



TAURON Group's FY 2019 Financial Results

April 2, 2020

Structure of the presentation



Filip Grzegorzczak
CEO

- Key financial and operating data
- Highlights – Green Turn of TAURON
- 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 FY 2019 data



Financial results

[PLN m] 2019 vs 2018

Sales revenue	19 558	8%
EBITDA	3 599	3%
Net profit*	(11)	-
CAPEX	4 128	8%
Net debt/EBITDA	2.8x	up 0.3x (vs 31.12.2018)

Operating data

2019 vs 2018

Electricity distribution [TWh]	51.73	(0.5)%
Electricity production from RES [TWh]	1.38	42%
Electricity production from conventional sources [TWh]	12.49	(18)%
Heat generation [PJ]	10.85	(4)%
Retail electricity supply [TWh]	33.73	(2)%
Commercial coal production [ton m]	3.78	(25)%

* Attributable to the shareholders of the parent company

Key Q4 2019 data



Financial results

[PLN m]	Q4 2019 vs Q4 2018	
Sales revenue	5 120	6%
EBITDA	583	34%
Net result*	(865)	-
CAPEX	1 387	(0.5)%
Net debt/EBITDA	2.8x	up 0.3x (vs 31.12.2018)

Operating data

	Q4 2019 vs Q4 2018	
Electricity distribution [TWh]	12.99	(1)%
Electricity production from RES [TWh]	0.41	46%
Electricity production from conventional sources [TWh]	3.05	(24)%
Heat generation [PJ]	3.71	(4)%
Retail electricity supply [TWh]	8.71	(5)%
Commercial coal production [ton m]	0.84	(40)%

* Attributable to the shareholders of the parent company

Highlights summary



April 17

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

May 27

Green Turn of TAURON - adoption of the update of TAURON Group's strategic directions

September 3

Signing of the transaction documents related to the acquisition of five wind farms with the capacity of 180 MW for EUR 137 million

October 16

Award of "The Best of The Best" prize, the special prize for the best integrated report and the honorable mention for the best statement on applying corporate governance in "The Best Annual Report"

December 16

Signing of a contract for the purchase of a photovoltaic farm project with the capacity of 6 MW in Choszczno municipality

December 19

Signing of the five year loan agreement worth PLN 750 million with the Intesa Sanpaolo bank to finance expenditures related to renewable energy, investments in electricity distribution grids as well as refinance the existing debt

Green Turn of TAURON

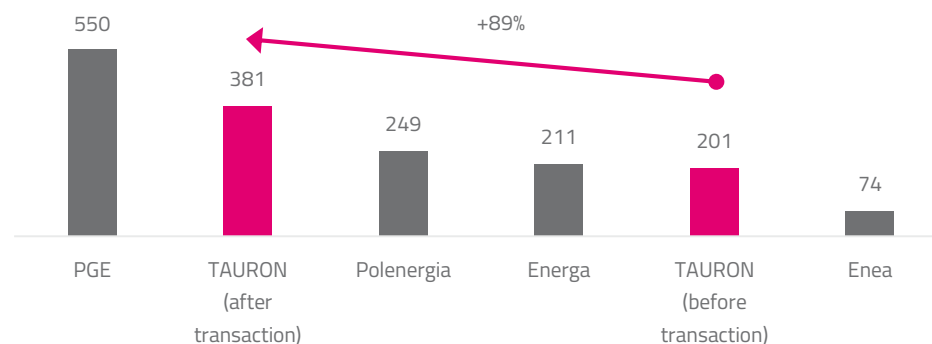


Wind farms

Key data

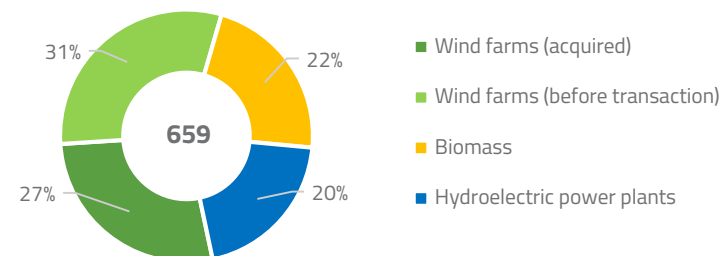
Acquisition price	EUR 137 million
Number of farms acquired	5
Total installed capacity	180 MW
Forecast average annual electricity production	450 GWh

Wind farms in Poland* [MW]



Key parameters

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



- ✓ **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 total 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**
Object of the lawsuit was: PLN36.3 million in damages and PLN 196.6 million in liquidated damages
- ✓ **Enabling the discontinuance of the lawsuits filed the in-ventus companies against TAURON Group's subsidiaries**
Value of the object of litigation: EUR 61.3 million

*as of December 31, 2019

Green Turn of TAURON

Photovoltaics

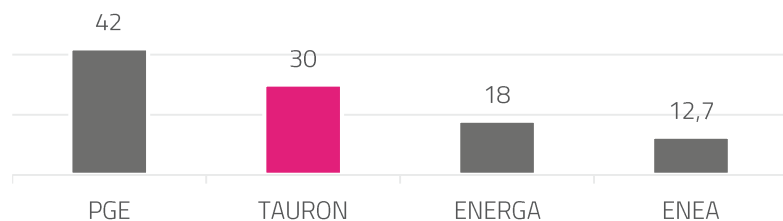
- ✓ In December 2019 an agreement was signed for the purchase of a photovoltaic farm project - Choszczno solar power plant with the assumed installed capacity of 6 MW. The planned date of commissioning the power plant: 2021
- ✓ Works are underway to prepare for the development of photovoltaic installations on TAURON Capital Group's land (sites) that is not used commercially
- ✓ In March 2020 an agreement was signed with the Polish Development Fund (Polski Fundusz Rozwoju) regarding cooperation with respect to the financing of investments in photovoltaic farms and wind farms

Photovoltaic microinstallations

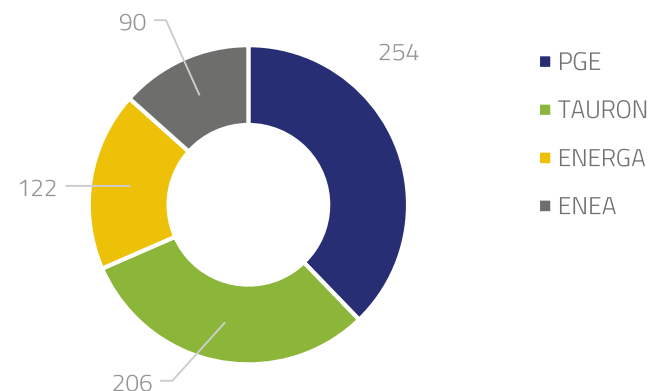
Key data*

Connections of photovoltaic microinstallations in 2019	more than 100 000
Growth since 2018	300%
Number of TAURON's microinstallations	47 000
TAURON's total installed capacity	309 MW

Photovoltaic microinstallations connected in 2019* ['000]

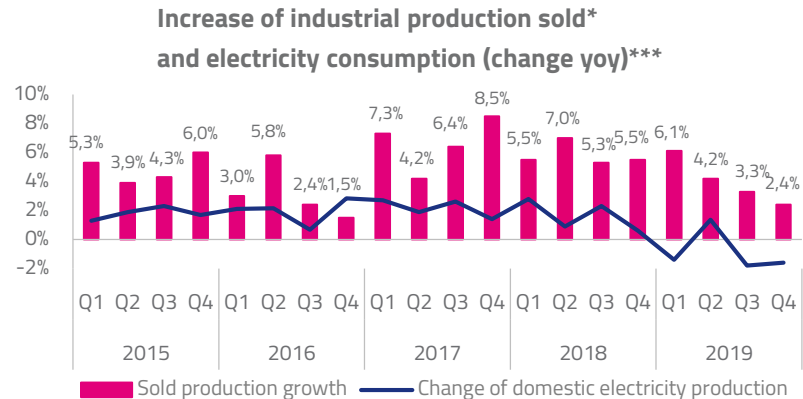
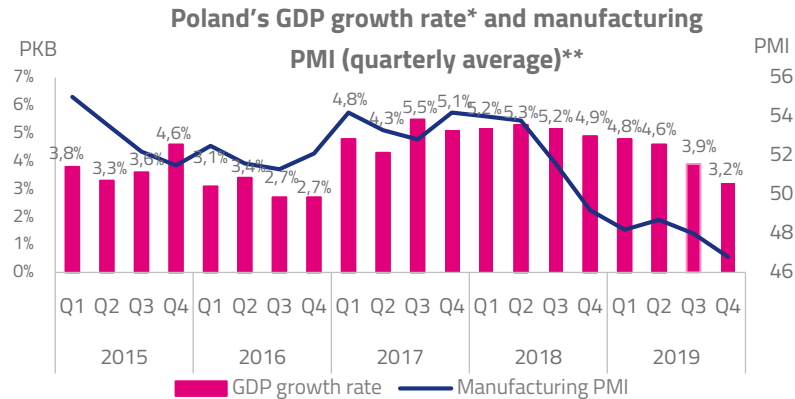


Capacity of microinstallations connected in 2019* [MW]



*according to the data available as of December 31, 2019.

Macroeconomic and market situation



Electricity prices under one-year BASE contracts

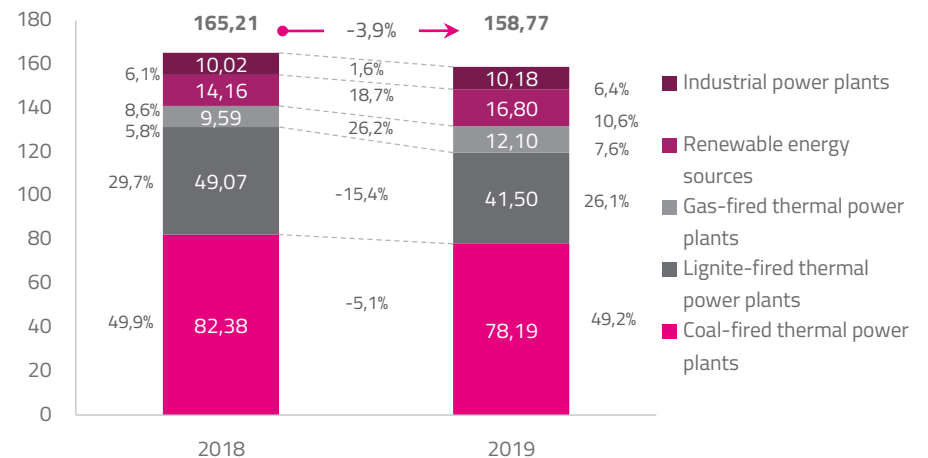
	Average price [PLN/MWh]	Volume [GWh]
Y-13	191.60	108 861
Y-14	160.40	142 841
Y-15	168.11	146 932
Y-16	166.47	147 923
Y-17	160.27	76 729
Y-18	165.98	65 227
Y-19	237.44	133 170
Y-20	265.42	134 887
Y-21*	256.45	37 405
Y-22*	259.46	5 221

* prices until March 3, 2020

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

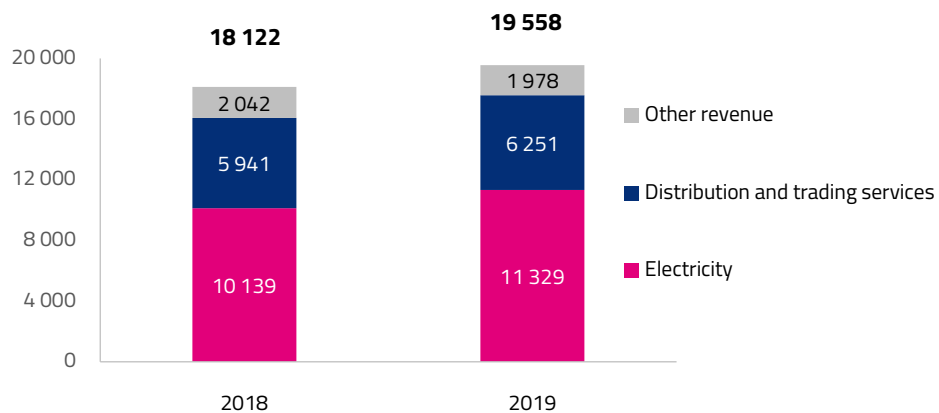
- 2014: 163.58 PLN/MWh
- 2015: 169.99 PLN/MWh
- 2016: 169.70 PLN/MWh
- 2017: 163.70 PLN/MWh
- 2018: 194.30 PLN/MWh
- 2019: 245.69 PLN/MWh (estimate)

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

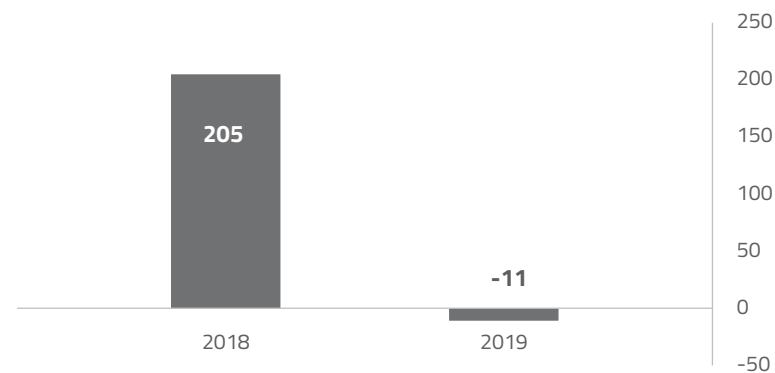


FY 2019 financial data

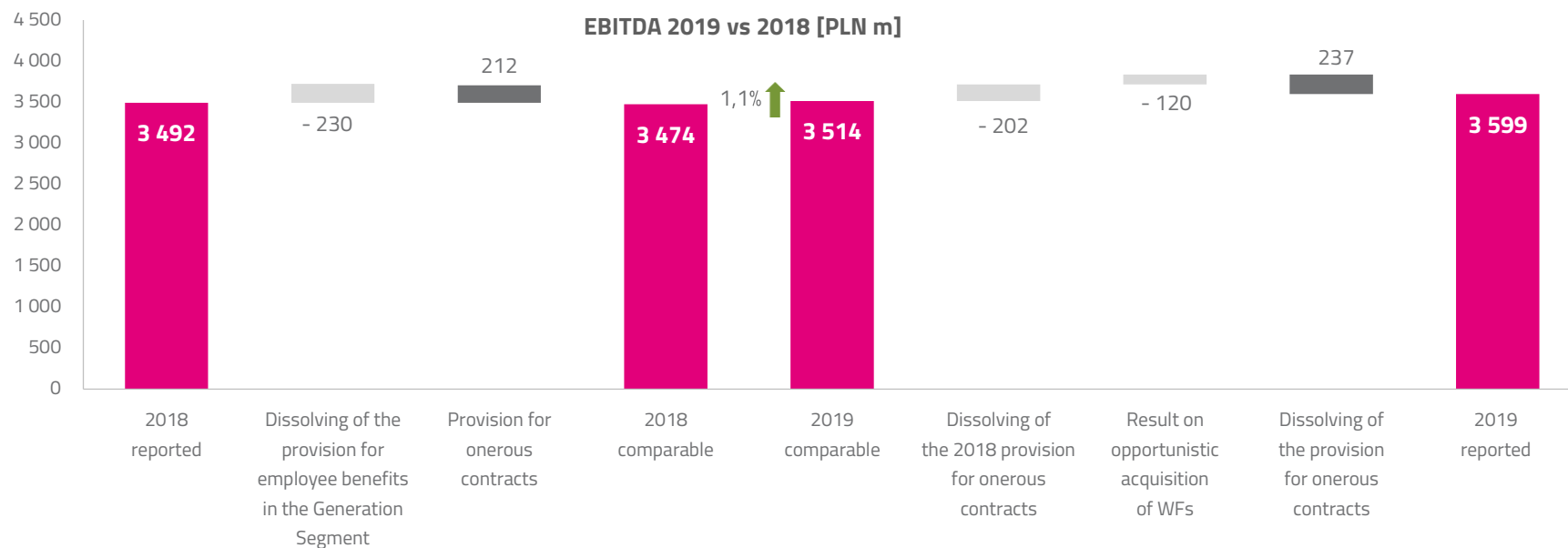
Sales revenue [PLN m]



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

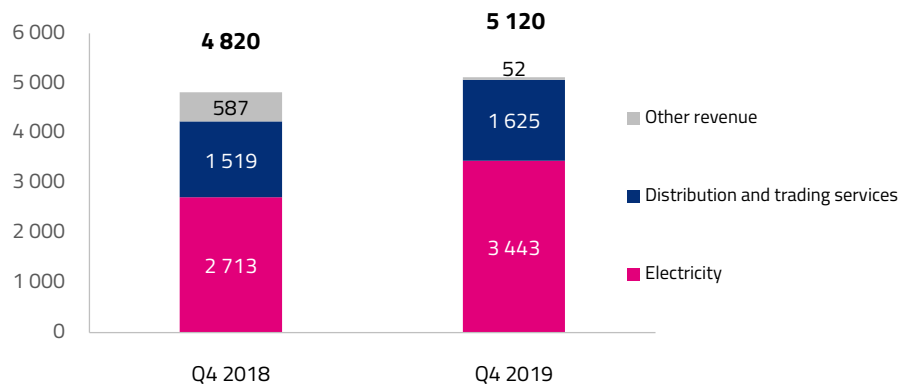


EBITDA 2019 vs 2018 [PLN m]

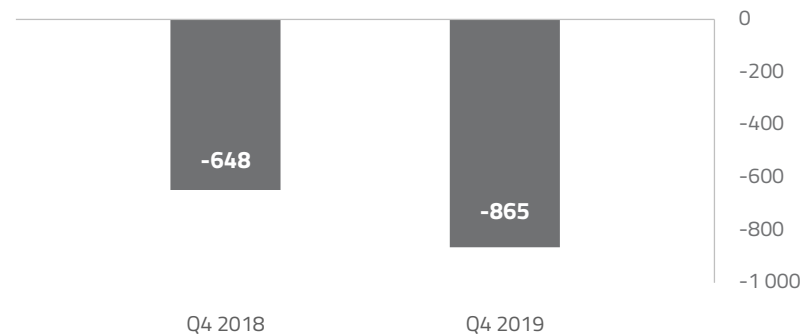


Q4 2019 financial data

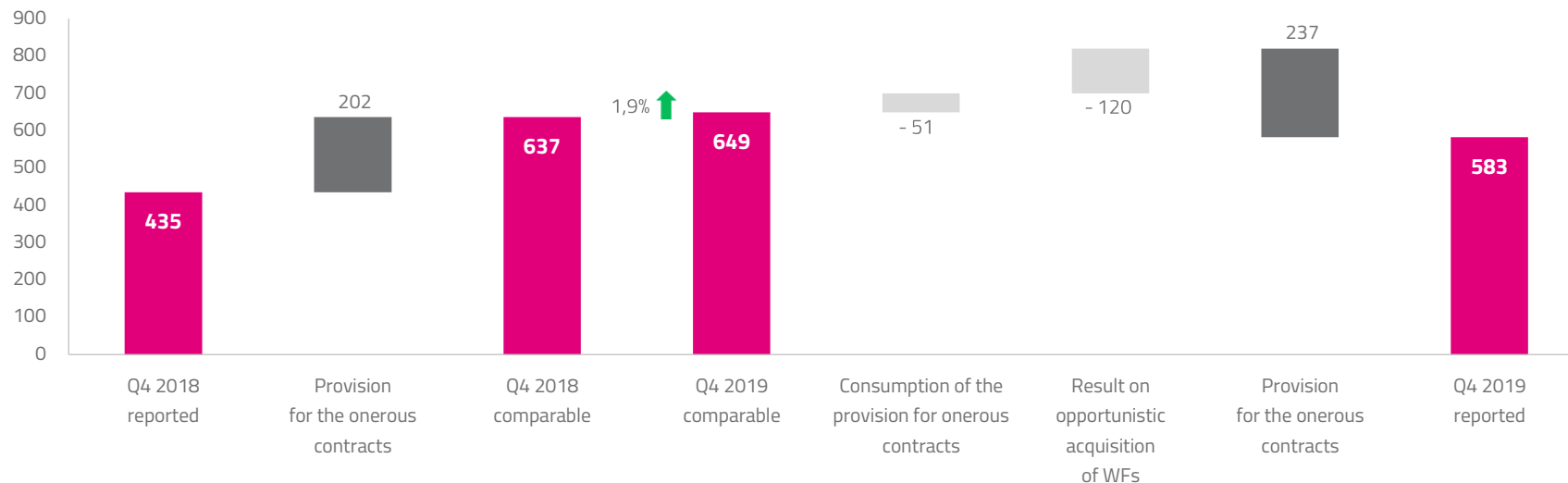
Sales revenue [PLN m]



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



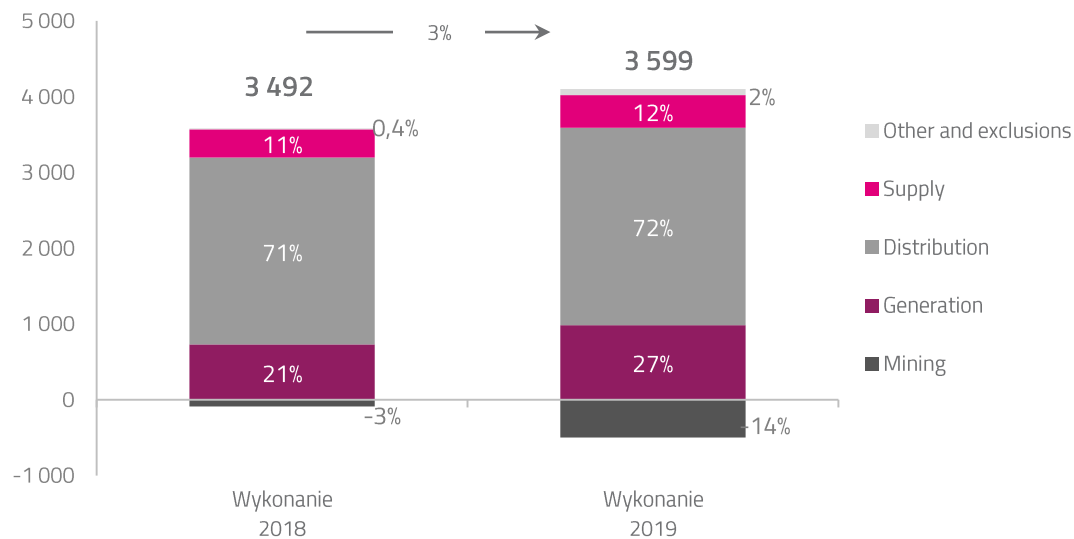
EBITDA Q4 2019 vs Q4 2018 [PLN m]



FY 2019 results by segments

[PLN m]	Distribution	Generation	Supply	Mining	Other and exclusions*
Revenue	6 595	4 923	14 908	944	(7 812)
EBITDA	2 606	984	429	(500)	81
EBIT	1 444	(129)	382	(1 392)	(9)
CAPEX**	1 785	1 683	47	480	133

Individual segments' contribution to EBITDA [%]

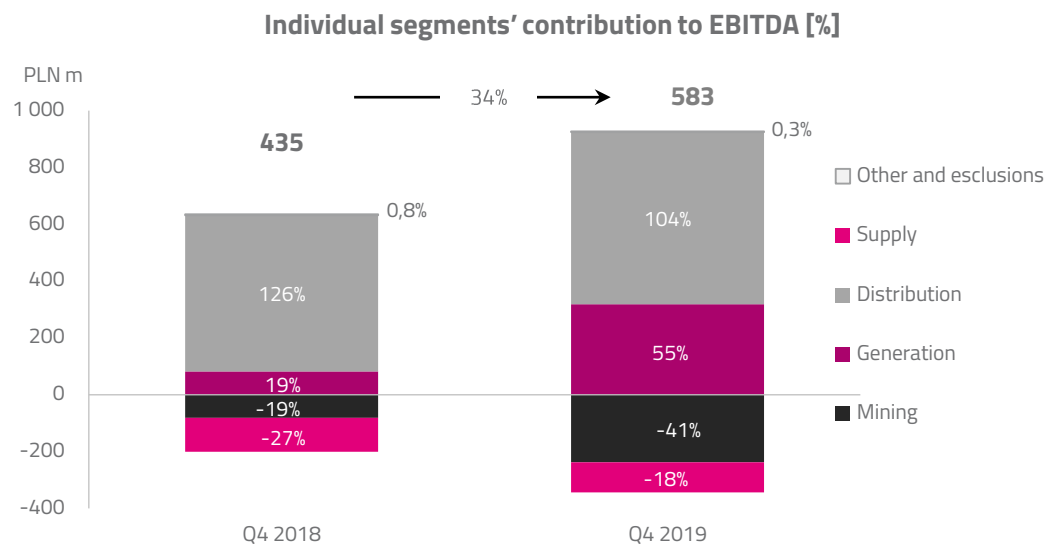


* Items not included in the segments presented

** Capex excluding equity investments

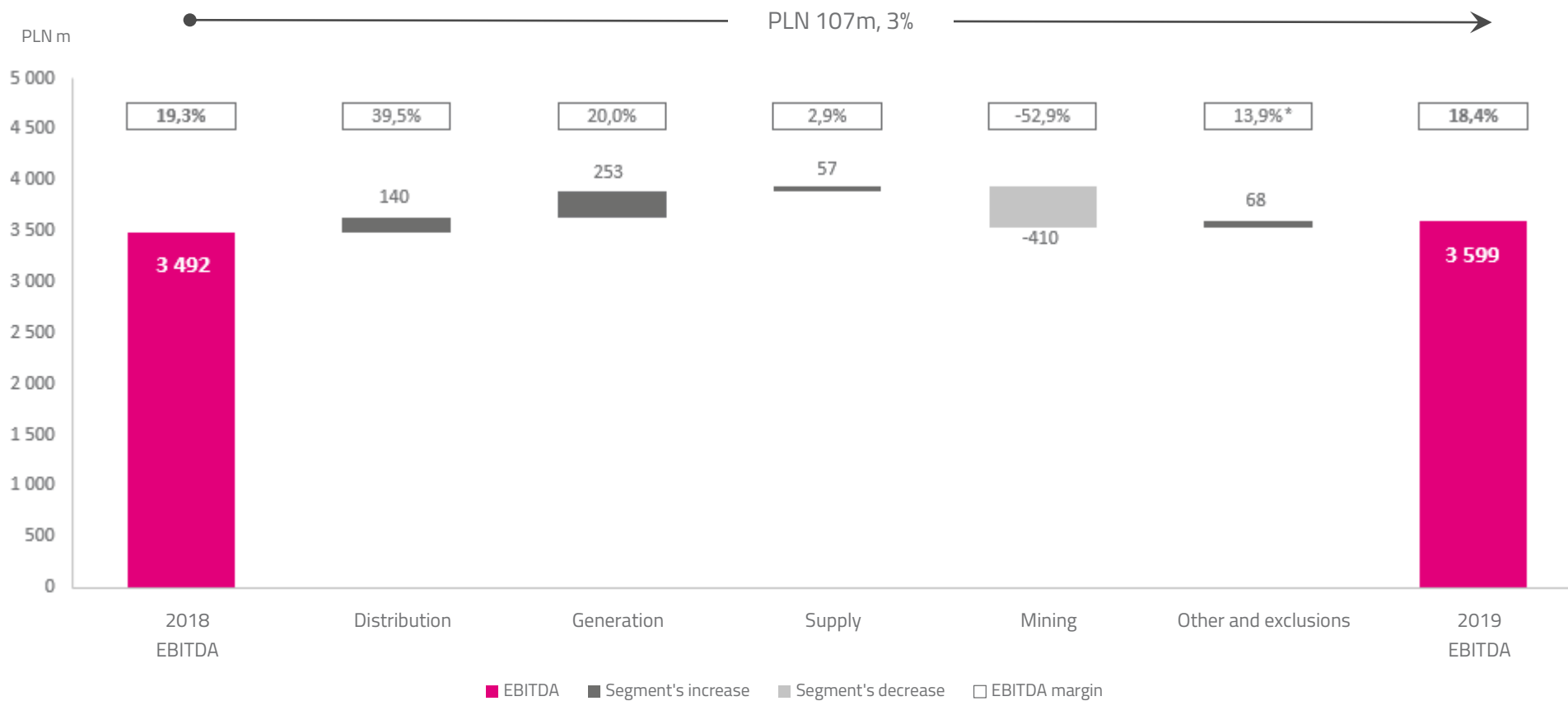
Q4 2019 results by segments

[PLN m]	Distribution	Generation	Supply	Mining	Other and exclusions*
Revenue	1 697	1 288	4 508	211	(2 584)
EBITDA	606	319	(105)	(238)	2
EBIT	303	(469)	(122)	(716)	(20)
CAPEX	454	711	27	110	85



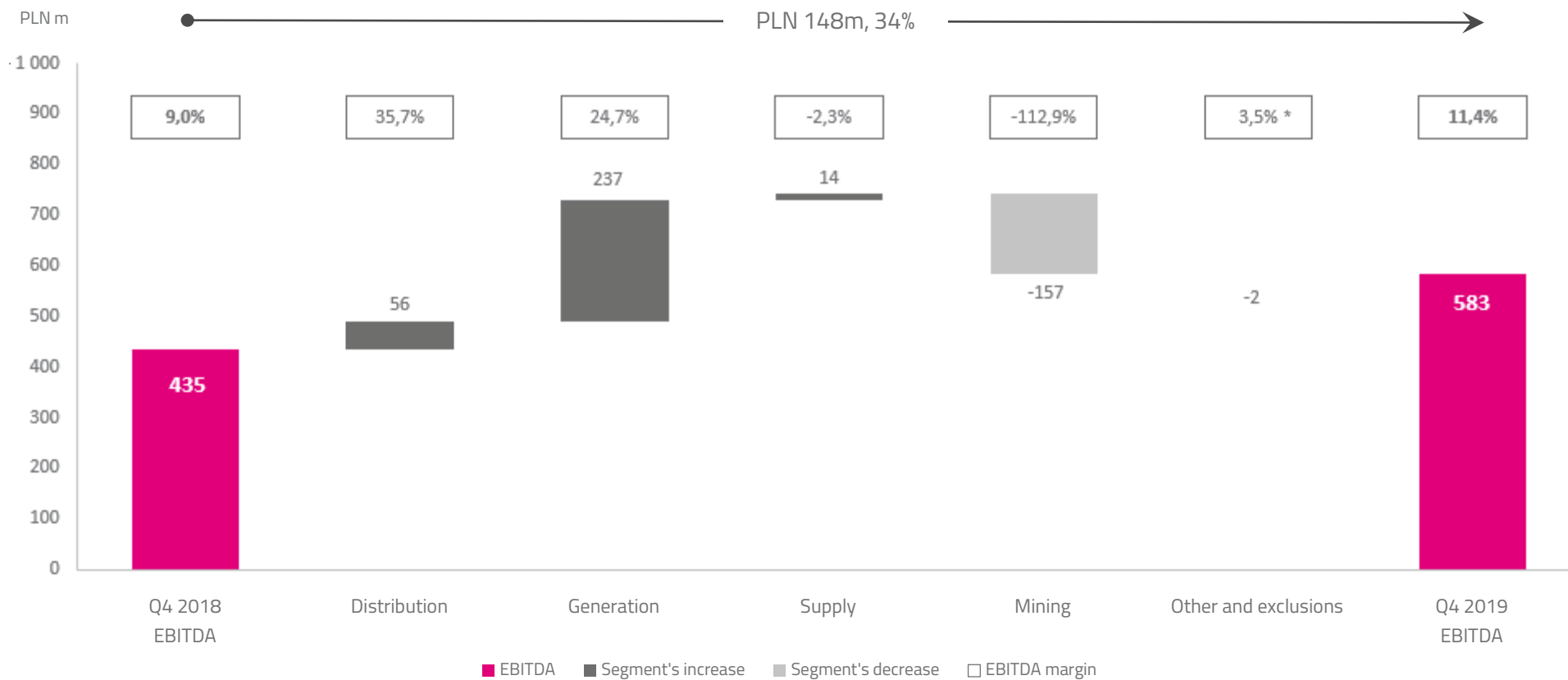
* Items not included in the segments presented

FY 2019 EBITDA



*Other operations segment's EBITDA margin

Q4 2019 EBITDA



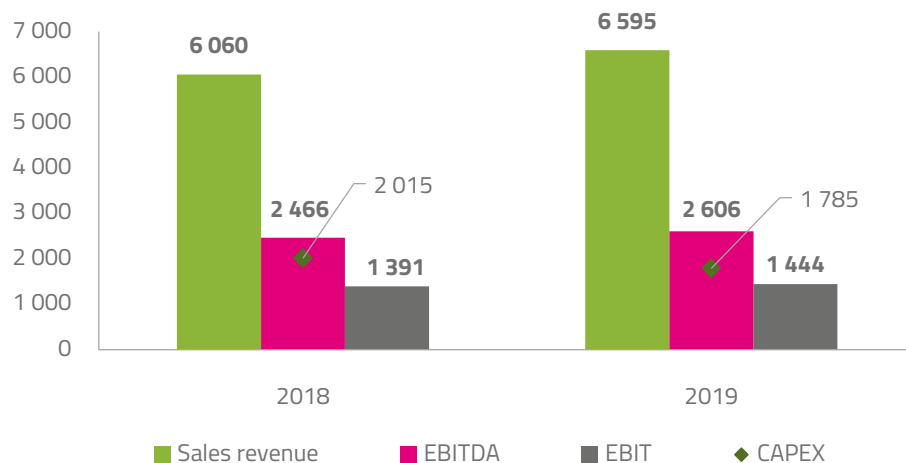
*Other operations segment's EBITDA margin



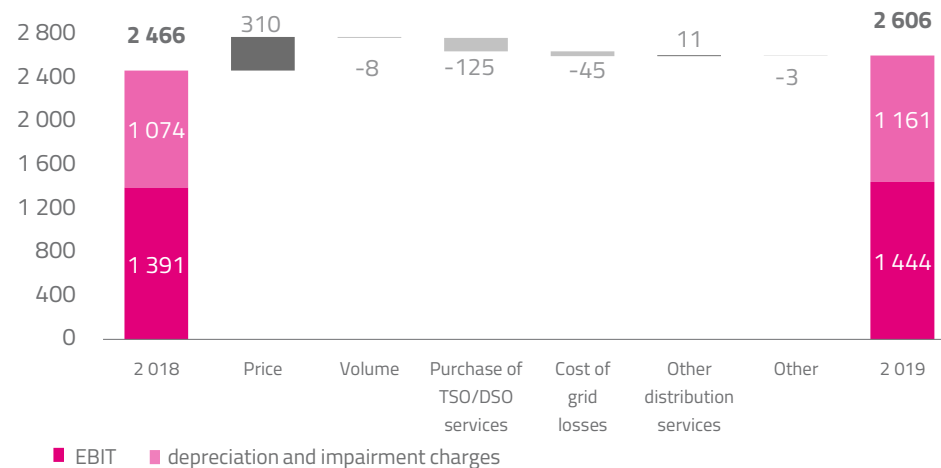
Distribution Segment

Distribution Segment – FY 2019

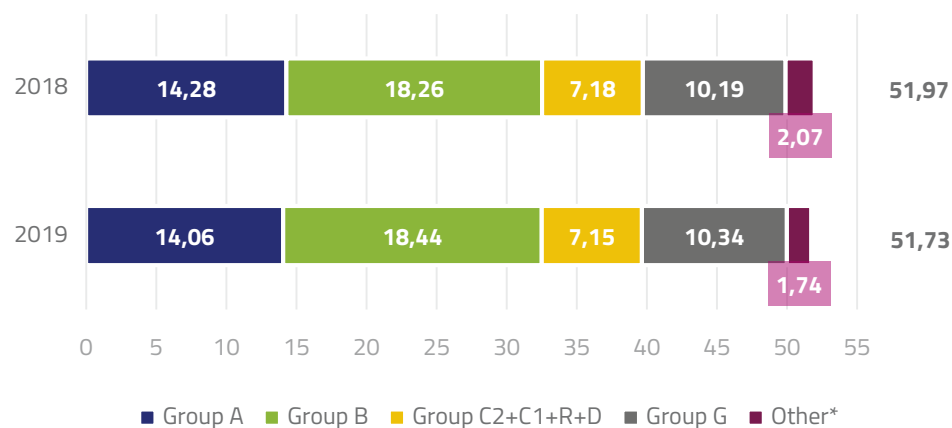
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



■ Increase of the average price of the distribution service for the final consumers



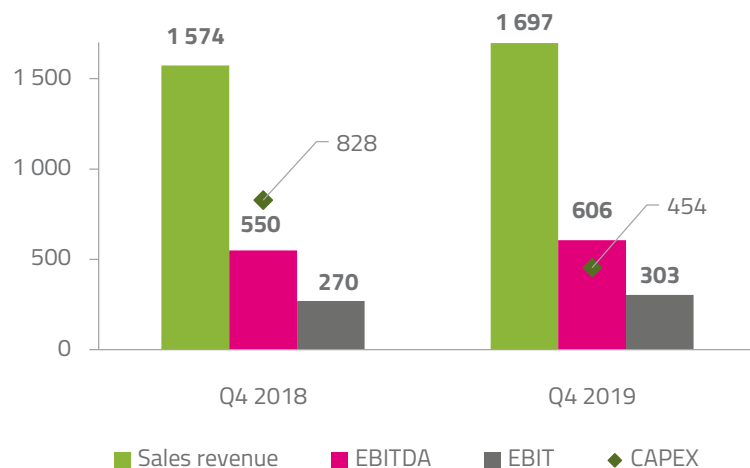
■ Higher volume of electricity distribution services sales to the final consumers



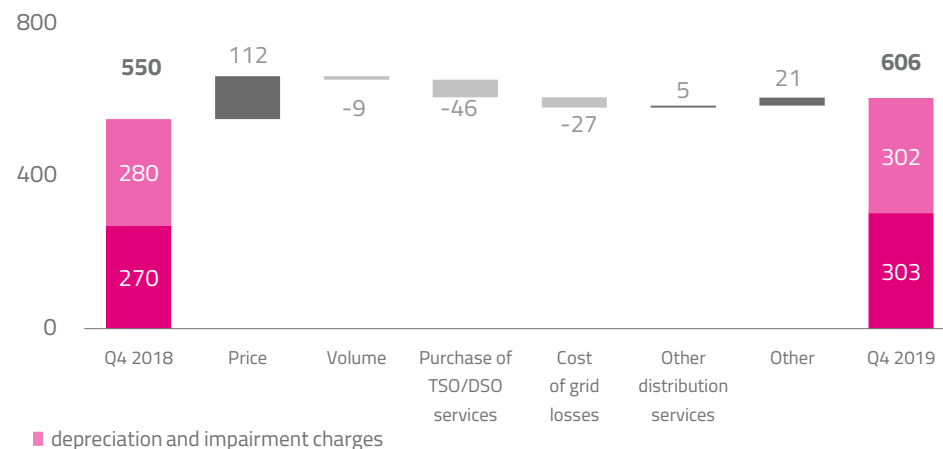
■ Entry into force, as of April 6, 2019, of the new distribution tariff for 2019

Distribution Segment – Q4 2019

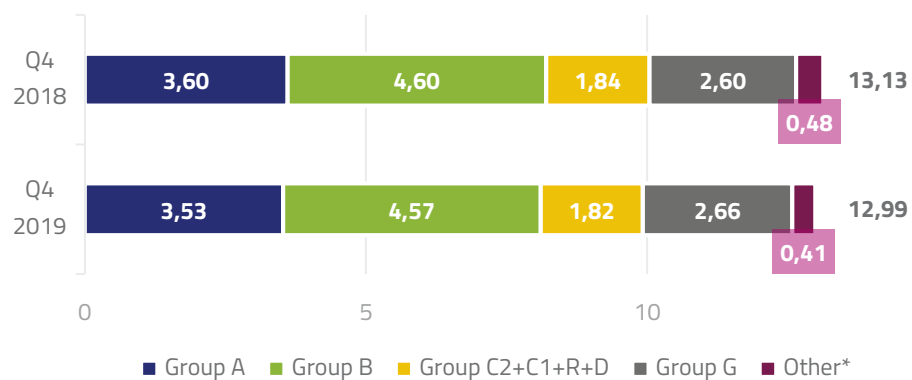
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



Higher distribution service sales price



Decline of electricity distribution service sales volume

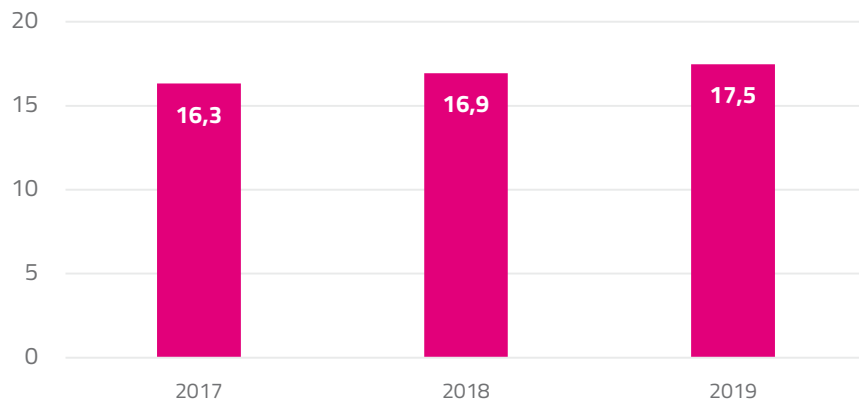


Higher costs of the balancing difference

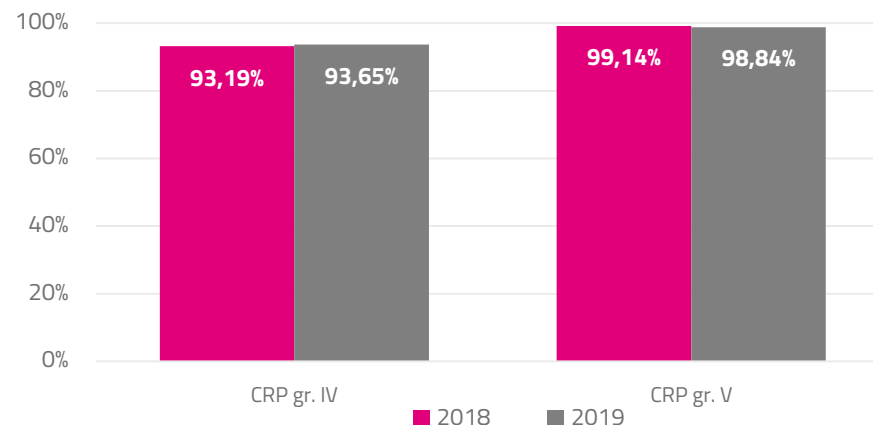


Distribution Segment – key parameters

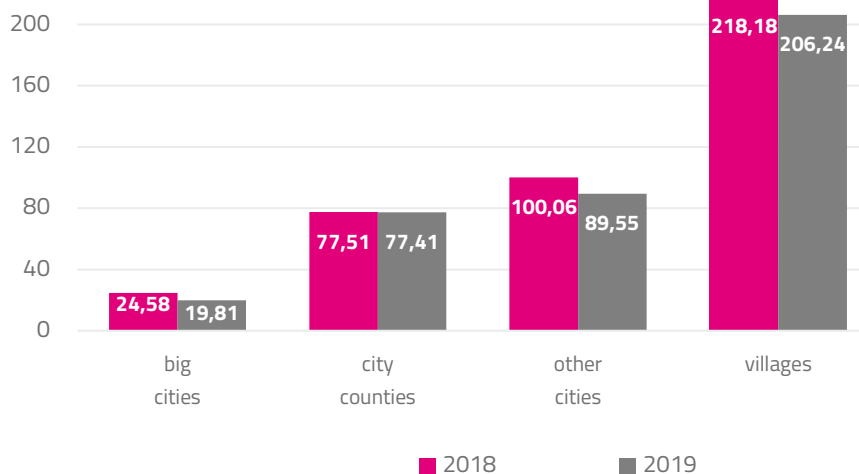
Regulatory Asset Base [PLN bn]



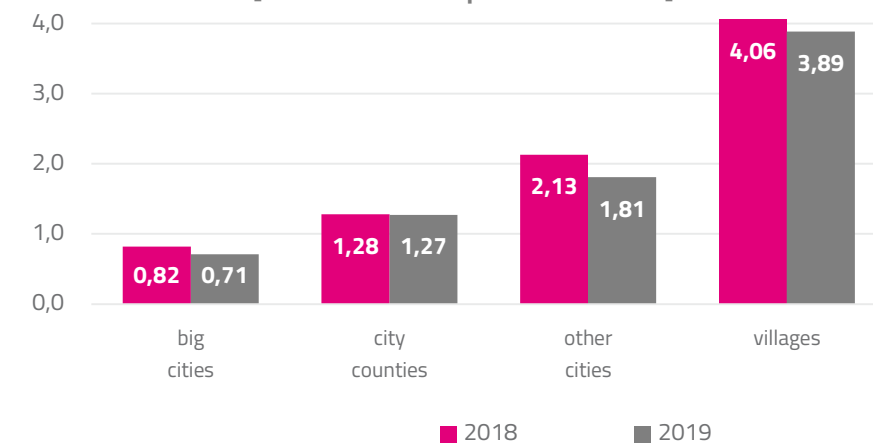
New connection installation time [%]



Interruption duration [min/consumer]



Frequency of interruptions
[number of interruptions/consumer]



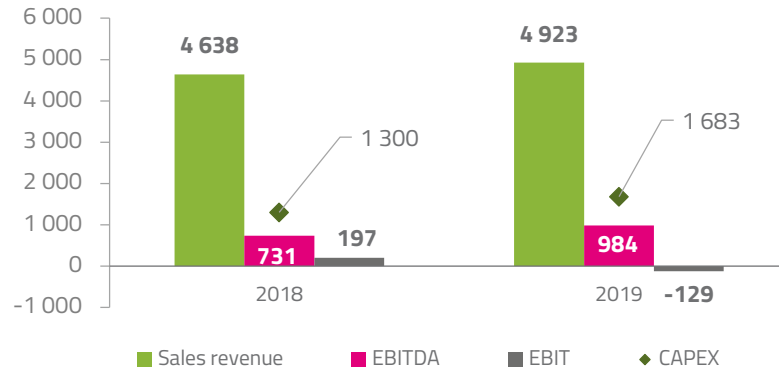


Generation Segment

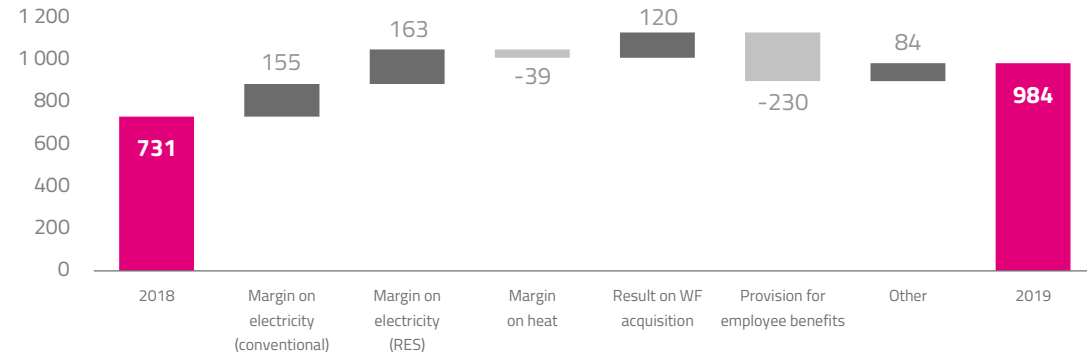
Generation Segment – FY 2019



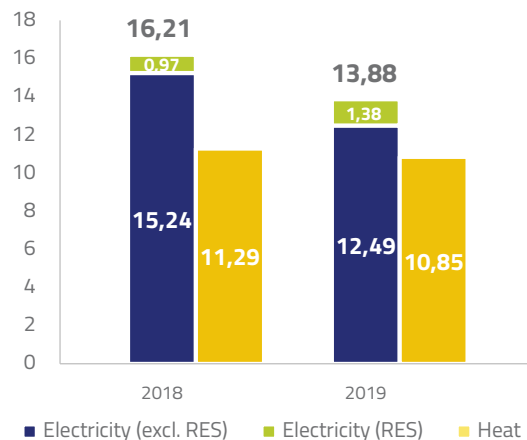
Financial data [PLN m]



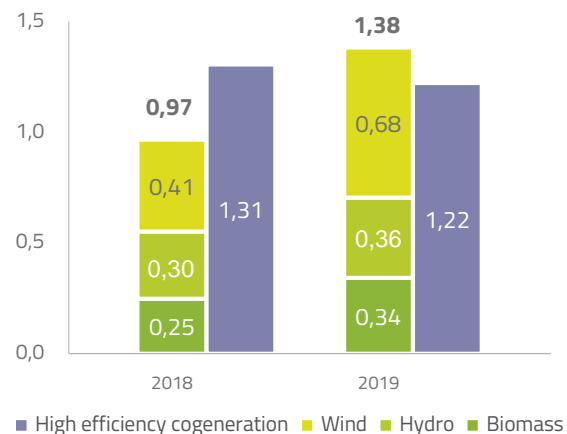
EBITDA change [PLN m]



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



RES and high efficiency cogeneration production [TWh]



66 percent increase of electricity production volume by wind farms



Higher electricity prices



Increase of the prices of fuels and CO2 emission allowances and not a full passing on of the above increase in the heating tariffs



Acquisition of 5 wind farms with the capacity of 180 MW in 2019

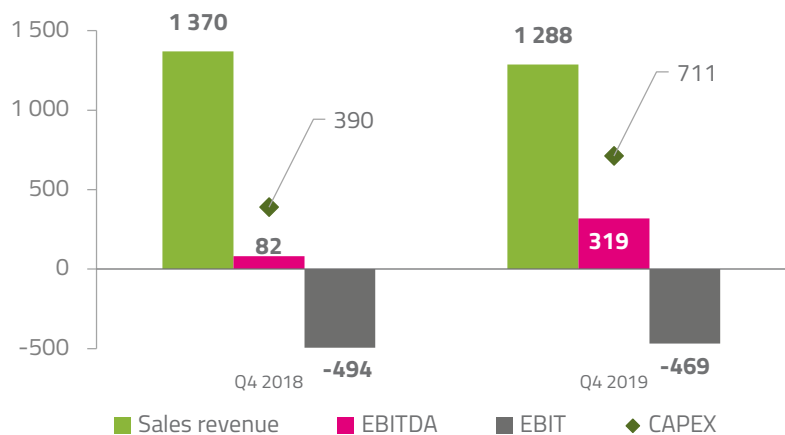


19 percent work progress in the adaptation of the generating units to the BAT conclusions

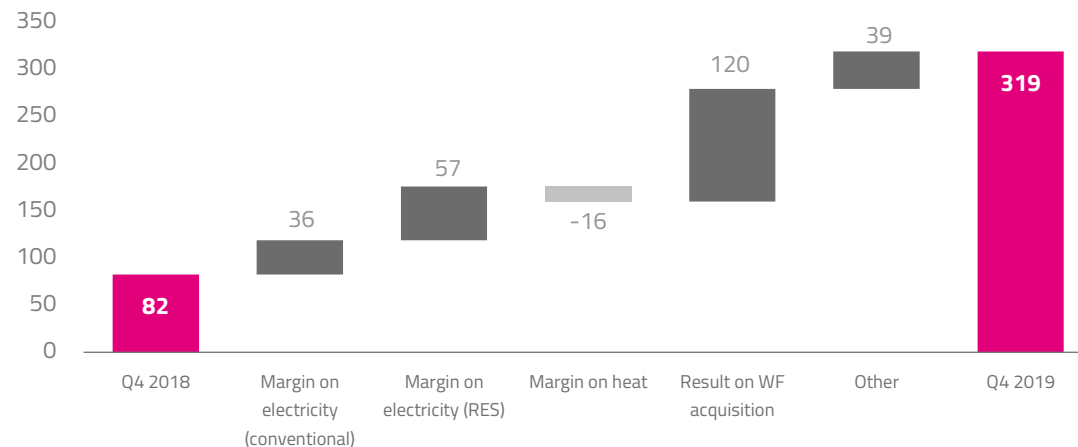


Generation Segment – Q4 2019

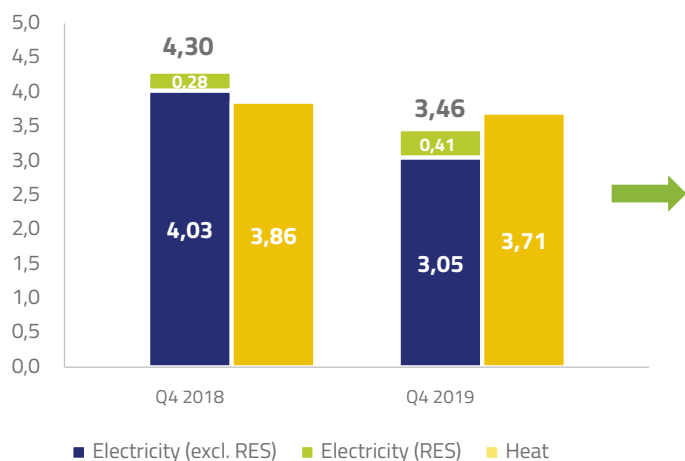
Financial data [PLN m]



EBITDA change [PLN m]



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



RES and high efficiency cogeneration production [TWh]

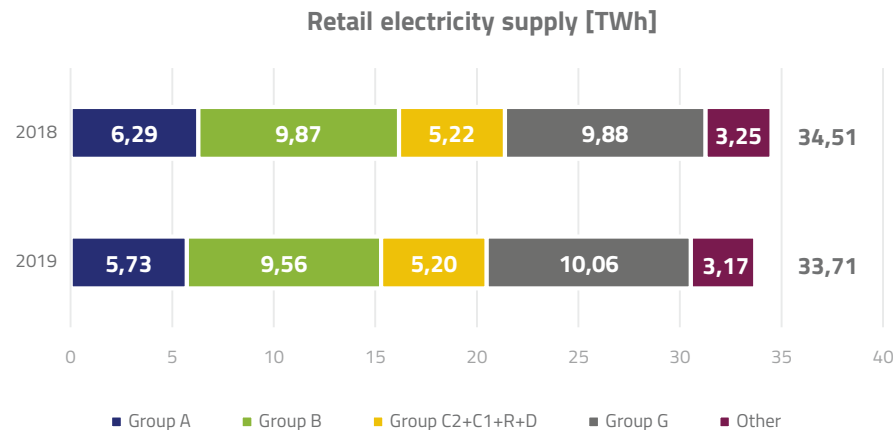
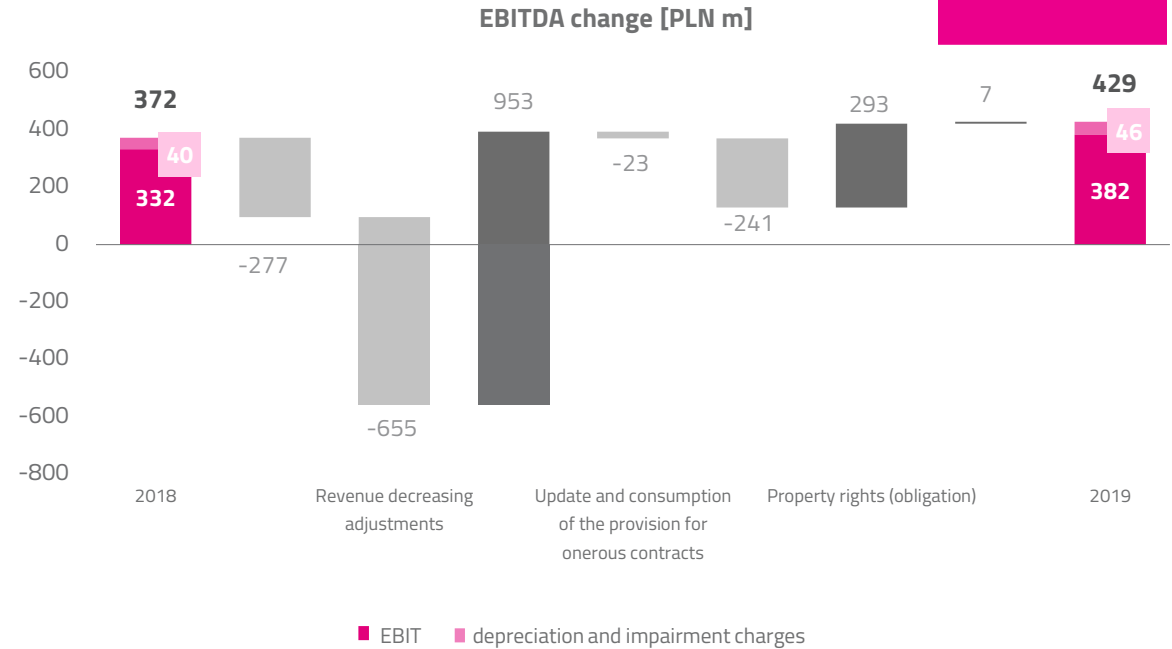
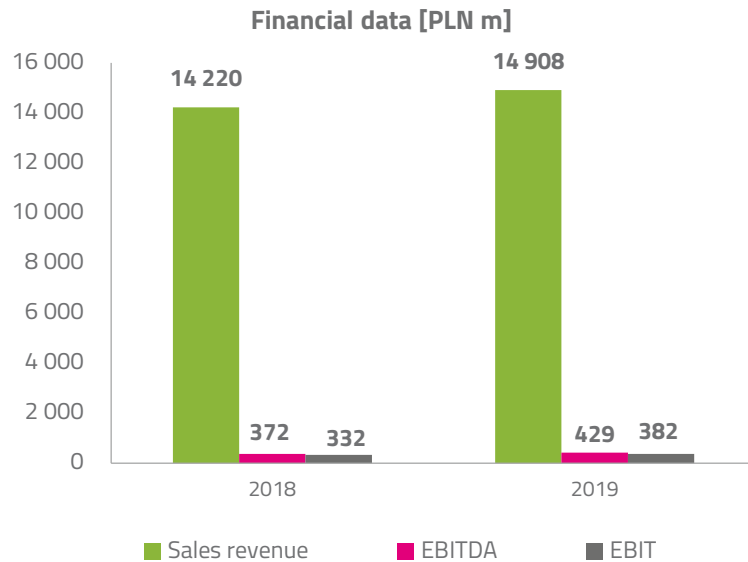


- Higher electricity prices ✓
- Higher electricity production volume by wind farms ✓
- Increase of the prices of fuels and CO2 emission allowances -
- Acquisition of 5 wind farms with the capacity of 180 MW in 2019 ✓



Supply Segment

Supply Segment – FY 2019



- Increase of electricity and PMOZE purchase prices and the growing pressure on margin reduction

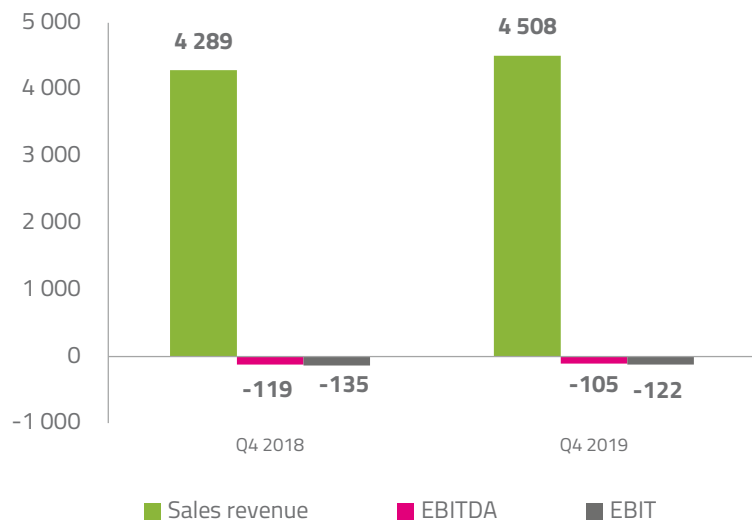
- Positive impact of the lack of the obligation to redeem certificates of origin of electricity produced in cogeneration

- Neutral effect of the so-called electricity act

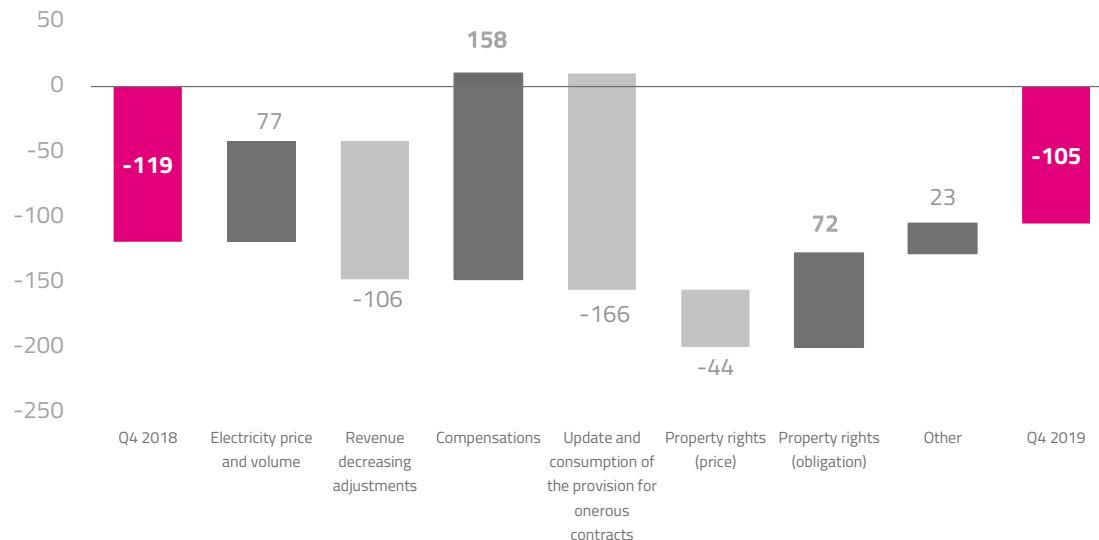


Supply Segment – Q4 2019

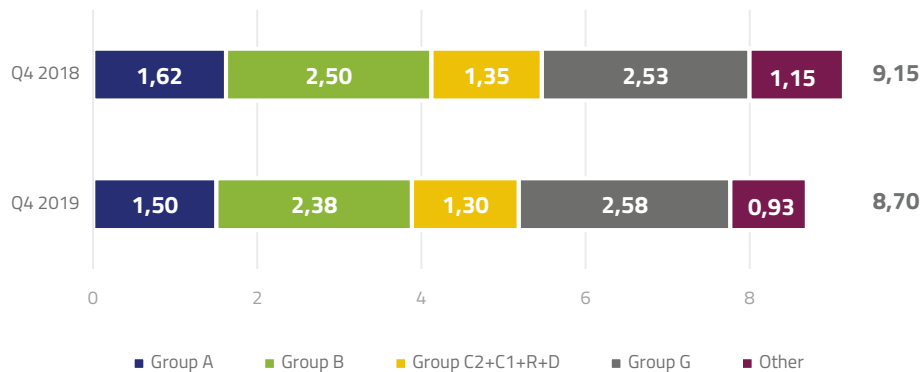
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



- Increase of electricity and PMOZE purchase prices and the growing pressure on margin reduction

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

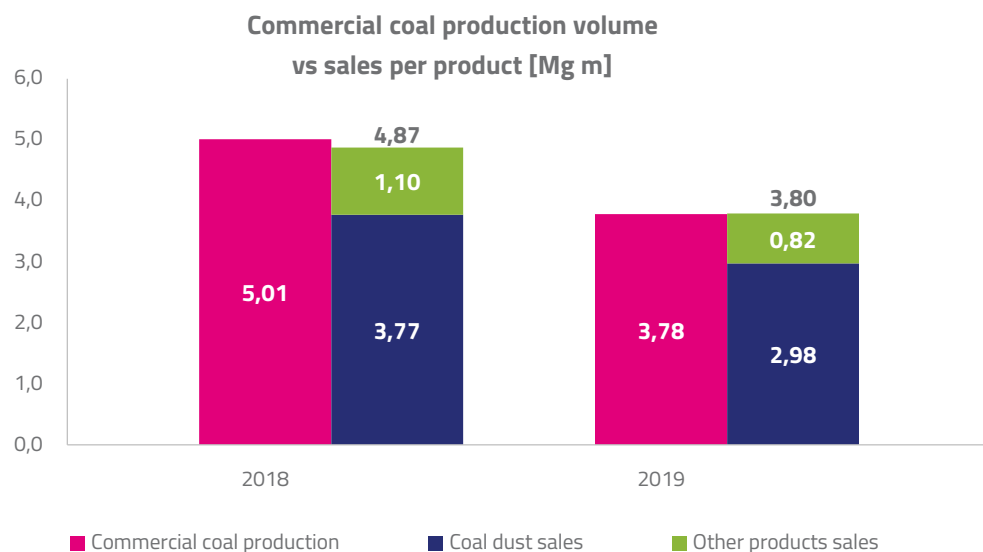
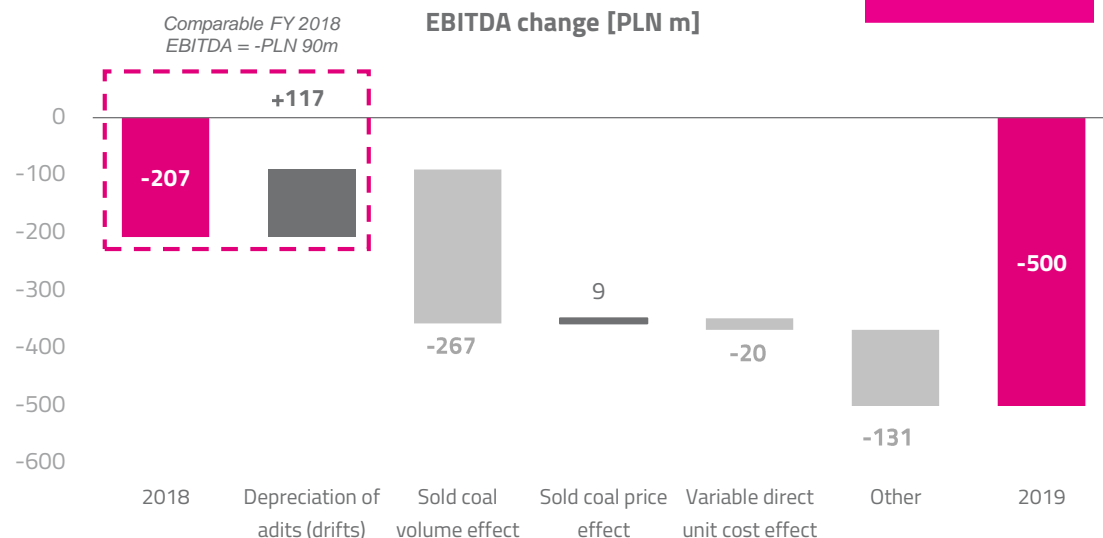
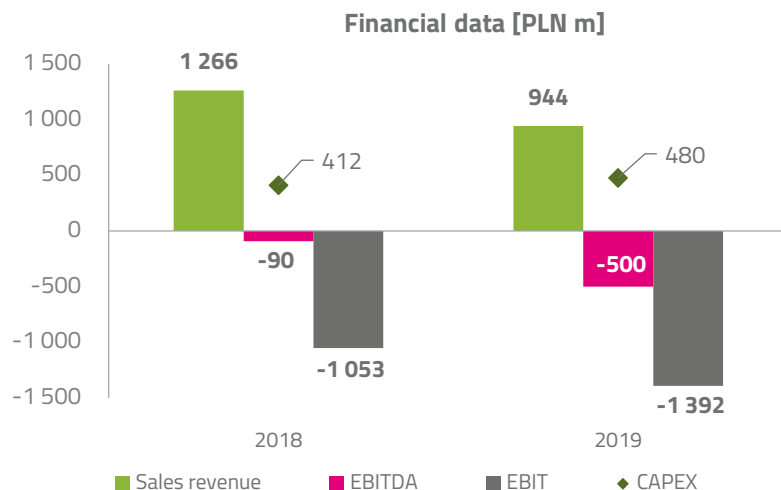
- Neutral effect of the so-called electricity act





Mining Segment

Mining Segment – FY 2019

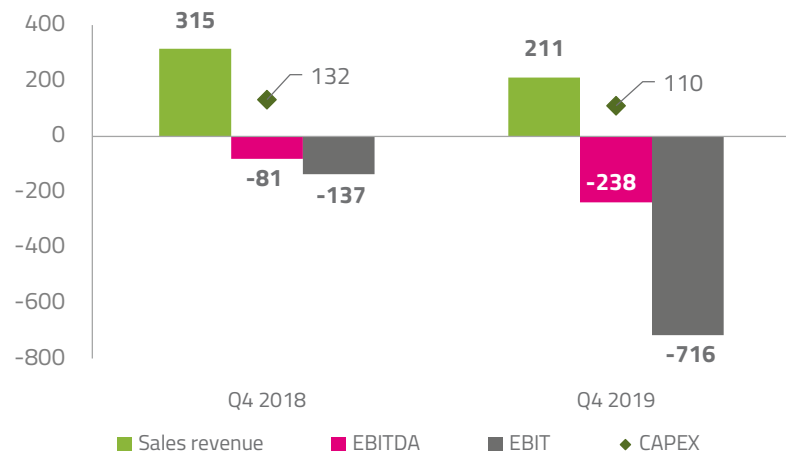


- Lower volume of coal sold
- Higher unit costs of purchasing services and electricity
- 65 PLN/Mg higher unit mining cash cost* (up from 234 PLN/Mg to 299 PLN/Mg)

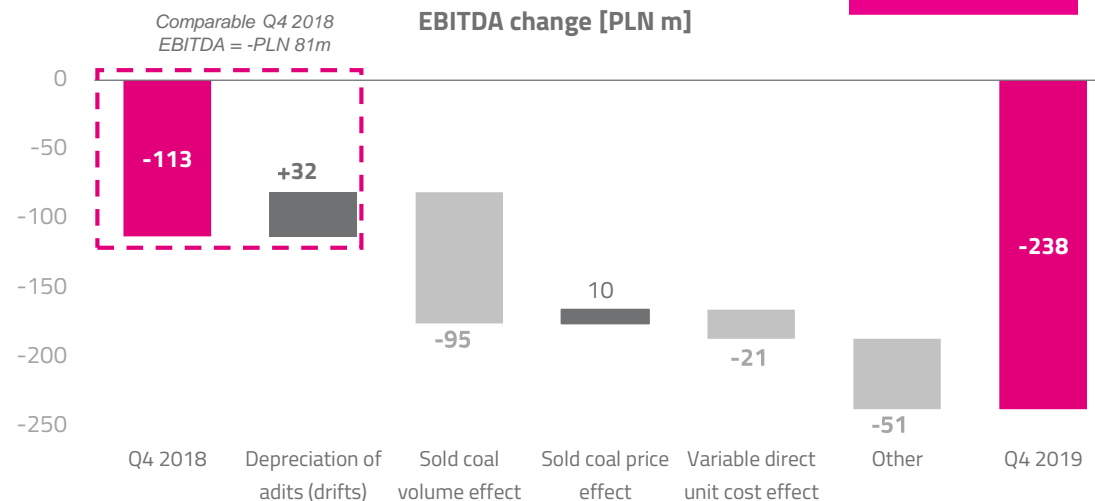
* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

Mining Segment – Q4 2019

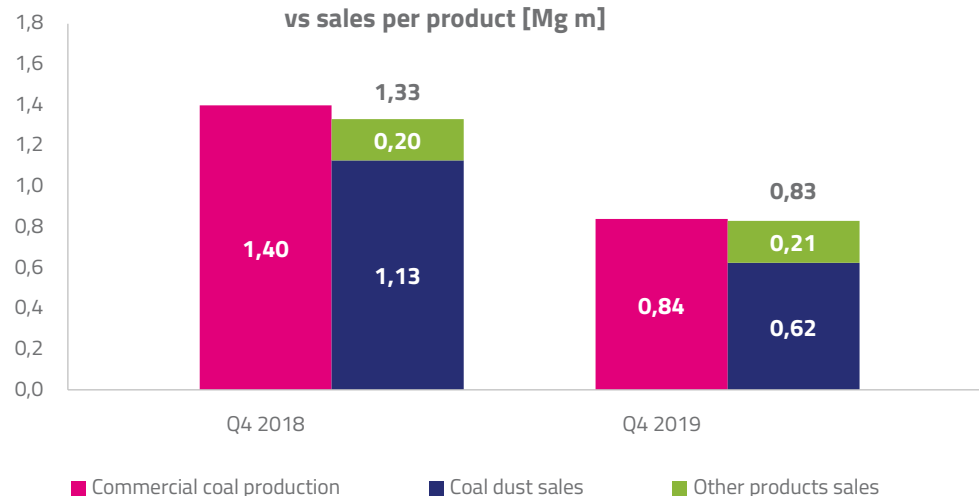
Financial data [PLN m]



EBITDA change [PLN m]



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

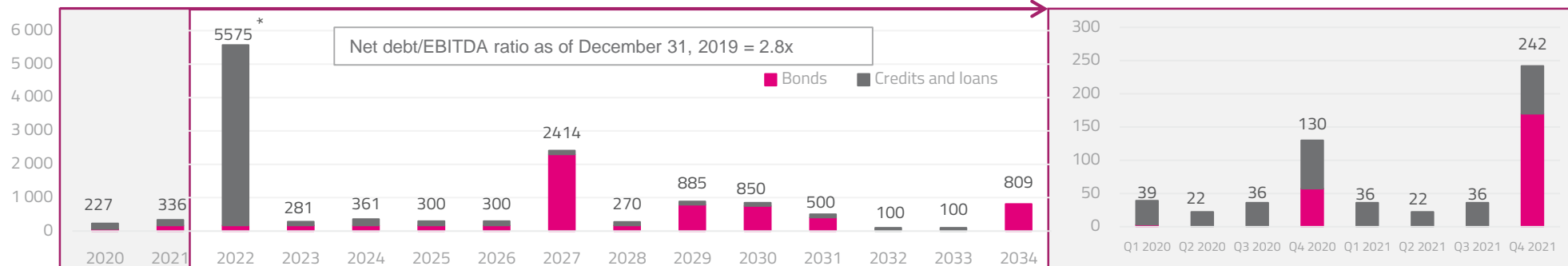


- Lower volume of coal sold
- Higher electricity unit costs
- 175 PLN/Mg higher unit mining cash cost* (up from 300 PLN/Mg to 475 PLN/Mg)

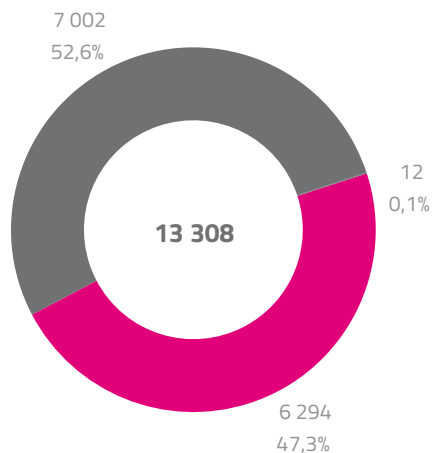
* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

Debt and financing

TAURON Group's nominal debt maturity as of December 31, 2019 [PLN m]

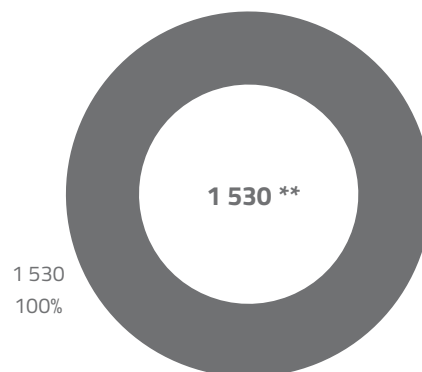


TAURON Group's nominal debt structure as of 31.12.2019 [PLN m]



■ Bonds ■ Credits ■ NFOŚiGW / WFOŚiGW loans

Amounts of financing available to TAURON Group as of 31.12.2019 [PLN m]



■ Bank loan and Intesa loan

Debt structure by interest rate [PLN m]

Debt amount	Interest rate	Collateral floating rate
13 308	Floating: 8 192	IRS: 3 590
	Fixed: 5 116	None: 4 602



- Weighted average maturity of debt as of December 31, 2019 is 76 months (assuming drawing of the bank loan until 2022)
- EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 27 percent of the total debt

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

** The amount includes the availability of the Intesa loan after the standard suspending conditions have been met (the date of meeting the conditions is dependent on the date the funds are used).

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

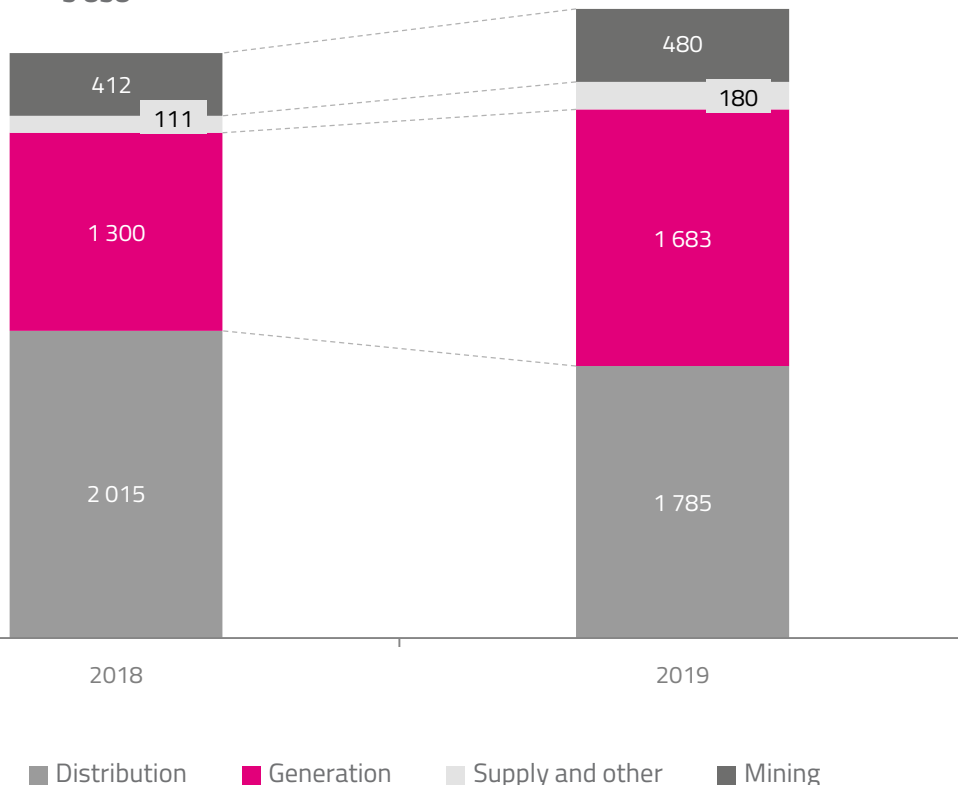
CAPEX – work progress on the key projects

Investment project	Capacity (MW _e)	Capacity (MW _t)	Work progress (percentage)		Completion date
Construction of the hard coal-fired unit in Jaworzno	910	-	97		2020
Construction of the CCGT unit at Stalowa Wola Combined Heat and Power Plant	450	240	86		2020
Implementing heat production at Łagisza Power Plant - modernizing the 460 MW turbine, construction of the heating station, as well as the peaking and back-up (auxiliary) boilers	-	150+144	90		2020
Acquisition of wind farms with the capacity of 180 MW	180	-	100		2019

CAPEX – by segments

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

3 838 → 8% → 4 128



Key investment projects implemented in 2019:

Distribution:

- Grid assets upgrades (refurbishments) and replacements (PLN 996m)
- Installing new connections (PLN 667m)
- Outlays on IT, buildings and structures, as well as transportation means (PLN 117m)

Generation:

- Construction of the new 910 MW capacity in Jaworzno (PLN 1 020m)
- Replacement and refurbishment related outlays as well as overhaul components (PLN 215m)
- Implementing heat production at Łagisza Power Plant (PLN 104m)
- Adaptation of TW's generating units to BAT (PLN 42m)
- Restoration of the demineralized water treatment station (PLN 32m)
- New facility connections (PLN 27m)
- District heating maintenance and expansion (PLN 25m)

Mining:

- Production preparation (PLN 185m)
- Construction of the Grzegorz shaft at Sobieski Coal Mine (PLN 94m)
- Construction of the 800 m level at Janina Coal Mine (PLN 81m)
- Brzeszcze Coal Mine's CAPEX program (PLN 70m)

Equity investments:

- Acquisition of wind farms with the capacity of 180 MW (PLN 601m)
- Purchase of the 6 MW Choszczno PV farm construction project

*Expenditures including equity investments, excluding financial costs, reached: PLN 3 699m in 2018 and PLN 4 557m in 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 Szczypiński

miroslaw.szczypiński@tauron.pl

tel. + 48 32 774 25 38

Katarzyna Heinz

katarzyna.heinz@tauron.pl

tel. + 48 516 111 038

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Analysts covering TAURON



Institution	Analyst
Dom Maklerski mBanku*	Kamil Kliszc
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

* issuing of recommendations has been suspended

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	Krystian Brymora
Trigon Dom Maklerski	Michał Kozak

Thank you for your attention

Electricity market price trends

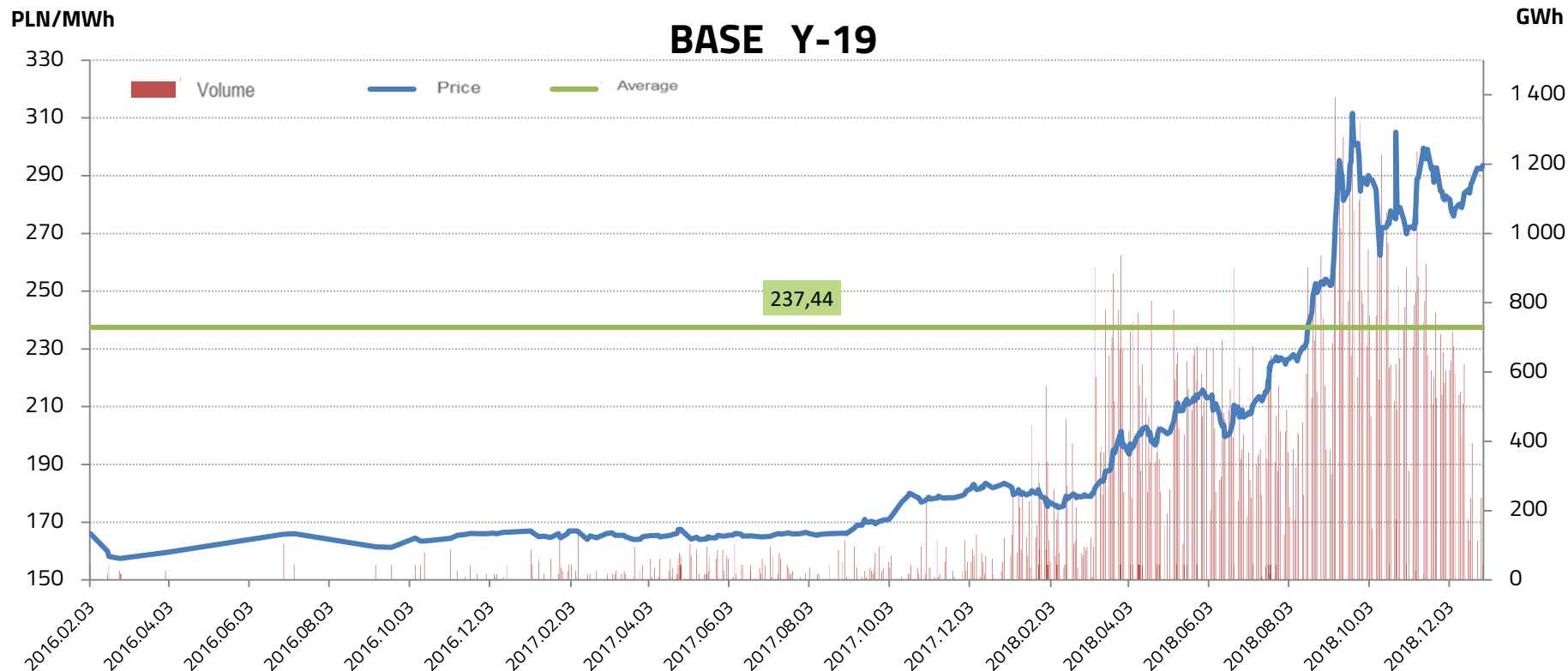
Electricity						
Platforms: TGE, TFS	2018		2019		2019/2018	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	182.85	103 370	241.94	167 413	32.3%	62.0%
Forward PEAK (Y+Q+M)	228.27	11 058	334.60	13 748	46.6%	24.3%
Forward (weighted average)	187.24	114 427	248.97	181 161	33.0%	58.3%
SPOT (TGE)	224.73	27 645	230.97	33 947	2.8%	22.8%
Weighted average total	194.53	142 073	246.13	215 108	26.5%	51.4%

Property rights (PLN/MWh)			
Certificate type	Market prices (2019 average)	Substitution fee and obligation for:	
		2018	2019
OZE (PMOZE_A)	132.19	48.53 (17.5%)	129.78 (18.5%)
RES from biogas plants (PMOZE_BIO)	300.11	300.03 (0.5%)	300.03 (0.5%)

CO ₂ emission allowances (EUR/t)	
CO ₂ market analysts survey* (updated in March 2020)	Price (EUR/t)
2020 average	29.70 EUR/t
2021 average	34.10 EUR/t
2022 average	34.80 EUR/t
2020 average price forecast by TAURON	24.32 EUR/t

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

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		265.42	134 887
including	TGE	265.44	134 852
	non-TGE	208.19	35

Average electricity price that takes into account 2020 one year BASE and PEAK contracts: 271.88 PLN/MWh, total 2020 BASE and PEAK contracts volume: 151 538 GWh

2021 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		256.45	37 405
including	TGE	256.45	37 405
	non-TGE		0

Average electricity price that takes into account 2021 one year BASE and PEAK contracts: 261.86 PLN/MWh, total 2021 BASE and PEAK contracts volume: 42 038 GWh

2022 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		259.46	5 221
including	TGE	259.46	5 221
	non-TGE		0

Average electricity price that takes into account 2022 one year BASE and PEAK contracts: 264.57 PLN/MWh, total 2022 BASE and PEAK contracts volume: 5 932 GWh