



TAURON Group's H1 2016

Financial Results

August 18, 2016

H1 2016 key data

TAURON Group's H1 2016 results

[PLN m]		H1 2016 / H1 2015
Sales revenue	8 943	↓ (3)%
EBITDA	1 653	↓ (13)%
Net profit*	3	↓ (99,5)%
CAPEX	1 452	↓ (18)%
Net debt/EBITDA	2.58x	↑ up 0.61x (vs 30.06.2015)

H1 2016 operating data

		H1 2016 / H1 2015
Commercial coal production [t m]	2.48	↑ 23%**
Electricity generation [TWh]	8.45	↓ (4)%
Heat generation [PJ]	6.43	↓ (6)%
Electricity distribution [TWh]	24.77	↑ 1%
Electricity supply [TWh]	15.58	↓ (14)%

*attributable to the shareholders of the parent company

**excluding Nowe Brzeszcze Grupa TAURON it would be 7%

Q2 2016 key data

TAURON Group's Q2 2016 results

[PLN m]		Q2 2016 / Q2 2015	
Sales revenue	4 296	↓	(4)%
EBITDA	780	↓	(13)%
Net profit*	(320)	↓	-
CAPEX	798	↓	(18)%
Net debt/EBITDA	2.58x	↑	up 0.61x (vs 30.06.2015)

Q2 2016 operating data

		Q2 2016 / Q2 2015	
Commercial coal production [t m]	1.27	↑	22%**
Electricity generation [TWh]	4.14	↓	(5)%
Heat generation [PJ]	1.59	↓	(5)%
Electricity distribution [TWh]	12.04	↓	(0.4)%
Electricity supply [TWh]	7.21	↓	(16)%

*attributable to the shareholders of the parent company

**excluding Nowe Brzeszcze Grupa TAURON it would be 2%

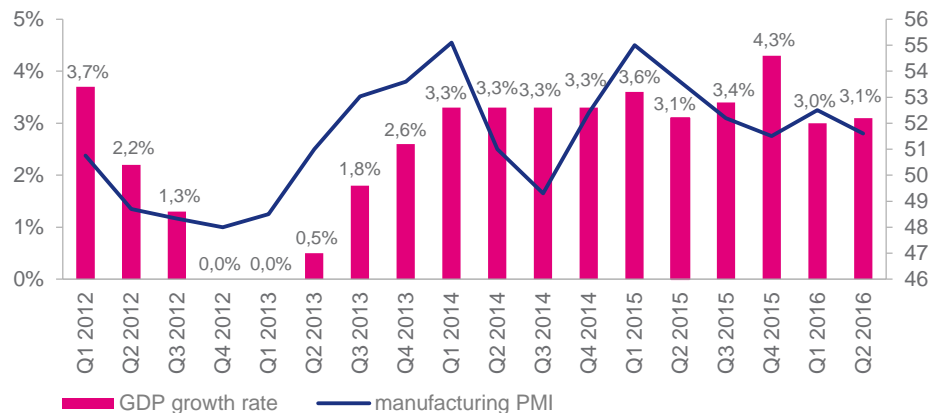
Highlights summary



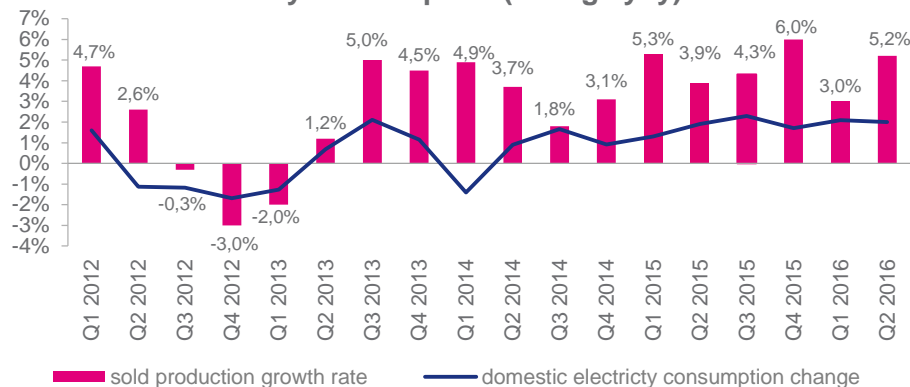
January 29	EC Stalowa Wola terminates the agreement with Abener Energia – the general contractor of the CCGT unit at Stalowa Wola. Termination cause: breach of the schedule and of the material technical provisions of the contract
March 9	Adoption of the 2016-2018 efficiency improvement program with the total planned value of PLN 1.3bn. Program's implementation will allow for increasing the Group's EBITDA by approximately PLN 400m in 2018 (a permanent, recurring effect of this magnitude in the subsequent years)
March 22	Agreements were signed with bondholders holding 6 937 TPEA1119 series bonds (39.64 percent of the total nominal value of all of this series bonds). The bondholders undertook that during the term of the agreements they would take part in every meeting of bondholders and vote against passing a resolution that would allow the bondholders to demand from the company an early redemption of the bonds (in conjunction with the potential case of the leverage ratio exceeding 3.0x, provided this ratio does not exceed 3.5x)
April 25	Adoption by the Management Board of TAURON Group's new Business Model
April	Launch of the first long-wall coal face at Nowe Brzeszcze Grupa TAURON coal mine – with estimated coal reserves of approx. 643 thousand tons, planned coal extraction volume: 4 thousand tons per day
June	Launch of the second long-wall coal face at Nowe Brzeszcze Grupa TAURON coal mine – with estimated coal reserves of approx. 400 thousand tons, planned coal extraction volume: 5 thousand tons per day
July 26	Decision to book write-offs of impaired wind farms and conventional generation assets for the total net amount of approx. PLN 0.7bn
July 28	Resignation from the construction of a CCGT generation unit at Elektrownia Blachownia

Macroeconomic and market situation

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



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



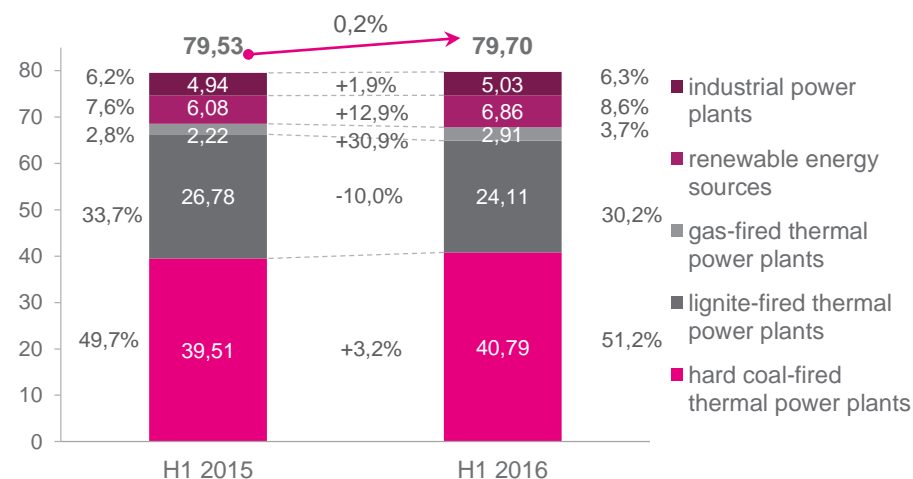
Electricity prices under one year BASE contracts

Year	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	160.69	46 936
Y-18	158.68	5 484
Y-19	162.62	342

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

- 2012: PLN 201.36/MWh
- 2013: PLN 181.55/MWh
- 2014: PLN 163.58/MWh
- 2015: PLN 169.99/MWh
- Q1 2016: PLN 167.45/MWh

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

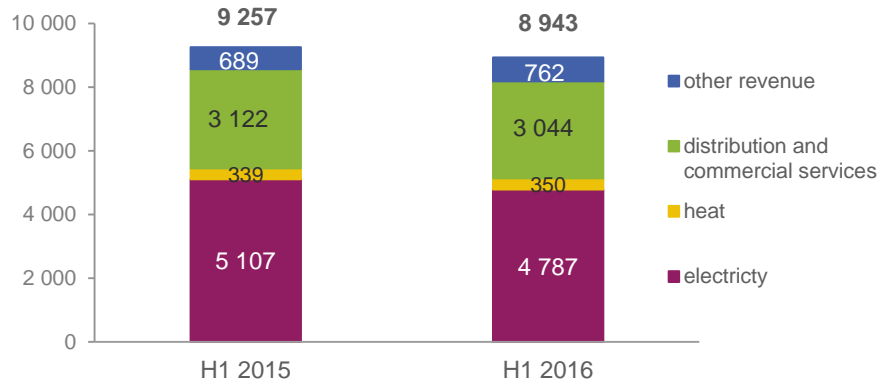


January-June 2016 cumulative accrual data

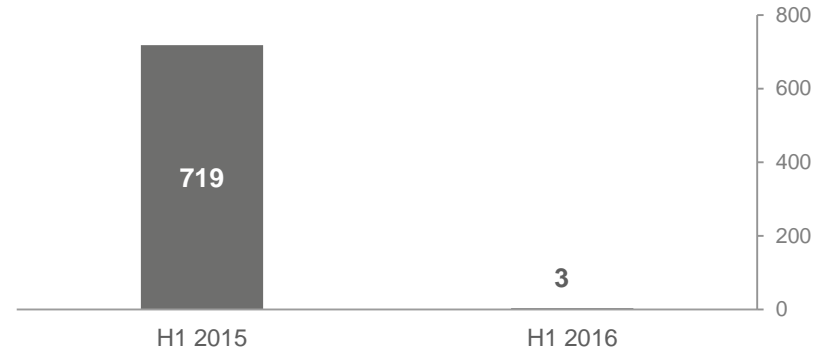
* Source: * GUS ** Bankier.pl ***PSE (TSO)

H1 2016 key financial data

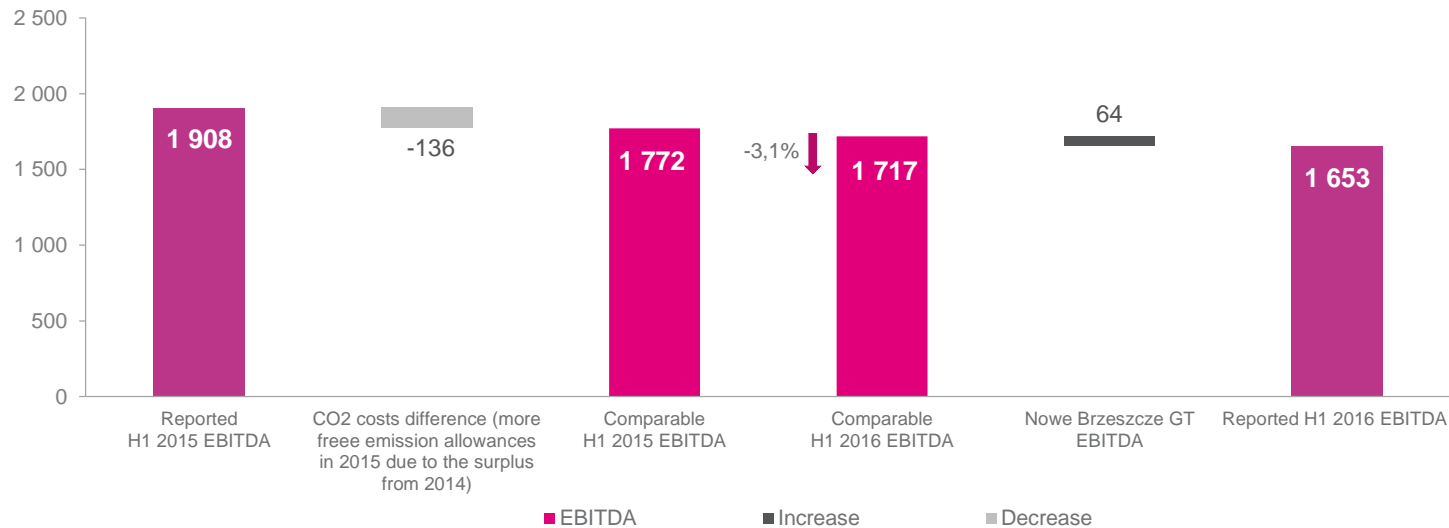
Sales revenue [PLN m]



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

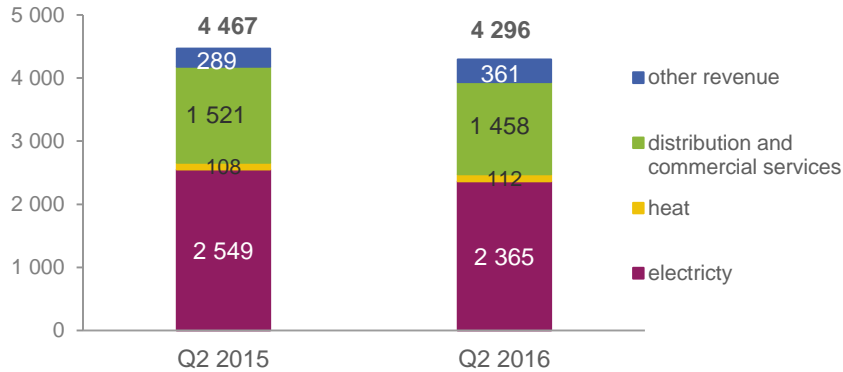


H1 2016 vs H1 2015 EBITDA [PLN m]

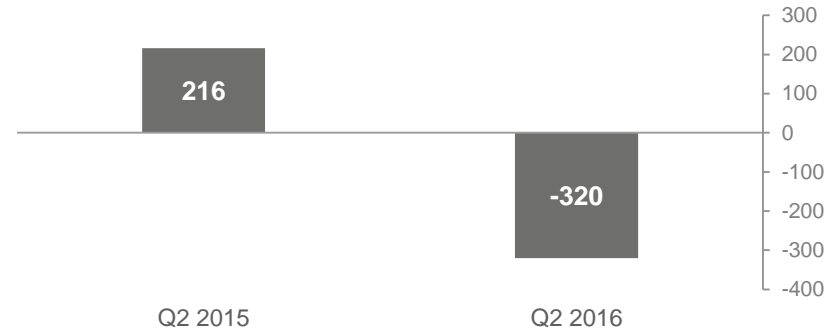


Q2 2016 key financial data

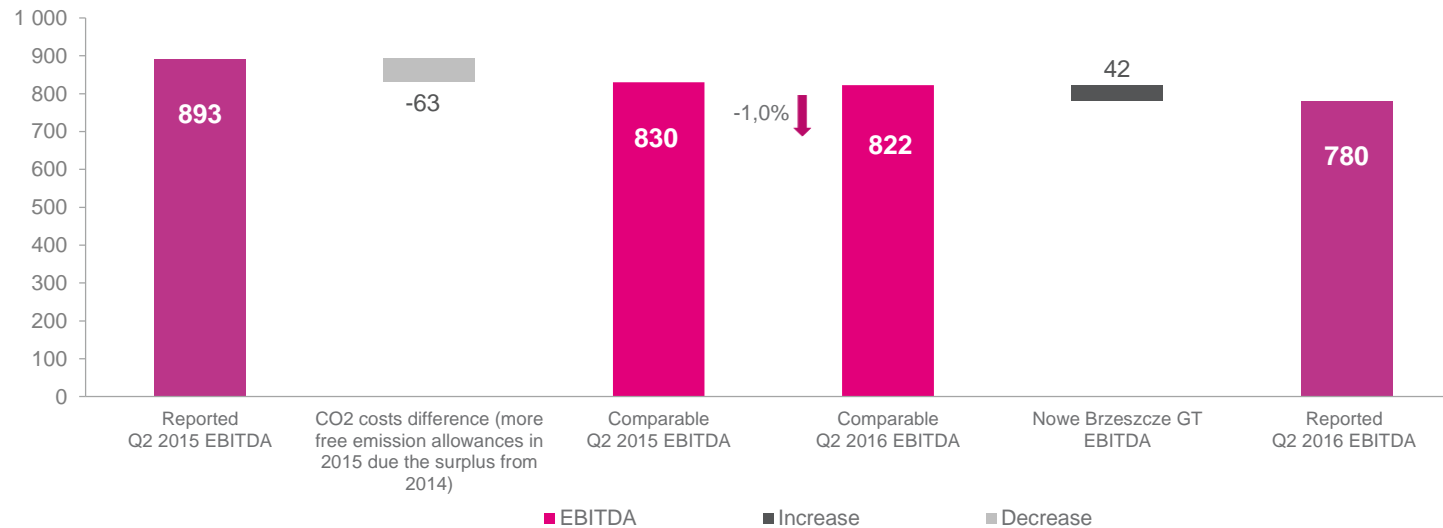
Sales revenue [PLN m]



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

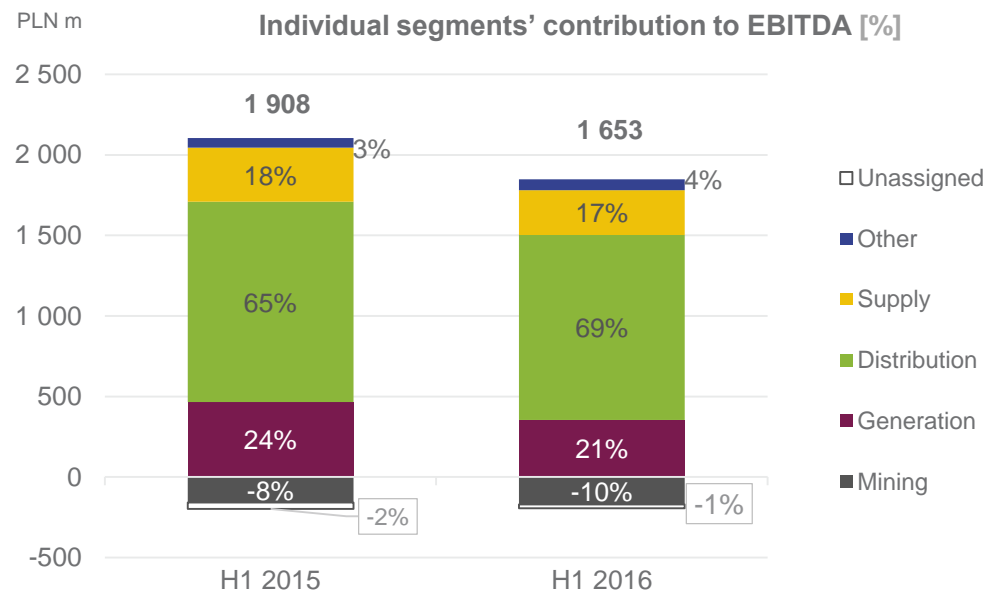


Q2 2016 vs Q2 2015 EBITDA [PLN m]



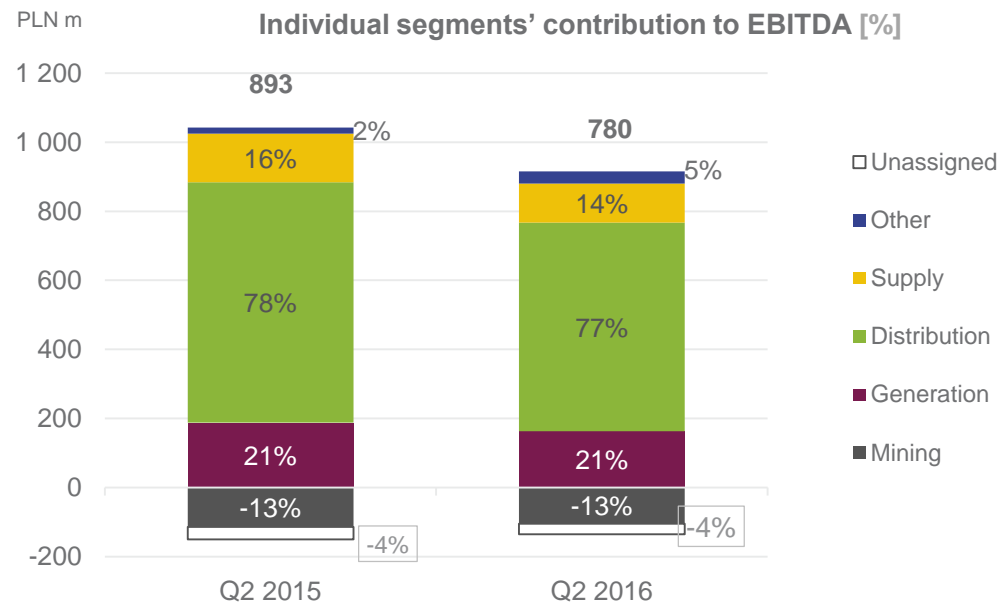
H1 2016 key segments results

[PLN m]	Distribution	Supply	Generation	Mining
Segment's revenue	3 145	6 987	2 343	512
EBITDA	1 148	280	354	(169)
EBIT	644	274	(558)	(231)
CAPEX	744	1	600	91

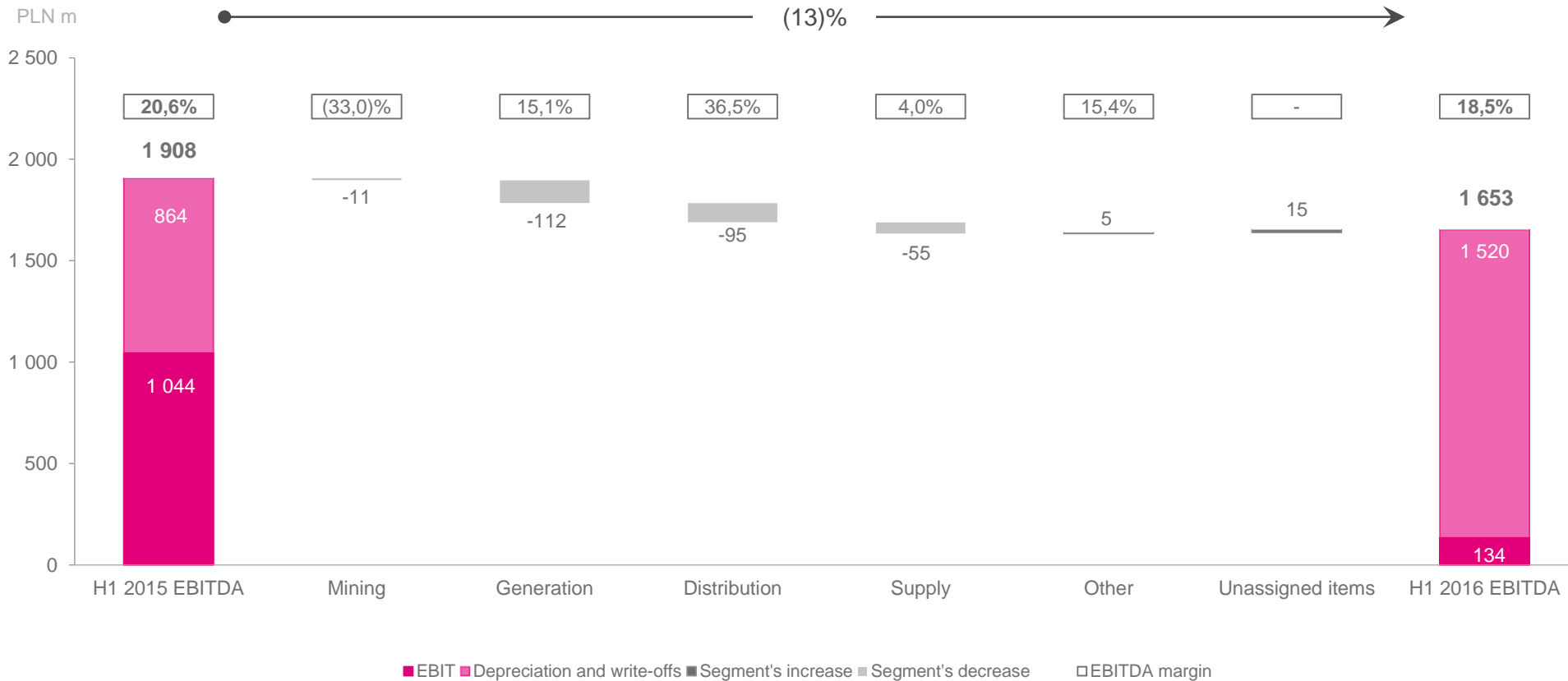


Q2 2016 key segments results

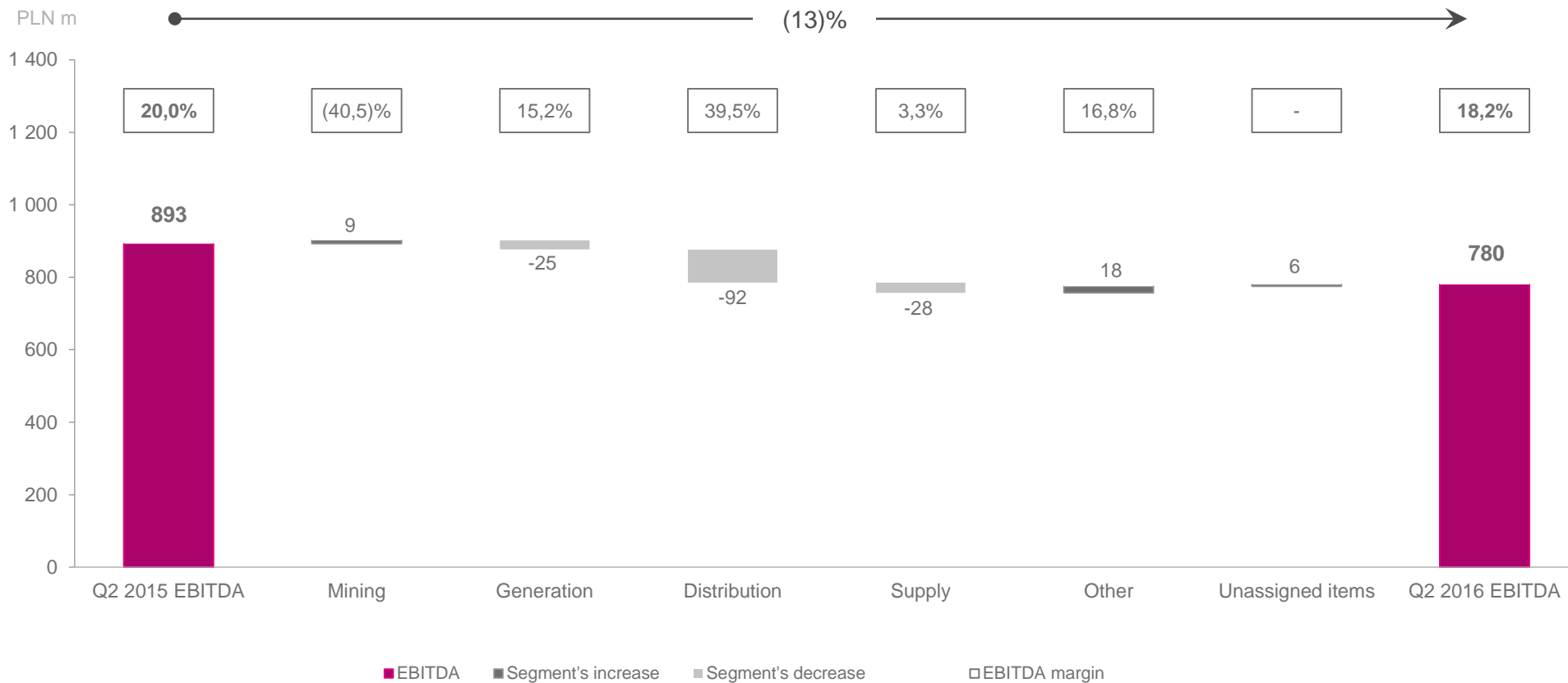
[PLN m]	Distribution	Supply	Generation	Mining
Segment's revenue	1 528	3 396	1 071	258
EBITDA	604	113	163	(104)
EBIT	352	114	(648)	(127)
CAPEX	416	0	344	27



H1 2016 EBITDA

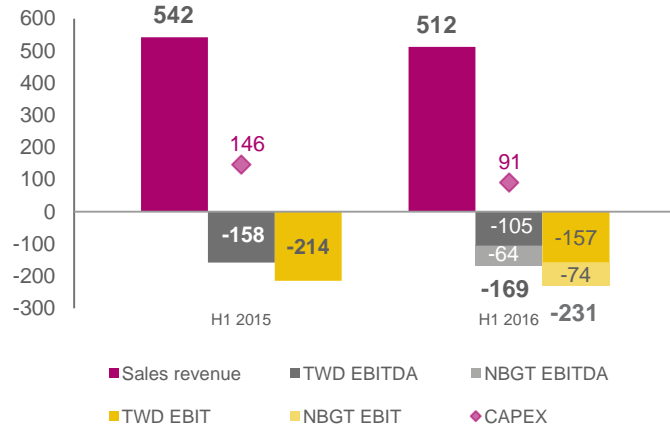


Q2 2016 EBITDA

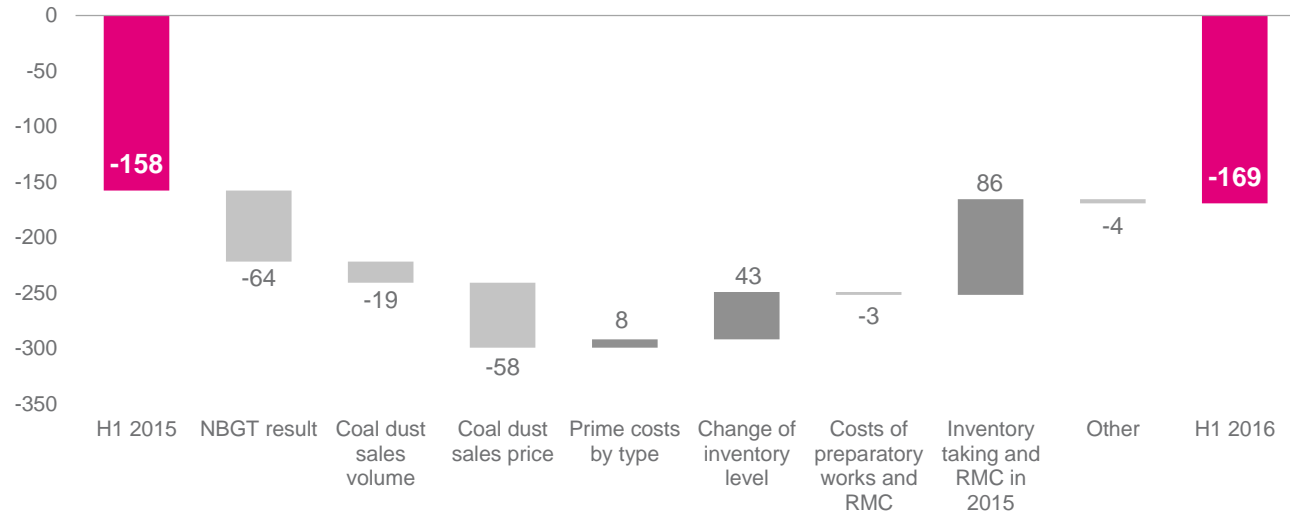


Mining – H1 2016

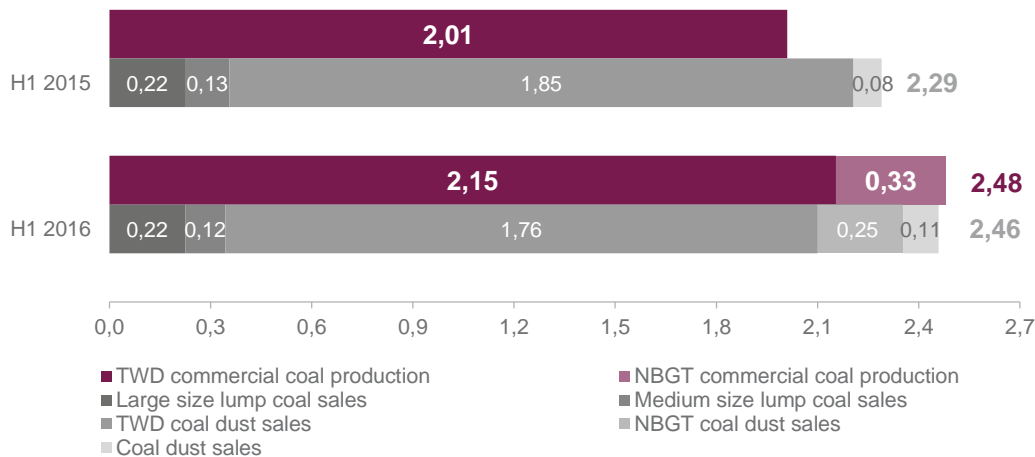
Financial data [PLN m]



Change of EBITDA [PLN m]



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

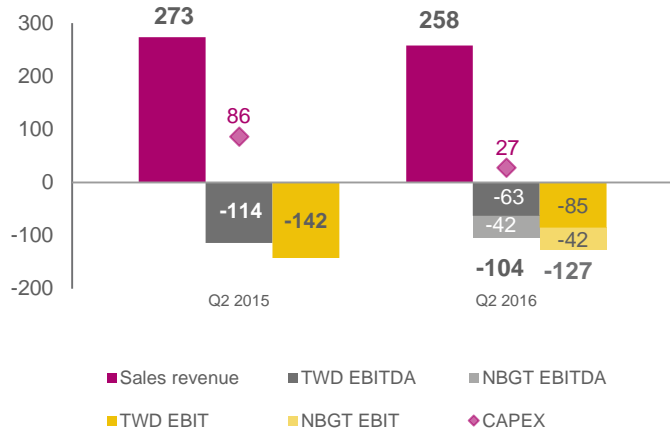


1. Approx. 16.3 percent decline of coal dust prices -
2. 5.1 percent drop of coal dust sales volume -
3. Lower headcount* (down 564 FTEs on average) ✓

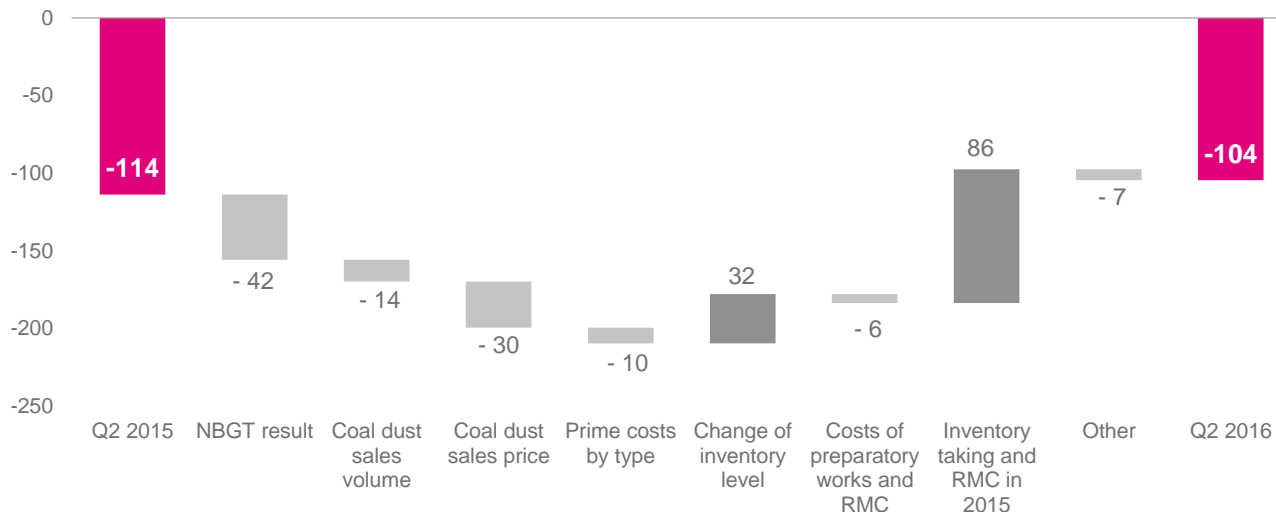
*excluding Nowe Brzeszcze Grupa TAURON

Mining – Q2 2016

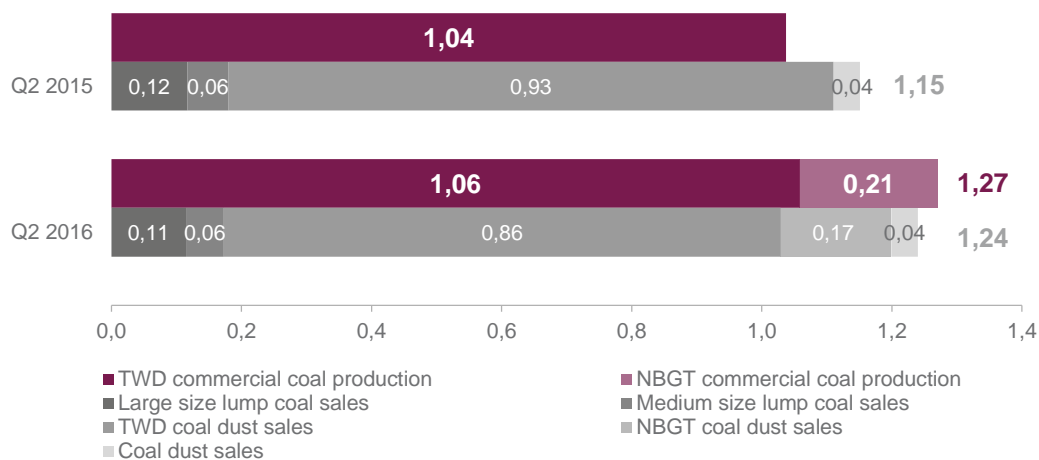
Financial data [PLN m]



Change of EBITDA [PLN m]



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

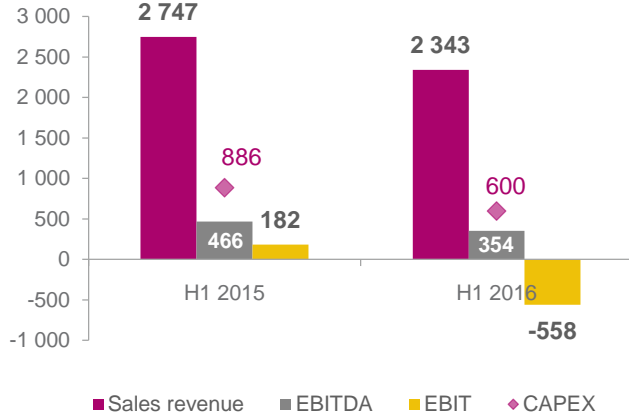


1. Approx. 16.3 percent decline of coal dust prices -
2. 8.0% percent drop of coal dust sales volume -
3. Lower headcount * (down 563 FTEs on average) ✓

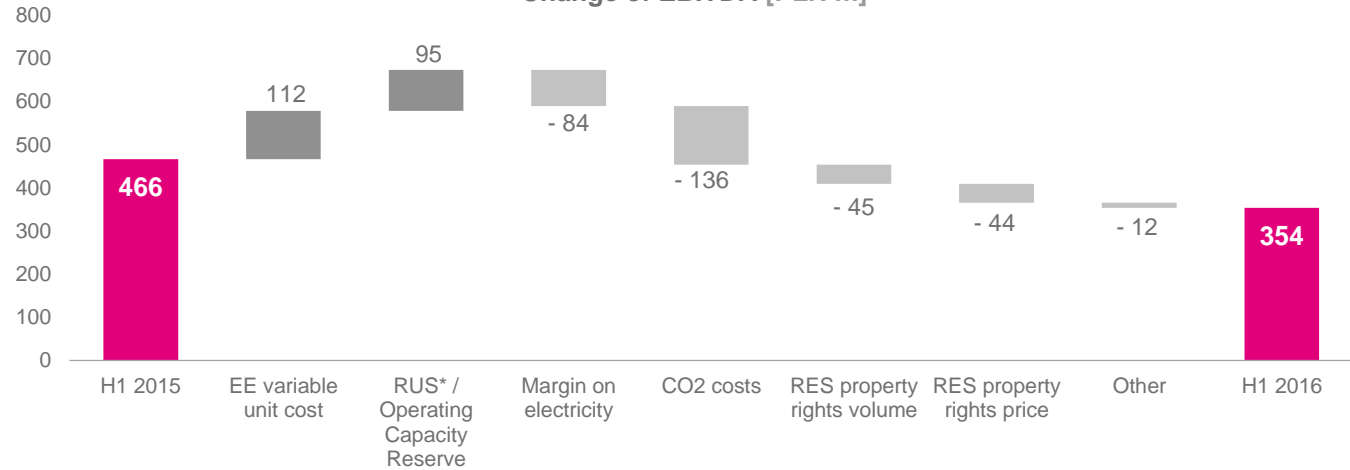
*excluding Nowe Brzeszcze Grupa TAURON

Generation – H1 2016

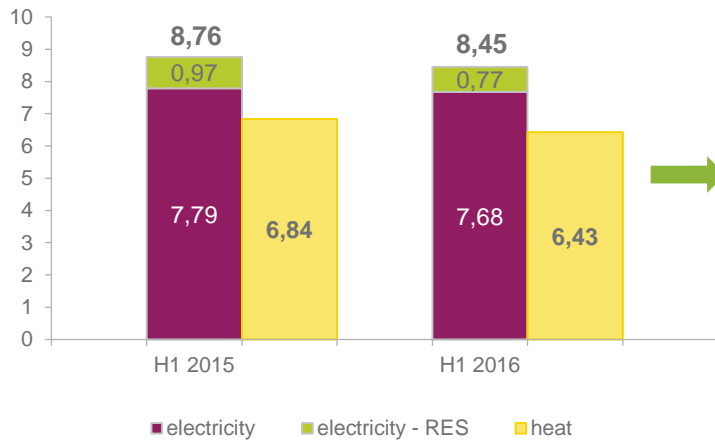
Financial data [PLN m]



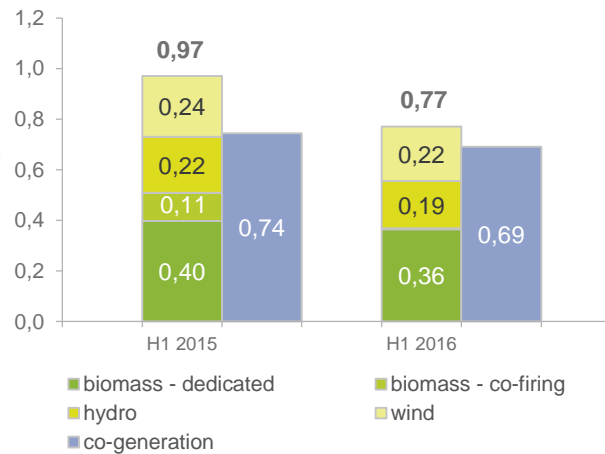
Change of EBITDA [PLN m]



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



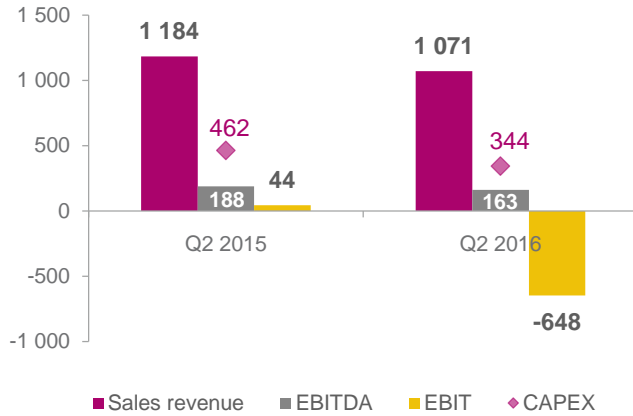
RES and cogeneration production [TWh]



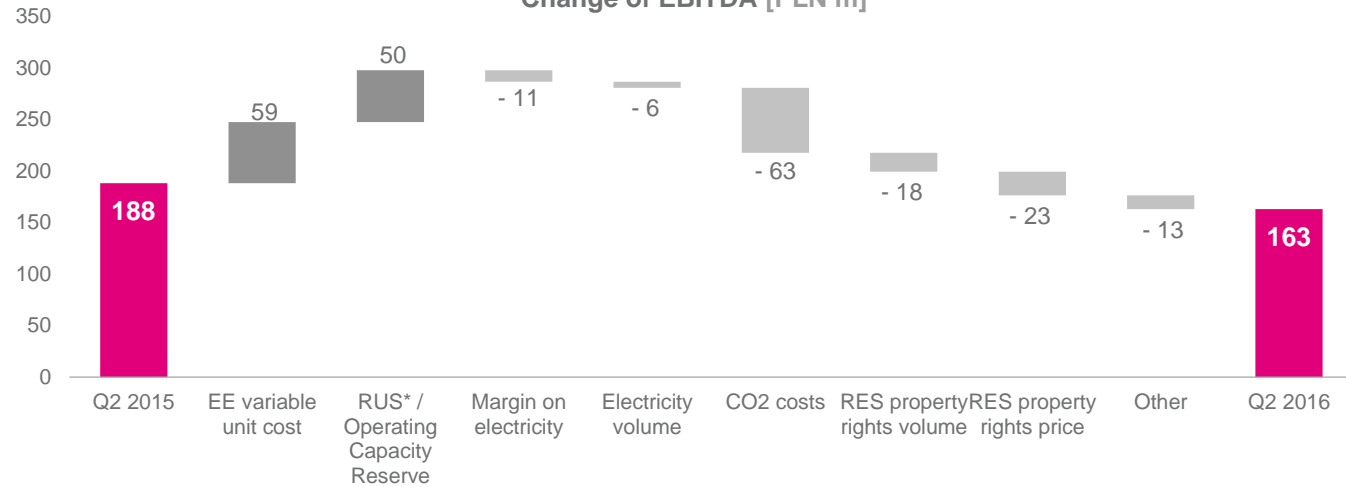
1	Increase of the OCR volume and CIR revenue	✓
2	11% hard coal price drop yoy	✓
3	Higher costs of CO ₂ emission rights purchase	-
4	Falling electricity and RES property rights prices	-

Generation – Q2 2016

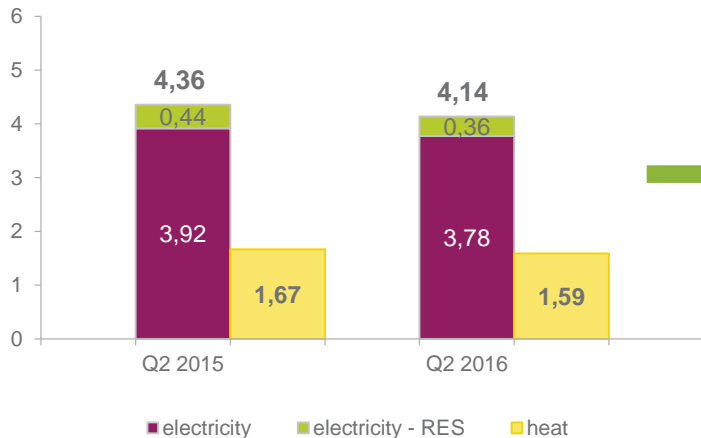
Financial data [PLN m]



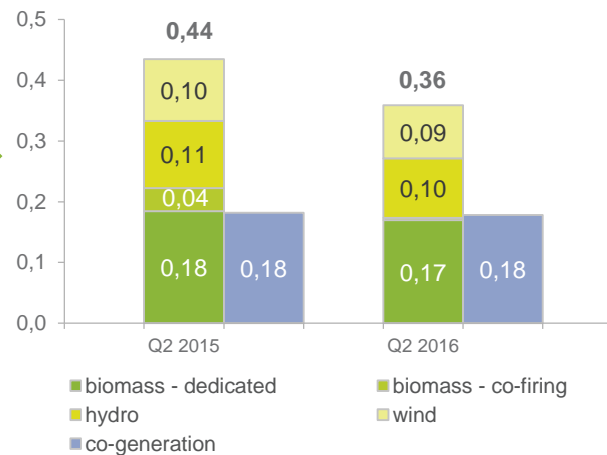
Change of EBITDA [PLN m]



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



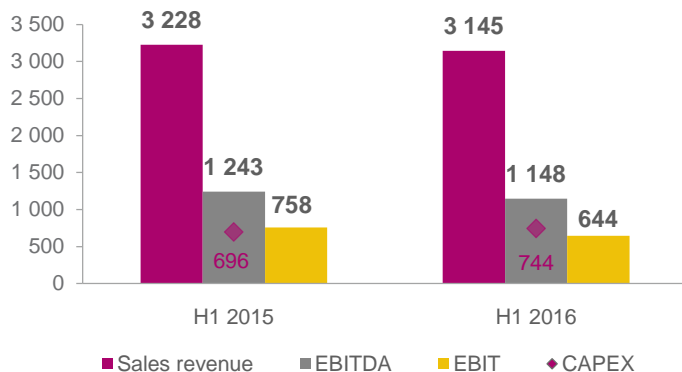
RES and cogeneration production [TWh]



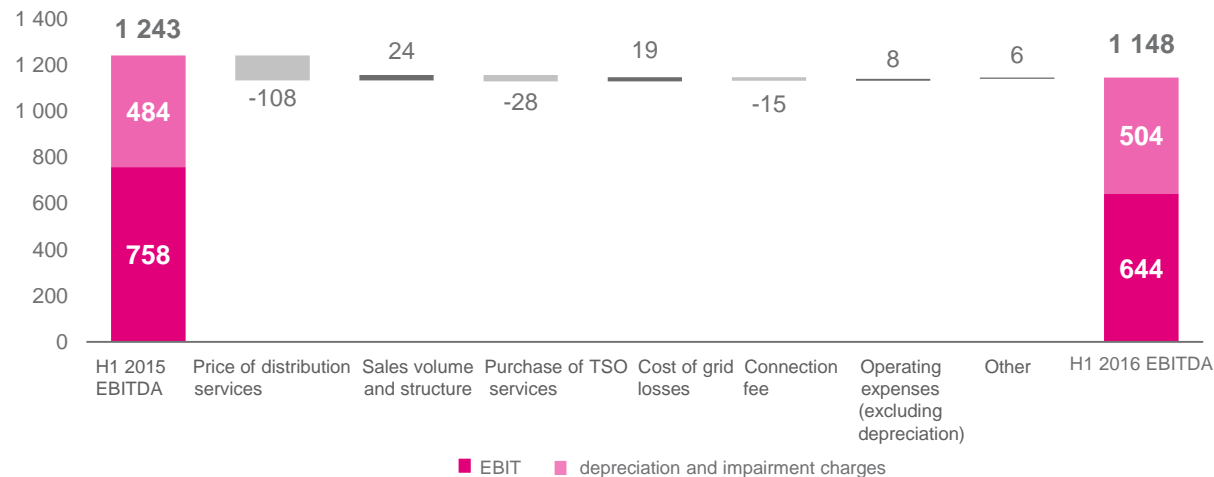
1	Increase of the OCR volume and CIR revenue	✓
2	12% hard coal price drop yoy	✓
3	Higher costs of CO ₂ emission rights purchase	-
4	Falling RES property rights prices and volume	-

Distribution – H1 2016

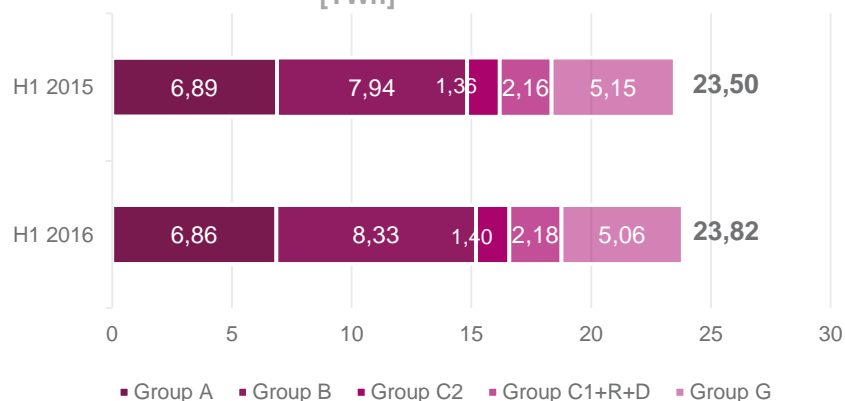
Financial data [PLN m]



Change of EBITDA [PLN m]



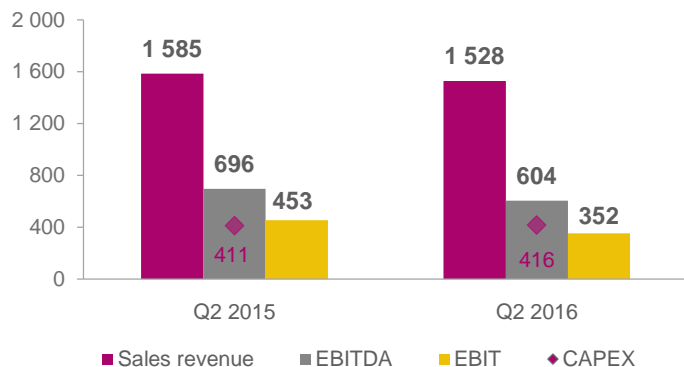
Electricity distribution to end users [TWh]



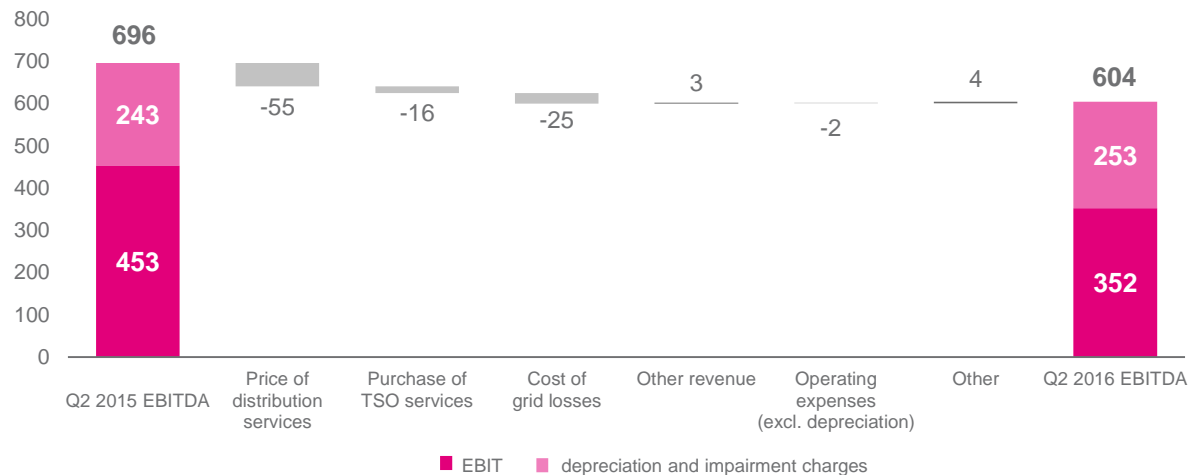
- 1 Approved tariff decline by PLN 3.6/ MWh (2.9%) on average -
- 2 327 GWh (1.4%) higher distribution services sales volume, mainly the result of rising manufacturing output ✓
- 3 13% increase of the quality fee rate included in the cost of purchasing the transmission services -
- 4 Balancing difference optimization – balancing price decline (by 16.5%) and grid losses factor drop (by 0.47 pp) ✓

Distribution – Q2 2016

Financial data [PLN m]

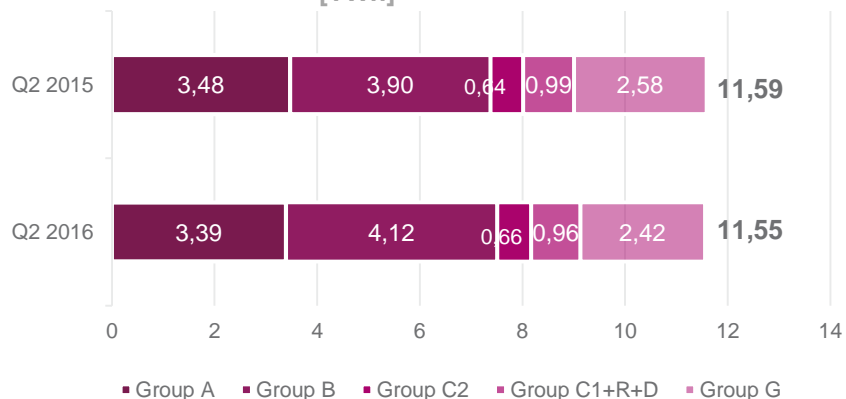


Change of EBITDA [PLN m]



Electricity distribution to end users

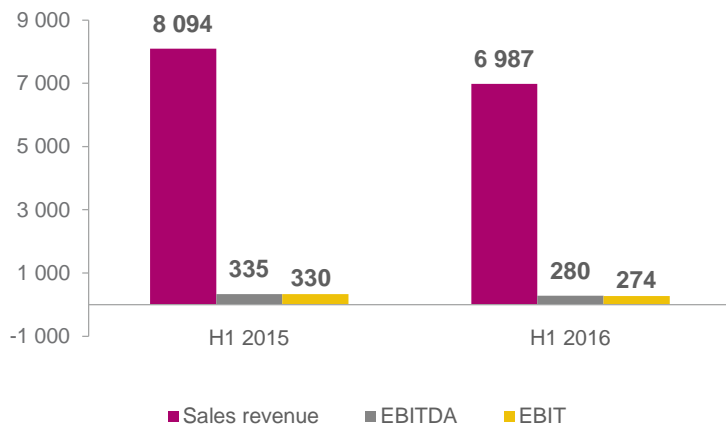
[TWh]



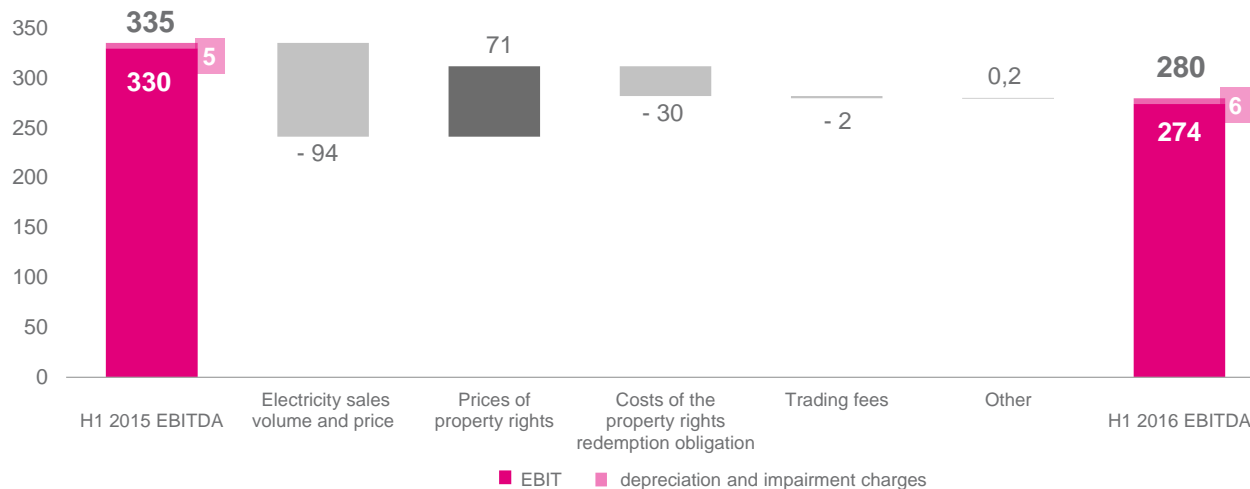
- 1 Approved tariff decline by PLN 3.6/ MWh (2.9%) on average -
- 2 13% increase of the quality fee rate included in the cost of purchasing the transmission services -
- 3 Rising costs of the grid losses (a one-off inclusion in Q2 2015 of the settlement of electricity distribution volume (increase) in conjunction with the commissioning of the comprehensive billing system, approx. PLN 60m), balancing price decline (by approx. 11.5%) -

Supply – H1 2016

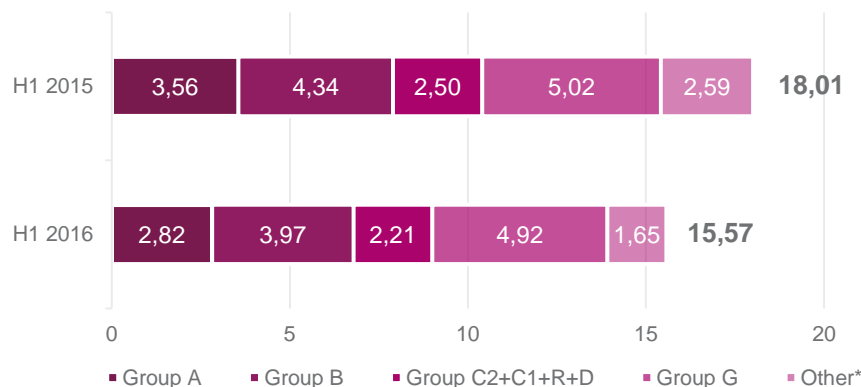
Financial data [PLN m]



Change of EBITDA [PLN m]



Retail electricity supply [TWh]

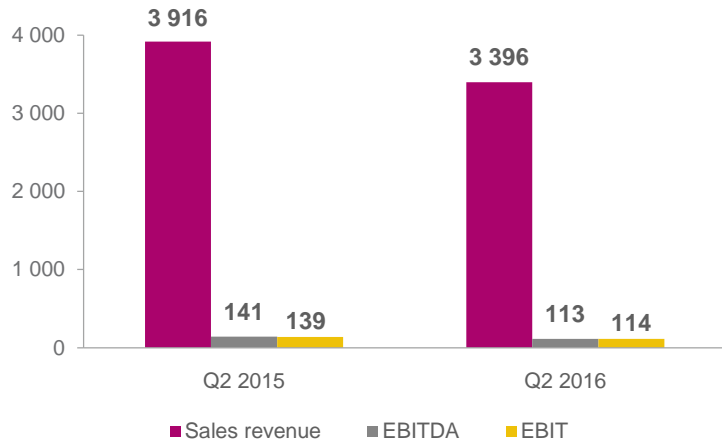


- 1 Average electricity sales prices up (approx. 2.1%) along with a slower growth rate of electricity purchase prices (approx. 0.8%) ✓
- 2 Falling retail electricity supply volumes mainly to large business customers and to the SMEs -
- 3 Increased obligations to redeem property rights: in case of PMOZE from 14% to 15%, in case of PMGM from 4.9% to 6.0%, in case of PMMET from 1.3% to 1.5% -
- 4 Lower purchase prices of the "green" property rights to be redeemed (by approx. 28%) ✓

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

Supply – Q2 2016

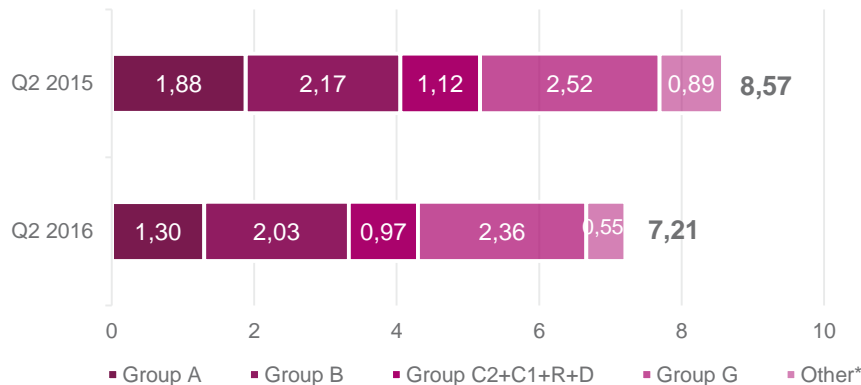
Financial data [PLN m]



Change of EBITDA [PLN m]



Retail electricity supply [TWh]

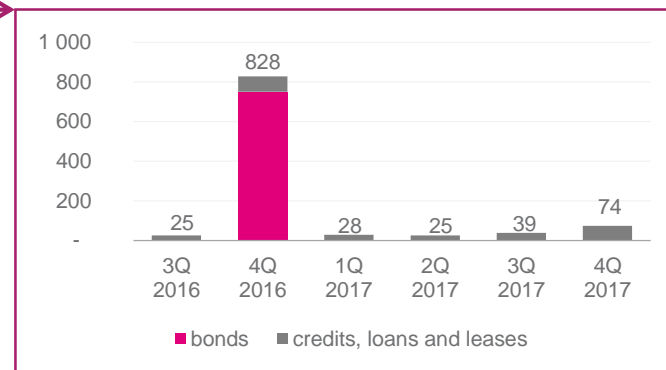
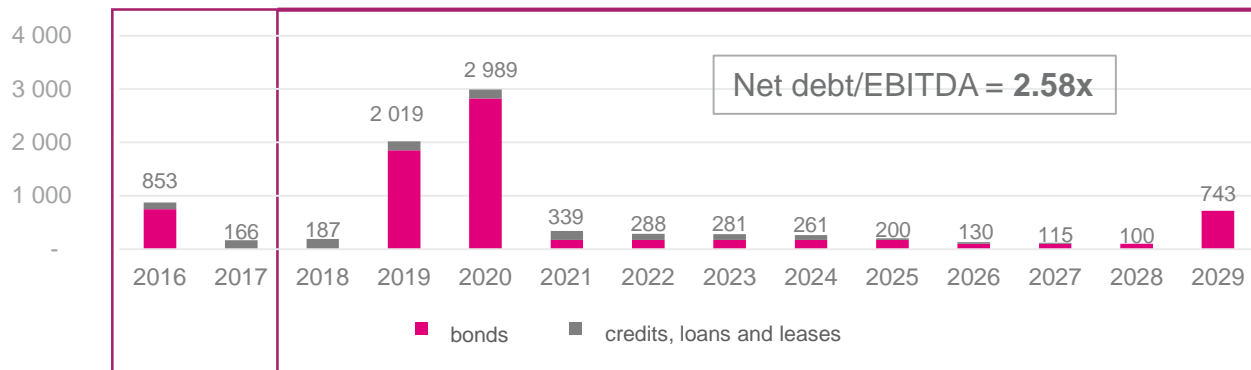


- 1 Average electricity sales prices up (approx. 2.7%) along with a slower growth rate of electricity purchase prices (approx. 2.1%) ✓
- 2 Falling retail electricity supply volumes mainly to large business customers and to the SMEs -
- 3 Increased obligations to redeem property rights: in case of PMOZE from 14% to 15%, in case of PMGM from 4.9% to 6.0%, in case of PMMET from 1.3% to 1.5% -
- 4 Lower purchase prices of the "green" property rights to be redeemed (by approx. 27%) ✓

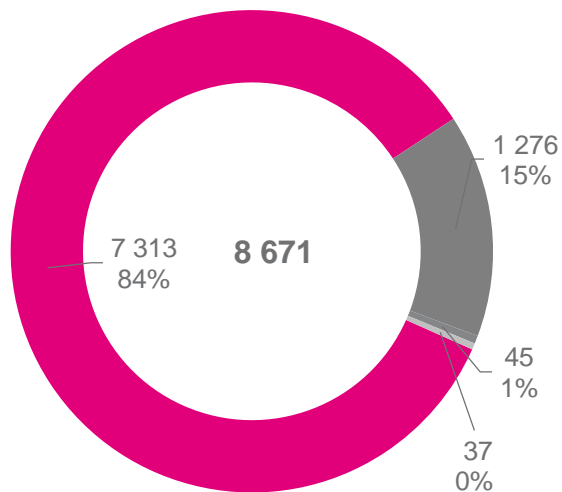
* includes sales to cover the balancing difference and to the intra-Group end users

Debt and financing

TAURON Group's debt maturity as of 30.06.2016

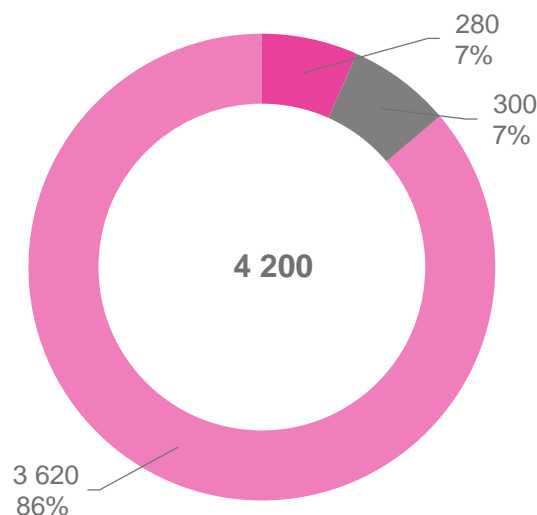


TAURON Group's debt structure as of 30.06.2016 [PLN m]



- bonds
- EIB loans
- NFOSiGW/WFOSiGW loans
- leases

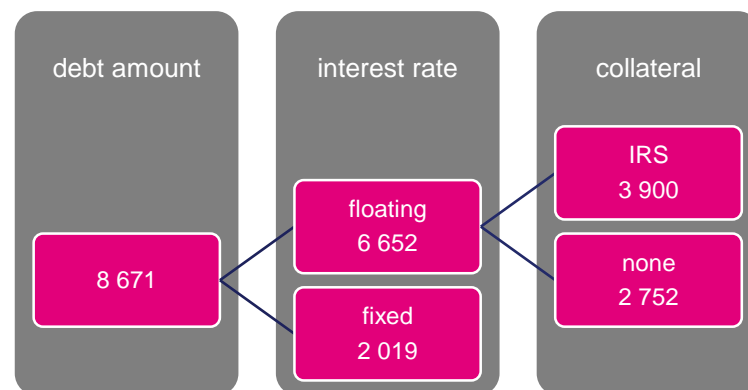
Financing available to TAURON Group as of 30.06.2016 [PLN m]










- BGK program bonds
- cashpooling
- banks program bonds

- debt (nominal value of debt due to investment loans, loans, leases and bonds) as of 30.06.2016 is PLN 8 671m
- weighted average maturity of debt as of 30.06.2016 is 62 months
- EUR denominated debt (NSV bond issue) represents 8.57% of the total debt

Debt structure based on interest rate [PLN m]:



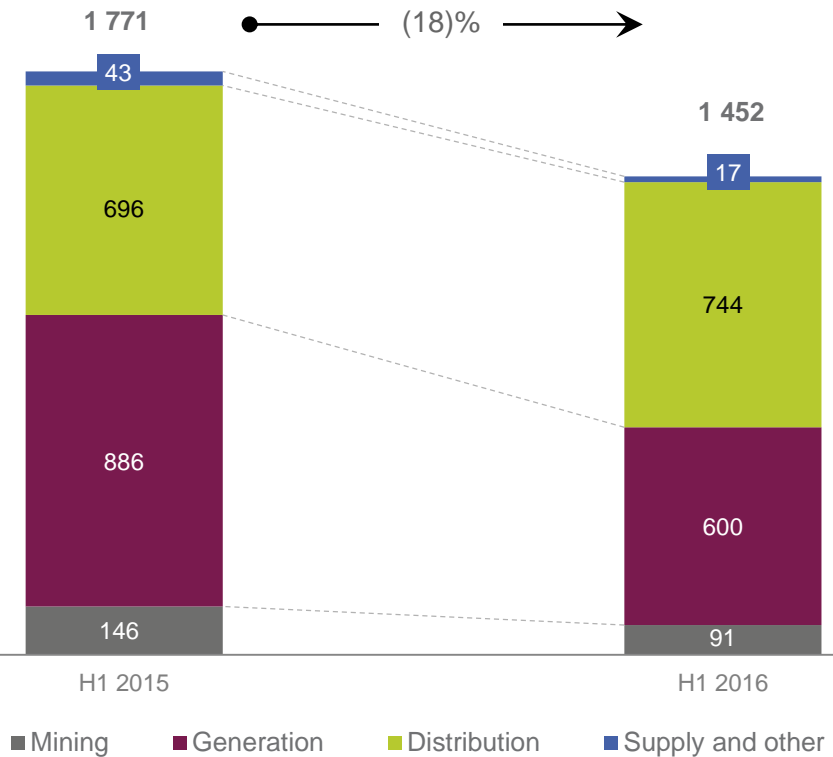
CAPEX – key projects' work progress

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	-	21	 2019
Construction of the CCGT unit at Stalowa Wola Combined Heat and Power Plant	450	240	85	 2018/2019*
Construction of the hard coal-fired co-generation unit at ZW Tychy	50	86	100	 2016
Jaworzno III Power Plant – installing of the flue gas denitrification systems and upgrading of the 200 MW units	-	-	93	 2016
Construction of the CCGT unit at Łagisza Power Plant	413	250	5	 2019
Construction of the 800m level at Janina coal mine	-	-	41	 2020
Construction of Grzegorz shaft at Sobieski coal mine	-	-	20	 2023

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

CAPEX per segment

CAPEX per segment [PLN m]



Key investment projects underway in H1 2016:

Mining:

- construction of the 800 m level at Janina coal mine (PLN 26m),
- construction of the Grzegorz shaft at Sobieski coal mine (PLN 17m)
- Nowe Brzeszcze Grupa TAURON (PLN 4m)





Generation:

- construction of new 910 MW capacity at Jaworzno Power Plant (PLN 361m), construction of the flue gases NO_x emission reduction system and upgrades of the 200 MW units at Jaworzno III Power Plant (PLN 10m)
- construction of new 50 MW cogeneration capacity at EC Tychy (PLN 107m), construction and upgrade of district heating networks (PLN 28m), adaptation of the ZW Katowice heat source to the heat market needs past 2015 (PLN 9m)
- hydroelectric power plants upgrade (PLN 7m)

Distribution:

- construction of new connections (PLN 277m)
- grid assets upgrades and replacement (PLN 387m)

Efficiency improvement program

Segment	Savings realized in H1 2016	Savings planned in 2016-2018	Progress %	Main initiatives
Mining	PLN 77m	PLN 255m	 30%	<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 64m	PLN 367m	 17%	<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 39m	PLN 390m	 10%	<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 22m	PLN 291m	 8%	<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 202m	PLN 1 303m	15%	

- In H1 2016 under the Voluntary Redundancy Program TAURON Group's headcount was reduced by 254 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



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Electricity market price trends

Electricity						
Platforms: TGE, TFS, GFI, GPW-POEE	2015		2016 (until July 19, 2016)		2016/2015 (until July 19, 2016)	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	167.51	201 870	166.10	182 751	-1.0%	-9.5%
Forward PEAK (Y+Q+M)	215.96	17 866	210.82	21 660	-2.4%	+21.2%
Forward (weighted average)	171.45	219 737	170.83	204 410	-0.4%	-7.0%
SPOT (TGE)	156.40	25 102	159.91 (forecast)	26 000	+2.2%	+3.6%
Total weighted average	169.90	244 839	169.60	230 410	-0.2%	-5.9%

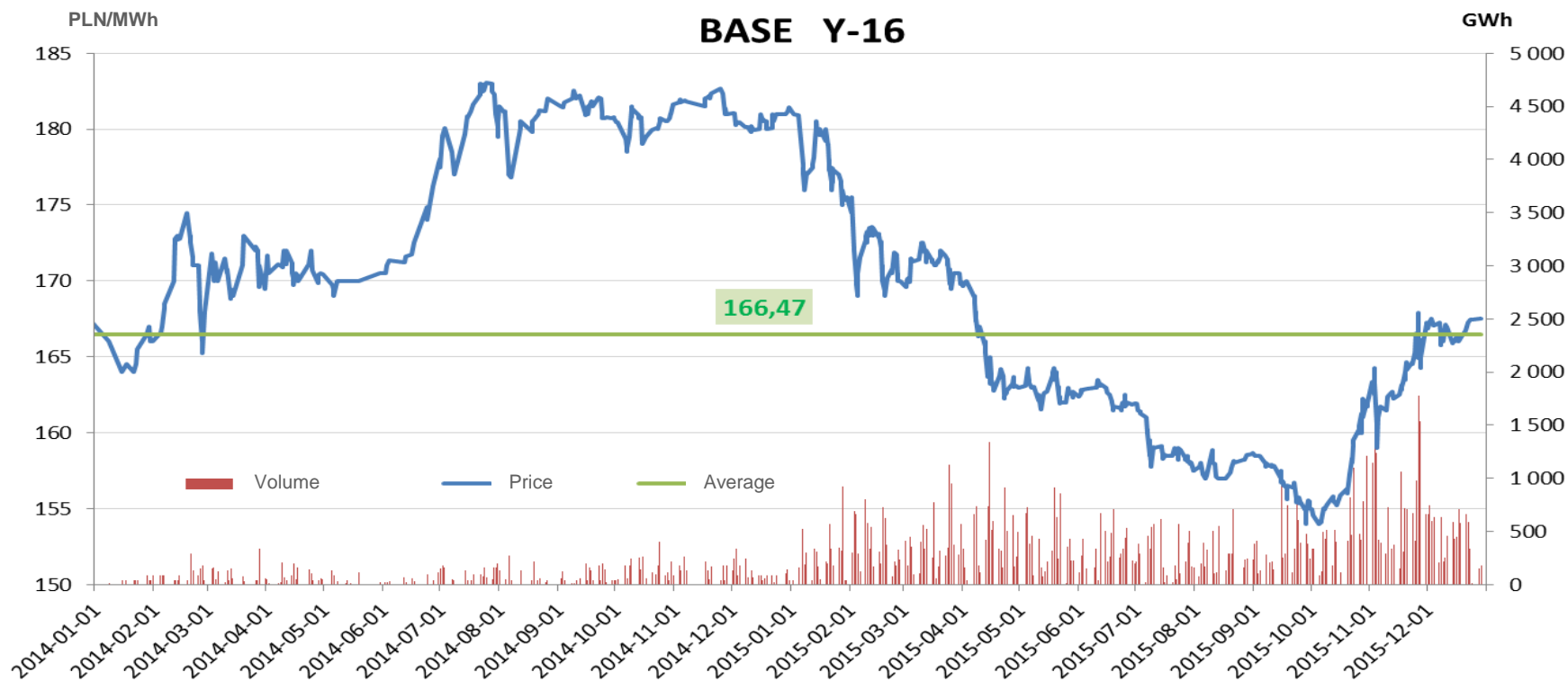
Property rights (PLN/MWh)			
Certificate type	Market prices (H1-2016 average)	Substitution fee and obligation for:	
		2015	2016
RES (PMOZE_A)	101.95	303.03 (14.0%)	300.03 (15.0%)
Coal cogeneration (PMEC-2015)	10.76	11.00 (23.2%)	11.00 (23.2%)
Gas cogeneration (PMGM-2015)	118.85	121.63 (4.9%)	125.00 (6.0%)
Methane (PMMET-2015)	62.24	63.26 (1.3%)	63.00 (1.5%)

CO ₂ emission allowances(EUA/t)	
CO ₂ market analysts survey* (updated in July 2016)	Price (EUR/t)
2016 average	6.02 EUR/t
2017 average	6.78 EUR/t
2018 average	7.10 EUR/t
2016 average forecast by TAURON (**updated in July 2016)	5.70 – 6.00 EUR/t

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

** Average price in January - June 2016 + TPE analysts' adjustment

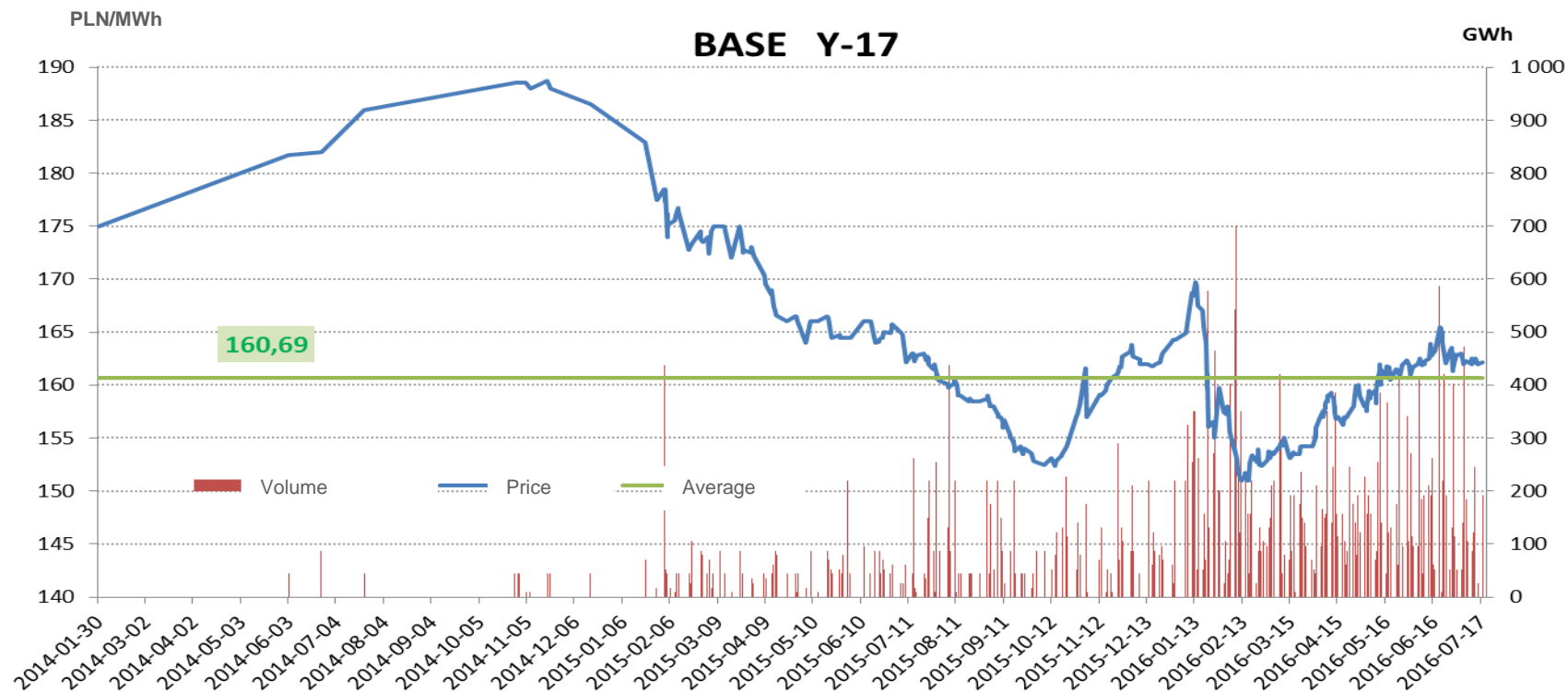
2016 BASE contracts



		Average price [PLN/MWh]	Volume [GWh]
Total		166.47	147 923
including	TGE	166.12	115 729
	non TGE	167.70	32 193

Average electricity price that takes into account 2016 one year BASE and PEAK contracts: PLN 171.08/MWh, total 2016 BASE and PEAK volume: 164 728 GWh

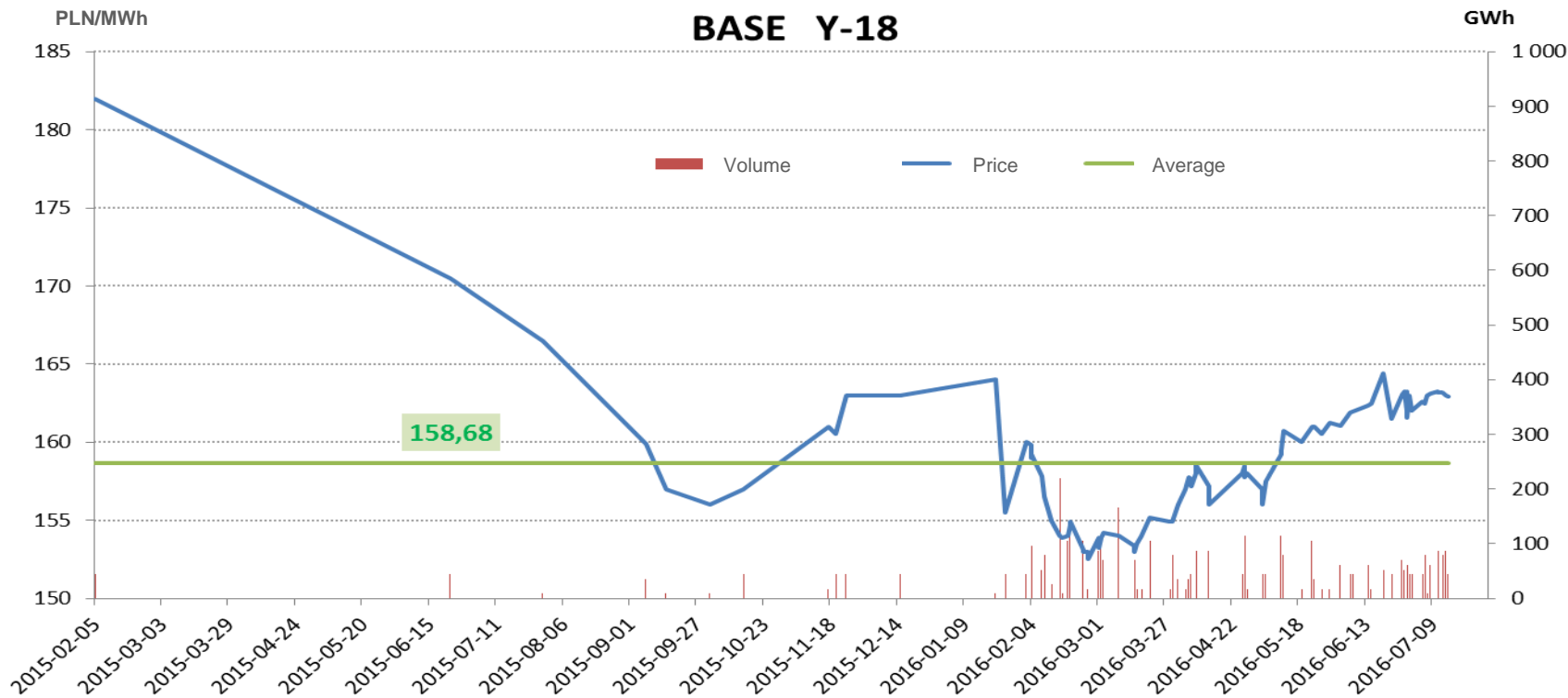
2017 BASE contracts



		Average price [PLN/MWh]	Volume [GWh]
Total		160.69	46 936
including	TGE	159.91	31 396
	non TGE	162.25	15 540

Average electricity price that takes into account 2017 one year BASE and PEAK contracts: PLN 163.85/MWh, total 2017 BASE and PEAK volume: 50 140 GWh

2018 BASE contracts



		Average price [PLN/MWh]	Volume [GWh]
Total		158.68	5 484
including	TGE	158.34	3 171
	non TGE	159.15	2 313

Average electricity price that takes into account 2018 one year BASE and PEAK contracts: PLN 161.01/MWh, total 2018 BASE and PEAK volume: 5 722 GWh

Analysts covering TAURON



Institution	Analyst
J.P. Morgan Cazenove	Michał Kuzawiński
DB Securities	Tomasz Krukowski
Dom Maklerski mBanku	Kamil Kliszczycki
Societe Generale	Bartłomiej Kubicki
Dom Maklerski BZ WBK	Paweł Puchalski
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Thank you for your attention