



TAURON Group's Q1-3 2020 Financial Results

November 19, 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 Q1-3 2020 data



Financial results		
[PLN m]	Q1-Q3 2020 vs Q1-Q3 2019	
Sales revenue	14 877	6%
EBITDA	3 414	8%
Net profit*	61	(94)%
CAPEX	2 728	(0,5)%
Net debt/EBITDA	2.53x	down by 0.28x (vs 31.12.2019)

Operating data		
	Q1-Q3 2020 vs Q1-Q3 2019	
Electricity distribution [TWh]	36.94	(5)%
Electricity production from RES [TWh]	1.39	43%
Electricity production by hard coal-fired units [TWh]	7.32	(22)%
Heat generation [PJ]	7.51	5%
Retail electricity supply [TWh]	23.71	(5)%
Commercial coal production [ton m]	3.59	22%

* from the continued operations

** attributable to the shareholders of the parent company

Key Q3 2020 data

Financial results

[PLN m]	Q3 2020 vs Q3 2019	
Sales revenue	4 989	6%
EBITDA	1 006	8%
Net profit*	377	24%
CAPEX	915	(17)%
Net debt/EBITDA	2.53x	down by 0.28x (vs 31.12.2019)

Operating data

	Q3 2020 vs Q3 2019	
Electricity distribution [TWh]	12.34	(2)%
Electricity production from RES [TWh]	0.40	38%
Electricity production by hard coal-fired units [TWh]	2.45	(18)%
Heat generation [PJ]	0.82	12%
Retail electricity supply [TWh]	7.72	(4)%
Commercial coal production [ton m]	1.10	60%

* from the continued operations

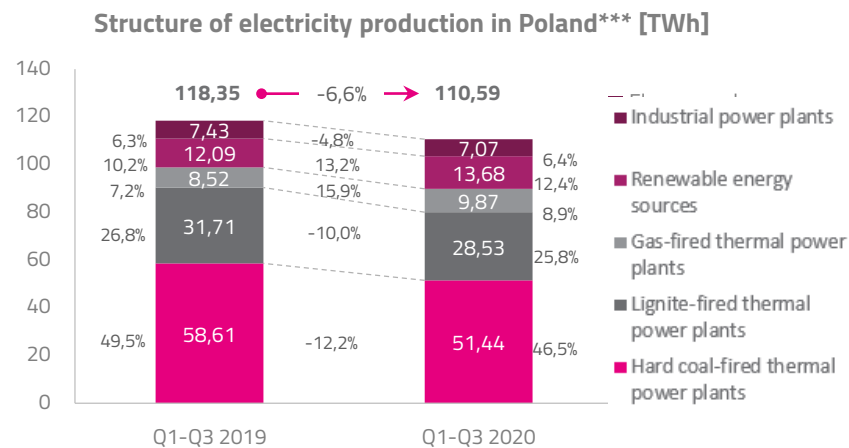
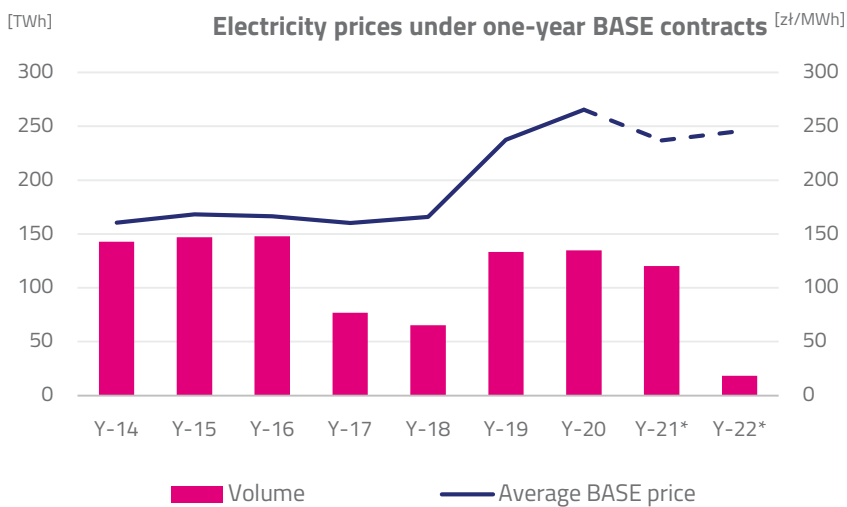
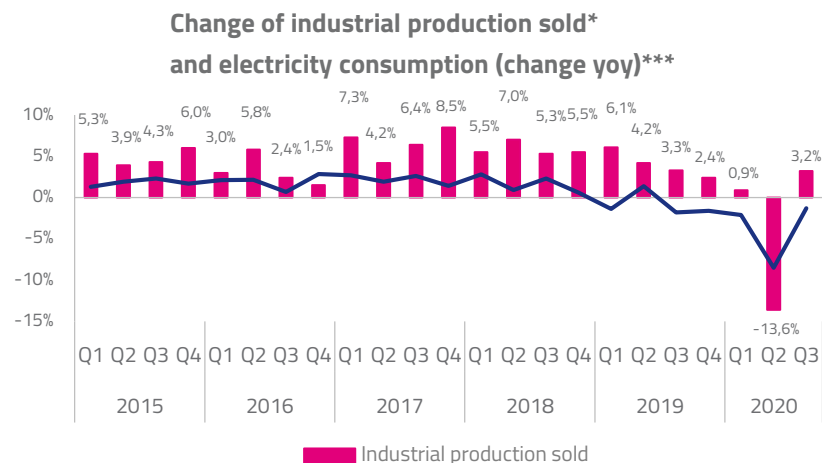
** attributable to the shareholders of the parent company

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
June 16	Commencement of exclusive negotiations with PGNiG as part of the process of the sale of shares in TAURON Ciepło
September 30	Commissioning of the CCGT unit in Stalowa Wola
October 1	Signing of the Letter of Intent with respect to the sale of the shares in PGE EJ 1 sp. z o.o.
October 30	Issue of the sustainable development bonds worth PLN 1 billion
November 13	Commissioning of the 910 MW unit in Jaworzno. Conclusion of the settlement agreement with the Rafako-Mostostal Warszawa consortium

Macroeconomic and market situation

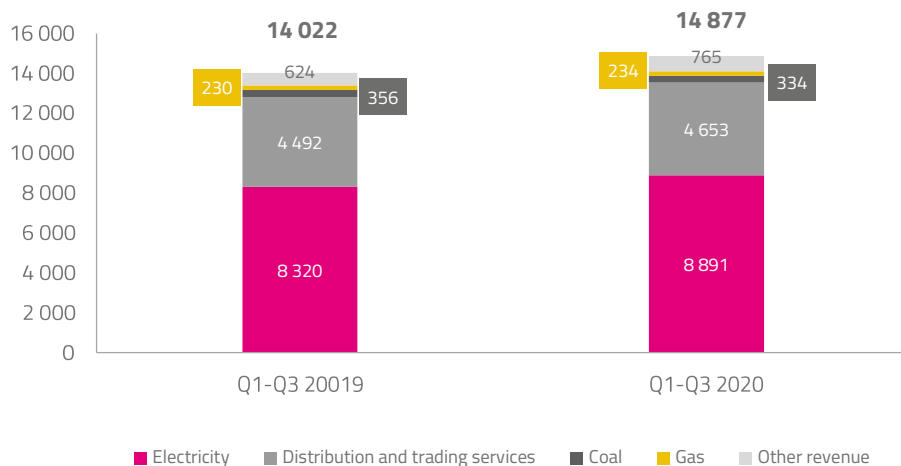


Source: * GUS ** Bankier.pl ***PSE

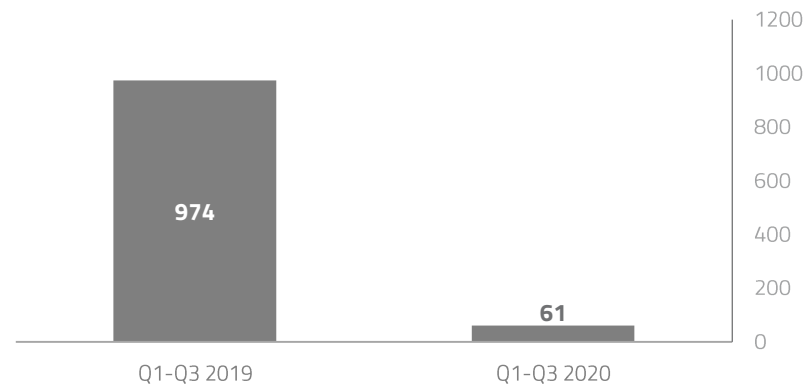
Q1-3 2020 financial data



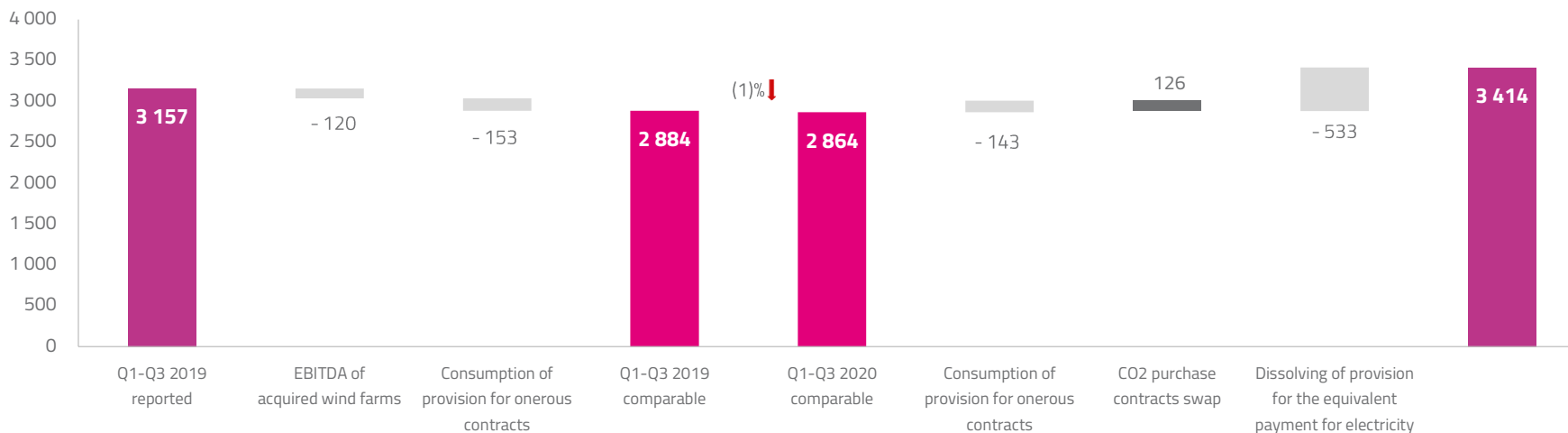
Sales revenue* [PLN m]



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



Q1-Q3 2020 vs Q1-Q3 2019 EBITDA [PLN m]

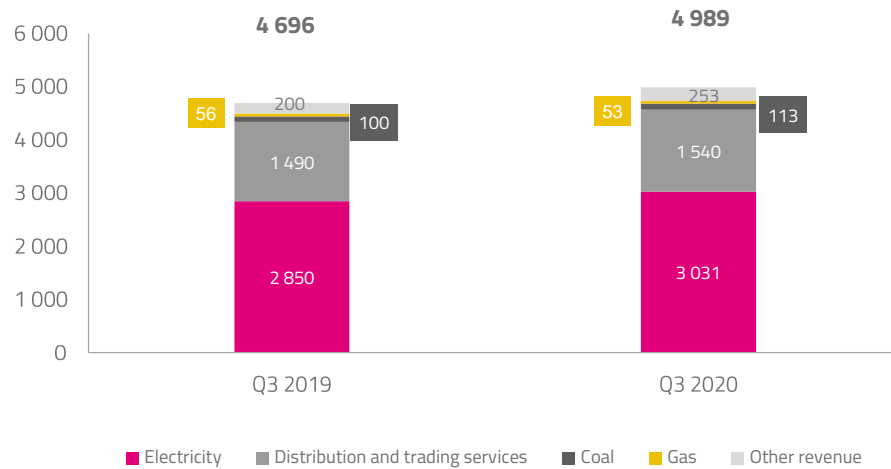


* from the continued operations

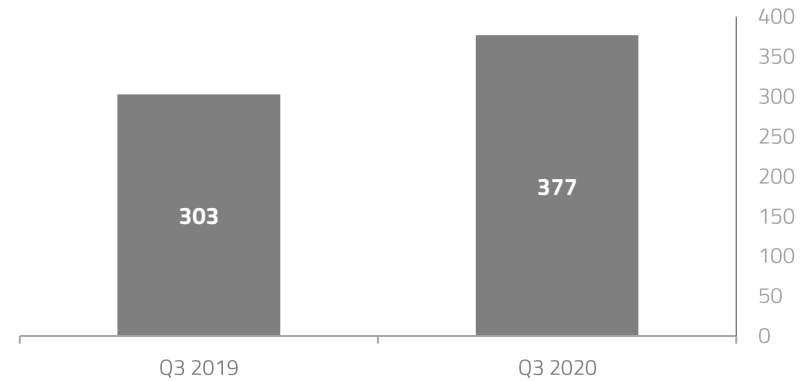
Q3 2020 financial data



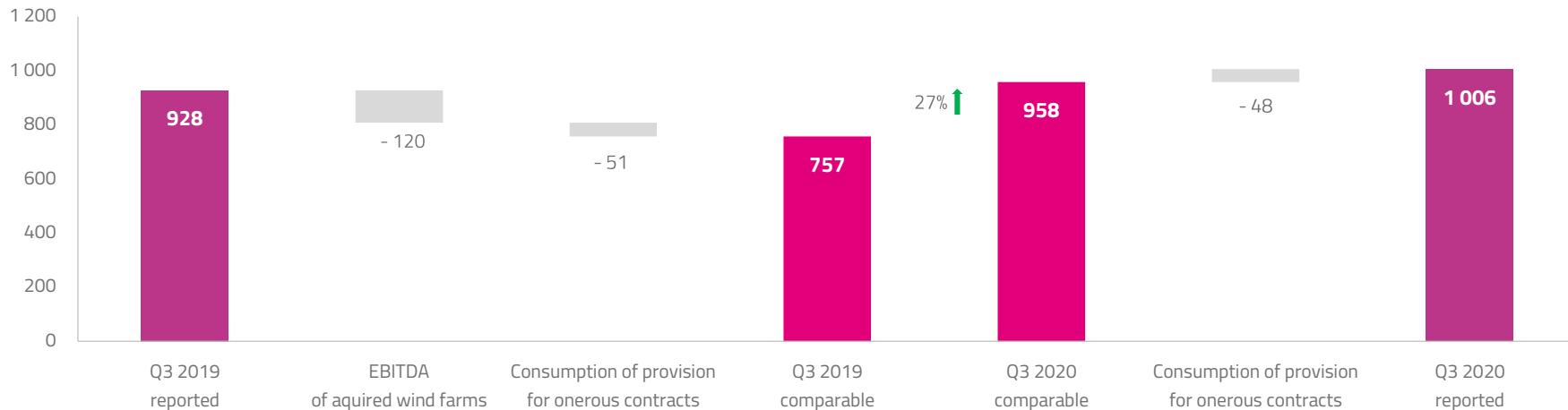
Sales revenue* [PLN m]



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



Q3 2020 vs Q3 2019 EBITDA [PLN m]

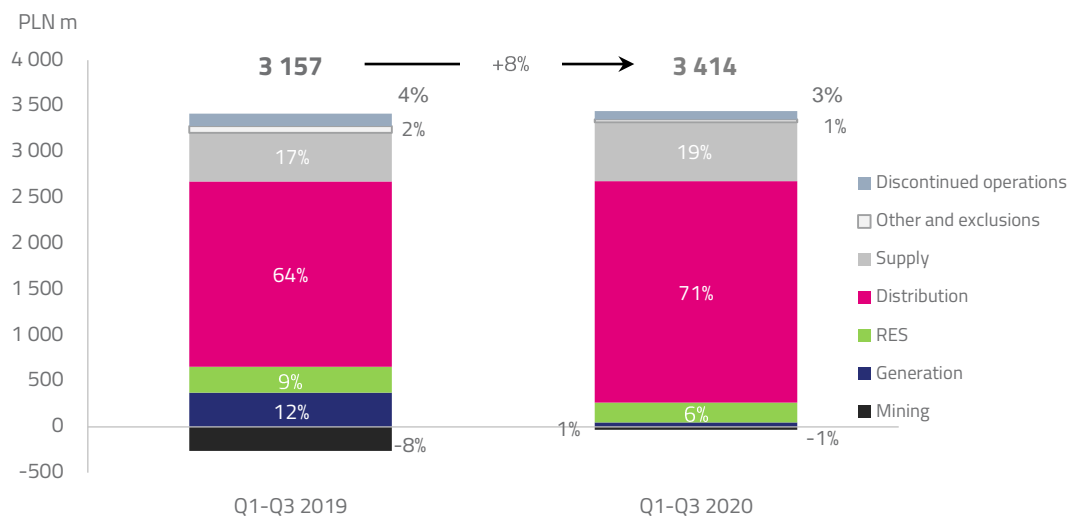


* from the continued operations

Individual segments' Q1-3 2020 results

[PLN ml]	Distribution	RES	Generation	Supply	Mining	Other and exclusions*	Discontinued operations
Revenue	5 079	458	2 339	12 151	789	(5 938)	344
EBITDA	2 417	217	48	641	(32)	32	91
EBIT	1 551	104	(200)	607	(348)	(37)	(793)
CAPEX	1 316	7	955	31	227	124	67

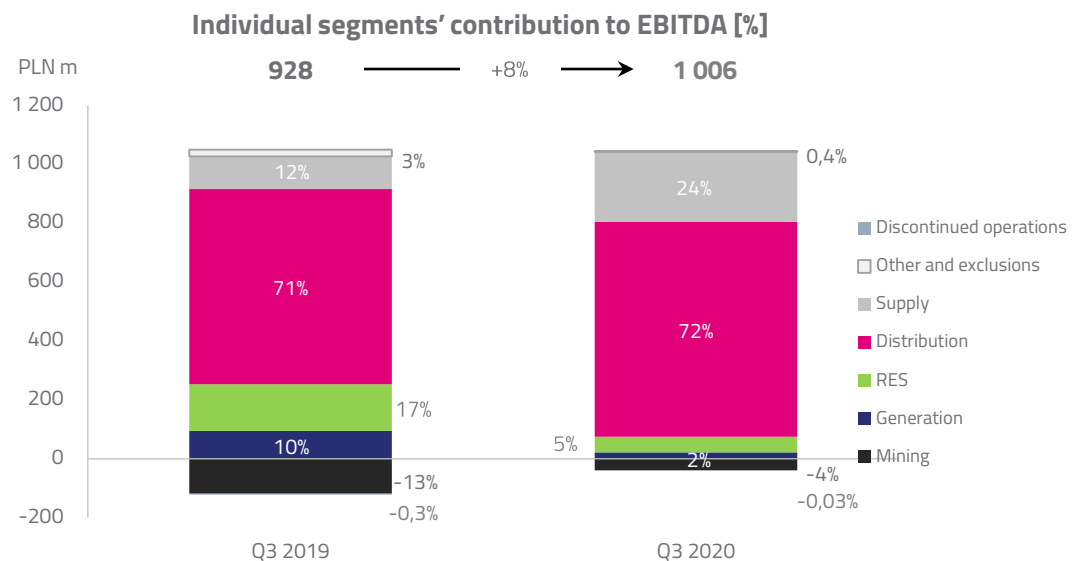
Individual segments' contribution to EBITDA [%]



* Items not included in the segments presented

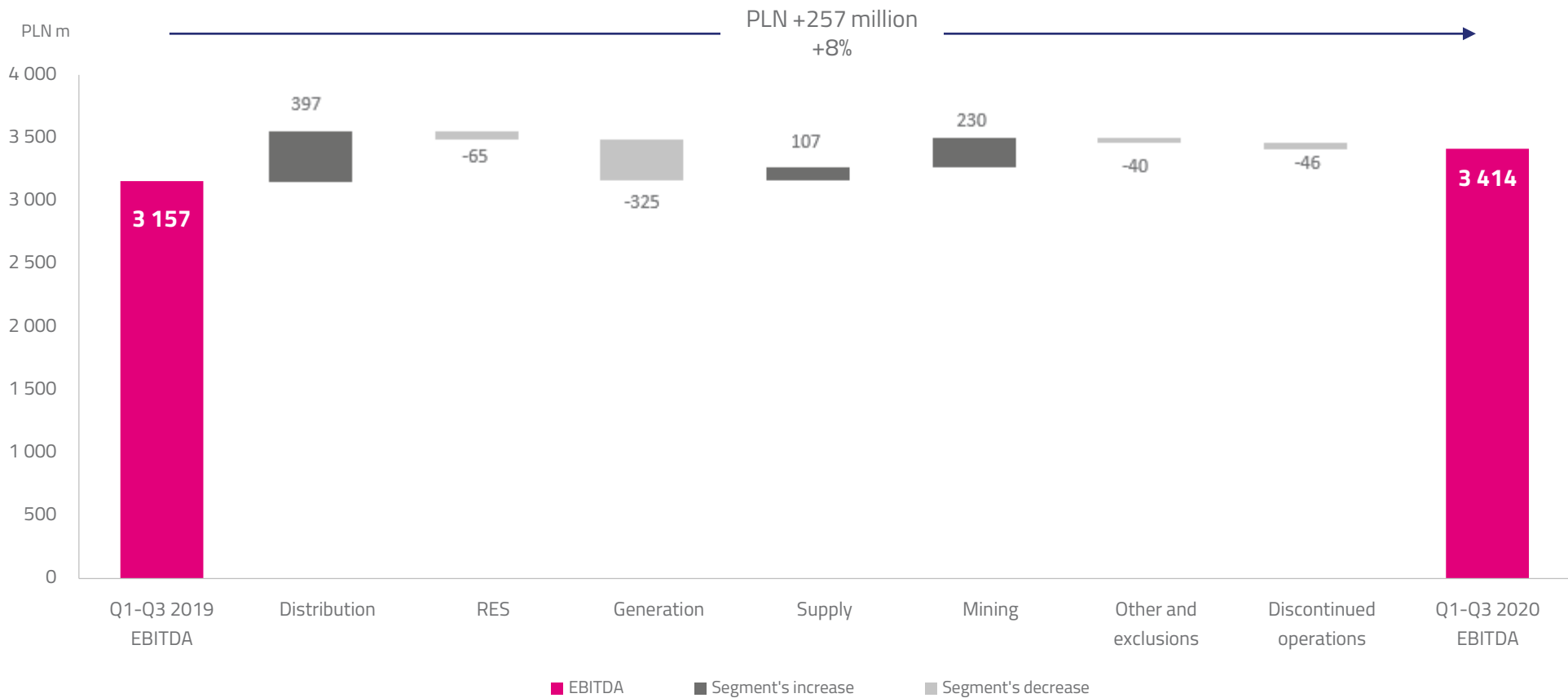
Individual segments' Q3 2020 results

[PLN ml]	Distribution	RES	Generation	Supply	Mining	Other and exclusions*	Discontinued operations
Revenue	1 720	109	786	4 136	286	(2 049)	117
EBITDA	728	54	22	238	(39)	4	(0)
EBIT	436	16	(44)	228	(76)	(20)	(16)
CAPEX	408	2	295	10	109	59	34

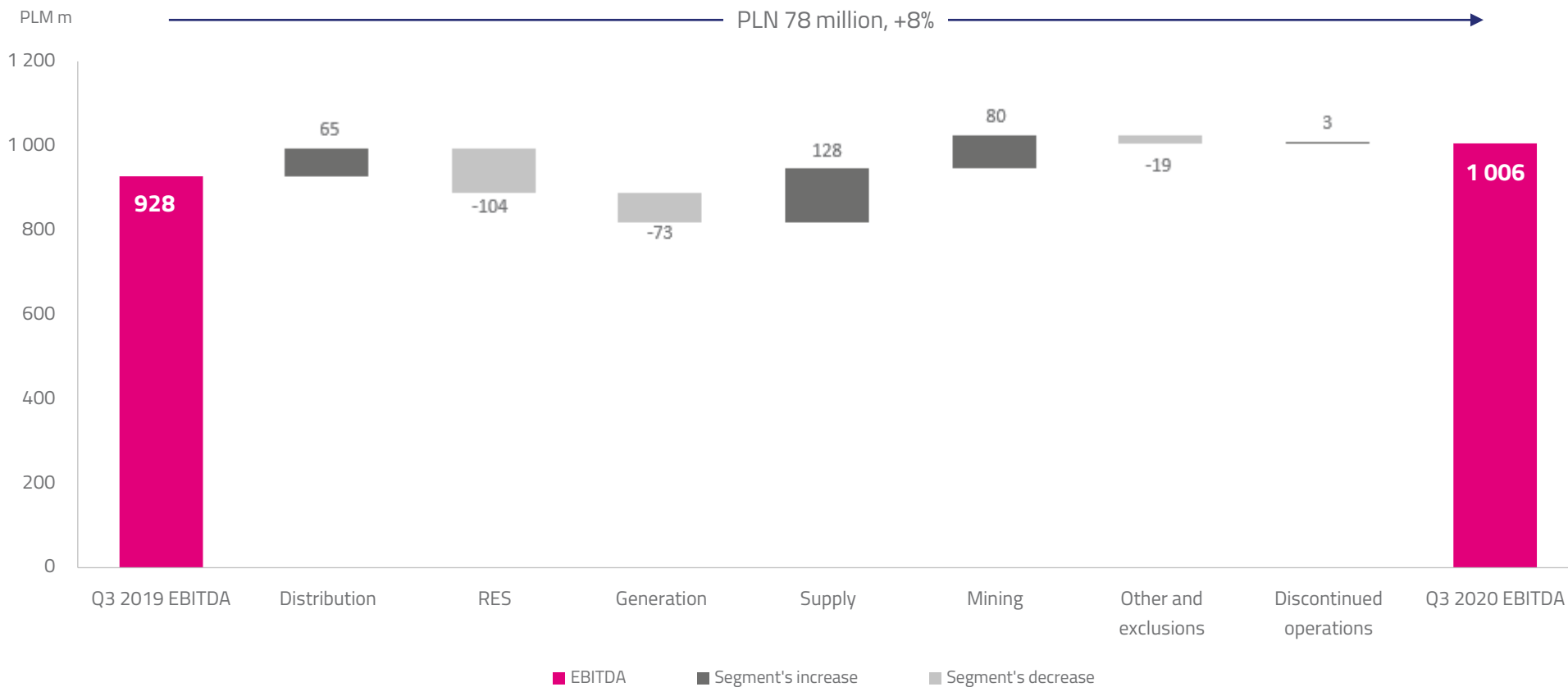


* Items not included in the segments presented

Q1-3 2020 EBITDA



Q3 2020 EBITDA



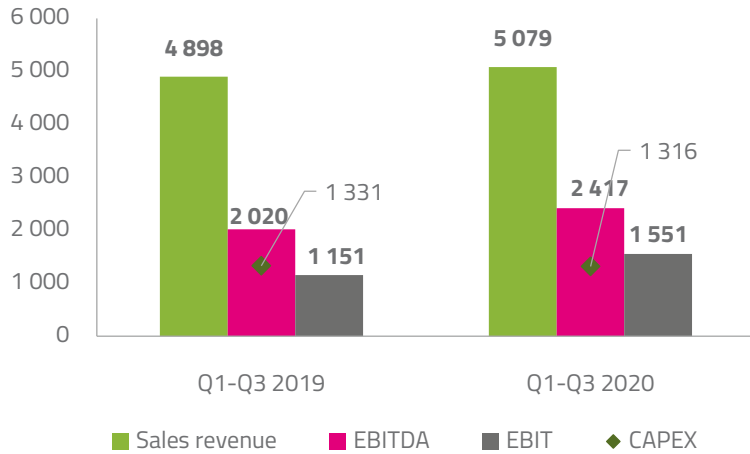


Distribution Segment

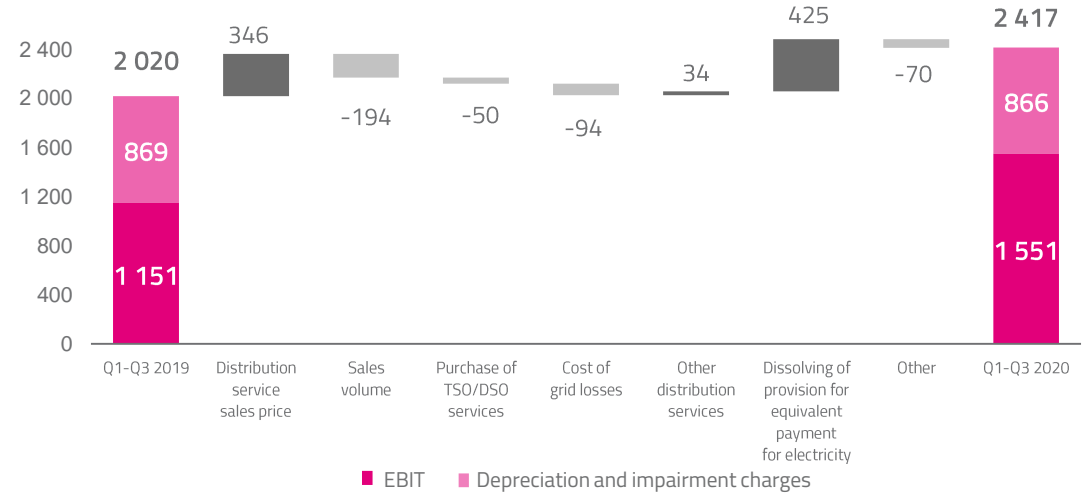
Distribution Segment – Q1-3 2020



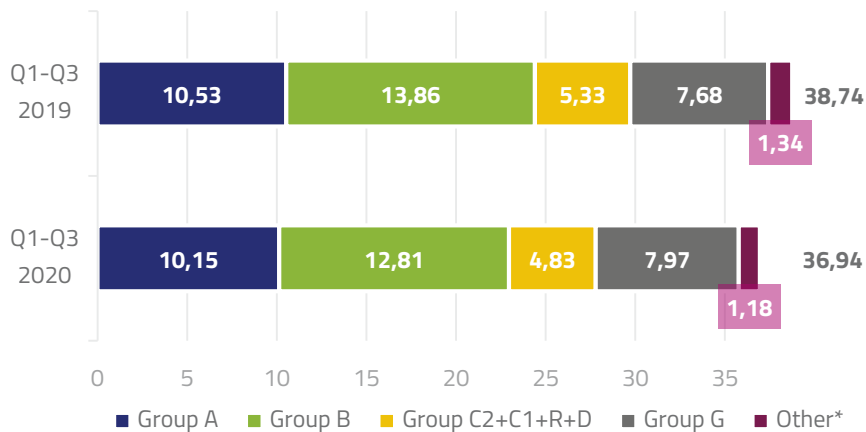
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



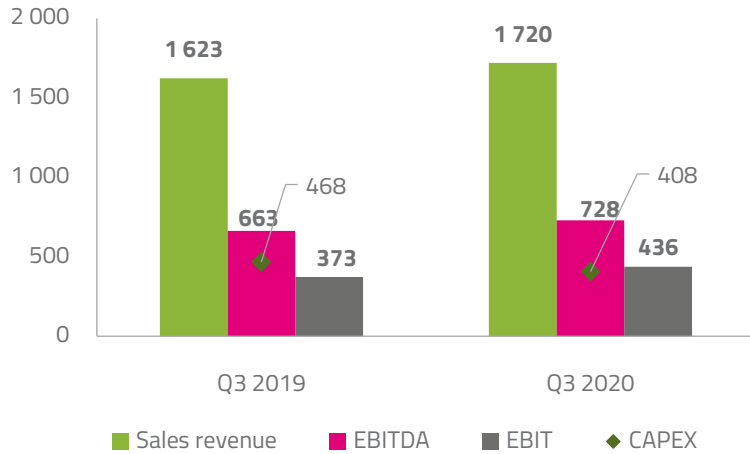
- Higher distribution services sale revenue (approved by the President of the ERO on April 6, 2019 and a change in the delivery structure) ✓
- Decline of electricity distribution services sales volume by 1.8 TWh -
- Impact of COVID-19 on EBITDA: PLN -40 million -

* Neighboring DSO and exports

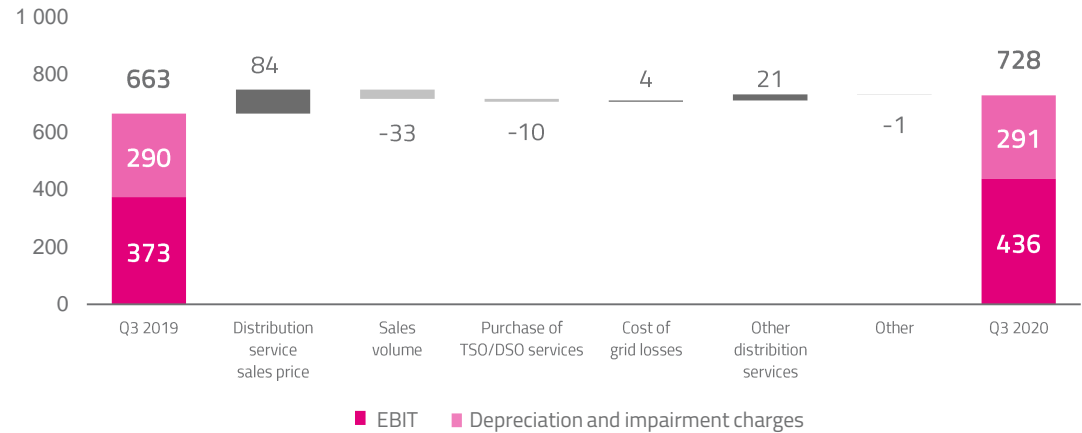
Distribution Segment – Q1 2020



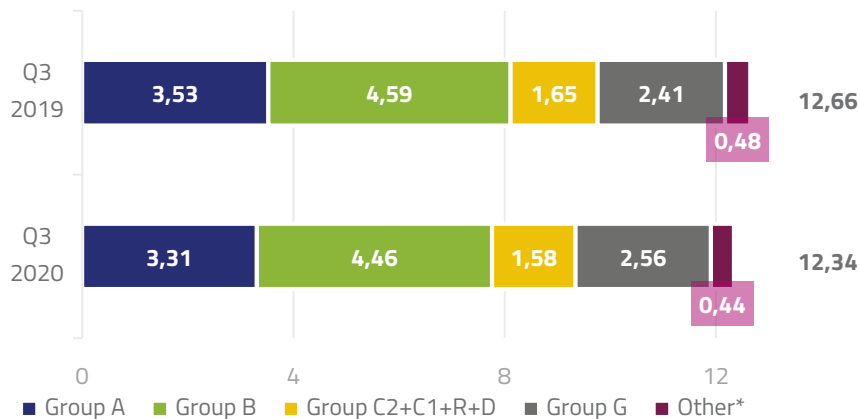
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



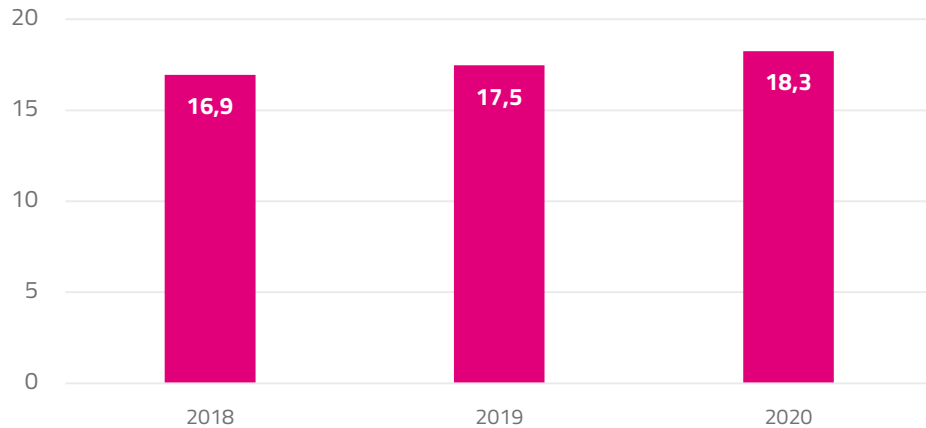
- Higher distribution services sale revenue ✓
- No negative impact of COVID-19 on EBITDA - an increase in electricity delivery to group G and a decrease in other groups, as well as the acceleration of the new customers growth rate ✓
- Decline of electricity distribution services sales volume by 0.3 TWh -

* Neighboring DSO and exports

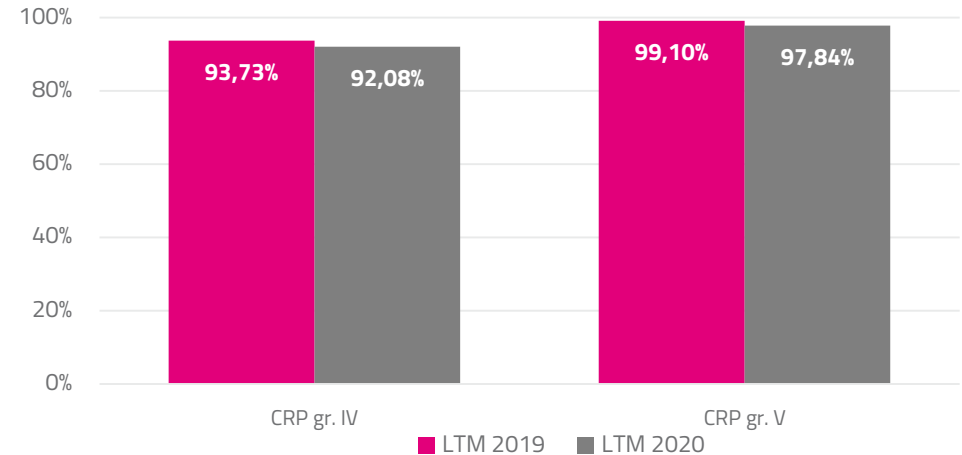
Distribution Segment – key parameters



Regulatory Asset Base [PLN bn]

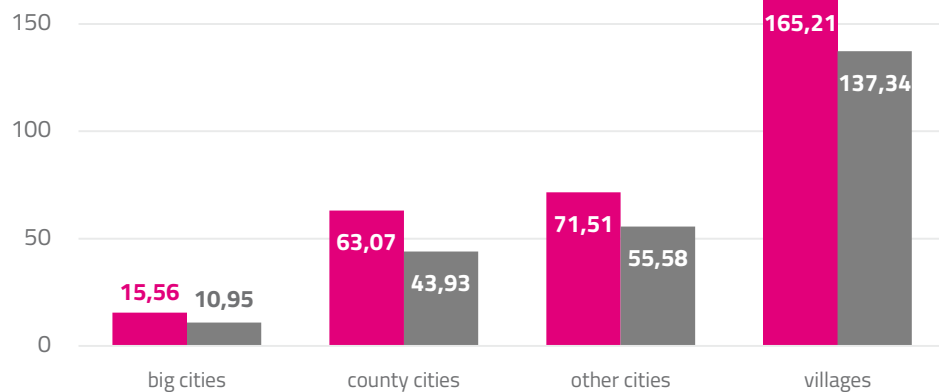


New grid connection installation time [%]



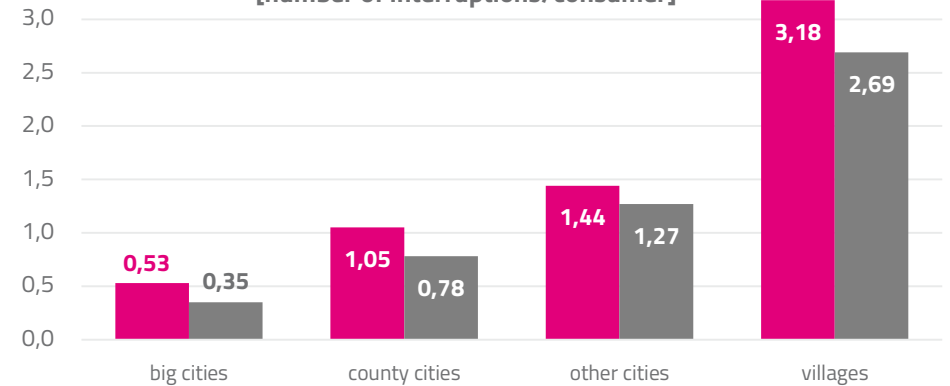
LTM – the period of the last 12 months ending on September 30, 2019 and 2020

Interruption duration [min/consumer]



■ Q1-Q3 2019 ■ Q1-Q3 2020

Frequency of interruptions [number of interruptions/consumer]



■ Q1-Q3 2019 ■ Q1-Q3 2020

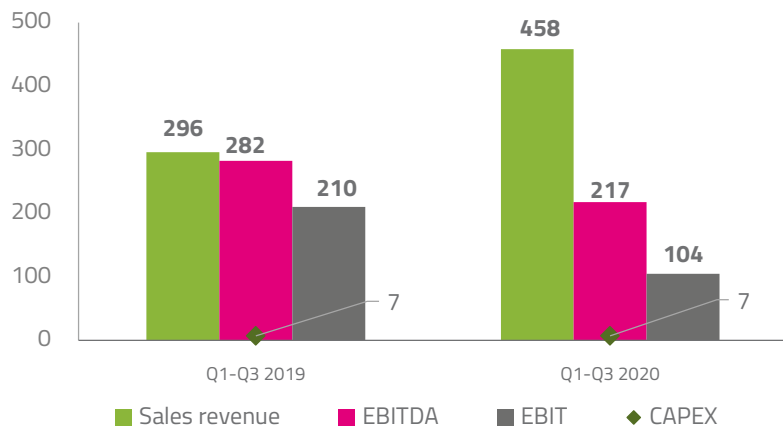


RES Segment

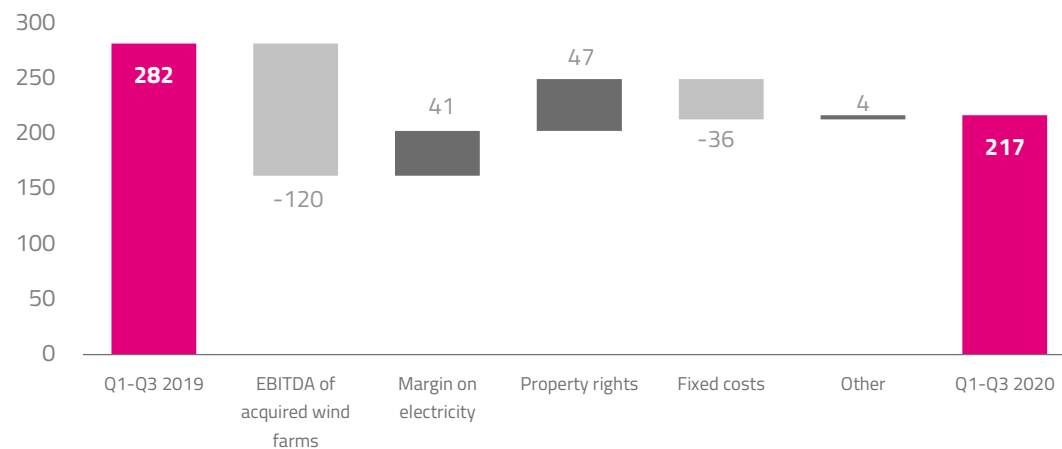
RES Segment – Q1-3 2020



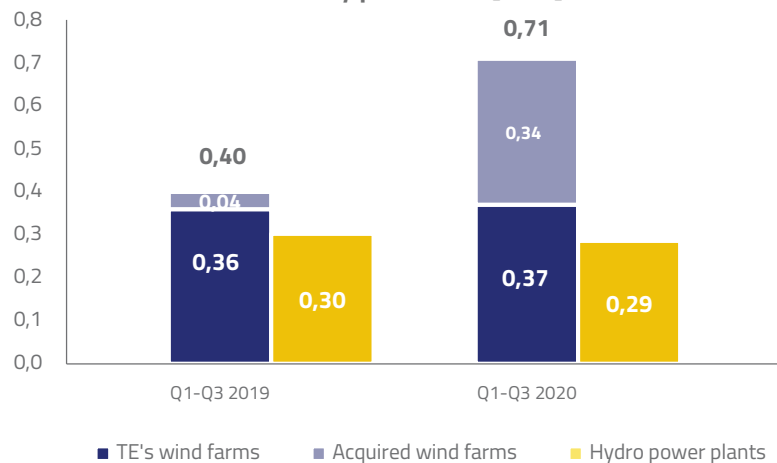
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]

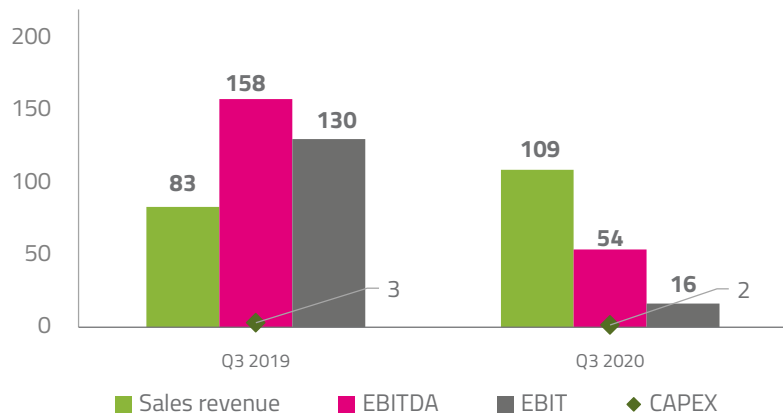


- Rise of electricity production - a consequence of the acquisition of wind farms with the capacity of 180 MW ✓
- Increase of property rights prices ✓
- Decline of electricity prices -

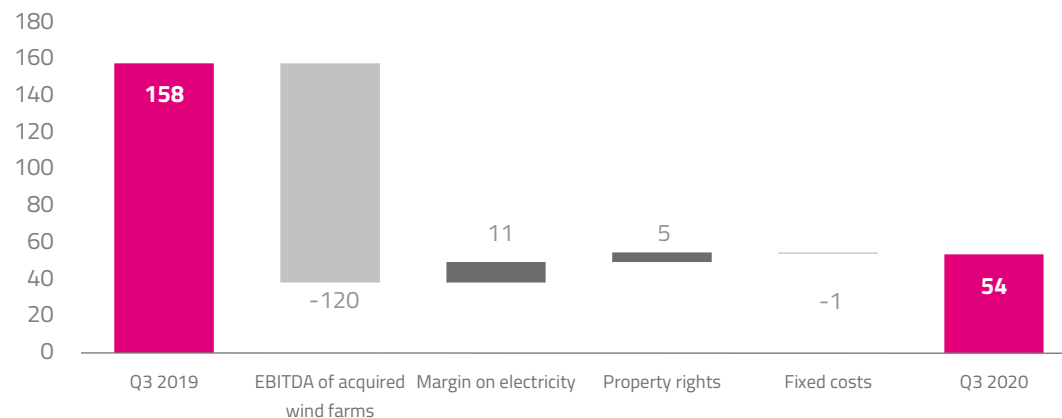
RES Segment – Q3 2020



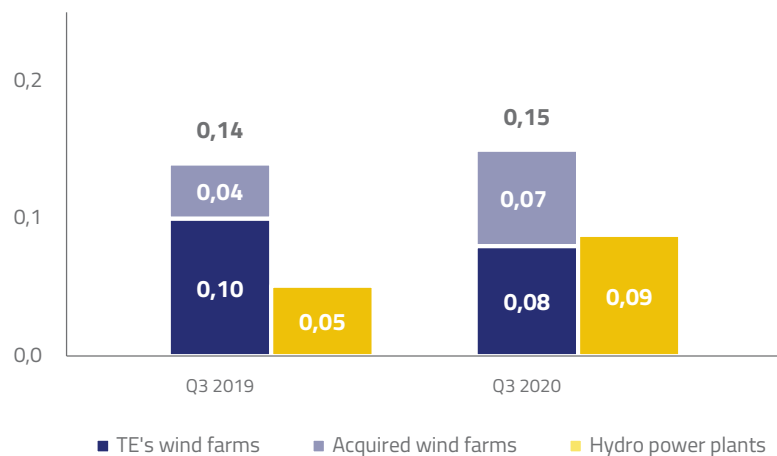
Financial data [PLN m]



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 -

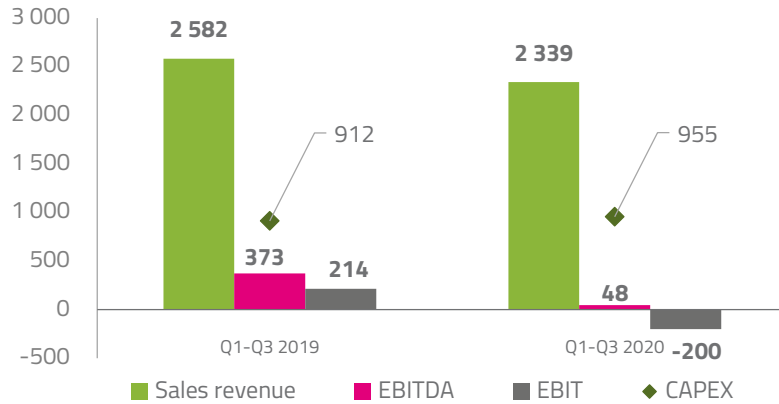


Generation Segment

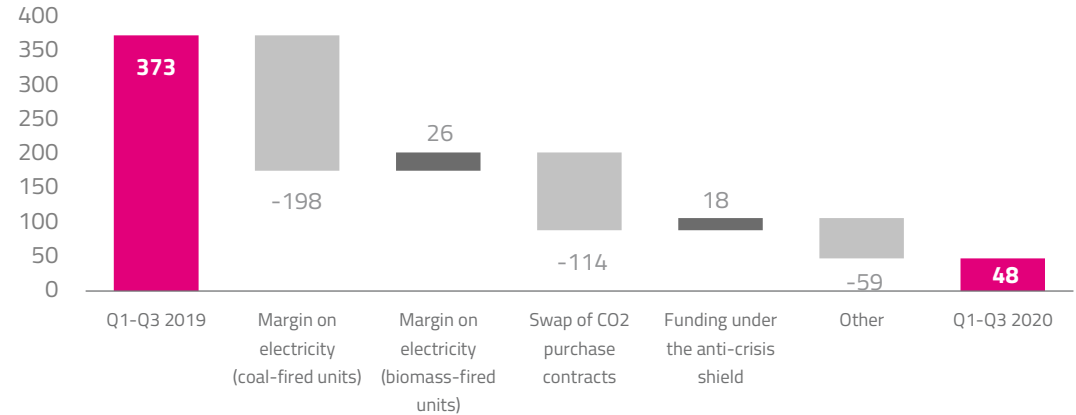
Generation Segment – Q1-3 2020



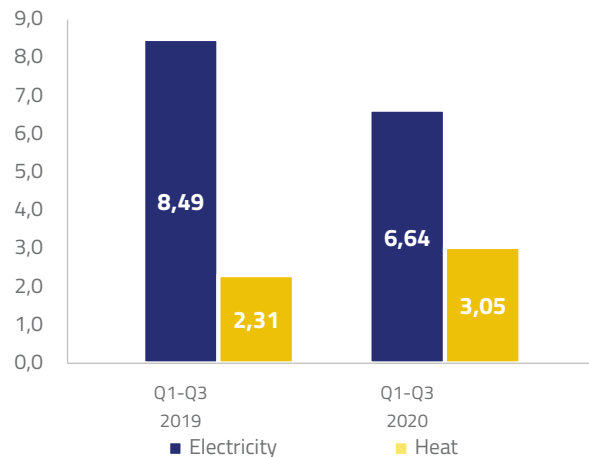
Financial data [PLN m]



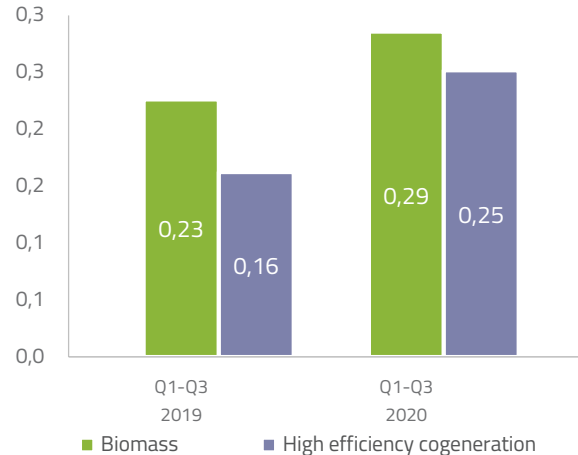
EBITDA change [PLN m]



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 ✓

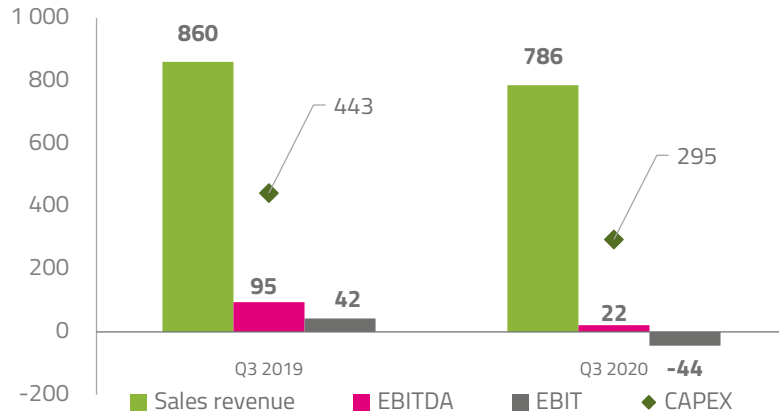
Drop of the electricity sales volume -

Decline of the *clean dark spread* -

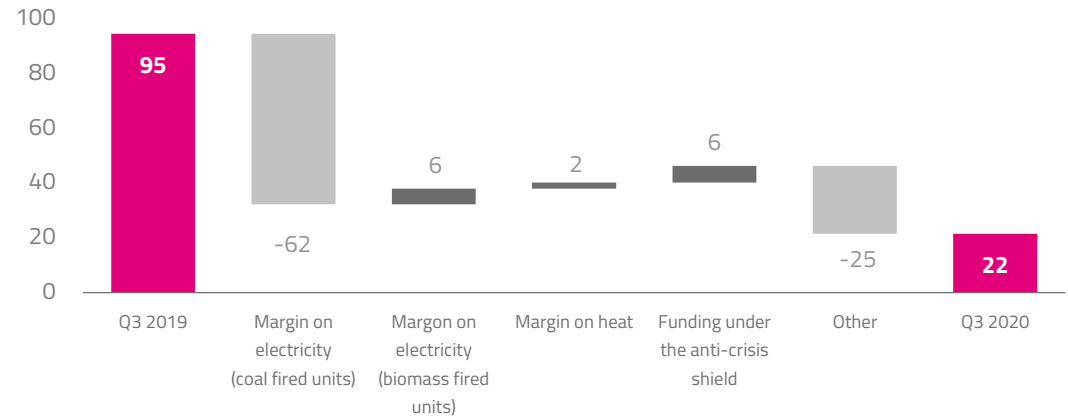
Generation Segment – Q3 2020



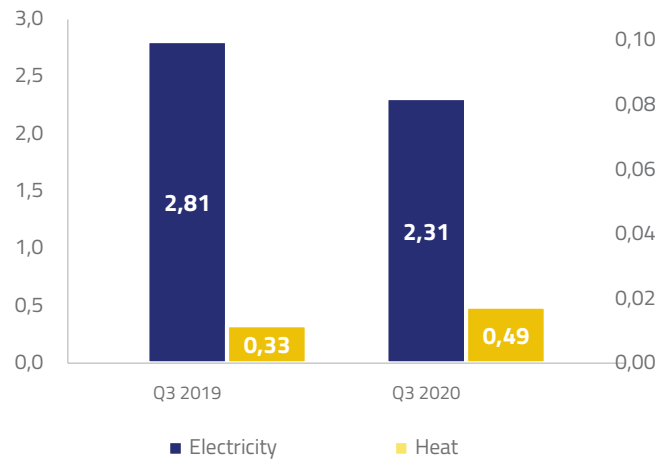
Financial data [PLN m]



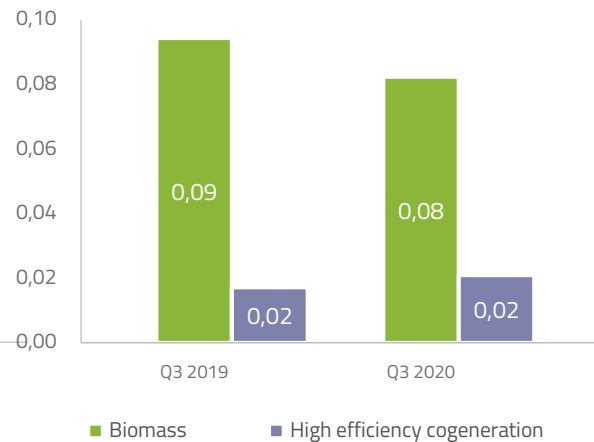
EBITDA change [PLN m]



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

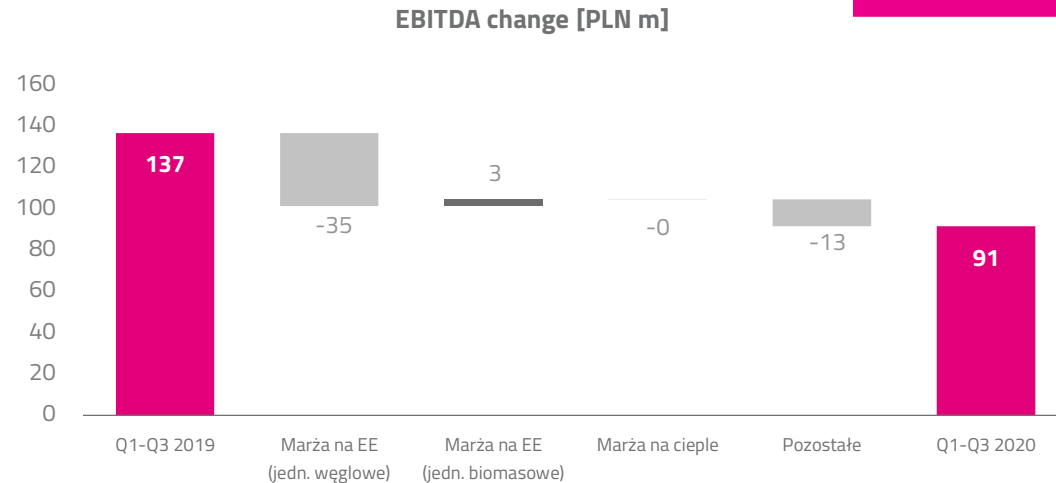
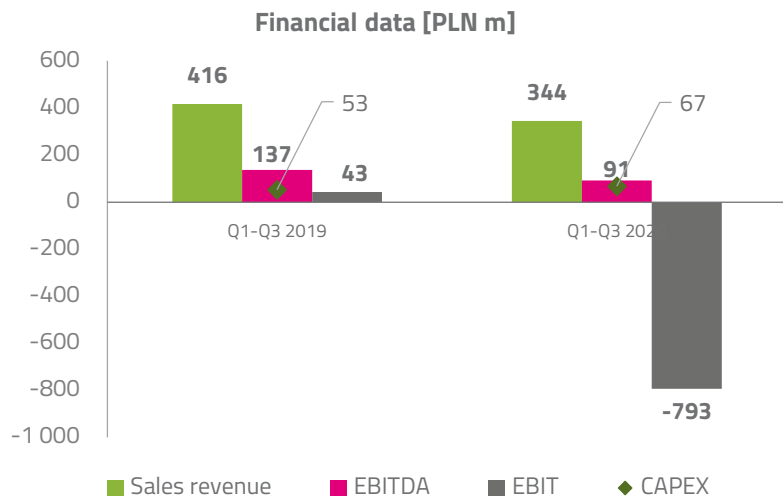


Biomass-fired and high efficiency cogeneration production [TWh]

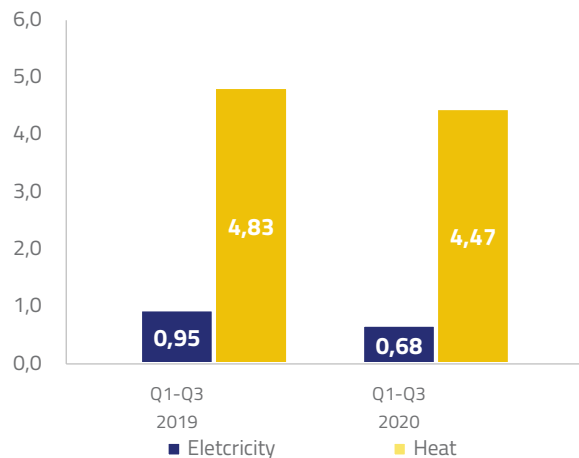


- Higher revenue from the cold intervention reserve and higher margin on electricity repurchases (buybacks) ✓
- Higher margin on the biomass-fired units ✓
- Drop of the electricity sales volume -
- Decline of the *clean dark spread* -

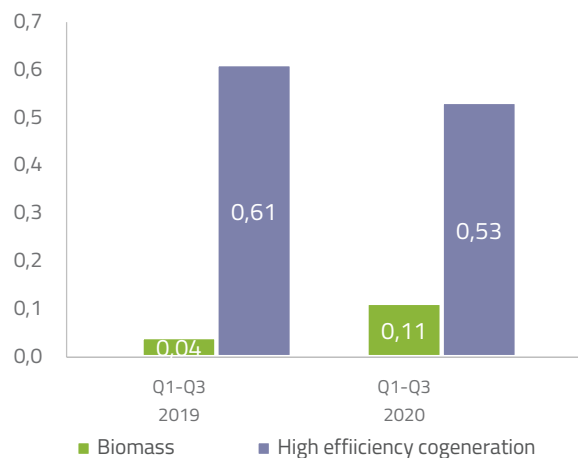
Discontinued operations – Q1-3 2020



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

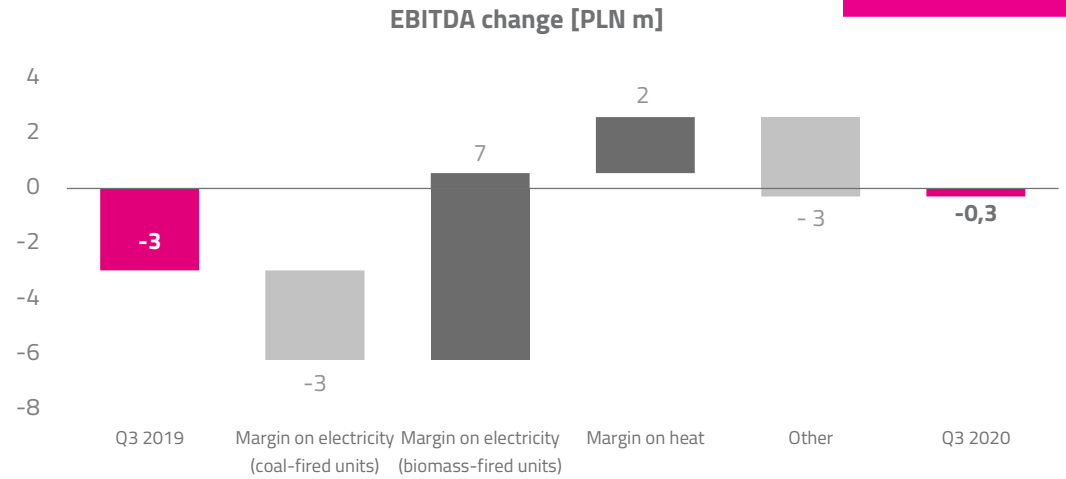
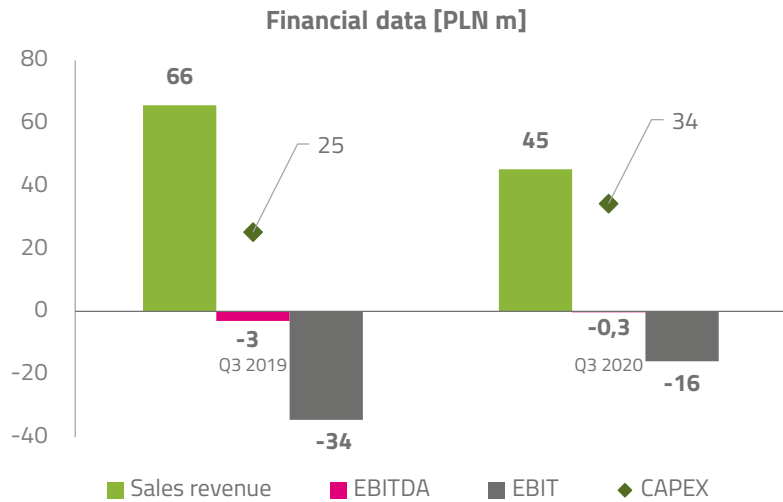


Biomass-fired and high efficiency cogeneration production [TWh]

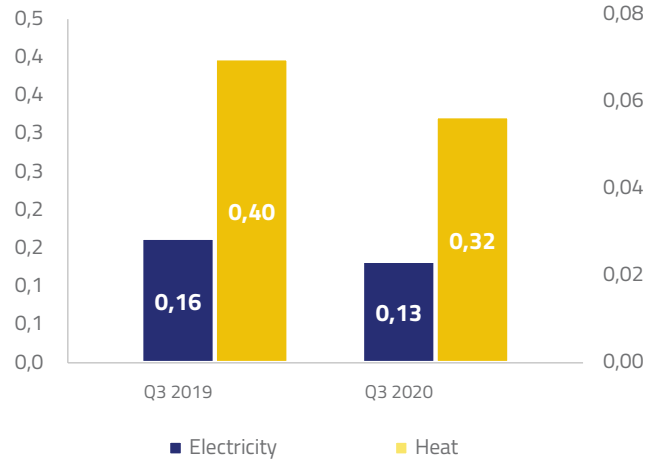


- Dissolving of the provision for the payment equivalent for electricity ✓
- Drop of the heat sales volume -
- Drop of the electricity sales volume -
- Decline of the *clean dark spread* -

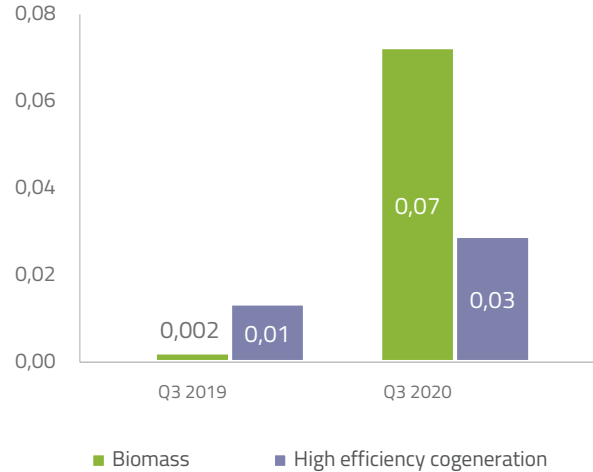
Discontinued operations – Q3 2020



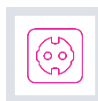
Electricity (coal-fired units) [TWh] and heat [PJ] production



Biomass-fired and high efficiency cogeneration production [TWh]



- Higher electricity and heat production volume from biomass ✓
- Change of the heat tariff ✓
- Decline of the *clean dark spread* -

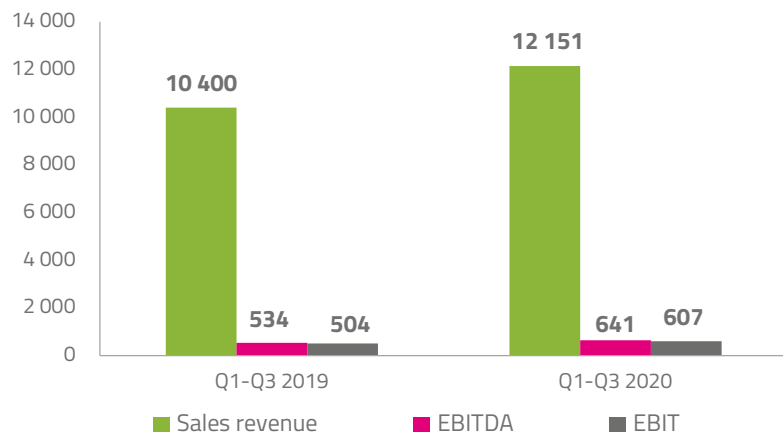


Supply Segment

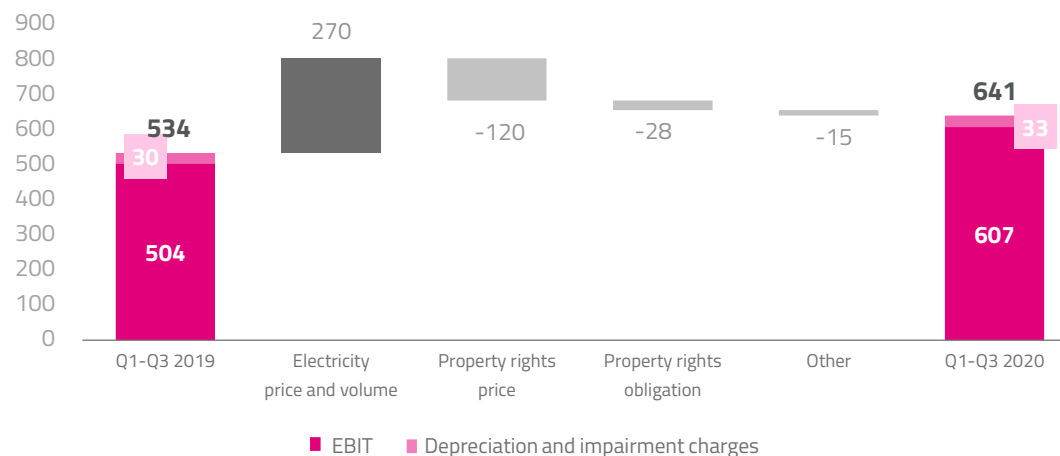
Supply Segment – Q1-3 2020



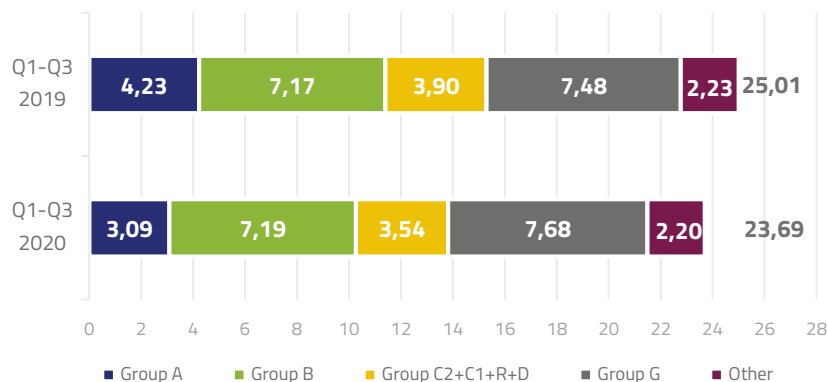
Financial data [PLN m]



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



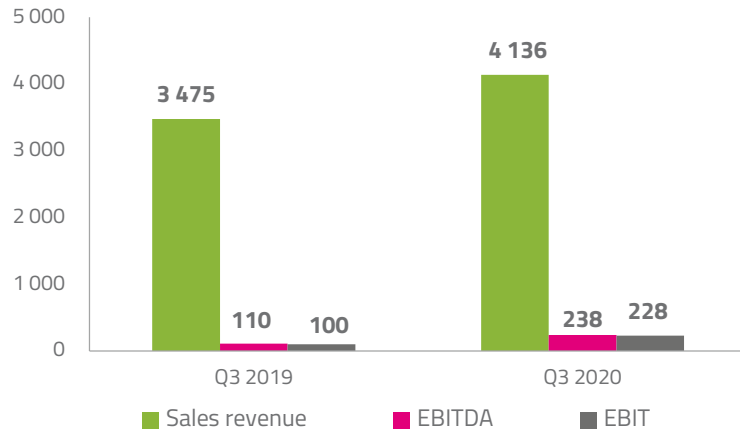
Impact of COVID-19 on EBITDA: PLN -65 million



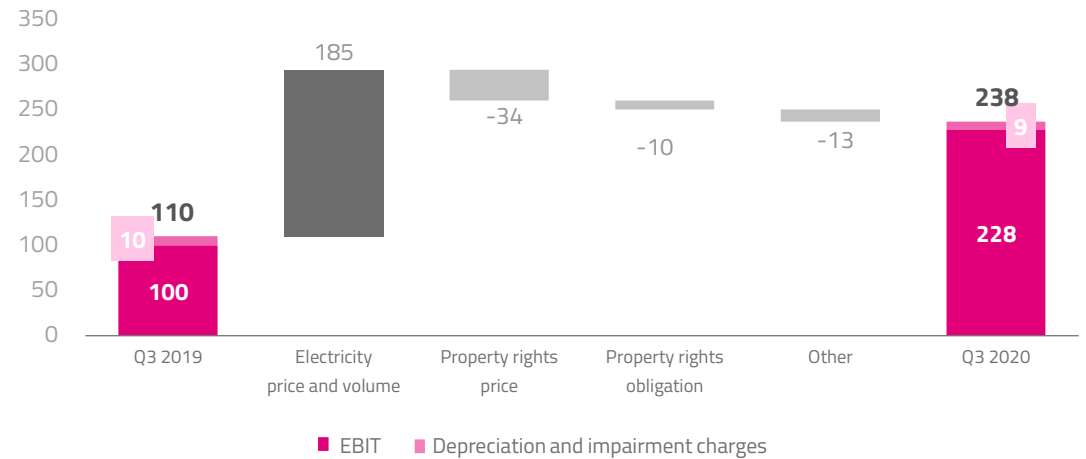
Supply Segment – Q3 2020



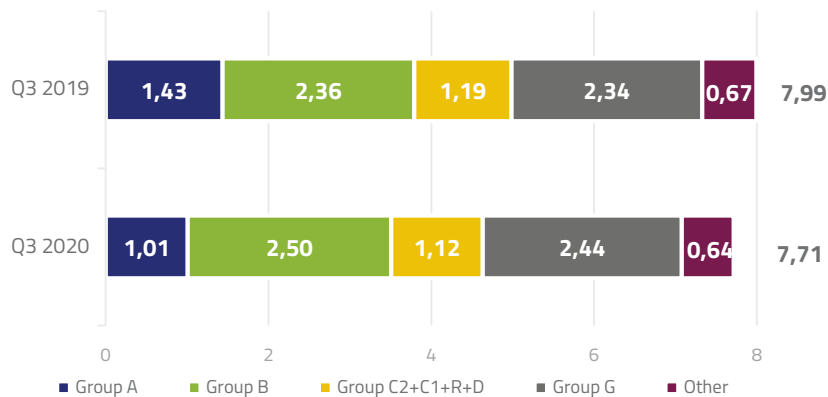
Financial data [PLN m]



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 -11 million -

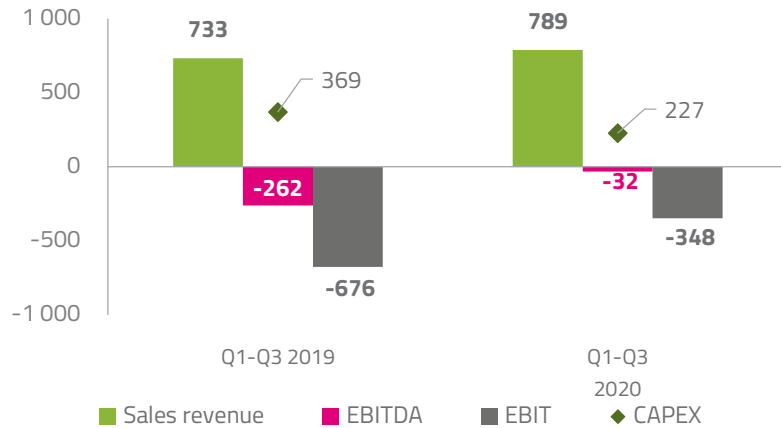


Mining Segment

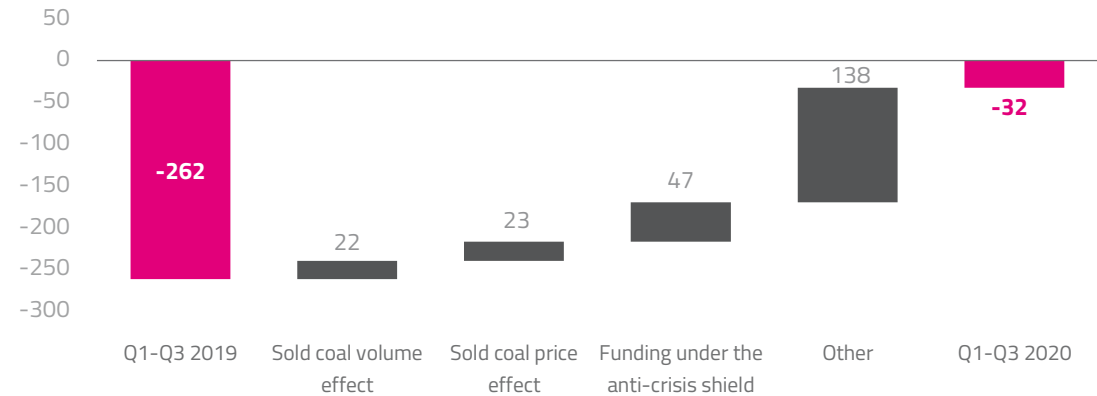
Mining Segment – Q1-3 2020



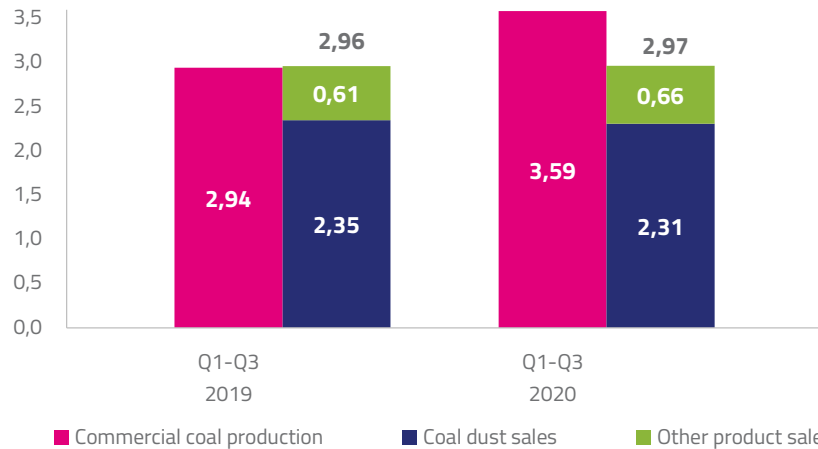
Financial data [PLN m]



EBITDA change [PLN m]



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



▪ Substantial increase of coal production as compared to 2019



▪ Drop by 45 PLN/Mg of the unit mining cash cost* (down from 249 PLN/Mg to 205 PLN/Mg)



▪ Higher coal inventory levels

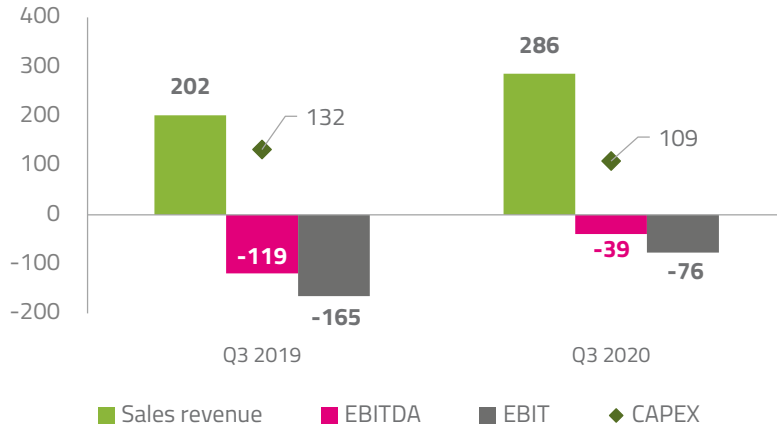


* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

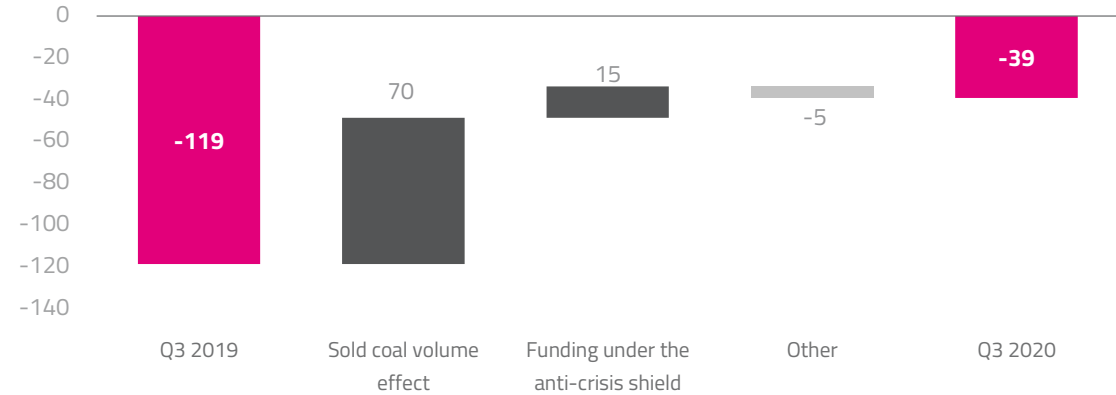
Mining Segment – Q3 2020



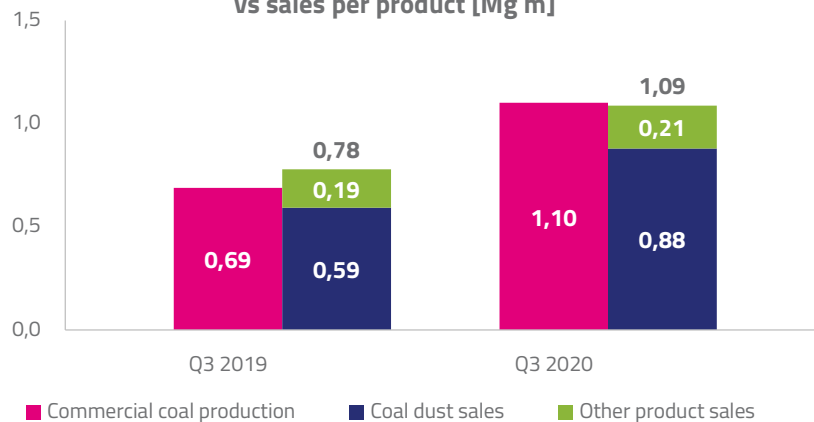
Financial data [PLN m]



EBITDA change [PLN m]



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



Substantial increase of coal production as compared to Q3 2019



Higher sales volume than in Q3 2019



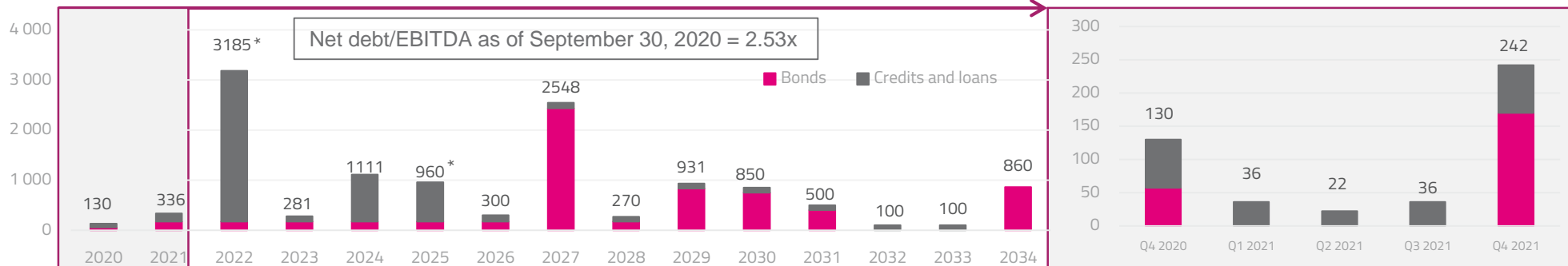
Drop by 124 PLN/Mg of the unit mining cash cost* (down from 342 PLN/Mg to 218 PLN/Mg)



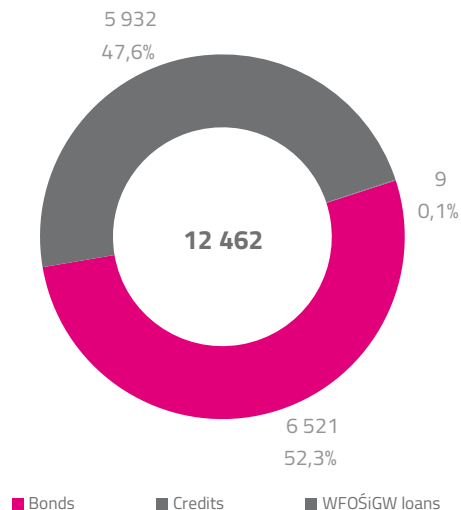
* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

Debt and financing

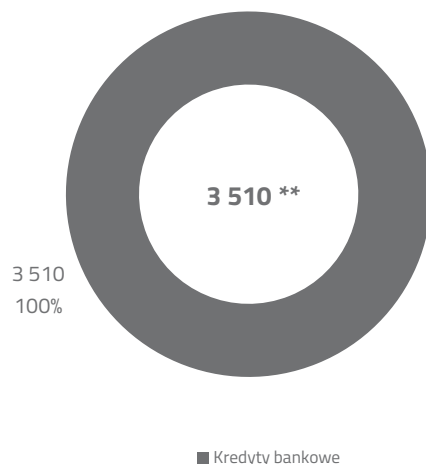
TAURON Group's nominal debt maturity as of September 30, 2020 [PLN m]



TAURON Group's nominal debt structure as of September 30, 2020 [PLN m]



Amounts of financing available to TAURON Group as of September 30, 2020 [PLN m]



Debt structure by interest rate [PLN m]

Debt amount	Interest rate	Collateral floating rate
12 462	Floating: 6 707	IRS: 4 340
	Fixed: 5 755	None: 2 367

- Weighted average maturity of debt as of September 30, 2020 is 82 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 31% 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 facilities with the maximum available limits of PLN 300m and EUR 45m

CAPEX – work progress on the key projects

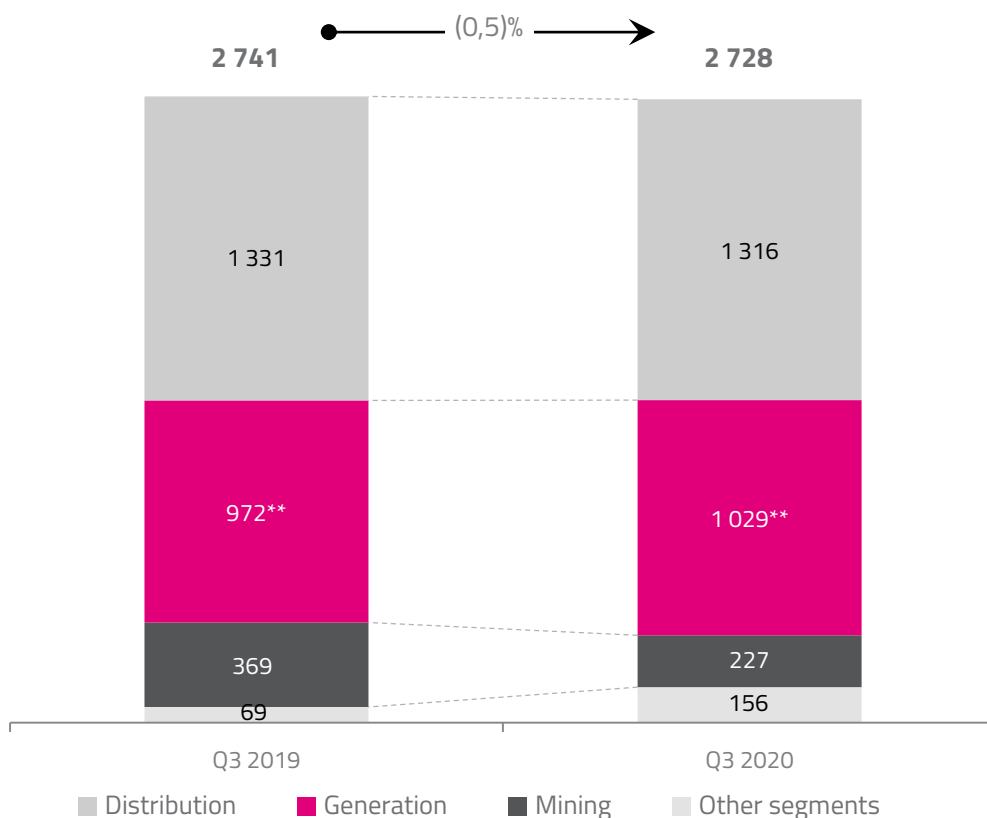


Investment project	Capacity (MW _e)	Capacity (MW _t)	Work progress (percentage)	Completion date
Construction of the generating unit in Jaworzno	910	-		Commissioned on November 13, 2020
Construction of the CCGT unit at Stalowa Wola Combined Heat and Power Plant	450	240		Commissioned on September 30, 2020
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		Commissioned on June 9, 2020
Adaptation of TAURON Wytwarzanie's generating units to the BAT conclusions	-	-	(77)	2021

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 3 192m in Q3 2019 and PLN 2 564m in Q3 2020.

** CAPEX of the Generation Segment, RES and discontinued operations

Key investment projects implemented in Q1-Q3 2020***

Distribution:

- Grid assets upgrades (refurbishments) and replacements (PLN 597m)
- Installing new grid connections (PLN 639m)
- Dispatch Communications System (PLN 23m)

Generation:

- Construction of the 910 MW unit in Jaworzno (PLN 429m)
- Adaptation of the generating units to BAT (PLN 199m)
- Replacement and refurbishment related outlays as well as overhaul components at TW (PLN 137m)
- Implementing heat production at Łagisza Power Plant (PLN 17m)
- Restoration of the SUW demineralized water treatment station (PLN 7m)
- New facility connections (PLN 23m)
- District heating networks' maintenance and expansion (PLN 12m)

Mining:

- Brzeszcze Coal Mine's CAPEX program (PLN 25m)
- Construction of the Grzegorz shaft at Sobieski Coal Mine (PLN 15m)
- Construction of the 800 m level at Janina Coal Mine (PLN 36m)
- Production preparation (PLN 96m)

Supply and other:

- Deployment of the broadband internet as part of the POPC III Program (PLN 71 million)
- Lighting maintenance and expansion (PLN 26 million)

*** Investments do not include the financial costs added to the expenditures

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Thank you for your attention

Analysts covering TAURON



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Electricity market price trends

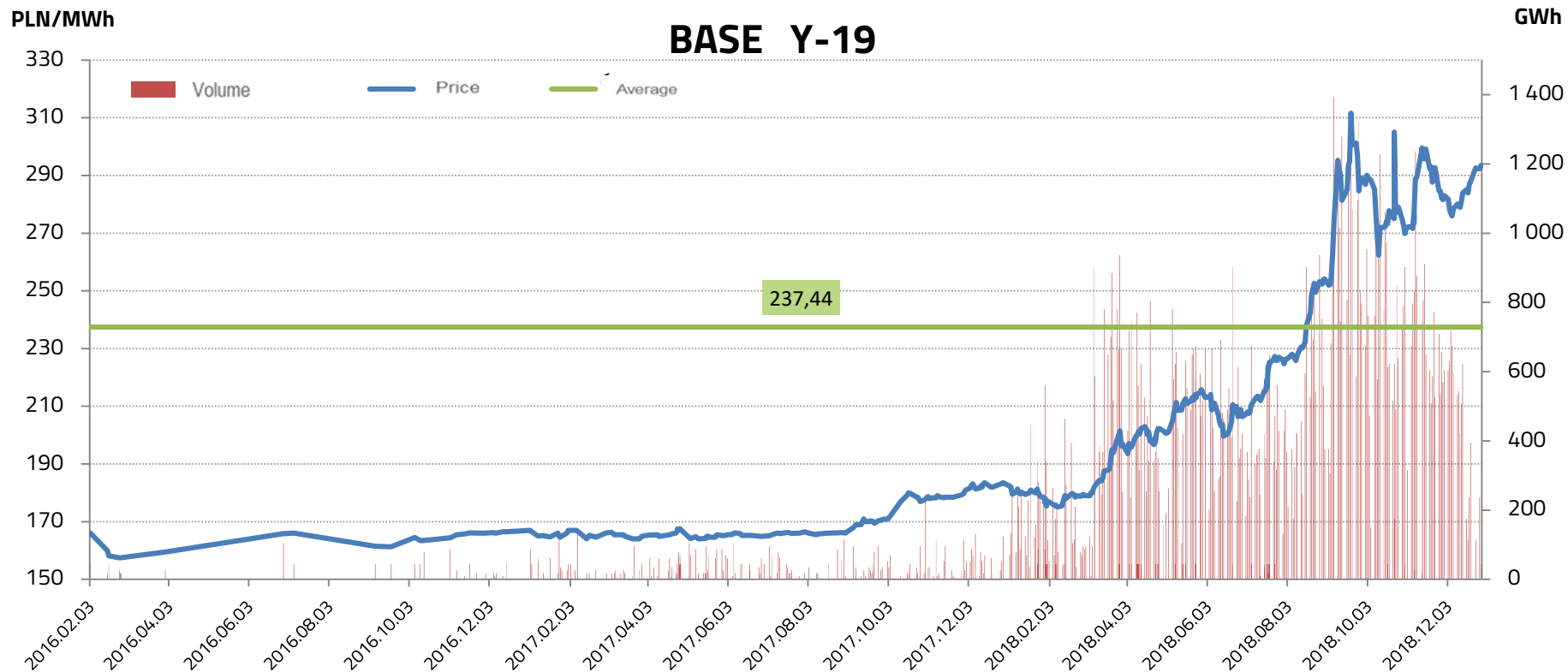
Electricity						
Platforms: TGE, TFS	2019		2020 (prices until October 27, 2020, and estimation)		2020/2019	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	241.94	167 413	255.85	166 326	5.7%	-0.6%
Forward PEAK (Y+Q+M)	334.60	13 748	315.07	19 012	-5.8%	38.3%
Forward (weighted average)	248.97	181 161	261.92	185 338	5.2%	2.3%
SPOT (TGE)	230.97	33 947	201.97	31 856	-12.6%	-6.2%
Weighted average total	246.13	215 108	253.13	217 195	2.8%	1.0%

Property rights (PLN/MWh)			
Certificate type	Market prices (Q1-3 2020 weighted average)	Substitution fee and obligation for:	
		2019	2020
OZE (PMOZE_A)	137.33	129.78 (18.5%)	165.24 (19.5%)
OZE z biogazowni (PMOZE_BIO)	300.14	300.03 (0.5%)	300.03 (0.5%)

CO ₂ emission allowances (EUR/t)	
CO ₂ market analysts survey* (updated in July 2020)	Price (EUR/t)
2020 average	24.10 EUR/t
2021 average	26.30 EUR/t
2022 average	28.95 EUR/t
2020 average price forecast by TAURON	23 - 25 EUR/t

* Sources: 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		237.64	115 965
including	TGE	237.64	115 965
	non-TGE	0	0

Average electricity price that takes into account 2021 one-year BASE and PEAK contracts: 242.23 PLN/MWh, total 2021 BASE and PEAK contracts volume: 128 987 GWh

2022 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		246.14	17 485
including	TGE	246.14	17 485
	non-TGE	0	0

Average electricity price that takes into account 2022 one-year BASE and PEAK contracts: 250.24 PLN/MWh, total 2022 BASE and PEAK contracts volume: 19 175 GWh