

# **TAURON Group's H1 2021 Financial Results**

September 16, 2021





## Key H1 2021 data

Financial results		
[PLN m]	H1 2021 vs H1 2020	
Sales revenue	<b>11 866</b>	<b>16%</b>
EBITDA	<b>2 919</b>	<b>21%</b>
Net profit*	<b>356</b>	<b>1 168%</b>
CAPEX	<b>1 287</b>	<b>(29)%</b>
Net debt/EBITDA	<b>2.1x</b>	down by 0.4x (vs 31.12.2020)

Operating data		
	H1 2021 vs H1 2020	
Electricity distribution [TWh]	<b>26.76</b>	<b>9%</b>
Electricity production from RES [TWh]	<b>0.89</b>	<b>(11)%</b>
Electricity production by hard coal-fired units [TWh]	<b>6.84</b>	<b>40%</b>
Heat generation [PJ]	<b>7.22</b>	<b>8%</b>
Retail electricity supply [TWh]	<b>16.63</b>	<b>4%</b>
Commercial coal production [ton m]	<b>2.70</b>	<b>8%</b>

\* attributable to the shareholders of the parent company



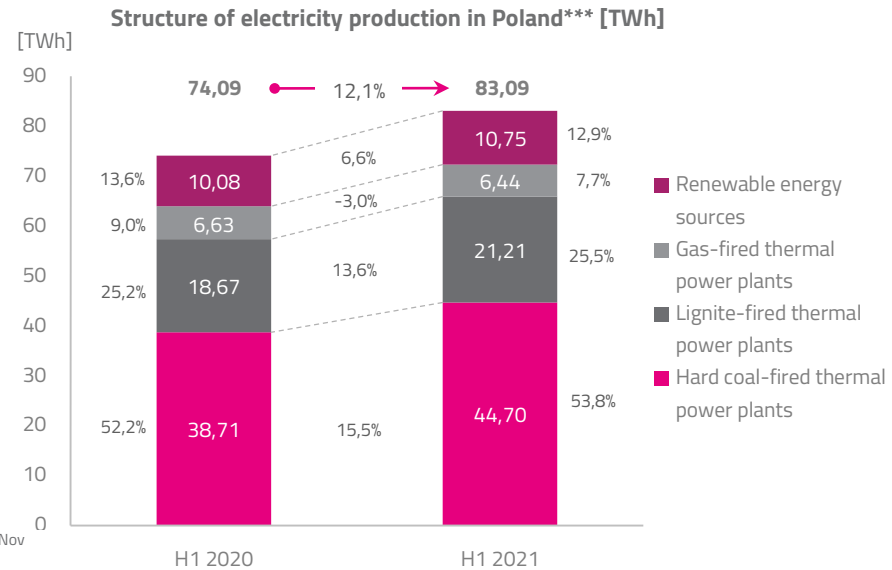
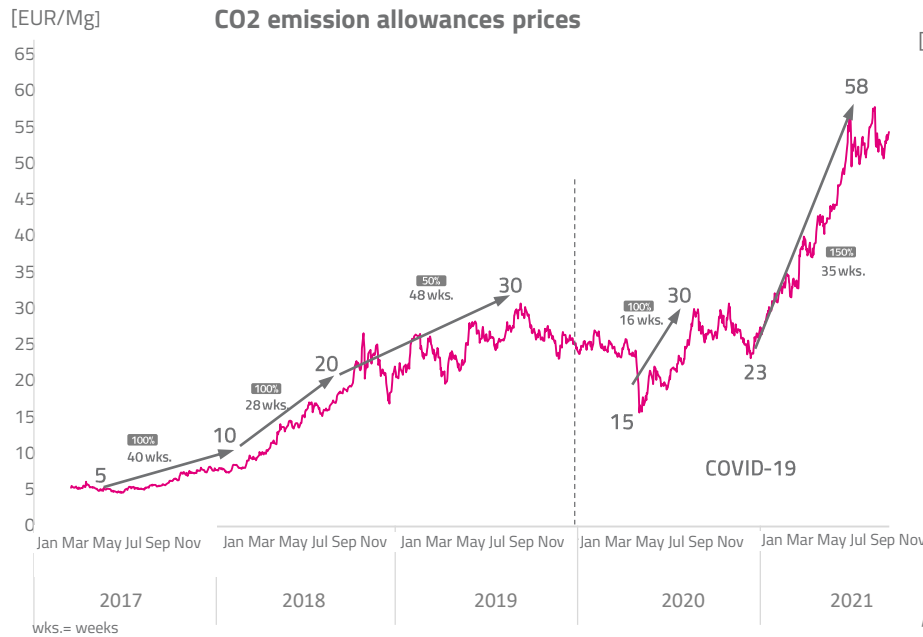
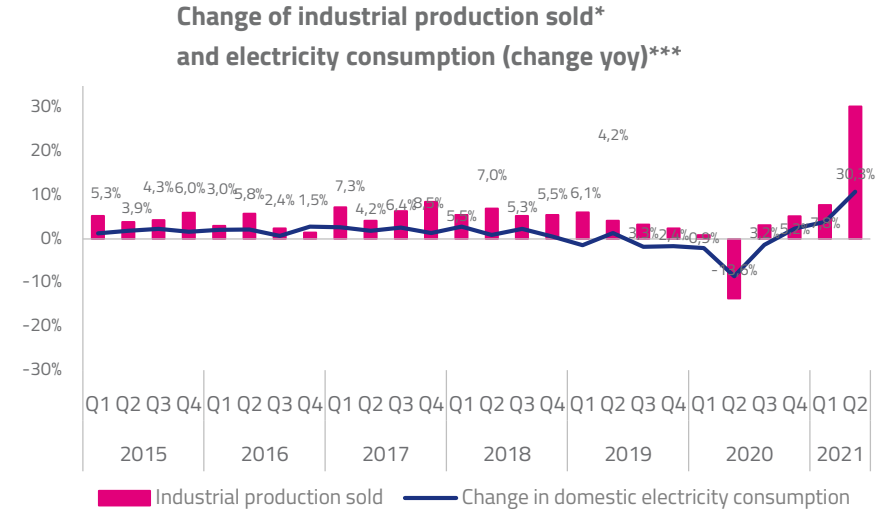
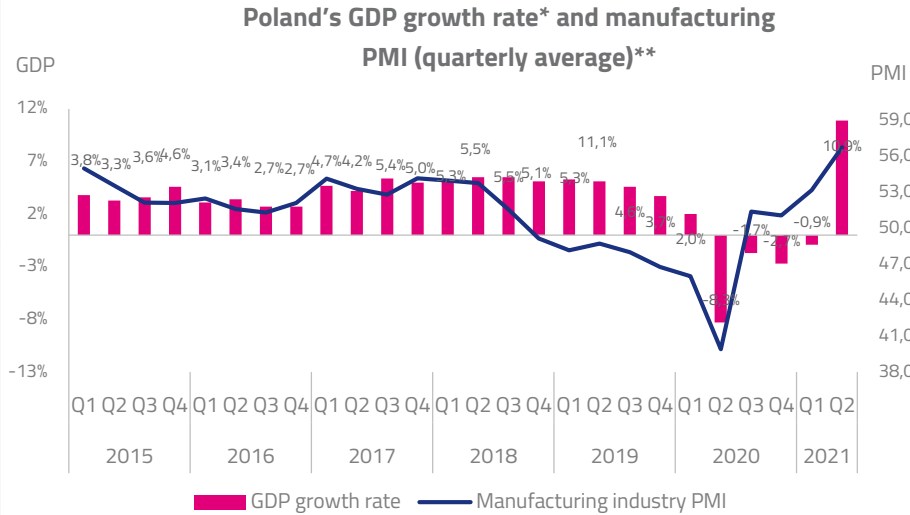
## Key Q2 2021 data

Financial results		
[PLN m]	Q2 2021 vs Q2 2020	
Sales revenue	<b>5 422</b>	<b>15%</b>
EBITDA	<b>1 183</b>	<b>(18)%</b>
Net profit*	<b>(483)</b>	<b>-</b>
CAPEX	<b>648</b>	<b>(25)%</b>
Net debt/EBITDA	<b>2.1x</b>	<b>down by 0.4x (vs 31.12.2020)</b>

Operating data		
	Q2 2021 vs Q2 2020	
Electricity distribution [TWh]	<b>12.97</b>	<b>14%</b>
Electricity production from RES [TWh]	<b>0.40</b>	<b>(5)%</b>
Electricity production by hard coal-fired units [TWh]	<b>3.11</b>	<b>39%</b>
Heat generation [PJ]	<b>2.07</b>	<b>20%</b>
Retail electricity supply [TWh]	<b>7.86</b>	<b>10%</b>
Commercial coal production [ton m]	<b>1.26</b>	<b>(3)%</b>

\* attributable to the shareholders of the parent company

# Macroeconomic and market situation

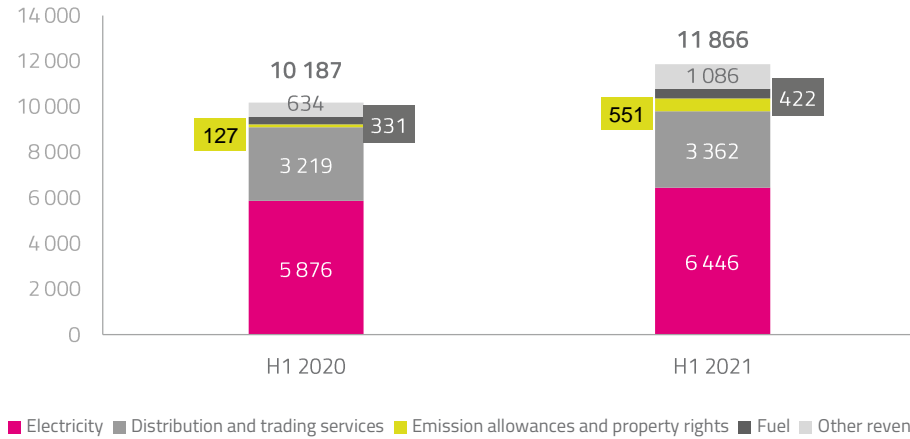


\*\*\*\* due to the change in the form of publication of data by PSE, in 2020 the group of industrial power plants was added to the group of utility scale hard coal-fired thermal power plants kamiennym

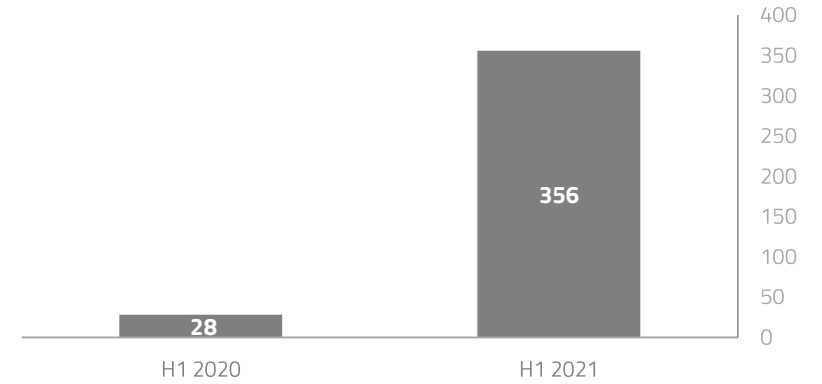


# H1 2021 financial data

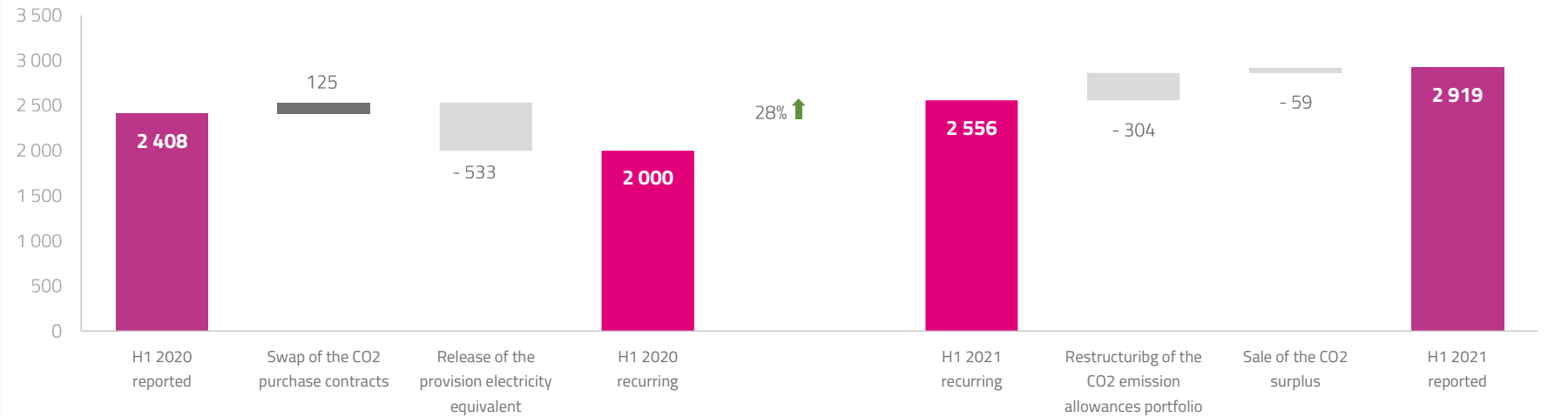
Sales revenue [PLN m]



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



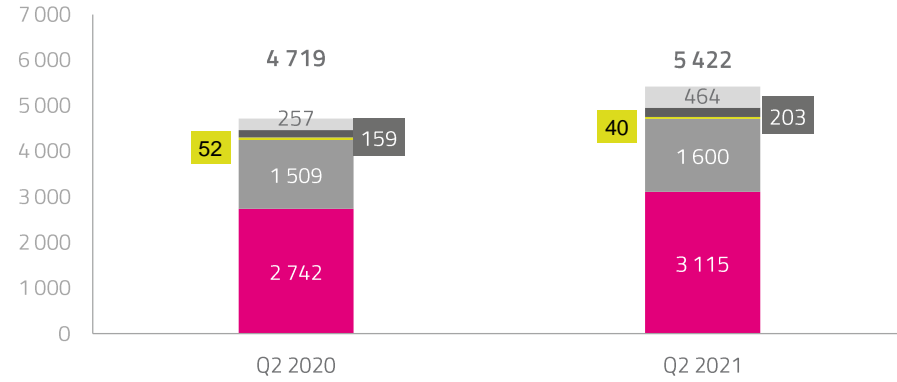
H1 2021 EBITDA vs H1 2020 EBITDA [PLN m]





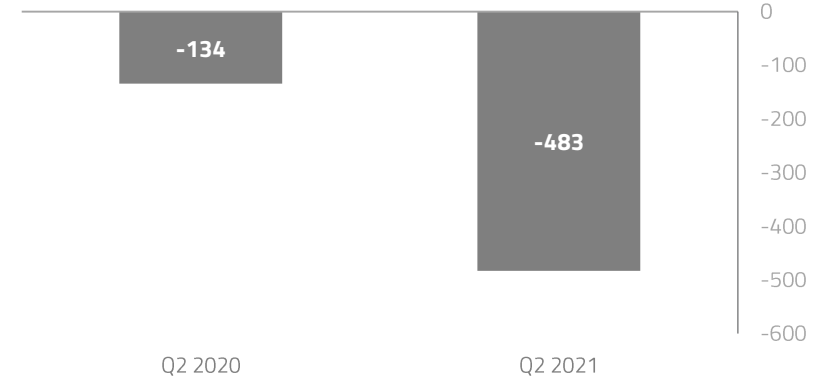
## Q2 2021 financial data

Sales revenue [PLN m]

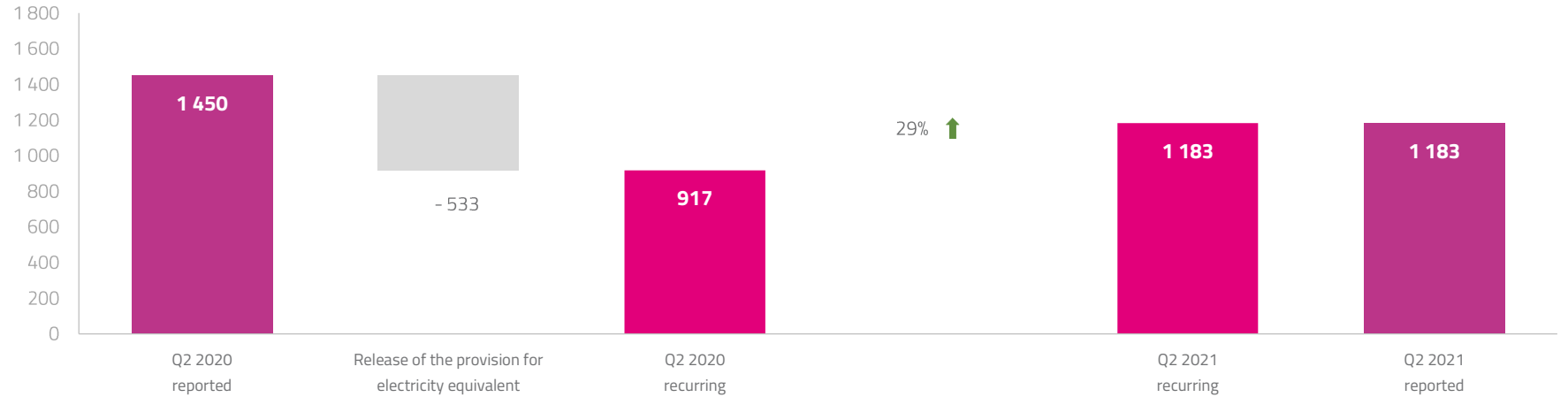


■ Electricity ■ Distribution and trading services ■ Emission allowances and property rights ■ Fuel ■ Other revenue

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



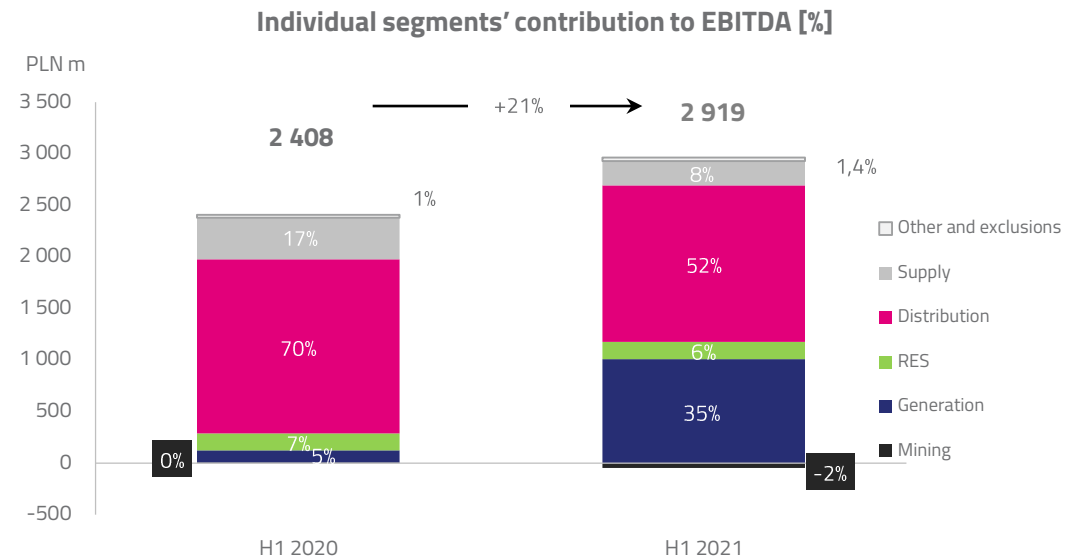
Q2 2021 EBITDA vs Q2 2020 EBITDA [PLN m]





## Individual segments' H1 2021 results

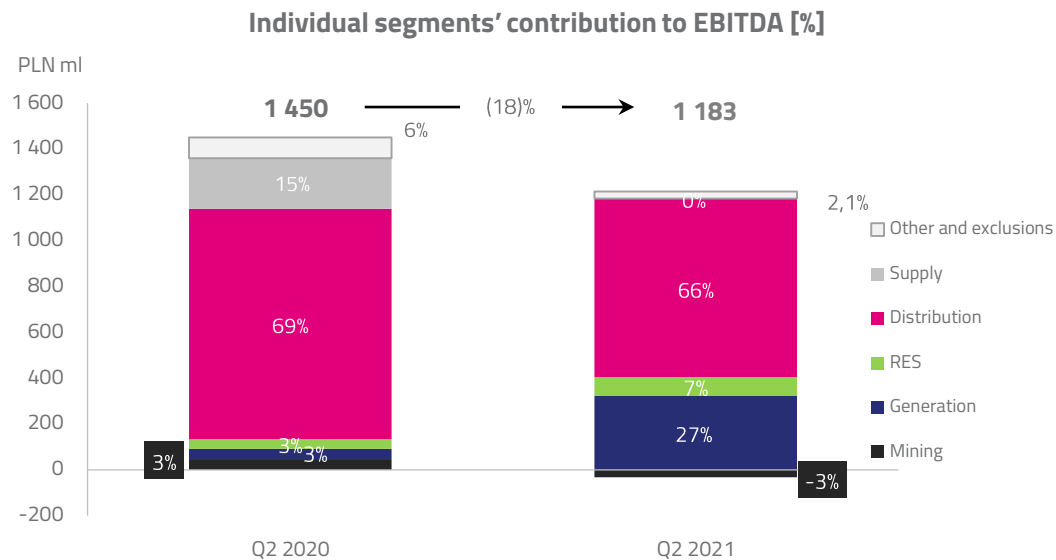
[PLN m]	Distribution	RES	Generation	Supply	Mining	Other and exclusions*
Revenue	3 519	308	4 059	10 725	580	(7 325)
EBITDA	1 519	167	1 008	237	(45)	34
EBIT	924	89	(159)	217	(321)	(19)
CAPEX	922	20	114	27	122	82



\* Items not included in the segments presented

## Individual segments' Q2 2021 results

[PLN m]	Distribution	RES	Generation	Supply	Mining	Other and exclusions*
Revenue	1 713	152	1 751	4 645	277	(3 117)
EBITDA	777	83	322	2	(32)	31
EBIT	478	44	(729)	(8)	(271)	3
CAPEX	465	15	55	12	54	46

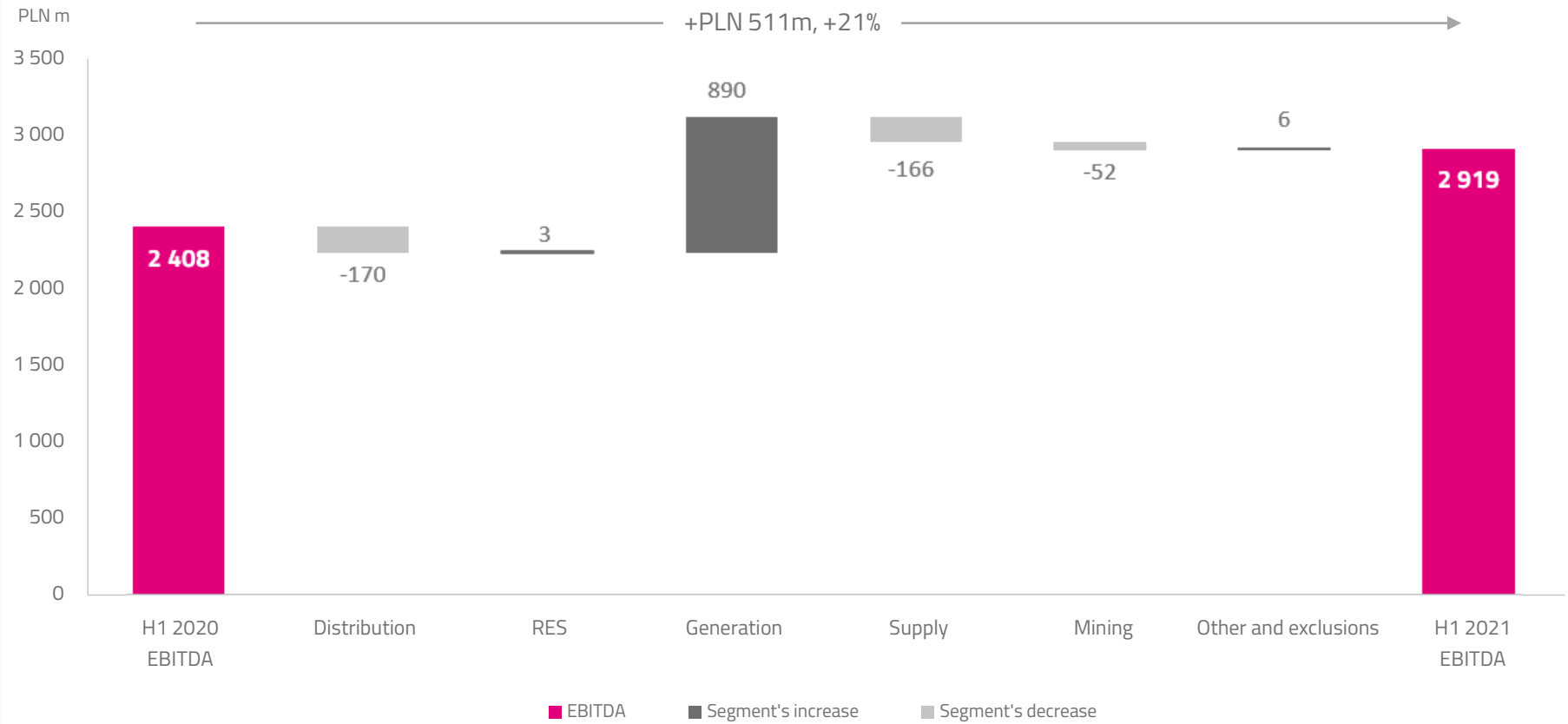


\* Items not included in the segments presented



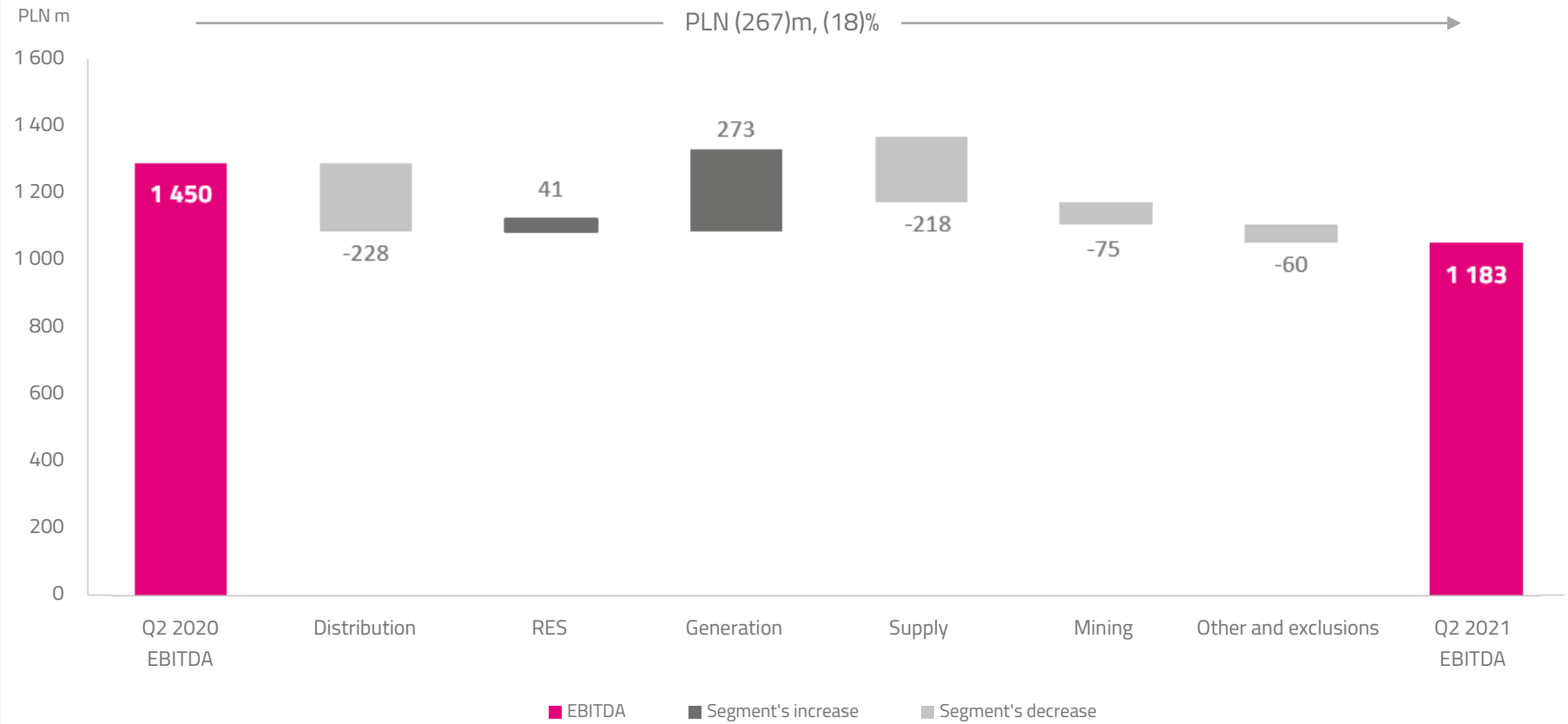


## H1 2021 EBITDA





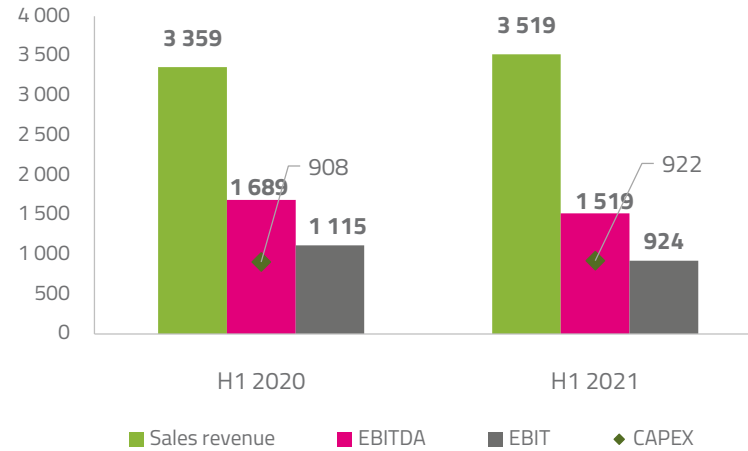
## Q2 2021 EBITDA



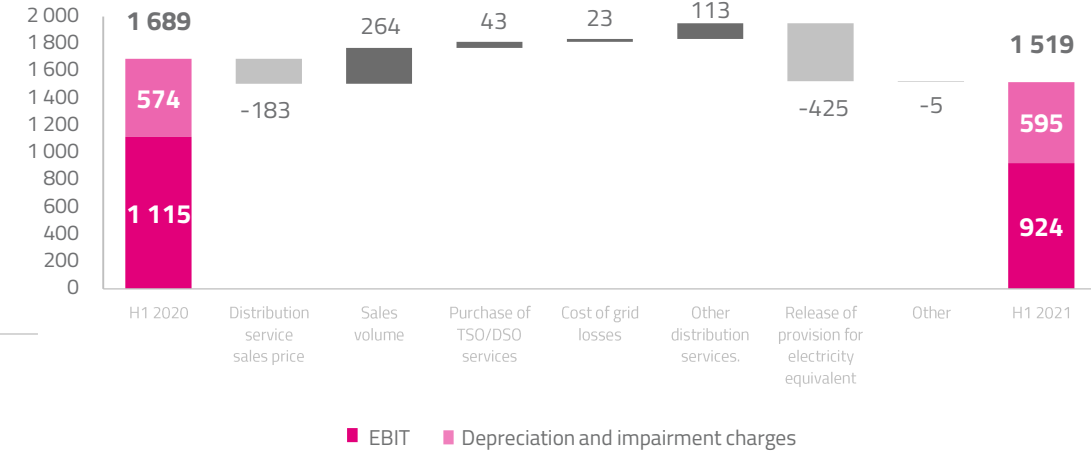


# Distribution Segment H1 2021

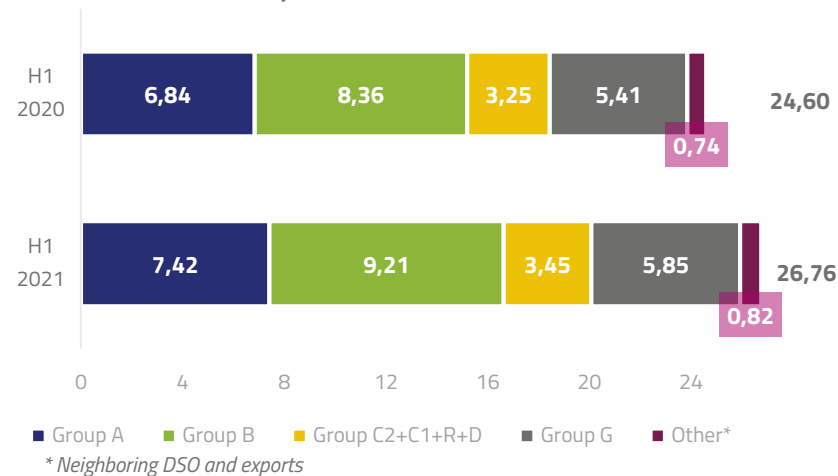
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]

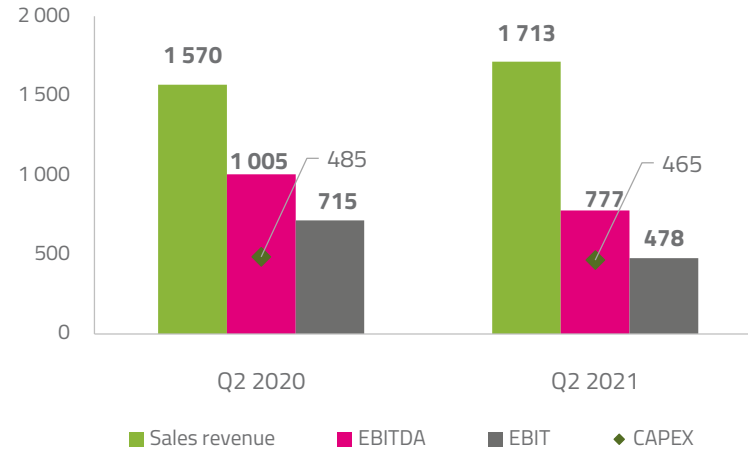


- Increase of electricity distribution services sales volume by 2.2 TWh ✓
- Increase of the other distribution revenues ✓
- Decline of the average rate for the final consumers -

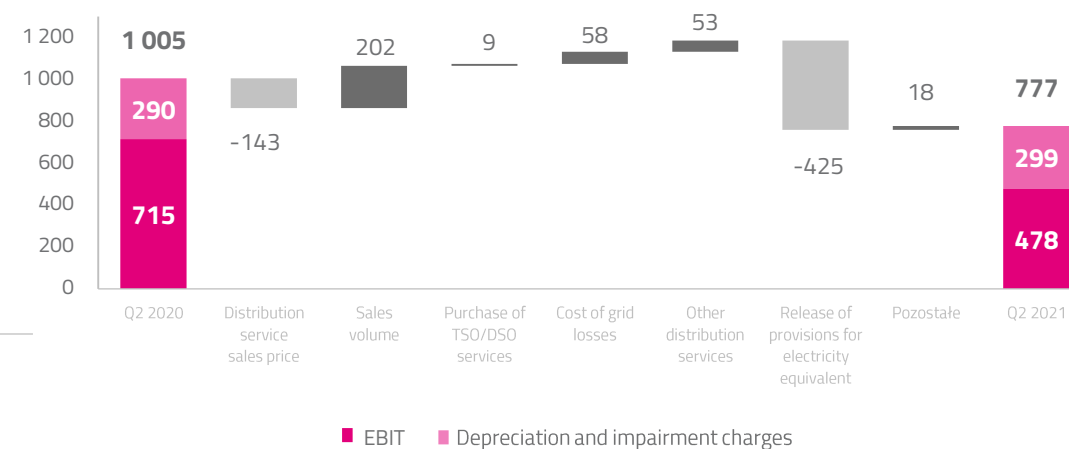


# Distribution Segment Q2 2021

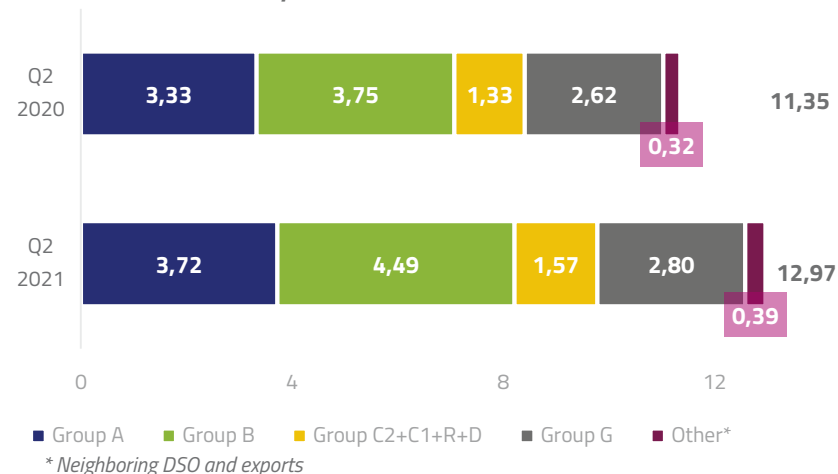
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]

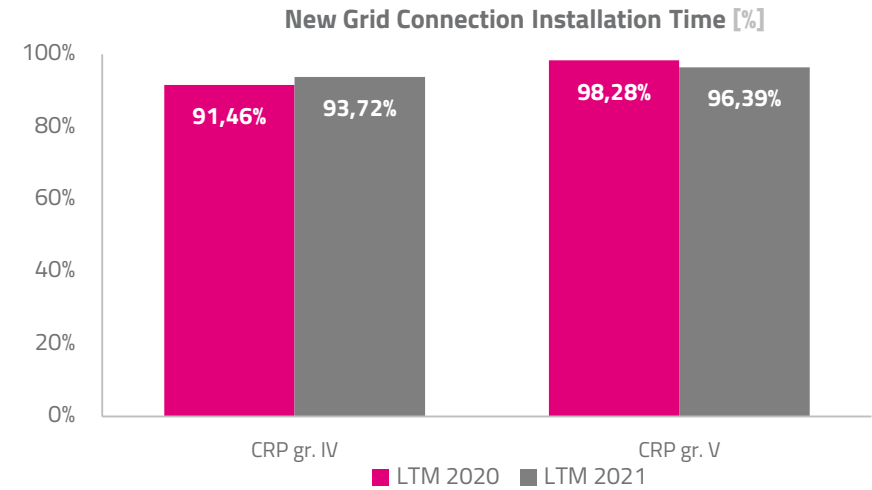
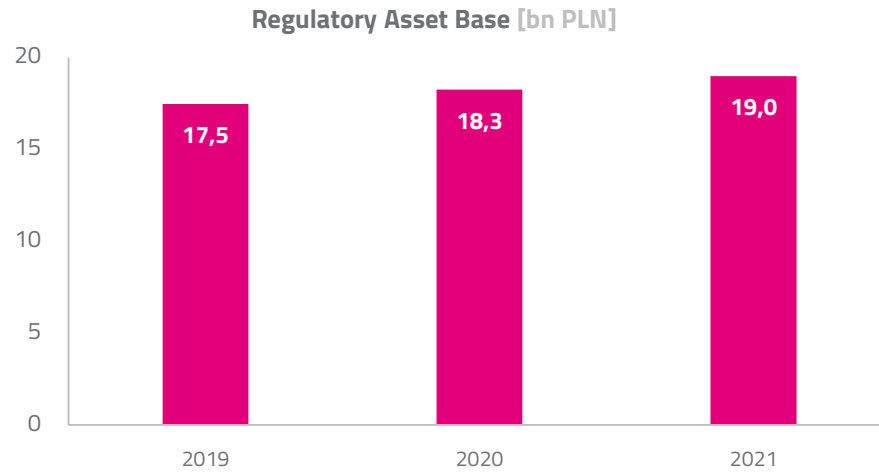


- Increase of electricity distribution services sales volume by 1.56 TWh ✓
- Increase of the other distribution revenues ✓
- Decline of the average rate for the final consumers -

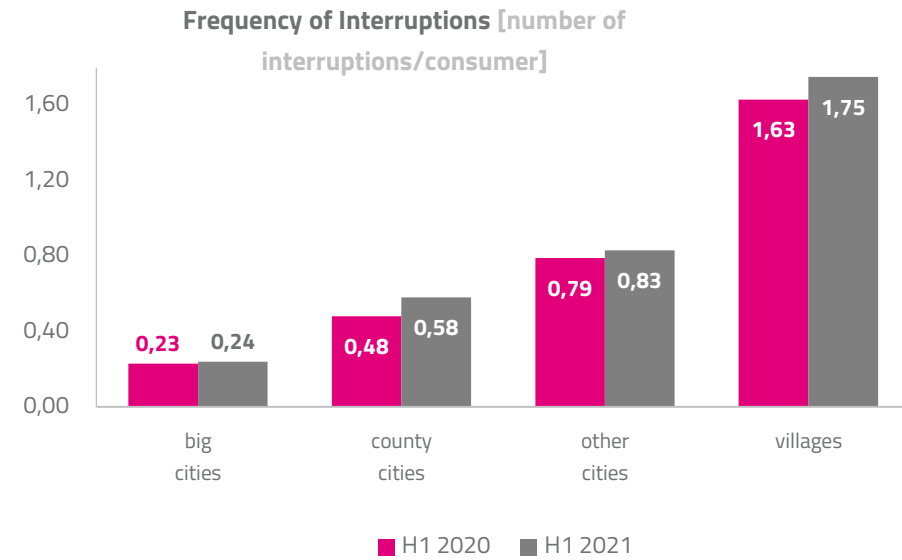
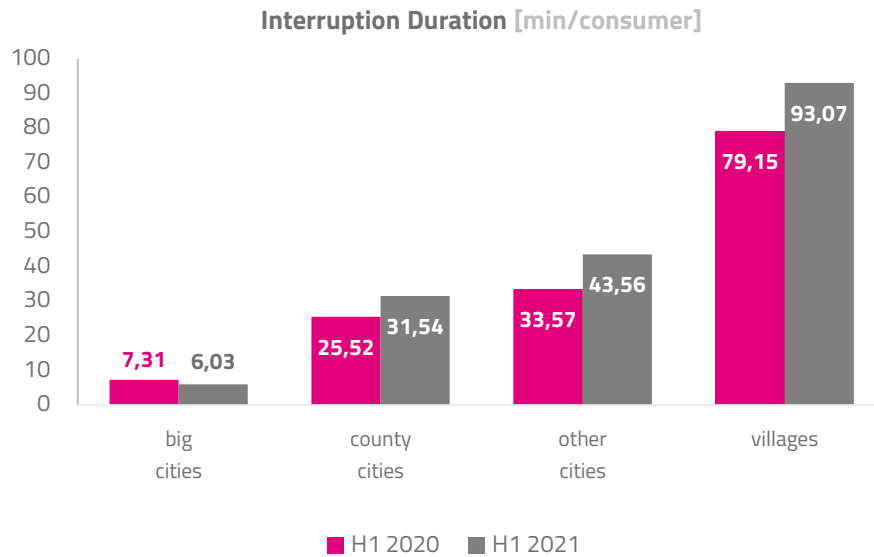


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## Distribution Segment key parameters



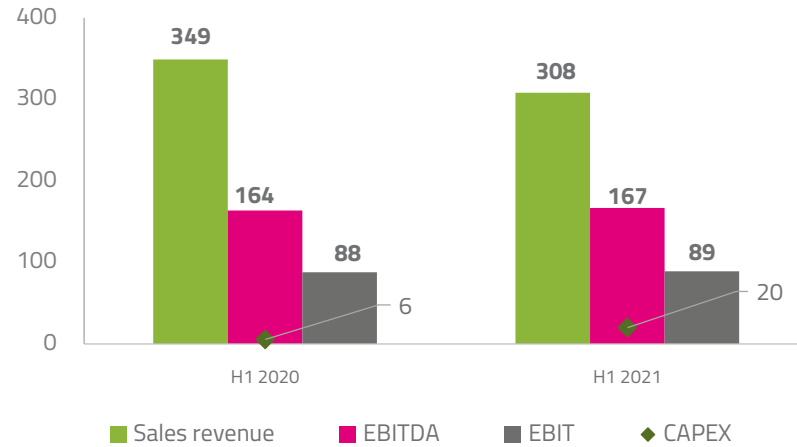
LTM – trailing 12 months ended on June 30, 2020 and 2021





# RES Segment H1 2021

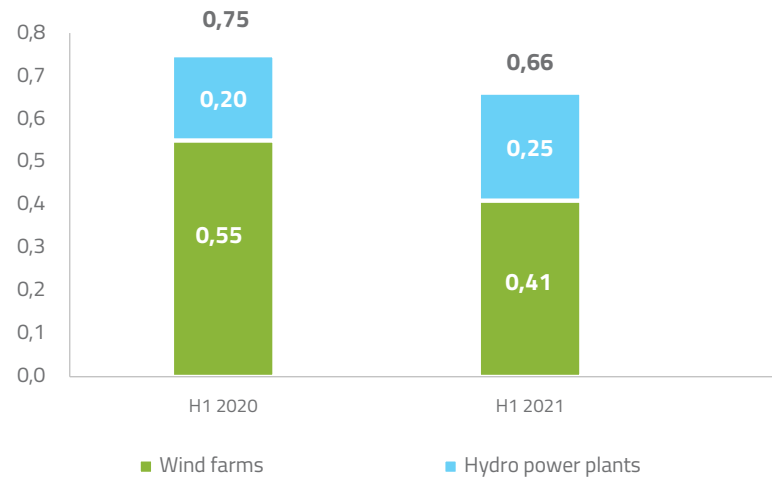
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]



Revenue from the Capacity Market



Lower electricity production volume



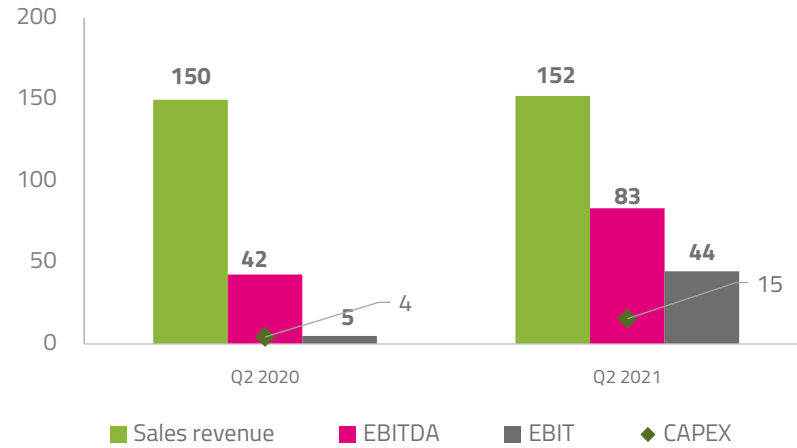
Lack of support for hydro power plants and the Zagórze Wind Farm (Poland's oldest wind farm)



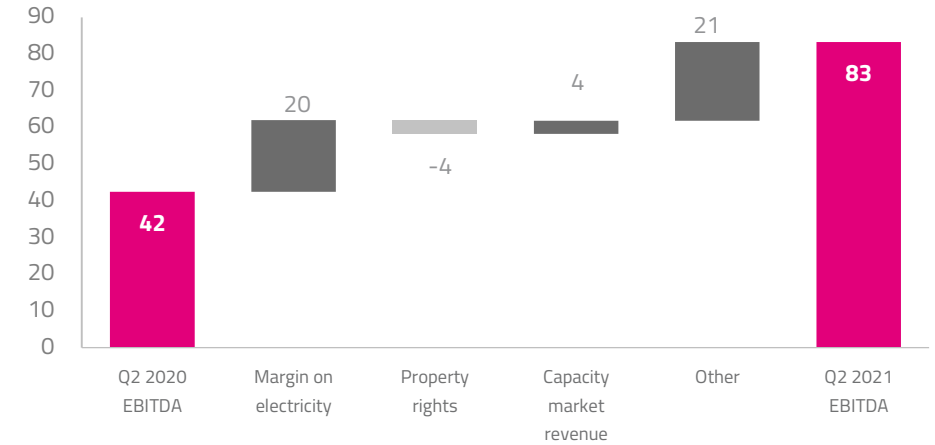


# RES Segment Q2 2021

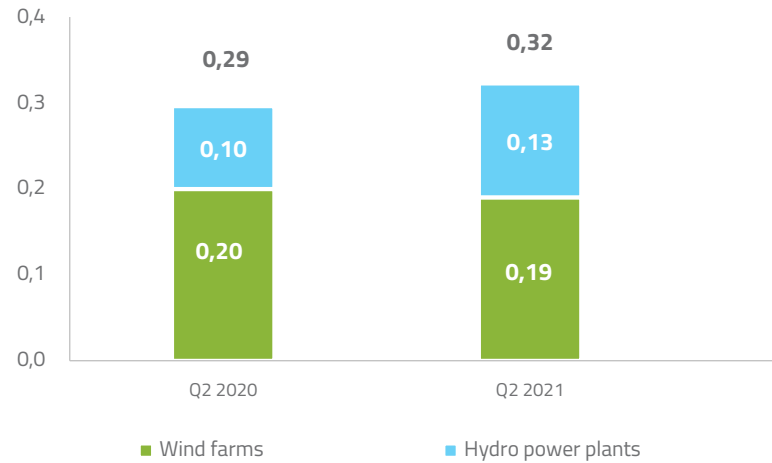
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]



Revenue from the Capacity Market



Higher electricity production volume



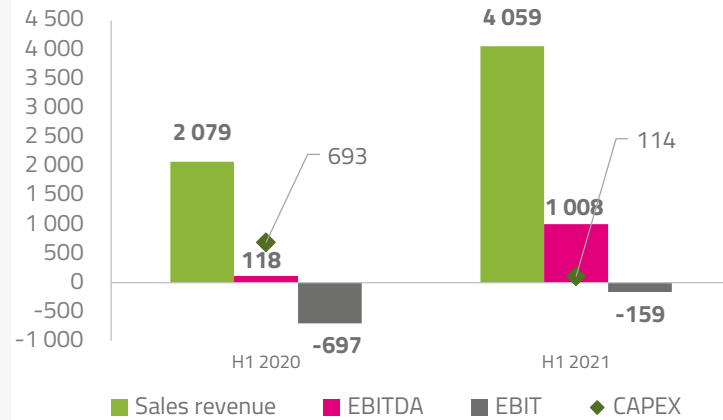
Lack of support for hydro power plants and the Zagórze Wind Farm (Poland's oldest wind farm)



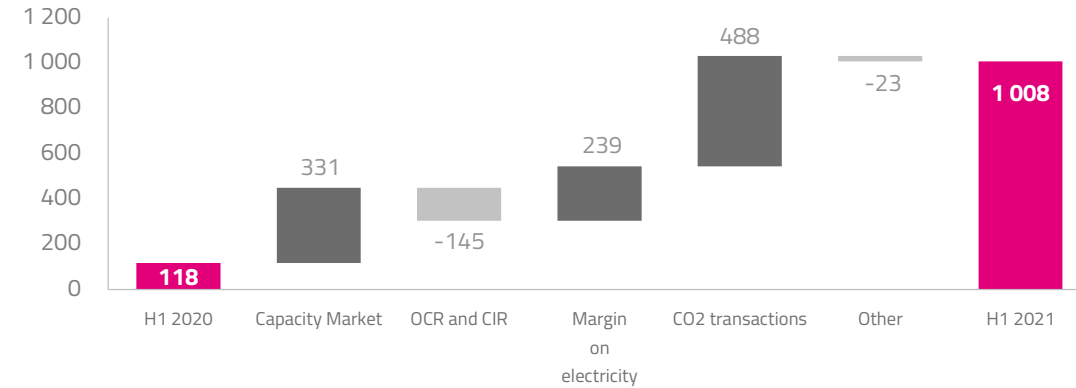


# Generation Segment H1 2021

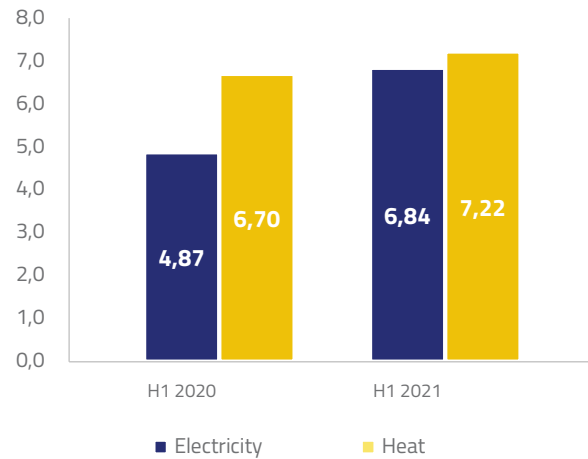
Financial data [PLN m]



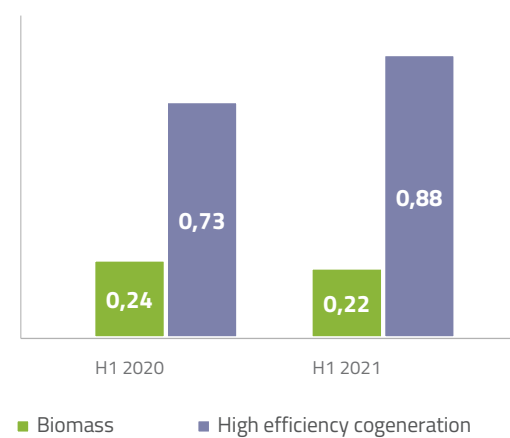
EBITDA change [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]



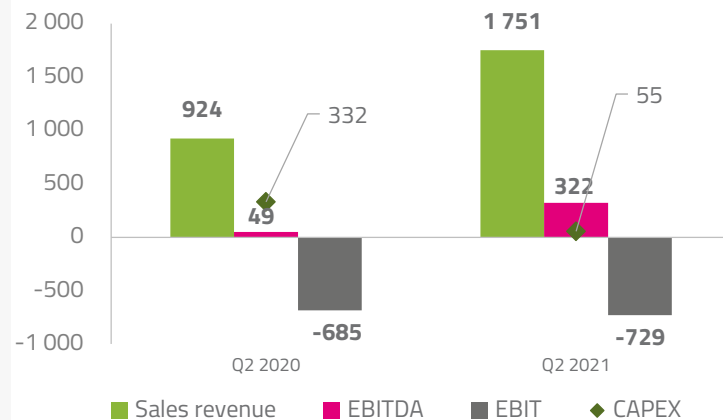
- Revenue from the Capacity Market with the simultaneous lack of revenue from OCR and CIR ✓
- Operation of the 910 MWe power generating unit in Jaworzno ✓
- Positive impact of the CO2 transaction ✓



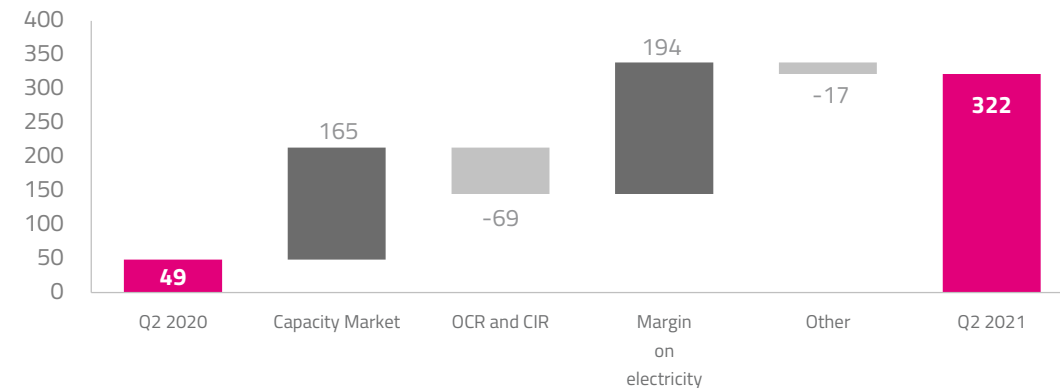


# Generation Segment Q2 2021

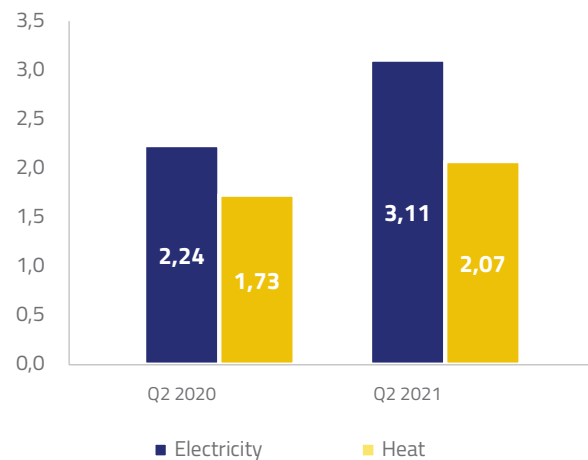
Financial data [PLN m]



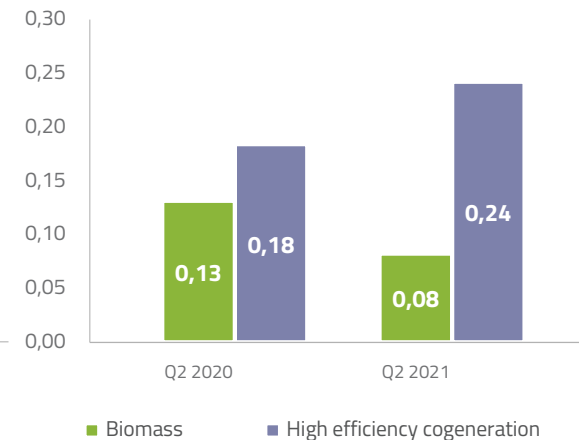
EBITDA [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]

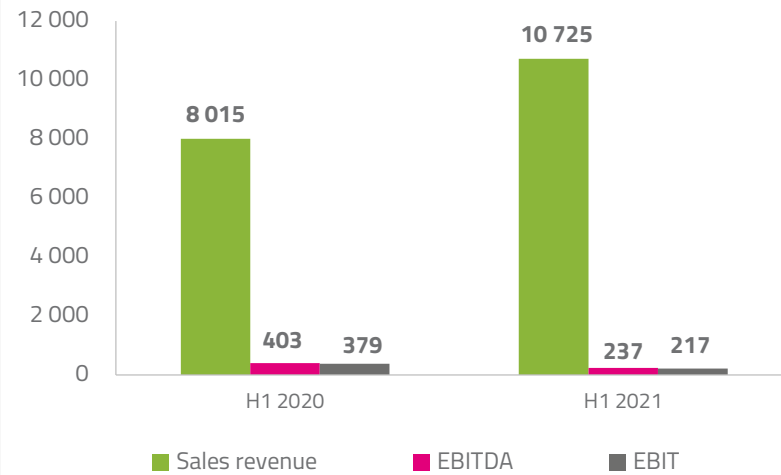


- Revenue from the Capacity Market with the simultaneous lack of revenue from OCR and CIR ✓
- Operation of the 910 MWe power generating unit in Jaworzno ✓
- Higher electricity sales prices - mainly on the balancing market ✓

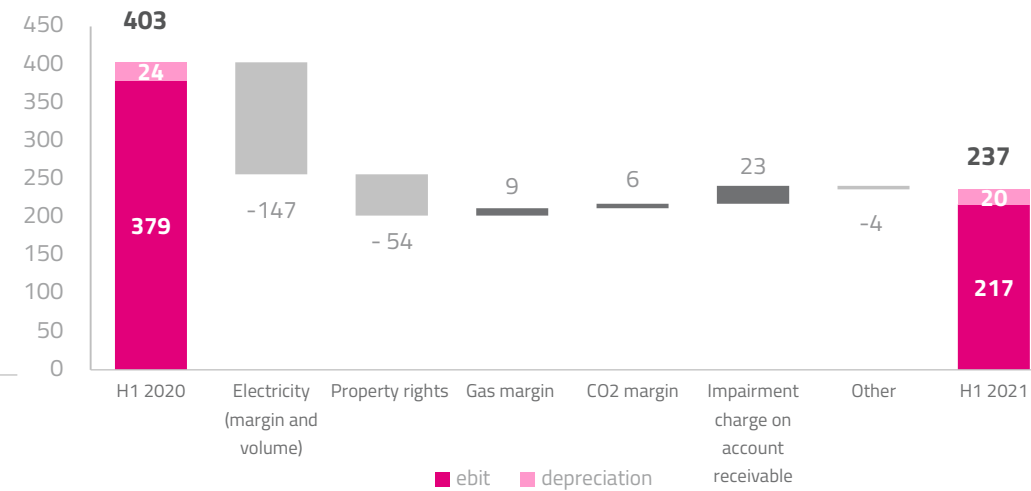


# Supply Segment H1 2021

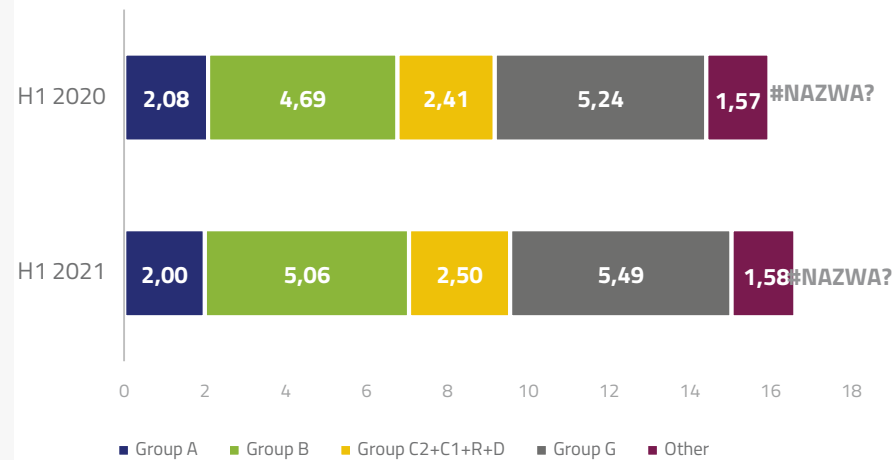
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]

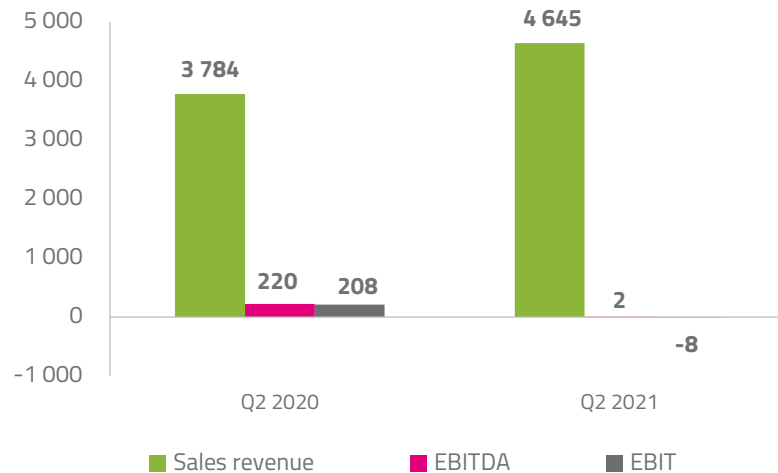


- Full coverage of costs under the G tariff ✓
- Increase in the achieved customer loyalty program affiliation level ✓
- increase of the price of purchasing the PMOZE property rights -

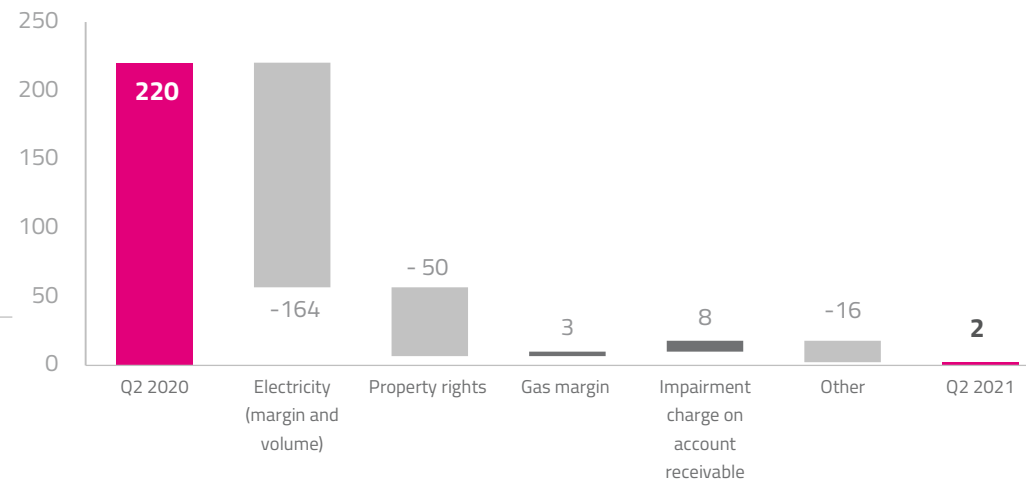


# Supply Segment Q2 2021

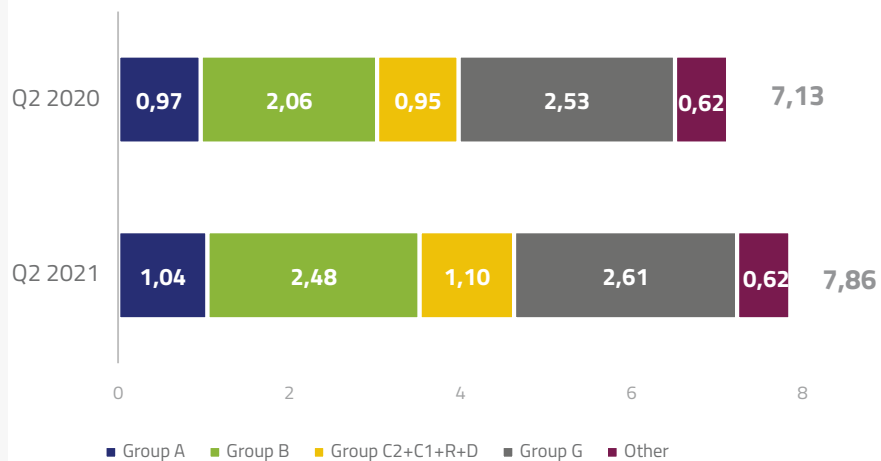
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]

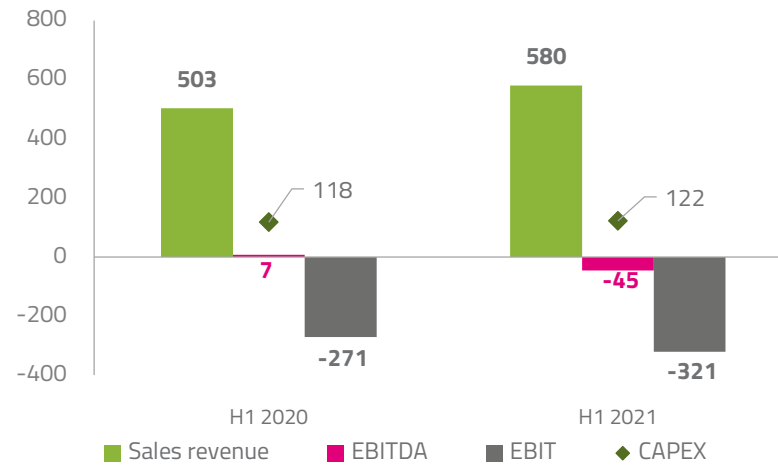


- Full coverage of costs under the G tariff ✓
- Increase in the achieved customer loyalty program affiliation level ✓
- Higher electricity sales volume ✓

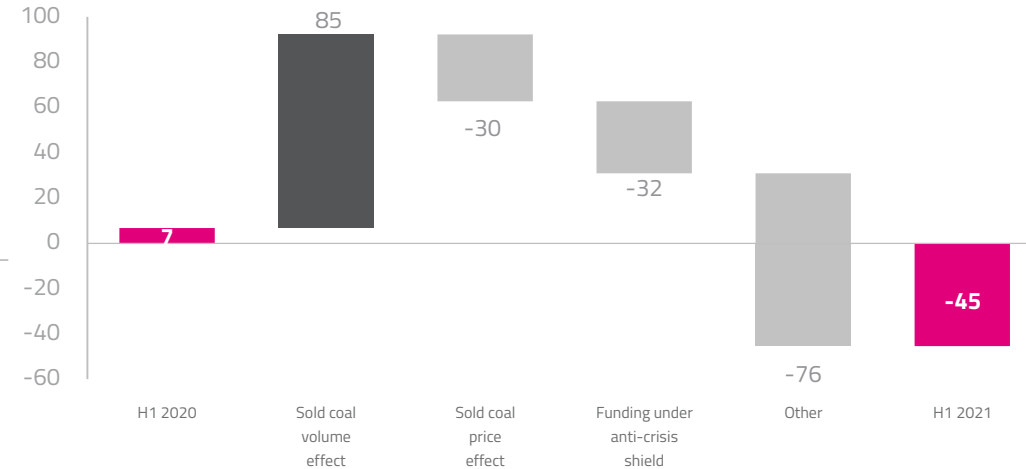


# Mining Segment H1 2021

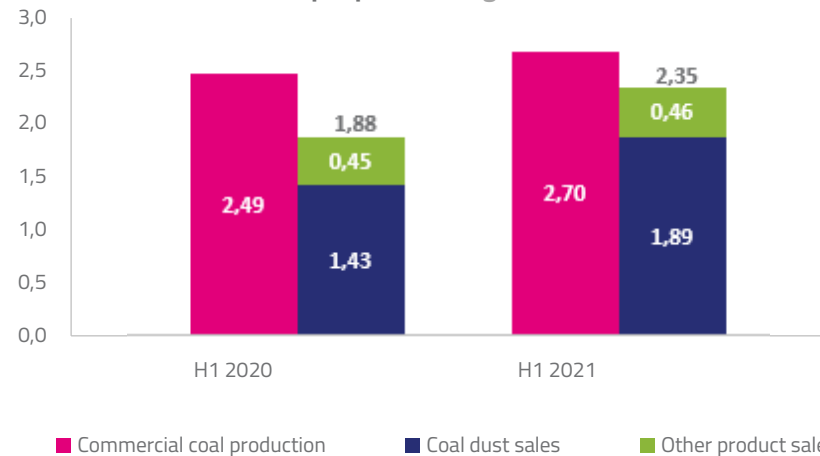
Financial data [PLN m]



EBITDA change [PLN m]



Commercial coal production  
vs sales per product [Mg m]



▪ Increase of hard coal production as compared to H1 2020



▪ Increase in coal sales as compared to H1 2020



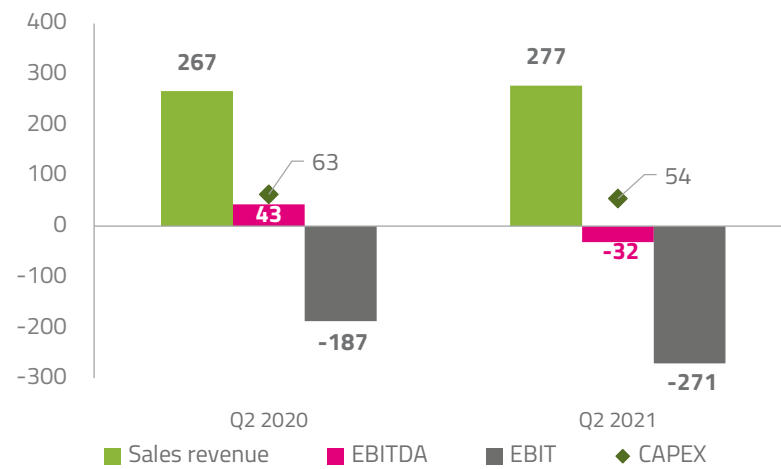
▪ Increase by 1 PLN/Mg of the unit mining cash cost\* (up from 199 PLN/Mg to 200 PLN/Mg)



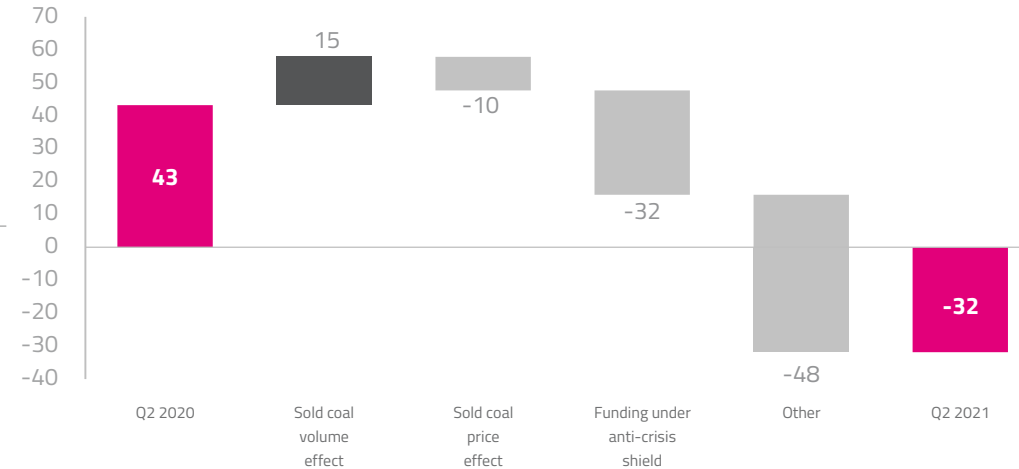
\* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

# Mining Segment Q2 2021

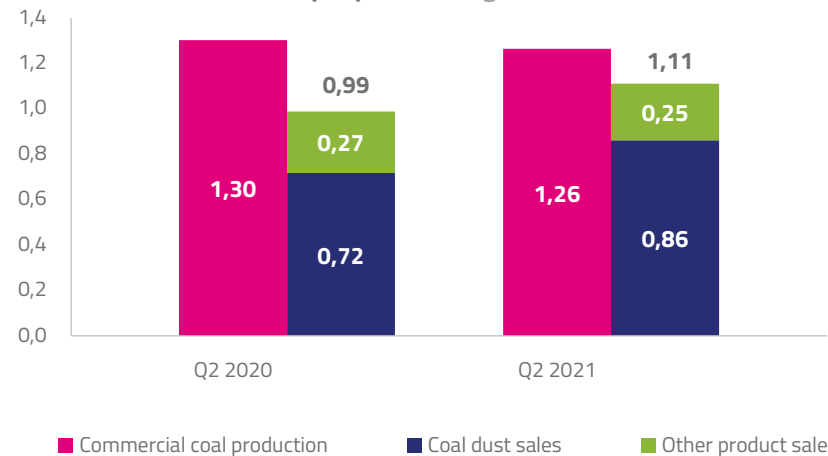
Financial data [PLN m]



EBITDA change [PLN m]



Commercial coal production  
vs sales per product [Mg m]



▪ Increase in coal sales as compared to Q2 2020



▪ Decrease of hard coal production as compared to Q2 2020



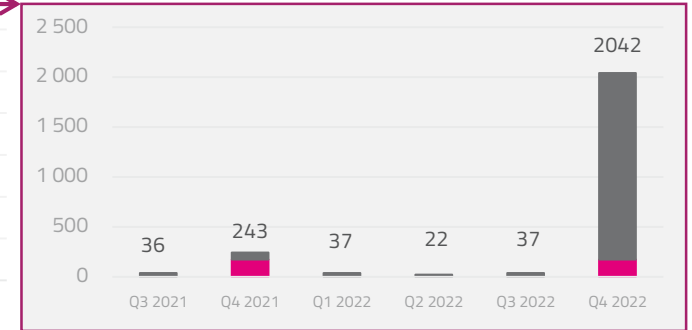
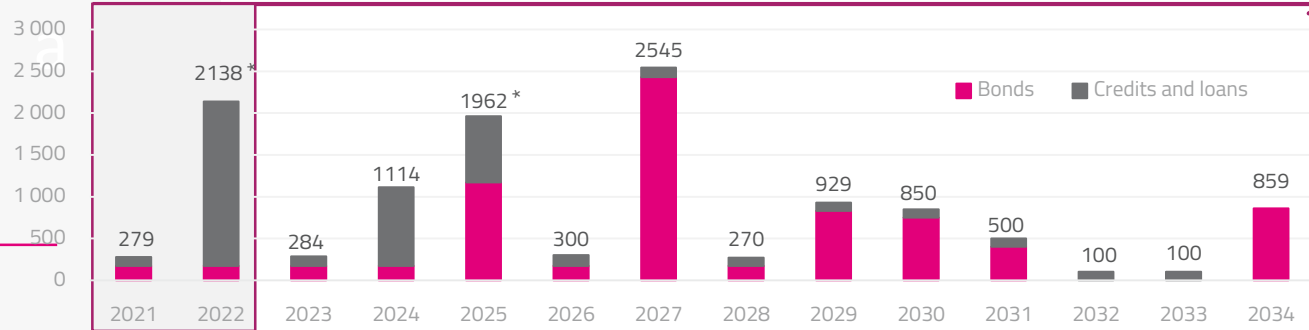
▪ Increase by 31 PLN/Mg of the unit mining cash cost\* (up from 176 PLN/Mg to 207 PLN/Mg)



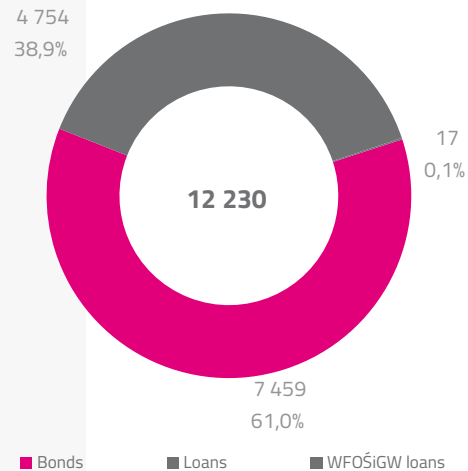
\* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

# Debt and financing

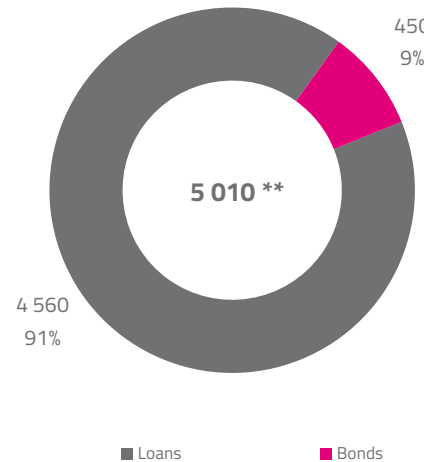
TAURON Group's nominal debt maturity as of June 30, 2021 [PLN m]



TAURON Group's nominal debt structure as of June 30, 2021 [PLN m]



Amounts of financing available to TAURON Group as of June 30, 2021 [PLN m]



Debt structure by interest rate [PLN m]

Debt amount	Interest rate	Collateral floating rate
12 230	Floating: 6 607	IRS: 3 840
	Fixed: 5 623	None: 2 767

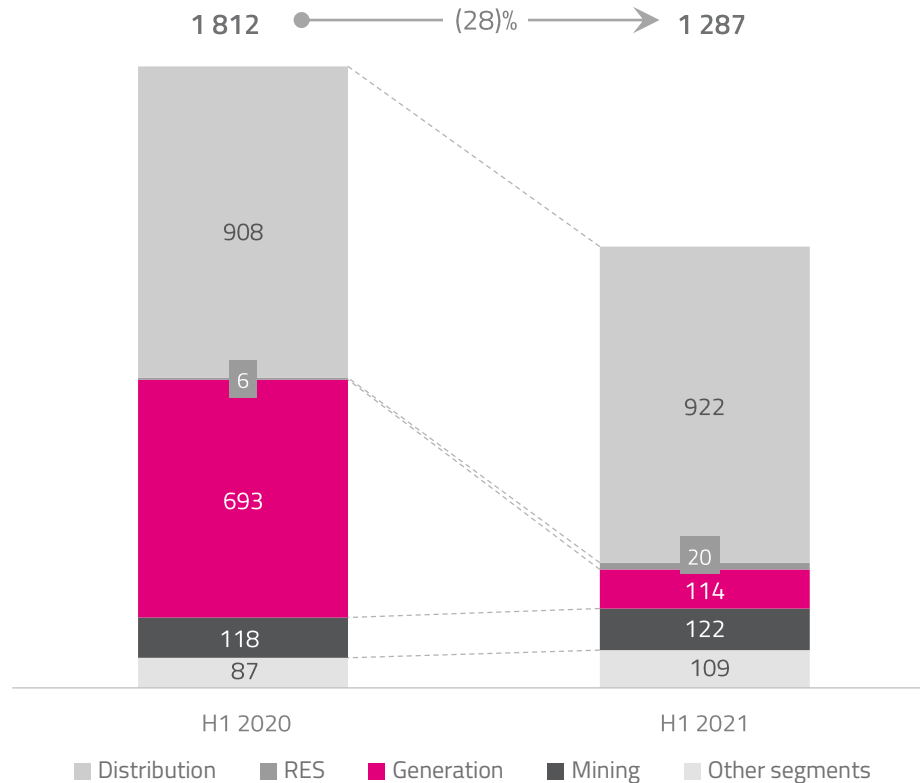
- Weighted average maturity of debt as of June 30, 2021, is 84 months (assuming the revolving bank loans continue to be drawn down until the end of their availability period)
- EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 32% of the total debt

\* 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 – per segment

Capital expenditures per segment\* [PLN m]



\* Outlays do not include equity investments (as presented in the financial statements).

Outlays, including equity investments, excluding financial costs, amounted to: PLN 1 703 million in H1 2020 and PLN 1 290 million in H1 2021.

## Key investment projects implemented in H1 2021

### Distribution:

- Grid assets upgrades (refurbishments) and replacements (PLN 396m)
- Installing new grid connections (PLN 462m)
- Dispatcher Communications System (PLN 28m)



### Generation:

- Construction of the new 910 MW capacity in Jaworzno (PLN 13m)
- Adaptation of the generating units to BAT (PLN 12m)
- Replacement and refurbishment related outlays as well as overhaul components at TW (PLN 57m)
- Adaptation of the generating units to BAT (PLN 12m)
- New facility connections to the district heating net (PLN 9m)
- District heating networks' maintenance and expansion (PLN 7m)



### RES:

- Construction of the 30 MW Piotrków wind farm (PLN 13m)
- Construction of the Choszczno I and II wind farm (PLN 2m)



### Mining:

- Construction of the Grzegorz shaft at Sobieski Coal Mine (PLN 5m)
- Construction of the 800 m level at Janina Coal Mine (PLN 3m)
- Production preparation (PLN 70m)
- Modernization (refurbishment) and replacement tasks (PLN 43m)



### Supply and other:

- Deployment of the broadband internet as part of the POPC III and CUB Program (PLN 49m)
- IT investments at TOK (PLN 29m)
- Lighting maintenance and expansion (PLN 15m)
- Gas engines (PLN 9m)

\* Capex does not include financial costs added to outlays



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\* issuing of recommendations has been suspended

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## Electricity market price trends

Electricity						
Platforms: TGE, TFS	2020		2021 r. (prices quoted until August 20, 2021, and estimates)		2021/2020	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	255.65	167 093	248.39	167 899	-2.8%	0.5%
Forward PEAK (Y+Q+M)	315.03	19 035	287.97	18 217	-8.6%	-4.3%
Forward (weighted average)	261.72	186 128	252.27	186 117	-3.6%	-0.01%
SPOT (TGE)	208.72	34 757	328.35	34 040	57.3%	-2.1%
Weighted average total	<b>253.38</b>	<b>220 885</b>	<b>264.03</b>	<b>220 157</b>	<b>4.2%</b>	<b>-0.3%</b>

Property rights (PLN/MWh)				CO <sub>2</sub> emission allowances (EUR/t)	
Certificate type	Market prices (H1 2021 weighted average)	Substitution fee and obligation for:		CO <sub>2</sub> market analysts survey* (updated in July 2021)	Price (EUR/t)
		2020	2021	2021 average	50.30 EUR/t
OZE (PMOZE_A)	150.22	165.24 (19.5%)	172.76 (19.5%)	2022 average	59.70 EUR/t
RES from biogas plants (PMOZE_BIO)	301.77	300.03 (0.5%)	300.03 (0.5%)	2023 average	57.60 EUR/t
				2021 average price forecast by TAURON	49–51 EUR/t

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



## 2020 BASE contract prices

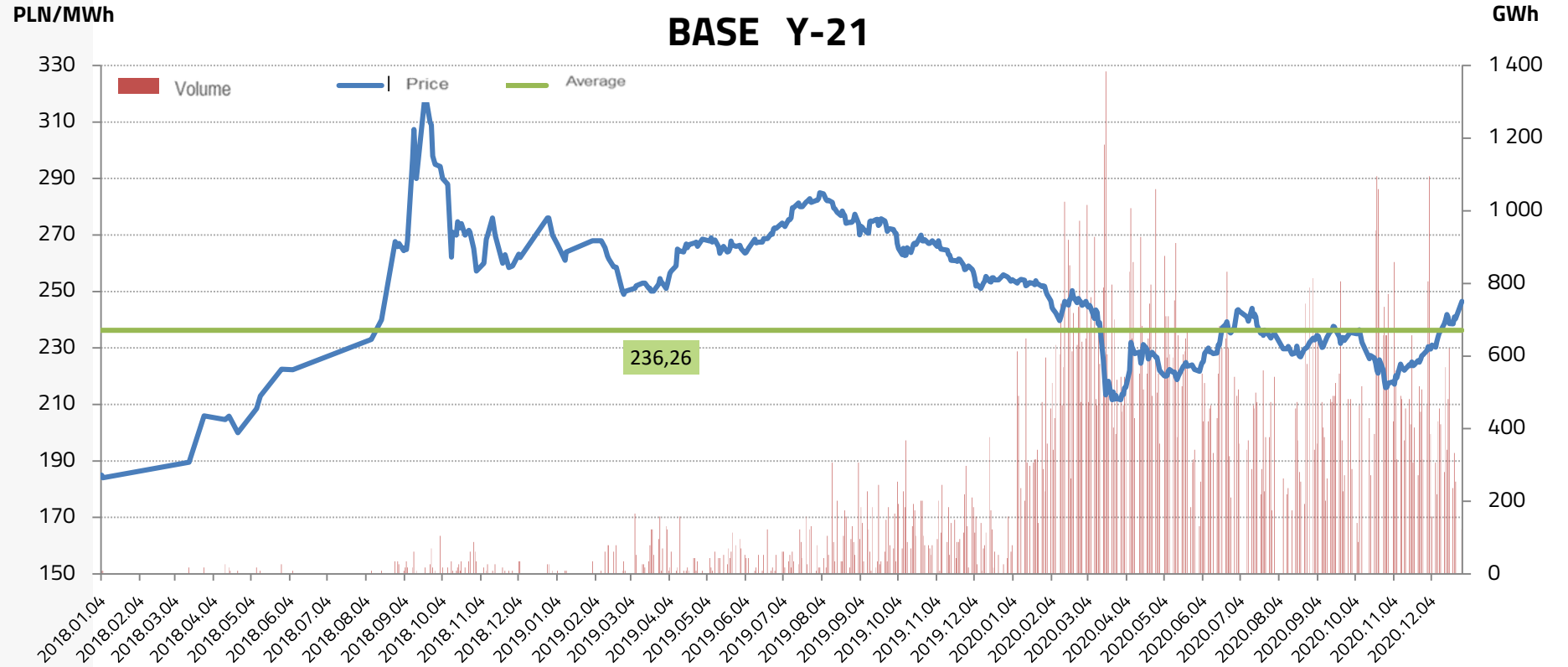


		Average price [PLN/MWh]	Volume [GWh]
Total		265.42	134 887
including	TGE	265.44	134 852
	non-TGE	208.19	35

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		288.90	66 883
including	TGE	288.90	66 883
	non-TGE	0	0

Average electricity price that takes into account 2022 one-year BASE and PEAK contracts: 292.98 PLN/MWh, total 2022 BASE and PEAK contracts volume: 74 125 GWh



## 2023 BASE contract prices



		Average price [PLN/MWh]	Volume [GWh]
Total		293.29	10 819
including	TGE	293.29	10 819
	non-TGE	0	0

Average electricity price that takes into account 2023 one-year BASE and PEAK contracts: 294.25 PLN/MWh, total 2023 BASE and PEAK contracts volume: 11 180 GWh