



TAURON Group's Q1 2020 Financial Results

May 14, 2020

Structure of the presentation



Filip Grzegorzczak
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
- 2020 outlook

Key Q1 2020 data



Financial results		
[PLN m]	Q1 2020 vs Q1 2019	
Sales revenue	5 468	3%
EBITDA	957	(22)%
Net profit*	162	(70)%
CAPEX	940	29%
Net debt/EBITDA	3.27x	up 0.45x (vs 31.12.2019)

Operating data		
	Q1 2020 vs Q1 2019	
Electricity distribution [TWh]	13.25	(2)%
Electricity production from RES [TWh]	0.57	48%
Electricity production by hard coal-fired units [TWh]	2.64	(23)%
Heat generation [PJ]	4.96	4%
Retail electricity supply [TWh]	8.86	(1)%
Commercial coal production [ton m]	1.18	(6)%

* Attributable to the shareholders of the parent company

Highlights Summary



March 16

Signing of the loan agreement worth PLN 500 million with the SMBC bank to finance general corporate purposes, excluding the financing of the coal assets

March 25

Signing of the syndicated loan agreement worth PLN 500 million to finance general corporate purposes, excluding the financing of the new coal projects

March 23

Signing of an agreement on the terms of cooperation between TAURON and the Polish Development Fund with respect to investments in renewable energy sources

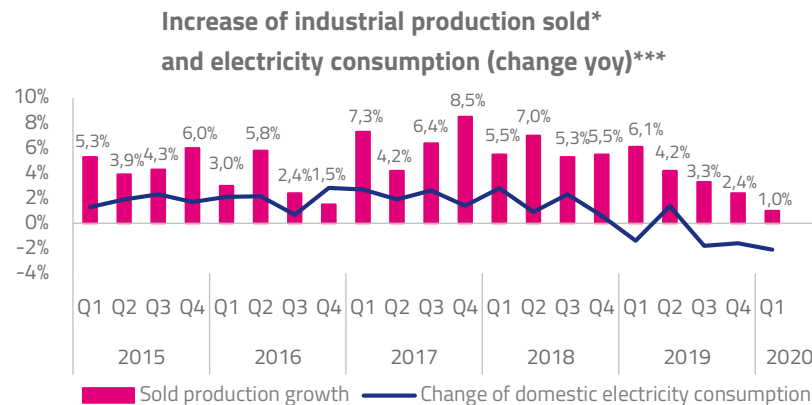
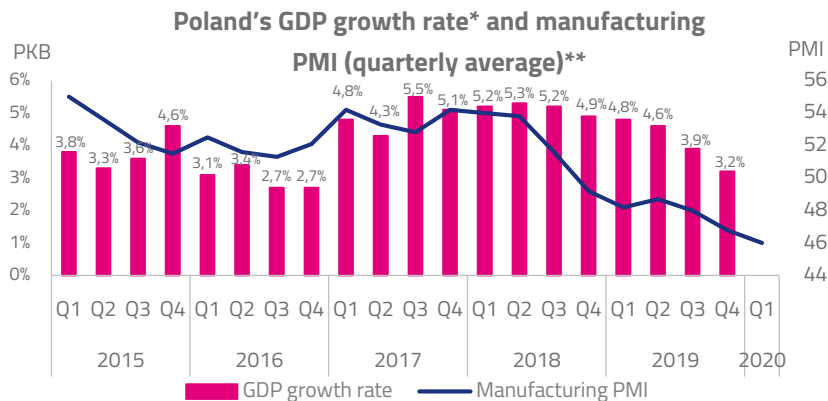
April 29

Reaching an agreement with TAURON Wydobycie's workforce regarding, among others, reducing work time and wages from May to July 2020

May 4

Signing of an agreement with the RAFAKO-MOSTOSTAL WARSZAWA consortium regarding the construction of a 910 MW unit in Jaworzno. The estimated new date of the unit's commissioning: by November 15, 2020.

Macroeconomic and market situation



Electricity prices under one-year BASE contracts

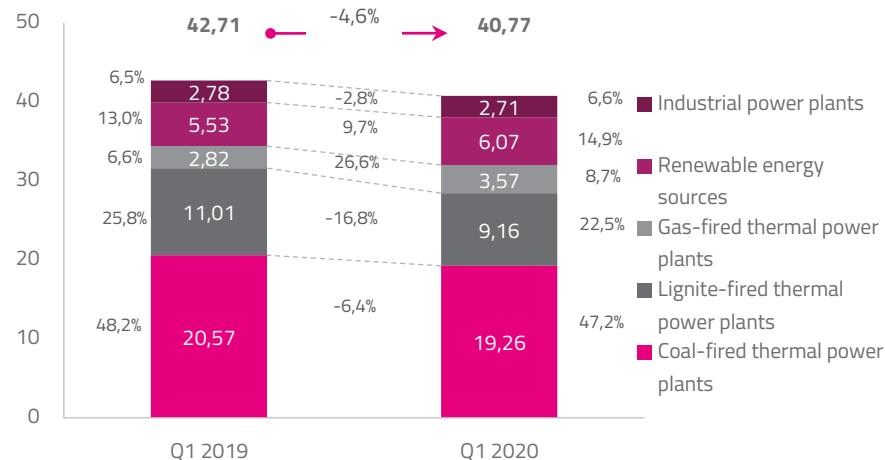
	Average price [PLN/MWh]	Volume [GWh]
Y-13	191.60	108 861
Y-14	160.40	142 841
Y-15	168.11	146 932
Y-16	166.47	147 923
Y-17	160.27	76 729
Y-18	165.98	65 227
Y-19	237.44	133 170
Y-20	265.42	134 887
Y-21*	241.70	71 263
Y-22*	245.10	11 195

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: 245.44 PLN/MWh
- 2020 r.: 256.03 PLN/MWh (estimate)

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

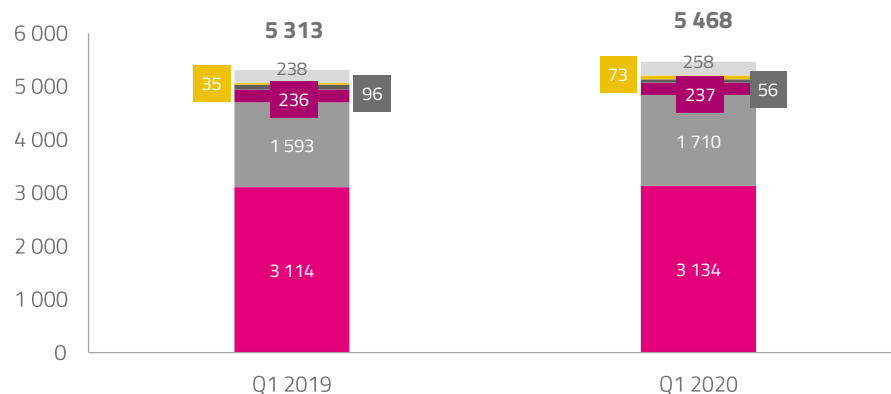
Structure of electricity production in Poland*** [TWh]



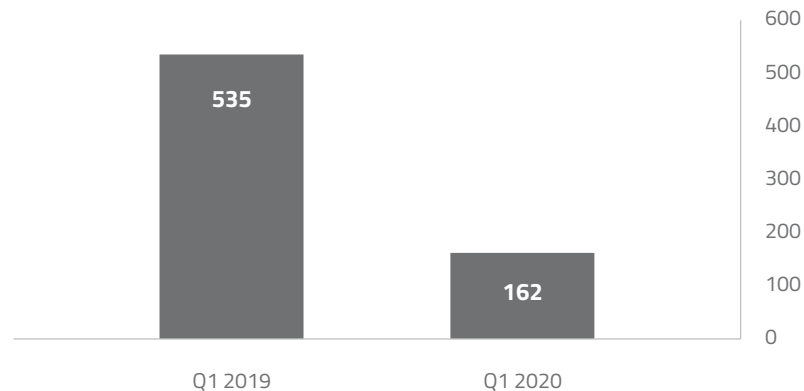
Q1 2020 financial data



Sales revenue [PLN m]

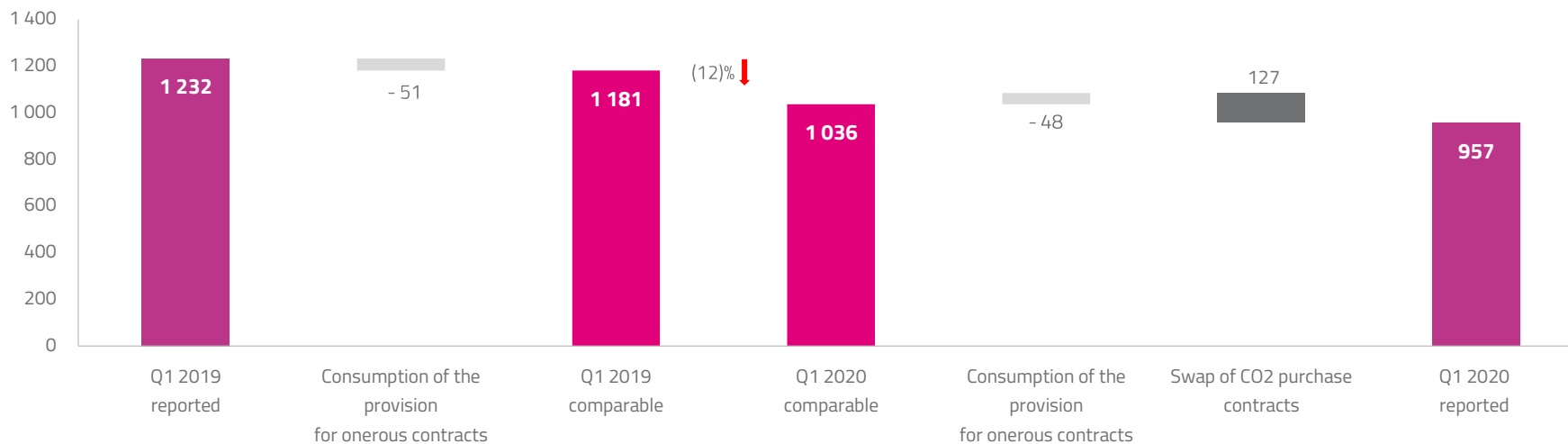


Net profit attributable to the parent company's shareholders [PLN m]



■ Electricity ■ Distribution and trading services ■ Heat ■ Coal ■ Gas ■ Other revenue

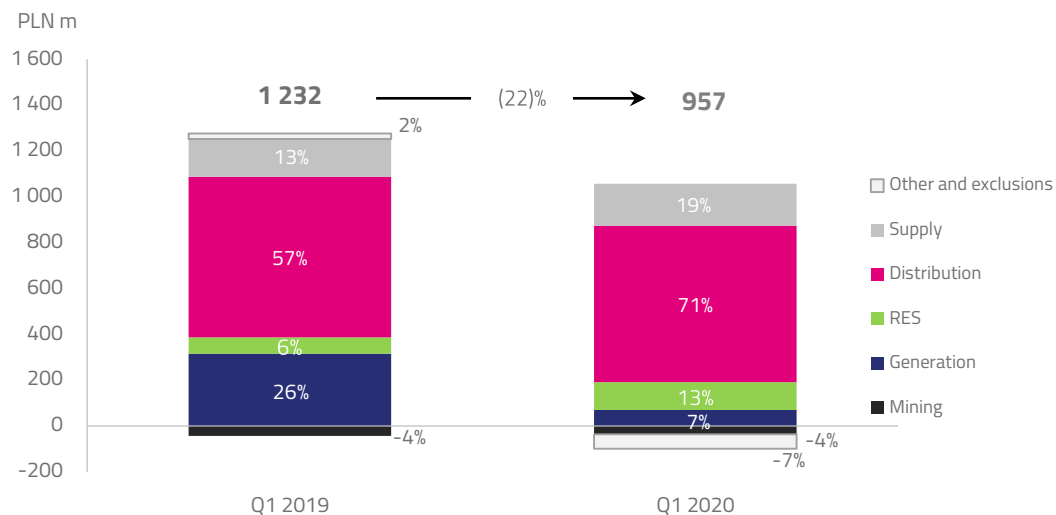
Q1 2020 vs Q1 2019 EBITDA [PLN m]



Individual segments' Q1 2020 results

[PLN ml]	Distribution	RES	Generation	Supply	Mining	Other and exclusions*
Revenue	1 789	199	1 155	4 231	236	(2 143)
EBITDA	684	121	69	182	(36)	(63)
EBIT	400	83	(13)	171	(84)	(84)
CAPEX	485	1	361	11	55	25

Individual segments' contribution to EBITDA [%]



* Items not included in the segments presented

Q1 2020 EBITDA



*Other operations segment's EBITDA margin

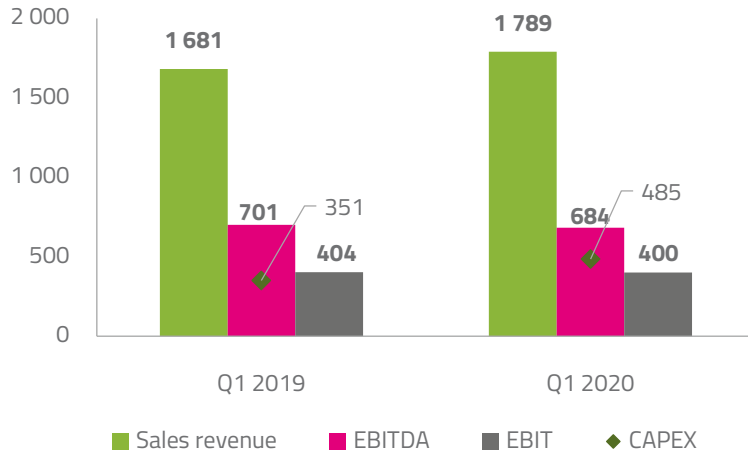


Distribution Segment

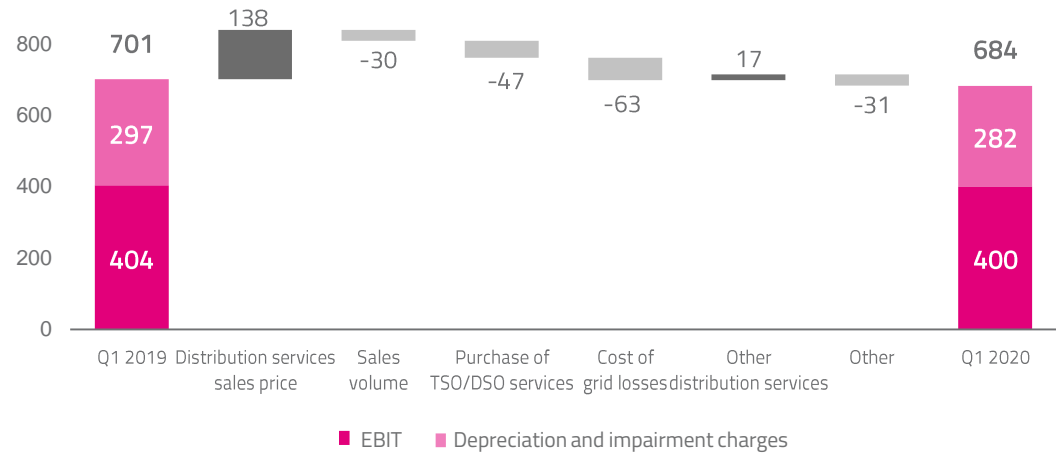
Distribution Segment – Q1 2020



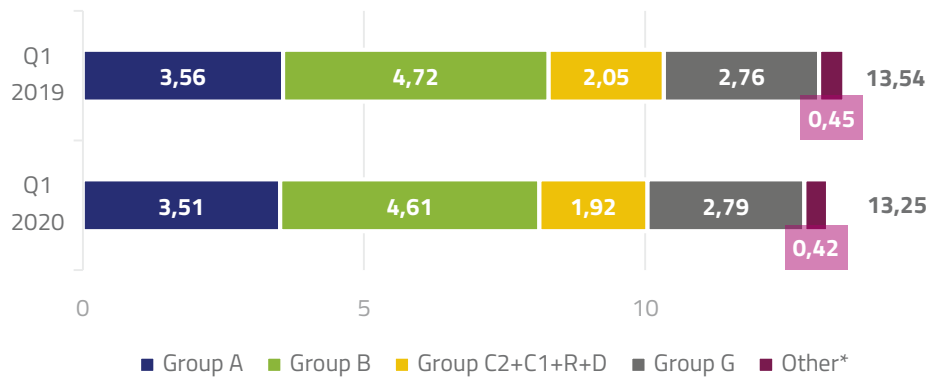
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]



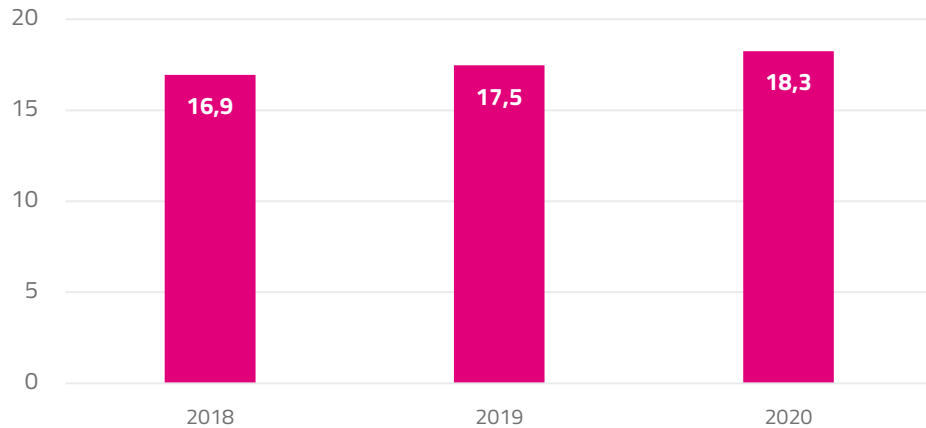
- Higher distribution service sales revenue ✓
- Decline of electricity distribution sales volume by 293 GWh -
- Higher costs of the balancing difference -

* Neighboring DSO and exports

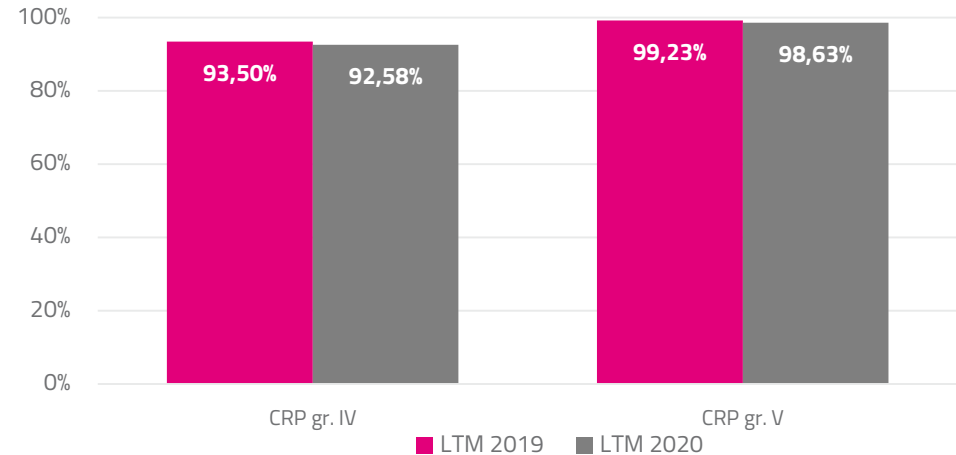
Distribution Segment – key parameters



Regulatory Asset Base [PLN bn]

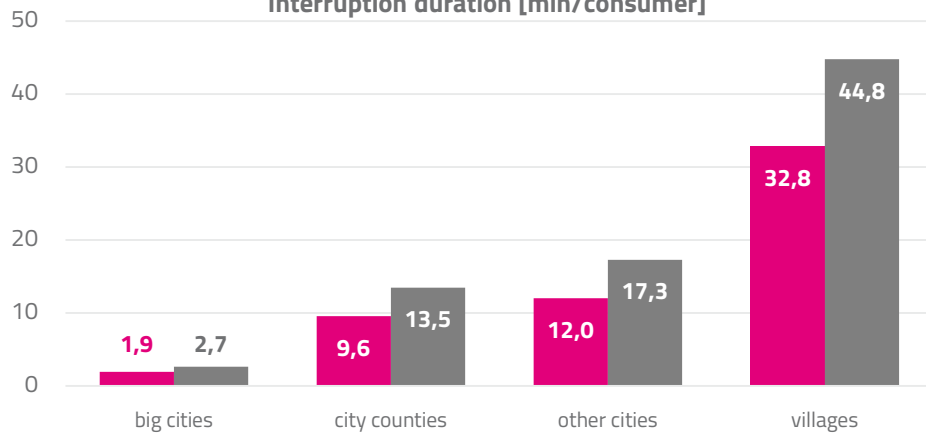


New connection installation time [%]

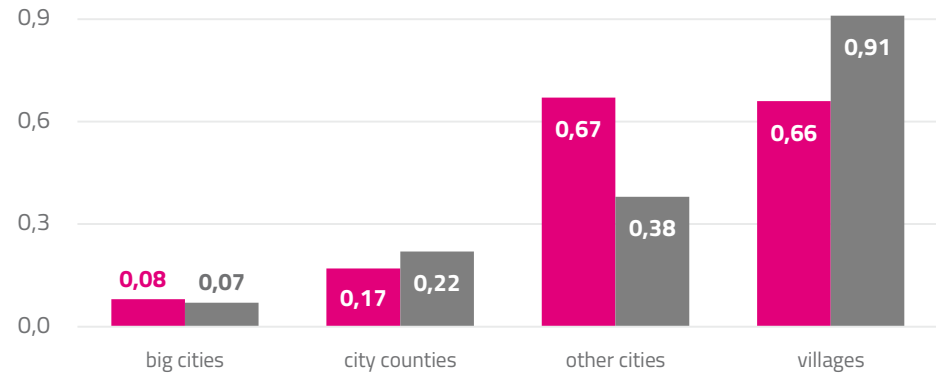


LTM – the period of last 12 months ending on March 31, 2020

Interruption duration [min/consumer]



Frequency of interruptions [number of interruptions/consumer]



INTERRUPTION DURATION

■ Q1 2019 ■ Q1 2020

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

■ Q1 2019 ■ Q1 2020

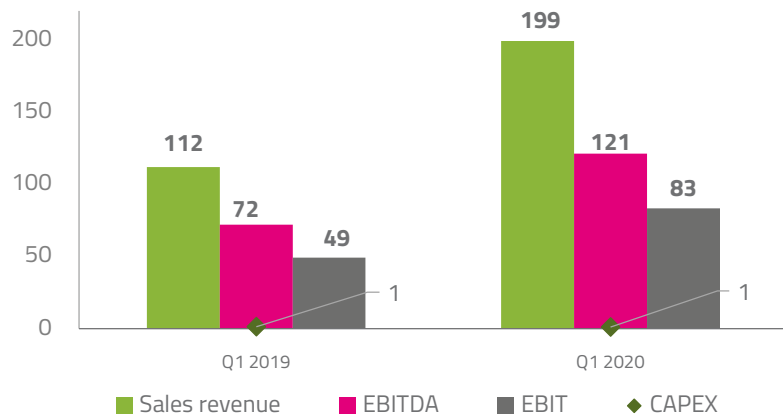


RES Segment

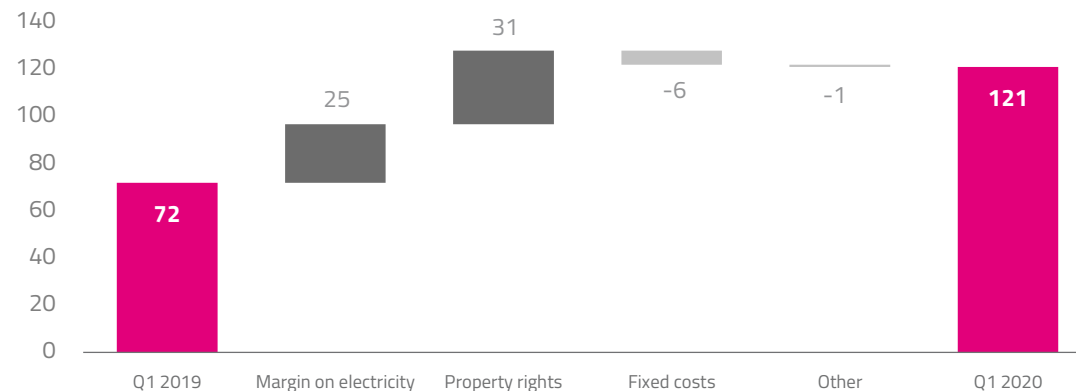
RES Segment – Q1 2020



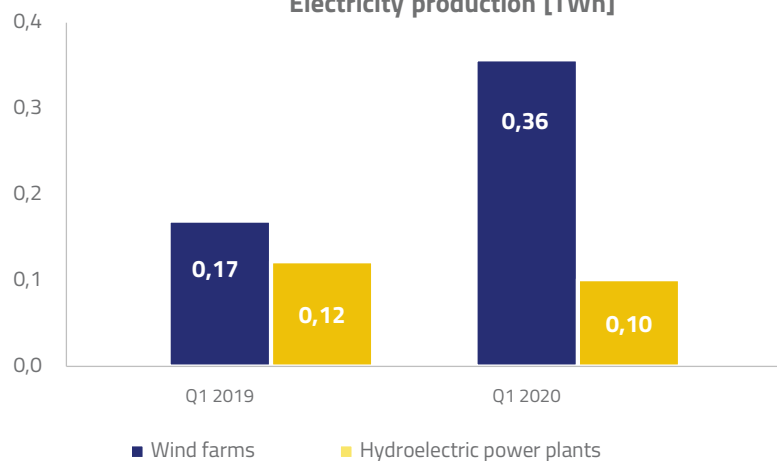
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]



- Rise of electricity production as a consequence of the purchase 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



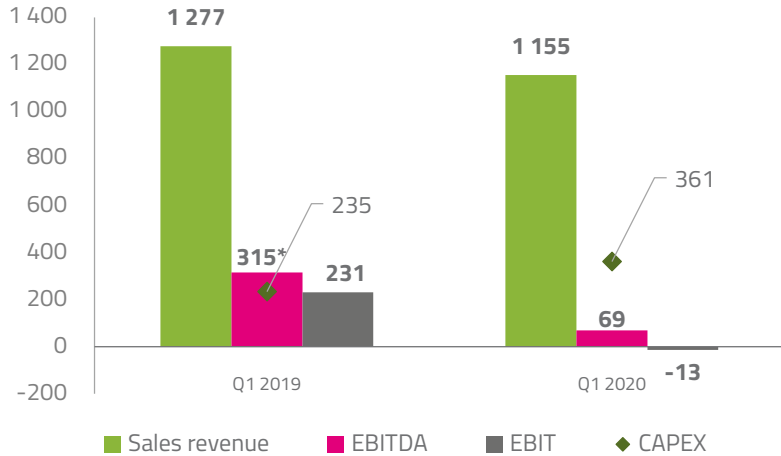


Generation Segment

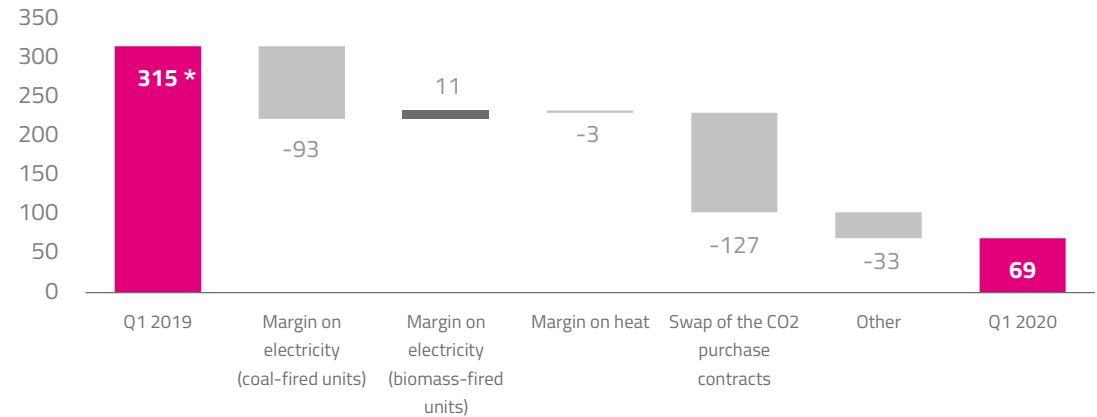
Generation Segment – Q1 2020



Financial data [PLN m]

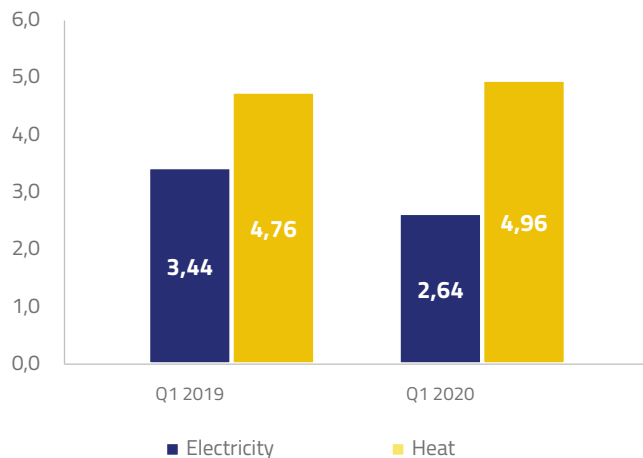


EBITDA change [PLN m]

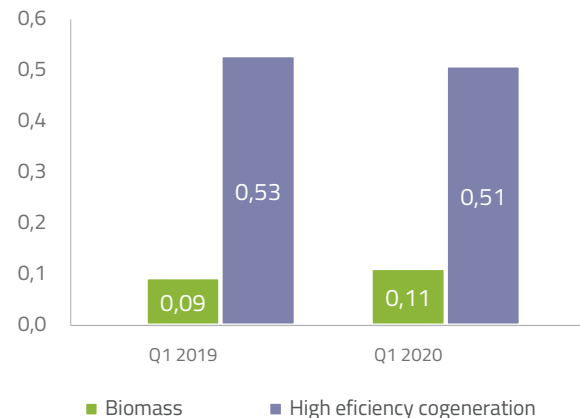


* From January 1, 2020, the Group separated a new RES operating segment, assigning thereto the data of the subsidiaries whose operations are related to the production of electricity from renewable sources, i.e. wind and hydro. Q1 2019 data has been brought to comparability. Generation segment's Q1 2019 EBITDA was PLN 387 million

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* -

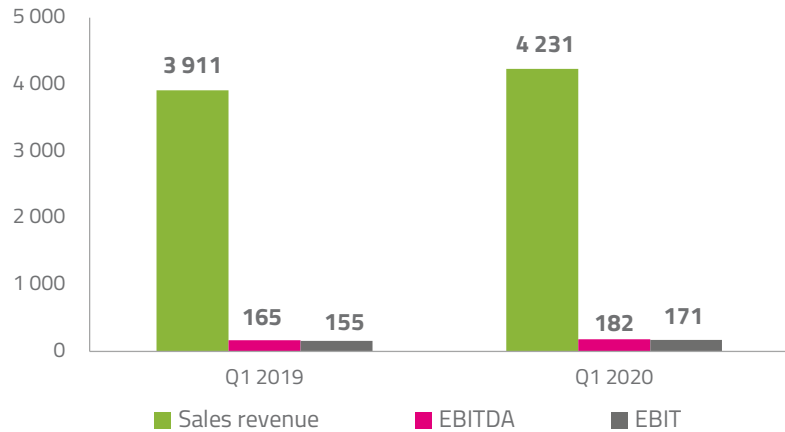


Supply Segment

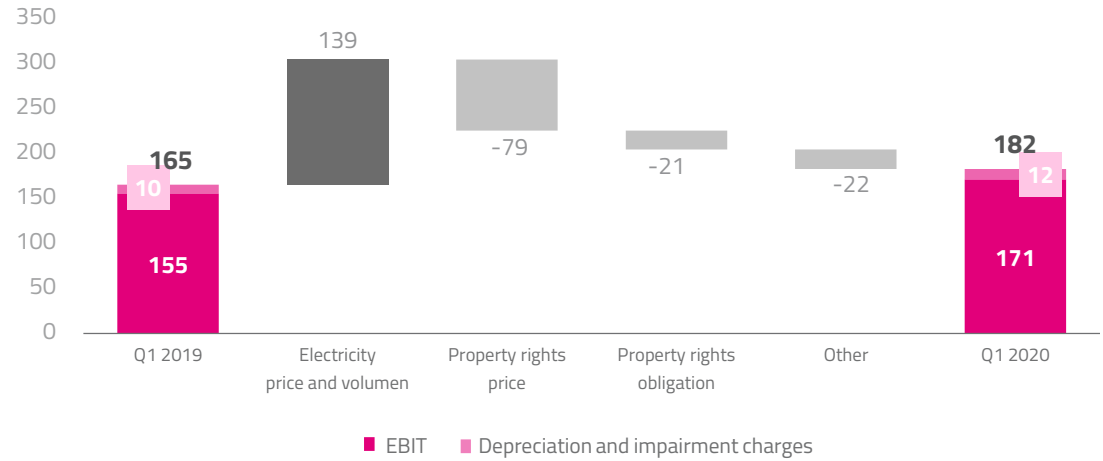
Supply Segment – Q1 2020



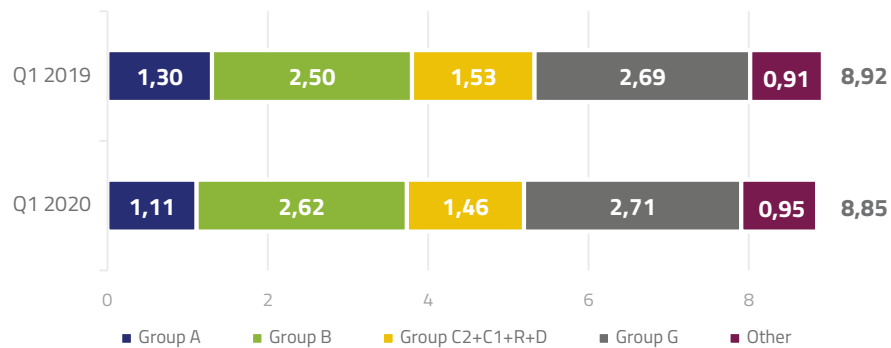
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



Higher margin on electricity repurchase (buyback)



Increase of purchase prices and the obligation to retire PMOZE



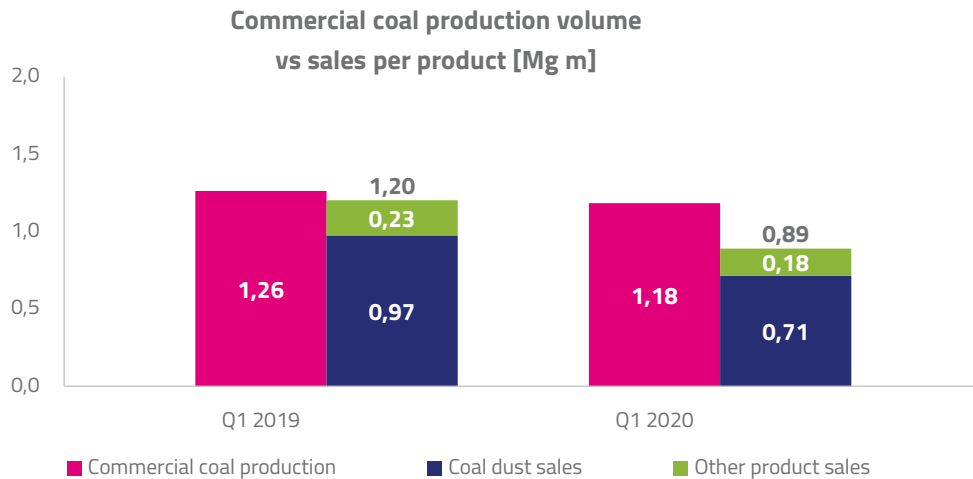
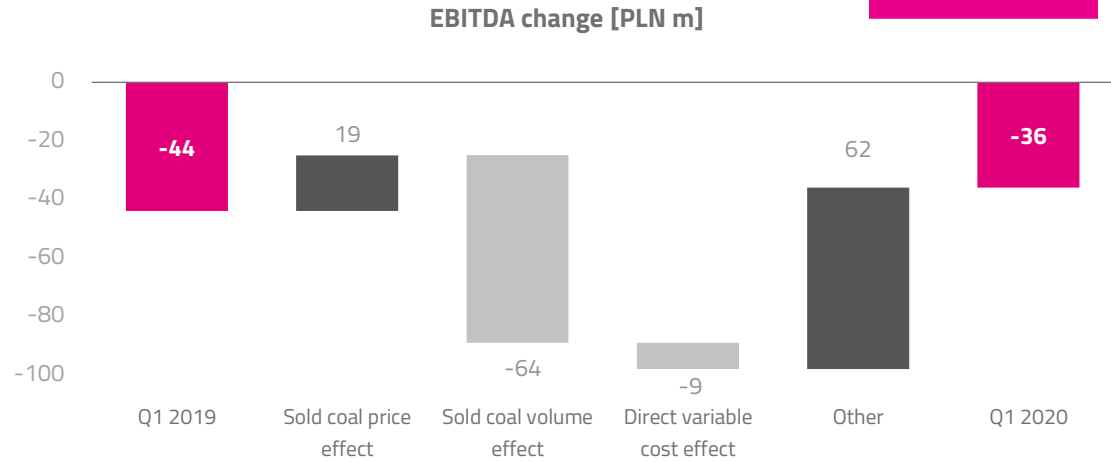
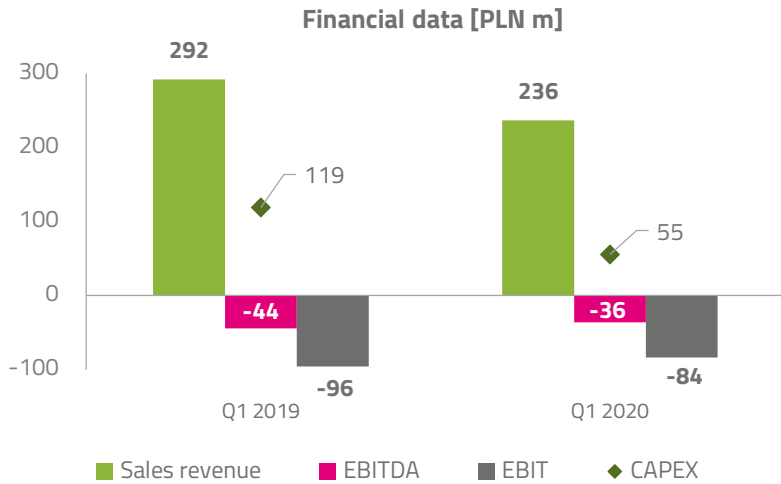
Variable costs not fully covered by the ERO tariff





Mining Segment

Mining Segment – Q1 2020



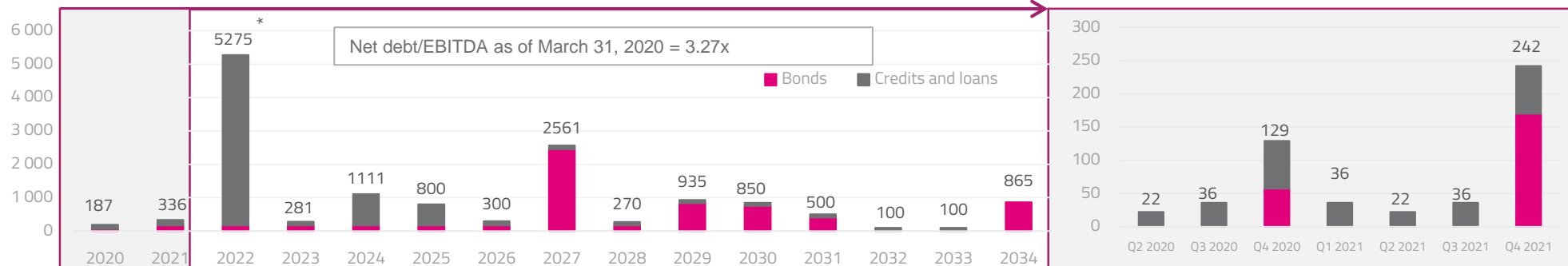
- Substantial increase of coal production as compared to Q3 and Q4 2019 ✓
- Lower volume of coal sold -
- 13 PLN/Mg higher unit mining cash cost* (up from 211 PLN/Mg to 224 PLN/Mg) -

* 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

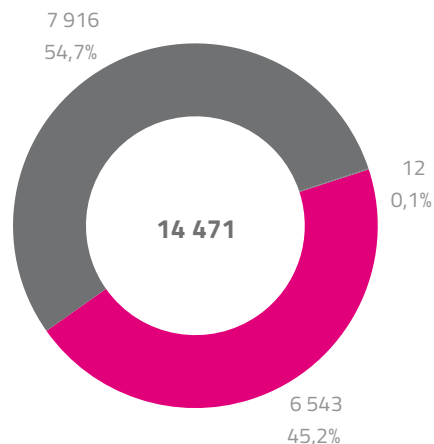
Debt and financing



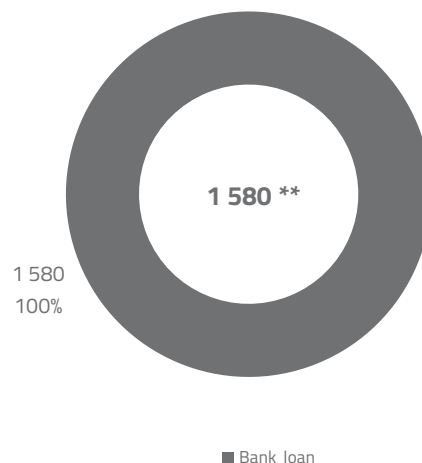
TAURON Group's nominal debt maturity as of March 31, 2020 [PLN m]



TAURON Group's nominal debt structure as of 31.03.2020 [PLN m]



Amounts of financing available to TAURON Group as of 31.03.2020 [PLN m]



Debt structure by interest rate [PLN m]





Debt amount	Interest rate	Collateral floating rate
14 471	Floating: 8 638	IRS: 3 940
	Fixed: 5 833	None: 4 698

- Weighted average maturity of debt as of March 31, 2020 is 81 months (assuming the bank loan continues to be drawn until 2022)
- EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 27% 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

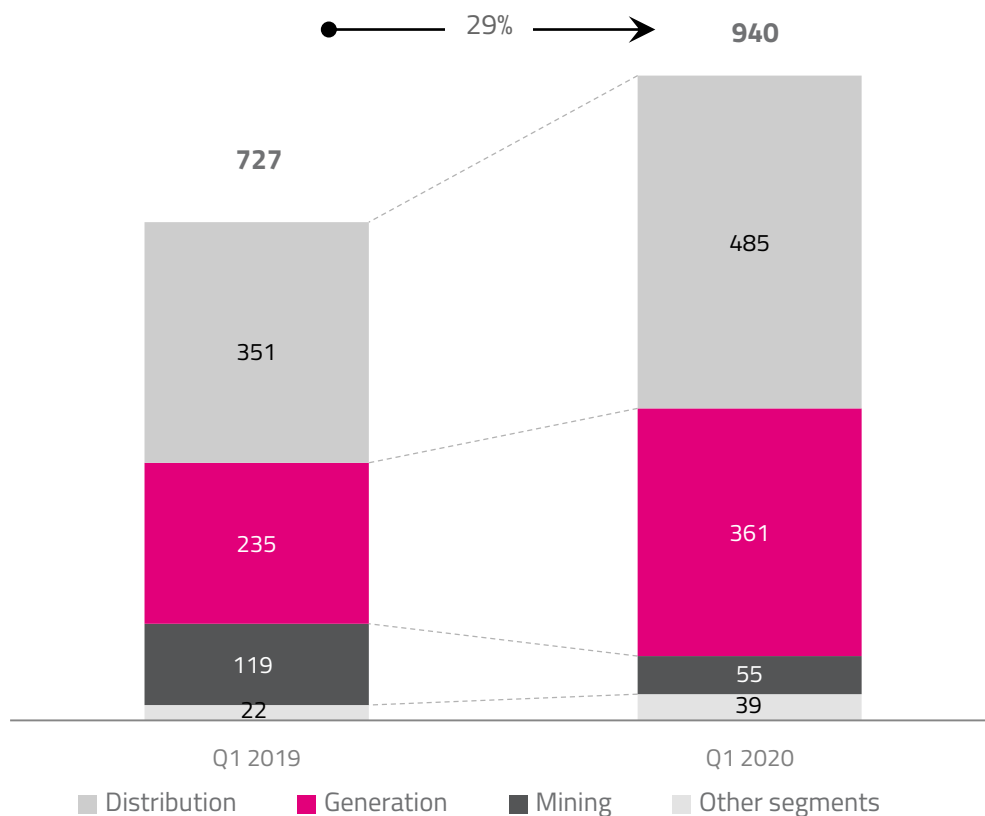
CAPEX – work progress on the key projects

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	89 	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	-	150+144	95 	2020
Adaptation of TAURON Wytwarzanie's generating units to the BAT conclusions	-	-	39 	2021

CAPEX – by segments



Capital expenditures by segments* [PLN m]



Key investment projects implemented in Q1 2020:

Distribution:

- Grid assets upgrades (refurbishments) and replacements (PLN 231m)
- Installing new connections (PLN 226m)

Generation:

- Construction of the 910 MW unit in Jaworzno (PLN 219m)
- Adaptation of the generating units to BAT (PLN 33m)
- Replacement and refurbishment related outlays as well as overhaul components (PLN 29m)
- Implementing heat production at the 460 MW unit at Łagisza Power Plant (PLN 6m)
- Restoration of the demineralized water treatment station (PLN 3m)
- New facility connections (PLN 7m)
- District heating networks' maintenance and expansion (PLN 3m)

Mining:

- Brzeszcze Coal Mine's CAPEX program (PLN 7m)
- Construction of the Grzegorz shaft at Sobieski Coal Mine (PLN 4m)
- Construction of the 800 m level at Janina Coal Mine (PLN 19m)
- Production preparation (PLN 21m)

Other segments:

- Deployment of the broadband internet as part of the POPC III Program (PLN 9 million)

* Expenditures do not include equity investments (in accordance with the presentation in the financial statements). Expenditures, excluding financial costs, reached: PLN 690m in Q1 2019 and PLN 881m in Q1 2020.

2020 outlook

Segment	EBITDA 2020 outlook versus 2019	Key factors
Distribution	decrease	<ul style="list-style-type: none"> Lower volume of electricity delivered year on year – a consequence of reduced consumption of electricity by the consumers (COVID-19) Increase of RAB from PLN 17.5 billion to PLN 18.3 billion in 2020 Lower WACC year on year (5.5 percent vs 6.0 percent in 2019) resulting in the lower return on capital
RES	increase	<ul style="list-style-type: none"> Significantly higher total volume of electricity production from RES – a consequence of the acquisition of wind farms with the capacity of 180 MW Better wind conditions, worse hydrological conditions Lower electricity sales prices – a consequence of the market situation
Generation	decrease	<ul style="list-style-type: none"> Lower volume of electricity production – a consequence of the market situation (high electricity imports, COVID-19, decline of wholesale electricity prices) and the BAT related upgrades Lack of margin generated on the production of the 910 MW unit in Jaworzno Lower unit margin on electricity sales
Supply	increase	<ul style="list-style-type: none"> Lower volume of electricity supplied – a consequence of reduced consumption of electricity by the consumers (COVID-19 and weather conditions) Variable costs not fully covered by the ERO tariff Generation of a margin on the repurchasing (buybacks) of electricity contracted for sale on the futures market in 2020 for the 910 MW unit in Jaworzno Risk of an increase in the write-offs related to overdue accounts receivable
Mining	increase	<ul style="list-style-type: none"> Commercial coal production volume dependent on the demand for such commodity Lower demand for coal due to the market situation (COVID-19 and weather conditions) Continuation of measures aimed at improving efficiency
CAPEX and debt		<ul style="list-style-type: none"> The level of capital expenditures will be adjusted depending the Group's financial position (in particular, with respect to the value of the net debt to EBITDA ratio) on an ongoing basis

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

Legal disclaimer



This presentation serves for information purposes only and should not be treated as investment-related advice.

This presentation has been prepared by TAURON Polska Energia S.A. ("Company").

Neither the Company nor any of its subsidiaries shall be held accountable for any damage resulting from the use of this presentation or a part thereof, or its contents or in any other manner in connection with this presentation.

The recipients of this presentation shall bear exclusive responsibility for their own analyses and market assessment as well as evaluation of the Company's market position and its potential results in the future based on information contained in herein.

To the extent this presentation contains forward-looking statements related to the future, in particular such terms as "designed", "planned", "anticipated", or other similar expressions (including their negation), they shall be connected with the known and unknown risks, uncertainty and other factors which might result in actual results, financial situation, actions and achievements being materially different from any future results, actions or achievements expressed in such forward-looking statements.

Neither the Company, nor any of its subsidiaries shall be obligated to provide the recipients of this presentation with any additional information or update this presentation.

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

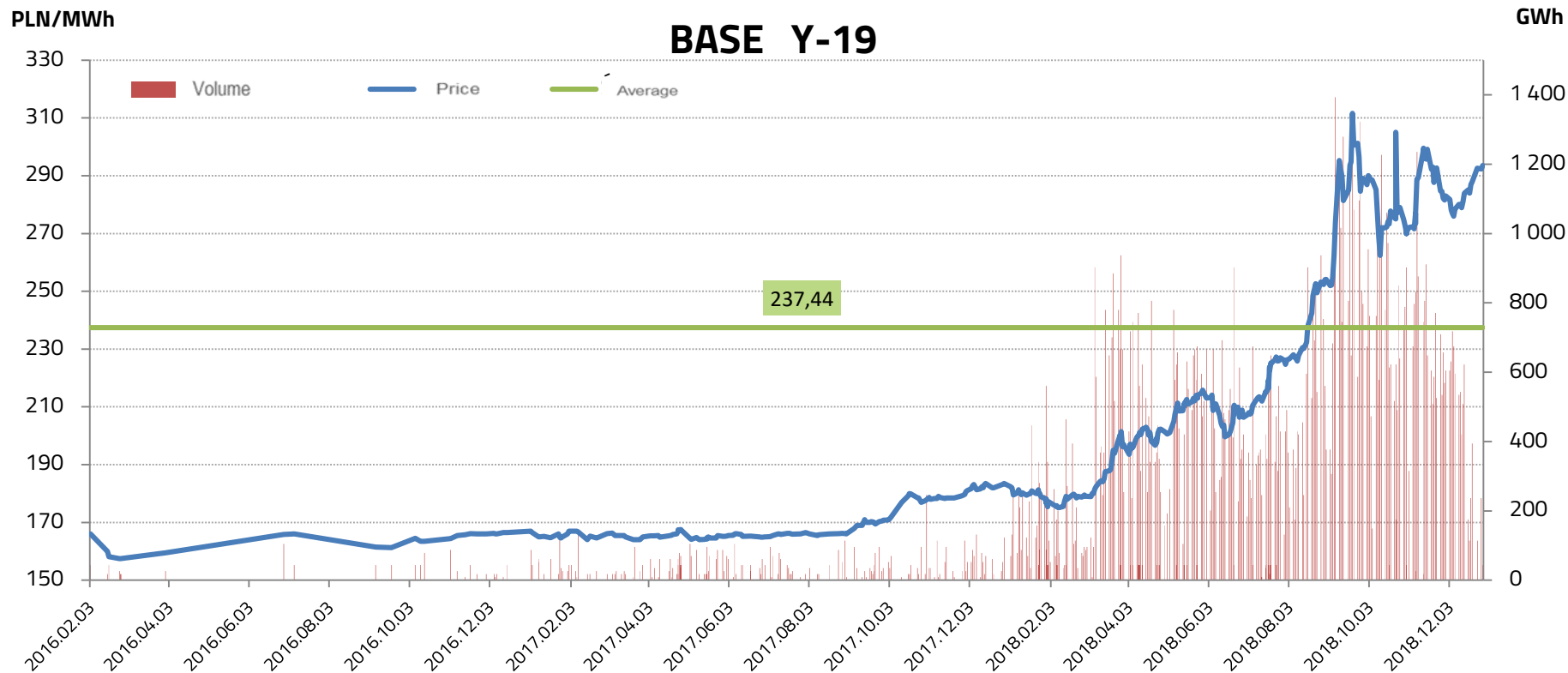
Electricity						
Platforms: TGE, TFS	2019		2020 (prices until May 5, 2020, and estimation)		2020/2019	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	241.94	167 413	253.97	168 062	5.0%	0.4%
Forward PEAK (Y+Q+M)	334.60	13 748	319.04	19 793	-4.7%	44.0%
Forward (weighted average)	248.97	181 161	260.83	187 855	4.8%	3.7%
SPOT (TGE)	230.97	33 947	188.05	34 500	-18.6%	1.6%
Weighted average total	246.13	215 108	249.54	222 355	1.4%	3.4%

Property rights (PLN/MWh)			
Certificate type	Market prices (Q1 2020 weighted average)	Substitution fee and obligation for:	
		2019	2020
OZE (PMOZE_A)	147.76	129.78 (18.5%)	165.24 (19.5%)
RES from biogas plants (PMOZE_BIO)	300.08	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	20.85 EUR/t
2021 average	29.75 EUR/t
2022 average	30.00 EUR/t
2020 average price forecast by TAURON	19 - 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

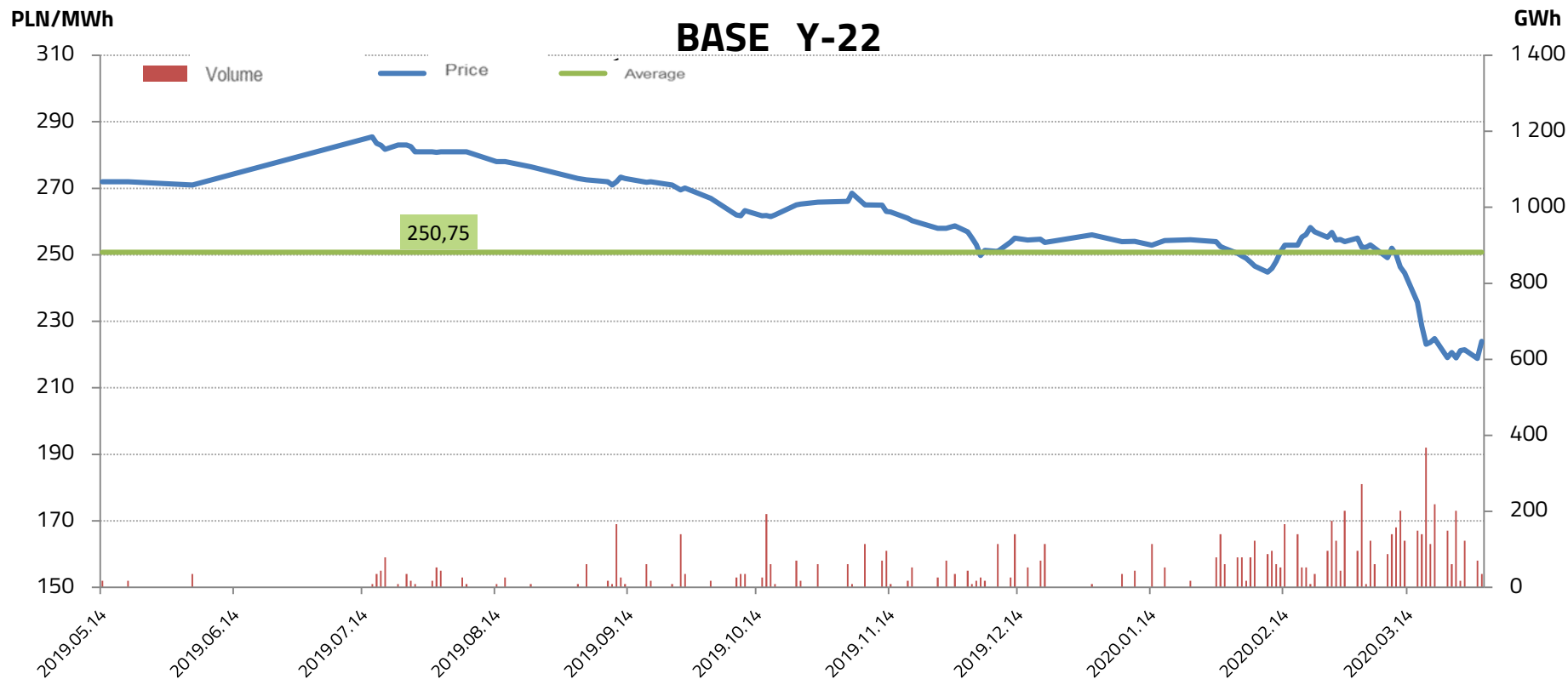
2021 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		248.27	51 702
including	TGE	248.27	51 702
	non-TGE	0	0

Average electricity price that takes into account 2021 one year BASE and PEAK contracts: 253.28 PLN/MWh, total 2021 BASE and PEAK contracts volume: 57 542 GWh

2022 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		250.75	8 042
including	TGE	250.75	8 042
	non-TGE	0	0

Average electricity price that takes into account 2022 one year BASE and PEAK contracts: 255.57 PLN/MWh, total 2022 BASE and PEAK contracts volume: 9 036 GWh