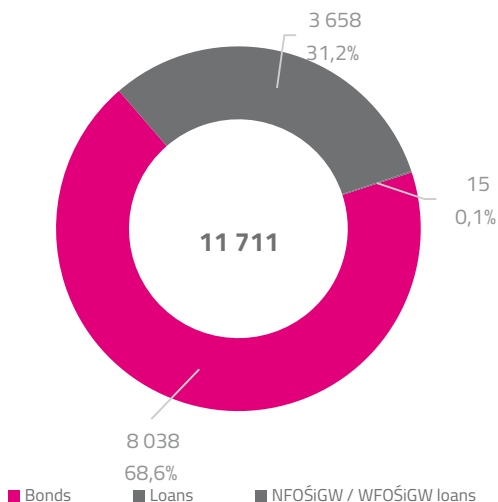
Debt and financing



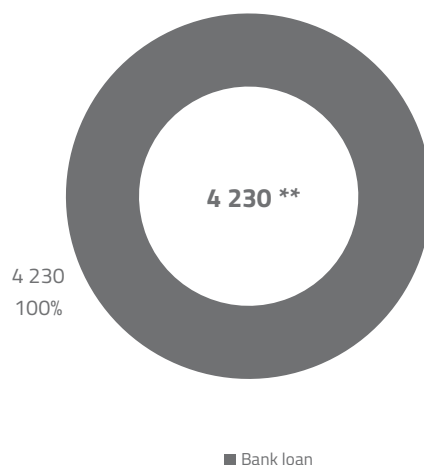
TAURON Group's nominal debt maturity as of 30.06.2019 [PLN m]



TAURON Group's nominal debt structure as of 30.06.2019 [PLN m]



Amount of financing available to TAURON Group as of 30.06.2019 [PLN m]



Debt structure by interest rate [PLN m]








Debt amount	Interest rate	Collateral floating rate
11 711	Floating: 6 494	IRS: 2 100
	Fixed: 5 217	None: 4 394

- Weighted average maturity of debt as of 30.06.2019 is 81 months (assuming drawing of the bank loan until 2022)
- EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 31% of the total debt

* Taking into account the maximum maturity of funds available as part of the bank loan, i.e. until 2022

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

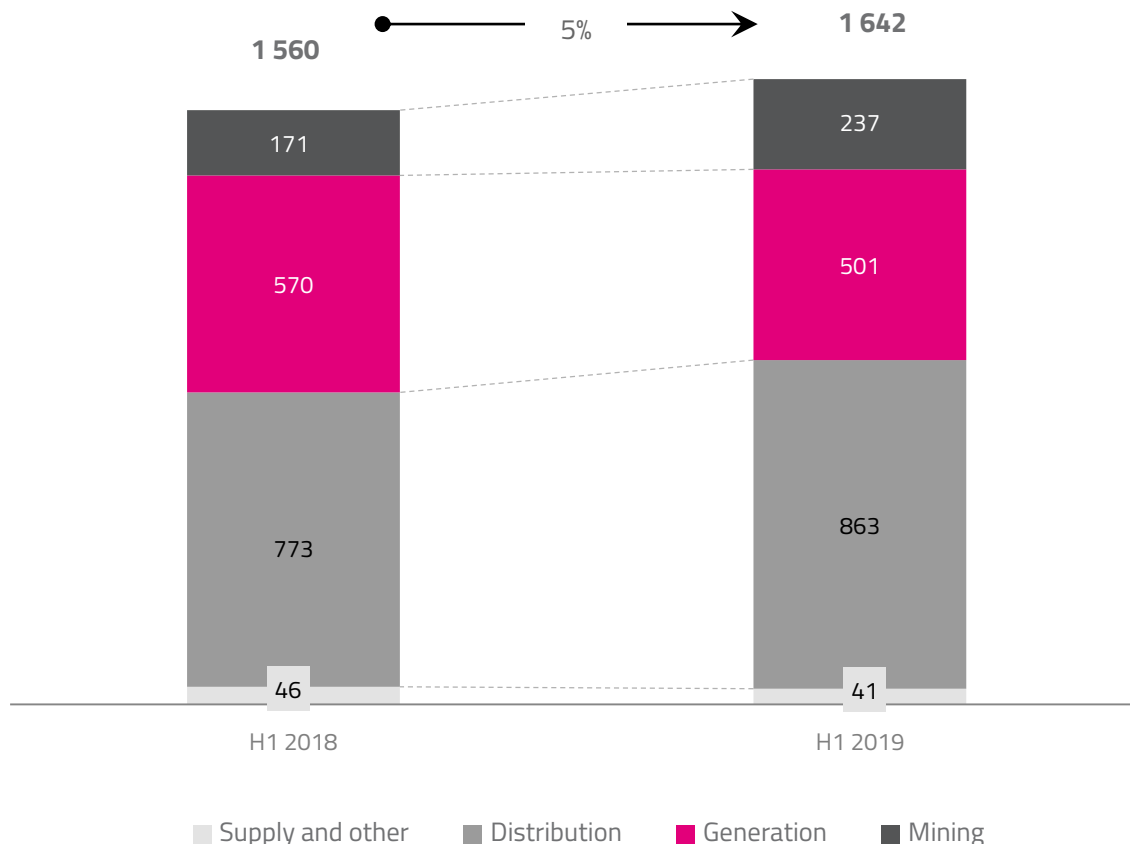
CAPEX – work progress on the key projects

Investment project	Capacity (MW _e)	Capacity (MW _t)	Work progress (percentage)	Planned completion date
Construction of the hard coal-fired unit in Jaworzno	910	-	92	 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	-	-	68	 2021
Construction of the Grzegorz shaft at Sobieski Coal Mine	-	-	41	 2023
CAPEX program at Brzeszcze Coal Mine	-	-	50	 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	35	 2019
Adapting the TAURON Wytwarzanie's generating units to the BAT conclusions	-	-	8	 2021

Capex – by segments



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



Key investment projects implemented in H1 2019

Distribution:

- Grid assets upgrades (refurbishments) and replacements (PLN 502m)
- Installing new connections (PLN 299m)

Generation:

- Construction of the new 910 MW capacity in Jaworzno (PLN 254m)
- Replacement and refurbishment related outlays as well as overhaul components (PLN 82m)
- Implementing heat production at Łagisza Power Plant (PLN 35m)

Mining:

- Construction of the Grzegorz shaft at Sobieski Coal Mine (PLN 63m)
- Production preparation (PLN 90m)
- Brzeszcze Coal Mine's CAPEX program (PLN 33m)
- Construction of the 800 m level at Janina Coal Mine (PLN 26m)

*Expenditures including equity investments, excluding financial costs, reached: approx. PLN 1 480m in H1 2018 and PLN 61 561m in H1 2019

Contact details



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

Mirosław Szczygielski

miroslaw.szczygielski@tauron.pl

tel. + 48 516 112 858

Magdalena Wilczek

magdalena.wilczek@tauron.pl

tel. + 48 723 600 894

Katarzyna Heinz

katarzyna.heinz@tauron.pl

tel. + 48 32 774 25 38

Legal disclaimer



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. ("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.

Neither the Company, nor any of its subsidiaries shall be obligated to provide the recipients of this presentation with any additional information or update this presentation.

Analysts covering TAURON



Institution	Analyst
Dom Maklerski mBanku	Kamil Kliszczyk
Societe Generale	Bartłomiej Kubicki
Dom Maklerski Santander	Paweł Puchalski
Dom Maklerski PKO BP	Andrzej Rembelski
Dom Maklerski Banku Handlowego	Piotr Dzieciołowski
Ipopema	Robert Maj
Erste Group	Tomasz Duda

Institution	Analyst
Raiffeisen Centrobank	Teresa Schinwald
WOOD & Company	Ondrej Slama
Dom Maklerski BOŚ	Jakub Viscardi
Exane BNP Paribas	Michael Harleaux
Pekao Investment Banking	Maksymilian Piotrowski
Beskidzki Dom Maklerski	Krzysztof Brymora
Trigon Dom Maklerski	Michał Kozak

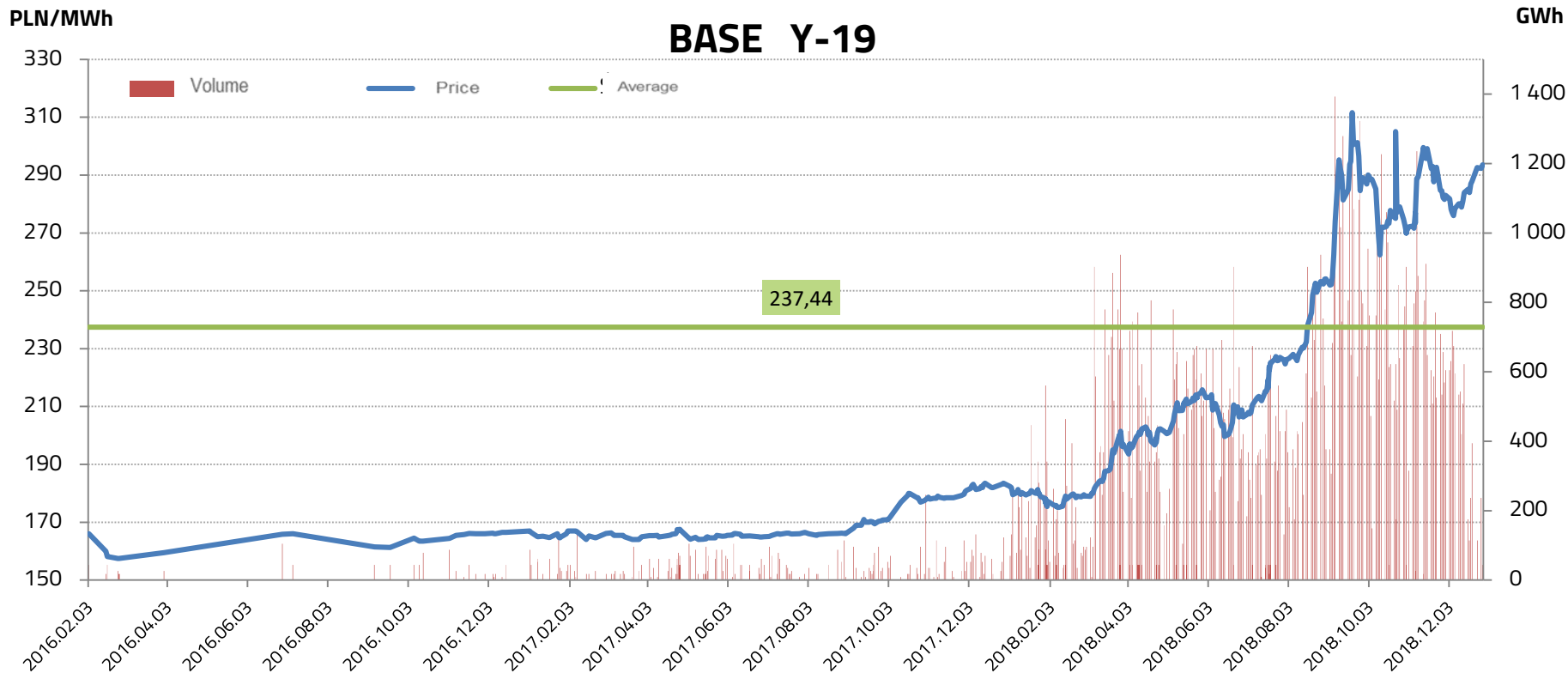
Electricity market price trends

Electricity						
Platforms: TGE, TFS	2018		2019 (prices until July 31, 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	241.45	163 615	32.0%	58.3%
Forward PEAK (Y+Q+M)	228,27	11 058	337.68	13 457	47.9%	21.7%
Forward (weighted average)	187.24	114 427	248.60	177 072	32.8%	54.7%
SPOT (TGE)	224.73	27 645	241.31**	27 000	7.4%	-2.3%
Weighted average total	194.53	142 073	247.64	204 072	27.3%	43.6%

Property rights (PLN/MWh)			
Certificate type	Market prices (H1 2019 average)	Substitution fee and obligation for:	
		2018	2019
RES (PMOZE_A)	126.40	48.53 (17.5%)	129.78 (18.5%)
RES from biogas plants (PMOZE_BIO)	300.10	300.03 (0.5%)	300.03 (0.5%)
Coal-fired cogeneration (PMEC-2018)	8.58	9.00 (23.2%)	
Gas-fired cogeneration (PMGM-2018)	110.48	115.00 (8.0%)	
Methane-fired cogeneration (PMMET-2018)	55.22	56.00 (2.3%)	

CO ₂ emission allowances (EUR/t)	
CO ₂ market analysts survey* (updated in July 2019)	Price (EUR/t)
2019 average	25.00 EUR/t
2020 average	27.30 EUR/t
2021 average	27.55 EUR/t
2019 average price forecast by TAURON	24-29 EUR/t

2019 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		237.44	133 170
including	TGE	238.36	129 674
	Non-TGE	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

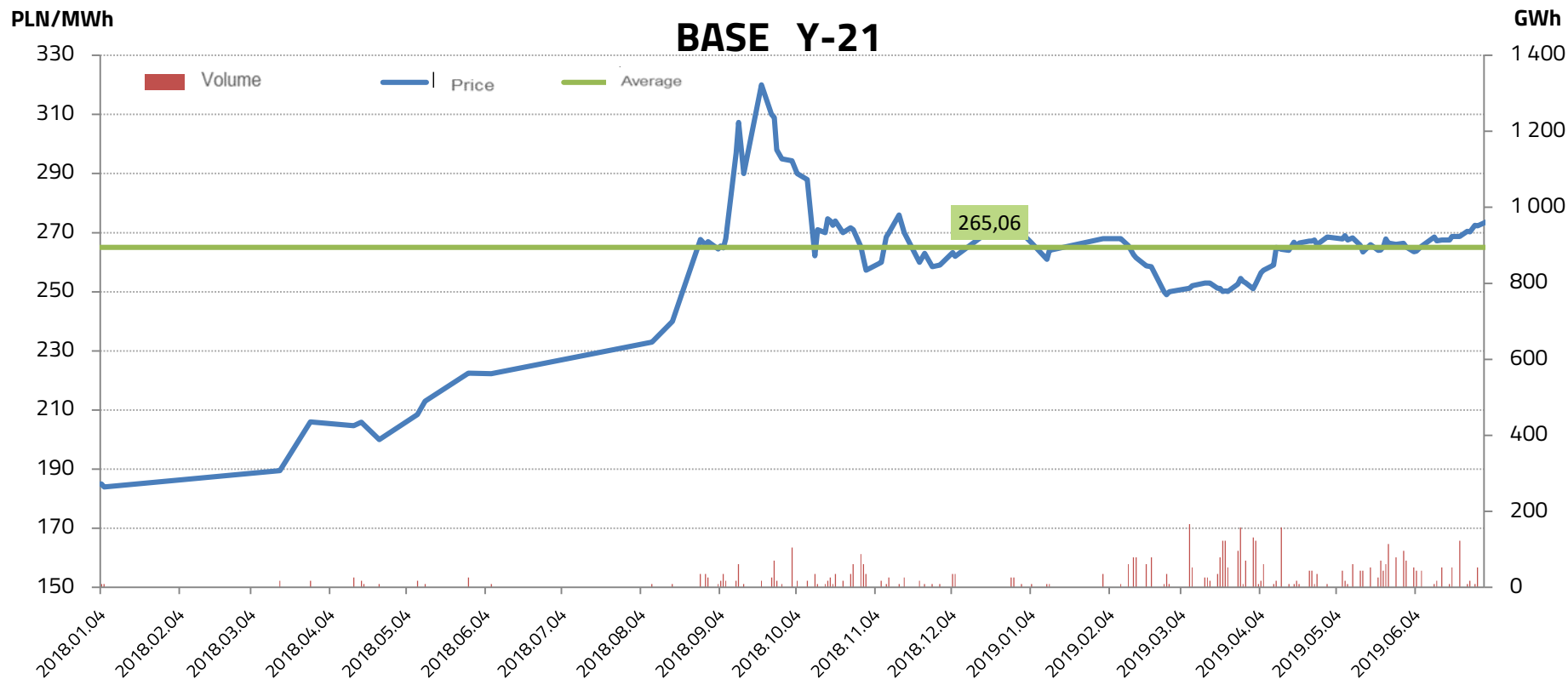
2020 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		265.96	72 363
including	TGE	265.99	72 327
	Non-TGE	208.19	35

Average electricity price that takes into account 2020 one year BASE and PEAK contracts: 272.57 PLN/MWh, total 2020 BASE and PEAK contracts volume: 79 374 GWh

2021 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		265.06	5 931
including	TGE	265.06	5 931
	Non-TGE		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