

# **TAURON Group's FY 2020 Financial Results**

April 1, 2021



# Key 2020 data

Financial data		
[PLN m]	2020 vs 2019	
Sales revenue*	<b>20 367</b>	<b>7%</b>
EBITDA	<b>4 223</b>	<b>17%</b>
Net profit**	<b>(2 485)</b>	<b>-</b>
CAPEX	<b>4 039</b>	<b>(2)%</b>
Net debt/EBITDA	<b>2.5x</b>	<b>down by 0.3x (vs 31.12.2019)</b>

Operating data		
	2020 vs 2019	
Electricity distribution [TWh]	<b>50.26</b>	<b>(3)%</b>
Electricity production from RES [TWh]	<b>1.94</b>	<b>41%</b>
Electricity production by hard coal-fired units [TWh]	<b>10.56</b>	<b>(15)%</b>
Heat generation [PJ]	<b>11.63</b>	<b>7%</b>
Retail electricity supply [TWh]	<b>32.43</b>	<b>(4)%</b>
Commercial coal production [ton m]	<b>4.54</b>	<b>20%</b>

\* from the continued operations  
 \*\* attributable to the shareholders of the parent company

## Key Q4 2020

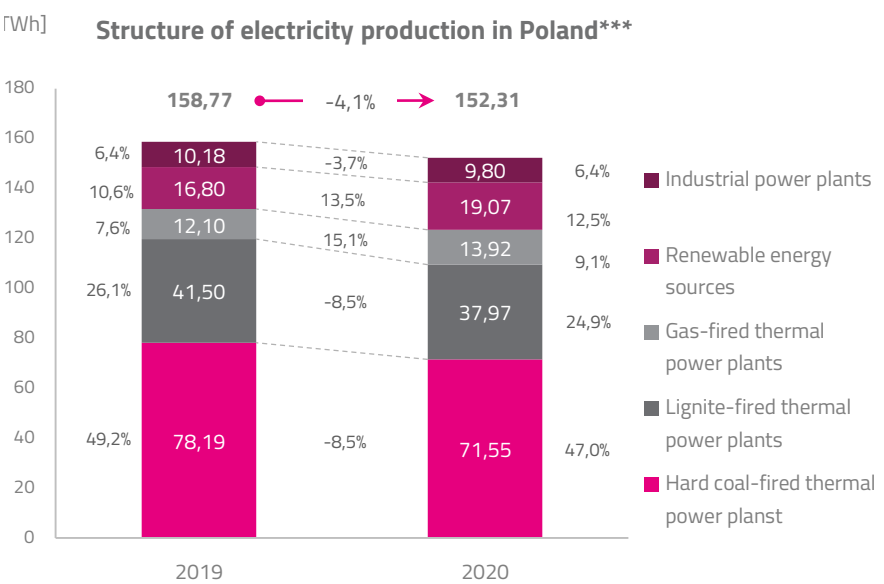
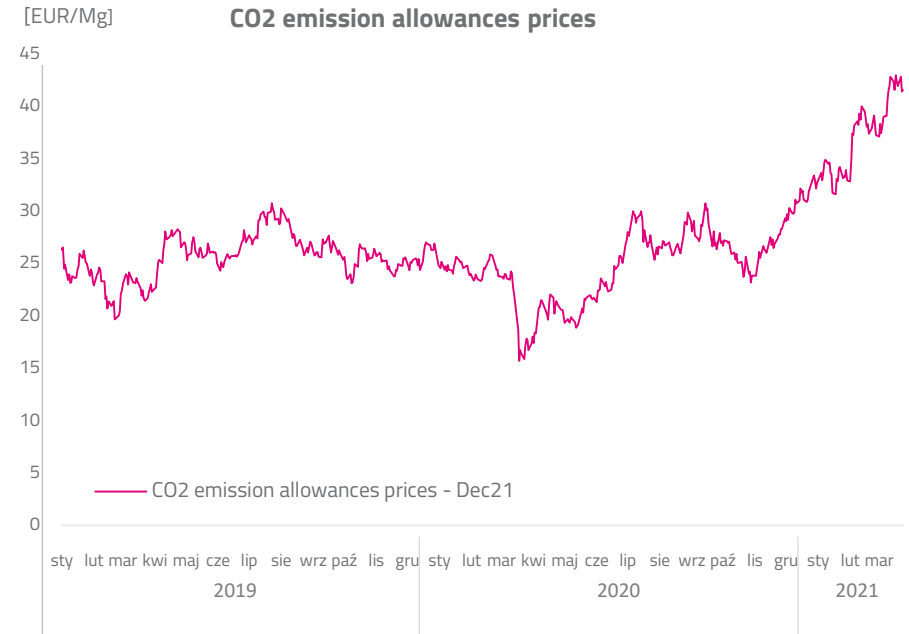
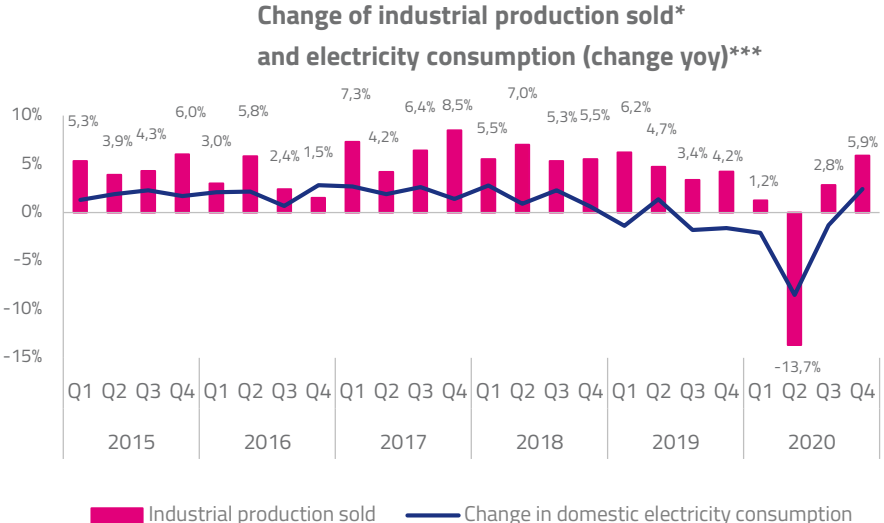
Financial results*		
[PLN m]	Q4 2020 vs Q4 2019	
Sales revenue*	<b>5 491</b>	<b>8%</b>
EBITDA	<b>809</b>	<b>83%</b>
Net profit**	<b>(2 546)</b>	<b>-</b>
CAPEX	<b>1 312</b>	<b>(6)%</b>
Net debt/EBITDA	<b>2.5x</b>	<b>down by 0.3x (vs 31.12.2019)</b>

Operating data		
	Q4 2020 vs Q4 2019	
Electricity distribution [TWh]	<b>13.32</b>	<b>3%</b>
Electricity production from RES [TWh]	<b>0.55</b>	<b>35%</b>
Electricity production by hard coal-fired units [TWh]	<b>3.24</b>	<b>6%</b>
Heat generation [PJ]	<b>4.11</b>	<b>11%</b>
Retail electricity supply [TWh]	<b>8.72</b>	<b>0,2%</b>
Commercial coal production [ton m]	<b>0.96</b>	<b>14%</b>

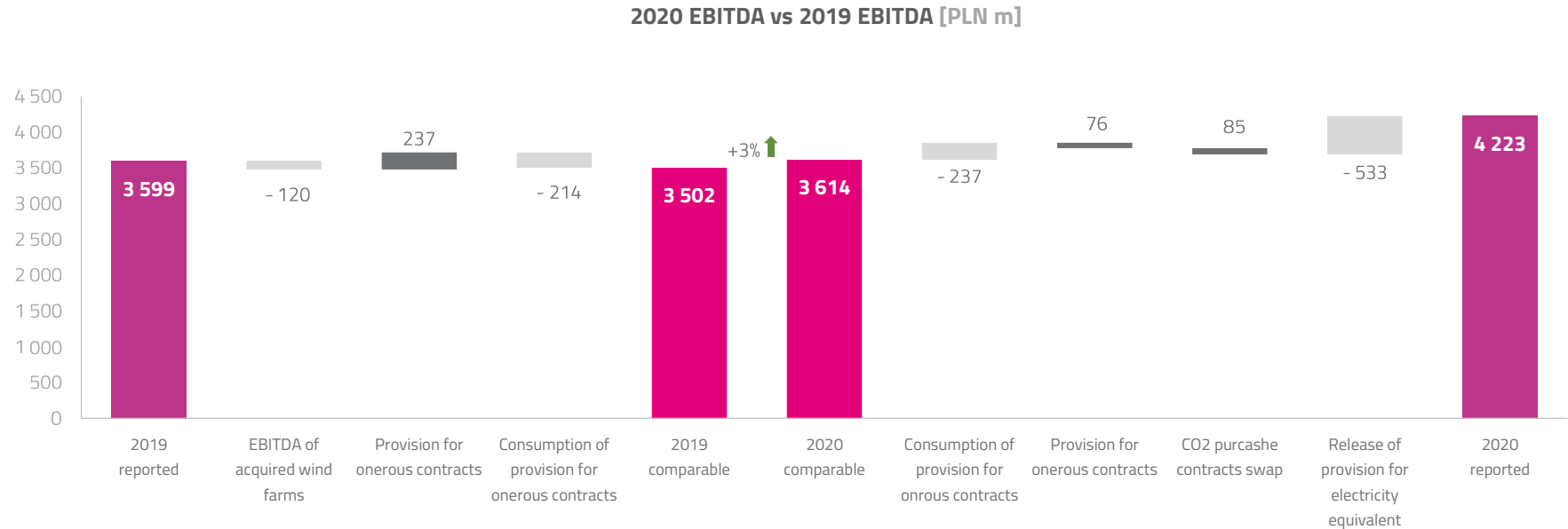
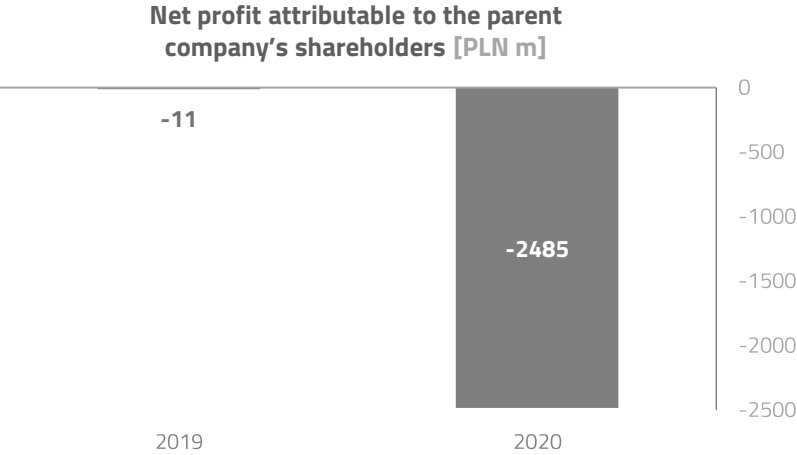
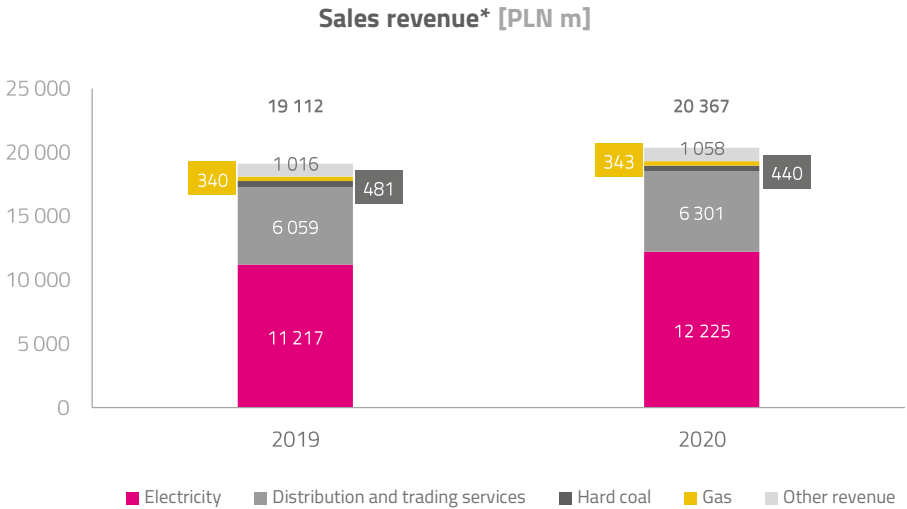
\* from the continued operations

\*\* attributable to the shareholders of the parent company

# Macroeconomic and market situation



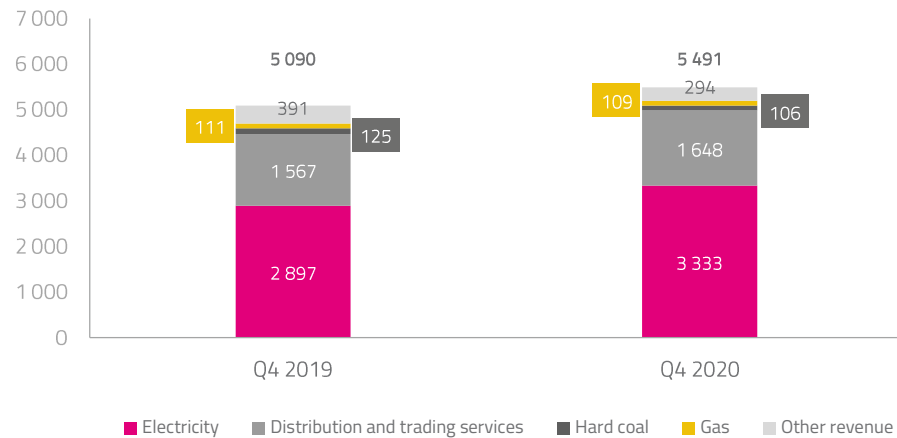
# 2020 financial data



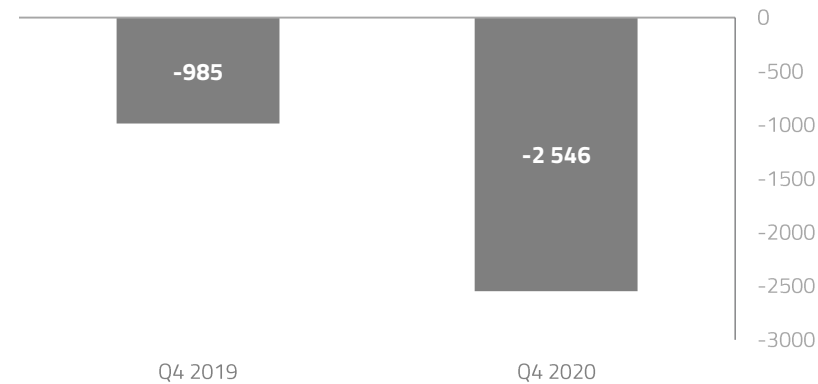
\* from continued operations

## Q4 2020 financial data

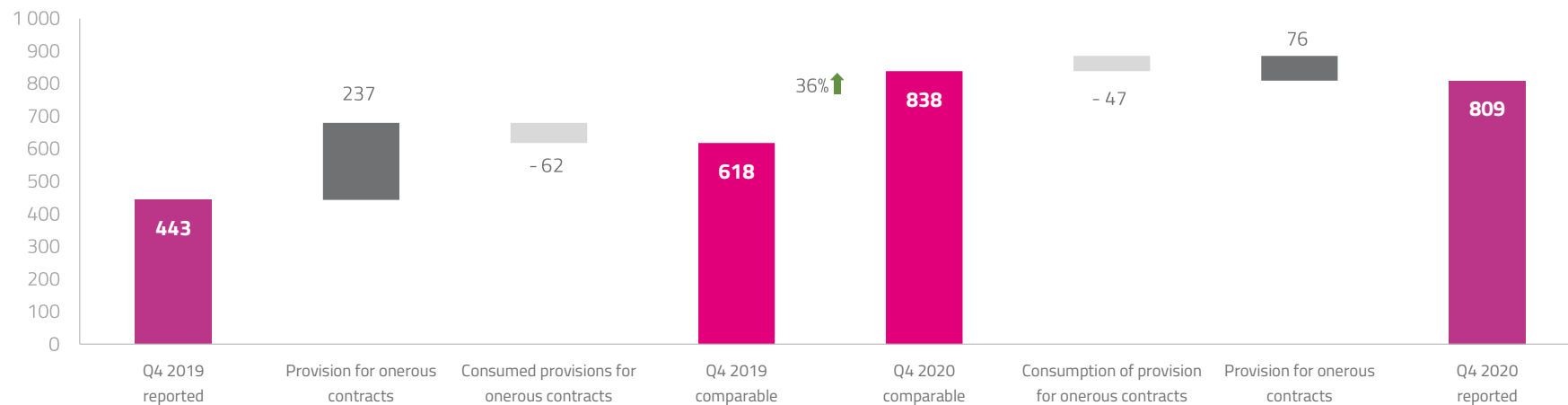
Sales revenue\* [PLN ml]



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



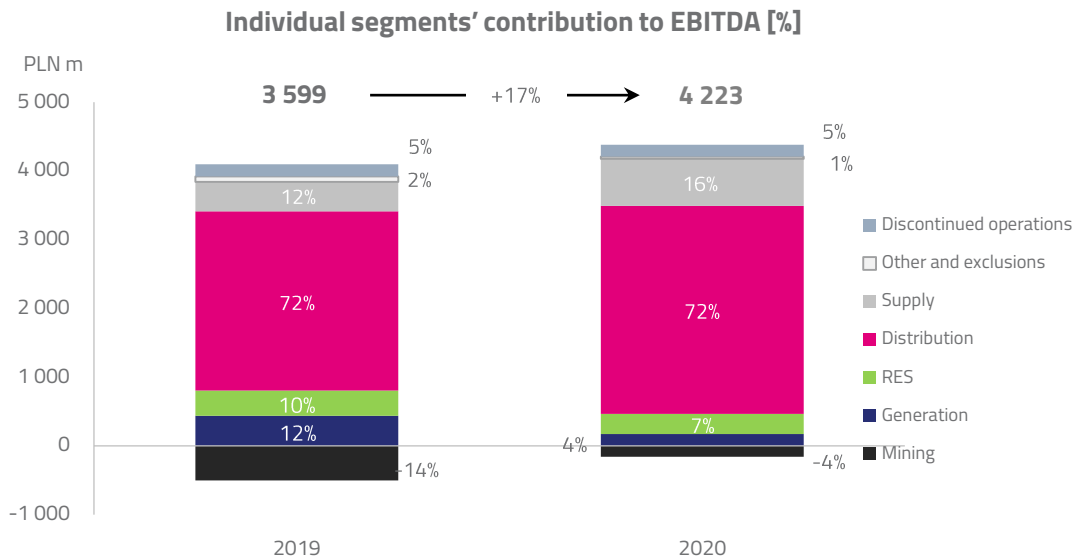
Q4 2020 EBITDA vs Q4 2019 EBITDA [PLN m]



\* from continued operations

# Individual segments' FY 2020 results

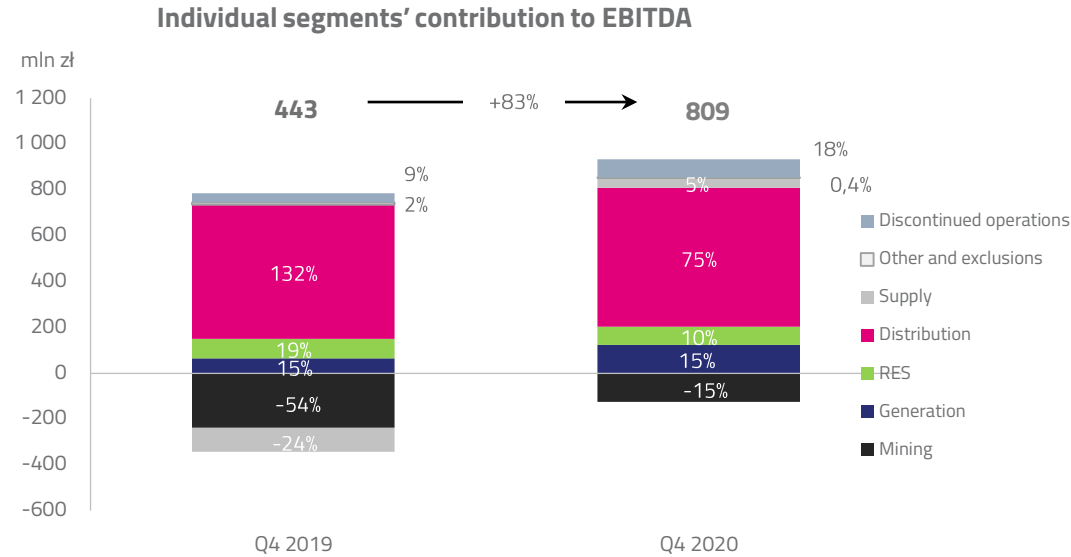
[PLN m]	Distribution	RES	Generation	Supply	Mining	Other and exclusions*	Discontinued operations
Revenue	6 866	616	3 493	17 249	1 052	(8 909)	483
EBITDA	3 023	297	172	683	(157)	34	171
EBIT	1 857	146	(2 713)	642	(887)	(60)	(717)
CAPEX	1 908	40	1 336	61	345	248	100



\* Items not included in the segments presented

# Individual segments' Q4 2020 results

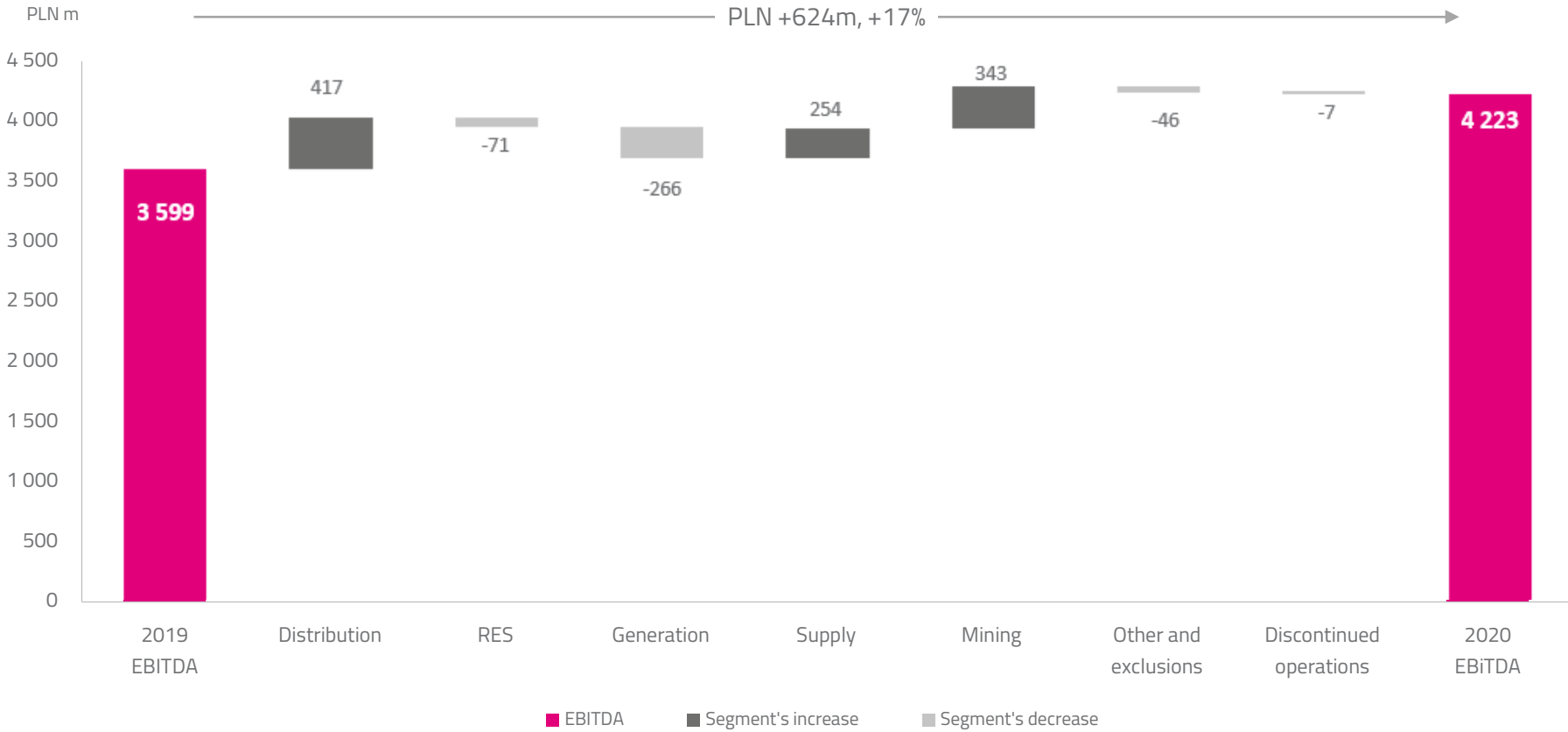
[PLN m]	Distribution	RES	Generation	Supply	Mining	Other and exclusions*	Discontinued operations
Revenue	1 788	158	1 155	5 099	263	(2 971)	138
EBITDA	606	79	124	43	(125)	2	80
EBIT	306	41	(2 513)	34	(539)	(23)	76
CAPEX	592	33	381	30	118	124	34



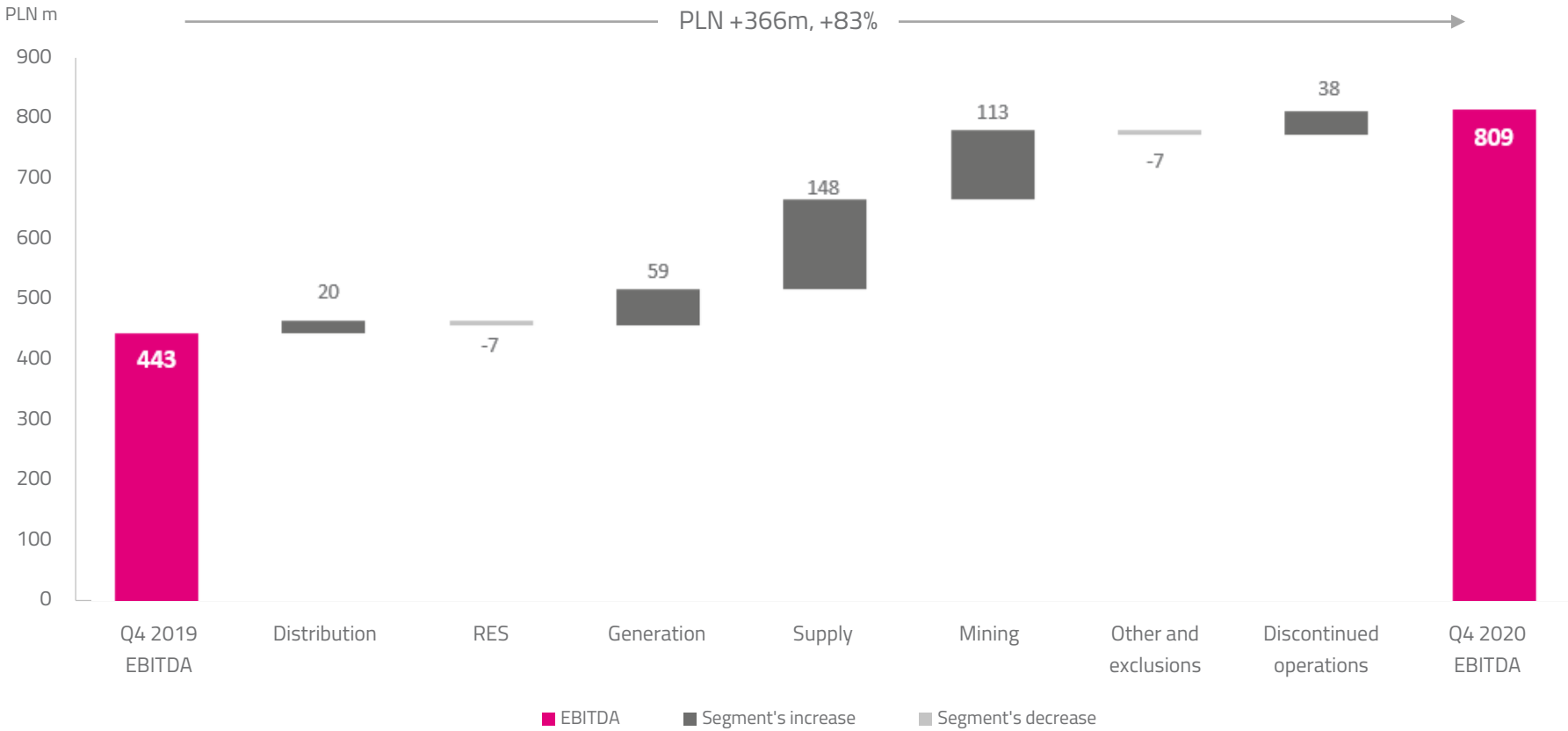
\* Items not included in the segments presented



# FY 2020 EBITDA

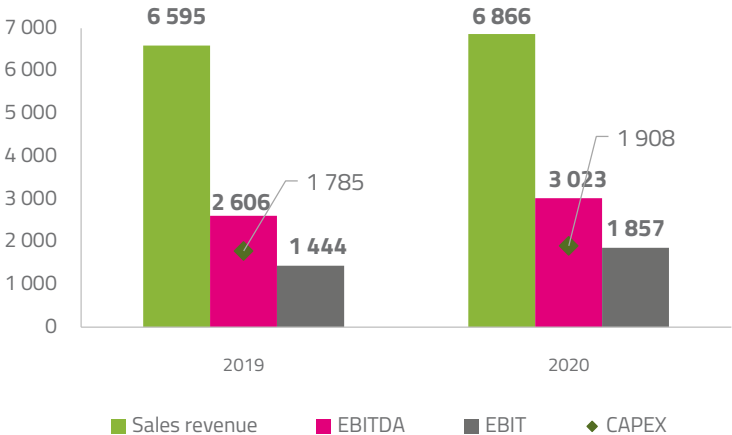


# Q4 2020 EBITDA

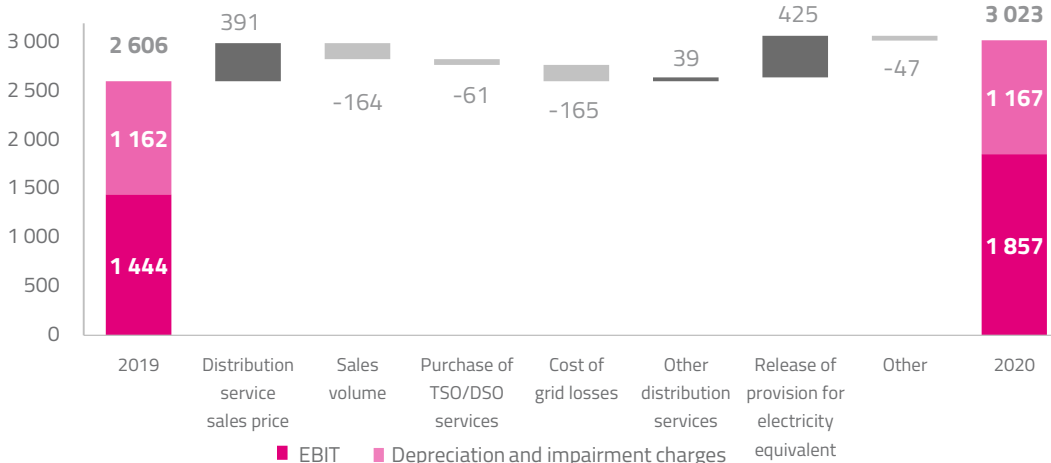


# Distribution Segment 2020

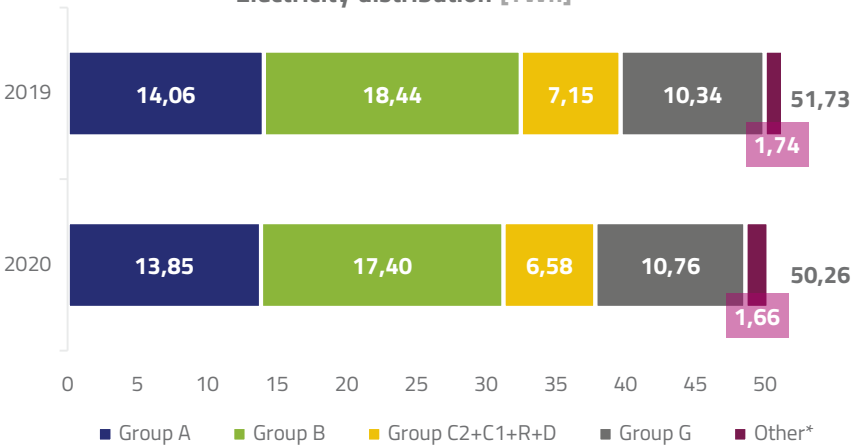
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



\* Neighboring DSO and exports

Higher distribution services sales revenue (tariff approved by the President of the ERO on April 6, 2019 and a change in the delivery structure in 2020)



Decline of electricity distribution services sales volume by 1.5 TWh

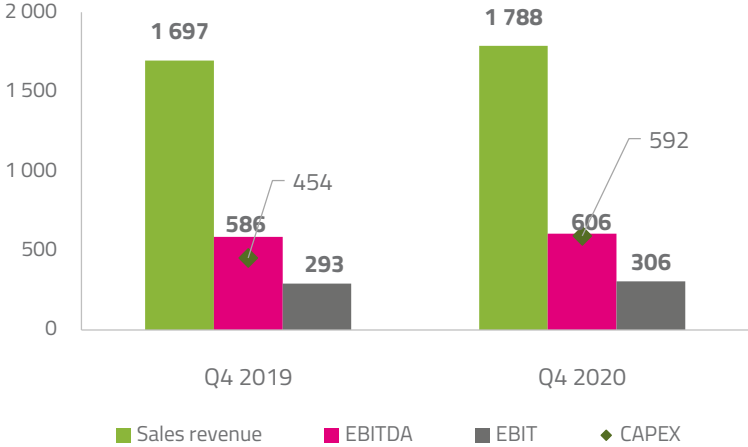


Impact of COVID-19 on EBITDA: PLN -48 million

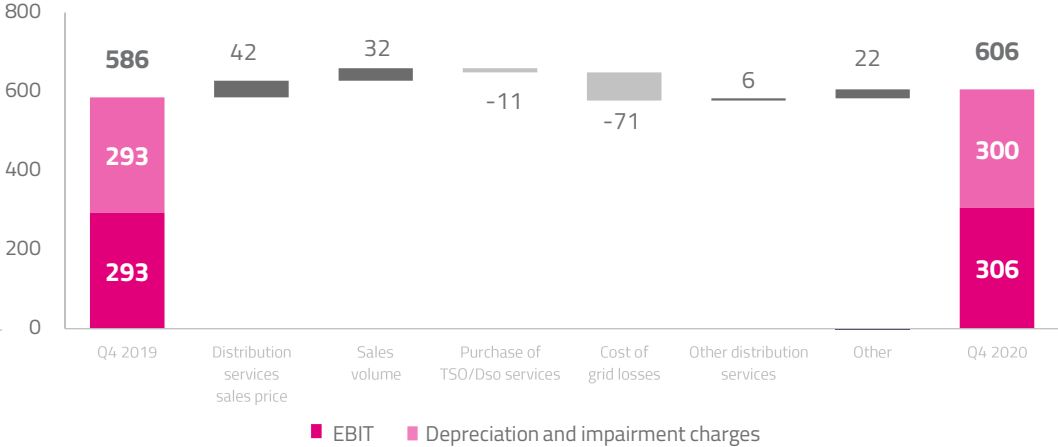


# Distribution Segment Q4 2020

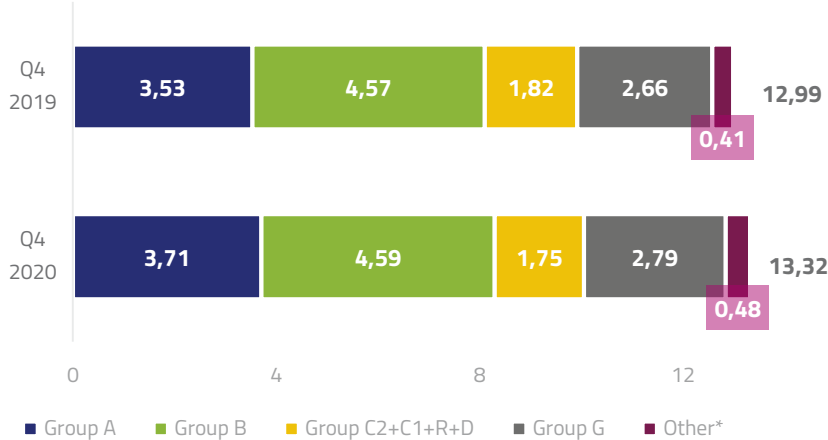
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



Higher distribution services sales revenue



No negative impact of COVID-19 on EBITDA - a change in the delivery structure in 2020 and the acceleration of the new consumers' number growth rate



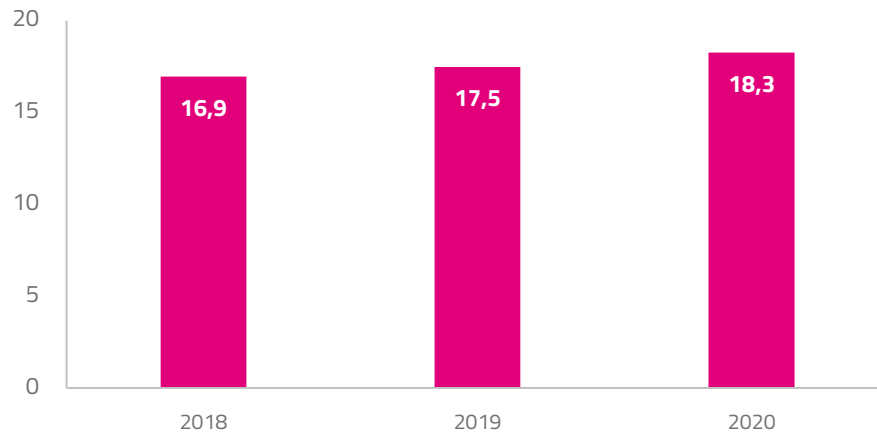
Increase of electricity distribution services sales volume by 0.3 TWh



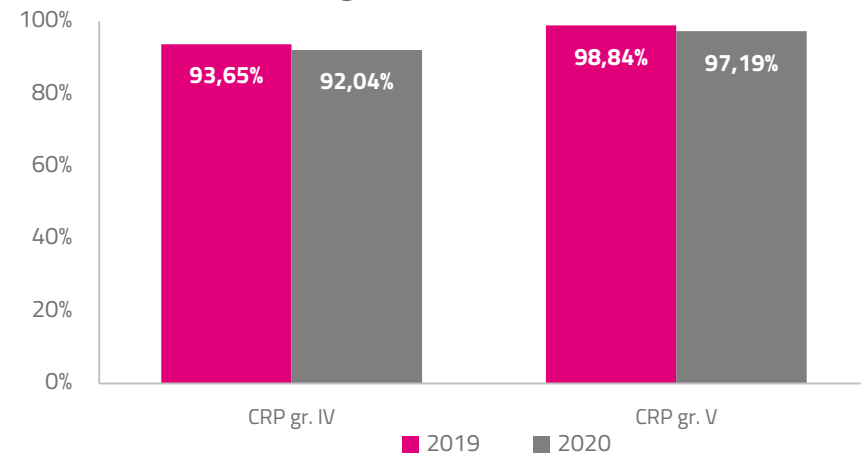
\* Neighboring DSO and exports

## Distribution Segment key parameters

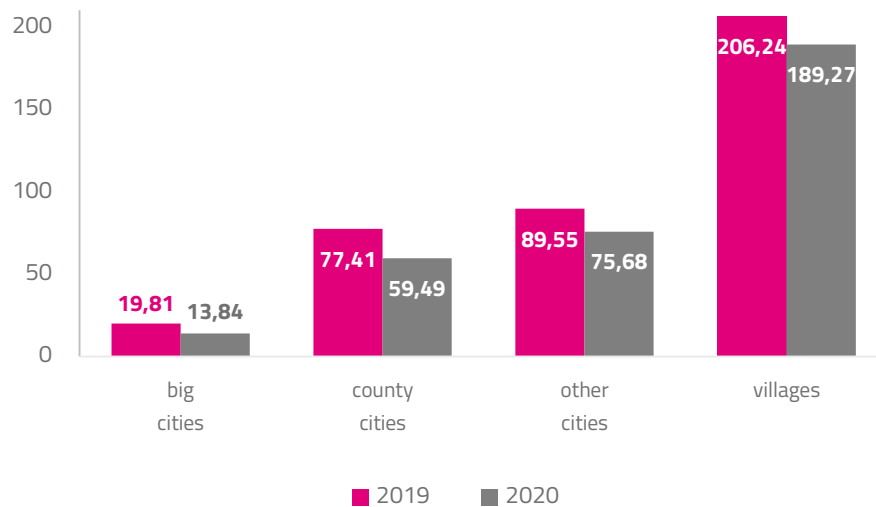
Regulatory Asset Base [PLN bn]



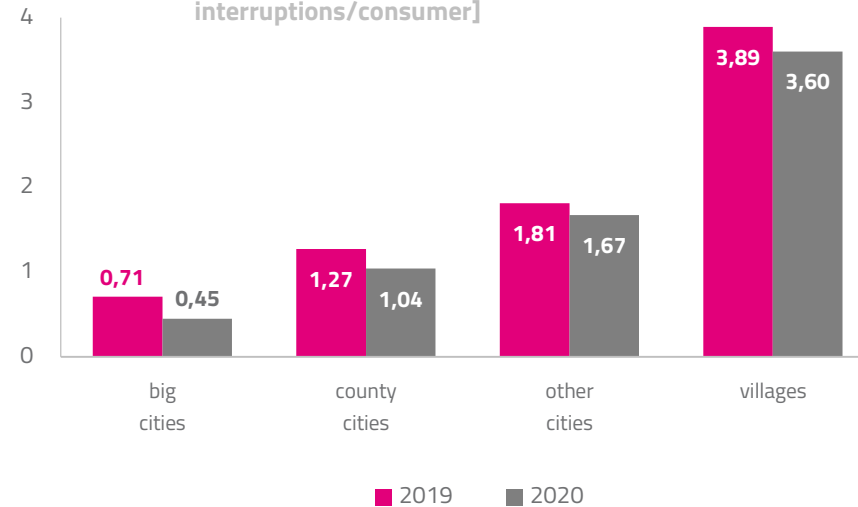
New grid connection installation time [%]



Interruption duration [min/consumer]

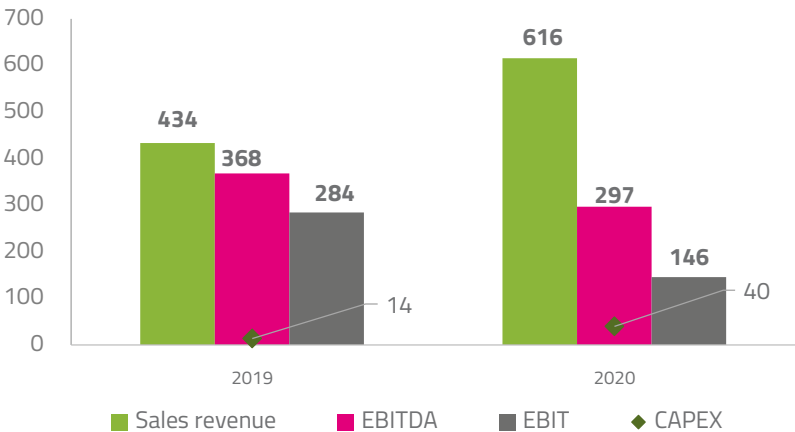


Frequency of interruptions [number of interruptions/consumer]

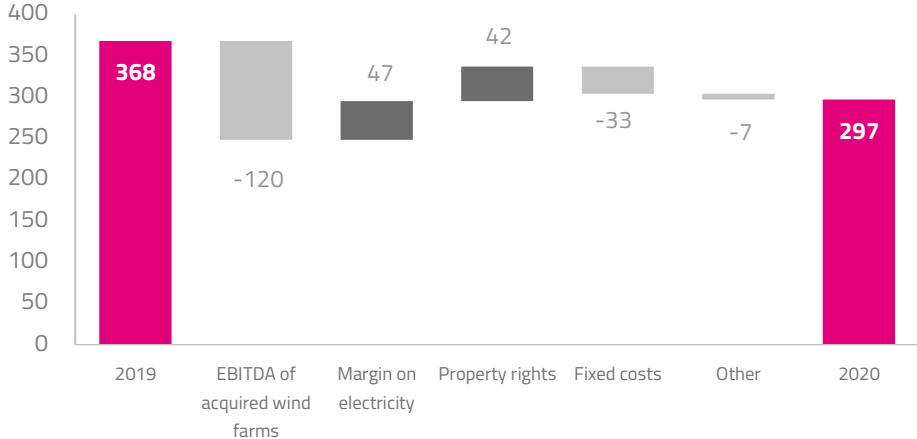


# RES Segment 2020

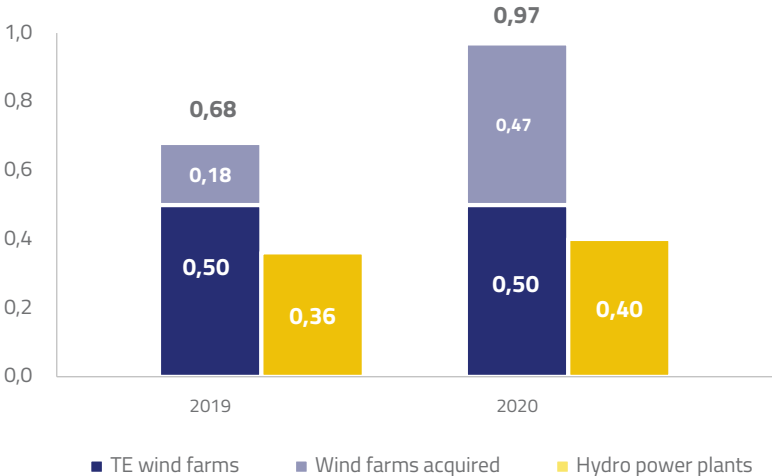
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]

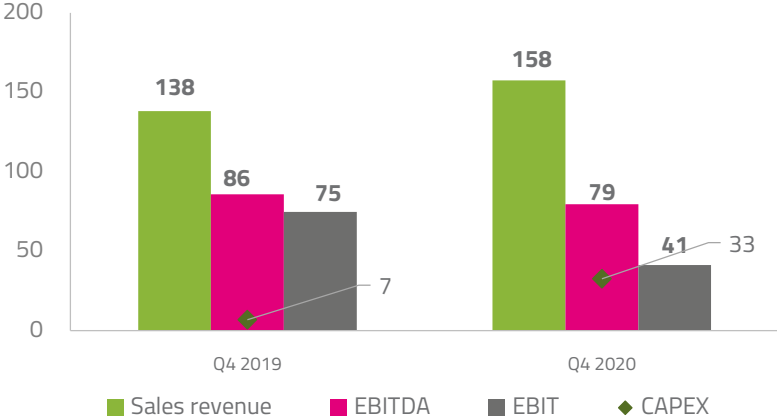


- Rise of electricity production - a consequence of the acquisition of wind farms with the capacity of 180 MW
- Increase of property rights' prices
- Decline of electricity prices

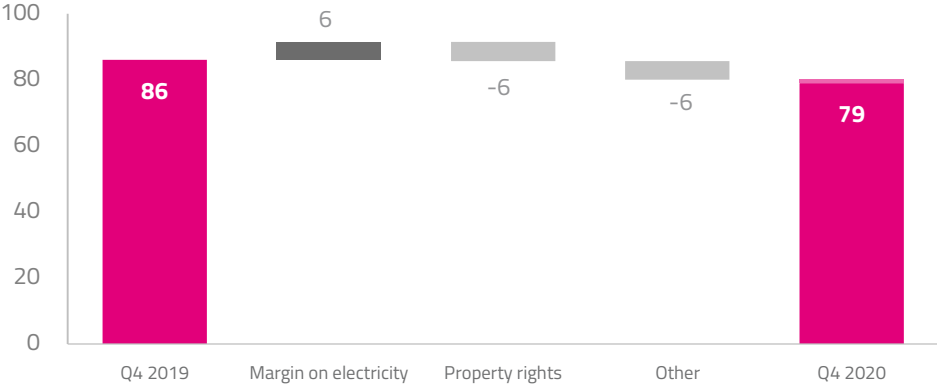


# RES Segment Q4 2020

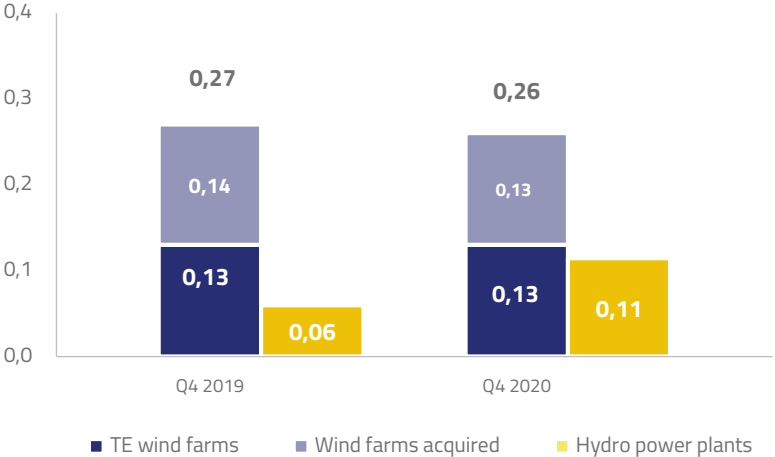
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]

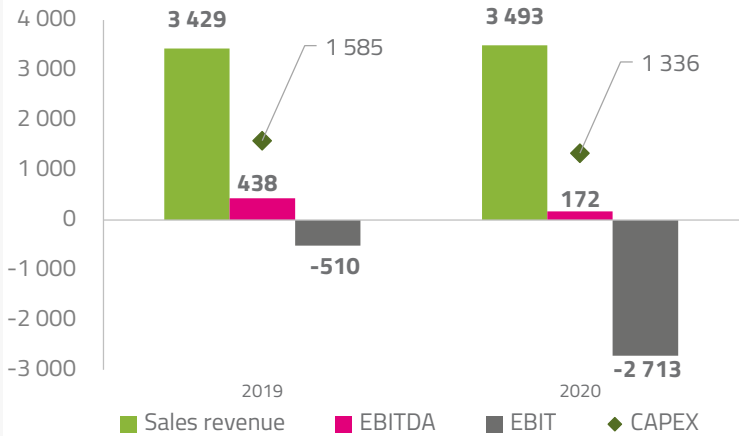


- Increase of electricity production by hydro power plants - favorable hydrological conditions
- Increase of property rights' prices
- Decline of electricity prices
- No support for hydro power plants and Zagórze wind farm (Poland's oldest farm)

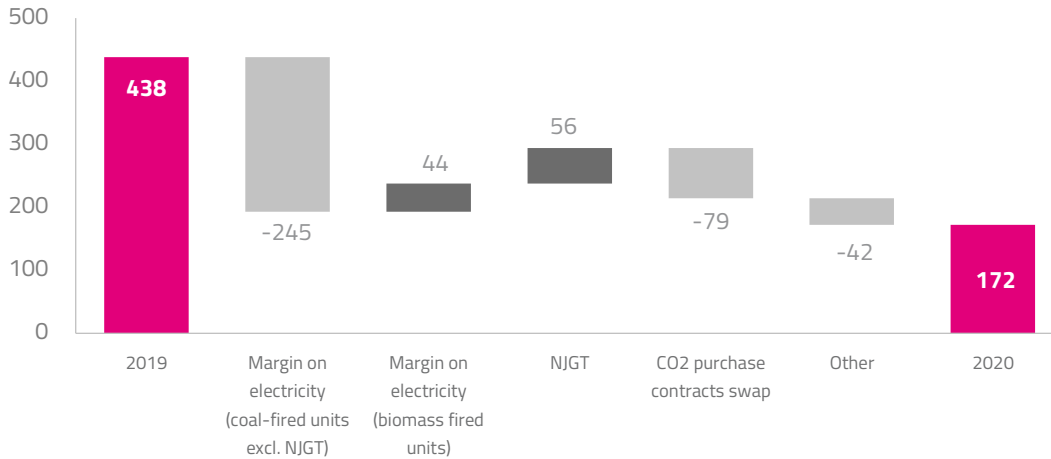


# Generation Segment 2020

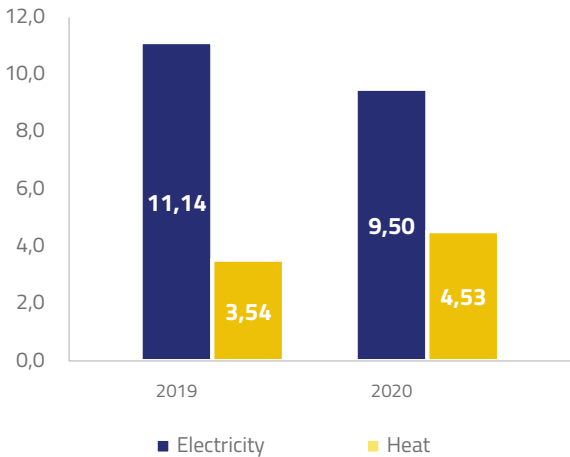
Financial data [PLN m]



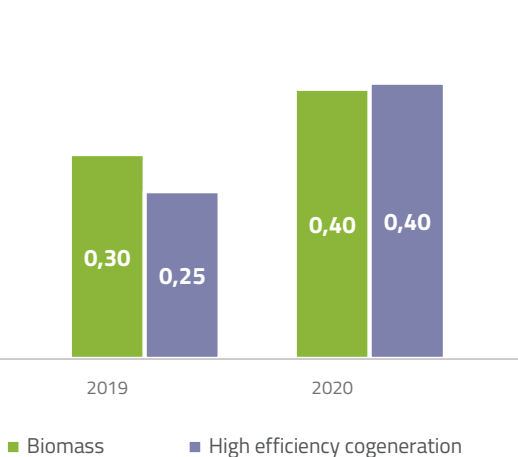
EBITDA change [PLN m]



Electricity (coal-fired units) [TWh] and heat [PJ] production



Biomass-fired and high efficiency cogeneration production [TWh]



- Higher revenue from the cold intervention reserve and higher margin on electricity repurchases (buybacks)



- Higher margin on the biomass-fired units



- Decline of the electricity sales volume



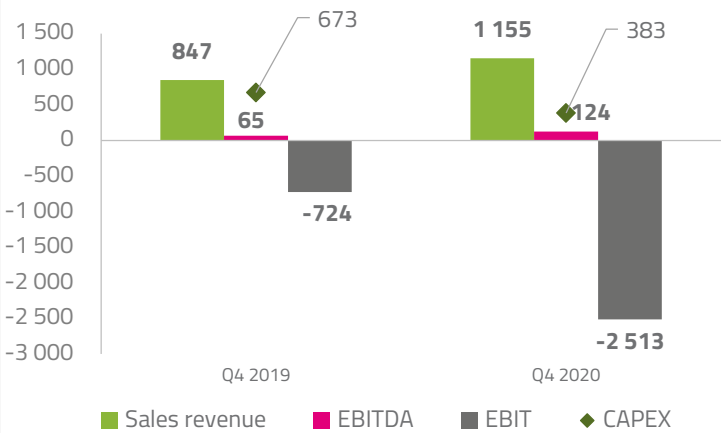
- Decline of clean dark spread



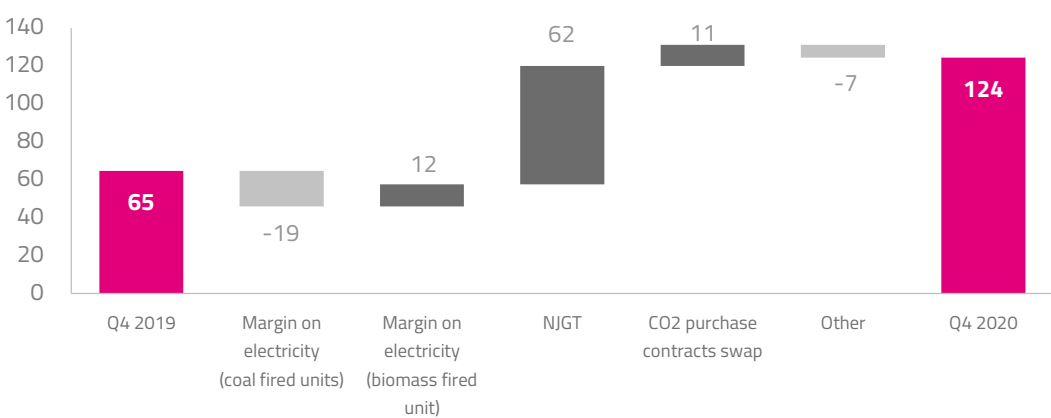


# Generation Segment Q4 2020

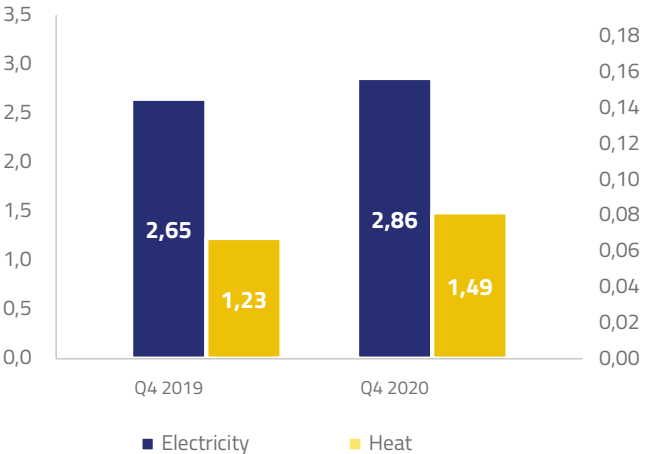
Financial data [PLN m]



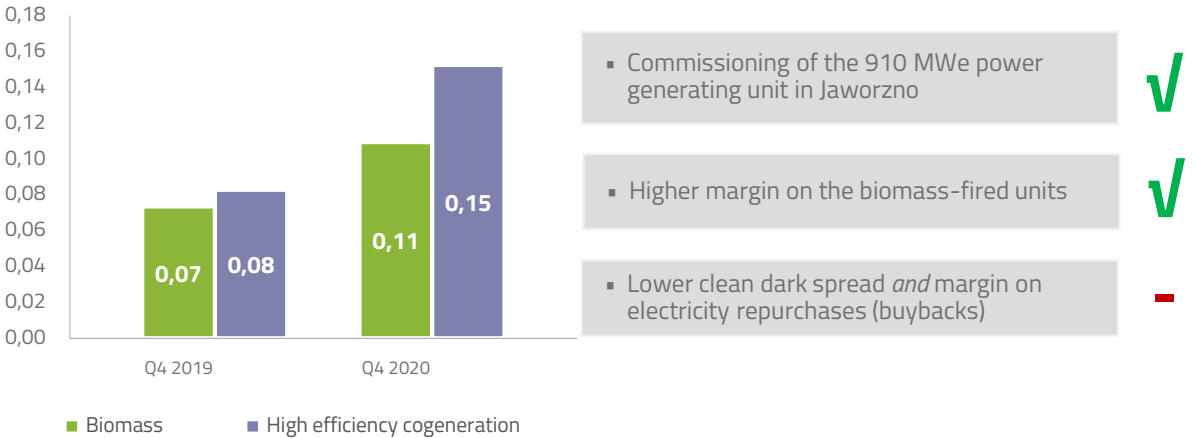
EBITDA change [PLN m]



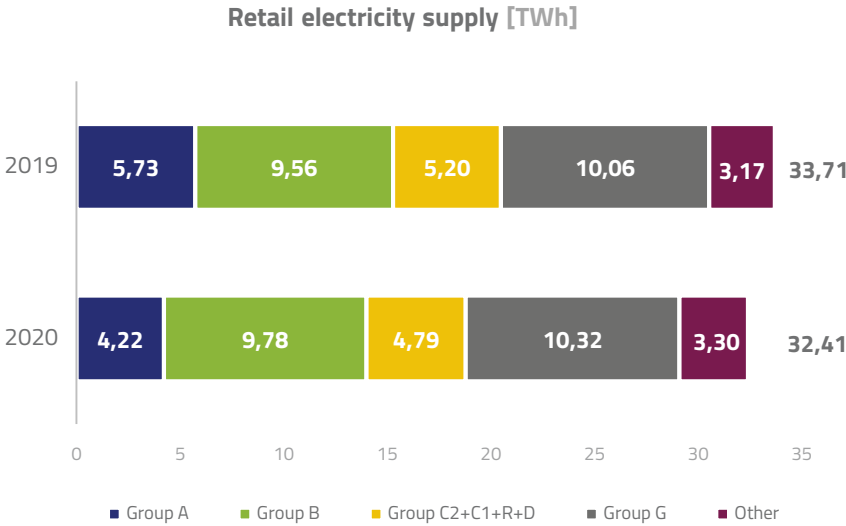
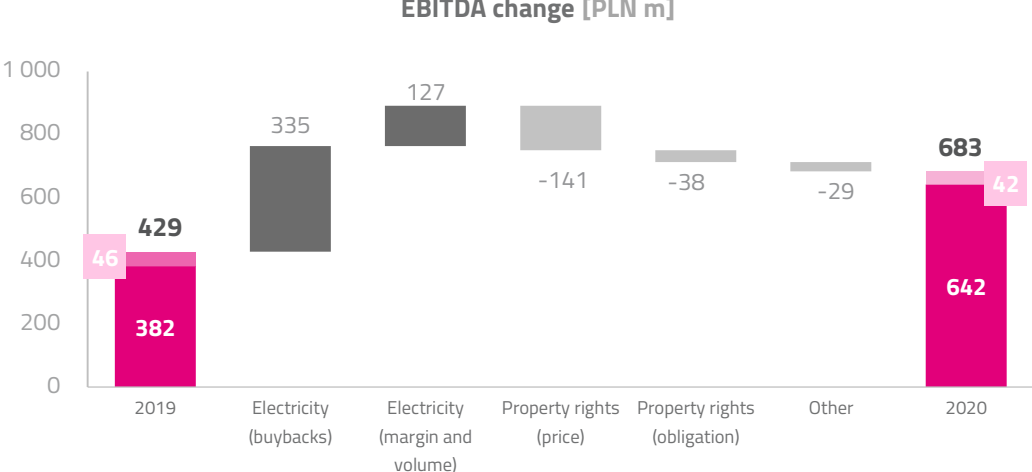
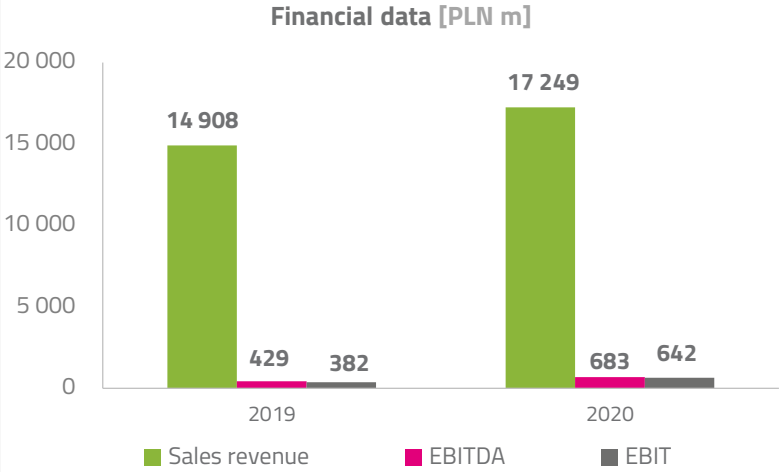
Electricity (coal-fired units) [TWh] and heat [PJ] production



Biomass-fired and high efficiency cogeneration production [TWh]



# Supply Segment 2020

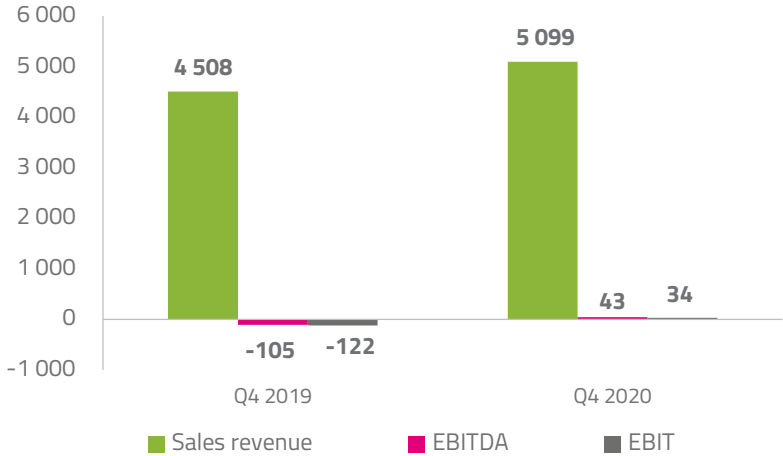


■ EBIT ■ Depreciation and impairment charges

- Higher margin on electricity repurchases (buybacks) ✓
- Rise of the purchase price and the obligation to redeem (retire) PMOZE (RES Property rights) -
- Variable costs not fully covered by the G tariff -
- Impact of COVID-19 on EBITDA: PLN -77 million -

# Supply Segment Q4 2020

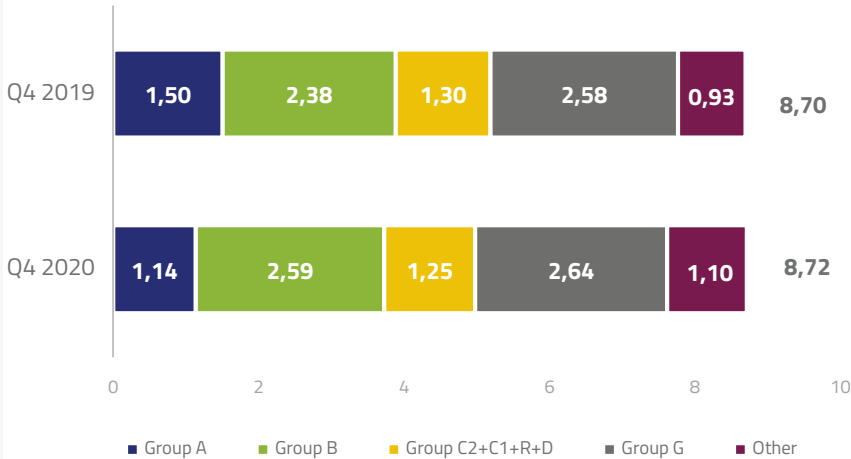
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



Higher margin on electricity repurchases (buybacks)



Rise of the purchase price and the obligation to redeem (retire) PMOZE (RES Property rights)



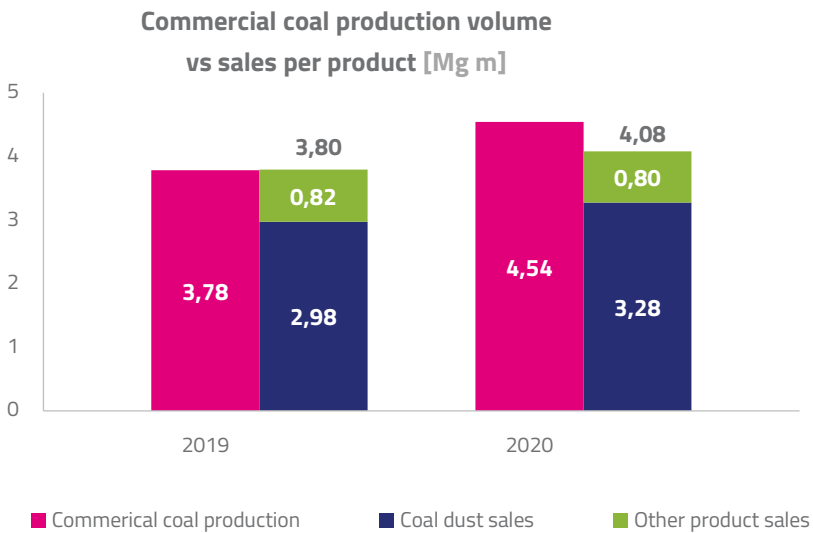
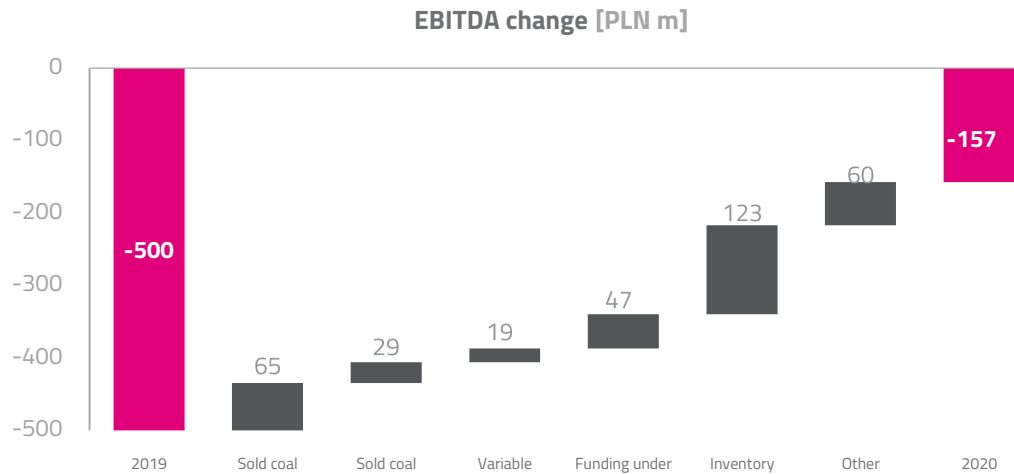
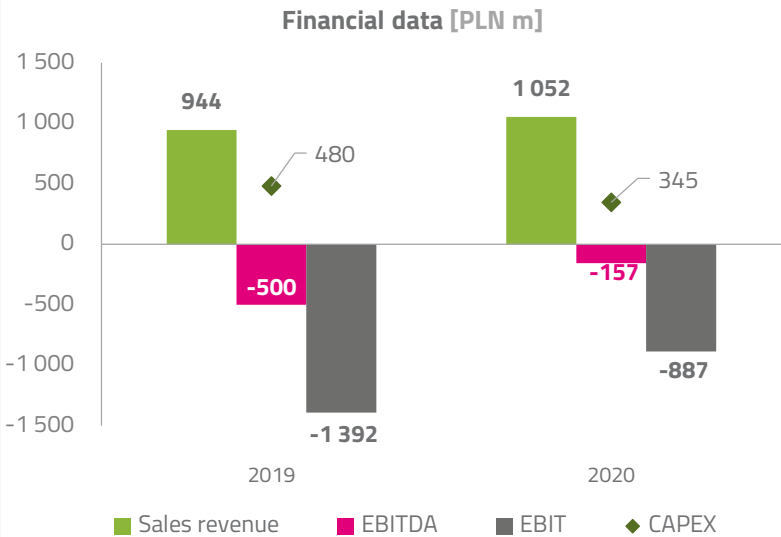
Variable costs not fully covered by the G tariff



Impact of COVID-19 on EBITDA: PLN -12 million



# Mining Segment 2020

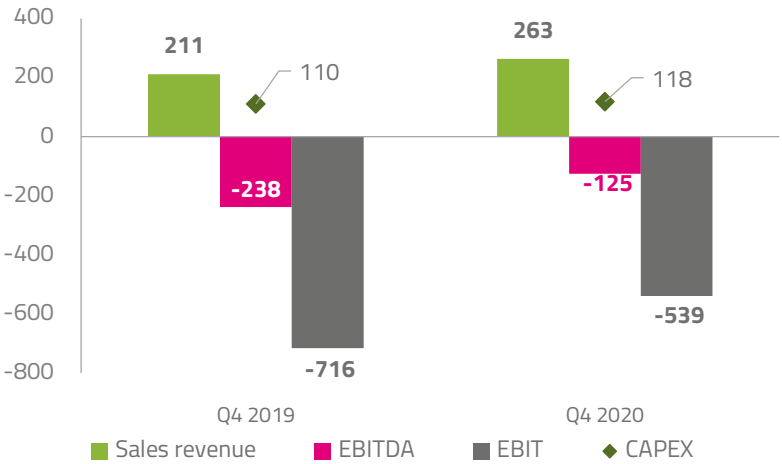


- Substantial increase of coal production as compared to 2019 ✓
- Drop by 56 PLN/Mg of the unit mining cash cost\* (down from 299 PLN/Mg to 243 PLN/Mg) ✓
- Higher coal inventory levels -

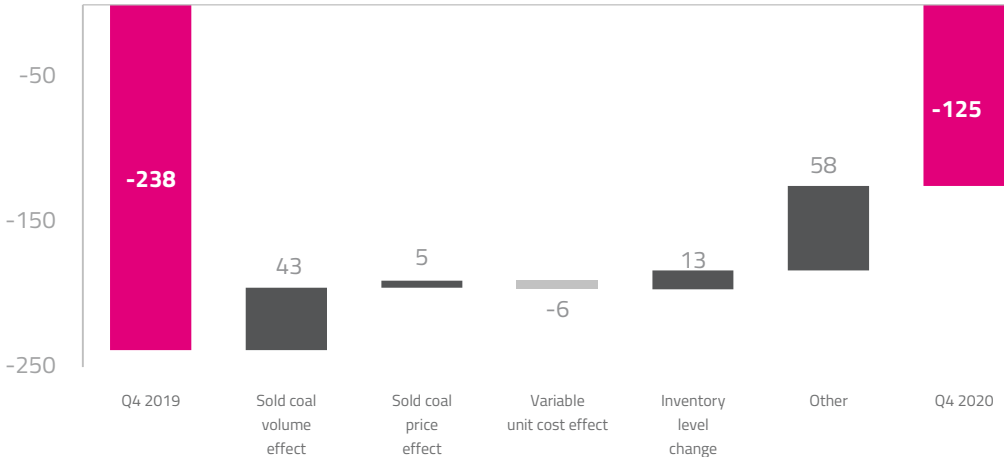
\* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

# Mining Segment Q4 2020

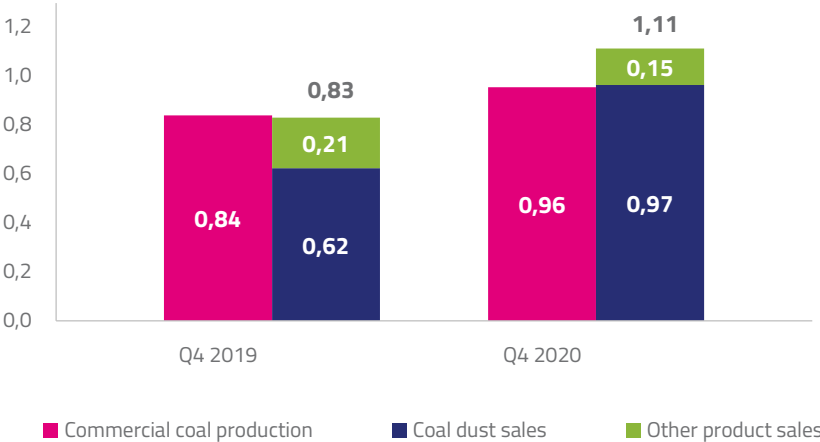
Financial data [PLN m]



EBITDA change [PLN m]



Commercial coal production  
vs sales per product [Mg m]

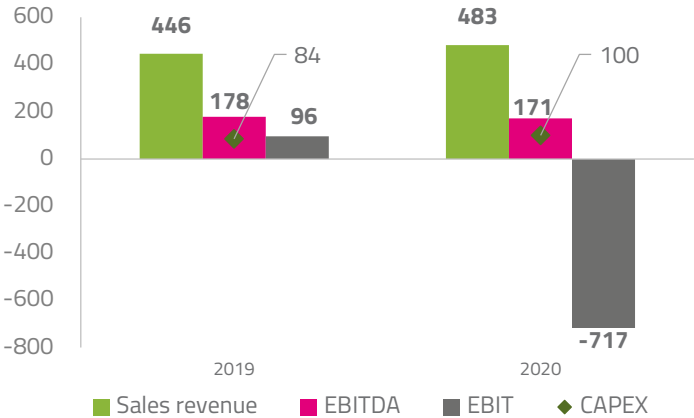


- Substantial increase of coal production as compared to 2019 ✓
- Drop by 88 PLN/Mg of the unit mining cash cost\* (down from 475 PLN/Mg to 387 PLN/Mg) ✓
- Higher coal inventory levels -

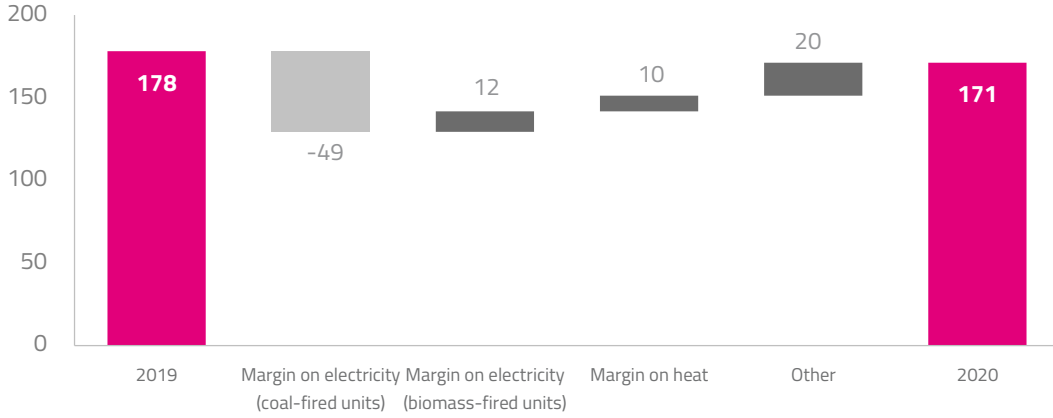
\* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

# Discontinued operations 2020

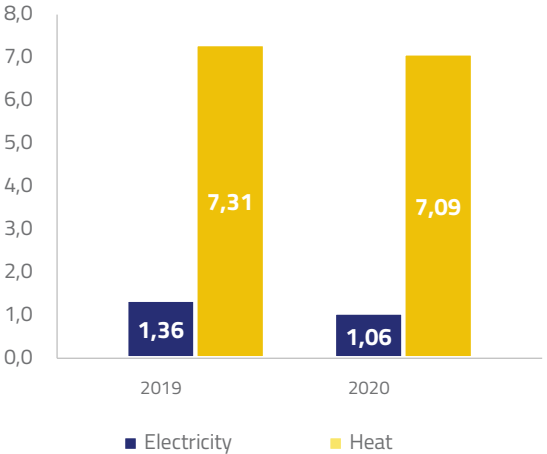
Financial data [PLN m]



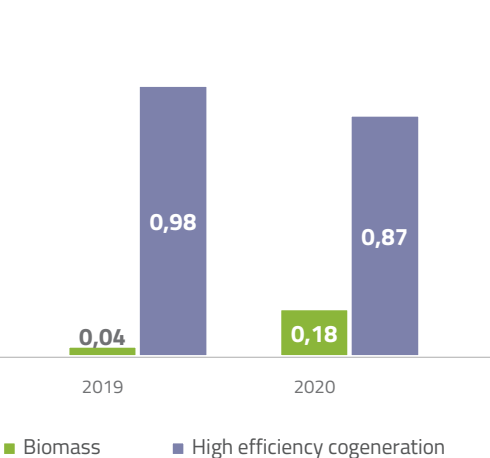
EBITDA change [PLN m]



Electricity (coal-fired units) [TWh] and heat [PJ] production



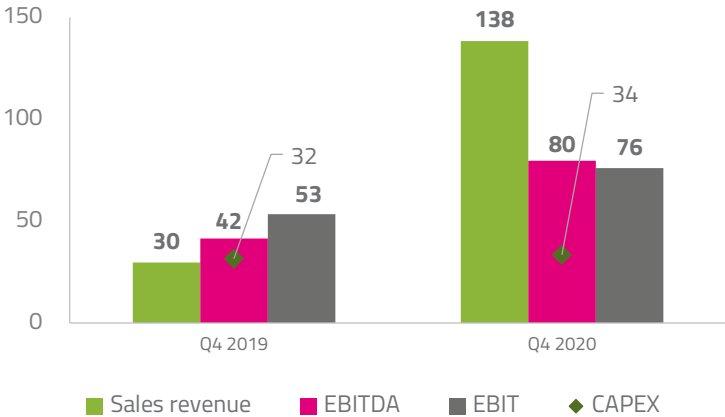
Biomass-fired and high efficiency cogeneration production [TWh]



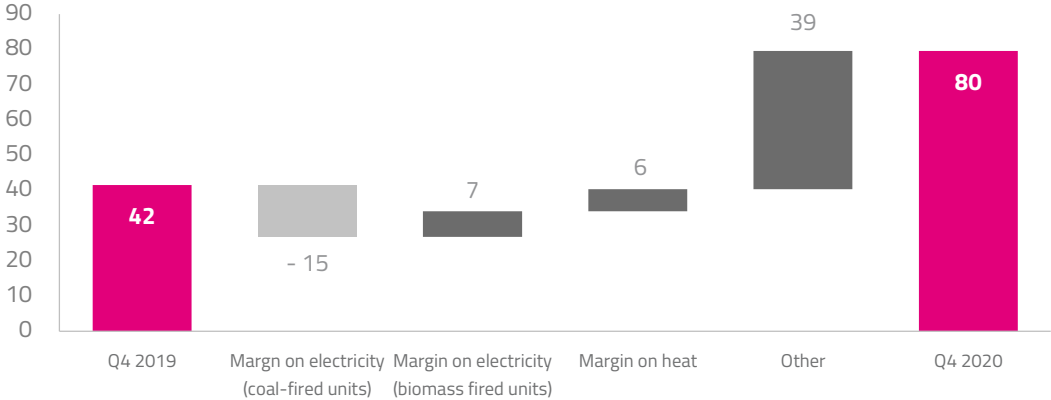
- Higher margin on heat (mainly a consequence of the tariff's rise) ✓
- Release of the provision for the payment equivalent for electricity and the clearing of the legal status of the real estate ✓
- Drop of the electricity sales volume -
- Decline of clean dark spread -

# Discontinued operations Q4 2020

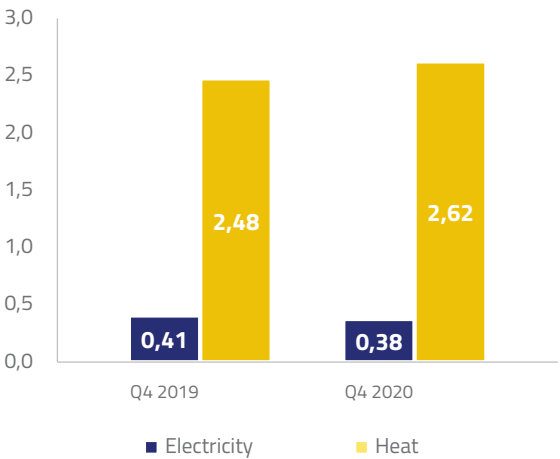
Financial data [PLN m]



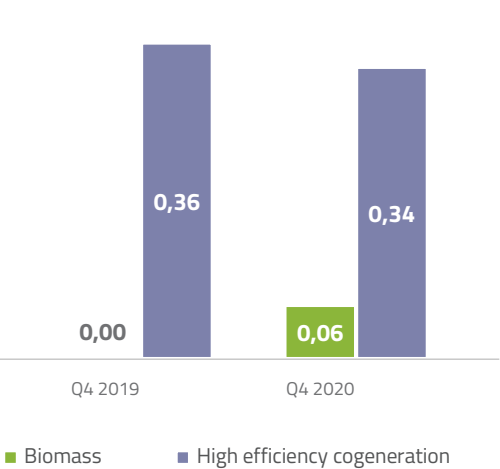
EBITDA change [PLN m]



Electricity (coal-fired units) [TWh] and heat [PJ] production



Biomass-fired and high efficiency cogeneration production [TWh]

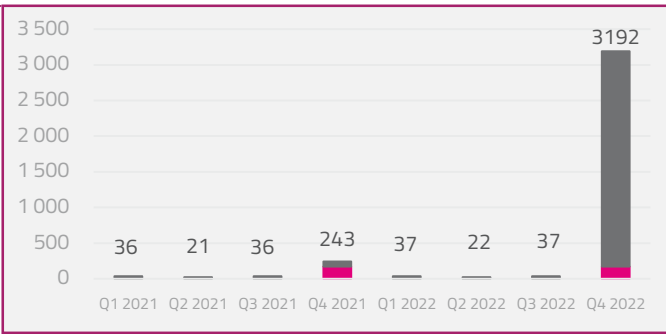
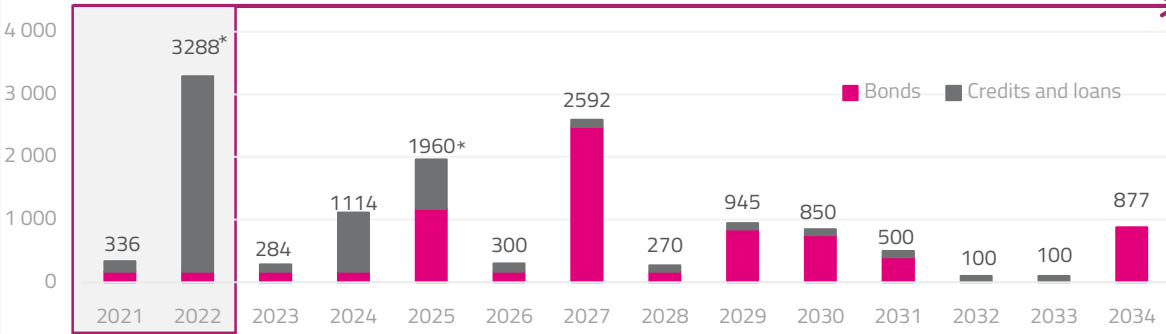


- Change of the heat tariff ✓
- Higher electricity and heat production volume from biomass ✓
- Release of the provision for the clearing of the legal status of the real estate ✓
- Decline of clean dark spread -

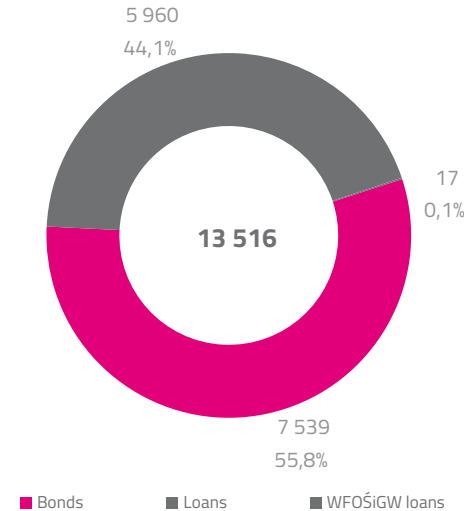


## Debt and financing

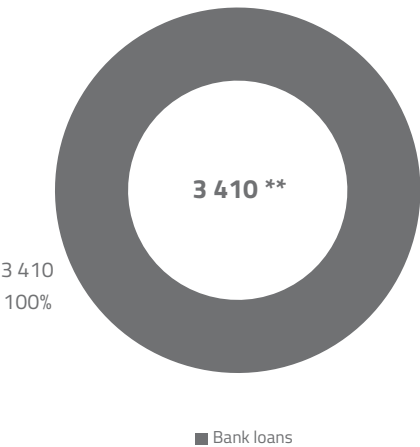
TAURON Group's nominal debt maturity as of December 31, 2020 [PLN m]



TAURON Group's nominal debt structure as of December 31, 2020 [PLN m]



Amounts of financing available to TAURON Group as of December 31, 2020 [PLN m]



Debt structure by interest rate [PLN m]

Debt amount	Interest rate	Collateral floating interest rate
13 516	Floating: 7 757	IRS: 3 840
	Fixed: 5 759	None: 3 917

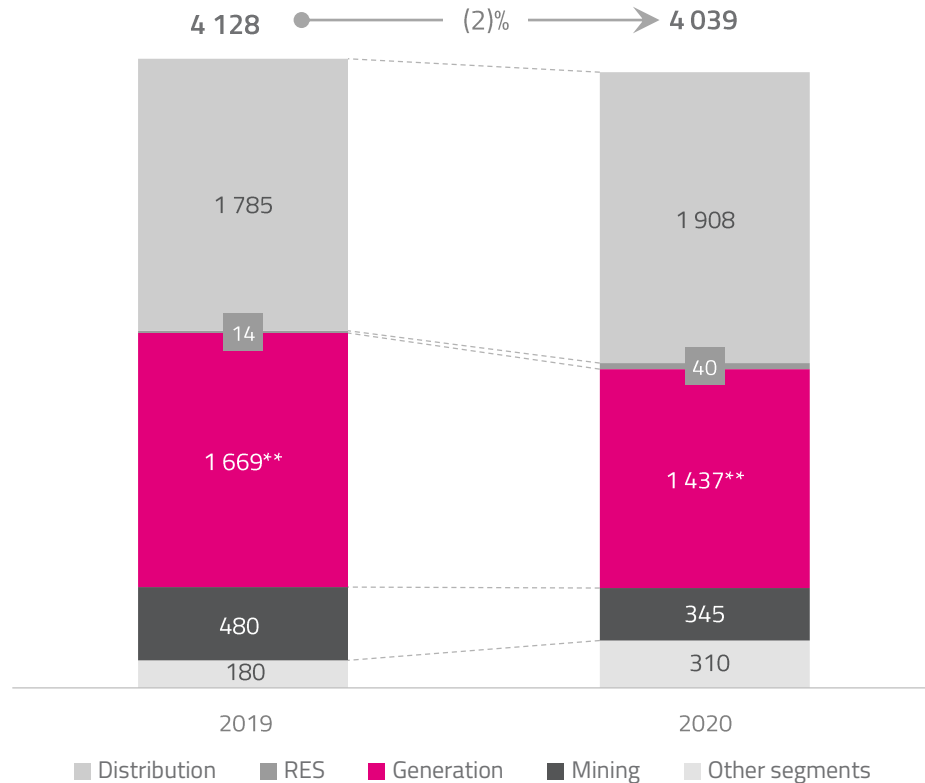
- Weighted average maturity of debt as of December 31, 2020 is 84 months (assuming the revolving bank loan continues to be drawn until the end of its availability period)
- EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 29% of the total debt

\* Taking into account the maximum maturity of funds available as part of the revolving bank loans  
\*\* Beside the above indicated available financings, TAURON Group is also using overdraft facility with the maximum available limit of EUR 45m



## Capex – by segments

### Capital expenditures by segments\* [PLN m]



\* Expenditures do not include equity investments (in accordance with the presentation in the financial statements). Expenditures, including equity investments, excluding financial costs, reached: PLN 4 557m in 2019 (including RES: PLN 601m) and PLN 3 839m in 2020

\*\* CAPEX of the Generation Segment and discontinued operations

### Key investment projects implemented in 2020

#### Distribution:



- Grid assets upgrades (refurbishments) and replacements (PLN 827m)
- Installing new grid connections (PLN 924m)
- Dispatcher Communications System (PLN 52m)

#### Generation:



- Construction of the new 910 MW capacity in Jaworzno (PLN 688m)
- Adaptation of the generating units to BAT (PLN 239m)
- Replacement and refurbishment related outlays as well as overhaul components at TW (PLN 187m)
- Implementing heat production at Łagisza Power Plant (PLN 18m)
- New facility connections (PLN 33m)
- District heating networks' maintenance and expansion (PLN 16m)

#### RES:



- Construction of the Jaworzno PV farm (PLN 15m)
- Construction of the Choszczno PV farm (PLN 16m)

#### Mining:



- Brzeszcze Coal Mine's CAPEX program (PLN 32m)
- Construction of the Grzegorz shaft at Sobieski Coal Mine (PLN 17m)
- Construction of the 800 m level at Janina Coal Mine (PLN 41m)
- Purchase/modernization of the longwall mining system for the coal seam 301 (PLN 38m)
- Production preparation (PLN 139m)

#### Supply and other:



- Deployment of the broadband internet as part of the POPC III Program (PLN 101 million)
- Lighting maintenance and expansion (PLN 43 million)
- Gaz engines (PLN 10m)

Capital expenditures do not include the financial costs added to the outlays

## 2021 outlook



### Distribution



- Lower reported EBITDA year on year - release of provisions worth PLN 425 million in 2020. Adjusted 2021 EBITDA stable (flat) year on year
- WACC stable (flat) (5.5 percent in 2020 and in 2021)
- Increase of RAB from PLN 18.3 billion to PLN 19.0 billion
- Higher volume of electricity distributed – forecast increase in electricity consumption
- Distribution tariff decline by 1.5 percent



### Generation



- Higher volume of electricity production – a consequence of the full year operation of the 910 MW unit in Jaworzno in 2021: PLN 250-300 million of additional EBITDA
- Lower planned volumes from 200 MW units due to the market situation and from 460 MW Łagisza Power Plant's unit (medium scale overhaul)
- PLN 680 million of revenue from the capacity market
- Loss of revenues from the operational (ORM) and cold intervention (IRZ) capacity reserve mechanisms as a result of the liquidation of those mechanisms (PLN 300 million in total)



### Mining



- Higher commercial coal production volume
- Costs of services and materials under upward pressure
- Large supply of thermal coal – expected decline of the coal sales prices
- Lack of funding under the anti-crisis shield
- Decline of the thermal coal dust average sales price



### RES



- Expected decline of electricity production by hydro power plants and wind farms - record windiness and a statistically higher level of precipitation in 2020 compared to previous years
- Loss of support in the form of PM OZE (RES Property Rights) for 44 MW of hydro power plants' capacity and 30 MW of wind farms' capacity
- Costs of the overhaul services and external services under upward pressure



### Supply



- Lower reported EBITDA year on year - realization of margin on electricity buybacks for the units in Jaworzno and Stalowa Wola (PLN 340 million of additional EBITDA in 2020). Adjusted 2021 EBITDA stable (flat) year on year
- Costs fully covered by the G tariff (tariff's rise by 3.6 percent)
- Decline of the average cost of purchasing electricity
- Higher margins on electricity sales in the mass customer and business customer segment
- Fast growth of the prosumer installations' capacity – negative impact on the electricity sales volume

### Group's EBITDA



adjusted by excluding one-off events

### CAPEX



CAPEX adjusted depending on the EBITDA figure and the Group's financial position

### Debt



Net debt to EBITDA ratio < 3.5x



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## Electricity market price trends

Electricity						
Platforms: TGE, TFS	2019		2020		2020/2019	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	241.94	167 413	255.65	167 093	5.7%	-0.2%
Forward PEAK (Y+Q+M)	334.60	13 748	315.03	19 035	-5.9%	38.5%
Forward (weighted average)	248.97	181 161	261.72	186 128	5.1%	2.7%
SPOT (TGE)	230.97	33 947	208.72	34 757	-9.6%	2.4%
Weighted average total	<b>246.13</b>	<b>215 108</b>	<b>253.38</b>	<b>220 885</b>	<b>2.%</b>	<b>2.7%</b>

Property rights (PLN/MWh)			
Certificate type	Market prices (2020 weighted average)	Substitution fee and obligation for:	
		2019	2020
OZE (PMOZE_A)	138.22	129.78 (18.5%)	165.24 (19.5%)
RES from biogas plants (PMOZE_BIO)	300.15	300.03 (0.5%)	300.03 (0.5%)

CO <sub>2</sub> emission allowances (EUR/t)	
CO <sub>2</sub> market analysts survey* (updated in January 2021)	Price (EUR/t)
2021 average	35.20 EUR/t
2022 average	38.45 EUR/t
2023 average	42.20 EUR/t
2020 average price forecast by TAURON	34 – 36 EUR/t

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



# 2020 BASE contract prices



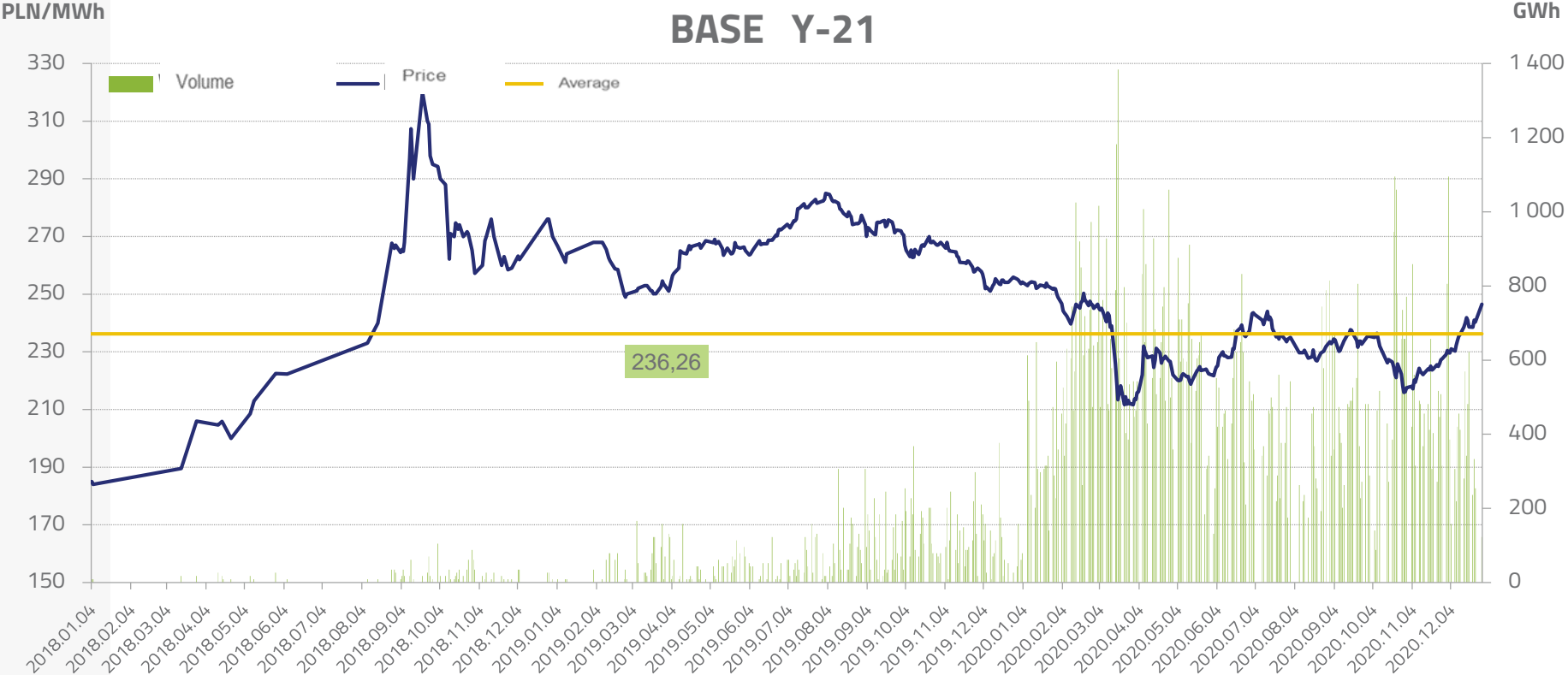
		Average price [PLN/MWh]	Volume [GWh]
Total		265.42	134 887
including	TGE	265.44	134 852
	non-TGE	208.19	35

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: 151 518 GWh





# 2021 BASE contract prices

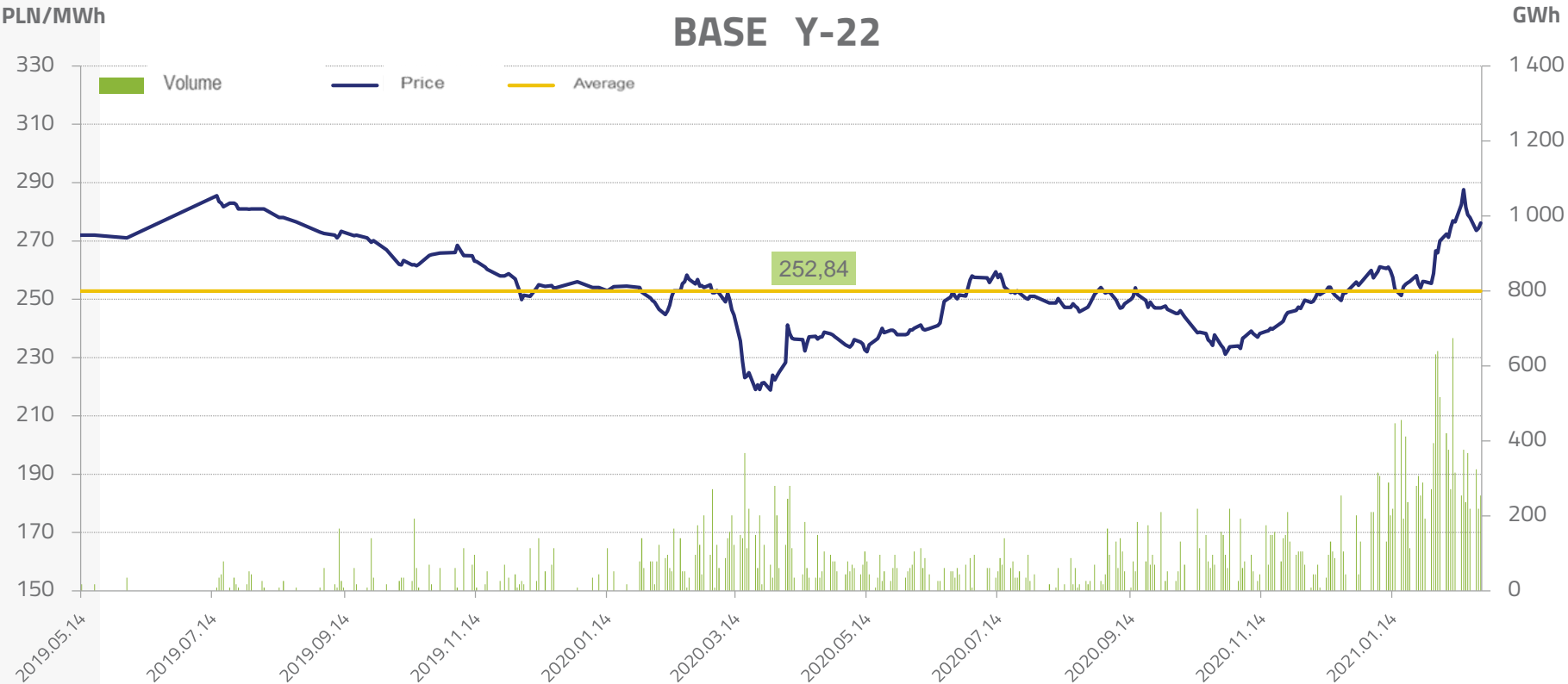


		Average price [PLN/MWh]	Volume [GWh]
Total		236.26	134 282
including	TGE	236.26	134 282
	non-TGE	0	0

Average electricity price that takes into account 2021 one-year BASE and PEAK contracts: 240.70 PLN/MWh, total 2021 BASE and PEAK contracts volume: 149 602 GWh



# 2022 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		252.84	33 568
including	TGE	252.84	33 568
	non-TGE	0	0

Average electricity price that takes into account 2022 one-year BASE and PEAK contracts: 256.38 PLN/MWh, total 2022 BASE and PEAK contracts volume: 36 592 GWh