



TAURON Group's H1 2020 Financial Results

August 20, 2020

Agenda of the presentation



Wojciech Ignacok
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 2020 data

Financial results

[PLN m]	H1 2020 vs H1 2019	
Sales revenue	9 888	6%
EBITDA	2 408	8%
Net profit*	(316)	-
CAPEX	1 812	10%
Net debt/EBITDA	2.66x	down by 0.16x (vs 31.12.2019)

Operating data

	H1 2020 vs H1 2019	
Electricity distribution [TWh]	24.60	(6)%
Electricity production from RES [TWh]	1.00	45%
Electricity production by hard coal-fired units [TWh]	4.87	(25)%
Heat generation [PJ]	6.70	5%
Retail electricity supply [TWh]	15.99	(6)%
Commercial coal production [ton m]	2.49	10%

* Attributable to the shareholders of the parent company

Key Q2 2020 data

Financial results		
[PLN m]	Q2 2020 vs Q2 2019	
Sales revenue	4 622	9%
EBITDA	1 450	46%
Net profit*	(478)	-
CAPEX	872	(5)%
Net debt/EBITDA	2.66x	down by 0.16x (vs 31.12.2019)

Operating data		
	Q2 2020 vs Q2 2019	
Electricity distribution [TWh]	11.35	(10)%
Electricity production from RES [TWh]	0.42	40%
Electricity production by hard coal-fired units [TWh]	2.24	(26)%
Heat generation [PJ]	1.73	4%
Retail electricity supply [TWh]	7.13	(12)%
Commercial coal production [ton m]	1.30	31%

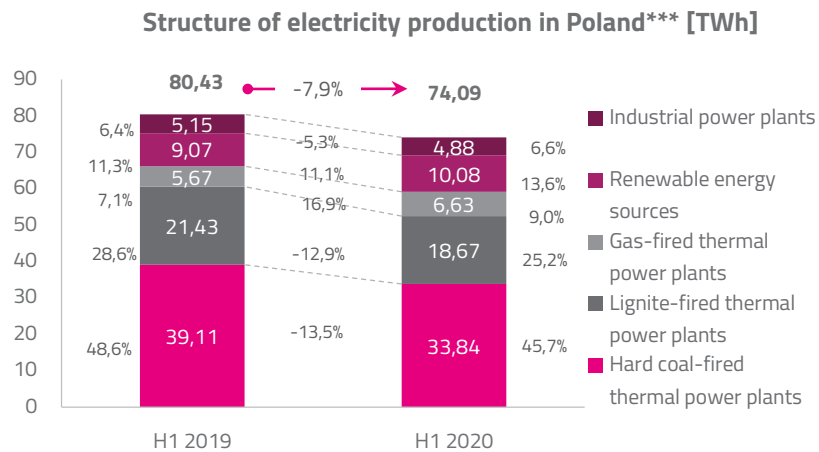
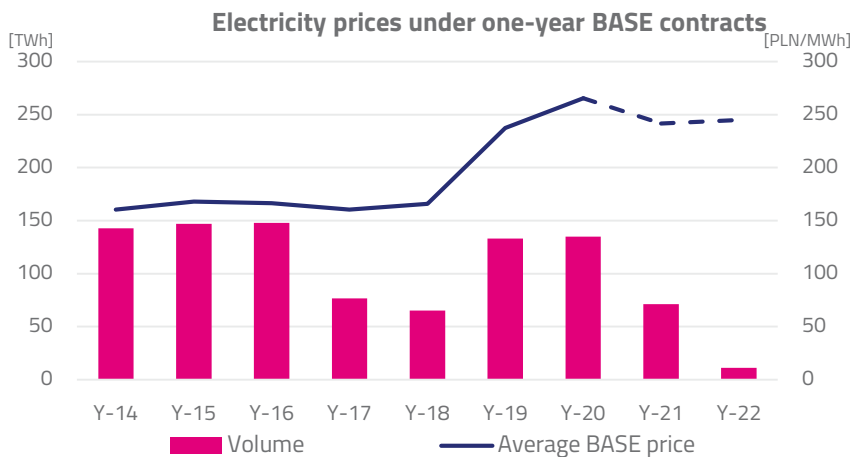
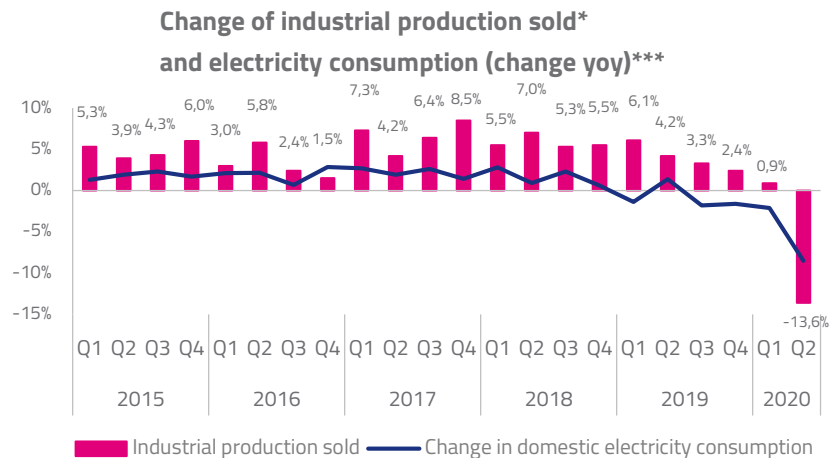
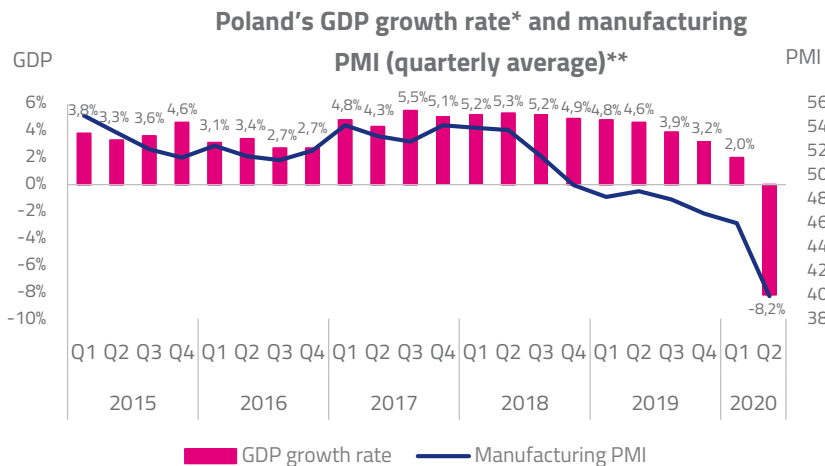
* Attributable to the shareholders of the parent company

Highlights Summary



March	Obtaining of bank loans worth PLN 1 billion in total, to finance general corporate purposes, excluding the financing of the coal assets
March 23	Signing of an agreement with the Polish Development Fund with respect to cooperation in the implementation of investments in renewable energy sources
April-May	Reaching of an agreement with the workforce regarding: - work time at TAURON Wydobycie and TAURON Wytwarzanie, as a result of which it was possible to reduce the negative consequences of the COVID-19 pandemic, - changes to the corporate collective labor agreements allowing for the dissolving of the actuarial reserves in the total amount of PLN 533 million
May 4	Reaching of an agreement with the RAFAKO-MOSTOSTAL WARSZAWA consortium regarding the deadline for the Jaworzno 910 MW unit's commissioning: by November 15, 2020
June 16	Commencement of exclusive negotiations with PGNiG as part of the process of the sale of shares in TAURON Ciepło
H1	Connecting of 34 632 renewable energy micro-installations with the total capacity of 235 MW to the TAURON distribution grid

Macroeconomic and market situation

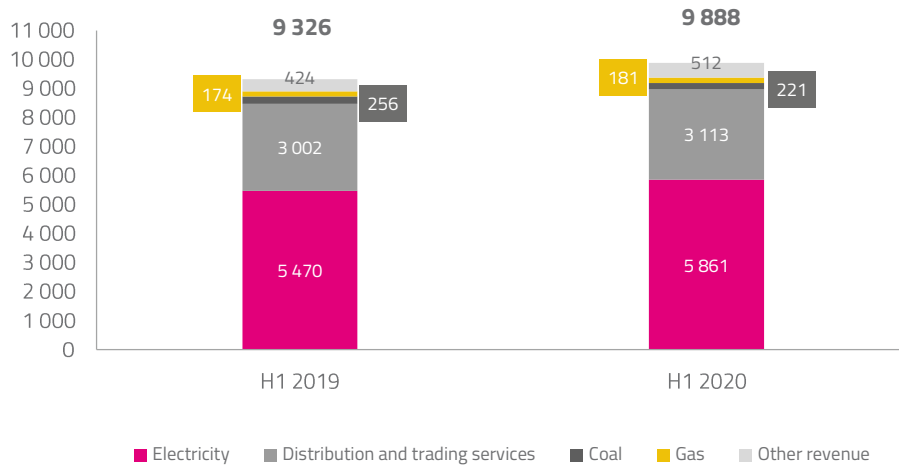


Source: * GUS ** Bankier.pl ***PSE

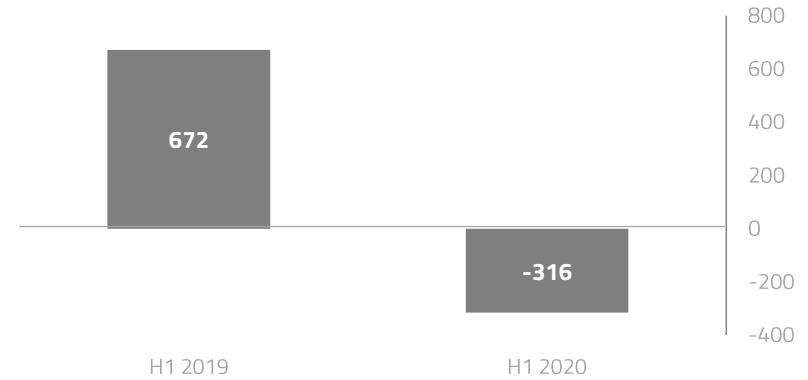
H1 2020 financial data



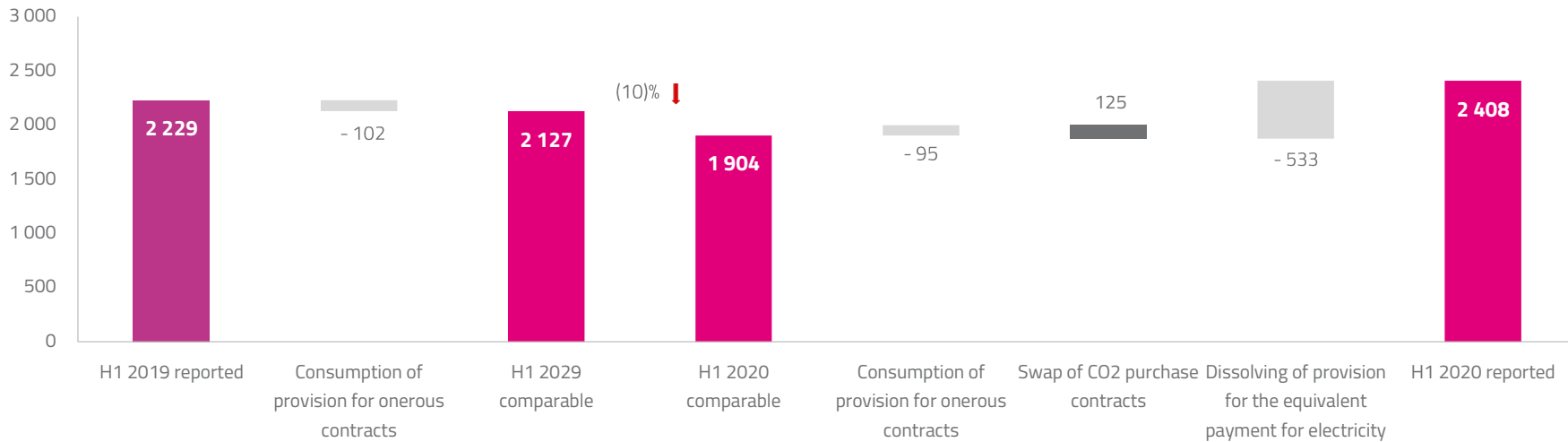
Sales revenue [PLN m]



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



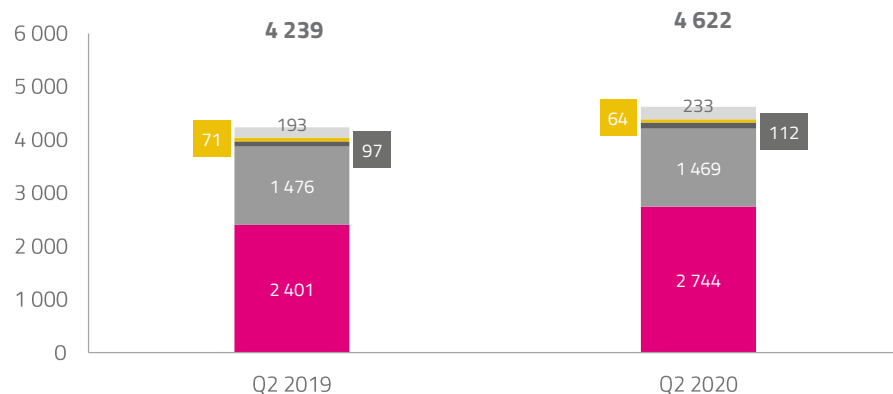
H1 2020 vs H1 2019 EBITDA [PLN m]



Q2 2020 financial data

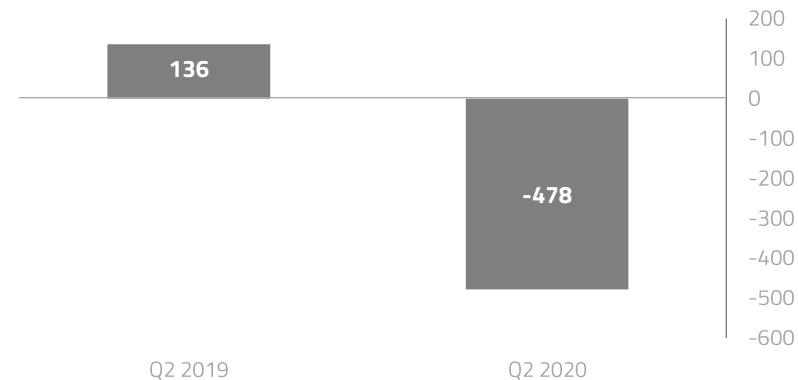


Sales revenue [PLN m]

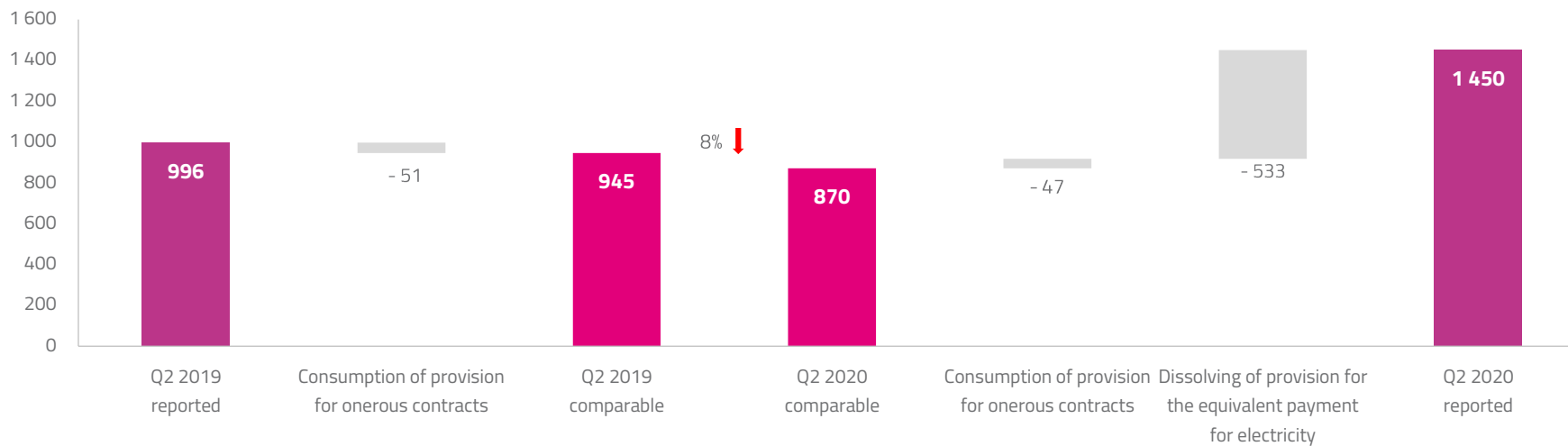


Electricity Distribution and trading services Coal Gas Other revenue

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

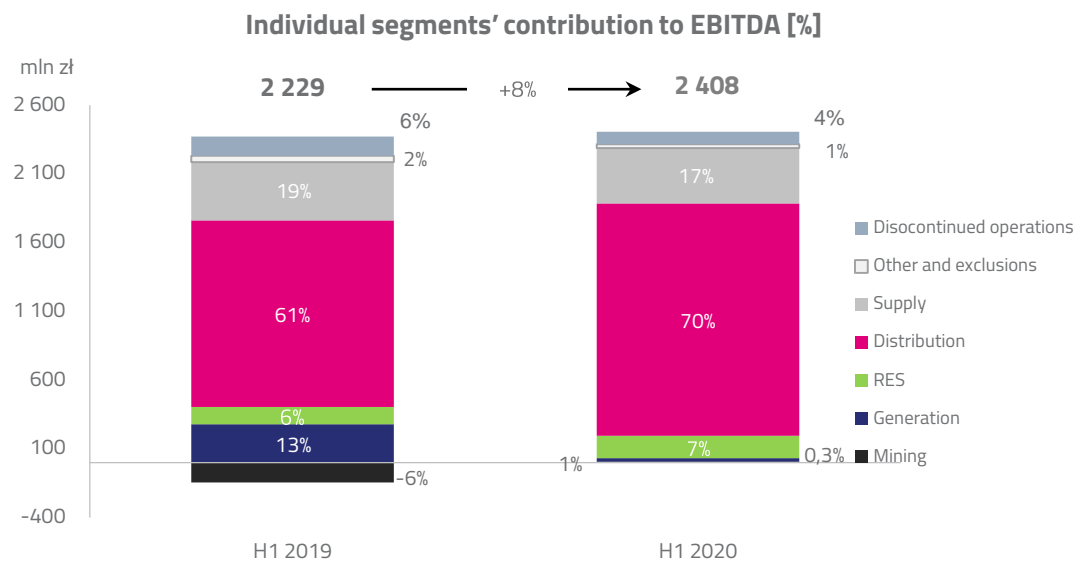


Q2 2020 vs Q2 2019 EBITDA [PLN m]



Individual segments' H1 2020 results

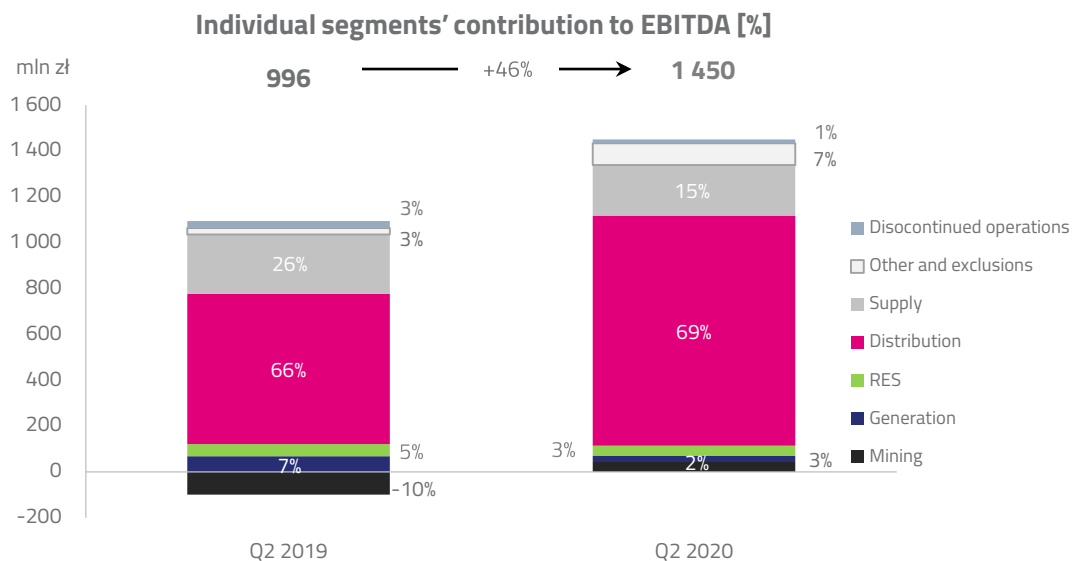
[PLN ml]	Distribution	RES	Generation	Supply	Mining	Other and exclusions*	Discontinued operations
Revenue	3 359	349	1 552	8 015	503	(3 889)	299
EBITDA	1 689	164	26	403	7	28	92
EBIT	1 115	88	(155)	379	(271)	(16)	(778)
CAPEX	908	6	661	21	118	66	32



* Items not included in the segments presented

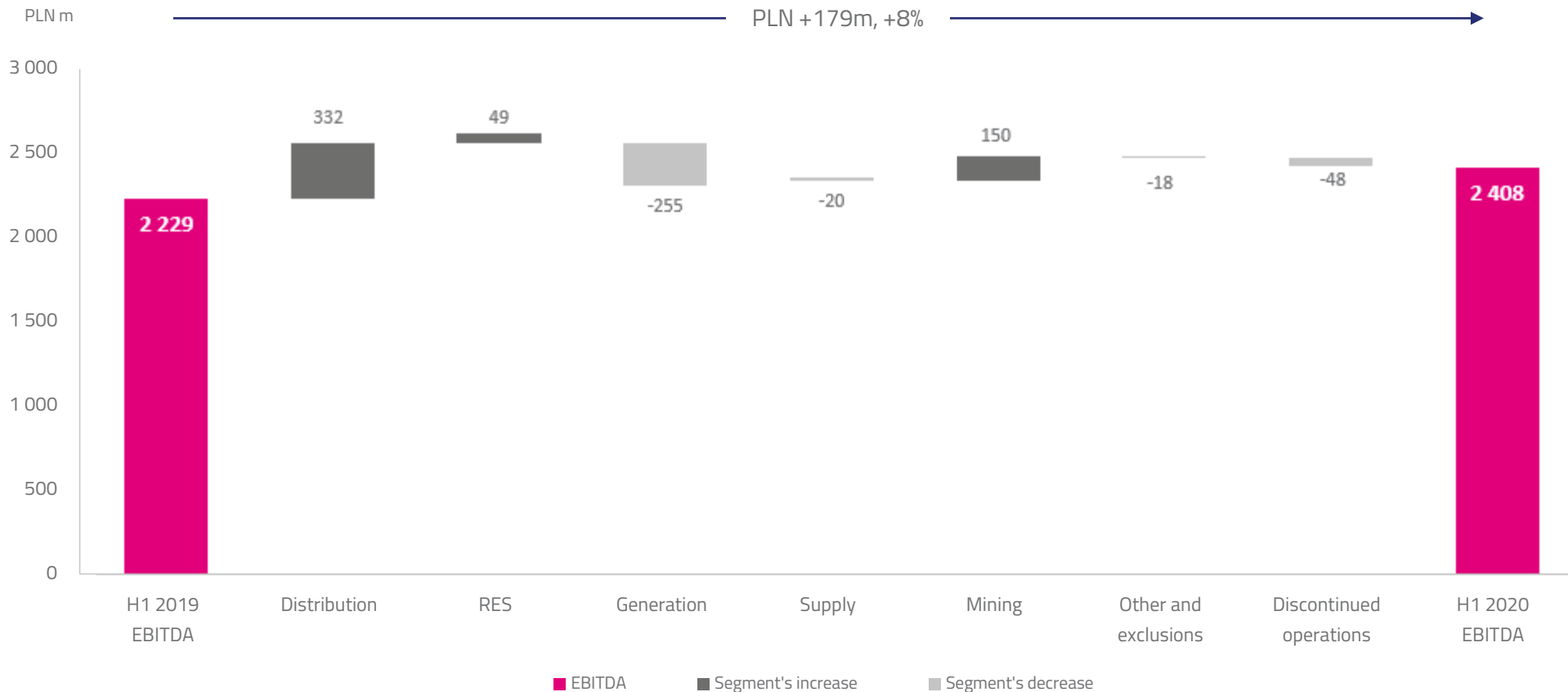
Individual segments' Q2 2020 results

[PLN ml]	Distribution	RES	Generation	Supply	Mining	Other and exclusions*	Discontinued operations
Revenue	1 570	150	745	3 784	267	(1 892)	97
EBITDA	1 005	42	28	220	43	95	16
EBIT	715	9	(103)	208	(187)	72	(822)
CAPEX	423	4	313	10	63	41	19

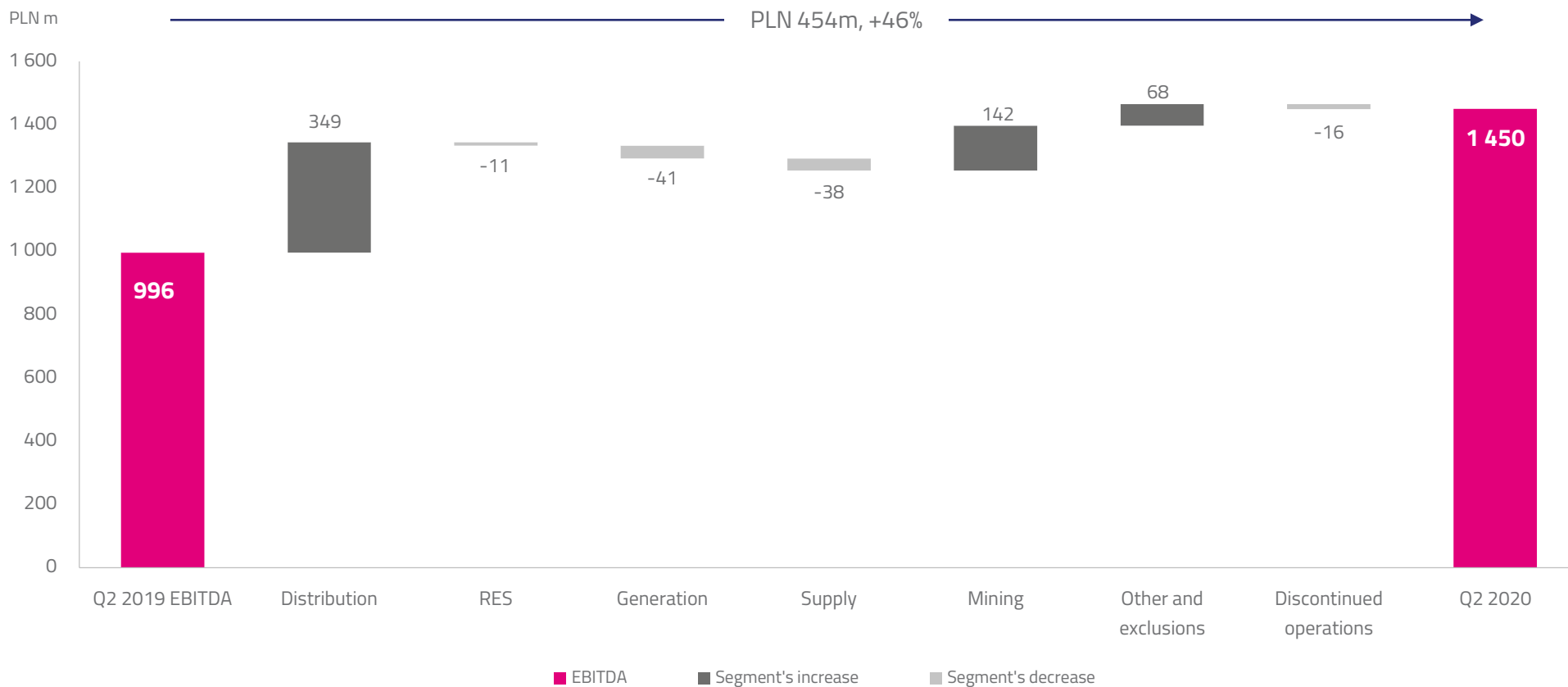


* Items not included in the segments presented

H1 2020 EBITDA



Q2 2020 EBITDA



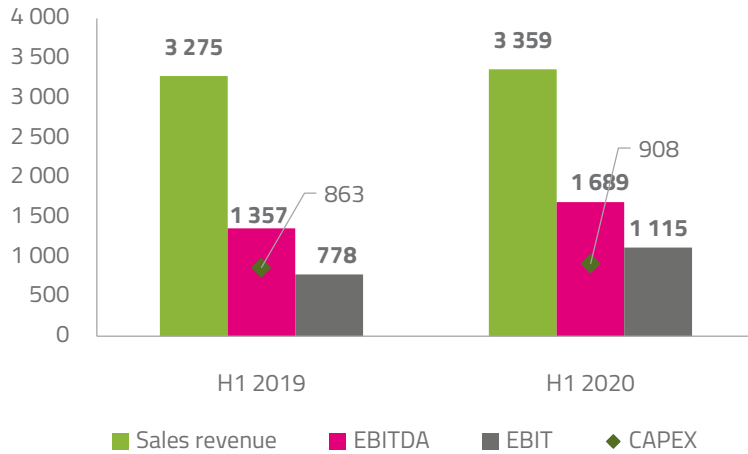


Distribution Segment

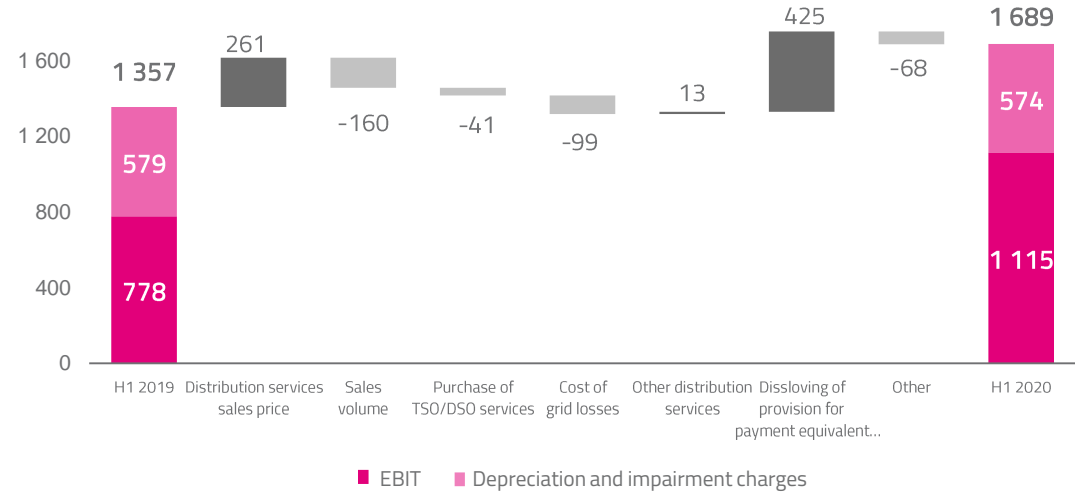
Distribution Segment – H1 2020



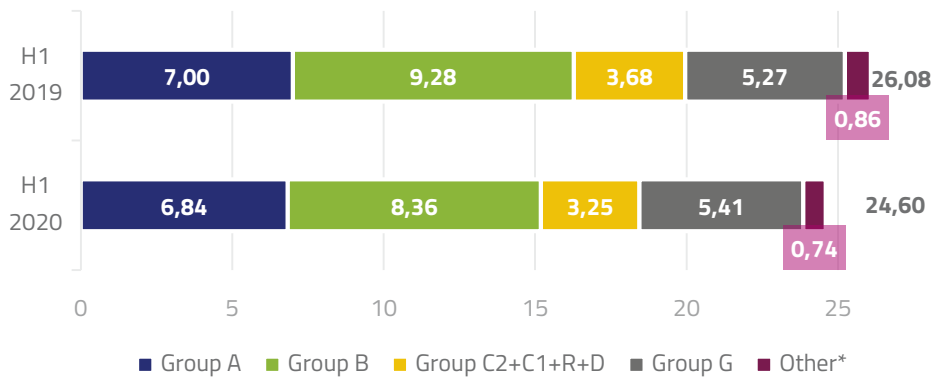
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



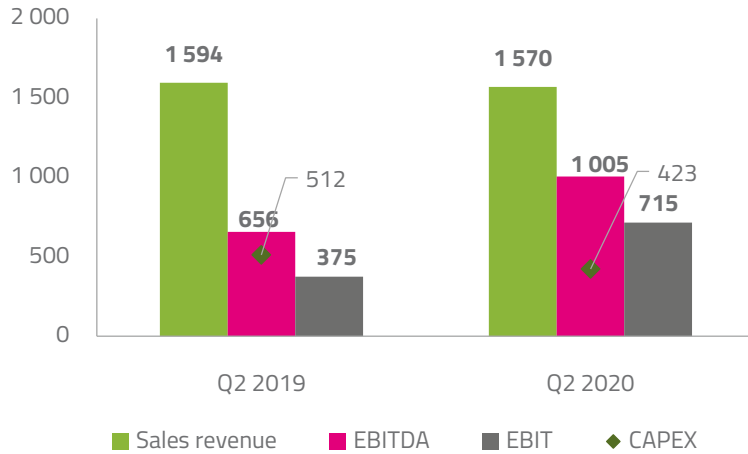
- Approval by the President of ERO of the higher G tariff rate for 2019 only after April 6, 2019 ✓
- Decline of electricity distribution services sales volume by 1 488 GWh -
- Impact of COVID-19 on EBITDA: PLN -87 million -

* Neighboring DSO and exports

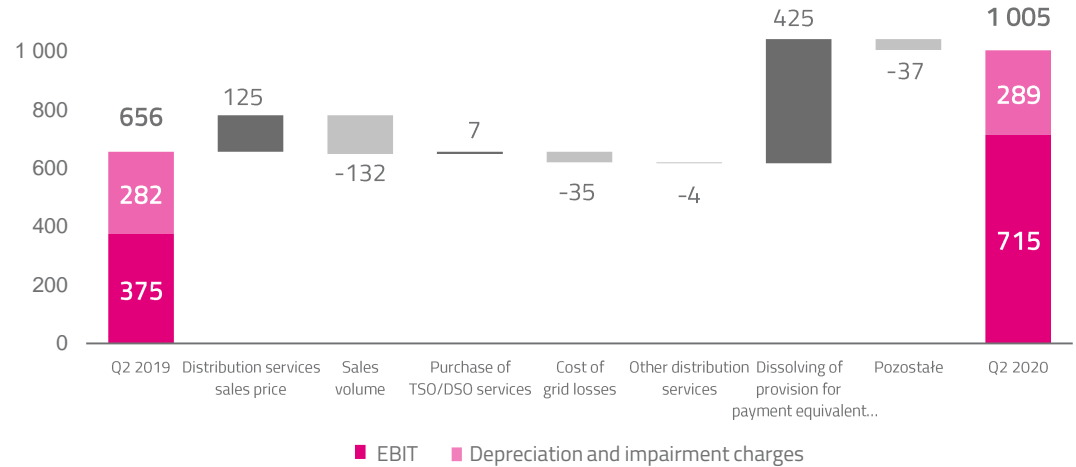
Distribution Segment – Q2 2020



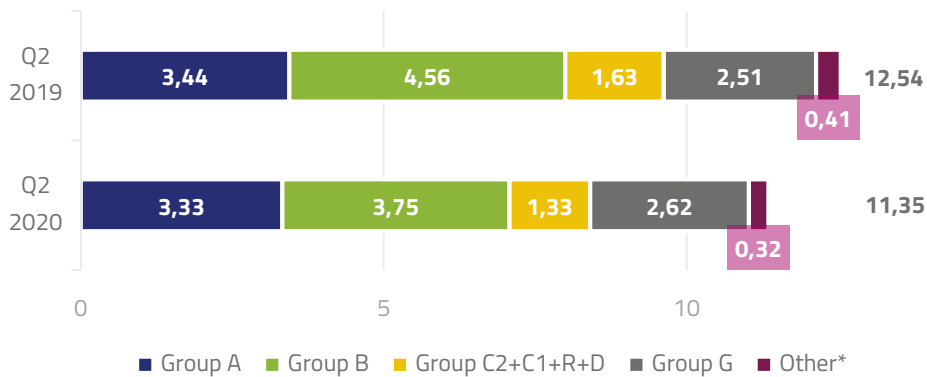
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



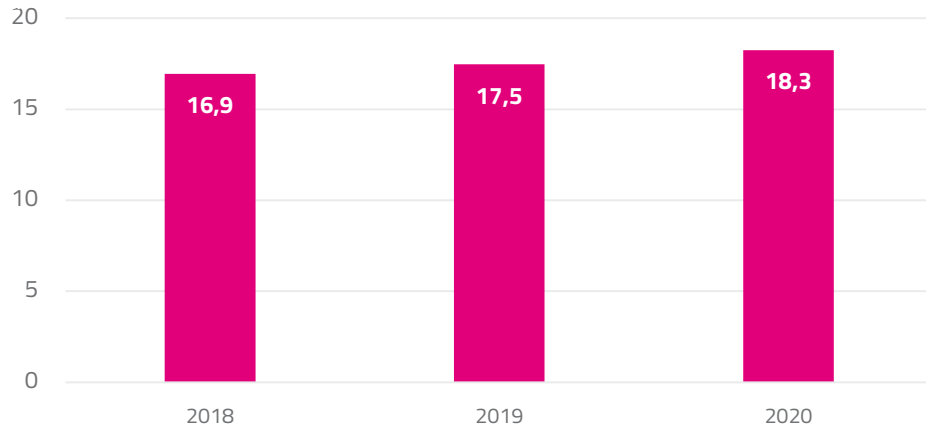
- Lower distribution service sales revenue
- Decline of electricity distribution services sales volume by 1 195 GWh
- Impact of COVID-19 on EBITDA: PLN -66 million

* Neighboring DSO and exports

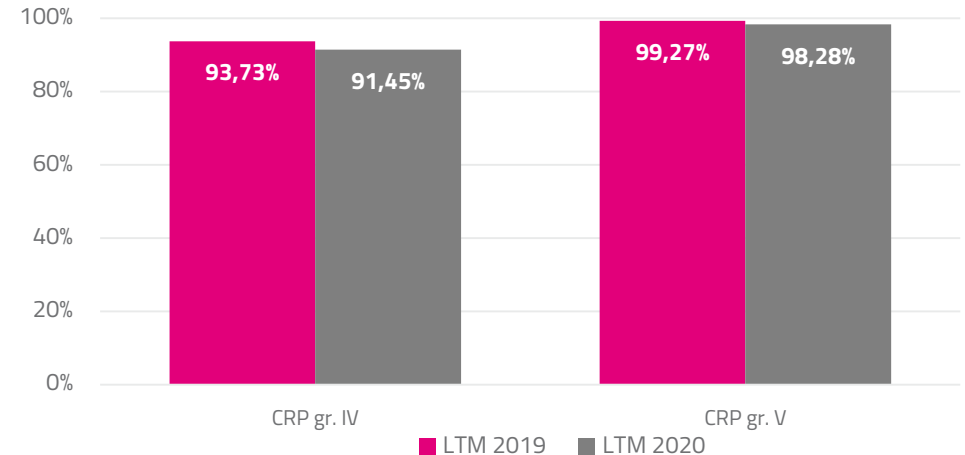
Distribution Segment – key parameters



Regulatory Asset Base [PLN bn]

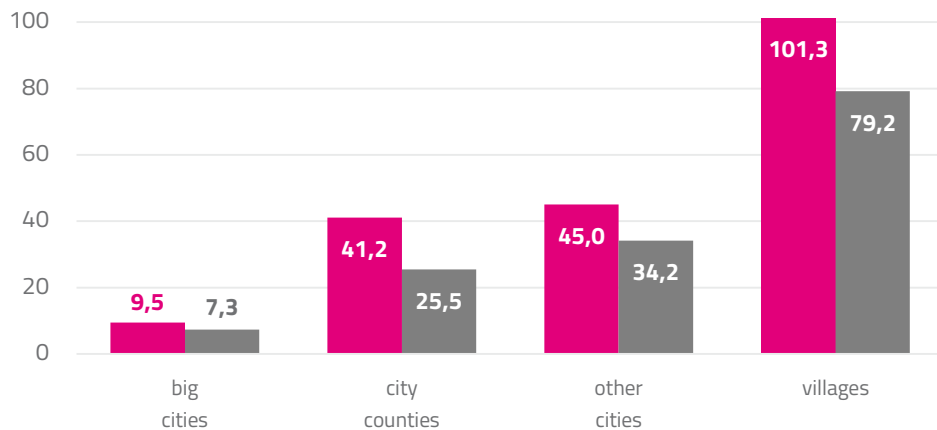


New grid connection installation time [%]



LTM – the period of the last 12 months ending on June 30, 2020

Interruption duration [min/consumer]

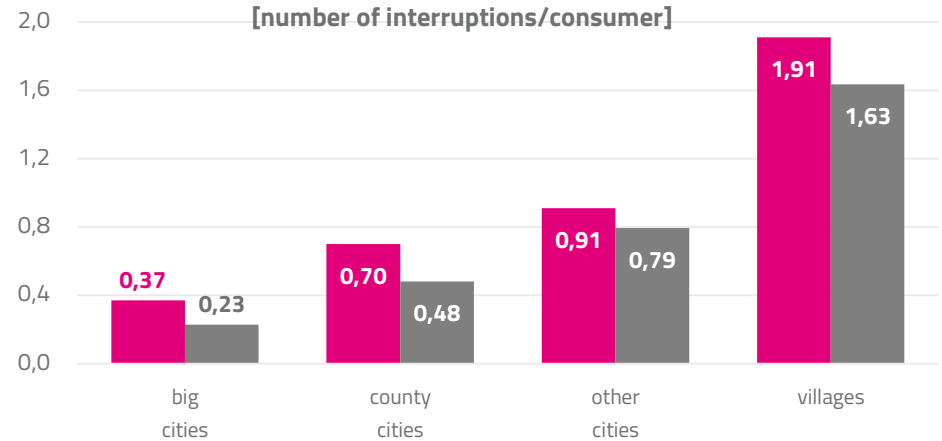


INTERRUPTION DURATION

■ H1 2019 ■ H1 2020

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

Frequency of interruptions
[number of interruptions/consumer]



■ H1 2019 ■ H1 2020

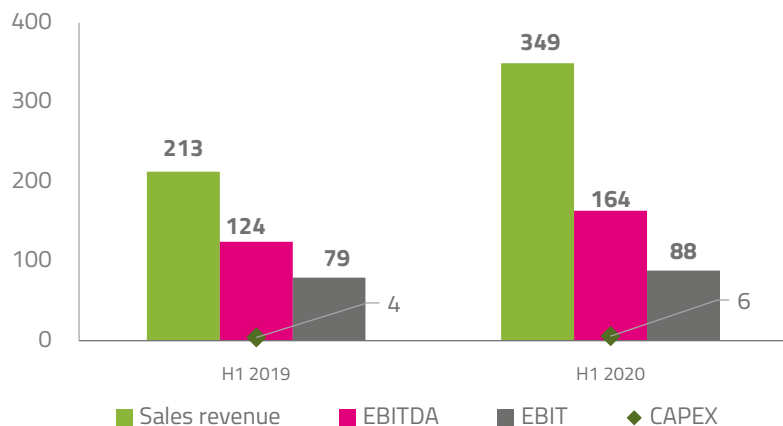


RES Segment

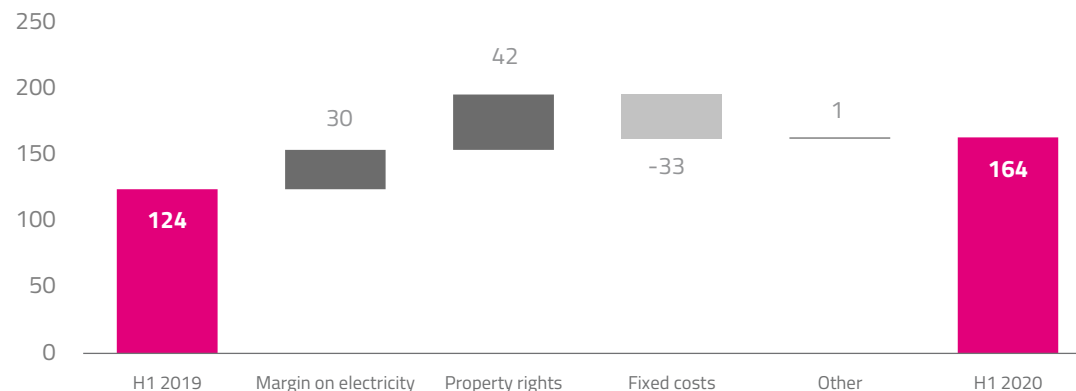
RES Segment – H1 2020



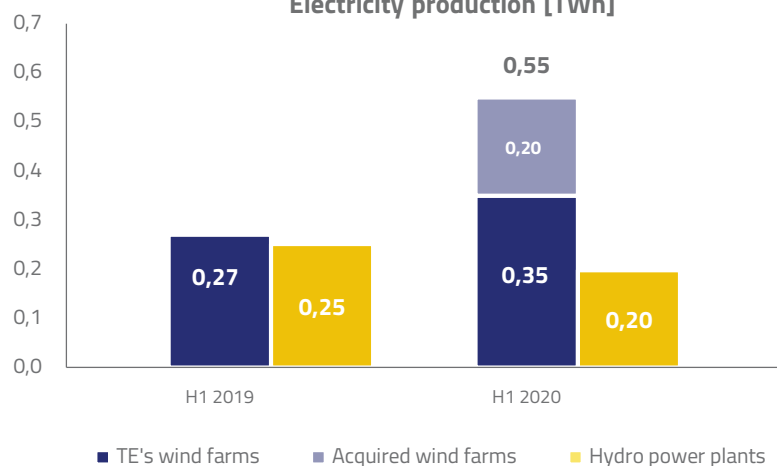
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]

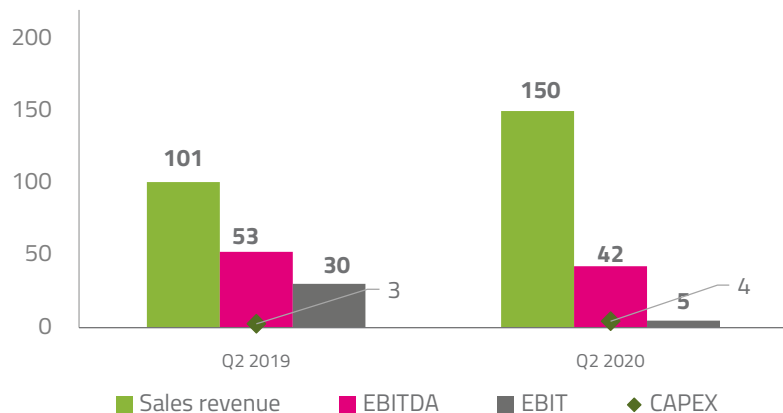


- Rise of electricity production - a consequence of the acquisition of wind farms with the capacity of 180 MW ✓
- Favorable wind conditions – increase of electricity production ✓
- Increase of property rights prices ✓
- Decline of electricity prices -

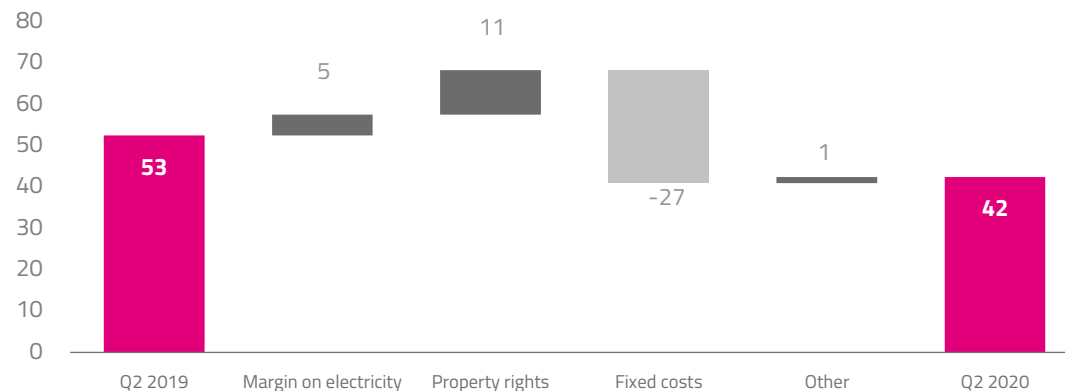
RES Segment – Q2 2020



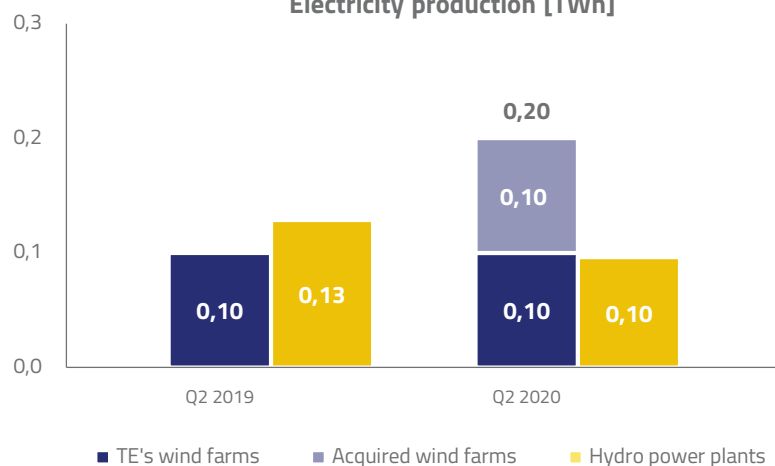
Financial data [PLN m]



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



▪ Favorable wind conditions – increase of electricity production



▪ Increase of property rights prices



▪ Decline of electricity prices



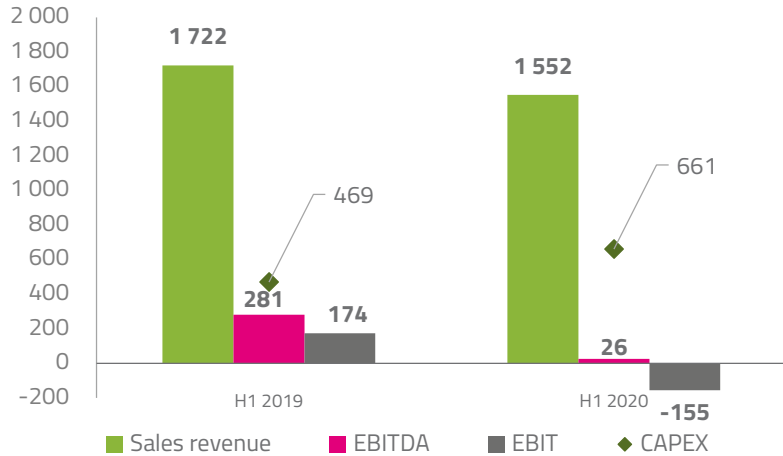


Generation Segment

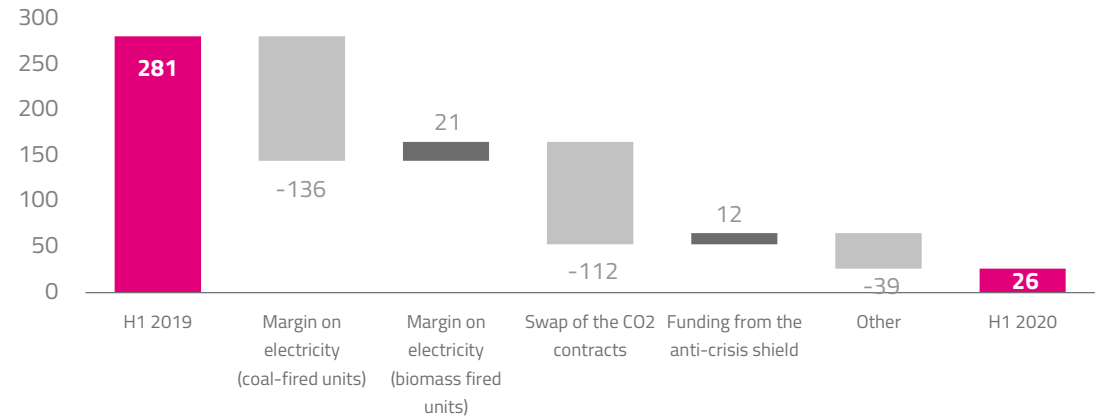
Generation Segment – H1 2020



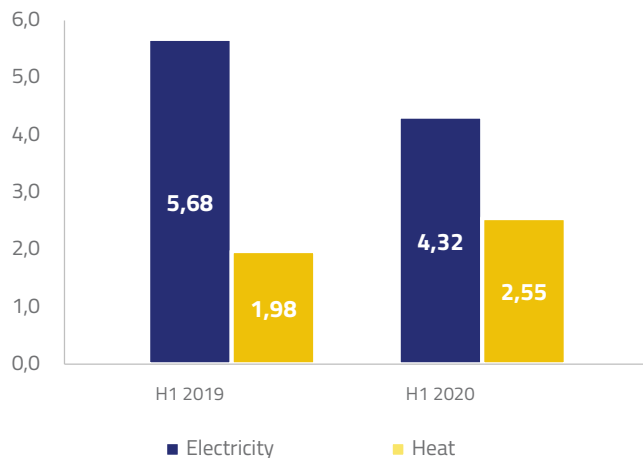
Financial data [PLN m]



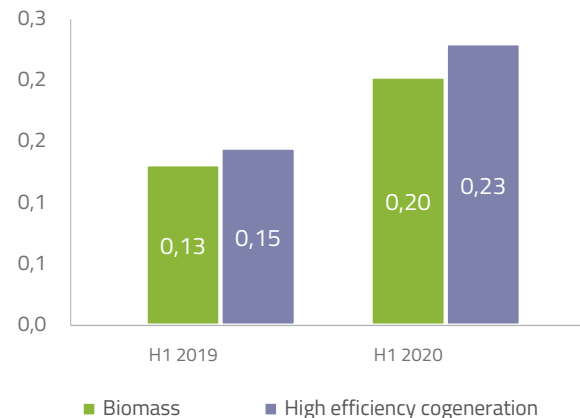
EBITDA change [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]

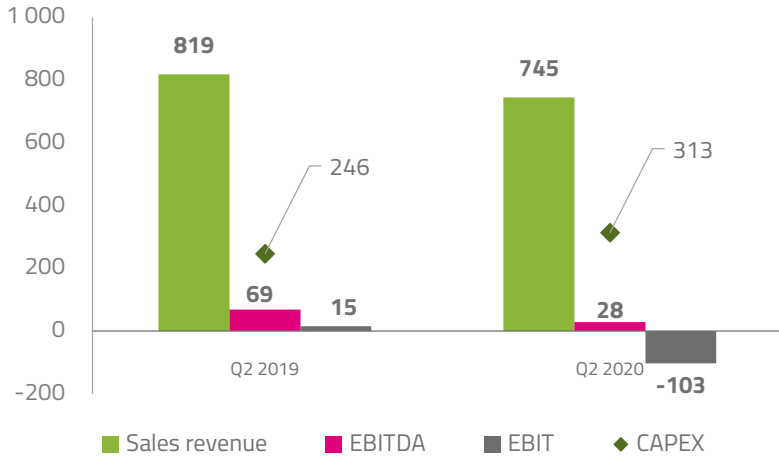


- Higher revenue from the cold intervention reserve and margin on electricity repurchases (buybacks) ✓
- Higher margin on biomass-fired units ✓
- Drop of electricity sales volume -
- Decline of *clean dark spread* -

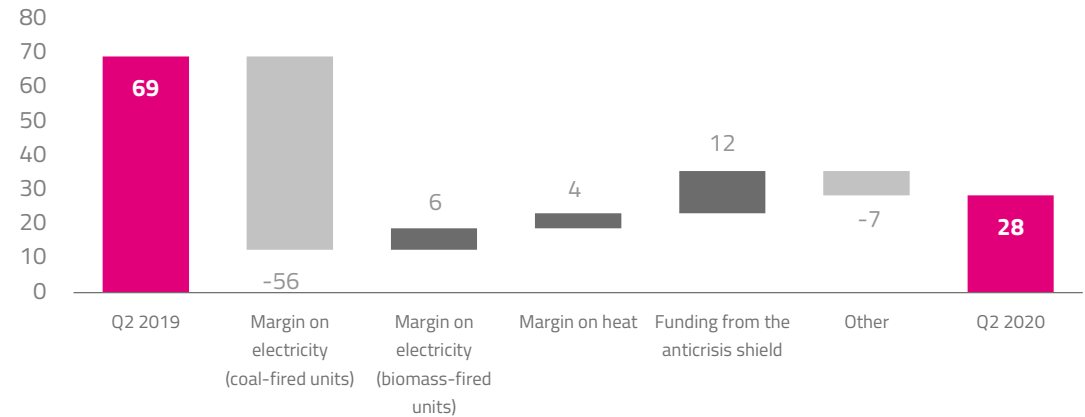
Generation Segment – Q2 2020



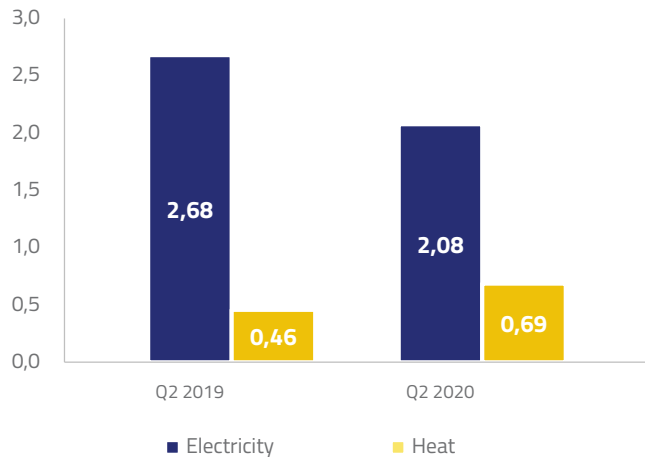
Financial data [PLN m]



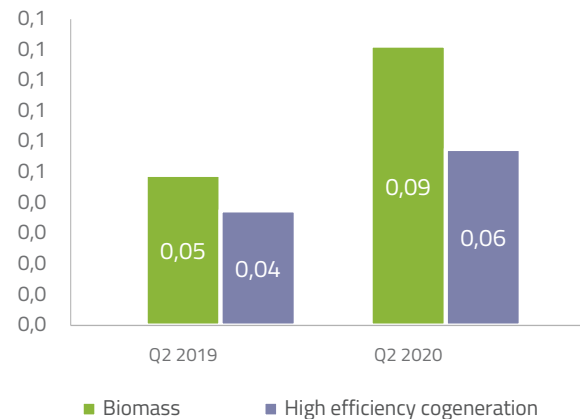
EBITDA change [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]

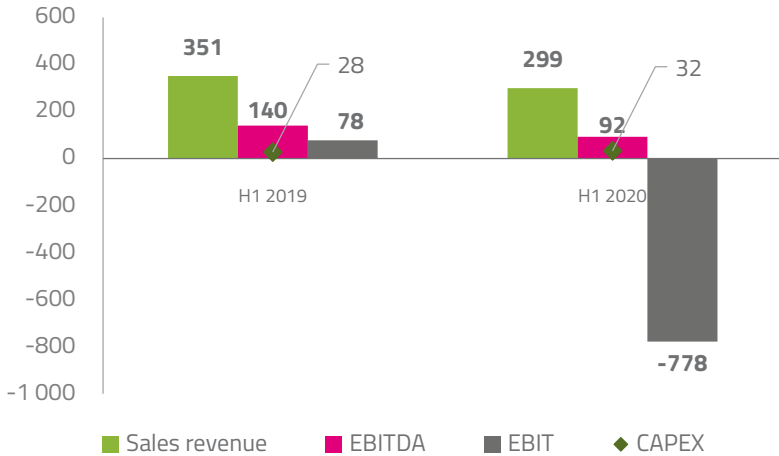


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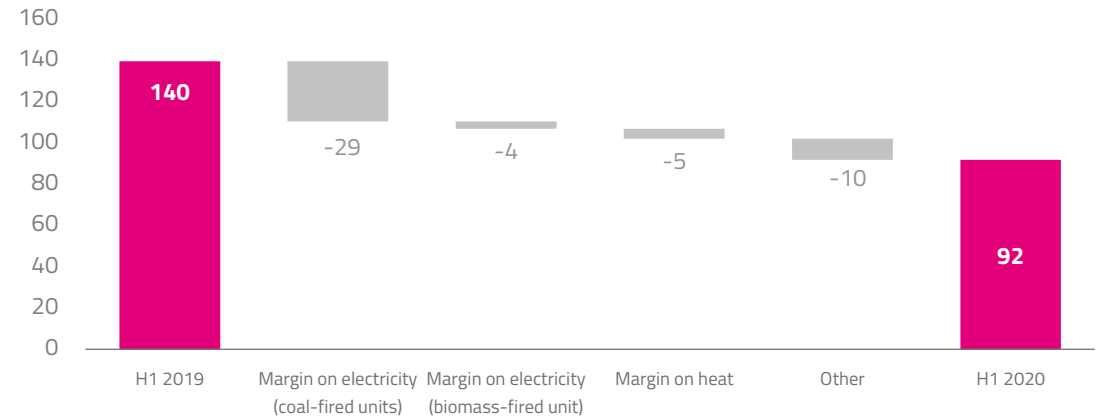
Discontinued operations – H1 2020



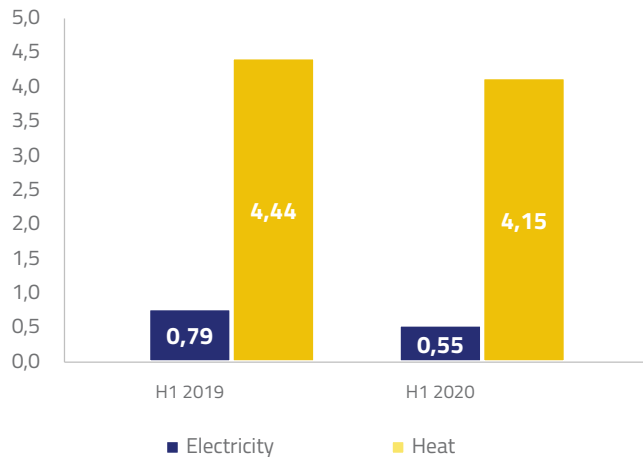
Financial data [PLN m]



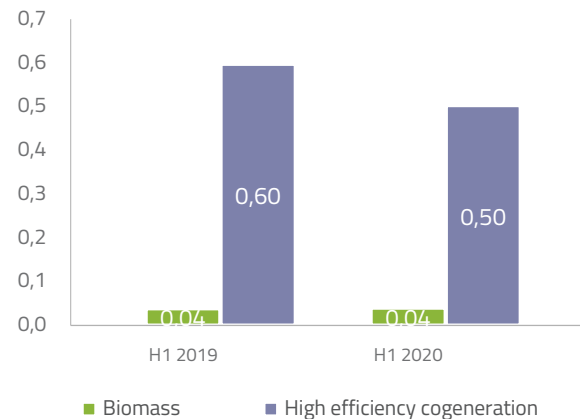
EBITDA change [PLN m]



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

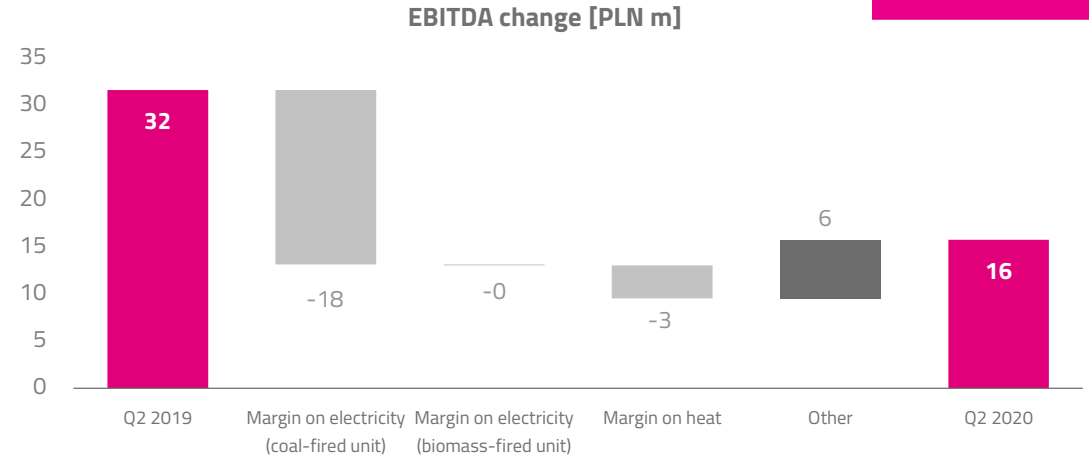
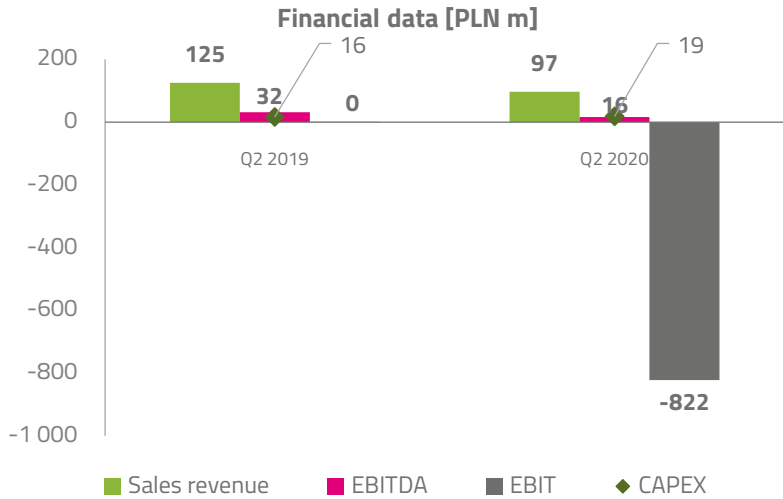


Biomass-fired and high efficiency cogeneration production [TWh]

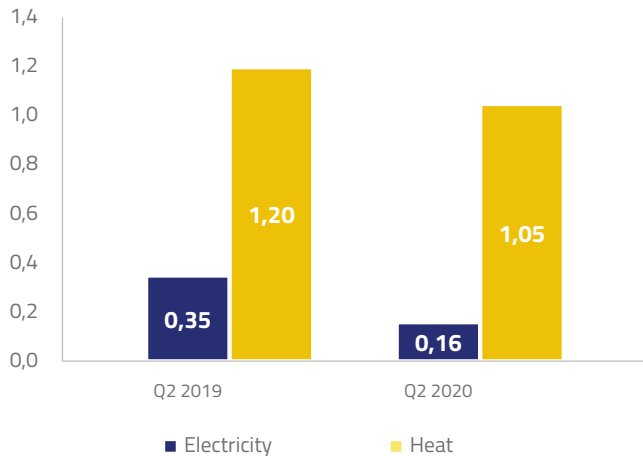


- Dissolving of the provision for the payment equivalent for electricity ✓
- Drop of heat sales volume -
- Drop of electricity sales volume -
- Decline of *clean dark spread* -

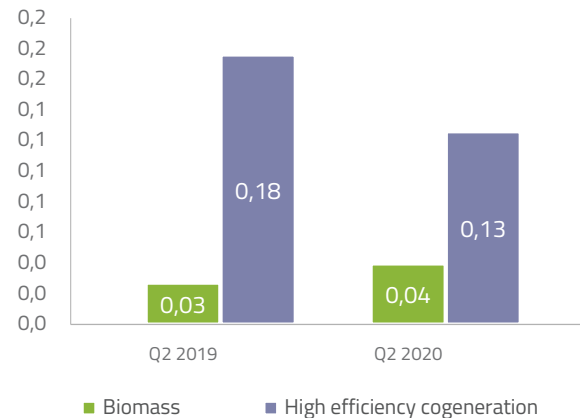
Discontinued operations – Q2 2020



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



Biomass-fired and high efficiency cogeneration production [TWh]



- Dissolving of the provision for the payment equivalent for electricity ✓
- Lower heat and cogeneration production volume -
- Drop of electricity sales volume -
- Decline of *clean dark spread* -

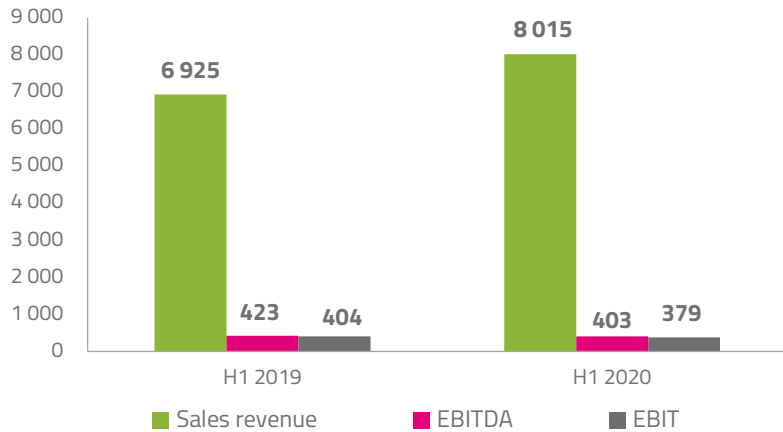


Supply Segment

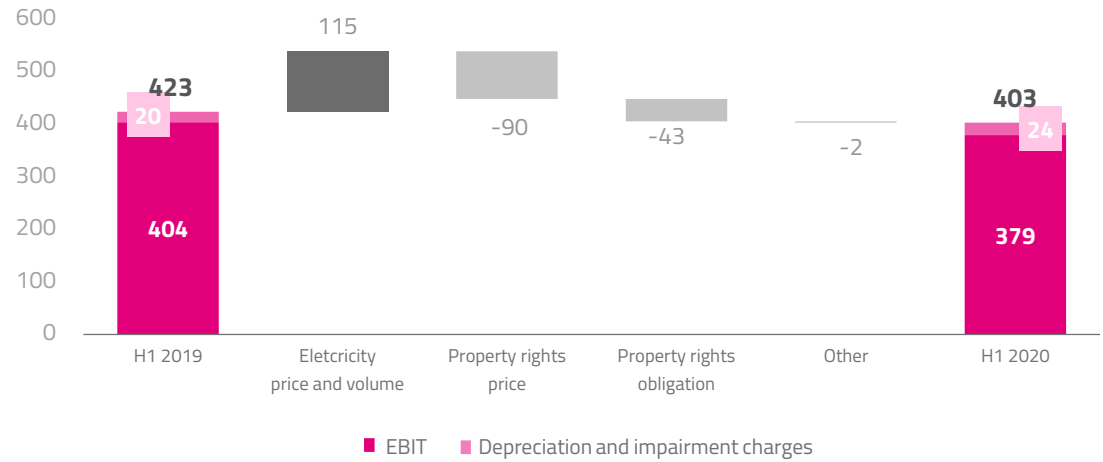
Supply Segment – H1 2020



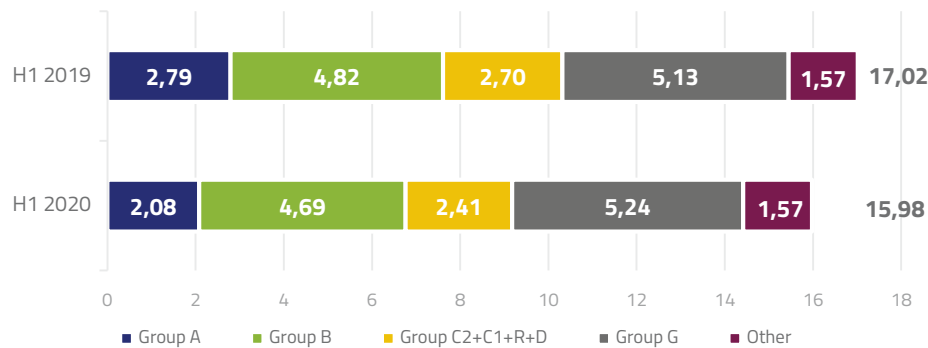
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



Higher margin on electricity repurchase (buyback) ✓

Increase of purchase prices and the obligation to retire PMOZE -

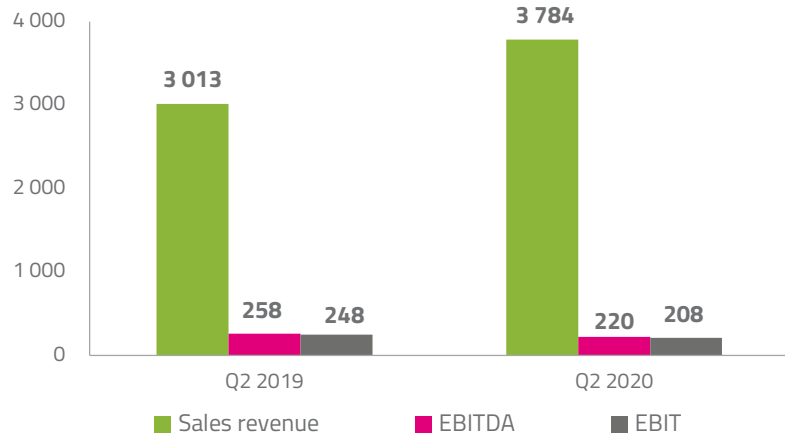
Variable costs not fully covered by the G tariff -

Impact of COVID-19 on EBITDA: PLN -55 million -

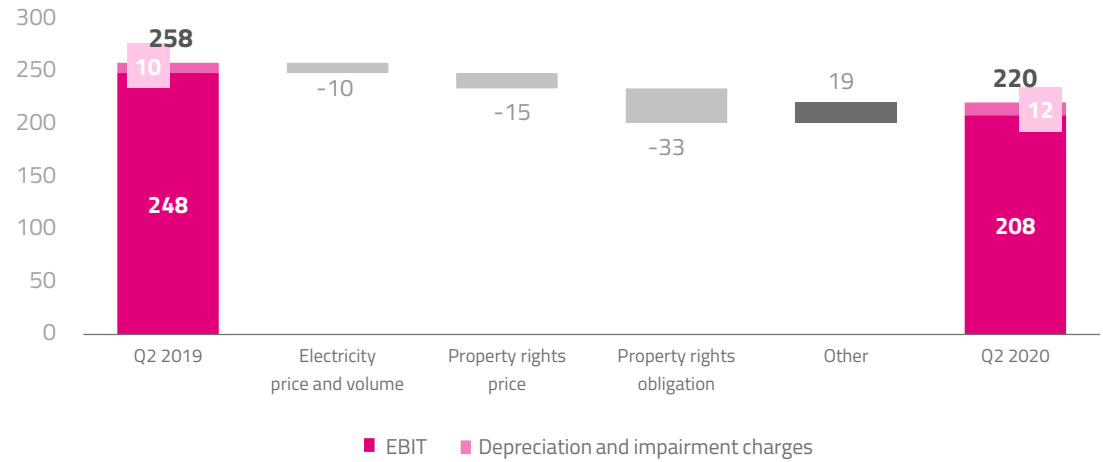
Supply Segment – Q2 2020



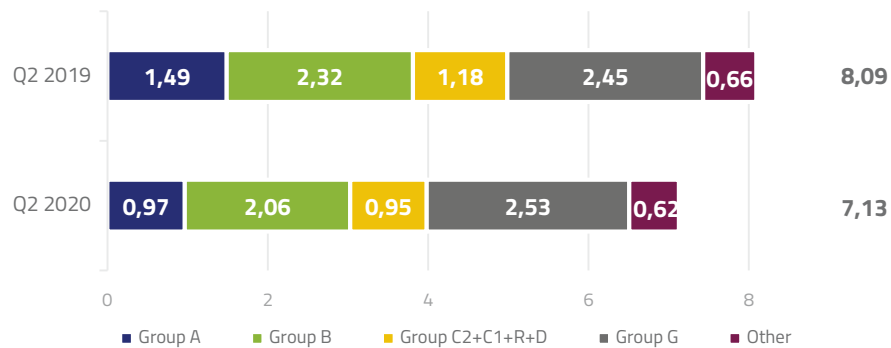
Financial data [PLN m]



EBITDA change [PLN m]



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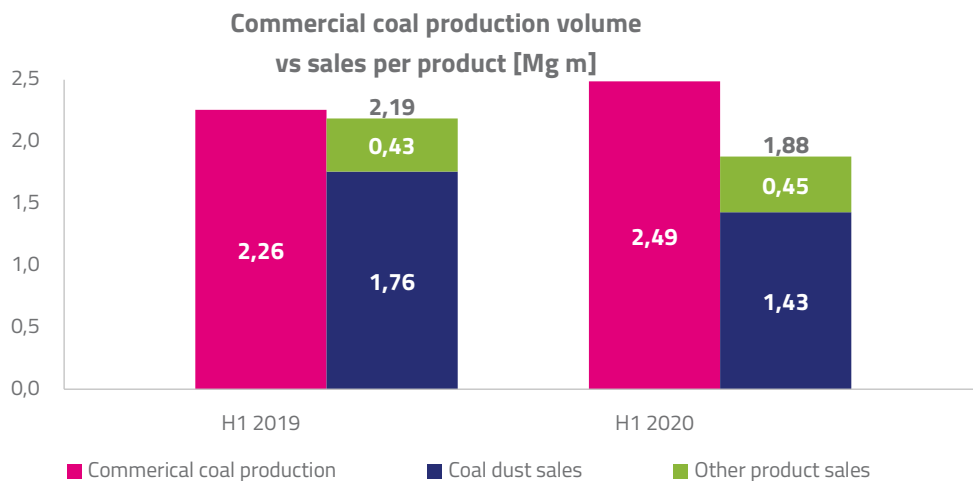
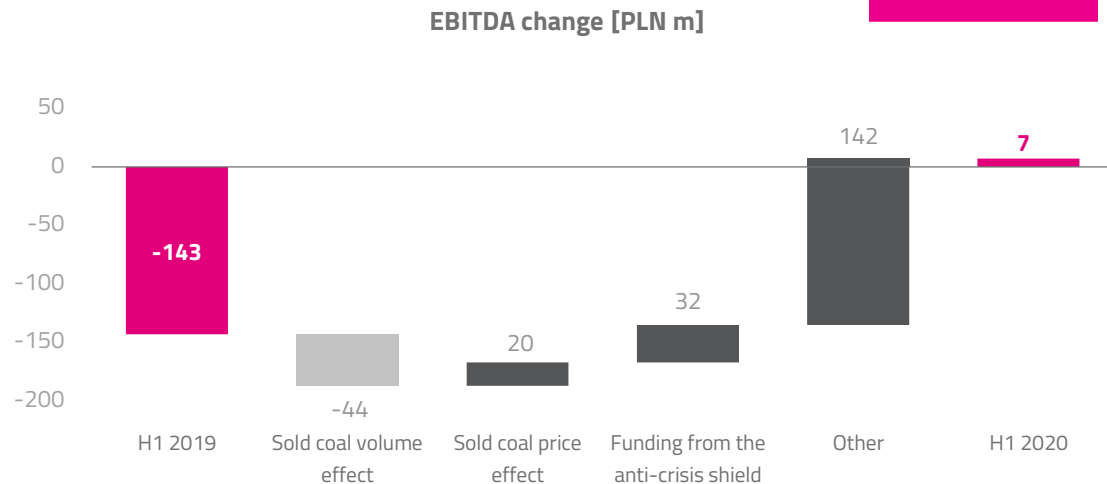
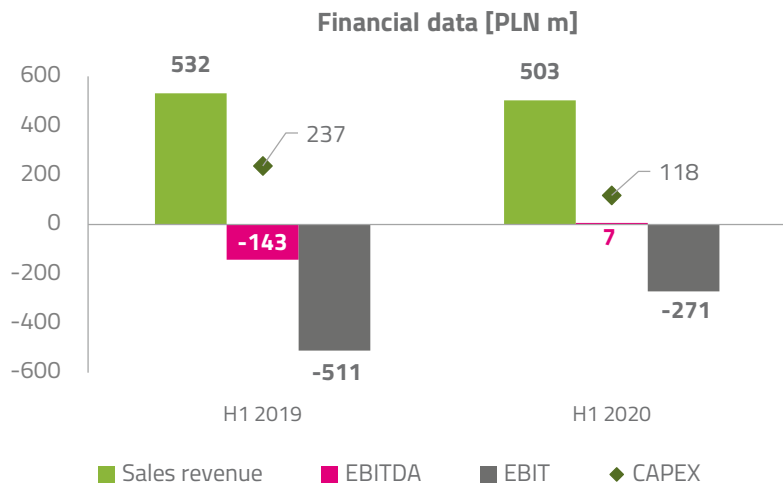
Variable costs not fully covered by the G tariff -

Impact of COVID-19 on EBITDA: PLN -51 mln zł -



Mining Segment

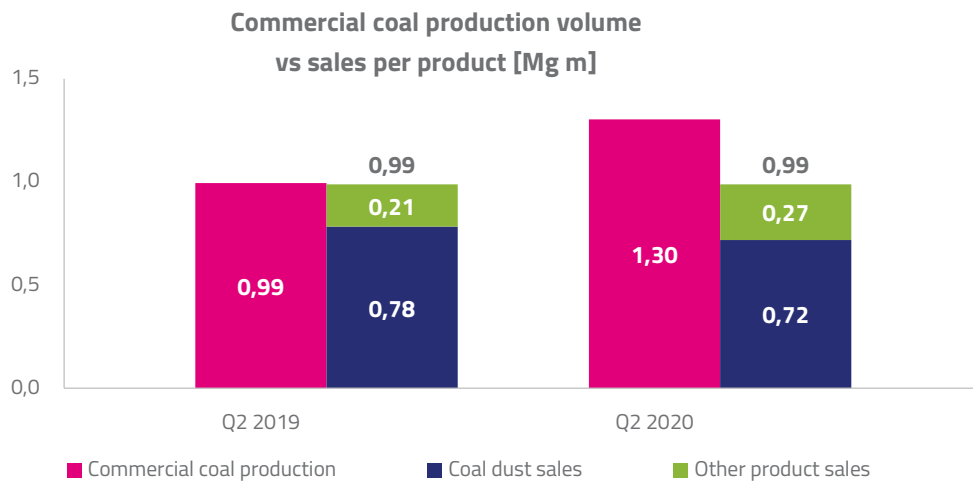
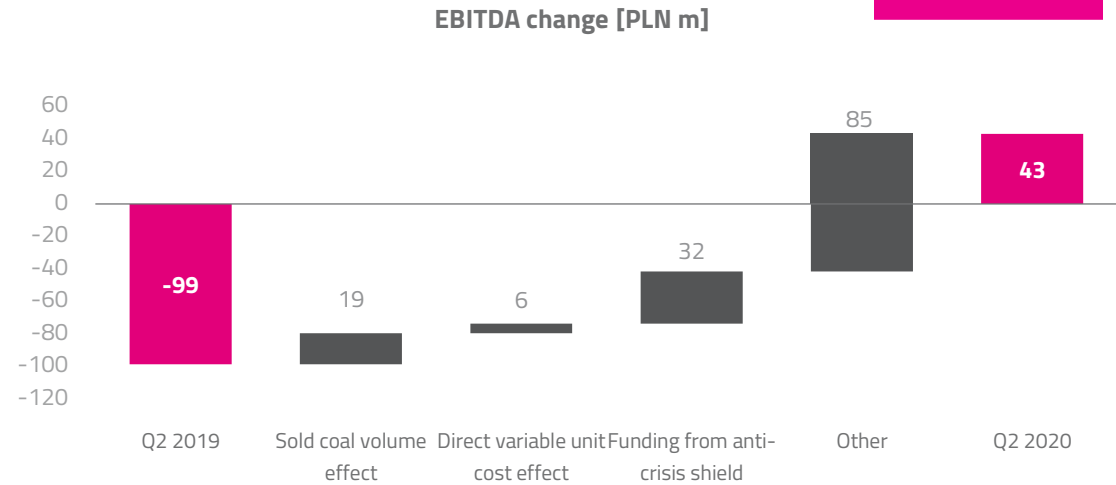
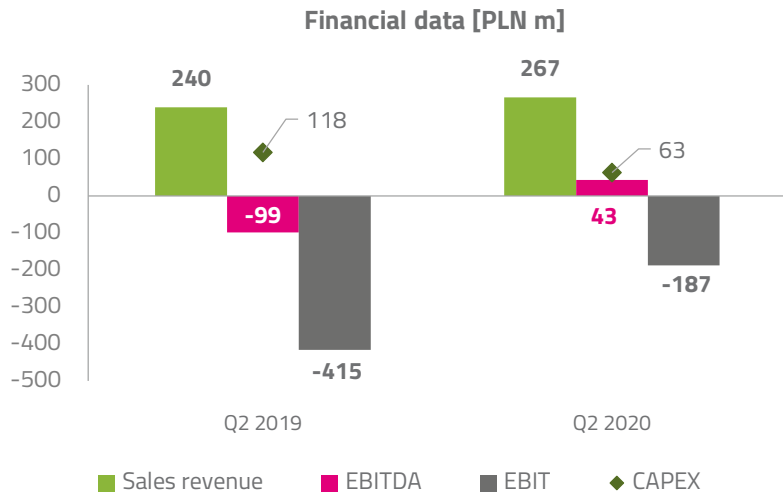
Mining Segment – H1 2020



- Substantial increase of coal production as compared to Q3 and Q4 2019 ✓
- Lower volume of coal sold -
- Drop by 20 PLN/Mg of the unit mining cash cost* (down from 221 PLN/Mg to 201 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 2020

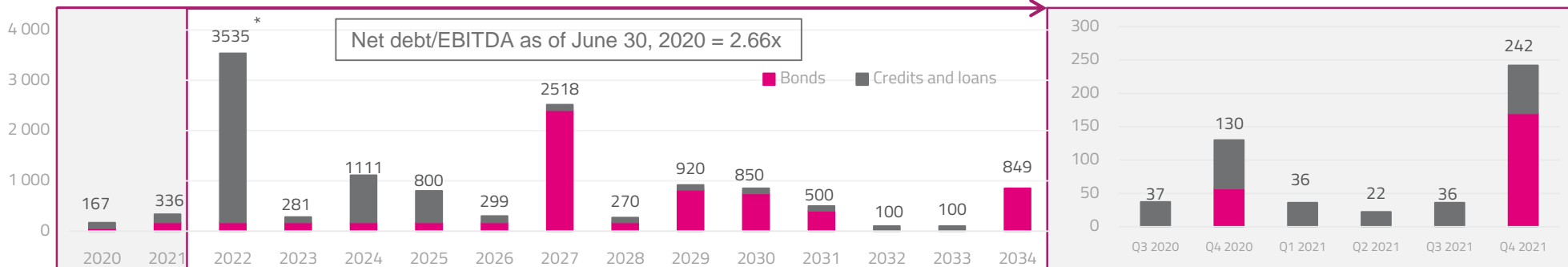


- Substantial increase of coal production as compared to Q2 2019 ✓
- Sales at the Q1 2019 level -
- Drop by 52 PLN/Mg of the unit mining cash cost* (down from 233 PLN/Mg to 181 PLN/Mg) ✓

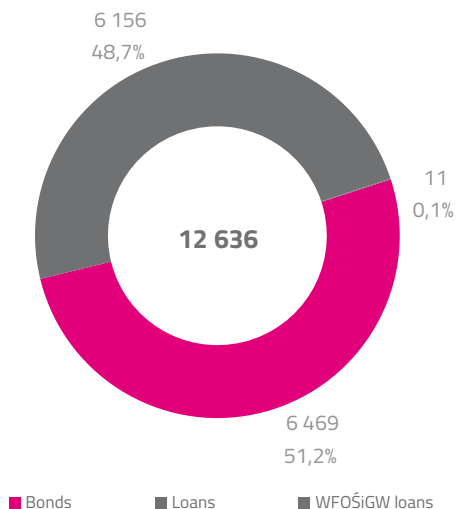
* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

Debt and financing

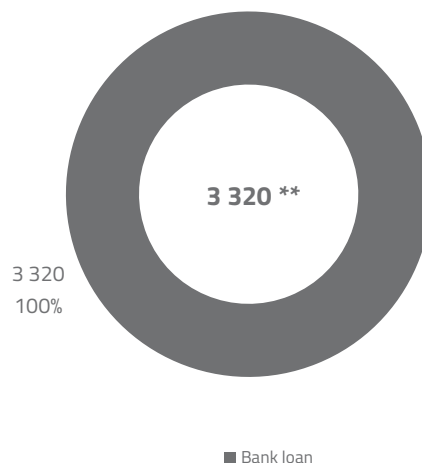
TAURON Group's nominal debt maturity as of June 30, 2020 [PLN m]



TAURON Group's nominal debt structure as of 30.06.2020 [PLN m]



Amounts of financing available to TAURON Group as of 30.06.2020 [PLN m]



Debt structure by interest rate [PLN m]





Debt amount	Interest rate	Collateral floating rate
12 636	Floating: 6 898	IRS: 4 340
	Fixed: 5 738	None: 2 558

- Weighted average maturity of debt as of June 30, 2020 is 83 months (assuming the bank loan continues to be drawn until 2022)
- EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 30% 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 and China Construction Bank loan after the standard suspending conditions have been met (the date of meeting the conditions is dependent on the date the funds are used). Beside the above indicated available financings, TAURON Group is also using overdraft facilities with the maximum available limits of PLN 300m and EUR 45m

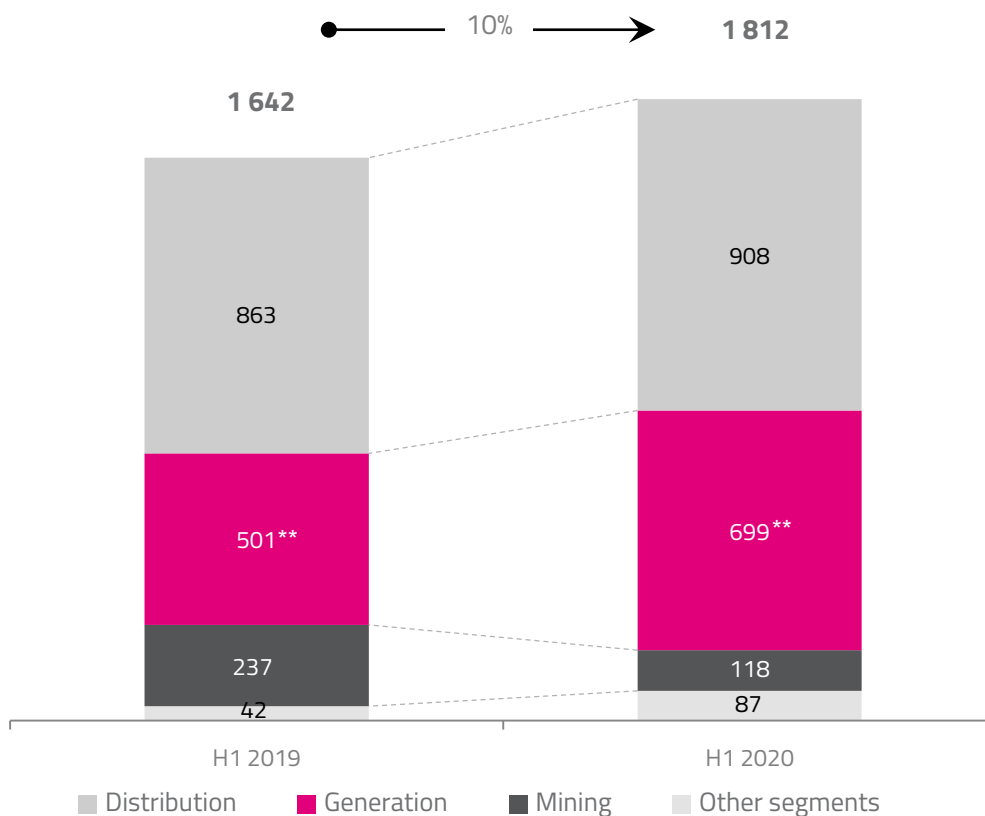
CAPEX – work progress on the key projects

Investment project	Capacity (MW _e)	Capacity (MW _t)	Work progress (percentage)	Completion date
Construction of the generating unit in Jaworzno	910	-	98	 2020
Construction of the CCGT unit at Stalowa Wola Combined Heat and Power Plant	450	240	98	 2020
Implementing heat production at the 460 MW Łagisza Power Plant – modernization of the turbine, construction of the heating station, as well as the peaking and back-up (auxiliary) boilers	460	150+144	99	 2020
Adaptation of TAURON Wytwarzanie's generating units to the BAT conclusions	-	-	66	 2021

CAPEX – by segments



Capital expenditures by segments* [PLN m]



Key investment projects implemented in H1 2020:

Distribution:

- Grid assets upgrades (refurbishments) and replacements (PLN 423m)
- Installing new connections (PLN 423m)
- Dispatch Communications System (PLN 17m)

Generation:

- Construction of the new 910 MW capacity in Jaworzno (PLN 310m)
- Adaptation of the generating units to BAT (PLN 135m)
- Replacement and refurbishment related outlays as well as overhaul components at TW (PLN 86m)
- Implementing heat production at Łagisza Power Plant (PLN 17m)
- Restoration of the SUW demineralized water treatment station (PLN 3m)
- New facility connections (PLN 13m)
- District heating networks' maintenance and expansion (PLN 6m)

Mining:

- Brzeszcze Coal Mine's CAPEX program (PLN 15m)
- Construction of the Grzegorz shaft at Sobieski Coal Mine (PLN 9m)
- Construction of the 800 m level at Janina Coal Mine (PLN 27m)
- Production preparation (PLN 53m)

Supply and other:

- Deployment of the broadband internet as part of the POPC III Program (PLN 36m)

* Expenditures do not include equity investments (in accordance with the presentation in the financial statements). Expenditures, including equity investments, excluding financial costs, reached: PLN 1 561m in H1 2019 and PLN 1 703m in H1 2020

** Generation Segment, RES and discontinued operations CAPEX

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 32 774 25 38

Katarzyna Heinz

katarzyna.heinz@tauron.pl

tel. + 48 516 111 038

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Thank you for your attention

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 Dzięciołowski
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

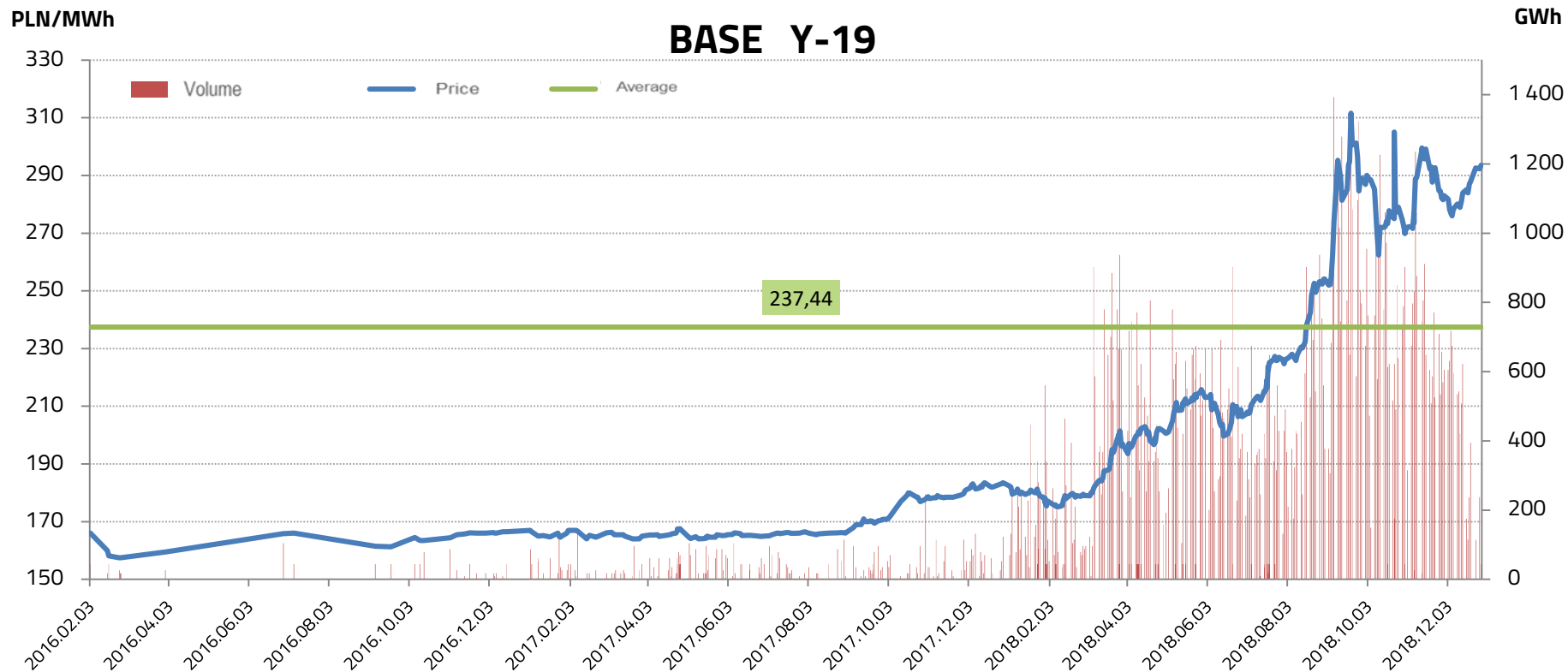
Electricity market price trends

Electricity						
Platforms: TGE, TFS	2019 r.		2020 r. (2020 prices until July 30, 2020, and estimation)		2020/2019	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	241.94	167 413	255.23	167 874	5.5%	0.3%
Forward PEAK (Y+Q+M)	334.60	13 748	312.85	19 594	-6.5%	42.5%
Forward (weighted average)	248.97	181 161	261.25	187 468	4.9%	3.5%
SPOT (TGE)	230.97	33 947	200.05	35 230	-13.4%	3.8%
Weighted average total	246.13	215 108	251.57	222 698	2.2%	3.5%

Property rights (PLN/MWh)				CO ₂ emission allowances (EUR/t)	
Certificate type	Market prices (H1 2020 weighted average)	Substitution fee and obligation for:		CO ₂ market analysts survey* (updated in July 2020)	Price (EUR/t)
		2019	2020	2020 average	23.62 EUR/t
OZE (PMOZE_A)	137.79	129.78 (18.5%)	165.24 (19.5%)	2021 average	26.30 EUR/t
RES from biogas plants (PMOZE_BIO)	300.15	300.03 (0.5%)	300.03 (0.5%)	2022 average	28.95 EUR/t
				2020 average price forecast by TAURON	24 - 26 EUR/t

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

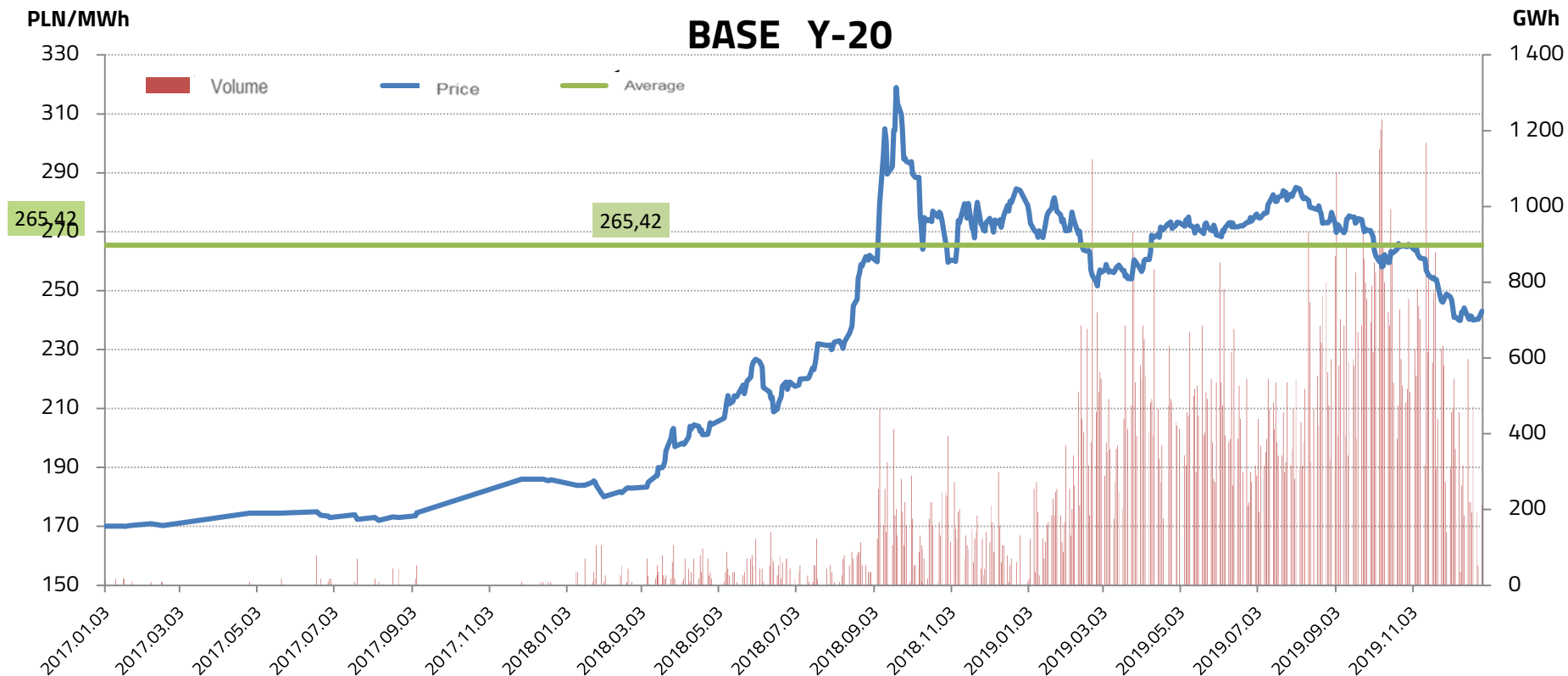
2019 BASE contract prices



		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: 151 518 GWh

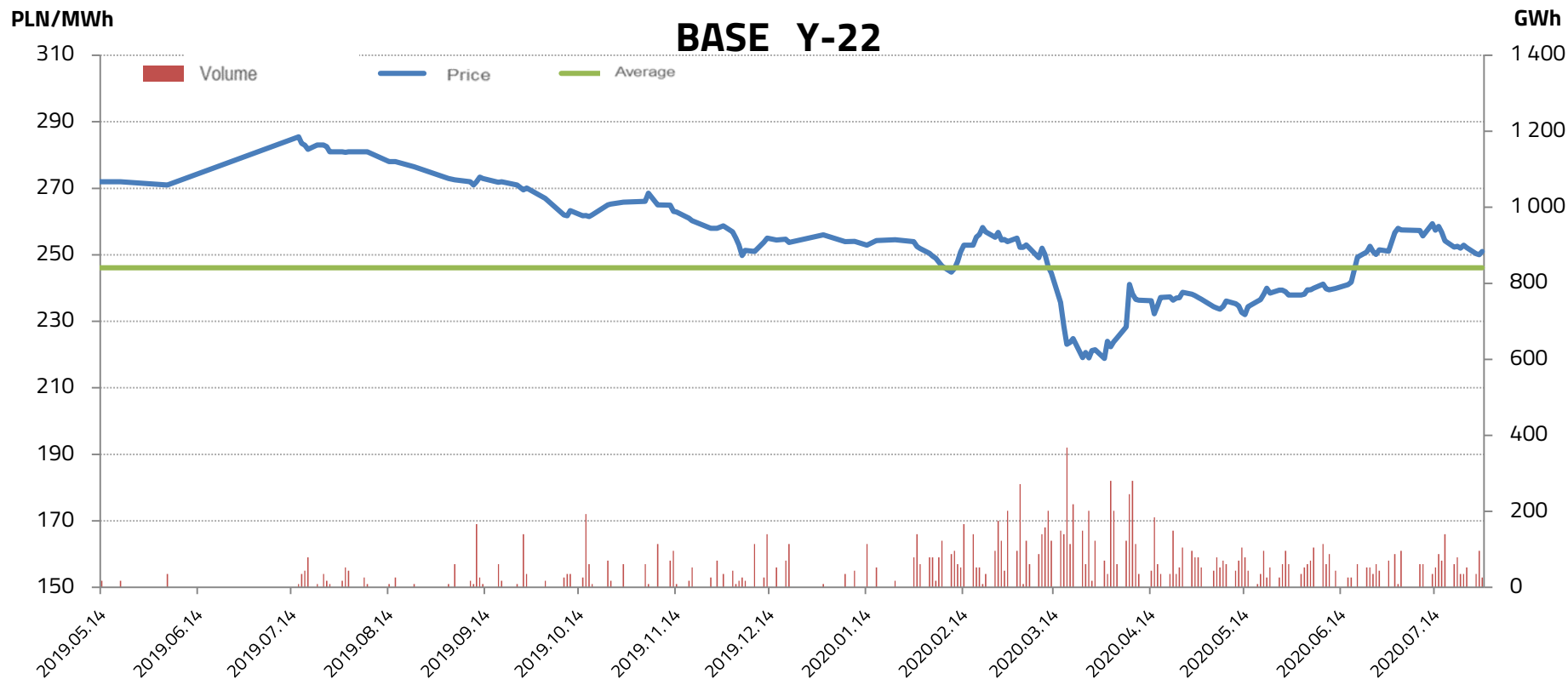
2021 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		239,55	92 313
including	TGE	239,55	92 313
	non-TGE	0	0

Average electricity price that takes into account 2022 one year BASE and PEAK contracts: 250.54 PLN/MWh, total 2022 BASE and PEAK contracts volume: 14 987 GWh

2022 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		246.39	13 683
including	TGE	246.39	13 683
	non-TGE	0	0

Average electricity price that takes into account 2022 one year BASE and PEAK contracts: 250.54 PLN/MWh, total 2022 BASE and PEAK contracts volume: 14 987 GWh